

STATE OF ALABAMA

ALABAMA PUBLIC SERVICE COMMISSION

P.O. BOX 991

MONTGOMERY, ALABAMA - 36102

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 Gas Board of the City of Demopolis (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 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 twelve 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 17111

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 Gas Board of the City of Demopolis (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 twelve 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 January 6, 1976, and was duly set down for hearing to be held January 20, 1976, and, notice of such hearing having been duly given, the Commission on January 20, 1976, 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 City of Demopolis (the City) and in the territory adjacent and near thereto. The Board entered into the Service Agreement with Southern, dated September 8, 1969, under which Southern agreed to sell gas to the Board.

Under the provisions of Section 6 of 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 December 23, 1975, the Applicant delivered to the City and to the Board an offer (the Offer) to purchase the System and the Service Agreement. A copy of the Offer was attached to the Application and marked "Exhibit B" thereto. The Offer was conditioned, among other things, upon:

- (a) The issuance by the Commission of an order: (1) 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 City to the Applicant of a thirty-year franchise to operate the System in the City and the police jurisdiction thereof;
- (c) The issuance by the Federal Power Commission of an order approving the assignment by the Board and the City 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 call for redemption of the outstanding bonds of the Board and the deposit in escrow with the Trustee under the Indenture executed with respect to such bonds, of the redemption price (consisting of the principal of and interest maturing on such bonds to August 1, 1976, plus a redemption premium equal to one year's interest on such bonds) as provided in such Indenture.

On January 5, 1976, the City Council of the City adopted an ordinance accepting the Offer, subject to the conditions set out therein, and consenting to the said transfer and conveyance as required by Act No. 1212 and on January 2, 1976, the Board of Directors of the Board adopted a resolution accepting the offer, subject to the conditions set out therein.

As consideration for the sale of the System, the Applicant in the Offer agreed to pay to the Board the sum of \$223,600 plus interest on the outstanding bonds of the Board from the date of the conveyance of the System to the Applicant to August 1, 1976. The System is in such physical condition that it will be necessary substantially 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 \$75,000 exclusive of replacements. It will take approximately twelve 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. The rate schedules of the Board were attached to the Application and marked "Exhibit C" thereto. Subsequent to the filing of the Application, the Board placed into effect new rate schedules that reflected an increase in Southern's rates as approved by an order of the Federal Power Commission, which Southern placed into effect on January 2, 1976. 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 Application schedules of rates, marked "Exhibit D" to the Application, which it proposed to place into effect with respect to customers to be served by means of the System. Such rates did not, however, reflect Southern's January 2, 1976, rate increase, and Applicant, therefore, on January 20, 1976, filed with this Commission an Amendment to the Application which included a new schedule of rates, marked "Amended Exhibit D," identical to the schedule of rates included in the Application as Exhibit D thereto, except that such schedules were adjusted to reflect Southern's January 2, 1976, rate increase.

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 substantially 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 the benefit of Applicant's peak shaving plants.

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 HEREBY 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 Offer, 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 \$202,500.00 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 new schedules of rates to be applicable to customers of the Applicant served by means of the System, in the form as filed with the Amendment to the Application as Amended Exhibit D

thereto, are approved and such schedules of rates are authorized to become effective upon the conveyance of the System to the Applicant and upon written notice thereof to this Commission, and to remain in effect during the twenty-four month period following such conveyance; and

4. 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 twelve 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 21st day of January, 1976.

ALABAMA PUBLIC SERVICE COMMISSION

(signed)

C. C. Whatley, President

(signed)

Jim Zeigler, Commissioner

(signed)

Juanita W. McDaniel, Commissioner

ATTEST: A True Copy

(signed)

Wallace Tidmore, Secretary

STATE OF ALABAMA
ALABAMA PUBLIC SERVICE COMMISSION

P.O. BOX 991
MONTGOMERY, ALABAMA - 36102

April 12, 1976

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

Dear Mr. DeLeon:

In reference to our meeting on Friday, April 9, 1976, enclosed is a brief description of the Demopolis Gas System and items that they do not comply with.

This system has approximately 70 miles of cast iron in sizes from 2" to 6", three miles of 4" coated and wrapped steel, approximately 1700 services (majority are black iron uncoated).

A complete inspection was made of this system on April 2 and 6. The following are not in compliance:

1. There are three regulator stations, one not having had annual maintenance. (Reference 192.739)
2. Same as above with 192.743 as to reliefs being inspected. The reliefs they have do comply with 192.201, but they have two stations where the reliefs are undersized.
3. They have a pressure recording chart that is inoperable. (Reference 192.741)
4. Critical leak survey was run June 1975 by Southern Cross. One hundred percent survey of the system was run in November and December 1974. All leaks have not been repaired. The following class leaks are left: Class I - 1; Class II and III - approximately 200.
5. The existing odorizer indicates no way to figure injection rate of captan. (Reference 192.625)
6. They are in violation of 192.491 in that they have anodes that are not on the map with no pipe-to-soil readings to see if the pipe is protected.
7. This system has approximately 200 valves and they have records of only six being key valves. This is in violation of 192.747.
8. They are also in violation of 192.479 - atmospheric corrosion.

I assure you that the Gas Pipeline Safety Division of the Commission will keep close contact on this system to see that Alabama Gas Corporation complies with the program they have set out.

Enclosed is a copy of Alabama Gas Corporation's proposal to bring this system into complete compliance.

Hoping that some way you might be able to expedite this waiver so that Alabama Gas may start bringing this system into compliance the day they acquire it.

Hoping this is enough detail that you can grant this waiver on the items mentioned. Looking forward to hearing from you soon.

Sincerely,

(signed)
Larry E. Waldrop
Administrator
Gas Pipeline Safety

LEW/jr

Enclosure

*Enclosure to 04/12/76 letter from the
Alabama Public Service Commission*

MEMORANDUM

Re: Further Submission by Alabama Public Service Commission
Pursuant to Request of Office of Pipeline Safety

BACKGROUND

Alabama Gas Corporation has entered into an agreement with the Gas Board of the City of Demopolis, Alabama, whereby Alabama Gas has agreed to purchase the natural gas distribution system presently owned by the Gas Board, which system serves the City of Demopolis. The agreement is contingent upon, among other things, the approval by the Alabama Public Service Commission (APSC) of the transfer; the granting by the APSC of a waiver and/or an extension of the deadlines for compliance with certain federal gas pipeline safety standards set forth in 49 CFR Part 192; and the approval by the Federal Power Commission (FPC) of the assignment by the Gas Board to Alabama Gas of its Gas Purchase Contract with Southern Natural Gas Company.

The APSC issued its order dated January 21, 1976, approving the purchase by Alabama Gas of the gas distribution system from the Gas Board of the City of Demopolis. In its order, the APSC also determined that a waiver of compliance with the regulations of the OPS is not inconsistent with gas pipeline safety and granted Alabama Gas an extension of 12 months from the date upon which title to the system is conveyed to Alabama Gas, to rehabilitate the system in order to bring it into compliance with the OPS regulations. Alabama Gas is now awaiting an order from the FPC approving the transfer of the system.

Subsequent to the issuance of its order, the APSC gave notice to the Office of Pipeline Safety (OPS) of the extension granted by its order. The OPS has now stayed the order of the APSC granting the waiver and/or extension. Alabama Gas has not taken title to the Demopolis gas distribution system. Obviously, Alabama Gas cannot undertake to make a detailed physical inspection of the system until it has taken title. The deadline for compliance with those regulations other than regulations dealing with cathodic protection has already passed and the Gas Board of the City of Demopolis (Gas Board) has not brought the system into compliance with the standards as promulgated by such regulations. The purchase of the system by Alabama Gas is contingent upon the issuance by the APSC and the approval by OPS of the waiver and/or extension necessary to bring the system into compliance with OPS regulations. If said extension is granted, Alabama Gas proposes to commit a task force to the task of bringing the Demopolis distribution system into full compliance as quickly as possible. Additionally, Alabama Gas proposes to take whatever interim safety measures prove to be necessary.

This submission addresses the following items:

- (1) A statement of the APSC's safety evaluation of the Demopolis system relative to 49 CRF Part 192.
- (2) A listing of specific regulations (if less than the full Part 192) to which a waiver is to apply, stating for each why Alabama Gas Corporation cannot comply and what interim safety measures are proposed.

- (3) A proposed schedule for bringing portions of the system into compliance.
- (4) A statement that the APSC will periodically verify Alabama Gas Corporation's compliance accomplishments through inspection or review progress reports, or both.

Item 1.

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Item 2. - In the case of each of the following specific regulations to which the waiver is to apply, Alabama Gas Corporation cannot comply with the regulations until it takes title to the system and it cannot determine with any certainty what interim safety measures will be required until a 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.

- 192.195 - Protection against accidental over-pressuring.
A visual inspection of some of the district regulator stations shows an absence of the pressure-relieving or pressure-limiting devices required by this section. Alabama Gas proposes to install such devices as soon as possible.
- 192.199 - Requirements for design of pressure relief and limiting devices.
Alabama Gas will see that the design, sizing, installation, operation, and physical condition of all pressure relief or limiting devices comply with this section.
- 192.201 - Required capacity of pressure-relieving and limiting stations.
The central focus of this section, maximum allowable operating pressures (MAOP) has not been determined. The MAOP will be determined as soon as Alabama Gas takes title to the system. As soon as Alabama Gas has determined the capacities of regulators and relief valves, each pressure relief station or pressure limiting station will be altered if necessary to obtain the appropriate capacity, and will be set to operate to insure the requirements of this section.
- 192.453 - General. This section comes under Subpart I - Requirements for Corrosion Control. Since the Gas Board has no persons in its employ who are "qualified by experience and training in pipeline corrosion control methods" and because of representations made to Alabama Gas by the Gas Board, it is apparent that the system is not presently under cathodic protection. Alabama Gas has established procedures to implement the requirements of this Subpart on its system and will do so with reference to the Demopolis system if this extension is granted.
- 192.455 - External Corrosion Control: Buried or submerged pipelines

- and
192.457 - installed after July 31, 1971.
- External Corrosion Control: Buried or submerged pipelines installed before August 1, 1971.

Alabama Gas Corporation, if granted the requisite waiver and/or extension, will, immediately after transfer of title to the system, conduct a detailed physical inspection of the system and will, as rapidly as possible, perform each and every act necessary to comply with these two sections.

- 192.467 - External Corrosion Control: Electrical isolation.
Inspections undertaken thus far by Alabama Gas indicate that no meter settings have been isolated from the house piping. Immediately after acquisition, Alabama Gas will effect the electrical isolation required by this section.

- 192.479 - Atmospheric Corrosion Control: General.
Alabama Gas has determined that many above-ground pipe installations have suffered from atmospheric corrosion and Alabama Gas will clean and either coat or jacket the areas of atmospheric corrosion with a material suitable for the prevention of further atmospheric corrosion.

- 192.625 - Odorization of Gas.
There are two odorizers in service on this system and one will require a complete overhaul. Alabama Gas will check the present rate of odorization and will perform whatever work is necessary to comply with this section.

- 192.703 - General. Alabama Gas will operate the distribution system and maintain it in accordance with Subpart M - Maintenance. Each segment of pipeline that becomes unsafe will be replaced or repaired or removed from service. All hazardous leaks will be repaired promptly.

- 192.707 - Line markers for mains and transmission lines.
Alabama Gas will install all line markers required by this section.

- 192.723 - Distribution systems: Leakage surveys and procedures. Alabama Gas Corporation will perform a complete leakage survey on all mains and services in the entire system and will fulfill the requirements of this section.

- 192.743 - Pressure-Limiting and Regulating Stations: Testing of relief devices.
Alabama Gas will make the necessary modifications at relief valve installations to permit in-place testing and will conduct in-place testing as required by this section.

- 192.747 - Valve maintenance: Distribution Systems.
Alabama Gas will determine the location of all key or critical valve installations and 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 will then check and service, at intervals not exceeding one year, each valve, the use of which may be necessary for the safe operation of the distribution system.

Additionally, due to the high "unaccounted for volumes" ($\pm 20\%$) experienced on this system, Alabama Gas will replace virtually all meters on the system. It should be emphasized that the foregoing is based on a visual examination of the system by Alabama Gas personnel and represents its best estimate and judgment. Alabama Gas represents to the APSC that it will, upon the granting of this waiver and/or extension, and upon its acquisition of the Demopolis system, perform any and all other acts which may be necessary to bring this system into full compliance with the Gas Pipeline Safety Standards.

Item 3. Alabama Gas has furnished the following schedule for bringing portions of the system into compliance and particularly for accomplishing the requirements of the specific regulations listed above. 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 this 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 12 months or less from the date Alabama Gas takes title to the Demopolis distribution system. The items are listed in order of priority and the length of time for which the waiver is requested. The schedule and interim safety measures follow:

1. Section 192.201

Compliance to be reached within one month. Interim safety measures will consist of a thorough inspection and necessary repairs to all gas pressure regulators serving gas mains in Demopolis. Inspections will be completed the first day.

2. Section 192.195 and 192.199

A waiver of two months has been requested for these sections. Interim safety measures to be instituted on the first day will consist of thorough inspections of and necessary repairs to all gas pressure regulators serving gas mains in Demopolis.

3. Section 192.625 - Odorization of Gas

Two months waiver requested. The first day we will use an odorometer to test the level of odor at various locations in the city. If odor not sufficient, the odor injection rate will be increased until the required level is obtained.

4. Section 192.723 - Distribution Systems

One month waiver requested. Interim safety measures will consist of prompt checking of any reported leaks and prompt repair of those judged to be hazardous.

5. Section 192.743 - Pressure Limiting and Regulating Stations

Two months waiver requested. Interim safety measures: Same as for Items 1 and 2.

6. Section 192.707 - Line Markers for Mains and Transmission Lines

One month waiver requested. Interim safety measures: Install markers on most important lines first.

7. Section 192.747 - Valve Maintenance

Three months waiver requested. Interim safety measures: Perform maintenance on most important valves first.

8. Section 192.703 - General

Four months waiver requested. Interim safety measures: Any hazardous leaks will be repaired promptly.

9. Sections 192.453, 192.455, 192.457, 192.467 and 192.479 - Corrosion Control

Six to twelve months waiver requested. Interim safety measures to be taken: All domestic and small commercial meters will be replaced as rapidly as possible and in doing so will effect the electrical isolation of service lines from customers' facilities.

Item 4. The Alabama Public Service Commission will periodically verify Alabama Gas Corporation's compliance accomplishments through inspection and/or we will review progress reports, or both, as deemed necessary.

The APSC and Alabama Gas respectfully request and urge the OPS to give this matter its prompt attention and expedited handling and, further, that the OPS grant its approval of the temporary extension/waiver issued pursuant to APSC order. As previously stated, Alabama Gas cannot take title to the subject gas system unless and until such extension/waiver is approved by OPS. The purchase of the system by Alabama Gas is a matter of very much importance to the people of the City of Demopolis and such purchase is the most reliable method by which the system can be brought into compliance with OPS regulations. We stress again that the waiver/extension is only temporary and in order to allow sufficient time to achieve compliance.

April 9, 1976

DEPARTMENT OF TRANSPORTATION
MATERIALS TRANSPORTATION BUREAU
WASHINGTON, D.C. 20590

August 10, 1976

Mr. Larry E. Waldrop
Administrator

Gas Pipeline Safety
Alabama Public Service Commission
P.O. Box 991
Montgomery, Alabama 36130

Dear Mr. Waldrop:

This refers to the Commission's Order dated January 21, 1976, in Docket 17111 (OPSO Docket No. ALA-76-1) granting the Alabama Gas Corporation (AGC) an extension of 12 months to comply with 49 CFR Part 192 with respect to a gas system to be purchased from the City of Demopolis, Alabama. We stayed the Order by telegram dated March 26, 1976, basically on grounds that the record did not contain enough information about the condition of the system or the reasons why a waiver was sought for us to determine whether a waiver would be consistent with pipeline safety. The notice staying the Order suggested that on appeal the Commission submit (1) a safety evaluation of the system, (2) a statement of the particular safety standards to which the waiver is to apply, why compliance would not be possible, and what, if any, alternative safety measures might be appropriate, (3) a schedule of AGC's compliance program, and (4) a statement that the Commission will periodically verify completion of the program.

On April 12, 1976, the Commission appealed our stay of the Order, furnishing the results of its inspection of the system and a further statement by AGC. The AGC statement lists those safety standards from which a waiver is sought based on its preliminary evaluation of the Demopolis system. In support of its need for a waiver, AGC states that the City of Demopolis has not brought the system into compliance with Part 192 (as evidenced by the Commission's inspection report). Further, the AGC agreement to purchase the system is contingent upon obtaining a waiver, or extension of time, to bring the system into compliance; and if an extension is granted, AGC intends to commit a task force to achieve full compliance as quickly as possible.

AGC proposes that the waiver apply to the following sections of Part 192 for the periods indicated:

Section 192.195	2 months
Section 192.199	2 months
Section 192.201	1 month
Section 192.453-192.479	12 months
Section 192.625	2 months
Section 192.703	4 months
Section 192.707	1 month
Section 192.723	1 month
Section 192.743	2 months
Section 192.747	3 months

Our review of the information submitted indicates that the Demopolis system suffers from lack of maintenance and is not in compliance with the above listed sections of Part 192, but that none of the violations constitute a hazardous condition. Upon transfer of title, AGC appears willing and able to bring the system into full compliance within a reasonable period of time, and it is clearly in the public interest that efforts to achieve compliance begin as soon as possible. The record does not indicate whether AGC would be willing to purchase the system and carry out its planned compliance program if a waiver were not granted. Nevertheless, in consideration of the safety benefits to accrue from implementation of AGC's planned compliance program and the lack of

AGC control over the present condition of the system, it appears reasonable and fair that AGC be granted a waiver so that operation of the system after title is transferred would not be in violation of law. It also appears that a waiver would not be inconsistent with pipeline safety.

Therefore, we have determined that a waiver may be granted by the Commission subject to the following conditions:

1. The waiver only applies to those safety standards listed above from which AGC is seeking relief.
2. With respect to each standard to which the waiver applies, the waiver begins upon transfer of title and terminates at the end of the period indicated above or when AGC brings the pipelines involved into compliance, whichever is sooner.
3. Every 30 days AGC must file with the Commission a report of the progress under its compliance program with respect to those standards to which the waiver applies.

Sincerely,

(signed)
Cesar DeLeon
Acting Director
Office of Pipeline Safety Operations

No copy is available of the 03/26/76 telegram referenced in this letter