

August 23, 2012

Mr. Dudley Reynolds, President  
Alabama Gas Corporation  
605 Richard Arrington Jr. Blvd North  
Birmingham, Alabama 35203

Dear Mr. Reynolds:

Cast iron pipe has for some time been considered a serious threat to natural gas distribution systems. Past incidents in Allentown, Pennsylvania in 1991, and the most recent incident, again in Allentown, Pennsylvania in 2011, point to the hazards associated with cast iron piping. The first incident prompted an "Alert Notice ALN-91-02," dated October 11, 1991, from the Office of Pipeline Safety in the Federal Department of Transportation. This "Alert Notice" stated that "NTSB (National Transportation Safety Board) Recommendation S P-91-12, 07/90 Allentown, PA: replacement of cast-iron piping. RSPA (Research and Special Programs Administration of the Department of Transportation)/gas operators should have a program to identify/replace cast iron systems that threaten public safety."

Alabama has been fortunate in not having to experience the pain and suffering that accompanies a tragic incident like the one in Allentown where five people lost their lives and countless homes and businesses were adversely affected. However, Alabama ranks in the top ten states with the most cast iron pipe remaining in its distribution systems.

The Alabama Public Service Commission, Gas Pipeline Safety Section, realizes that cast iron is a serious risk and should be one of the top threats in each operator's Distribution Integrity Management Plan (DIMP). We also realize that current economic conditions are not favorable for large-scale replacement projects, especially when those projects are mostly located within congested downtown areas where it is difficult, if not impossible, to undertake replacement projects. From a SAFETY perspective, cast iron replacement is something that should take top priority with every operator, especially when it is located within the confines of a downtown area where there is little or no way for the gas to vent without going into buildings, sewer systems and other hazardous spaces. These replacements should be accelerated and addressed as soon as practical.

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After reviewing your *Annual Reports, Form PHMSA F 7100.1-1 (01/2011)* from 2008 through 2011, you have reported activity in the area of cast iron replacement. We congratulate you for the efforts you have already taken in removing the cast iron pipe from your system. However, based on the percentages of pipe removed over the last four years, it will be many years before all of the cast iron within your system is completely removed. The Alabama Public Service Commission, Gas Pipeline Safety Section, requests that you to look at cast iron replacement as a top priority and something that should be of utmost importance in your annual project planning. We also ask that you give this office: 1) an estimate of how many miles (or percentage) will be replaced on an annual basis, and 2) a realistic time of completion for removal of all cast iron pipe from your system. Please have your response back to this office no later than September 28, 2012.

We look forward to the day that Alabama will be a safer place to work and play because all cast iron pipe has been removed from every distribution system.

Sincerely,

Janice M. Hamilton  
Director, Energy Division



Amy Watson Stewart  
Vice President - Rates and Gas Supply

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September 21, 2012

John Garner, Esq.  
Executive Director and Chief Administrative Law Judge  
Alabama Public Service Commission  
P. O. Box 304260  
Montgomery, AL 36130-4260

Dear Judge Garner:

I am writing in response to Janice Hamilton's letter to Dudley Reynolds dated August 23, 2012. We applaud the Commission's continued efforts to ensure that the natural gas systems in our state provide safe, reliable service. Alabama Gas is committed to operating its pipeline system at the highest level of system integrity while serving our customers in a safe, reliable and efficient manner. As part of our normal operating practice and risk assessment, cast iron pipe analysis is continuously performed and pipe is replaced as needed based on a variety of factors including repair history and field personnel's recommendations.

Although cast iron pipe replacement has been designated as an important aspect of ensuring the integrity of a gas distribution pipeline operation, another area of critical importance is protecting this infrastructure from damages by third parties. The necessity of 811 one-call legislation with appropriate enforcement for damages is dependent on the state making this a priority. Without appropriate legislation and enforcement, third party damages on natural gas pipeline operations will continue to be the primary threat to the safe operation of pipeline facilities for the public. As noted in our most recent DOT report, repairs for hazardous gas leaks due to excavation damages are over 300% greater than hazardous leak repairs due to corrosion.

Alabama Gas' System Integrity Department, which is responsible for administering the Company's cast iron replacement program, interacts regularly with the Alabama Public Service Commission's Office of Pipeline Safety and provides that office with regular reports on a variety of system integrity issues, including our cast iron replacement program and annual reports showing the mileage of existing cast iron mains that have been replaced and that remain in service. We also discuss cast iron replacement plans as part of the capital budget review with the Gas Section of the Energy Division each year.

We look forward to continued cooperation with the Commission on our joint goal of providing safe reliable service to customers in Alabama.

Sincerely,

Amy Watson Stewart  
Vice President - Rates and Gas Supply



**NATURALgas**

Take comfort in it.



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November 16, 2012

Mr. Wallace Jones  
Alabama Public Service Commission  
Gas Pipeline Safety Section  
P. O. Box 304260  
Montgomery, AL 36130-4260

Re: Alagasco Cast Iron Pipe Replacement

Dear Mr. Jones:

This letter is in response to the APSC's request for information. Over the past five years, Alagasco has replaced an average of 41 miles of cast iron pipe per year. On *Form PHMSA F 7100.1-1 - Annual Report for Calendar Year 2011 Gas Distribution System*, Alagasco reported 928 miles of cast iron pipe remaining in its system. Alagasco anticipates replacing 35 miles of cast iron pipe in 2012 and plans to replace approximately 51 miles in 2013. Based on available information and a number of assumptions which could change in the future, Alagasco currently estimates that it will have all of its cast iron facilities replaced in approximately 20 more years.

Sincerely,

Bob Gardner

