

# Improving and Extending Natural Gas Pipes to Better Serve Customers and New Communities

Presented to the National Association of State  
Energy Officials

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**Vice President**  
**Regulatory Affairs**  
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# This Slide makes the lawyers happy!

## Forward-Looking Statements

Certain expectations regarding in this presentation are forward-looking statements. Forward-looking statements involve matters that are not historical facts. Forward-looking statements contained in this press release include, without limitation, the expected use of proceeds of the senior note offerings. AGL Resources' and AGL Capital's expectations are not guarantees and are based on currently available information. While these expectations are believed to be reasonable in view of the currently available information, they are subject to future events, risks and uncertainties, and there are several factors - many beyond the control of AGL Resources and AGL Capital - that could cause results to differ significantly from these expectations. These events, risks and uncertainties include the possibility that the conditions to closing the senior note offerings or the proposed merger with Nicor will not be satisfied or waived, and unforeseen events that may necessitate the application of the net proceeds of the senior note offerings to other, more critical purposes. Events, risks and uncertainties which may cause actual events to differ materially from expectations also include, but are not limited to, changes in price, supply and demand for natural gas and related products; the impact of changes in state and federal legislation and regulation including changes related to climate change; actions taken by government agencies on rates and other matters; concentration of credit risk; utility and energy industry consolidation; the impact on cost and timeliness of construction projects by government and other approvals, development project delays, adequacy of supply of diversified vendors, unexpected change in project costs, including the cost of funds to finance these projects; the impact of acquisitions and divestitures; direct or indirect effects on AGL Resources' business, financial condition or liquidity resulting from a change in credit ratings or the credit ratings of counterparties or competitors; interest rate fluctuations; financial market conditions, including recent disruptions in the capital markets and lending environment and the current economic downturn; general economic conditions; uncertainties about environmental issues and the related impact of such issues; the impact of changes in weather, including climate change, on the temperature-sensitive portions of AGL Resources' business; the impact of natural disasters such as hurricanes on the supply and price of natural gas; acts of war or terrorism; and other factors which are provided in detail in AGL Resources' filings with the Securities and Exchange Commission, which we incorporate by reference in this press release. Forward-looking statements are only as of the date they are made, and neither AGL Resources nor AGL Capital undertakes to update these statements to reflect subsequent changes.

# AGL Resources

**LEGEND**

- ★ Corporate Headquarters
- ◆ Distribution Operations Headquarters
- 🌿 Natural Gas Utility
- 🏠 Storage Facility
- 👤 Customer Care Center
- 🏪 Retail Operations
- 🏢 Wholesale Services
- 🔍 Midstream Operations
- 🚢 Cargo Shipping

**Naperville**

Sycamore

Bloomington

**Atlanta**

Athens

Macon

**NICOR GAS**  
 Naperville, IL  
 SERVING CUSTOMERS SINCE 1954  
 # OF CUSTOMERS 2,188,000  
 MILES OF PIPE 34,000  
 UNDERGROUND STORAGE 150 Bcf  
[www.nicorgas.com](http://www.nicorgas.com)

**ELIZABETHTOWN GAS**  
 Berkeley Heights, NJ  
 SERVING CUSTOMERS SINCE 1855  
 # OF CUSTOMERS 274,000  
 MILES OF PIPE 3,000  
[www.elizabethtowngas.com](http://www.elizabethtowngas.com)

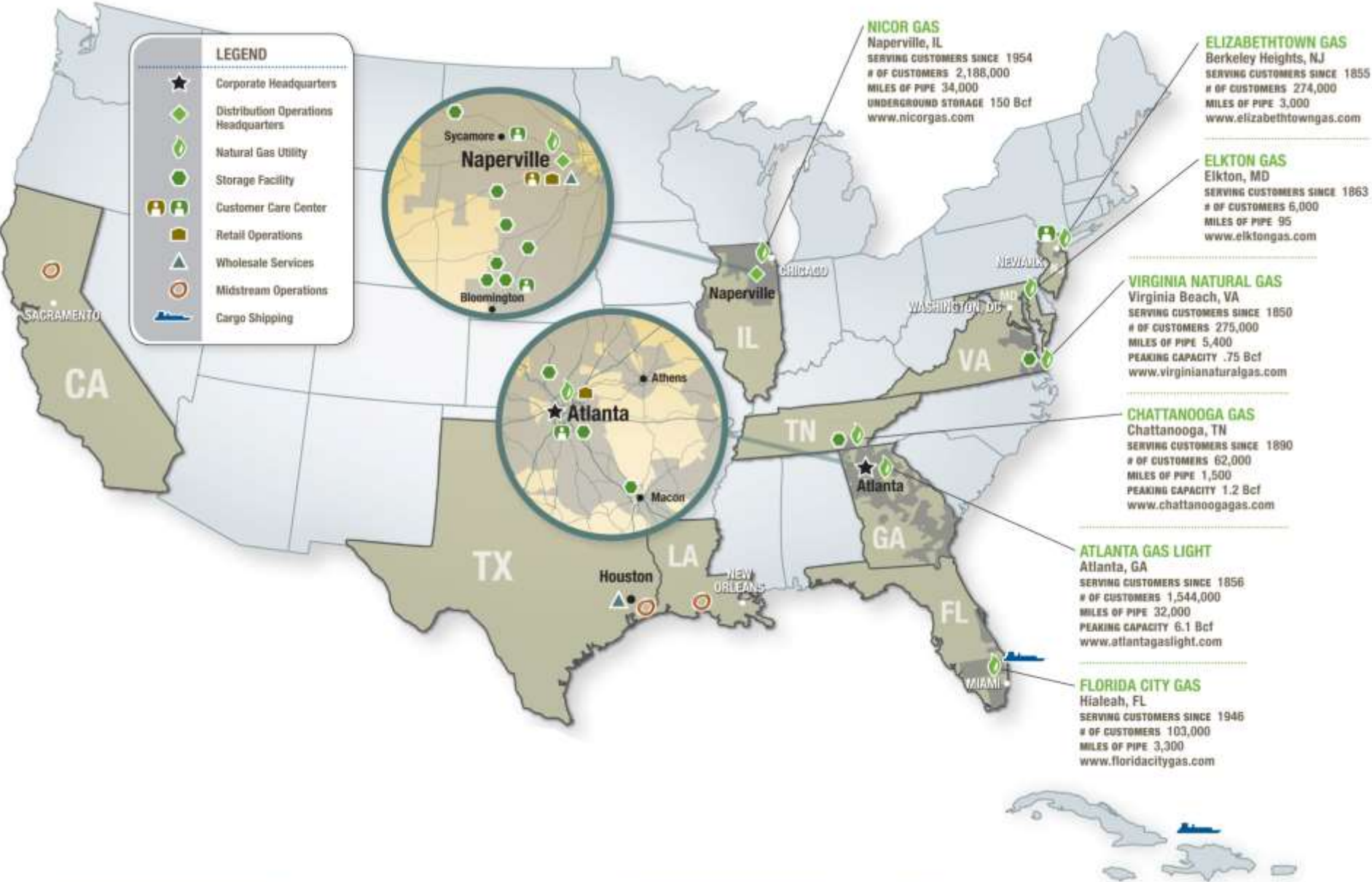
**ELKTON GAS**  
 Elkton, MD  
 SERVING CUSTOMERS SINCE 1863  
 # OF CUSTOMERS 5,000  
 MILES OF PIPE 95  
[www.elktongas.com](http://www.elktongas.com)

**VIRGINIA NATURAL GAS**  
 Virginia Beach, VA  
 SERVING CUSTOMERS SINCE 1850  
 # OF CUSTOMERS 275,000  
 MILES OF PIPE 5,400  
 PEAKING CAPACITY .75 Bcf  
[www.virginianaturalgas.com](http://www.virginianaturalgas.com)

**CHATTANOOGA GAS**  
 Chattanooga, TN  
 SERVING CUSTOMERS SINCE 1890  
 # OF CUSTOMERS 62,000  
 MILES OF PIPE 1,500  
 PEAKING CAPACITY 1.2 Bcf  
[www.chattanoogaagas.com](http://www.chattanoogaagas.com)

**ATLANTA GAS LIGHT**  
 Atlanta, GA  
 SERVING CUSTOMERS SINCE 1856  
 # OF CUSTOMERS 1,544,000  
 MILES OF PIPE 32,000  
 PEAKING CAPACITY 6.1 Bcf  
[www.atlantagaslight.com](http://www.atlantagaslight.com)

**FLORIDA CITY GAS**  
 Hialeah, FL  
 SERVING CUSTOMERS SINCE 1946  
 # OF CUSTOMERS 103,000  
 MILES OF PIPE 3,300  
[www.floridacitygas.com](http://www.floridacitygas.com)



# Why are we discussing this topic?

- Older pipe materials are in need of modernizing.
- Traditional approaches to replacement could take decades to accomplish.
- Historically low gas prices have seen new demand from unserved customers/fuel switching
- Special programs provide regulatory/legal certainty to utilities, who turn more certainty into lower project costs through multiple-year contracts.
- Regulators and state leaders will understand more about long range needs and system planning.

# What is being accomplished?

- **Pipe replacement**
  - Pipe materials installed during the '40's – '80's are in need of modernizing
    - Annual replacement rate can go from a few miles to a few hundred miles
- **System Reinforcement**
  - Customer growth and migration
  - Peak day service levels
  - Platform for growth
- **Economic Development**
  - Extending lines to reach new customers
  - Extending lines to unserved communities

# AGL Resources – a Case Study

- **All 7 states where we operate have special infrastructure programs**
  - Regulatory
  - Statutory
- **We have invested over \$1.5 billion under special programs**
  - Total to grow to \$2.9 billion over next 5 years
  - In Georgia, rate increases (cumulative) have been held under rate of inflation since 1998

# Atlanta Gas Light Infrastructure Programs

**Rate Base:**

**Line  
Extension**

**Statutory:**

**Universal  
Service  
Fund**

**PSC  
Approved:**

**PRP and  
STRIDE**



- **Georgia**
  - **STRIDE** – Strategic Infrastructure Development and Enhancement program
    - **PRP** - Pipeline Replacement Program (1998)
    - **i-SRP** – System Reinforcement (2009)
    - **i-CGP** – Customer Growth (2010)
    - **i-VPR** – Vintage Plastic Replacement (2013)



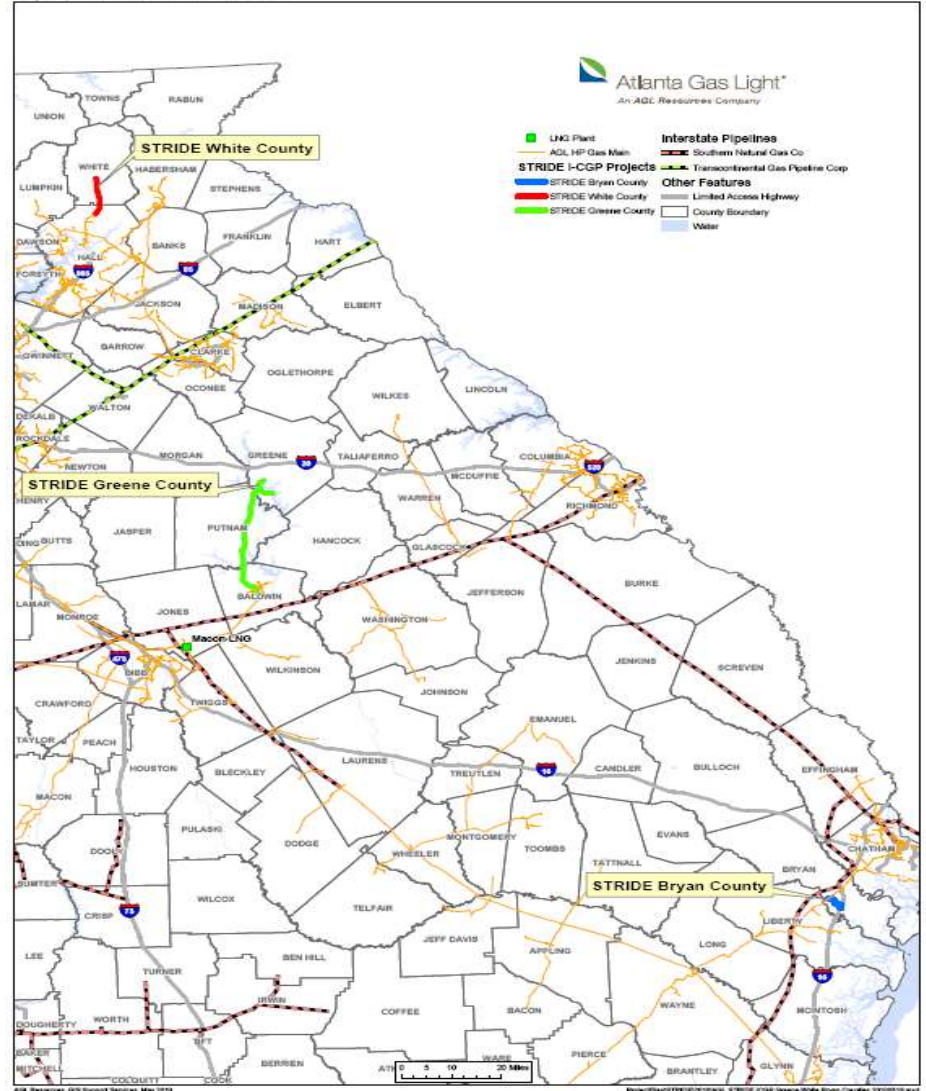
# STRIDE i-SRP: Improving peak day performance



# STRIDE : i-CGP Strategic Corridors



STRIDE i-CGP Projects  
Bryan, Greene & White Counties



# STRIDE: i-CGP Supplemental Line Extension

STRIDE

## Residential or Commercial

- Allowable investment includes basic amount plus **3x** allowable.

## Large Commercial

- Allowable investment includes basic amount plus **6x** allowable for:
  - 10,000 CFH load, or
  - 50 or more meter sets

## Agricultural

- Allowable investment plus **10x** allowable



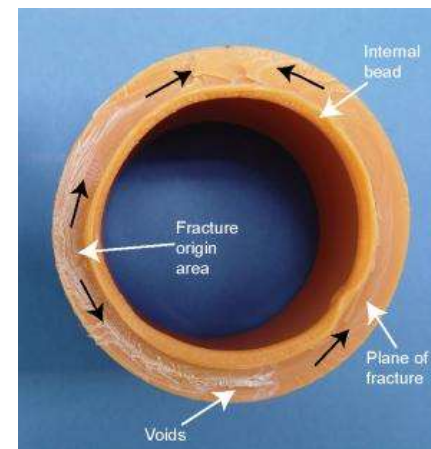


## First Generation Plastic Resins

- Aldyl-A pipe
- Generally installed 1965-1973
- Other similar resins installed thru 1984

## Maintenance issues

- Operates safely unless impacted by rock impingements, or outside activity. Growing leak rates.



# Atlanta Gas Light's Universal Service Fund

USF

Annual pipeline extensions  
to new growth corridors



AGL CNG Fueling Station  
Infrastructure Program



# AGL Resources Infrastructure Programs

- **Illinois**
  - Legislature Enacted “Qualified Infrastructure Programs”
    - 10 year safety and system reinforcement program covering 6 comprehensive areas
    - Annual investment limited to surcharge recovery approximating 4% of base rate revenues
    - Annual Reviews
    - Accumulated investments periodically rolled into rate base

# AGL Resources Infrastructure Programs

- **Florida**
  - Area Expansion Program (Tariff)
  - PGA (Intrastate Capacity)
- **Virginia**
  - SAVE (2012): \$125 million
    - Modeled on Georgia's STRIDE
- **New Jersey**
  - UIE (2010): \$175 million
  - AIR: (2013): \$115 million
  - ENDURE: (pending) \$15 million



# Florida City Gas – Area Expansion Program (AEP)

PSC  
Tariff

- Allows utility to recover added costs over 10 years from customers along new route.
- Rates can be adjusted after two years based on customer count and usage
- Customers pay normal tariff charges for gas service in addition to AEP charge



# Florida City Gas: Intrastate Pipeline Provider (ITP)

PSC  
Tariff

- Intrastate Pipelines as regulated providers were created by the legislature principally to serve large industrial and power generation customers outside utility service area.
- LDCs can contract for capacity from an ITP and recover costs through gas commodity portion of bill
- LDCs can extend distribution mains from ITP facilities to connect to customers, and expand service to remote portions of existing system



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# AGL Resources Infrastructure Programs

- **Maryland**
  - 2012 STRIDE Legislation
- **Tennessee**
  - TRA Reformation Act

# Special Infrastructure Programs Work

- **Planning and Transparency**
  - Preselect projects supported by construction estimates and growth data.
  - Surcharge ‘pre-approved’ subject to Commission audits
    - Actual cost recovery guaranteed
- **Partnership approach:**
  - Eliminates the “gotcha” penalty and high costs of traditional rate case approach
- **If not now, when?**
  - Relatively low gas costs and abundant supply
  - Traditional growth is slowing recovering
  - Rural interests are important state interests

*Thank you!*