Pipeline Replacement Programs (PRP) & Safety Projects at Atlanta Gas Light Company

AGL Resources

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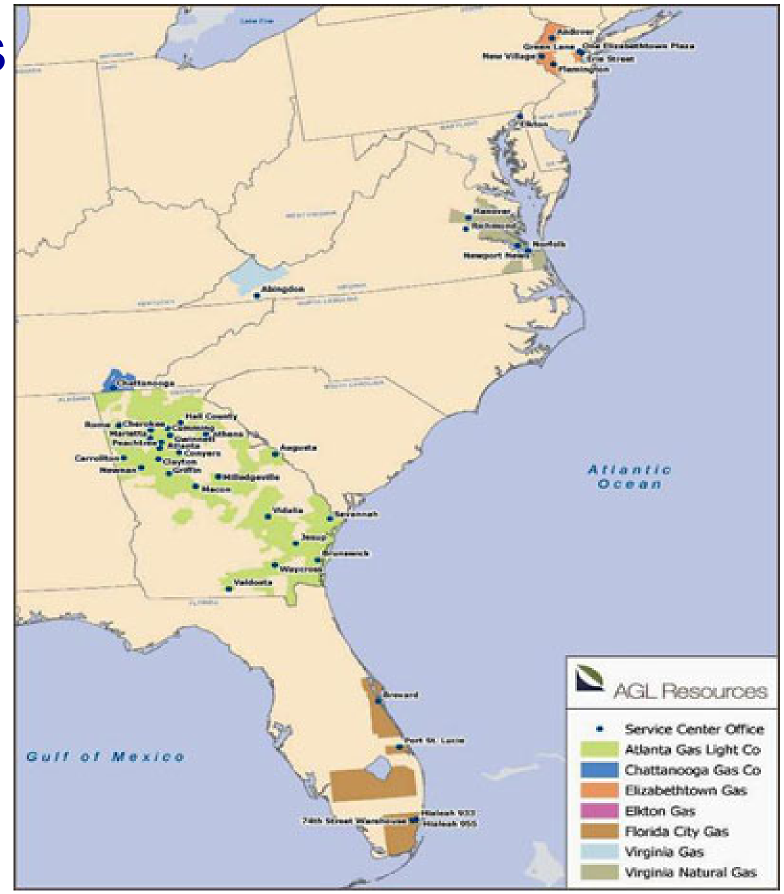
Six Natural Gas Companies

- 2.3 million customers in six states
  - Atlanta Gas Light (1.6 million)
  - Chattanooga Gas (61,000)
  - Elizabethtown Gas (273,000)
  - Elkton Gas (6,000)
  - Florida City Gas (104,000)
  - Virginia Natural Gas (271,000)



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A Little "PRP" History for Atlanta Gas Light

- Company had about 2400 (2700*) miles of bare steel and cast iron (BS/CI) when we began
- Company historically averaged replacing 20+ miles per year (Up to 60 miles)
- Georgia Public Service Commission (GPSC) and AGL negotiated a Stipulated Agreement to address various issues on **June 10, 1998**

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Terms of Initial Program

- All BSCI pipe must be replaced within 10 yrs
- All leaking sections to be removed in first 5 years
- Effective October 1, 1998
- To be completed by October 1, 2008
- All prudent costs are recovered including return on investment and return of expenses. Penalties for noncompliance

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Scope and Technology

- 231.2 Miles per year!
- Directional Drilling
- Live Insertion/Dead Insertion
- All Bare Steel & Cast Iron (2312/2610 miles*)
  - 16” Cast Iron
  - 24” Bare Steel (36”*)
- Increased System Pressures (60/300 psig)

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Some Tactical Benefits of our Rider

- Changes in Bid Processes
  - Frequency
  - Mileage Limits
- Use of Unit Pricing
- Longer Contract periods for work
- Contractors doing relights
- Joint trench
- Better Coordination with City projects
- Better customer relations on construction projects
- Support for Contractor base in down economy
- Lower Construction Costs

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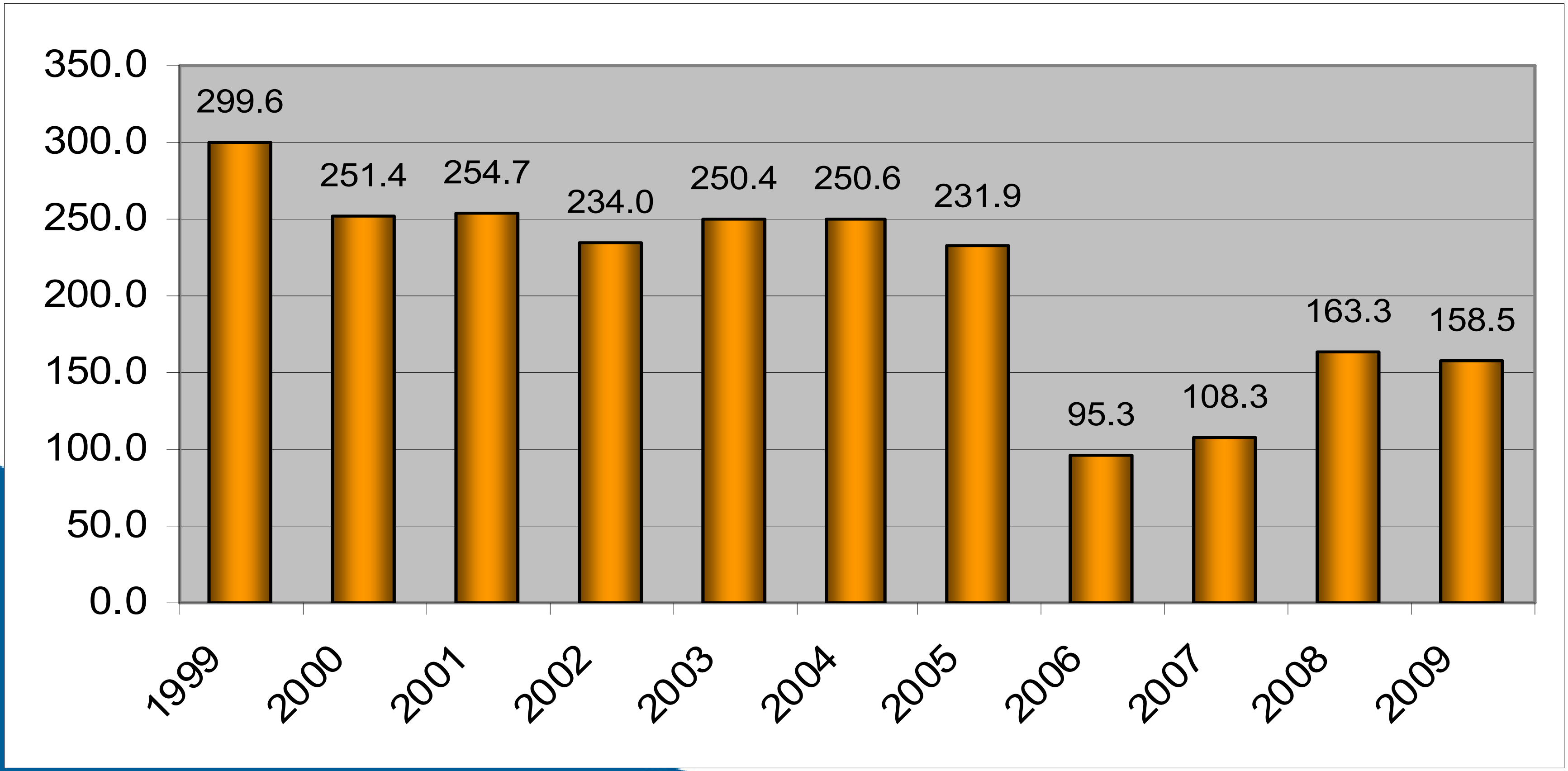
So How are we Doing?

PRP Main Retired - 2,298 miles to date

Oct 1998 through Dec 2009 (2”-24” retired) (2-36” installed)



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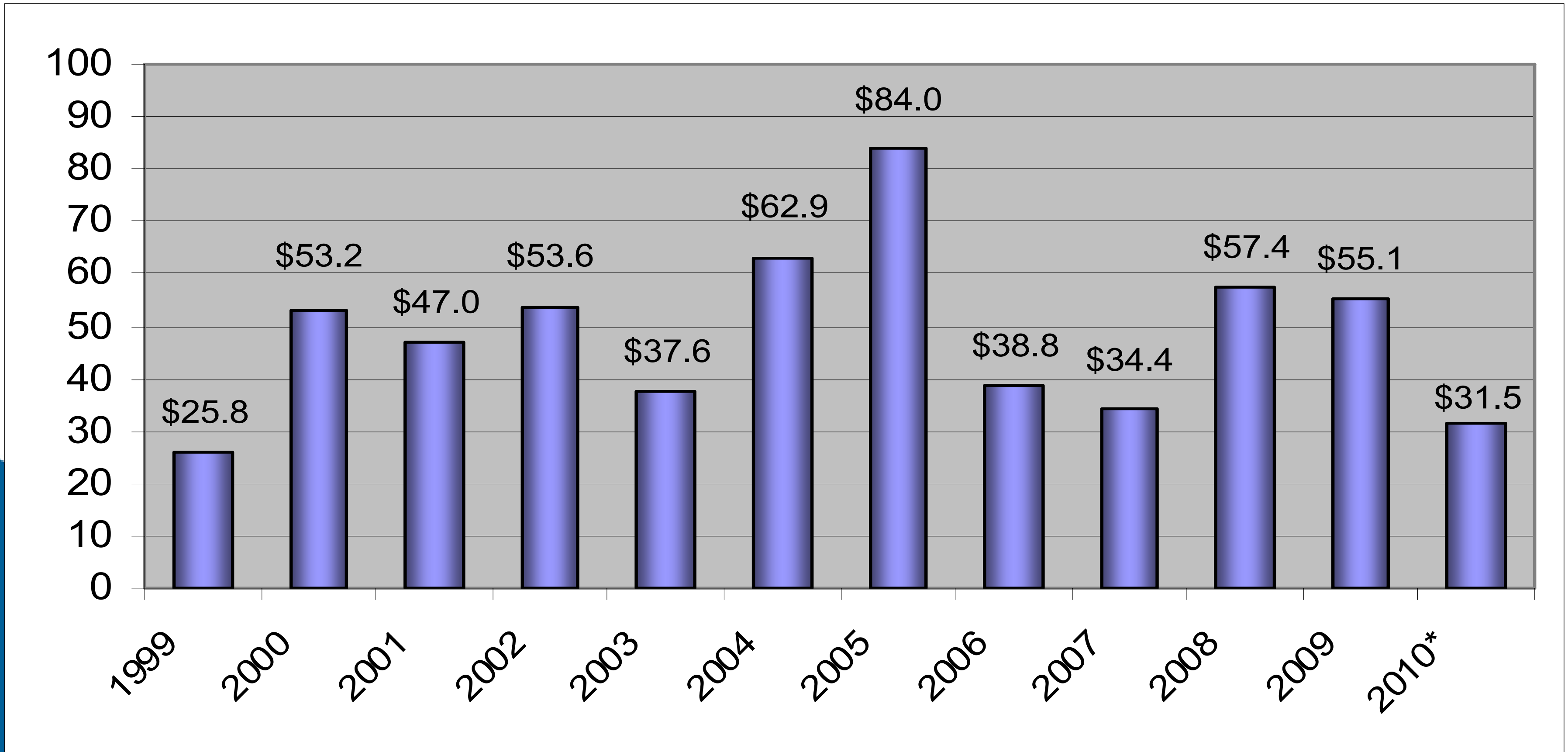
So How Much Are We Spending?

PRP Capital Spend - $581M to date

October 1998 to Dec 2009 ($48/ft total – including services)



* Recovery Year runs July to June each year

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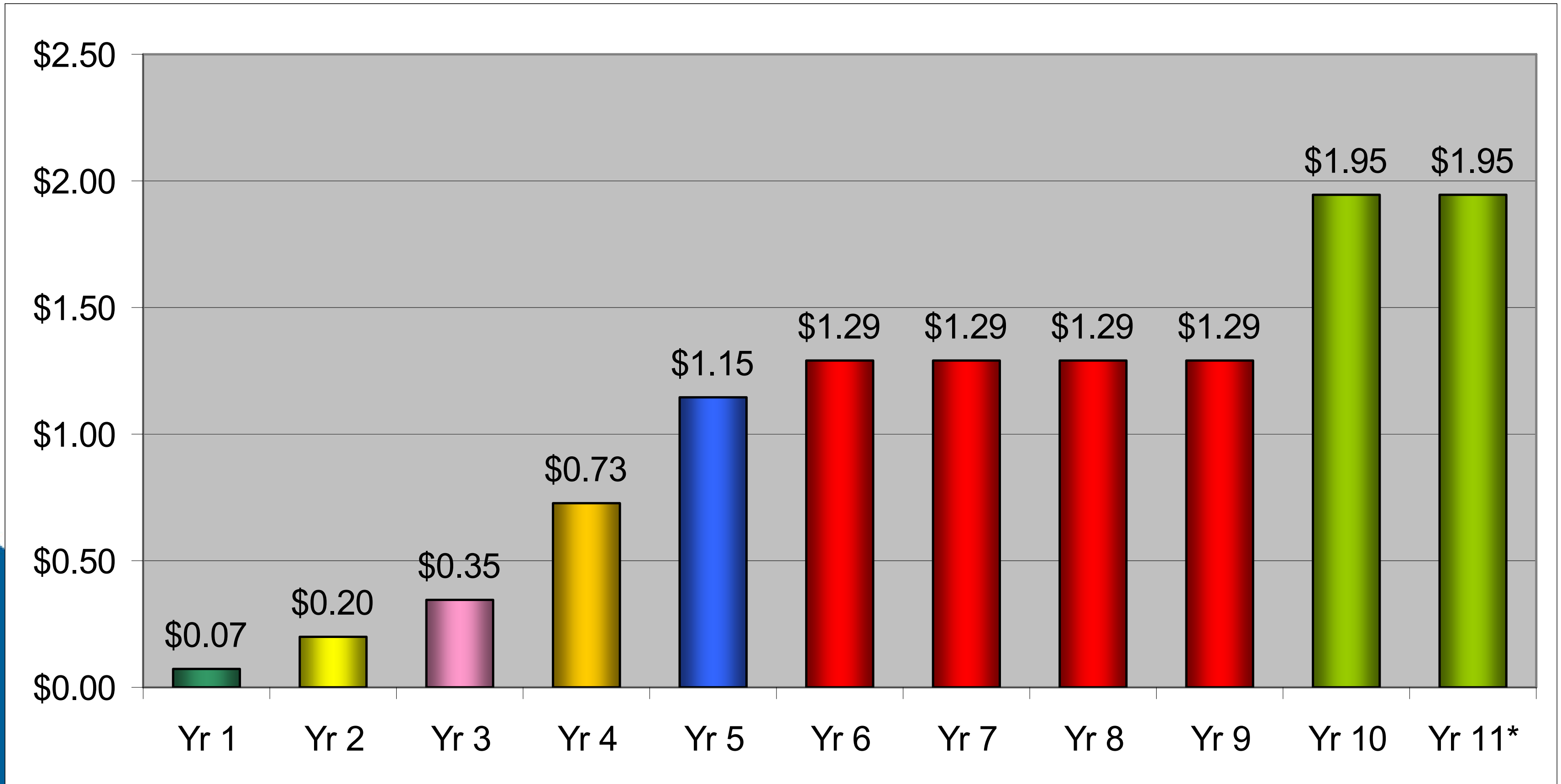
So What's the Cost per Customer?

(Commercial 3x, Interruptible 25x)



*PRP Component

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We're Almost Done Right?

- We're in Year 12 of a 15 Year Program (expanded from 10 years)!
- 312 Miles of original pipe left (414*)
- All Cast Iron was completed Dec 31, 2010
- Remaining Bare Steel to be complete Dec 31, 2
- What's around the corner?

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The Georgia Commission has chosen to use the Replacement Program to address other risks!

- Oct 09 – Strategic Infrastructure Development and Enhancement program (STRIDE) approved by GPSC
  - Merges PRP w/Infrastructure Reinforcement $450M over 10 years (3 yrs at a time)
  - Uses PRP Recovery mechanism to fund program
  - ($.39/$.39/$.40) on top of $1.95 for total of $3.13
  - Through 2022
- Dec 09 – Added Marginally coated steel (102 miles)

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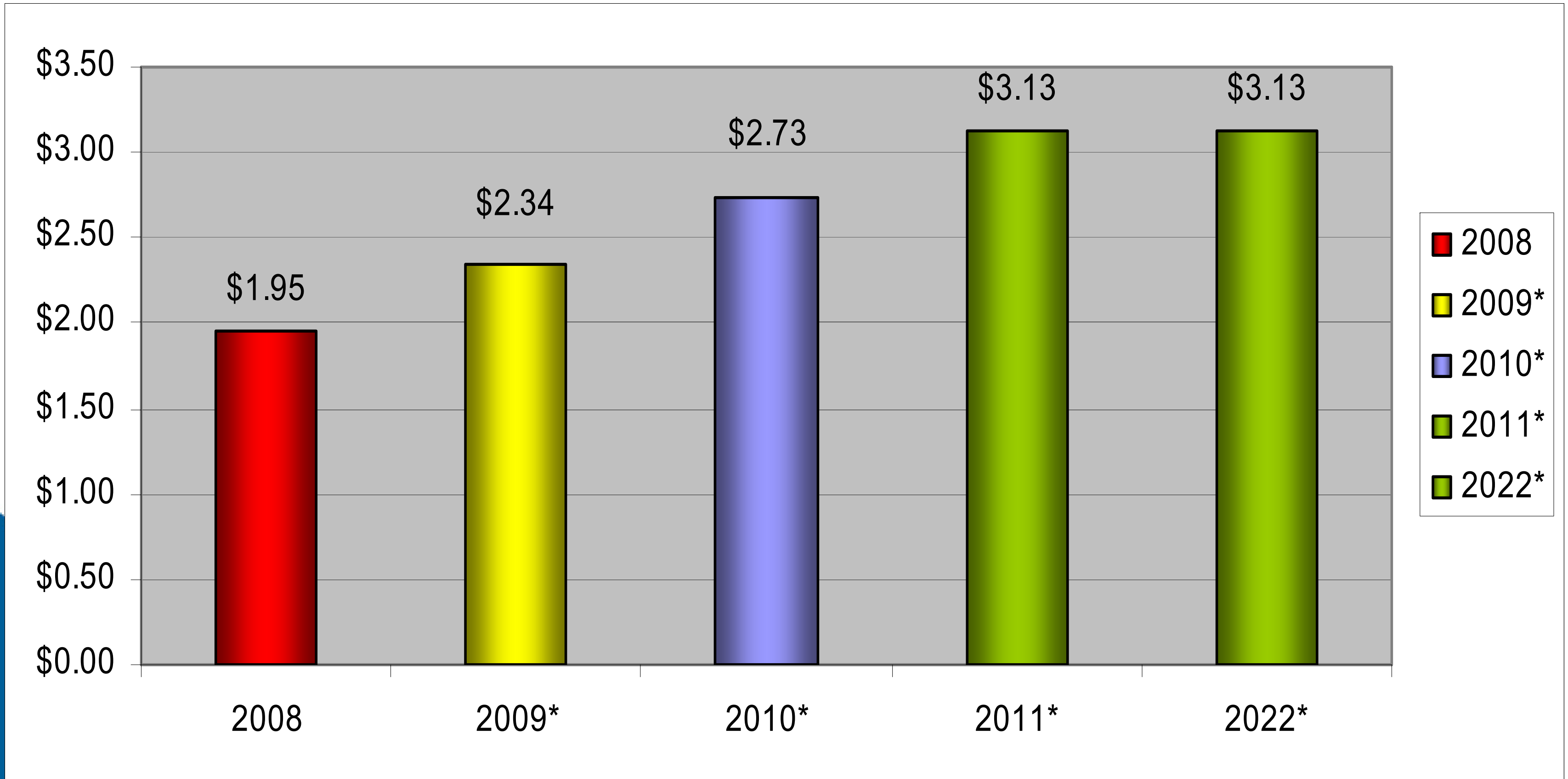
At What Customer Impact?
(Success at an acceptable price!)



* PRP + I-SRP

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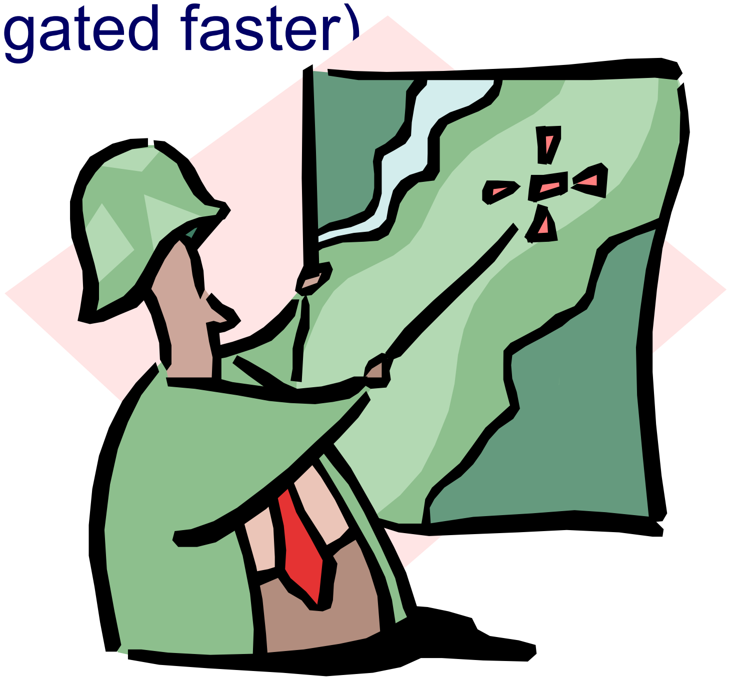
Strategic Benefits of a Programmatic Plan
(Dealing with Risks)

- Company can design comprehensively
- Reduces Contractor Bid prices (Surety of work)
- Work gets done faster (Risks mitigated faster)
- Defined Cost Recovery
- Prevents Rate Cases
- Provides Surety to Lenders
- Provides Surety to Wall Street
- Regulatory Audits (Prudency)
- Saves Ratepayers $$$
- Questions???



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