

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**

Staff of the Public Service Commission)	
Of the State of Missouri)	
)	
Complainant,)	
)	Case No. GC-2006-0318
v.)	
)	
Laclede Gas Company)	
)	
Respondent.)	

**ANSWER OF
LACLEDE GAS COMPANY**

COMES NOW Laclede Gas Company ("Laclede" or "Company"), pursuant to the Commission's February 6, 2006 Notice in the above-captioned case, as modified, and submits its Answer to the Complaint filed by the Staff of the Missouri Public Service Commission (the "Staff") on February 2, 2006. In support of its Answer, Laclede states as follows:

1. On February 2, 2006, the Staff filed a complaint with the Commission. In Count I of the Complaint, the Staff alleges that Laclede has failed to provide certain customers with a timely notice of their right to self-read their meter and self-report their usage and has also failed to attempt to secure an actual meter reading at least annually. In Count II of the Complaint, the Staff alleges that Laclede has failed to investigate and correct in a timely manner instances in which it has detected consumption of gas at a location where the meter is locked and service has been discontinued. At the conclusion of both Count I and Count II, the Staff also makes a number of recommendations regarding measures it believes Laclede should take to address the matters raised by Staff.

Laclede will address each of the Counts raised by Staff in its Complaint, together with the recommendations, in turn.

ANSWER TO COUNT I

2. Laclede generally admits the matters stated in paragraphs 1 through 3, 6, 7, 9 and 10 of Count 1 of the Complaint. Laclede generally denies the matters stated in paragraphs 4-5, 8, and 11 of Count 1 of the Complaint to the extent they suggest that Laclede has failed to comply with any Commission rule or tariff provision in a manner that would warrant the imposition of penalties.

3. As the Staff notes in paragraph 9 of its Complaint, Laclede is in the process of installing a new Automated Meter Reading (“AMR”) system throughout its service territory. In fact, the process of planning for, evaluating, negotiating, testing and deploying a new AMR system has been underway for well over five years now. The process has been lengthy and difficult at times because of Laclede’s insistence on finding and negotiating the best and most reliable AMR arrangement possible – an objective that led to protracted bargaining not only with the current AMR provider, but also with other potential vendors. At all times throughout this process, the Company’s primary focus has been on implementing an AMR system that will help it improve both the quality and cost of the service it provides its customers. And Laclede firmly believes that the AMR system it is installing now will do exactly that. Specifically, once the system is fully installed, it will enable Laclede to virtually eliminate estimated bills, a result that is particularly important for Laclede given the fact that it will be installing AMR units on approximately 240,000 inside meters. It will also allow tens of thousands of customers each year to avoid service initiation charges and the inconvenience of having to wait for

gas service personnel to gain access to their homes. Finally, it will benefit all customers for many years to come by reducing the costs incurred by Laclede to obtain and process meter readings. In short, the installation of a system-wide AMR solution represents the most significant, long-term advancement in customer service that Laclede has implemented in at least the past quarter century.

4. Laclede would be the first to acknowledge that this effort to improve customer service over the long-term has resulted in some short-term transitional costs and billing disruptions. For example, as the Company has installed and activated hundreds of thousands of new AMR devices – many of them in homes where the inside location of the meter has precluded regular meter readings – there has been an increase in catch-up bills as actual readings replace estimates. Efforts to save customers the cost of replacing inoperable remote meter reading devices that were fated to become obsolete as the new AMR system was installed have also contributed to some customers receiving estimated bills for longer periods of time. And all of these factors have unquestionably been exacerbated by the impact that higher wholesale natural gas prices have had on customer bills in general.

5. Laclede has already devoted significant resources to addressing these transitional issues and is prepared to devote even more. In addition to continuing its efforts over the past year to keep the Staff advised of the measures it has taken to address these transitional issues, Laclede is in the process of discussing Staff's recommendations in Count 1 with the parties to this case. Laclede fully anticipates that it will adopt many of those measures or ones that are similarly designed to achieve the same goal. Doing so will further increase the short-term costs to Laclede of implementing AMR. Laclede is

willing to bear these additional short-term costs, however, in order to produce the long-term service, efficiency and cost-saving benefits that its customers will derive from the new AMR system. At the same time, however, Laclede does not believe that it should also be subjected to penalties for having embarked on a course of action that, at its core, will substantially enhance customer service for years to come.

ANSWER TO COUNT II

5. Laclede admits the allegations contained in paragraph 13 of the Complaint.

6. Laclede admits the allegations contained in paragraph 14 of the Complaint with respect to the recital of a Commission gas safety rule. Laclede adds that it maintains such readily accessible shut-off valves outside customer buildings.

7. Laclede denies the allegations in paragraph 15 of the Complaint. In order to stop the flow of gas to a customer – either at the customer’s request or because the customer has not paid his or her bill – Laclede personnel will in most instances lock the customer’s meter. In other situations, Laclede will need to access and turn off a valve located outside the building near the street. Discontinuance of service in this manner is known as a “curb cut.” A curb cut is usually necessary when the customer refuses to allow Laclede access to a meter located inside the customer’s home.

8. On rare occasions, a customer will use “self-help” measures to cut locks or open valves in order to restore the flow of gas. On even more rare occasions, there may be instances where the flow of gas at a curb cut was not completely stopped due to difficulties in aligning the valve in the correct position. Laclede denies that it has not acted reasonably to investigate these conditions and take corrective action. Laclede

further denies that this condition poses a potential safety hazard that can be effectively addressed by “correcting” the situation in several days. In the event a customer using “self-help” measures has done something to the Company’s facilities that poses a true hazard, it is extremely likely that an incident would occur quickly and well before the Company was able to obtain notice of unauthorized use and take any steps to correct it. On the other hand, quick action to immediately rectify such a situation can create safety problems of its own. Specifically, it creates a greater likelihood that the flow of gas will be shut-off even where service was legitimately restored, but not yet recorded due to either the normal time necessary to process paperwork or a processing error, and where disruption of service could threaten health or safety due to weather conditions. In view of these considerations, Laclede does not believe that Staff’s proposal will necessarily promote public safety.

9. Laclede denies the allegations in paragraph 15 of the Complaint that the situations listed in Attachment 3 to the Complaint show any violation of Commission rules or orders. Although Laclede concedes that the nine situations provided are all examples of unauthorized use, Laclede avers that it acted appropriately under the circumstances to effect a remedy of these situations and Staff has cited no rule or regulation that would indicate otherwise.

10. As previously noted, the Staff does cite a Commission rule in paragraph 14 of the Complaint relating to outside shut-off valves. Staff does not, however, allege that Laclede has violated this rule, nor does Staff cite any other Commission rule, order or decision that Laclede has violated. Instead, Staff is simply asserting a policy preference that Laclede place more priority on curbing unauthorized gas use. In fact,

Staff discussed this issue with Laclede two years ago, and in response, Laclede committed additional resources to more quickly address unauthorized use. In sum, this matter is not properly part of a Commission complaint.

WHEREFORE, for the foregoing reasons, Laclede respectfully requests that the Commission take notice of this Answer to the Complaint filed by the Staff on February 2, 2006 and schedule a settlement conference for the purpose of determining whether the matters raised in the Complaint can be resolved or, if necessary, developing a proposed procedural schedule.

Respectfully submitted,

/s/ Michael C. Pendergast

Michael C. Pendergast, Mo. Bar #31763
Vice President and Associate General Counsel
Rick Zucker, Mo. Bar #49211
Assistant General Counsel - Regulatory

Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
Telephone: (314) 342-0532
Fax: (314) 421-1979
Email: mpendergast@lacledegas.com
rzucker@lacledegas.com

CERTIFICATE OF SERVICE

Rick Zucker hereby certifies that the foregoing pleading has been duly served upon all parties of record by hand delivery, email, fax, or United States mail, postage prepaid, on this 23rd day of March, 2006.

/s/ Rick Zucker

Rick Zucker