

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GE-2006-0330, Aquila, Inc.

FROM: Daniel Fitzpatrick, Energy Department – Safety/Engineering

<u>/s/ Daniel Fitzpatrick/ 3-17-06</u> Project Coordinator / Date	<u>/s/ Thomas R. Schwarz, Jr. 03/17/06</u> General Counsel's Office / Date
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SUBJECT: Staff Recommendation for Approval of the Application for a Variance from 4 CSR 240-10.030(19).

DATE: March 17, 2006

On February 17, 2006, Aquila, Inc. (Aquila or Company) filed an APPLICATION FOR VARIANCE (Application) seeking a variance from 4 CSR 240-10.030(19), which requires:

Unless otherwise ordered by the commission, each gas service meter installed shall be periodically removed, inspected and tested at least once every one hundred twenty (120) months, or as often as the results obtained may warrant to insure compliance with the provisions of section (18) of this rule.

Aquila discussed the proposed meter change-out program with the Missouri Public Service Commission (Commission) Energy Department - Gas Safety/Engineering Section (Staff) prior to filing the Application. The Company requests that the Commission approve a proposed meter sampling program as described in the Application. The proposed program applies to meters with a capacity under 450 cubic feet per hour. As of December 31, 2005 Aquila had 42,200 of these gas meters in its Missouri service territories.

The proposed meter sampling program in this case is similar to a variance approved by the Commission in an order dated October 30, 1997 from Commission Rule 4 CSR 240-10.030, in Case No. GO-98-25 for Union Electric (now AmerenUE). That order authorized Union Electric Company to implement a meter sample testing program, which is substantially the same as the program proposed by Aquila in its Application. The random sample testing method to be used is detailed in an American National Standards Institute (ANSI) standard, ANSI/ASQC Z1.4. For an acceptable quality level (AQL) of 6.5%, this statistical method is designed to ensure that not more than 6.5% of the meters in a specified “lot” are deviating from the meter accuracy specified in 4 CSR 240-10.030(18). If a lot fails (the number of non-conforming meters is compared to the acceptance and rejection number in the ANSI Standard), Aquila will remove all meters in that lot (or a subplot, if identified as the problem) within four years. The maximum permissible sampling period is 30 years. The Staff is familiar with this ANSI standard sampling method and believes that it provides a

reasonable statistical method to test for an acceptable level of meter accuracy while avoiding unnecessary replacement of meters that are still operating correctly.

Commission rules 4 CSR 240-10.030(18) and (19) are the current standards of quality for gas metering, and are not related to gas pipeline safety. In addition to AmerenUE's meter sample testing program, the Commission has authorized other utilities to implement similar meter sample testing programs: Laclede Gas Company (Laclede) in Case No. GO-95-320; the predecessor of Missouri Gas Energy (MGE) in Case No. GO-91-353; Associated Natural Gas in Case No. GO-98-567; and Atmos Gas Company in Case No. GE-2003-0007. Sample meter testing allows for meter accuracy to continue to be ascertained, but at substantially lower costs than testing all meters every 120 months.

Aquila's meter sample testing program would remove from service, over a 4 year period, those meter lots that fail (the number of meters that are inaccurate in a lot fall below the acceptable number in the ANSI Standard for the specific lot size), which would result in removal of less accurate meters on an expedited basis.

After the filing Staff contacted Company personnel about parameters for meter testing as referenced in Appendix A of the Company's filing. The Staff and Company agree that: (1) the sample size of meters picked for testing will depend on the size of the lot it will represent and will come from Table I of ANSI/ASQC Z1.4 for attribute plans, and; (2) the acceptance or rejection of the lot will depend on the number of nonconforming meters prescribed by Table III-A of ANSI/ASQC Z1.4. Further, Company personnel confirmed that if the Application is approved, the Company will begin testing meters using this proposed meter sample testing program in calendar year 2007. Finally, Aquila personnel stated that they have made Empire personnel aware of the proposed meter sample testing variance in this Application and that Empire personnel indicated that they would follow the proposed meter testing program after the sale of the Aquila properties to Empire is finalized.

At Staff's request in previous meter testing variance application cases, references to the approved meter testing variances have been included in the respective tariff sheets for the various companies.

Staff Recommendation

The Staff has reviewed this Application and finds that the statistical sampling approach detailed in the referenced ANSI standard provides an acceptable level of accuracy of meters while avoiding unnecessary replacement of meters that are still operating correctly. The Staff recommends that the Commission grant the gas meter testing variance as described in the Application filed by Aquila. If the Commission approves the Application, the Staff recommends that Aquila be ordered to submit a revised Exhibit A to the Application that includes the items discussed between Staff and the Company noted above, and includes reference of the granted variance at an appropriate location in its tariffs. The Staff has verified that the Company has filed its Annual Report and is not delinquent on any assessment.


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

In the Matter of Aquila, Inc.'s Application for a)
Variance from the Provisions of 4 CSR 240-) Case No. GE-2006-0330
10.030(19))

VERIFICATION

STATE OF MISSOURI)
)
COUNTY OF COLE)

I, Daniel L. Fitzpatrick, Utility Engineering Specialist II in the Commission's Energy – Safety/Engineering Department, of lawful age, on oath state: that I participated in the preparation of the Staff Memorandum that is being filed in the above case on March 17, 2006, consisting of two pages to be presented in this case; that information in the Staff Memorandum was given by the Aquila Corporation; that I have true knowledge of the matters set forth in such memorandum; and that such matters are true to the best of my knowledge and belief.


Daniel L. Fitzpatrick

Subscribed and sworn to before me this 17th day of March, 2006.



DAWN L. HAKE
My Commission Expires
March 16, 2009
Cole County
Commission #05407643

NOTARY PUBLIC