

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

In the Matter of the Adequacy of Laclede Gas)	
Company's Service Line Replacement Program)	<u>Case No. GO-99-155</u>
And Leak Survey Procedures)	

DISSENTING OPINION OF COMMISSIONER ROBERT M. CLAYTON III

This Commissioner respectfully dissents from the majority Report and Order continuing the copper line replacement program agreed to by Staff and the company. This Commissioner believes that additional scrutiny is necessary for a 6 year old program which has a direct impact on the safety of Laclede customers and employees. Unfortunately, the majority focuses on the lack of dissent to the replacement program rather than seeking new answers to vital questions about the safety and security of the Laclede distribution system. Since this Commission is not bound by prior Commission orders, it is appropriate for this Commission to ask tough questions of its Staff and of the Company.

While on its surface it appears that adequate progress is being made in the replacement of copper service lines, one must have the case background to understand the necessity of the program. Between 1985 and 1990, Staff filed three natural gas incident reports related to Laclede and all three incidents involved corrosion on copper service lines. It is believed that all three of these incidents resulted from de-icing salts corrosively attacking the copper service lines. In a 1991 settlement, Laclede agreed to follow a formal replacement program that included identification and replacement of direct-buried copper service lines in areas of known corrosive environments. Then in 1998, Staff investigated two explosions and resulting fires in Laclede's

service area. Staff determined that both incidents were caused by natural gas leaking from corroded sections of copper service lines.

As a result of these investigations, Staff opened this case in 1998 to investigate the adequacy of Laclede's direct-buried copper service line replacement program and the effectiveness of its leak survey procedures. Staff filed a Report on August 31, 1999, that summarizes the incidents in Laclede's service area as follows, "[s]ince November 1985-February 1999, six natural gas incidents involving corrosion on direct-buried copper service lines have resulted in the death of one man, significant bodily burns suffered by a grandmother and her grandson, structural damage to at least six properties, and loss of personal belongings." The danger these copper lines present is evident from the number of serious incidents in this service territory. In many areas of the state, copper lines have been completely removed due to the increased danger associated with their use. It is for these reasons that such lines are scheduled to be removed.

According to the Unanimous Stipulation and Agreement signed by Laclede, Staff and the Office of Public Counsel, Laclede is required, at a minimum, to continue following the guidelines of the agreement until completion of the entire program. Language exists in that agreement allowing for modification of the program if so ordered by the Commission. Allowing the Commissioners time to thoroughly review the filings in the case and ask questions of the parties at an Agenda meeting before a vote to continue this copper line replacement program is within the framework of the Stipulation. The Stipulation does not prohibit updating the program or improving it when necessary. It is incumbent on the commissioners to ensure that the program as it was created in 2000 is appropriate today. When Commissioners raise issues or concerns with a stipulation, it is up to the Staff to make suggestions or proposals. Some have


suggested that if Commissioners have concerns with the program, Commissioners should offer specific plans for improvement. When this Commission is permitted to fill its unused Pool Advisory technical staff, Commissioners will be in a position to make those specific recommendations. Until then, the Commission is dependent on the recommendations of Staff.

Additionally, circumstances have changed since this program was implemented in 2000. The legislature has seen fit to authorize the creation of new surcharges which enable the company to charge the ratepayers more for service, and to collect the revenue sooner in time. One surcharge called the Infrastructure System Replacement Surcharge (ISRS) was approved in 2003 and has been applied in several cases. In 2005, two new surcharges were authorized by the General Assembly. Gas companies will be able to apply for surcharges to replace revenue lost from customer conservation and fluctuations in weather. Additionally, gas companies will be able to apply for a surcharge for mandated environmental costs imposed by federal or state regulators. Formerly, each of these costs were part of a normal, traditional rate case, but will now ride separately over and above base rates. The ISRS is specifically designed for this type of infrastructure improvement.

This Commissioner believes that because of the assessment of three new surcharges available to the gas company, the utility should be held to a higher standard when it comes to safety. This Commission should do its own analysis rather than rely on potentially outdated work that began in 1998. The people of this state deserve a Commission willing to improve the performance of its utilities rather than simply grant them additional revenue opportunities without improving service to ratepayers. Leadership is finding improved solutions to problems; not simply rubber stamping another Commission's work.

For the foregoing reasons, this Commissioner dissents.

Respectfully Submitted


Robert M. Clayton III
Commissioner

Dated at Jefferson City, Missouri,
on this 1st day of March, 2006.