

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office
in Jefferson City on the 21st
day of September, 2006.

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

**ORDER CONTINUING REQUIREMENTS OF
UNANIMOUS STIPULATION AND AGREEMENT**

Issue Date: September 21, 2006

Effective Date: October 1, 2006

Syllabus:

This order approves the Staff of the Commission's recommendation that the Commission continue the current requirements of the previously approved Stipulation and Agreement, with annual reporting from Staff to the Commission.

Background:

The Commission opened this case on October 30, 1998, as a general investigatory case to receive information relevant to the adequacy of Laclede Gas Company's direct-buried copper service line replacement program and the effectiveness of Laclede's leak survey procedures.¹ On February 18, 2000, Laclede, Staff and the Office of the Public Counsel filed a Unanimous Stipulation and Agreement. As part of the Agreement, Laclede agreed to submit annual reports to Staff detailing direct-buried

¹ Staff's investigation into the Pralle Lane (Case No. GS-98-422) and Bergerac Drive (Case No. GS-98-423) natural gas incidents led to Staff filing, on October 14, 1998, a motion to open this case.

copper service line renewals and relays² completed, and agreed to submit additional reports confirming the achievement of other milestones under the Agreement. The Agreement provided that after the third year of the program, Laclede and Staff would review the progress and results of the program to determine future relay/renewal plans, including the rate of such future actions, and potential modifications to survey techniques and other related matters. On May 18, 2000, the Commission issued an order approving the Unanimous Stipulation and Agreement.

On August 1, 2003, Staff filed its Three-Year Summary Report. Staff requested that the Commission continue the current requirements of the Unanimous Stipulation and Agreement, with annual reporting from Staff. Staff stated that the requirements of the Copper Service Line Replacement Program reflect the overall goals of protecting the public, achieving a substantial number of replacements annually, using effective leak detection methods, and making timely repairs, while also being mindful of ratepayers' costs. Staff suggested that Laclede has met or exceeded the guidelines of the Stipulation and that the crucial goal of public safety is being maintained.

The Commission conducted a limited hearing on December 5, 2003.³ On March 5, 2004, the Commission issued its Report and Order, adopting Staff's recommendation that the Commission continue the current requirements of the previously approved Stipulation and Agreement with annual reporting from Staff.

On August 29, 2005, Staff filed its 2005 Annual Report. Staff requested that the Commission continue its current requirements of the Unanimous Stipulation and

² As used in this order, the term "renewal" refers to a main to meter replacement of a service line and the term "relay" refers to the replacement of a specific segment of a service line.

³ The Commission indicated that the purpose of the hearing was to determine whether Staff's recommendations should be approved without the necessity for further hearings. The Commission also noted that if it does not approve Staff's recommendations, it would establish a procedural schedule.

Agreement, with annual reporting from Staff. Staff stated that the requirements of the Copper Service Line Replacement Program reflect the overall goals of protecting the public, achieving a substantial number of replacements annually, using effective leak detection methods, and making timely repairs, while also being mindful of ratepayers' costs. Staff suggested that Laclede has met or exceeded the guidelines of the Stipulation and that the crucial goal of public safety is being maintained.

Staff's August 30, 2006 Annual Report:

Staff filed its Annual Report on August 30, 2006. Staff states that it has completed an analysis of Laclede's copper service line replacements and bar-hole survey data. Based on its review, Staff recommends that the Commission continue the current requirements of the Stipulation and Agreement, with continued annual reporting from Staff. Staff's Report contains the following specific recommendations.

1. Copper Service Line Replacements

During program year six (12 months ending March 1, 2006), Laclede completed a total of 8,204 direct buried copper service line replacements (main-to-meter). During the first six years of the program, Laclede has completed a total of 50,240 direct-buried copper service line replacements, which represents approximately 65 percent of the program's beginning total qualifying services. Through the end of program year six, Laclede has averaged 8,373 direct-buried copper service line replacements each year, which exceeds the Agreement's criteria of an annual replacement rate of 8,000 direct-buried copper service lines.

Staff believes that an aggressive annual replacement rate (i.e. ten percent annually), based upon priority, with increased frequencies of leak surveys, continues to

be successful and, therefore, recommends that the annual requirement of 8,000 direct-buried copper service line replacements should be maintained at this time. The current results of the replacement program are a substantial reduction in the number of direct-buried copper service lines in the system and a reduced leakage rate in the lines that remain to be replaced.

2. Bar-hole Leak Surveys

Laclede conducted its 2006 bar-hole leak survey during the months of March - July, 2006. Laclede personnel conducted a bar-hole leak survey over 5,913 direct-buried copper service lines in Pressure Region 1 and conducted a bar-hole leak survey over 24,859 direct-buried copper service lines in Pressure Region II for a total of 30,772 direct-buried copper service line bar-hole leak surveys in 2006. A total of 201 leaks were found during the 2006 bar-hole leak survey, which represents a 0.65 percent leak rate. Results from bar-hole leak surveys have shown a downward trend in the actual total number of new leaks discovered on copper service lines. Observations in the sixth year of Laclede's program indicate that this downward trend is continuing with the new leak rate of 0.65 percent, which is approximate 14.5 percent decrease from the leakage rates found during the 2005 leak survey.

While the bar-hole method for leak surveying demands more personnel time and effort, it is Staff's opinion that this method is far superior to other methods for detection of small leaks that previously might have gone undetected. Using this superior method of leak detection, coupled with conducting the surveys on an annual basis, helps in achieving the program goals of early detection before the leak becomes hazardous and assists in prioritizing replacements. This guideline of the Agreement exceeds the

Commission's minimum pipeline safety regulations that require three-year leak surveys on most residential service lines.

For these reasons, Staff recommends that Laclede continue to conduct an annual bar-hole leak survey of direct-buried copper service lines.

3. Leak Repairs

Expediting the removal of all leaks found during a bar-hole leak survey prior to conducting the subsequent year's bar-hole leak survey continues to enhance the downward trend in detected leaks during subsequent annual bar-hole leak surveys. In accordance with the Agreement, leaks detected during an annual bar-hole leak survey are required to be repaired within six months of discovery in Pressure Region I and within one year of discovery in Pressure Region II. Laclede continues to exceed the requirements in the Agreement by repairing Class 3 leaks in Pressure Region I within an average time of approximately three months from discovery and within an average time of approximately seven months from discovery in Pressure Region II. The guideline in the Agreement exceeds the Commission's minimum pipeline safety regulations that require Class 3 leaks to be monitored every six months until repaired (within five years of discovery).

All detected leaks, along with other historical information, are used in a prioritizing model for identifying replacement areas in a consistent manner and prioritizing the scheduling of these areas for replacement. Staff noted that it is critical that any upward trends in new leaks on replacement program pipelines be identified promptly, as upward trends can point to the need to refocus efforts to stiffen requirements to meet the program's goals and objectives.

Staff believes that timely repairs of observed leaks prior to the subsequent bar-hole leak survey provides better information to detect any upward trends in leakage rate totals. Therefore, Staff recommends that the requirements in the Agreement (calling for Class 3 leaks in Pressure Region I to be repaired within six months and Class 3 leaks in Pressure Region II to be repaired within one year) be continued.

Discussion:

The Commission has reviewed Staff's August 2006 Report and finds that Staff's recommendations are reasonable and in the public interest, and should be adopted. The Commission will therefore direct that Laclede shall continue to meet the current requirements of the Stipulation and Agreement, with continued annual reporting from Staff.

IT IS THEREFORE ORDERED:

1. That Staff's recommendation is approved. Until ordered otherwise, Laclede Gas Company shall continue to meet or exceed the current requirements of the Unanimous Stipulation and Agreement.

2. That the Commission's Staff shall continue its annual reporting to the Commission until otherwise ordered. Staff's next annual report shall be filed no later than September 1, 2007, unless otherwise ordered.

3. That this order shall become effective on October 1, 2006.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', with a stylized, cursive script.

Colleen M. Dale
Secretary

(SEAL)

Davis, Chm., Murray and Appling, CC., concur;
Gaw and Clayton, CC., dissent.

Dale, Chief Regulatory Law Judge