

## MEMORANDUM

TO: Missouri Public Service Commission Official Case File  
Case No. GE-2005-0405, Laclede Gas Company

FROM: Daniel Fitzpatrick, Energy Department – Safety/Engineering

/s/ Daniel Fitzpatrick      6/10/05      /s/ Thomas R. Schwarz, Jr.      6/15/05  
Project Coordinator / Date      General Counsel's Office / Date

SUBJECT: Staff Recommendation for Approval of the Application for Variance from Tariff Provisions Regarding Meter Testing In Connection with Implementing an Automated Meter Reading Program.

DATE: June 10, 2005

On May 10, 2005, Laclede Gas Company (Laclede or Company ) filed an Application for Variance (Application) seeking a variance through calendar year 2006 from the statistical sampling requirements of the meter testing program referenced in the first paragraph of Rule 10.A. on Fifth Revised Sheet No. R-8 of the Company's Tariff. This meter testing program was established under an existing variance from provisions of 4 CSR 240-10.030(19), that was granted by the Commission on April 18, 1995, in Case No. GO-95-320. The meter testing program provides for statistical sampling methods to select meters for removal, for those meter groups with accuracy rates (AR) of ninety percent (90%) or greater. For those meter groups with AR of less than ninety percent (90%), a specified percentage of meters must be tested annually. A more complete explanation of Laclede's current meter testing program is contained in the Company and Staff filings in Case No. GO-95-320.

The Application in this case proposes to temporarily modify Laclede's current meter testing program for calendar years 2005 and 2006. In 2007, after completion of the AMR installation project, Laclede would return to the current statistical sampling method. The temporary modification would enable the Company to remove older-style meters in an expedited fashion to facilitate implementation of an automated meter reading (AMR) project. The older-style meters slated for expedited removal (tin case meters, incompatible aluminum case and iron case meters) cannot accommodate a self-contained AMR device. The Company also proposes removing other meters with an accuracy rate (AR) of less than 90%. These meters will be retired and replaced with newer meters that are easily fitted with an AMR device. This will result in a proportionally higher number of newer meters to be examined under the statistical meter sampling program in succeeding years than would have resulted under the current procedure. In addition, Laclede proposes to change more meters under this temporary variance in 2005 and 2006 than it would have under the current meter testing program (approximately 26,891 meters instead of 22,476 meters).

Laclede's AMR project will allow Laclede to electronically "read" meters. The Company indicates that these readings can be captured electronically in a much faster, more efficient and more accurate basis than obtaining readings in the traditional manner. Further, the Company states that the requested variance is in the public interest because it is designed to enhance customer service by eliminating manual meter reading errors, estimated meter readings due to lack of access, and repeat trips to customer premises to read meters.

The Staff has reviewed the proposed temporary variance in the Application, and believes that implementation of an AMR project will result in the Company's meters being "read" more quickly and efficiently. A number of customer service issues will be improved impacted by AMR. These include elimination of estimated meter readings and problems associated with repeat trips to customer premises to gain access to inside meters. To more rapidly realize the benefits of converting to AMR, the noted older-style meters need to be replaced with newer-style meters in an expedited manner to accommodate the AMR devices. To accomplish this, a temporary variance from the currently approved meter testing program is necessary. The result will be the removal in 2005 and 2006 of the identified older-style meters and a higher proportion of newer meters in Laclede's system. This does not involve a gas safety rule or issue, therefore Staff believes that granting the variance will not increase safety risks. The Staff also notes that a similar two-year variance was granted to Missouri Gas Energy (MGE) in Case No. GO-97-242 during MGE's installation of AMR.

The Staff recommends that the temporary variance contained in the Application of Laclede be granted. Expedited change-out of the older-style meters alone will result in improvement of overall accuracy and integrity of the Company's meter testing program. However, additional benefits will be realized with the conversion to AMR by providing further accuracy/integrity benefits, as well as accuracy of the meters remaining in the system after the expedited change-out. Finally, if the Commission approves the Application, the Staff recommends that Laclede be ordered to reference the variance that was granted in Case No. GO-95-320 and the temporary variance in this case in Rule 10.A. of the Company's Tariff.