

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 30th day of
September, 2008.

In the Matter of the Verified Application of Laclede)
Gas Company for an Order Establishing)
Replacement Requirements for the Final Phase of)
its Soft Copper Service Line Replacement Program)
Previously Approved Pursuant to Case)
No. GO-99-155)

Case No. GS-2008-0038

ORDER CONTINUING REQUIREMENTS

Issue Date: September 30, 2008

Effective Date: October 10, 2008

Syllabus:

This order approves the Staff of the Commission's recommendation that the Commission continue the current requirements of the revised replacement requirements set forth in the Commission's September 20, 2007 Order, with annual reporting from Staff to the Commission.

Background:

The Commission opened Case No. GO-99-155 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.

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.

As part of the Agreement, Laclede agreed to submit annual reports to Staff detailing direct-buried 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.

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.

On August 8, 2007, Laclede filed a Verified Application Requesting a Revision in the Replacement Requirements for Case No. GO-99-155 Establishing the Adequacy of the Company's Copper Service Line Replacement Program and Leak Survey Procedures for Soft Copper Service Lines, Case No. GS-2008-0038.

On September 20, 2007, the Commission issued its Order Granting Reduction of Replacement Requirements, which slightly reduced the number of soft copper service lines Laclede was required to replace annually. Laclede's replacement requirements were reduced from 8,000 to 7,000 soft copper service lines.

Staff's September 11, 2008 Annual Report:

Staff filed its Annual Report on September 11, 2008. 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 revision in the replacement requirements set forth in the September 20, 2007 Order, with continued annual reporting from Staff. Staff's Report contains the following specific recommendations.

1. Copper Service Line Replacements

During program year eight (12 months ending March 1, 2008), Laclede completed a total of 7,330 direct buried copper service line replacements (main-to-meter). During the first eight years of the program, Laclede has completed a total of 65,735 direct-buried copper service line replacements, which represents approximately 85 percent (85%) of the program's beginning total qualifying services. Approximately 96 (96%) percent of the copper services lines have been replaced in Pressure Region I. Through the end of program year eight, Laclede has averaged 8,217 direct-buried

copper service line replacements each year, which exceeds the original Agreement's requirement for annual replacement rate of 8,000 direct-buried copper service lines. The annual replacement rate was reduced to 7,000 copper service lines during the program year ending February 2008.

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 revised annual requirement of a minimum of 7,000 direct-buried copper service line replacements should be continued, as well as the accelerated replacement of copper service lines in Pressure Region I be maintained. 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 2008 bar-hole leak survey during the months of March - July, 2008. Laclede personnel conducted a bar-hole leak survey over 854 direct-buried copper service lines in Pressure Region 1 and conducted a bar-hole leak survey over 15,222 direct-buried copper service lines in Pressure Region II for a total of 16,076 direct-buried copper service line bar-hole leak surveys in 2008. A total of 85 leaks were found during the 2008 bar-hole leak survey, which represents a 53 percent (53%) 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 eighth year of Laclede's program indicate that this downward trend is continuing with the new leak rate of 53 percent (53%), which is approximate 65 percent (65%) decrease

from the leakage rates found during the 2007 leak survey. The leakage rate for new leaks discovered on copper service lines has decreased 84% since the beginning of the program.

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. Class 1 and 2 leaks are repaired immediately, and, in accordance with the Agreement, Class 3 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 September 2008 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.

THE COMMISSION ORDERS THAT:

1. Staff's recommendation is approved. Until ordered otherwise, Laclede Gas Company shall continue to meet or exceed the revised replacement requirements as well as the other requirements of the Unanimous Stipulation and Agreement.
2. 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, 2009, unless otherwise ordered.
3. This order shall become effective October 10, 2008.
4. This case may be closed on October 11, 2008.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Jarrett, and
Gunn, CC., concur.
Clayton, C., dissent.

Dale, Chief Regulatory Law Judge