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Missouri Public Service Commission

Colleen M. Dale, Secretary Missouri Public Service Commission Governor Office Building 200 Madison Street Jefferson City, MO 65102-0360

RE: In the Matter of City Utilities of Springfield, Missouri Case No. GS-2004-0257

Dear Ms. Dale:

Please find enclosed for filing in the above case an original and eight copies of City Utilities of Springfield's Response to PSC Staff Recommendations Filed March 30,2007.

Sincerely,

Rex C. McCall Assistant General Counsel

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c: Missouri Office of the Public Counsel Lera L. Shemwell, Deputy General Counsel—PSC Leonard Phillips, Mgr.—Natural Gas Distribution

FILED APR1 6 2007

BEFORE THE PUBLIC SERVICE COMMISSION OF THE STATE OF MISSOURI

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Missouri Public

Service Commission

In the Matter of an Investigation into City Utilities of Springfield Plastic Pipe Failures and the Adequacy of its Leak Survey Procedures, Installation Procedures, and Replacement Criteria

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Case No. GS-2004-0257

<u>CITY UTILITIES OF SPRINGFIELD'S RESPONSE TO</u> <u>PSC STAFF RECOMMENDATIONS FILED MARCH 30, 2007</u>

Comes now City Utilities of Springfield, Missouri ("City Utilities"), a municipallyowned utility, and makes the following responses to the recommendations of the Public Service Commission ("PSC") Staff contained in its Status Report filed with the Commission on March 30, 2007:

General Comments

City Utilities is, and always has been, committed to natural gas pipeline safety. It has cooperated with the Commission and the PSC Staff and has often taken remedial actions even where they might not have been required. However, it does not seem that the current number of leaks that have been encountered justify changing the Commission's previous orders of February 2, 2006, and August 29, 2006. This program has only been in effect for less than three years (City Utilities began the program voluntarily before the Commission's orders). Since the replacement program addresses a situation that has been created over several decades, City Utilities never expected that the overall number of leaks would drop dramatically at this early stage. There have been no incidents since the program began and the program is achieving its goal of increasing natural gas pipeline safety.

City Utilities proposes that no changes be made to the Commission's previous orders at this time and that the replacement program be reviewed in one year. Should the Commission feel otherwise, City Utilities has proposed some revisions to the PSC Staff's recommendations, below.

Responses to PSC Staff Recommendations

1. By March 31, 2009, replace the categories and amount of piping as listed below:

(a) 7.9 miles of pre-1983 piping operating at high pressure that is currently on the "Plastic Pipe Failures Master List."

(b) 1.5 miles of pre-1983 piping operating at high pressure that was found to have a rock-dirt mix backfill around the pipe (1) during the "spot checks" and (2) during the exposed pipe inspections.

City Utilities is currently replacing certain pipe in its natural gas system in accordance with the Commission's orders of February 2, 2006, and August 29, 2006. The PSC Staff's recommendations to modify this program would require City Utilities to replace nearly three more miles of pipe within a two-year period in addition to the pipe that City Utilities is replacing under the current orders. This would place a significant burden on City Utilities' resources and it would be very difficult to achieve. The main problem is having sufficient staff to engineer the necessary replacements. Using outside contractors would not help much, since the time needed to draft bid specifications, issue bids, negotiate contracts, monitor the contracts, and educate outside contractors on City Utilities' system would take nearly as much effort and time as to have City Utilities' current staff do the work.

It is extremely important that any increase in resources spent on replacement of pipe be done to maximize the safety benefits. In its report, the PSC Staff indicates that its primary concern is that the leak rate for plastic pipe has not begun to show a decline. According to the PSC Staff's Status Report, the new leaks that have been found have been primarily on pipe that was not previously listed on the Plastic Pipe Failures Master List. There is no evidence that the pipe on that list is experiencing any greater rate of leaks than before. To the contrary, the PSC Staff report shows that there were only two leaks on pipe listed on the Plastic Pipe Failures Master List during the period of June 1, 2006, through December 31, 2006. Accelerating the replacement of pipe on the Plastic Pipe Failures Master List would not have a significant impact on the number of leaks prevented. The replacement of the pipe listed on the Plastic Pipe Failures Master List in accordance with the current order is having its intended effect.

Should the Commission feel that a change to its current orders is needed, the PSC Staff's recommendation in 1(b) more directly addresses its concerns. However, City Utilities requests that it be allowed two years from the date of any order by the Commission to complete the replacement, instead of March 31, 2009. This is a very ambitious project for a utility the size of City Utilities and will require replacing 1.5 miles of pipe in addition to the pipe being replaced under the Commission's current orders. City Utilities will need at least two years to complete the new requirements proposed by the PSC Staff in 1(b).

As noted above, City Utilities feels that the replacement of pipe listed on the Plastic Pipe Failures Master List in accordance with the current orders of the Commission is progressing as planned and that no change is necessary with respect to that pipe. Nevertheless, should the Commission feel that it is necessary to modify its order in accordance with the PSC Staff's proposal in 1(a), City Utilities requests that it be allowed two years from the date of the Commission's order to complete the replacement, instead of March 31, 2009. City Utilities also requests some relief from the Commission's orders of February 2, 2006, and August 29, 2006. City Utilities proposes that it be allowed three years from the date of any new order of the Commission to replace the main segments currently on the Plastic Pipe Failures Master List that are not pre-1983 high pressure pipe. Under the Commission's current orders, City Utilities has

three years from the date a leak is discovered to replace pipe on the Plastic Pipe Failures Master List. If City Utilities has to replace all of the 7.9 miles of pre-1983 high pressure pipe on the list within two years, this would put a heavy strain on City Utilities' resources. It would be nearly impossible for City Utilities to replace all of the pipe described in 1(a) and 1(b) within two years, in addition to the other pipe that is being replaced under the Commission's current orders. Allowing City Utilities to extend the time period for replacement of post-1983 low and intermediate pressure pipe on the list will give City Utilities flexibility to schedule the work in 1(a) and 1(b), while performing all of its other work that is necessary for City Utilities to maintain a safe and reliable system. This makes sense since the post-1983 pipe does not have the same potential for leaks as the pre-1983 pipe, which is the reason this case was opened in the first place.

2. During 2007, all main segments where rock impingement leaks are found and where exposed pipe reports indicate the pipe is in a rock-dirt mix backfill shall be added to the "Plastic Pipe Failures Master List," and replaced by December 31, 2009.

If the Commission decides to implement the PSC Staff's recommendation in 2, above, then City Utilities requests two modifications to this recommendation. First, where there is no leak, only pre-1983 high pressure pipe should be added to the list, for the reasons stated above. Second, the time for replacing pipe on the list should be the same as originally ordered (three years from the date of discovery of the leak or rock-dirt mix backfill).

3. By May 1, 2007, provide the Staff with additional information concerning the backfill conditions on pre-1983 piping operating at high pressure that has been requested and any other information City Utilities believes would be helpful in the replacement prioritization of pre-1983 piping operating at high pressure.

City Utilities has no objection to providing any information to PSC Staff and will do so on request, as it has done in the past. However, this should not be a part of the Commission's order since it is not specific as to what information City Utilities needs to provide. City Utilities would suggest that it would be more appropriate and efficient if the PSC Staff would merely continue to request information from City Utilities as the PSC Staff requires it. This procedure has worked well and City Utilities has received no complaints from the PSC Staff about the completeness or timeliness of information provided.

WHEREFORE, for the reasons stated above, City Utilities of Springfield, Missouri respectfully requests the Commission that no changes be made to its orders of February 2, 2006, and August 29, 2006, and that the replacement program be reviewed in one year. However, should the Commission adopt the PSC Staff's recommendations, City Utilities requests that the Commission's current orders of February 2, 2006, and August 29, 2006, be modified to allow City Utilities three years from the date of the Commission's order to replace the main segments currently on the Plastic Pipe Failures Master list that are not pre-1983 high pressure pipe. City Utilities further requests that 1(a) and 1(b) be modified to allow City Utilities two years from the date of the Commission's order to complete the replacement of natural gas pipe described in those recommendations. City Utilities requests that the PSC Staff's recommendation in 2 be modified in two ways. First, where exposed pipe is discovered to have a rock-dirt mix backfill, then only pre-1983 high pressure pipe should be added to the Plastic Pipe Failures Master List. Second, the time for replacing pipe on the list should be the same as originally ordered (three years from the date of discovery of the leak or dirt-rock mix backfill). Finally, City Utilities requests that the PSC Staff's recommendation in 3 not be implemented and that requests for data be handled in a manner consistent with past practice.

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Respectfully submitted,

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CERTIFICATE OF SERVICE

I certify that I served the foregoing document on the Missouri Office of the Public Counsel, Governor Office Bldg., Suite 650, P.O. Box 7800, Jefferson City, MO 65102, and Lera L. Shemwell, Deputy General Counsel for the Staff of the Public Service Commission, P.O. Box 360, Jefferson City, MO 65102, by mailing a copy of the same in the U.S. Post Office, first-class mail, postage prepaid on this ______ day of April, 2007.

1. 1/4 Call

Rex C. McCall