

LACLEDE GAS COMPANY
720 OLIVE STREET
ST. LOUIS, MISSOURI 63101
(314) 342-0532

MICHAEL C. PENDERGAST
VICE PRESIDENT
ASSOCIATE GENERAL COUNSEL

FILED²

MAY 21 2003

Missouri Public
Service Commission

May 20, 2003

VIA FEDERAL EXPRESS

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
Governor Office Building
200 Madison Street
Jefferson City, MO 65102-0360

Re: Case No. _____
Unprotected Steel Main Replacement Program

Dear Mr. Roberts:

On behalf of Laclede Gas Company, I have enclosed for filing the original and eight copies of a Verified Application in the above case. Please see that this filing is brought to the attention of the appropriate Commission personnel.

Please file-stamp the additional copy of this Application and return the same in the pre-addressed stamped envelope provided.

Thank you for your consideration in this matter.

Sincerely,



Michael C. Pendergast

MCP:kz
Enclosure

FILED²

MAY 21 2003

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

Missouri Public
Service Commission

In the matter of the verified application of Laclede Gas)
Company for an Order establishing replacement)
requirements for the final phase of its unprotected steel)
main replacement program previously approved pursuant)
to Rule 4 CSR 240-40.030(15)(E))

Case No. _____

VERIFIED APPLICATION OF LACLEDE GAS COMPANY

COMES NOW Laclede Gas Company ("Laclede" or "Company"), pursuant to 4 CSR 240-2.060 and 2.080 of the Commission's Rules of Practice and Procedure and 4 CSR 240-40.030(16) of the Commission's Pipeline Safety Rules and, in support of its Verified Application for an Order establishing replacement requirements for the final phase of the unprotected steel main replacement program previously approved by the Commission for Laclede pursuant to Rule 4 CSR 240-40.030(15)(E), respectfully states as follows:

1. Laclede is a public utility incorporated under the laws of the State of Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2000-843 and is hereby incorporated by reference herein for all purposes. Laclede is engaged in the business of distributing and transporting natural gas (and to a limited extent distributing liquefied petroleum gas) to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, Ste. Genevieve, St. Francois, Madison, and Butler in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Missouri Public Service Commission (the "Commission").

2. Communications in regard to this Application should be addressed to:

Michael C. Pendergast
Vice President & Associate General Counsel
Laclede Gas Company
720 Olive Street, Room 1520
St. Louis, MO 63101
(314) 342-0532

Patrick A. Seamands
Chief Engineer
Laclede Gas Company
3950 Forest Park Blvd
St. Louis, Missouri 63108
(314) 658-5414

3. Laclede has no pending actions or final unsatisfied judgements or decisions against it from any state or federal agency or court which involve customer service or rates.

4. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

5. On behalf of all of its operating divisions in Missouri, Laclede requests that the Commission issue an Order establishing replacement requirements for the final phase of the Company's unprotected steel main replacement program that was previously approved by the Commission pursuant to Section (15)(E) of Rule 4 CSR 240-40.030(15)(E). Specifically, for those unprotected steel mains that fall within categories 3 through 6 of Section (15)(E), Laclede requests that the Commission authorize the Company to replace such mains at an average annual rate of 10,000 feet per year until all remaining mains identified by these sections have been replaced. As discussed more fully below, the adoption of such a requirement will not compromise public safety in any way.

Background

6. In accordance with Section (15)(E) of the Missouri Public Service Commission's ("Commission") Safety Regulations, Laclede obtained approval for its replacement program for unprotected steel mains ("Replacement Program") in Case No. GO-91-239, effective April 23, 1991. A subsequent revision to the Replacement Program was approved by the Commission, effective October 13, 1994, under which a modified replacement schedule was established based on the declining corrosion rate of unprotected steel mains remaining in service at that time.

7. The revised schedule committed to by Laclede and approved by the Commission required replacement of unprotected steel mains in all categories described in Section (15)(E), other than (15)(E)1 and 2, at an average annual rate of 20,000 feet for fiscal years 1996 through 1998. These annual replacements predominantly targeted unprotected steel mains that have exhibited leakage or corrosion as defined in Section (15)(E)5. Additionally, a commitment was made at that time to replace an average annual rate of 1,800 feet per year of unprotected steel mains in areas located beneath pavement which is continuous to building walls (Section (15)(E)1), and near concentrations of the general public (Section (15)(E)2). For these two categories defined by Sections (15)(E)1 and 2, Laclede proposed that its Replacement Program criteria would be re-examined prior to fiscal 1999 to determine whether the emphasis on the replacement of mains in these categories should be accelerated.

8. The October 13, 1994 revisions to the Replacement Program did not specify an average annual footage replacement requirement for periods beyond fiscal year 1998 for unprotected steel mains in categories described in Sections (15)(E)3

through 6. In fiscal years 1999, 2000, and 2001, however, Laclede elected to continue its replacement of these mains at the historical average annual replacement rate of 20,000 feet per year. Although Laclede had the option to propose reduced replacement requirements, the annual average was continued at the time to be consistent with replacement strategies that had been in effect since the mid-1950's and which have resulted in the replacement of more than 3,300,000 feet of unprotected steel main to date.

9. Since the 1994 revisions to the Replacement Program were made, however, Laclede's experience indicates that there has been a continuing and significant decline in the corrosion leak rates associated with these facilities. In fact, such leak rates have declined to a point where replacements can be done safely at a rate of 10,000 feet per year.

10. The overall repair history associated with unprotected steel main corrosion leaks can be seen in Exhibit 1 to this Application which is hereby incorporated by reference herein. As shown in Exhibit 1, there has been a dramatic decrease since 1970 in the number of repairs that the Company has been required to make to its unprotected steel mains -- a trend that demonstrates the relatively superior integrity of the facilities that remain in place. This is further supported by the information set forth in Exhibit 2 to this Application which is hereby incorporated for all purposes herein. Exhibit 2 lists the corrosion history experienced by the Company since 1970 in connection with 2-inch and 1-1/4-inch unprotected steel mains (the largest main population). Once again, the data shows a steady decline in the number of corrosion leaks per 10,000 feet of unprotected steel mains in service. Moreover, because this chart shows the reduction on a per foot basis, it demonstrates that the incidence of active corrosion on unprotected steel mains

has declined in both relative as well as absolute terms. Finally, Exhibit 3, which is attached hereto and incorporated herein for all purposes, compares the condition of unprotected steel mains in each year since the Replacement Program was approved by listing the number of active clamps (repair-related clamps on mains not yet replaced) on unprotected steel mains by year. This chart illustrates the improved condition of the population of mains in service each year by showing that there has been a decrease in the number of past corrosion repairs on mains that remained in service at the end of each calendar year.

11. This reduction in the incidence of corrosion and leaks on the Company's unprotected steel main facilities is also a function of changes in the relative mix of the facilities that remain. By the end of fiscal 2002, Laclede had reduced its total footage of unprotected steel mains from a total of over 441,000 feet in 1991 to a total of 130,360 feet. Because of this significant reduction in the population of unprotected steel mains, Laclede is now being required to replace a significantly greater proportion of its larger diameter mains, even though such mains did not previously qualify for replacement due to their low corrosion rates. Nevertheless, such mains are now being picked for replacement because replacement criteria have been expanded to include the lower corrosion rates. It should be noted that while these larger mains have lower corrosion rates, they create much higher replacement expenses per foot than were experienced previously in the Program. Exhibit 4, which is attached hereto and incorporated herein for all purposes, compares the relative condition of unprotected steel mains that have been replaced in each year. This chart clearly shows the consistently improved condition

of the unprotected steel mains that have been replaced by listing the number of clamps per 10,000 feet that existed on such replaced mains during the last ten years.

12. In view of these steep declines in the relative and absolute number of leaks, corrosion incidences and repairs on the Company's unprotected steel main facilities and the superior integrity of the facilities that remain, Laclede submits that a replacement rate of 10,000 feet per year for such facilities described in Sections (15)(E) 3 through 6 can be established for the final phase of the Company's Replacement Program without compromising public safety in any way.

Requested Replacement Requirement

13. Laclede therefore requests that the Commission require Laclede to replace unprotected steel mains in categories described in Sections (15)(E) 3 through 6 of the Commission's Pipeline Safety Rules at an average annual rate of 10,000 feet per year until all remaining mains now or hereinafter identified by these sections have been replaced.¹ Based on the current population of unprotected steel mains not described in Section (15)(E), and assuming that these mains will not be covered by this Section in the future, Schedule A below represents the minimum replacements that could be expected for the remaining population of unprotected steel mains covered by Sections (15)(E) 3 through 6 in Laclede's system and excluding any unprotected steel mains that are not presently identified as being covered by Section (15)(E). Schedule B below represents the maximum rate of replacement that would occur if all remaining main segments are subsequently identified as being covered by the categories described in Section (15)(E).

¹ Once replacement is completed on all the unprotected steel mains that are currently identified as being covered by the categories described in Section (15)(E) it is possible that the amount of newly-identified main falling within these categories and thereby requiring replacement will be less than 10,000 feet in total. Under such circumstances, Laclede would replace up to the amount of the main footage so identified.

Schedule A

<u>Fiscal Year</u>	<u>Footage Replaced</u>	<u>Unprotected Steel Remaining (15)(E)3-6</u>
2003	10,000	78,163
2004	10,000	68,163
2005	10,000	58,163
2006	10,000	48,163
2007	10,000	38,163
2008	10,000	28,163
2009	10,000	18,163
2010	10,000	8,163
2011	8,163	0

Schedule B

<u>Fiscal Year</u>	<u>Footage Replaced</u>	<u>Unprotected Steel Remaining (15)(E)3-6 & All Others</u>
2003	10,000	118,473
2004	10,000	108,473
2005	10,000	98,473
2006	10,000	88,473
2007	10,000	78,473
2008	10,000	68,473
2009	10,000	58,473
2010	10,000	48,473
2011	10,000	38,473
2012	10,000	28,473
2013	10,000	18,473
2014	10,000	8,473
2015	8,473	0

14. Laclede believes that the establishment of this requested replacement schedule for unprotected steel mains described in Sections (15)(E) 3 through 6 would be fully consistent with public safety. Indeed, such a replacement schedule exceeds the existing requirements of the Replacement Program previously approved for Laclede in accordance with Section (15)(E) in that it would mandate, for the first time, that the entire quantity of unprotected steel main footage identified by this Section be replaced. Furthermore, the establishment of this replacement schedule would require Laclede to

aggressively replace as well any unprotected steel mains that are not currently covered by Section (15)(E) as such mains are subsequently identified.²

15. In evaluating the Company's request, Laclede would also ask the Commission to consider that Laclede has not hesitated to accelerate its replacement obligations where the Company believes that public safety is served by such an action. In fact, Laclede has substantially exceeded the annual replacement average of 1,800 feet per year of unprotected steel mains required by the Replacement Program for the categories described in Section (15)(E)1, mains located beneath pavement which are continuous to building walls, and Section (15)(E)2, mains near concentrations of the general public. Since 1995, replacements in these categories have averaged 2,354 feet per year. Because of the high consequences associated with potential leaks on mains in these categories, Laclede has continued replacements in these categories at levels that exceed those required by the Replacement Program. For example, Laclede replaced 2,950 feet of mains in these two categories in fiscal 2002. As a result, only about 1,300 feet of these mains remained to be replaced at the end of fiscal year 2002. This means that completion of these categories is expected to occur in fiscal 2003, well ahead of the existing Replacement Program schedule rate which, if followed, would not have resulted in the replacement of all of the mains in these categories until sometime in fiscal 2006. Given Laclede's track record of exceeding unprotected steel main replacement requirements where the Company believes such action is appropriate, the Commission should have

² Laclede anticipates that the majority of the unprotected steel mains that may be subsequently identified as being covered by Section (15)(E) will achieve that status as the result of a corrosion-related leak developing and being found on a main segment where no leaks had been previously reported. Laclede further anticipates that any newly covered unprotected steel main segments identified after 2009 in Schedule A would be replaced during the following fiscal year, provided that the maximum replacement level of 10,000 feet per year is not to be exceeded.

additional confidence in Laclede's assessment that the replacement schedule proposed herein is fully consistent with public safety.

16. As an ongoing assurance that Laclede's unprotected steel main replacements are occurring at a rate that is consistent with public safety, Laclede commits that, with the approval of this application, it will submit to the Gas Safety Staff an annual summary of leaks experienced due to corrosion on unprotected steel mains after the conclusion of each fiscal year until all replacements are completed.

17. For all of these reasons, Laclede would respectfully submit that the Commission's establishment of the replacement requirement requested herein will advance and not compromise public safety and should therefore be approved.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission issue its Order establishing an annual replacement requirement of 10,000 feet per year for all unprotected steel mains now or hereinafter identified as falling in those categories described in Sections (15)(E) 3 through 6 of Rule 4 CSR 240-40.0-030 of the Commission's Pipeline Safety Rules.

Respectfully submitted,


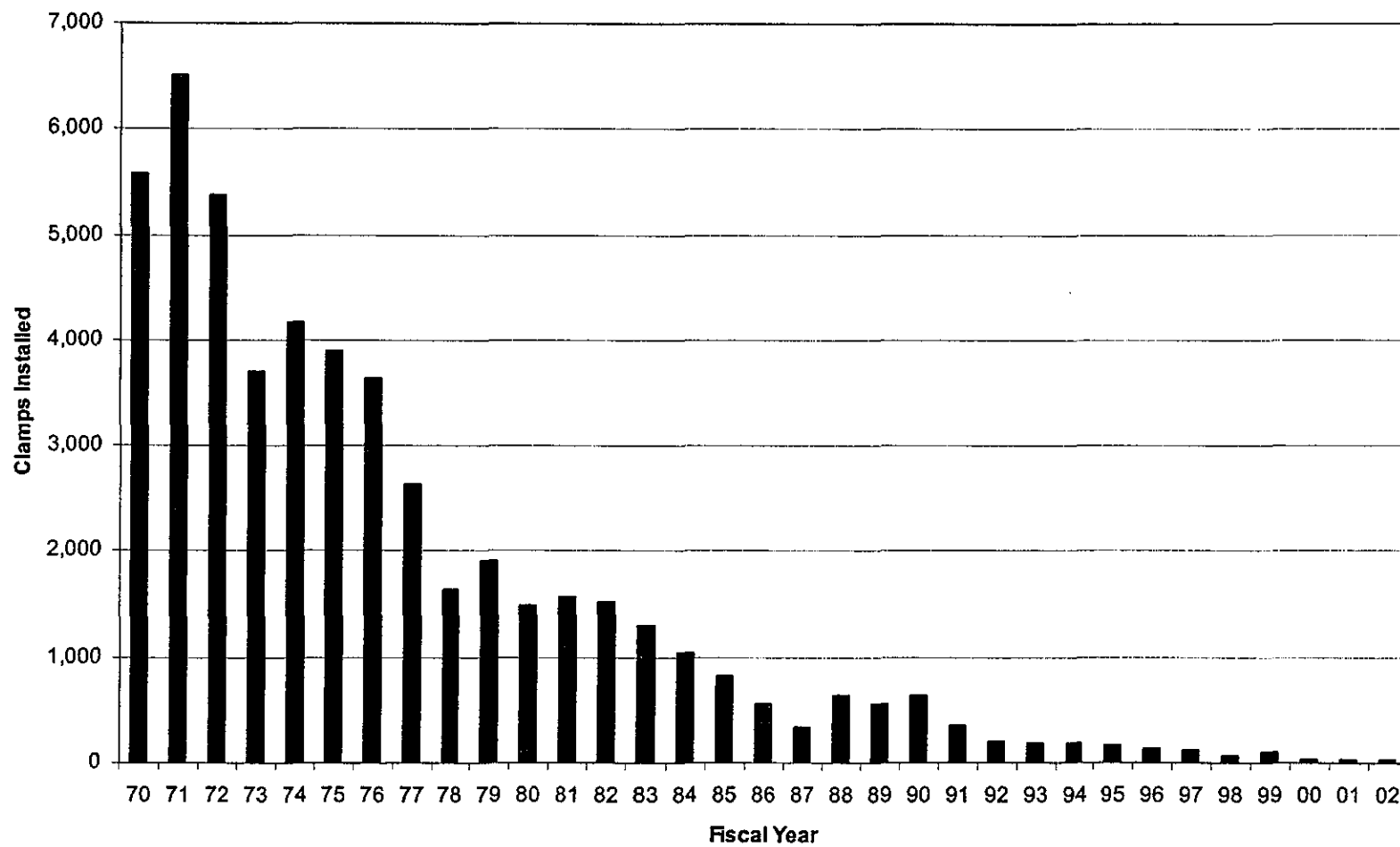

Michael C. Pendergast
Vice President & Associate General Counsel
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(314) 421-1979 Fax
E-mail: mcpendergast@lacledegas.com

Exhibit 1

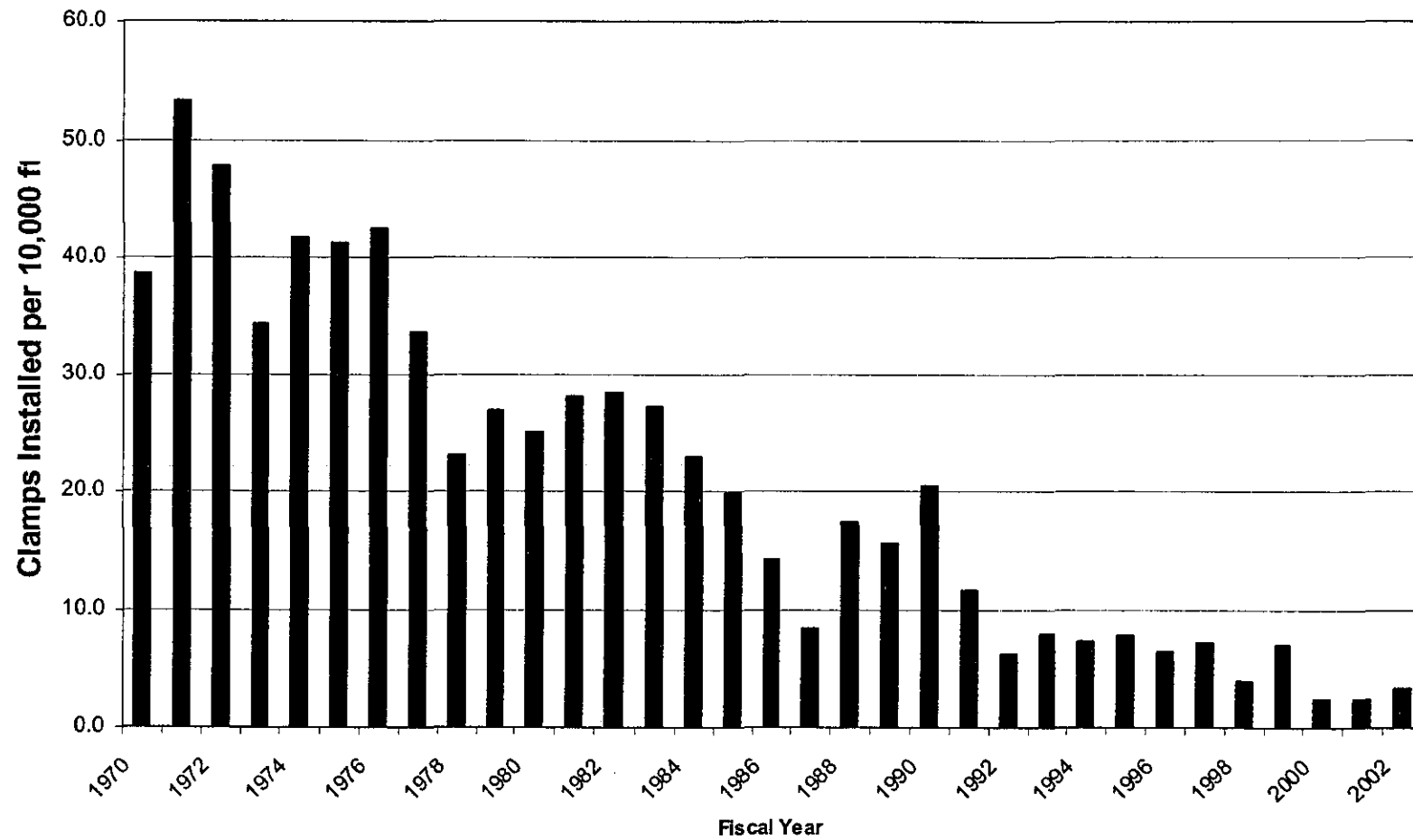
Laclede Gas Company Unprotected Steel Main Repair History



3/4/2003

Exhibit 2

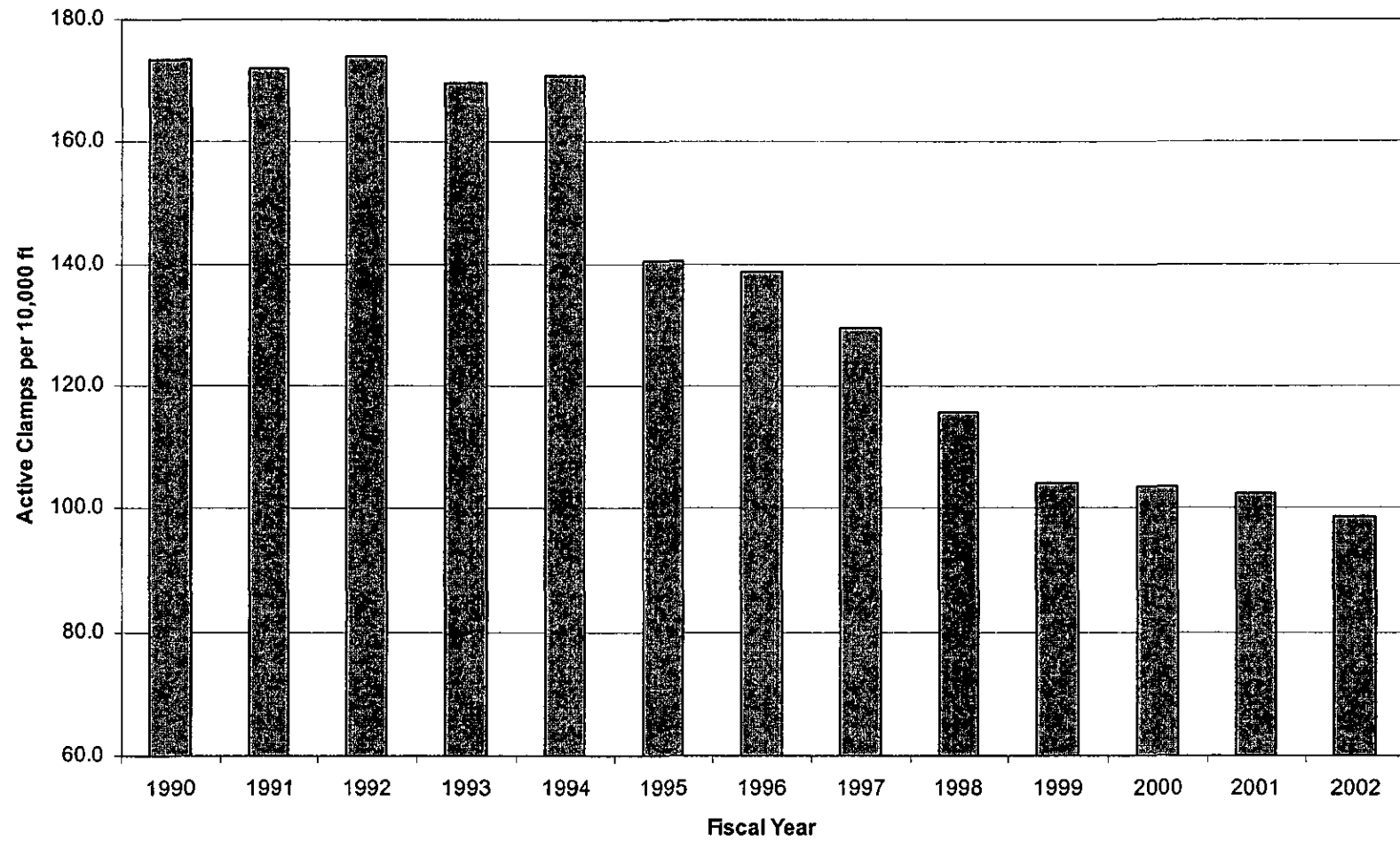
Laclede Gas Company 2" & 1-1/4" Bare Steel Main History



3/4/2003

Exhibit 3

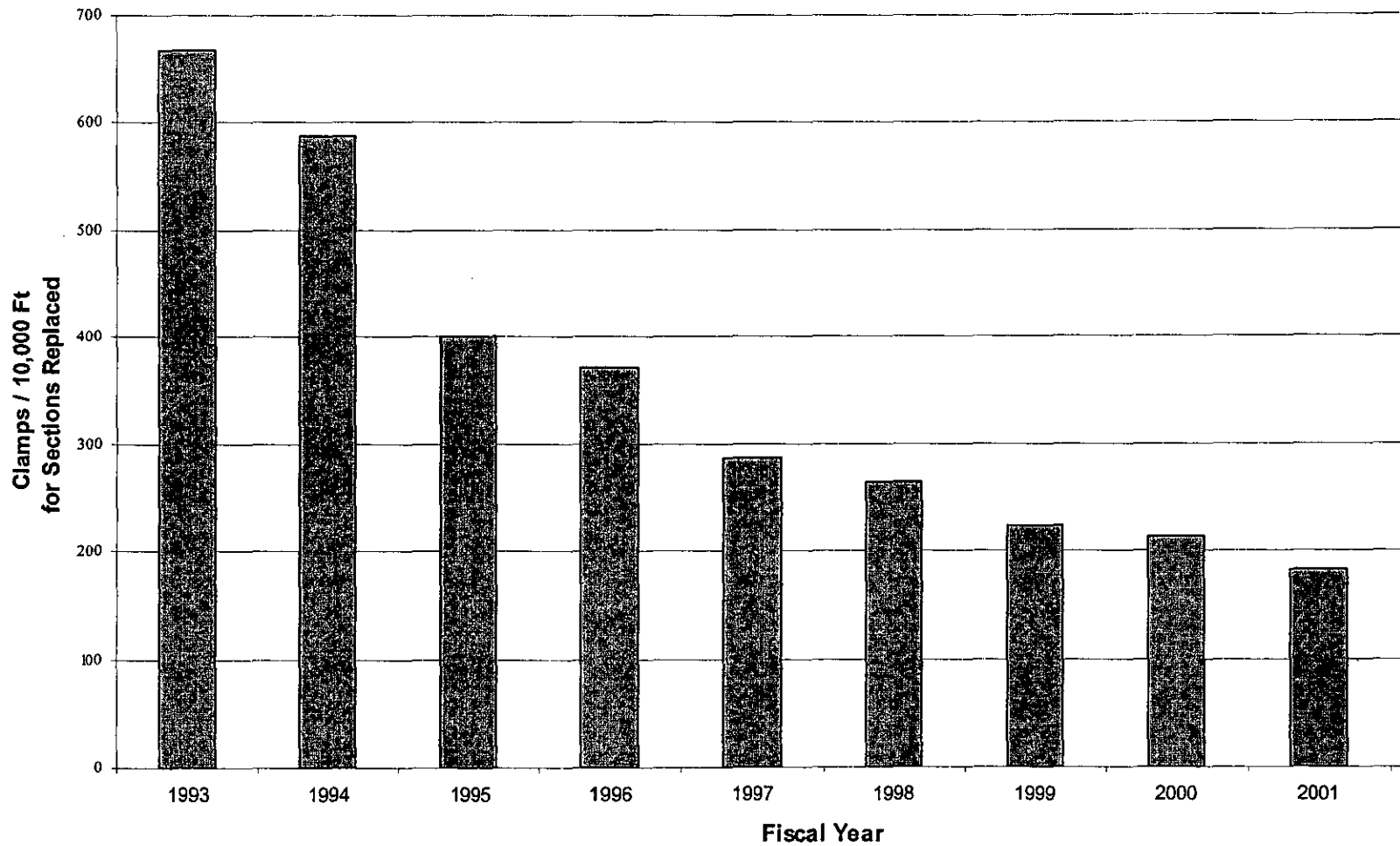
**Laclede Gas Company
2" & 1-1/4" Unprotected Steel Main History**



3/4/2003

Exhibit 4

Laclede Gas Company Bare Steel Main Replacement History



3/4/2003

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

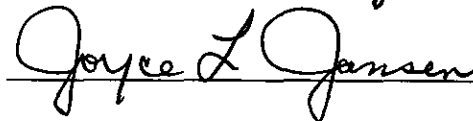
State of Missouri)
) SS.
City of St. Louis)

VERIFICATION

I, Mark D. Waltermire, Vice President-Operations for Laclede Gas Company, being first duly sworn verify that I am familiar with the foregoing Verified Application filed on behalf of Laclede; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.


Mark D. Waltermire

Subscribed and sworn to before me this 20th day of May, 2003.



My Commission expires:

7-2-05

JOYCE L. JANSEN
Notary Public — Notary Seal
STATE OF MISSOURI
ST. CHARLES COUNTY
My Commission Expires: July 2, 2005



Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Application was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 20th day of May, 2003 by hand-delivery or by placing a copy of such Application, postage prepaid, in the United States mails.

Michael A. Poulsgaard