


**FILED****MAR 19 2012****Missouri Public Service Commission****Missouri Public Service Commission** (Date File Stamp)

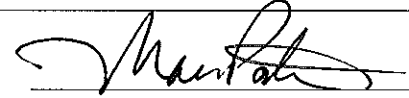
Judge or Division:	Appellate Number:	3:40pm MA
Appellant: The Office of the Public Counsel		Missouri Public Service Commission File Number: GT-2012-0183
vs.		
Respondent: The Missouri Public Service Commission		
Notice of Appeal		
Notice is given that The Office of the Public Counsel appeals to the Missouri Court of Appeals <input checked="" type="checkbox"/> Western <input type="checkbox"/> Eastern <input type="checkbox"/> Southern District.		
Date Notice of Appeal (to be filled in by Secretary of Commission)		 Filed Signature of Attorney or Appellant
The notice of appeal shall include the appellant's application for rehearing, a copy of the reconciliation required by subsection 4 of section 386.420, a concise statement of the issues being appealed, a full and complete list of the parties to the commission proceeding, and any other information specified by the rules of the court. The appellant(s) must file the original and (2) two copies and pay the docket fee required by court rule to the Secretary of the Commission within the time specified by law. Please make checks or money orders payable to the Missouri Court of Appeals. At the same time, Appellant must serve a copy of the Notice of Appeal on attorneys of record of all parties other than appellant(s), and on all parties not represented by an attorney.		
CASE INFORMATION		
Appellant Attorney / Bar Number: Marc Poston #45722		Respondent's Attorney / Bar Number: Shelly Brueggemann #52173
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Date of Commission Decision: 2/3/2012	Date of Application for Rehearing Filed: 3/4/2012	Date Application for Rehearing Ruled On: 3/7/2012
DIRECTIONS TO COMMISSION		
A copy of the notice of appeal and the docket fee shall be mailed to the clerk of the appellate court. Unless otherwise ordered by the court of appeals, the commission shall, within thirty days of the filing of the notice of appeal, certify its record in the case to the court of appeals.		

Certificate of Service

I certify that on 03-19-2012 (date), I served a copy of the notice of appeal on the following parties, at the following address(es), by the method of service indicated.

Missouri Public Service Commission – Hand delivered
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Missouri Gas Energy – U.S. Mail Service
Todd J Jacobs MBE 52366
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Appellant or Attorney for Appellant

FORM 1. CIVIL CASE INFORMATION FORM SUPPLEMENT

**MISSOURI COURT OF APPEALS
WESTERN DISTRICT**

No. WD _____

Public Counsel,

Petitioner/Appellant

Marc Poston, Bar Number 45722

P.O. Box 2230

Jefferson City, MO 65102

vs.

Missouri Public Service Commission

Defendant/Respondent

Shelly Brueggemann, Bar Number 52173

P.O. Box 360

Jefferson City, MO 65102

Date Notice filed with the Public Service Commission March 19, 2012

The Record on Appeal will consist of a Legal File Only. (This will include records filed pursuant to Rules 81.13 and 81.16)

FACTUAL BACKGROUND: (Events Giving Rise to Cause of Action)

Judicial Review of the Missouri Public Service Commission's February 3, 2012 *Order Approving Compliance Tariff Sheets* issued in Case Number GT-2012-0183, In the Matter of Missouri Gas Energy, A Division of Southern Union Company, Liability Tariff Filing.

ISSUE(S):

(Anticipated to be Presented by the Appeal; Appellant is Not Bound by this Designation)

Lawfulness and reasonableness of the Commission's Order.

[Two (2) typewritten pages maximum]

(Added June 25, 1987, effective Dec. 1, 1987. Amended effective June 23, 1988)

STATEMENT OF THE ISSUES

(As required by § 386.510 RSMo)

Appellant Public Counsel will raise the following issues on appeal:

1. The lawfulness and reasonableness of the Missouri Public Service Commission's February 3, 2012 *Order Approving Compliance Tariff Sheets* issued in Case Number GT-2012-0183, In the Matter of Missouri Gas Energy, A Division of Southern Union Company, Liability Tariff Filing.

LIST OF PARTIES TO THE COMMISSION PROCEEDING

(As required by § 386.510 RSMo)

The following parties participated in Public Service Commission Case Number GT-2012-0183:

Southern Union Company: Jacobs J Todd MBE 52366 3420 Broadway Kansas City MO 64111 todd.jacobs@sug.com 816-360-5976-Ext: 816-360-5903 Attorneys for Southern Union Company	Office of the Public Counsel: Marc D. Poston, MBN 45722 Deputy Public Counsel P. O. Box 2230 Jefferson City MO 65102 (573) 751-5558 (573) 751-5562 FAX marc.poston@ded.mo.gov Attorney for the Office of the Public Counsel
Public Service Commission Staff: Kevin Thompson MBE 36288 Chief Staff Counsel Missouri Public Service Commission P.O. Box 360 Jefferson City, MO 65102 573-751-6514 (Voice) 573-526-6969 (Fax) kevin.thompson@psc.mo.gov Attorney for the Staff of the Missouri Public Service Commission.	

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

The Staff of the Missouri Public Service Commission,)	
)	
)	
Complainant)	
v.)	Case No. GT-2012-0183
)	Tariff No. YG-2012-0261
Missouri Gas Energy, a Division of)	
Southern Union Company,)	
)	
Respondent.)	

**PUBLIC COUNSEL'S
APPLICATION FOR REHEARING**

COMES NOW the Office of the Public Counsel ("OPC" or "Public Counsel") and for its Application for Rehearing filed under § 386.500 RSMo respectfully states:¹

A. Introduction

Public Counsel seeks rehearing of the Public Service Commission's ("PSC" or "Commission") February 3, 2012 Order Approving Compliance Tariff Sheets ("Order"). The Order is unreasonable and unlawful because it gives Southern Union Company d/b/a Missouri Gas Energy ("MGE") immunity from claims of negligence by MGE customers. This tariff provision would apply when property damage, personal injury, or death is directly or indirectly connected with customer-owned gas utilization equipment, including harm caused solely due to the negligence of an MGE employee or agent.

B. Background

The controversy at issue began in 2006 in Case No. GR-2006-0422, *In the Matter of Missouri Gas Energy's Tariff Sheets Designed to Increase Rates for Gas Service in the*

Company's Missouri Service Area, when MGE proposed modifications to 22 tariff pages. The testimony MGE filed in support of the tariff changes explained all changes made in the first 21 proposed pages, but excluded mention of the changes proposed in the last tariff page, Sheet R-34. MGE's omission violated Commission rule 4 CSR 240-3.030(3)(B)⁷ requiring utilities to summarize their proposed changes. Sheet R-34 proposed to add a liability limitation that drastically altered the public utility/consumer relationship by reducing MGE's duty of care towards its customers, and increasing a customer's liability for MGE's negligent actions. Due to MGE's omission, the Staff, Public Counsel and the Commission were not aware of the change until it was already approved and effective. MGE's omission and subsequent tariff approval prompted the Staff to file a complaint against MGE on July 31, 2008 in Case No. GC-2009-0036.

Less than a month later, Laclede Gas Company, certainly aware of the Staff's complaint against MGE, filed proposed changes to its tariff that would provide blanket immunity to Laclede for its negligent actions. *See* Case No. GT-2009-0056. Laclede's proposal attempted to grant immunity to Laclede from all lawsuits and common law duties so long as Laclede complied with the Commission's safety regulations.

The Staff's Complaint against MGE was held in abeyance while the Laclede proposal was litigated before the Commission. After holding an evidentiary hearing and accepting evidence and argument on Laclede's proposal, the Commission rejected Laclede's proposed tariff changes and concluded that a court of law is better able to address claims of negligence:

A negligence claim involves many considerations which go to determine whether due care was exercised in the particular instance in which the question arises. Determining whether Laclede was negligent

¹¹ Statutory references are to the Missouri Revised Statutes 2000 unless otherwise noted.

in a particular situation depends on the surrounding circumstances. Actions or omissions which would be clearly negligent in some circumstances might not be negligent in other circumstances. These important fact specific decisions regarding liability, especially with regard to unregulated services, should be left to the judicial system.²

The Commission also concluded that the state legislature is an appropriate place to set liability limits on negligence claims rather than the Commission:

The court system is qualified to determine whether negligence has occurred even in matters involving regulated utilities. The state legislature is also an appropriate place to set liability limits on negligence claims or to give more specific authority to the Commission in this area.³

Following the Commission's rejection of Laclede's proposal, the Staff voluntarily dismissed its original complaint against MGE and re-filed the complaint in a new case designated Case No. GC-2011-0100.

In Case No. GC-2011-0100, the Staff and MGE each filed motions for summary determination. In the Commission's November 9, 2011 *Final Decision and Order to File a New Tariff Sheet* the Commission granted in part and denied in part each party's motion. In regards to MGE's liability towards its customers, the Commission recognized that MGE's tariff violated public policy and ordered MGE to file new tariff sheets. MGE's new tariff proposal is the subject of the present case, Case No. GT-2012-0183.

The Commission's Final Decision in Case No. GC-2011-0100 made no attempt to explain the significant departure from the Commission's Report and Order in Laclede's tariff case, except to state that "the Commission determines any contested case, including the propriety of any tariff provision, based on the facts of that case." This raises the

² Report and Order, Case Number GT-2009-0056, *In the Matter of Laclede Gas Company's Tariff Revision Designed to Clarify its Liability for Damages Occurring on Customer Piping and Equipment*, January 13, 2010.

³ *Id.*

questions: Why should liability cases regarding Laclede customers “be left to the judicial system” while liability for MGE customers is pre-determined by a tariff? Why is the Missouri Legislature “an appropriate place to set liability limits on negligence claims” for Laclede customers but not for MGE customers? These questions were not answered by the Commission’s Final Decision in Case No. GC-2011-0100, nor by the Commission’s Order in Case No. GT-2012-0183.⁴

C. Unreasonable and Unlawful Tariff Language

The language from the proposed tariff that OPC opposes, and which OPC seeks rehearing to reconsider, includes the following:

Provided that the Company has complied with 4 CSR 240-40.030(10)(J), 4 CSR 240-40.030(12)(S) and 4 CSR 240-40.030(14)(B), the Company shall not be liable for loss, damage or injury to persons or property, in any manner directly or indirectly connected with or arising out of the delivery of gas through piping or gas utilization equipment on the downstream side of the gas meter, which shall include but not be limited to any and all such loss, damage or injury involving piping, vents or gas utilization equipment not owned by the Company downstream of the gas meter, whether inspected or not by the Company, or occasioned by interruption, failure to commence delivery, or failure of service or delay in commencing service due to accident or breakdown of plant, lines, or equipment, strike, riot, act of God, order of any court or judge granted in any bona fide adverse legal proceedings or action or any order of any commission or tribunal having jurisdiction; or, without limitation by the preceding enumeration, any other act or things due to causes beyond Company’s control, or attributable to the negligence of the Company, its employees, contractors or agents, provided that the Company has complied with 4 CSR 240-40.030(10)(J), 4 CSR 240-40.030(12)(S) and 4 CSR 240-40.030(14)(B). [emphasis added].

Under this language, so long as MGE complies with three Commission safety rules, MGE will not be liable for damage to property or injury to persons that is related or connected to customer owned gas equipment, even where such property damage and/or

⁴ Public Counsel filed an appeal of the Commission’s Final Decision in Case No. GC-2011-0100. That case is currently pending before the Missouri Court of Appeals for the Western District, designated as Case No. WD74731.

personal injury is attributed to MGE's negligence. This is an extremely broad grant of immunity for a gas distribution company, and an extremely narrow set of duties that a gas company must observe with regard to the customer's gas utilization equipment. Under this language, MGE could be immune from liability for violations of statutes, Commission regulations, and compliance with local codes and standards, including safety laws and regulations. Moreover, such immunity is unprecedented in an industry that has always had tort liabilities determined in a court of law where specific facts can be analyzed for negligence.

D. The Order is Unreasonable

Public Counsel urges the Commission to rehear these proposed tariff changes because the Order is unreasonable in that it is arbitrary, capricious, an abuse of the Commission's discretion, and not supported by sufficient evidence.

1. Gas Incident Examples

To understand how MGE's liability provision could apply, it is helpful to study real examples where damages and/or injuries have occurred "downstream of the gas meter" as that term is used in the new tariff language. The Commission's rationale for granting immunity to MGE for harm occurring downstream of the meter appears to be based on the premise that the customer is better able to prevent such incidents from occurring. However, this premise ignores examples where the damage or injury did not occur as a result of action or inaction on the customer's part, rather, the damage or injury occurred as a result of action or inaction by the company. In these instances, no good public policy rationale would prohibit customers from seeking recourse in a court of law for their damages and/or injuries.

a. Over-Pressurization by Gas Company

In Commission Case Number GS-2006-0199, *In the Matter of an Investigation into the Natural Gas Incident in Booneville, Missouri on the System Operated by AmerenUE*, an error by company personnel caused over-pressurization of a gas distribution system, which caused gas utilization equipment downstream of the meter to malfunction, resulting in damages to numerous homes and a fire station. If a similar incident occurs on MGE's system under the new tariff language, MGE could claim immunity from liability where the downstream equipment malfunction is "indirectly connected" to equipment failure upstream of the meter. Despite the utility being in the best position to prevent this type of incident, the new tariff could force consumers to shoulder all liability.⁵

b. Negligent Incident Response

The new tariff language would also grant MGE immunity from the negligent actions or inactions of MGE personnel in response to gas incidents. If MGE detects a gas leak inside a home but is unable to shut off the flow of gas due to an improperly installed gas valve, and damages occur to the residence, MGE would appear to be immune from liability because the cause would be related to the provision of gas downstream of the meter. An improperly installed gas flow valve was at issue in the gas incident that was the subject of a Staff complaint against MGE in Case Number GC-2000-386, *The Staff of the Missouri Public Service Commission v. Missouri Gas Energy, a Division of Southern*

⁵ System over-pressurization was also the cause for an incident investigated by the Commission in Case Number GS-2005-0246, *In the Matter of an Investigation into Natural Gas Incidents in Unionville and Milan, Missouri, on Systems Operated by West Central Energy*, where the company's regulator (on the upstream side of the meter) malfunctioned and over-pressurized gas, which caused an explosion and a fire on the downstream side of the meter.

Union Company. The Staff discovered during its investigation of a natural gas explosion in a three-story apartment building that the curb box containing the shut off valve was not properly documented and the cover to the curb box was partially covered with concrete which inhibited prompt access to and ready operation of the valve. Under the new tariff and similar facts, MGE could argue immunity from such liability because the harm occurred on the downstream side of the meter.

c. Negligent Actions/Inactions on Customer's Property

The new tariff language would also grant immunity to MGE for negligent actions taken by MGE employees while in a customer's home or business. In *Goens v. Southern Union Company d/b/a Missouri Gas Energy*, No. 09-0422-CV-W-FJG, 2010 U.S. Dist. LEXIS 70409, July 14, 2010 ("*Goens*"), the plaintiffs alleged that a fire in their home occurred because "an MGE gas service technician who relit the pilot light of the water heater in the basement of plaintiffs' residence...negligently failed to replace the combustion cover back on the water heater after relighting the pilot." A "flame roll-out" occurred, causing a fire to Plaintiff's home. Despite MGE being in the best position to protect against such incidents when lighting a pilot light, the tariff could allow MGE to avoid responsibility.

d. Negligent Failure to Warn

In *Adams v. Northern Illinois Gas Co.*, 809 N.E. 2d 1248, 1268 (Ill. 2004)("*Adams*"), a flexible brass connector that connected the kitchen range to the gas supply failed, allowing a large amount of natural gas to escape, causing an explosion and the death of an occupant of the home. The gas company was aware of the potential harm caused by the faulty brass (Cobra brand) connectors but failed to warn the Plaintiff. The

Court found that “the danger in question was not one normally associated with the product and consumers were not in a position to be aware of the danger without adequate warnings.” The Court concluded that the gas company’s “superior knowledge of the risks pertaining to Cobra connectors begat a duty of due care, such as issuing a warning to its customers.”

Gas companies have a significant advantage in their knowledge of gas utilization equipment and the inherent dangers involved, and as a result, should be held to a higher degree of care than simply granting immunity regardless of the circumstances. A one-size fits all grant of immunity should not be applied to gas companies when it implicates serious issues involving the safety of Missouri citizens. The duty of care that a gas company should provide for its customer should be flexible to address changing circumstances. To the extent the tariff language limits MGE’s duty to warn of potential dangers, the tariff is inconsistent with MGE’s common law duty to warn customers of potential hazards.

e. Lack of Sufficient Natural Gas Odor

Commission rule 4 CSR 240-40.030(12)(P) requires gas companies to include “a natural odorant” in their natural gas “at a concentration in air of one-fifth (1/5) of the lower explosive limit” so that “the gas is readily detectable by a person with a normal sense of smell.” If MGE were to negligently omit odorization from its natural gas, and as a result a customer was unable to detect a gas leak coming from their gas utilization equipment, the result could be a devastating gas explosion. In that instance, MGE could claim immunity from liability despite MGE’s rule violation directly contributing to the explosion. Natural gas odorization was at issue in *Coggins v. Laclede Gas Company*, 37

S.W.3d 335 (Mo. App. E.D. 2000)(“*Coggins*”), where the plaintiff alleged that Laclede failed to properly odorize its gas, which lead to an explosion and the death of the plaintiffs’ son.

f. Water/Debris Sent Through Company Piping

In the Staff’s Recommendation to Reject Proposed Compliance Tariff, dated December 29, 2011, the Staff raises similar concerns regarding problems encountered on the downstream side of the meter that can be caused by MGE’s negligence on the upstream side of the meter. One specific possibility raised by the Staff is “water/debris from the Company’s piping being transferred to customer-owned piping.” Water or debris can cause customer-owned gas utilization equipment to malfunction, yet the tariff would make MGE immune from liability for its negligence. There is no good public policy rationale for forcing consumers to shoulder all liability should MGE’s negligence cause water or debris to enter into the gas supply.

OPC asks the Commission to recognize that the facts leading to damaged property or personal injuries are infinite, and whether the customer or the company should be held liable cannot be pre-determined by an administrative agency with no knowledge of those specific facts. For consumers, the new tariff language has the potential of greatly increasing the harm already occurred by denying consumers recourse in a court of law.

2. Missouri Courts Are Better Able to Determine Liability

The Missouri judicial system has been addressing negligence claims issues since the invention of gas distribution, and should be trusted to continue properly applying the appropriate standard in negligence claims. The standard applied by Missouri courts requires a plaintiff to prove three elements in a negligence claim: (1) that the defendant

has a duty to protect the plaintiffs from injury; (2) that defendant breached that duty; and (3) that the defendant's breach resulted in injury to plaintiffs. *Smith v. Brown & Williamson Tobacco Corp.*, 275 S.W.3d 748, 284 (Mo. App. W.D. 2008). The new tariff language would drastically reduce MGE's duty to protect its customers from injury.

In a tort action against MGE, to establish the existence of a "duty" by MGE towards its customers, the plaintiff would need to establish that a reasonably prudent person would have anticipated the danger and provided against it. *Krause v. U.S. Truck Co., Inc.*, 787 S.W.2d 708 (Mo. 1990). MGE is not required to foresee every possible injury which might occur. *Schlegel v. Knoll*, 427 S.W.2d 480 (Mo. 1968). If the intention of the Commission is to protect MGE from situations where MGE should have no duty towards its customers, common law already protects MGE. MGE's tariff language is contrary to good public policy, and it is contrary to a long history of case law that holds utility companies accountable for their negligent behavior. "The question of negligence is usually one of fact for the court and jury and not one of law." *Colorado Milling & Elevator Co. v. Terminal R. Assoc.*, 350 F.2d 273 (8th Cir. 1965).

3. Missouri Legislature: Negligence Immunity is Against Public Policy

OPC also asks the Commission to have faith in the Missouri Legislature to address gas distribution company liability should it be a problematic issue with gas companies. To date the Missouri Legislature has not addressed public utility liability specifically, however, guidance can be gained from another industry where the Legislature specifically addressed holding a company harmless from its own negligence. For the construction industry, the Missouri legislature specifically prohibits construction contracts from granting immunity from negligence. Section 434.100 RSMo 2000 states:

...in any contract or agreement for public or private construction work, a party's covenant, promise or agreement to indemnify or hold harmless another person from that person's own negligence or wrongdoing is void as against public policy and wholly unenforceable.

The tariff change would allow a limitation that is prohibited for public or private construction work contracts. Granting immunity from negligence liability to a public utility has more inherent reasons to be against public policy than immunizing a party in a construction contract. With construction contracts, both parties enter into the contract with relatively equal bargaining power, before a contractual relationship is established. With the services provided by a monopoly public utility, the customer is at the mercy of the company – individual customers have no means of negotiating terms different than those in the company's tariff. If holding a company harmless in a negotiated construction contract is against public policy, holding a public utility harmless in its tariff is also against public policy. The same prohibition against hold harmless provisions also applies to motor carrier contracts under Section 390.372 RSMo, which states that such hold harmless provisions are “against the public policy of this state and is void and unenforceable.” In another example, the Missouri Legislature specifically determined in Section 257.470 RSMo 2000 that all water conservancy districts “shall be liable for damages as a result of negligence of the district.” If public policy supports a limitation on liability for natural gas distribution companies, the Missouri Legislature is the proper authority to address that issue, just as it addressed liability limitations in the above-mentioned industries.

4. Consumers Deserve an Explanation

Such a broad grant of immunity deserves, at a minimum, an explanation by the Commission of the policy reasons for making such an unprecedented change. Likewise,

the Commission's reasons for denying the consumer representative's repeated request to present evidence on this matter should also be explained. The Order in this case, and the Final Decision in Case No. GC-2011-0100 that directed MGE to make this tariff filing, offer little guidance to help MGE consumers understand why their gas service provider is immune from liability, whereas across the state in St. Louis, customers of Laclede Gas Company were protected by the Commission. For this reason, the Order is unreasonable.

E. The Order is Unlawful

The Commission's authority is limited to the authority granted by the Missouri Legislature, and granting immunity to tort liability as contemplated in the proposed tariff is not an authority granted to the Commission, and the Order is therefore unlawful. The Order is also unlawful and unreasonable for the following reasons.

1. Immunity from Gross Negligence or Willful Conduct

The tariff language appears to make MGE immune even for gross negligence or willful conduct. These higher degrees of negligence are not specifically addressed in the tariff language, which states that MGE is not liable under any circumstances, including but not limited to the company's negligence. Since the immunity is "without limitation," MGE's gross negligence or willful conduct would appear to also be immune from liability by the tariff language. This is an unlawful grant of immunity that the Missouri Legislature has not granted the Commission the authority to determine. It is also contrary to common law principles of liability limitations.

2. Tariff Violates Article 1 of the Missouri Constitution

During the evidentiary hearing in Laclede's liability tariff case, Case No. GT-2009-0056, Commissioner Jarrett raised an important issue when he questioned the tariff's

lawfulness in light of Article 1 § 14, the “open courts” provision of the Missouri Constitution, which states:

§ 14. Open courts—certain remedies—justice without sale, denial or delay

That the courts of justice shall be open to every person, and certain remedy afforded for every injury to person, property or character, and that right and justice shall be administered without sale, denial or delay.

MGE’s tariff revision is a direct violation of Article 1 § 14 of the Missouri Constitution because it would close the courts of justice to remedies by a consumer that has suffered injury to person or property due to MGE’s negligence. The policy of Missouri is to bar none of its citizens from its courts where there is proper venue and jurisdiction of the parties and subject matter. *State ex rel. Southern Ry. Co. v. Mayfield*, 240 S.W.2d 106 (Mo. 1951).

The open courts provision does not create rights, but is meant to protect the enforcement of rights already acknowledged by law. *State ex rel. Tri-County Electric Co-op. Ass’n v. Dial*, 192 S.W.3d 708 (Mo. 2006). The Missouri Revised Statutes currently recognizes an MGE consumer’s right to file an action in court, and the open courts provision of the Missouri Constitution protects that right. § 536.120.

In *Blaske v. Smith & Entzeroth, Inc.*, 821 S.W. 2d 822, 832 (Mo. 1992), the Missouri Supreme Court stated that “the major issue in almost every consideration of the open courts provision is to determine exactly where the courts draw the line between the right of the legislature to modify the substantive law to eliminate or restrict some cause of action and the right of an individual litigant to have open access to the courts to obtain some remedy available under the applicable substantive law.” Here the Supreme Court recognizes the Legislature’s authority to limit or restrict causes of action, which is an authority not granted to the Commission. Any such limits on an individual litigant’s rights to file suit in a court of law would have to come from the Missouri Legislature.

In *Snodgras v. Martin & Bayley, Inc.*, 204 S.W.3d 638 (Mo. 2006), the Missouri Supreme Court outlined the requirements for a showing that an open courts violation has occurred. An open court violation is established upon the showing that: 1) a party has a recognized cause of action; 2) that the cause of action is being restricted; and 3) the restriction is arbitrary or unreasonable. *Id.* at 640. MGE's customers have a recognized cause of action against MGE under Chapters 516 and 537 to file claims against MGE for injuries and damages to property and person. The proposed tariff would restrict the consumer's ability to file such actions. This restriction is arbitrary and unreasonable for the reasons explained in the following section. Accordingly, MGE's tariff proposal is in violation of Article 1 § 14 of the Missouri Constitution.

For similar reasons, the Order also violates a consumer's **right to due process** under Article 1, § 10 of the Missouri Constitution, and Article 1, Section 22(A) of the Missouri Constitution and the Seventh Amendment of the United States Constitution by eliminating the **right to trial by jury** for persons injured by MGE's negligence.

3. The New Tariff Language Changes *Minimum* Safety Standards to *Maximum* Safety Standards

The Commission appears to take comfort that consumers are somehow protected by the language of the tariff requiring MGE to follow three commission safety rules. The new tariff language would purportedly make MGE immune to liability for its negligence in replacing fuel lines (4 CSR 240-40.030(10)(J)) and in turning on the flow of gas (4 CSR 240-40.030(12)(S)) so long as MGE performed a leak test and a visual inspection of fuel lines and equipment. Under the new tariff language, as long as MGE performs the leak test and visual inspection, it cannot be held liable for property damage or personal injury caused by MGE's negligence, even where MGE was the *only cause* of the damage or injury, and even in instances where the customer in no way contributed to the problem

that caused the harm. Customers are not protected if MGE's gas service technicians perform their visual inspections and leak surveys negligently. If MGE should have detected a leak, but negligently failed to do so, the tariff would purportedly make MGE immune from liability for the harm caused by MGE's negligence. How is this possibly consistent with good public policy? It will only provide a reduced incentive for MGE technicians to act in the safest manner possible.

The new tariff language would essentially determine that the Commission's safety rules offer the maximum degree of care that MGE must provide to its customers regardless of the infinite fact patterns that could lead to property damage, injury or death. The safety rules, however, are supposed to act as *minimum* safety standards. The *Purpose* section of 4 CSR 240-40.030 Safety Standards, states:

PURPOSE: This rule prescribes the minimum safety standards regarding the design, fabrication, installation, construction, metering, corrosion control, operation, maintenance, leak detection, repair and replacement of pipelines used for the transportation of natural and other gas.

By specifically highlighting three Commission rules as encompassing MGE's only duty or obligation towards customer safety downstream of the meter, the Commission is essentially modifying its safety rules by making the rules apply as the maximum safety standards to be applied regardless of the circumstances.

4. The Warner Case Applies Only to Telephone Directory Liability

The Commission's Final Decision in GC-2011-0100 cites to *Warner v. Southwestern Bell Telephone Company*, 428 S.W.2d 596 (Mo. 1968) for support of its authority to limit MGE's negligence liability. The Commission's reliance upon this decision is misplaced in that *Warner* applied to telephone company liability for

misprinting a listing or failing to print a listing in the company's directory. The holding in *Warner* does not apply to tort liability for negligently causing the death, personal injury, or property damage of one of MGE's customers, and it is contrary to the common law duties of companies such as MGE that provide a highly dangerous service such as natural gas distribution.

Common law imposes a duty upon those controlling dangerous materials to exercise that degree of care commensurate with the risk of danger inherent in the material involved. *Custom Craft Tile, Inc. v. Engineered Lubricants Co.*, 664 S.W.2d 556 (Mo. App. E.D. 1983). Providing natural gas is drastically different than providing a telephone directory service. Moreover, a gas distribution company's superior knowledge of the properties of natural gas and the operation of gas utilization equipment increases the company's duty towards its customers. Under Missouri common law, when a person possesses knowledge superior to that of an ordinary person, the law requires that person to conduct consistent with that knowledge or skill. *Business Men's Assurance Company of America v. Graham*, 891 S.W.2d 438 (Mo. App. W.D. 1994). The law holds no company to a higher degree of care than when it is acting within the trade or business in which it is engaged. *Wommack v. Orr*, 176 S.W.2d 477 (Mo. 1943). The Order is contrary to common law duties that place a higher duty on distributors of natural gas.

F. Conclusion

Public Counsel urges the Commission to grant this Application for Rehearing and allow these matters to be fully vetted before the Commission.

WHEREFORE, the Office of the Public Counsel respectfully requests rehearing.

Respectfully submitted,

OFFICE OF THE PUBLIC COUNSEL

By: /s/ Marc D. Poston

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CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed, emailed or hand-delivered to the following this 4th day of March 2012:

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