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June 19, 1998

FILED
JUN 19 1998
Missouri Public
Service Commission

Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
P. O. Box 360
Jefferson City, MO 65102

RE: Application for Variance from Gas Meter Testing Rule

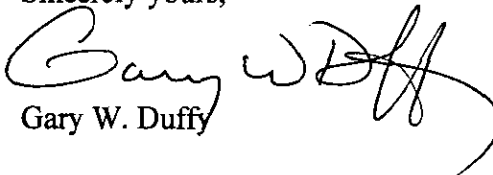
60-98-567

Dear Mr. Roberts:

Enclosed for filing with your office on behalf of Associated Natural Gas Company please find an original and fourteen copies of a verified Application for Three Year Variance.

If there are any questions about this, please let me know.

Sincerely yours,


Gary W. Duffy

Enclosures
cc w/enclosures:
Office of Public Counsel
John Kottwitz
John Kehn
Paulette Locke-Johnson

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

FILED

JUN 19 1998

Missouri Public
Service Commission

In the matter of the Application of)
Associated Natural Gas Company, a division)
of Arkansas Western Gas Company, for a)
three year variance from Section (19) of)
4 CSR 240-10.030 regarding the testing of)
gas meters.)

Case No. GO-98- 567

APPLICATION FOR THREE YEAR VARIANCE

Comes now Associated Natural Gas Company ("ANG" or "Applicant"), a division of Arkansas Western Gas Company ("AWG"), pursuant to 4 CSR 240-2.060 (11) and requests a variance from 4 CSR 240-10.030(19).

1. ANG is an operating division of Arkansas Western Gas Company which is duly incorporated under the laws of the state of Arkansas and conducts business in Missouri under the fictitious name of Associated Natural Gas Company.

2. Applicant's complete legal name, mailing address, and principal place of business are as follows:

Associated Natural Gas Company, a division of
Arkansas Western Gas Company
1001 Sain Street
P.O. Box 1288
Fayetteville, Arkansas 72702-1288

3. Applicant is a public utility engaged in the transmission and distribution of natural gas at retail in Dunklin, Pemiscot, New Madrid, Wayne, Ripley, Scott, Mississippi, Cape Girardeau, Schuyler, Adair, Cass and Bates Counties in Missouri, subject to the jurisdiction of the Missouri Public Service Commission ("Commission"), and also provides service in parts of

Arkansas under the jurisdiction of the Arkansas Public Service Commission.

4. A copy of Applicant's Restated Articles of Incorporation was previously filed with the Commission in Case No. GA-90-15. Its certificate of authority to conduct business in Missouri and registration of fictitious name were previously filed with the Commission in Case No. GM-88-100.

5. All correspondence, communications, notices, orders and decisions of the Commission with respect to this matter should be sent to:

Paulette Locke Johnson, Attorney
Arkansas Western Gas Company
P.O. Box 1408
Fayetteville, Arkansas 72702-1408
Phone (501) 521-1141
Fax (501) 521-1147

Gary W. Duffy, Attorney at Law
BRYDON, SWEARENGEN & ENGLAND P.C.
P.O. Box 456
312 East Capitol Avenue
Jefferson City, Missouri 65102
Phone (573) 635-7166
Fax (573) 635-3847

6. Section (19) of 4 CSR 240-10.030 states that, "Unless otherwise ordered by the Commission, each gas service meter installed shall be periodically removed, inspected and tested at least once every one hundred twenty (120) months or as often as the results obtained may warrant to insure compliance with the provision of section (18) of this rule." Applicant hereby requests a variance whereby its meters will be tested under a sampling procedure which will allow for extending the service life of meter change-outs consistent with maintaining billing objectives at a high accuracy level while minimizing cost. The two billing objectives to be

satisfied are (1) assuring that the average billing errors cancel, leaving the revenue requirement whole, and (2) keeping individual billing errors which result from out-of-proof meters at an acceptable level with respect to both the magnitude of errors and number of customers affected.

7. AWG made application to the Arkansas Public Service Commission (APSC) for a waiver of its meter testing Rule 7.04.A(1) and on March 24, 1998, the APSC approved a meter change-out program similar to the one applied for in this application.

8. The proposed meter change-out program is contained in the following paragraphs.

Quality Standards; Testing and Criteria

9. Meters will be classified into homogenous groups. ANG currently classifies its meters into groups which are described in Exhibit A. A meter will be considered in tolerance if the average in test, of meters pulled for testing, is plus or minus two percent (2%). The average in test is equal to the open rate (100% of meter capacity) plus the check rate (20% of meter capacity) divided by two.

10. A random sample of 400 meters of the oldest vintage (years since last test date) for each group will be tested within the first six months of the year. If the oldest vintage has fewer than 400 meters, the deficiency will be made up from the next oldest vintage.

- a. If 92 percent or more of the sample meters in a group test in tolerance, the allowable life for that group will be extended one year.
- b. If less than 89 percent of the sample meters in a group test within tolerance, ANG will undertake an examination of that group and prepare a remediation plan to bring the group to a minimum level of 89 percent within tolerance.

- c. If 89 to 92 percent test within tolerance, an additional sample 200 meters will be tested within the next three months. If 92 percent or more of the combined sample of 600 meters test within tolerance, the allowable life for that group will be extended one year. If less than 89 percent of the combined sample test is within tolerance, ANG will undertake an examination of that group and prepare a remediation plan to bring the group up to a minimum level of 89 percent within tolerance. If 89 to 92 percent of the combined sample test within tolerance, the allowable life will be maintained at the current oldest vintage for the following year or until such time the meters test within the tolerance levels stated in a. or b. above.

11. For each group, the maximum permissible vintage period will be limited to thirty (30) years from the last test date.

Sampling Procedures

12. A series of random numbers will be generated and used to select meters for testing from meter records or billing records. Meters which become available through customer moves or other normal operations and are within the vintage being tested will be considered to be randomly selected and may be used in the testing program. Meters which are removed from service as a result of damage should not be included in the testing program.

Annual Report

13. ANG will submit an annual report to the Commission in either this docket or another docket to be determined by the Commission, no later than January 31 following the test year. The report will include the following information for each group: (1) the distribution

of test results for the first sample (and combined sample if necessary) showing the percentage of test meters by intervals of 1 percent through 10 percent average proof and a count of meters out of tolerance by more than 10 percent; and (2) a description of the analysis undertaken for meter groups requiring remediation and the remediation plan. The annual reports will also address the appropriate number of meter groupings and makeup of their groupings. A copy will also be sent to the Manager of Gas Department, Missouri Public Service Commission and to any other party of record.

Support for Present Quality Level

14. Evidence that at the present time the overall quality level, as measured by the quality standards described above, is satisfactory, is provided in Exhibit B hereto.

Duration of Variance

15. ANG requests that this variance become effective during the 1998 calendar year, to remain in effect initially for three full years (36 months). Recommendations for continuation or revision of the variance would be filed as a joint report (Staff and ANG) no later than November 30, 2000.

Maintenance of Meter Service Capabilities

16. ANG recognizes the need to maintain a minimum level of meter service workforce capability and will maintain a workforce to be able to respond to unexpected changes related to servicing meters.

Exceptions

17. Two categories of meters shall be excluded from this program: (1) the meters shown on Exhibit C which are scheduled to be replaced within the next five (5) years due to

their age and (2) large meters with a capacity of 500 cubic feet per hour which will continue to be tested under the provisions of 4 CSR 240-10.030 (19).

WHEREFORE, ANG respectfully requests that the Commission grant a three-year variance from 4 CSR 240-10.030 (19) which will allow ANG to change out meters under the sampling program described in this filing.

Respectfully submitted,
ASSOCIATED NATURAL GAS COMPANY
By Gary W. Duffy #24905
Gary W. Duffy
BRYDON, SWEARENGEN & ENGLAND P.C.
312 East Capitol Avenue
P.O. Box 456
Jefferson City, Missouri 65102-0456
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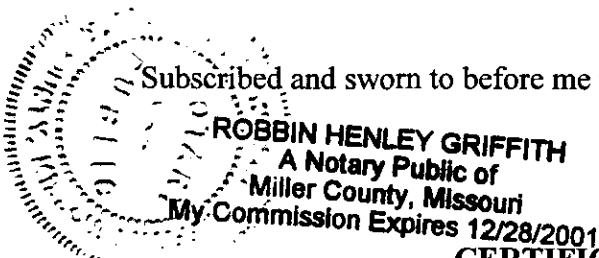
VERIFICATION

STATE OF MISSOURI }
COUNTY OF COLE }ss

The undersigned, being first duly sworn, states upon his oath that he has read the foregoing pleading and the facts alleged therein are true and correct to the best of his knowledge, information and belief and the above-indicated attorneys are authorized to file this pleading on behalf of Associated Natural Gas Company.

Gary W. Duffy
Gary W. Duffy

Subscribed and sworn to before me this 19th day of June, 1998.



Robbin Henley Griffith
Notary Public

CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing was either mailed or hand-delivered to counsel for all parties of record this 19th day of June, 1998.

Gary W. Duffy
Gary W. Duffy



EXHIBIT A

ANG/MISSOURI METER GROUPS

<u>GROUP</u>	<u>TYPE</u>	<u>PURCHASE DATE</u>	<u>NUMBER</u>
1	Sprague 175 All 1A, 250	1950 to 1965	16, 533
2	Sprague 175 R175, R200	1966 to present ALL	15,227
3	AMERICAN	ALL	13,999



EXHIBIT C

ANG/MO METER GROUPS TO BE EXCLUDED FROM THE PROPOSED PROGRAM

Meters to be junked as they are changed out:

<u>Type</u>	<u>Number in System</u>
SPRAGUE #2	88
SPRAGUE #3	39
SUPERIOR 175	1237
SUPERIOR 250	139
SUPERIOR 340	58
ROCKWELL 415	44
<hr/>	
TOTAL	1605