

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's)
Application for determination of certain) Case No. G Q-2002- 48
Matters pertaining to its Safety Line)
Replacement program.)

APPLICATION

Comes now Missouri Gas Energy ("MGE"), a division of Southern Union Company, by and through counsel and for its application for determination of certain matters pertaining to MGE's Safety Line Replacement Program, pursuant to 4 CSR 240-40.030(1)(J), respectfully states as follows:

I. General Matters

1. The name and address of Applicant are: Missouri Gas Energy, 3420 Broadway, Kansas City, Missouri, 64111.

2. MGE is an operating division of Southern Union Company which is duly incorporated under the laws of the State of Delaware, and conducts business in Missouri under the name of Missouri Gas Energy. The articles of incorporation of Southern Union Company have previously been provided to the Commission in Case No. GM-94-40.

3. MGE is a gas corporation and a public utility engaged in the distribution of natural gas at retail to approximately 491,000 customers in Andrew, Barry, Barton, Bates, Buchanan, Carroll, Cass, Cedar, Christian, Clay, Clinton, Cooper, Dade, Dekalb, Greene, Henry, Howard, Jackson, Jasper, Johnson, Lafayette, Lawrence, McDonald, Moniteau, Newton, Pettis, Platte, Ray, Saline, Stone and Vernon counties in Missouri, subject to the jurisdiction of the Missouri Public Service Commission ("Commission").

4. Although uncertain precisely what information the Commission seeks by 4 CSR 240-2.060(1)(K), MGE provides the following in an attempt to comply therewith. MGE is unaware of any pending action or final unsatisfied judgments or decision against MGE from any state or federal agency or court which involve customer service or rates, which action, judgment or decision has occurred since July 30, 1998. Nevertheless, since that time MGE has been involved in a number of judicial review proceedings, filed against the Commission, involving MGE's rates. The Commission itself should be aware of all such cases.

5. No annual report or assessment fees pertaining to MGE are overdue.

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

Robert J. Hack
Vice President, Pricing
& Regulatory Affairs
Missouri Gas Energy
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816/360-5536
e-mail: rob.hack@southernunionco.com

II. Purpose of Filing

7. Since 1990 MGE (and its predecessor in interest) has been engaged in a substantial infrastructure replacement project know as the Safety Line Replacement Program ("SLRP"). MGE's SLRP has been undertaken pursuant to Commission rule (4 CSR 240-40.040), many of the details of which have been administered through orders in various Commission cases (e.g., Case Nos. GO-91-277, GO-91-239, GO-91-295 and GO-99-302). MGE's SLRP has so far entailed the replacement of more than 230,000 service

lines and nearly 300 miles of cast iron main lines. In the course of implementing the SLRP, MGE has made regular reports to the Commission's gas safety staff concerning the progress of the SLRP and has also, on occasion, had communications with the Commission's gas safety staff with respect to appropriate interpretation of the SLRP requirements. In virtually all such instances, MGE and the Commission's gas safety staff have been able to agree upon a course of action without the necessity of involving the Commission. Recently, however, two items have arisen with respect to SLRP implementation that MGE believes are most appropriately resolved with Commission involvement. These items are A) maintenance and replacement of farm tap service lines and B) maintenance and replacement of service lines and mains associated with master meter trailer parks. MGE will address each item in turn.

III. Specific Determinations Requested

A. Farm Tap Service Lines

8. Farm Tap Customers receive retail service directly off of the interstate pipeline system. They are typically in very rural locations and often have lengthy service lines. By and large, Farm Tap Customers were provided natural gas service as part of right-of-way agreements with the interstate pipeline company pursuant to which the pipeline company laid transmission mains on the property in question (with the service lines being installed at the customer's expense).

9. MGE provides service to approximately 600 Farm Tap Customers, primarily off of the Williams pipeline system. Apparently one or more of MGE's predecessors in interest agreed to provide billing services for these customers at some point in the past. How, when and why is unclear to MGE at this time. MGE owns the

meter, and odorant pot, the pipeline company owns the regulator, and the service or yard line is owned by the customer. In any event, MGE (as well as its predecessors in interest) has been rendering bills to these Farm Tap Customers, filling the odorant pots, reading meters, responding to service calls and leak surveying the service lines. To date, in those unusual circumstances where a leak has been found on a Farm Tap service line, MGE has typically repaired the leak and billed the customer for MGE's cost.

10. If the service lines of these Farm Tap Customers must be replaced under the SLRP, MGE estimates that it would cost approximately \$1.8 million to replace all of these service lines. According to Sheet Nos. R-33 and R-33.1 of MGE's tariff, the cost of such replacement in excess of \$450 is to be borne by the customer. In numerous instances, the customer contribution required for the replacement of these service lines would be many thousands of dollars. MGE is concerned about the impact this would have on Farm Tap Customers, particularly in light of the rural location of these facilities and the fact that the leak experience of such facilities has been good (e.g., few leaks).

11. In light of the above-described situation, MGE does not believe that the public interest, the interest of Farm Tap Customers, or the interest of the balance of MGE's customers require the replacement of all Farm Tap service lines under the SLRP. MGE also believes that clarification of retail service responsibilities for these Farm Tap Customers is in the public interest. Subject to certain conditions set forth below, including reaching an acceptable agreement with Williams and obtaining approval of the Commission, MGE proposes the following as a reasonable way to handle the maintenance and replacement of the service lines of Farm Tap Customers:

- a. Williams Gas Pipelines-Central will provide MGE \$500,000 in exchange for which MGE will accept responsibility for providing retail service to these customers. MGE shall assume no responsibilities or obligations of any right-of-way agreements that may exist between these Farm Tap Customers and an interstate pipeline company. Nor shall MGE's acceptance of retail service responsibilities for these Farm Tap Customers impair any rights that may exist as a result of any right-of-way agreements between these Farm Tap Customers and an interstate pipeline company. In the next MGE general rate proceeding initiated after MGE's receipt of this payment from Williams, MGE shall reduce rate base by recording the payment in Account 116-Other Gas Plant Adjustment which amount shall be amortized over a ten-year period. No additional revenue requirement adjustment shall be made in any MGE general rate proceeding, either directly or indirectly, on account of MGE's acceptance of retail service responsibilities for these Farm Tap Customers or on account of the amount of money received from Williams therefore.
- b. The service lines of the Farm Tap Customers need not be replaced under the SLRP. MGE will continue to leak survey these service lines annually. If a leak is found, MGE shall either replace the service line in its entirety or repair the leak on a permanent basis, at MGE's sole discretion. In the event the service line is replaced in its entirety, MGE shall thereafter leak survey that service line as prescribed by 4 CSR 240-40.030.
- c. In the event that repair or replacement of a Farm Tap service line is necessary, the customer shall be responsible for the associated costs. If the customer does not agree to pay such costs, MGE shall not be required to replace the Farm Tap service line and shall discontinue service.

B. Master Meter Trailer Parks

12. MGE and the Staff have identified approximately sixteen (16) trailer parks located within MGE's service territory where a master meter is on the property, and service is provided to individual premises through MGE-owned meters while the balance of the distribution system on the trailer park grounds (i.e., mains and services) is not owned by MGE. Some of these mains are located under trailers. MGE has been leak surveying the bulk of these distribution facilities and billing the property owner. Where hazardous leaks are found, MGE fixes the leak and bills the property owner; where non-hazardous leaks are found, MGE notifies the property owner who then contracts with a

qualified entity to perform the necessary repairs. This is consistent with Sheet Nos. R-69 and R-70 of MGE's tariff.

13. In these sixteen trailer parks, MGE has identified approximately 34,000 feet of main and 646 services. It is unclear to MGE what the rules require as far as replacement of these services and mains. It is also unclear to MGE under the rules and MGE's tariff, who is required to replace these services and/or mains. MGE is unwilling to purchase these distribution systems. None of these trailer park owners have requested MGE to re-pipe their systems.

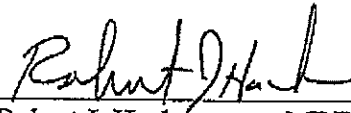
14. MGE believes the public interest would be served by clarifying the replacement requirements of services and mains in these Master Meter Trailer Park situations. Subject to certain conditions set forth below, including the approval of the Commission and an acceptable resolution of the Farm Tap issue as described above, MGE is willing to replace the mains as well as the services in these Master Meter Trailer Park situations. It makes little sense to attach a new service to an old main; it also makes little sense for MGE to own the service and not the main to which it is attached. The terms and conditions of MGE's Master Meter Trailer Park proposal:

- a. All services and mains in the Master Meter applications would be replaced by MGE by December 31, 2005. Any such replacements would be considered a part of the SLRP and the associated costs (e.g., depreciation expense, property taxes and carrying costs) would be subject to deferral pursuant to any Accounting Authority Order ("AAO") issued by the Commission for SLRP expenditures, including the AAO granted by the Commission in Case nO. GR-2001-292 in its order dated July 5, 2001. Commission approval of this paragraph 14.a. shall not be construed as requiring the commission to grant an AAO with respect to MGE's SLRP in the future or to require subsequent rate recovery of SLRP costs deferred through issuance of an AAO. All MGE capital expenditures for this work shall be included in rate base, subject to review of the reasonableness of the associated costs.

- b. Replacements will be prioritized with those distribution systems in the worst shape being replaced earlier than those distribution systems which are in better shape.
- c. Charges to the trailer park owner for the replacement of mains and services shall be in accordance with MGE's approved tariff provisions for main extensions and service replacements.
- d. MGE shall not be required to replace services or mains at a given trailer park unless the trailer park owner provides an easement satisfactory to MGE for the purpose of installing the facilities in question.
- e. In the event that the trailer park owner does not permit the replacement work to be done according to schedule (by refusing access to MGE, by refusing to pay the necessary charges or by refusing to provide satisfactory easement), MGE shall disconnect service to that trailer park. Prior to such disconnection, MGE shall provide notice, by hangtag or posting in a conspicuous place, to the trailer park owner and the residents of the trailer park.
- f. Until the distribution system is replaced, the current method of leak surveying and leak repair would continue for the Master Meter Trailer Parks.

Wherefore, MGE respectfully request that the Commission issue its order approving the provisions of paragraphs 11 and 14 of this Application.

Respectfully submitted,



Robert J. Hack MBE #36496

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Kansas City, MO 64111

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FAX: (816)360-5536

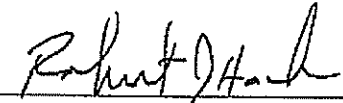
e-mail: rob.hack@southernunionco.com

ATTORNEY FOR MISSOURI
GAS ENERGY

VERIFICATION

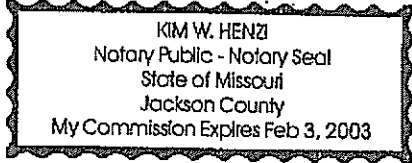
STATE OF MISSOURI)
) ss
COUNTY OF JACKSON)

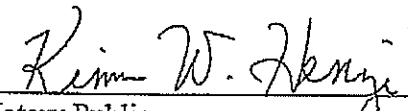
I, Robert J. Hack, having been duly sworn upon my oath, state that I am Vice President, Pricing & Regulatory Affairs for Missouri Gas Energy, that I also serve as an attorney for Missouri Gas Energy, that I am duly authorized to make this verification on behalf of Missouri Gas Energy ("MGE") and that the matters set forth in the foregoing Application are true and correct to the best of my information, knowledge and belief.



Robert J. Hack

Subscribed and sworn before me this 27th day of JULY, 2001.





Notary Public

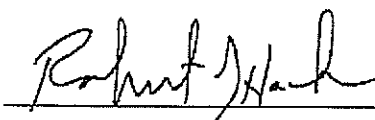
CERTIFICATE OF SERVICE

I hereby certify that copies of the foregoing have been mailed or hand-delivered this 30th day of July, 2001, to:

Thomas R. Schwarz, Jr.
Missouri Public Service Commission
P.O. Box 360
Jefferson City, MO 65102

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Douglas Field
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2002 WL 1565476 (Mo.P.S.C.)
Slip Copy

In the Matter of Missouri Gas Energy's Application for a Determination
of Certain Matters Pertaining to its Safety Line Replacement Program

Case No. GO-2002-48

Missouri Public Service Commission

At a Session of the Public Service Commission held at its office in Jefferson City on the 16th day of May, 2002.

ORDER APPROVING AMENDED APPLICATION

BY THE COMMISSION Dale Hardy Roberts, Secretary/Chief Regulatory Law Judge Simmons, Ch., Murray and Lumpe, CC., concur; Gaw, C., dissents; Forbis, C., absent; Woodruff, Senior Regulatory Law Judge

On July 30, 2001, Missouri Gas Energy (**MGE**), a division of Southern Union Company, filed an application asking the Commission to determine certain matters pertaining to **MGE's** Safety Line Replacement Program. Specifically the application relates to two aspects of the Safety Line Replacement Program, Farm Tap Service Lines, and Master Meter Trailer Parks. This order approves **MGE's** amended application.

MGE's Application, as filed on July 30, 2001, explains that since 1990, **MGE** (and its predecessor in interest) has been engaged in a substantial infrastructure replacement project known as the Safety Line Replacement Program (**SLRP**). The Application explains that two aspects of the implementation of the **SLRP** require the involvement of the Commission. The first relates to Farm Tap Service Lines.

The Application indicates that Farm Tap Service customers receive retail service directly off the interstate pipeline system. These customers are generally able to obtain this service because of the right-of-way agreements, under which the pipeline company laid transmission lines over the farm property. In other words, in return for allowing the pipeline company to construct the pipeline over the farmer's land, the farmer was allowed to tap into the pipeline to obtain natural gas service.

The farm tap customers are actually customers of the pipeline company. However, **MGE** provides billing service to approximately 600 farm tap customers, primarily off the Williams Pipeline Company's system. **MGE** owns the meter and odorant pot, the pipeline company owns the regulator, and the farm tap customer owns the service or yard line. **MGE** renders bills to the customers, fills the odorant pots, reads meters, responds to service calls, and leak surveys the service lines.

If the service lines of the farm tap customers must be replaced under **MGE's SLRP**, **MGE** estimates that it would cost approximately \$1.8 million. Most of the cost of replacing service lines would be borne by the farm tap customer. **MGE** indicates that complete replacement of these farm tap service lines is not necessary given the rural nature of the lines and because there have been few leaks on these service lines.

MGE proposes that the Commission find that the farm tap service lines need not be replaced as part of the **SLRP**. **MGE** would continue to leak survey these lines and repair or replace them as needed. In addition, **MGE** proposes measures that would formalize the relationship of **MGE** with the pipeline company and the farm tap customers.

The second aspect of the **SLRP** for which **MGE** seeks a modification relates to Master Meter Trailer Parks. The Application indicates that **MGE** and Staff have identified approximately sixteen trailer parks where a master meter is on the property and service is provided to individual premises through **MGE**-owned meters, but the balance of the distribution system on the trailer park grounds is not owned by **MGE**. The Application indicates that it is unclear what the Commission's rules require regarding replacement of these services and mains within the trailer parks. **MGE** does not want to purchase the existing distribution systems and the owners of the trailer parks have not requested that **MGE** re-pipe their distribution systems.

MGE proposes to replace these trailer park distribution systems as part of its **SLRP** with a deadline of June 30, 2006, for completion of the replacement work. Such replacement would be considered part of the **SLRP** and associated costs would be subject to deferral pursuant to any Accounting Authority Order (AAO) issued by the Commission for **SLRP** expenditures. The owners of the trailer parks might be billed for a part of the cost of replacement, as provided in **MGE's** tariffs. After replacement, **MGE** would own and operate the distribution systems.

The Commission issued an Order and Notice on August 1, giving notice of **MGE's** application to the County Commission of the counties in **MGE's** service territory, to the members of the general assembly who represent the counties in **MGE's** service territory, and to the newspapers that serve the counties in **MGE's** service territory. That order also directed that any person wishing to intervene should file an application to intervene no later than August 21. No applications to intervene were filed.

On April 12, 2002, the Staff of the Commission filed its Recommendation and Memorandum. Staff generally recommended approval of **MGE's** Application but recommended certain specific modifications to **MGE's** proposal. First, with regard to the Farm Tap Customers, Staff indicated that such customers are technically customers of Williams Pipeline Company and therefore, these service lines would not fall under the pipeline replacement program requirements of **MGE's SLRP**. Williams Pipeline Company is subject to federal pipeline safety requirements, which do not require that such service lines be replaced on a specific schedule.

Staff also indicated that **MGE's** service to these Williams Pipeline customers is not a regulated tariff service, but is instead a non-regulated customer contract service. Staff is concerned that **MGE's** regulated customers should not be subsidizing **MGE's** service to these farm tap customers. Staff recommended specific changes to **MGE's** proposal to address that concern.

Second, with regard to the Master Meter Trailer Parks, Staff generally agreed with **MGE's** proposal. However, Staff recommends that **MGE** provide written notice of its plans to owners and residents of Master Meter Trailer Parks.

On May 2, 2002, **MGE** filed a response to Staff's recommendation, accompanied by a First Amended Application. **MGE's** response indicates its agreement with Staff's recommendations, and the First Amended Application incorporates the changes recommended by Staff. On May 10, 2002, Staff filed a reply to **MGE's** response in which it indicates that **MGE's** First Amended Application fully complies with Staff's recommendation. Staff recommends that the Commission approve **MGE's** First Amended Application.

No other party has filed a response to **MGE's** First Amended Application and no party has requested a hearing regarding that Application. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.¹ Since no one has asked permission to intervene, or requested a hearing, the Commission may grant the relief requested based on the application.

The Commission has considered **MGE's** First Amended Application, along with Staff's recommendations. The Commission concludes that **MGE's** First Amended Application should be approved.

IT IS THEREFORE ORDERED:

1. That the First Amended Application filed by Missouri Gas Energy, a division of Southern Union Company, on May 2, 2002, is approved.
2. That **MGE** shall handle the maintenance and replacement of the service lines of Farm Tap Customers in the following manner:
 - a. Williams Gas Pipelines-Central will provide **MGE** \$500,000 in exchange for which **MGE** will accept responsibility for providing retail service to these customers. **MGE** shall assume no responsibilities or obligations of any right-of-way agreements

that may exist between these Farm Tap Customers and an interstate pipeline company. Nor shall **MGE's** acceptance of retail service responsibilities for these Farm Tap Customers impair any rights that may exist as a result of any right-of-way agreements between these Farm Tap Customers and an interstate pipeline company. Consistent with past practice, **MGE's** provision of retail service to these Farm Tap Customers shall be treated as an "incidental" service for accounting and ratemaking purposes. Inquiry may be made during future general rate proceedings as to whether these Farm Tap Customers are being subsidized by the balance of **MGE's** customer base. Adjustments to the revenue requirement may be proposed as a result of such inquiry but **MGE** does not acquiesce to the reasonableness of any such future adjustment, which will need to be assessed on the basis of the facts prevailing during such future proceeding.

b. The service lines of the Farm Tap Customers need not be replaced under the **SLRP**. **MGE** will continue to leak survey these lines annually. If a leak is found, **MGE** shall either replace the service line in its entirety or repair the leak on a permanent basis, at **MGE's** sole discretion. Such repair and replacement work need not be performed by **MGE** so long as it is done by a qualified individual in a manner up to **MGE** standards. In the event the service line is replaced in its entirety, **MGE** shall thereafter leak survey that service line as prescribed by [4 CSR 240-40.030](#)

c. In the event that repair or replacement of a Farm Tap service line is necessary, the customer shall be responsible for the associated costs. If the customer does not agree to pay such costs or have the work done by a qualified individual in a manner up to **MGE** standards, **MGE** shall not be required to replace the Farm Tap service line and shall discontinue service. **MGE** will coordinate with the affected customer repair and replacement work performed on the customer-owned portion of Farm Tap Service Lines and this work will be up to **MGE** standards. **MGE** will provide written notice to Farm Tap Customers of the nature and resolution of its Application through the letter appended to the First Amended Application as Attachment A.

3. That **MGE** shall handle Master Meter Trailer Parks in the following manner:

a. All services and mains in the Master Meter applications will be replaced by **MGE** by June 30, 2006. Any such replacement will be considered a part of the **SLRP** and the associated costs (e.g. depreciation expense, property taxes and carrying costs) will be subject to deferral pursuant to any Accounting Authority Order (AAO) issued by the Commission for **SLRP** expenditures, including the AAO granted by the Commission in Case No. GR-2001-292, in its order dated July 5, 2001. Commission approval of this paragraph shall not be construed as requiring the Commission to grant an AAO with respect to **MGE's SLRP** in the future, or to require subsequent rate recovery of **SLRP** costs deferred through issuance of an AAO. All **MGE** capital expenditures for this work shall be included in rate base, subject to review of the reasonableness of the associated costs.

b. Replacements will be prioritized with those distribution systems in the worst shape being replaced first.

c. Charges to the trailer park owner for the replacement of mains and services shall be in accordance with **MGE's** approved tariff provisions for main extensions and service replacements.

d. **MGE** shall not be required to replace services or mains at a given trailer park unless the trailer park owner provides an easement satisfactory to **MGE** for the purpose of installing the facilities in question.

e. In the event that the trailer park owner does not permit the replacement work to be done according to schedule (by refusing access to **MGE**, by refusing to pay the necessary charges, or by refusing to provide satisfactory easement), **MGE** shall disconnect service to that trailer park. Prior to such disconnection, **MGE** shall provide notice, by handtag or posting in a conspicuous place, to the trailer park owner and the residents of the trailer park. **MGE** will provide written notice to affected Master Meter Trailer Park owners and residents of the nature and resolution of its Application through the letter appended to the Amended Application as Attachment B.

f. Until the distribution system is replaced, the current method of leak surveying and leak repair will continue for the Master Meter Trailer Parks.

4. That this order shall become effective on May 26, 2002.

Footnotes

1 *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

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