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BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

USW Local 11-6	)	
Complainant,	)	
v.	)	Case No. GC-2006-0390
	)	
Laclede Gas Company,	)	
Respondent.	)	

LACLEDE GAS COMPANY'S PREHEARING BRIEF

COMES NOW Laclede Gas Company ("Laclede" or "Company") and files this Prehearing Brief, and in support thereof, states as follows:

INTRODUCTION

This case is the third in a series of complaints brought by USW Local 11-6 (the "Union"), a labor union representing about 1050 Laclede Gas employees. The Union is pursuing these attacks to protest steps Laclede has taken to use technology to modernize and upgrade its customer service. These steps are designed to reduce costs and increase efficiency for Laclede's customers; at the same time, it adversely impacts the amount of work available to Union members. While these cases unmistakably arise from a labor-management dispute, they are not being waged in an employment-type forum, because the Union knows that it has no right to a remedy there. Instead, these battles are brought under the rubric of safety, so as to provide a venue at the Commission, which has general supervision over gas safety issues.

In this complaint case, the Union first alleged that non-union installers of automated meter reading ("AMR") modules are poorly trained, and are damaging meters and causing them to leak. When the Union discovered that an AMR installation could not actually cause a leak, the Union shifted its claim to state that AMR installers are not

discovering existing or imminent hazards, or that an improper installation may cause a previously undiscovered leak to be discovered. When the information tracked by Laclede and provided to the Union dispelled the existence of a safety issue, the Union shifted its focus again to customer service issues and Laclede's response to customers who seek to dictate that Laclede use its own Union employees to install AMR, although Laclede has already contracted with a vendor to have these modules installed. Finally, the Union's complaint has evolved into an attack not on the performance of the non-Union AMR installers, but on the performance of the meters themselves, specifically the original, pre-AMR indexes, which issue is of course not even related to AMR installations.

The Union's case is utterly devoid of the kind of evidence one would expect to see if there was any truth to any of its claims. In fact, the evidence elicited in this case affirmatively disproves the Unions' claims. As a result, the Commission should deny the Union's request for relief and dismiss the case.

ISSUES

A. Has the installation of AMR modules by Laclede violated Section 393.130.1 RSMo (safety and adequacy) or any gas safety law, rule, order, or decision of the Commission?

B. If so, what is the appropriate remedy?

POSITIONS

A. The Union has completely failed to prove that Laclede has violated Section 393.130.1 RSMo, or any gas safety law, rule, order, or decision of the Commission. In fact, the evidence clearly shows that Laclede has caused the installation of AMR modules to be performed in compliance with Section 393.130.1 regarding safe

and adequate service, and in compliance with all gas safety laws, rules and orders or decisions of the Commission. The AMR installers are adequately trained for the task they perform, which is installing AMR modules. (Rebuttal Testimony of Robert Leonberger, p. 11, lines 15-22; Testimony of Frank Mueting, p. 108, l. 25 to p. 109, l.4). The AMR installers are trained to report any strong odors of gas they detect. (Leonberger Rebuttal, p. 11, ll. 15-22; Rebuttal Testimony of Clark Korbisch, p. 4, lines 3-16)

As of November 2006, the AMR installers have placed 600,000 modules without an incident, save for one meter damaged by a practice that Laclede no longer employs. (Rebuttal Testimony of Patrick Seamands, p.2, lines 9-10, p. 9, lines 4-18) Because the AMR modules are installed on a frame located on the outside of the meter, installation of such modules does not, and cannot, cause a leak. (Seamands Rebuttal, p. 5, l. 18 to p. 6, l. 6) Moreover, any meter leaks that may already exist when the module is installed will be very small and non-hazardous. (Seamands Rebuttal, p. 5, lines 6-13) Even then, any meter leaks discovered by the AMR installer, a customer or other person can be reported to Laclede, and the meter will be replaced. (Seamands Rebuttal, p. 10, lines 22-23)

B. Since there has been no violation of any laws, or of Commission rules, decisions or orders, there should be no remedy, and this case should be dismissed. However, if the Commission believes that there should be a remedy, Laclede would note that the Commission cannot order the remedy that the Union seeks, which is that Laclede be ordered to use Union members to install, or supervise the installation of, the remaining AMR modules, and to inspect those modules that have already been installed.

DISCUSSION

ISSUE A

This case was brought in protest of actions taken in connection with Laclede's implementation of AMR. In March 2005, Laclede entered into a long term agreement with CellNet Technology, Inc. ("CellNet") to automate the reading of all of the Company's meters in both its Laclede and Missouri Natural service territories, a total of more than 650,000 meters. Deployment of AMR modules began in July 2005. As of November 6, 2006, about 600,000 new AMR modules have been installed. Laclede expects this project to be substantially completed by early 2007, at which time the vast majority of Laclede's meter reading function will be automated. (Seamands Rebuttal, p.2, l.6-12)

Pursuant to the AMR agreement, CellNet is responsible for installing the AMR modules on Laclede meters. Laclede and CellNet worked together to prepare training materials on meter information and gas safety. AMR installers were trained to report any strong odor of gas, since this might indicate a hazardous situation. (Korbisch Rebuttal, p. 4, lines 3-16)

CellNet has a wealth of experience in this field. Over the past decade, they have installed, and are obtaining daily meter readings on, roughly 13 million AMR devices on utility meters, including about 3.5 million on gas meters. Further, CellNet is already providing AMR service in Missouri, and in fact, in the St. Louis area, as they are the AMR provider for both AmerenUE's electric and gas utilities. (Seamands Rebuttal, p. 4, Korbisch Rebuttal, p. 2) In the entire history of CellNet, there have been no explosions. (Korbisch Rebuttal, p. 3, l.13)

CellNet has contracted installation to Honeywell Inc., which hires and trains the AMR installers using its own training materials and the Laclede-developed materials referenced above (Testimony of Deb Redepenning, Exh. 5). Quality audits, including safety issues, are performed on a random basis, and a certain percentage of installs per installer are checked daily. Problems found are addressed. CellNet has replaced less than 2% of the modules installed thus far in the Laclede project, some of which were replaced as a matter of convenience rather than taking up Laclede's customer's time troubleshooting the installation. (Korbisch Rebuttal, p.4, l.20 to p.5, l.16; Seamands Rebuttal, p. 11, l.20 to p. 12, l. 2)

While AMR installers are instructed to report strong gas odors, Laclede does not credit any of the AMR installers' activities toward its safety requirements; these requirements are still met by gas workers trained to perform such inspections. As a result, the performance by Laclede of its safety obligations, which in Missouri are already more stringent than at the federal level, are unaffected by the AMR installations. Hence, every location where an AMR installation has been or will be performed will also be subject to a leak survey and corrosion inspection on the required schedule. (Seamands Rebuttal, p. 10, lines 7-13)

An AMR installation is a simple task. The original index is unscrewed from its frame on the outside of the meter and connected to the AMR module. This assembly is then reattached to the meter, so that the meter's drive axle is connected to the AMR module on the outside of the meter, which in turn is connected to the original index. The AMR installer then programs meter information into the CellNet network. At no time in doing this job does the installer have access to the inside of the meter where gas flows.

As a matter of simple mechanics then, AMR installers do not cause leaks and cannot cause leaks. (Seamands Rebuttal, p. 5, l. 18 to p. 6, l. 6; Korbisch Rebuttal, p. 3, lines 14-19; Leonberger Rebuttal, p. 11, lines 2-14; Mueting Testimony, p. 108, lines 9-17, p. 113, l. 12-14)

Further, meter leaks are not hazardous. Meter manufacturers are very cognizant of potential hazards, and they construct meters such that any leaks that may occur tend to be tiny, slow leaks that squeeze out of a worn gasket or seal. These leaks are so small that they dissipate in the atmosphere before they can ever present a hazard. Indeed, of the roughly 600,000 AMR installations in Laclede service territory, there have been no explosions or fires attributable to the installation or existence of an AMR-equipped meter. (Seamands Rebuttal, p. 5, lines 1-17; Korbisch Rebuttal, p. 3, lines 5-9)

In an attempt to undermine AMR, Union members will refer to a meter leak on a meter equipped with an AMR device as an "AMR leak" or a "leaking AMR meter." These references are inaccurate. The AMR modules do not leak. Neither AMR modules nor the standard indexes that preceded them, are conduits for gas to pass through. Nor are they even designed to be airtight so that gas will be completely trapped, but instead have vented index covers. (Seamands Rebuttal, p. 6, lines 7-11)

The AMR module and its faceplate, or index cover, sits on a frame on the ***outside*** of the meter, at a spot known as the center box, while the gas is on the ***inside*** of the meter. A meter is made up of a number of parts that are each attached together around a gasket to form tight seals and keep the gas inside. So if there is a leak on the meter, it usually results from wear on one of these gaskets or seals that *is* designed to keep the gas in the meter. One of these seals inside the meter is attached to the drive axle, which

extends outside the meter into the center box. If this seal becomes worn, a very small amount of gas may pass out of the meter along the drive axle and into the center box. (Seamands Rebuttal, p. 6, lines 12-20)

Meter index covers, including AMR index covers, are vented on the bottom, so they are not meant to be completely airtight. The index covers do have a gasket where they sit against the center box, which provides the index with protection from outside elements, such as rain and snow. At the same time, if there is a leak at the seal behind the center box, the small amount of gas that escapes through that seal and into the center box can build up in the index cover before it may eventually seep out of the index cover vents, where it would dissipate in the atmosphere. Again, this tiny leak is on the seal behind the center box, and is not a leak on the index cover. (Seamands Rebuttal, p. 6, line 20 to p. 7, 1. 5)

These minor leaks from behind the center box occur on occasion as a result of normal wear and tear on the meters, and have always existed. As noted above, the tiny amount of gas that can escape as a result of such a leak is not hazardous. (Seamands Rebuttal, p. 7, lines 10-13)

Laclede personnel remove any meter that is reported as and suspected of leaking. The meter is then delivered to the meter shop where it is tested. If AMR installations were causing gas leaks, one would certainly expect to find a much larger proportion of meter leaks on meters that have AMR modules than on meters that do not have AMR modules. After becoming aware in 2005 that the Union was likely to contest the AMR installation in some manner, during October 2005, Laclede began to keep track of information on the number of meters with AMR modules that were brought into

Laclede's meter shop. We found that for the ten month period November 2005 through August 2006, there were a total of **_____** with AMR devices brought into the meter shop due to a reported leak, out of a weighted average of approximate 285,000 meters with AMR modules in existence during that period. This equates to a leak rate of about **_____** for the meters on which an AMR module is installed. During the same time period, a total of **___** meters without AMR devices were also brought into the meter shop due to a reported leak. The weighted average of non-AMR meters was roughly 365,000, equating to a leak rate of about **_____** for the meters that did not have an AMR module. In direct contradiction of the Union's claim, the number of leaks reported on meters without an AMR module was actually proportionally ***greater*** than the number of leaks reported on meters with an AMR module. At the very least, this indicates that the installation of AMR modules has not increased the frequency of meter leaks. (Seamands Rebuttal, p. 7, l. 14 to p. 8, l.17)

The Union's claim that AMR installers damage meters is also wholly without basis. After 16 months and 600,000 installations, the investigation into this matter has yielded exactly one damaged meter. (Leonberger Rebuttal, p. 13, l. 21 to p.14, l.3; p.15, l.10-17; Seamands Rebuttal, p. 9, lines 4-8) As stated above, in installing an AMR module, the installer must first remove the original index by unscrewing it from the index frame. On occasion, these screws will not turn easily, and the screw threads will break or become stripped. With Laclede's concurrence, CellNet contractors formed a team specializing in removal of these stripped screws by drilling into them to "catch" the screw, and then backing it out. This practice has been used by at least one other utility. In January 2006, there was one occurrence where a meter was damaged through this

process. There was no other damage to persons or property from this event. Upon further review, Laclede decided to discontinue this practice, and it has not been used since. The Union has tried to insinuate that Laclede attempted to hide this damage incident because Laclede did not fill out a third party damage report. Since CellNet is performing these installations on Laclede's behalf, however, this was not a third-party situation in which a damage report was required. Correspondingly, Laclede does not prepare a damage report when our own employees damage a meter in the course of their duties. (Seamands Rebuttal, p. 9, l. 10 to p. 10, l. 2)

The Union's latest twist is to attack the meters themselves by claiming that dials move erratically, which may affect measurement and leak testing. The dial that the Union witness refers to is generally a ½ foot dial known as a test dial. This is neither a new issue nor an AMR issue. In fact, it has been several years since meter manufacturers made a design change to meter indexes that reduced the friction on the drive axle and allowed the test dial to turn more freely. Long before this AMR project even began, the Company reviewed this matter and found that it has absolutely no effect on the accuracy of either measuring or billing. Laclede also addressed the leak testing issue earlier this year. Specifically, as a precautionary measure, service technicians are told to watch the half-foot and two-foot meter test hands until both are on the upswing in order to determine if gas is passing through a meter. This approach may require the technician to wait several extra seconds more than they otherwise would, but it is worthwhile to obtain an accurate result. (Seamands Rebuttal, p. 12, lines 3-18)

In the face of this overwhelming evidence, the Union has no evidence that links AMR installations to meter damage or leaks. In contrast to Case No. GC-2006-0060,

where the Union workers were at least interested enough to make copies of the service tickets they filled out while working for Laclede, the Union only provided a number of pages with sloppily scribbled addresses, and didn't manage to provide these pages until mid-August 2006, more than four months after the Union filed its complaint claiming that AMR installers caused numerous instances of meter damage and gas leaks. (Leonberger Rebuttal, p. 17, l.11 to p. 18, l. 2)

Laclede counted more than 300 locations included in the Union's complaint exhibit. Laclede went to the trouble of taking these scribblings, and creating for the Union's benefit a document that summarized the details of the events at the referenced location, including the meter shop's assessment of the meter, if it was removed from that location. In preparing its report, Laclede prioritized about 220 addresses where entries were made in Laclede records for the location indicating a problem due to a leak-related issue, or an equipment issue, such as damage to a CellNet AMR module or faulty AMR installation. Of the 220 meters at these locations, it appears that 18 of them were not even equipped with AMR modules at the time a leak or other matter was reported. Another 60 meters were not changed but left in place, for various reasons. These reasons included instances such as a minor leak that was repairable on site, a leak or problem on a facility other than the meter, or no leak at all. Of the 160 meters that were removed by Union members and brought to Laclede's meter shop, roughly 22 of these meters were also found to have no leak at all. These meters, along with other meters not listed in the Union's complaint exhibit, were examined and tested by other members of the Union working in Laclede's meter shop. In summary, well under half of the meters at the

handpicked Union locations actually had leaks at the meter. (Seamands Rebuttal, p. 13, lines 2-17)

In addition, there is no evidence that links an AMR installation to the cause of the meter leak. Rather the leaks, which as stated above come from inside the meter, were either preexisting or developed on their own as a natural consequence of friction on the drive axle. It is likely that some of the leaks on AMR-equipped meters were identified as a result of the AMR installation. (Leonberger Rebuttal p. 6, ll. 4-5) Either way, these leaks are non-hazardous and, upon discovery, Laclede will replace the meter, resolving the issue.

The Union's own information dispelled the image it tried to create that meter leaks were springing up in the wake of AMR installations. In fact, of the 78 instances of a meter leak out of the 220 Union-provided addresses prioritized by Laclede, 63, or more than 80%, were reported more than 30 days after the installation was posted in Laclede's records. This evidence again supports the proposition that there is a small percentage of non-hazardous leaks that develop on meters, and that these leaks occur and are ultimately discovered without regard to whether a meter is equipped with an AMR module. (Seamands Rebuttal, p. 14, lines 1-13)

The Union also cited individual instances where it alleged egregious behavior by AMR installers. Most of these turned out to be either false, or worse, an example of poor performance on the part of the Union worker. One example of this was at 3228 Taft, where the meter serving the second floor had been in place for 18 years without incident when it was replaced by a Union gas worker in January 2005. The installation was apparently substandard in that it left the meter in contact with the stone wall, where it was

exposed to corrosion. The corrosion appears to have been so extensive as to have undermined the integrity of the meter in less than 11 months, creating a hole in the back of the meter where it leaned against the wall. In December 2005, an AMR installer placed a module on the meter and left the premises. Later that day, a Union gas worker was called out to the premises on a gas odor. It appears that the leak was not so obvious, as the Union worker took more than 30 minutes to locate it. Ignoring the poor meter placement by the first Union worker, and the difficulty finding the leak encountered by the second Union worker, the Union ironically and inaccurately promoted this matter as an example of poor workmanship by the AMR installer. (Seamands Rebuttal, p. 14, l. 22 to p. 16, l.2)

The Union also garnered the testimony of a number of customers, whose statements stand for the proposition that they prefer safe gas service. However, none of these customers established any expertise in gas safety matters, and none are qualified to dispute Laclede's position that the AMR installers are adequately trained for the job they perform. The customer/witness testimonies prove only that these customers are generally loyal to union members. (Seamands Rebuttal, p. 16, lines 4-19)

ISSUE B

Regarding the relief requested by the Union, since there has been no violation of any laws, or of Commission rules, decisions or orders, there should be no remedy, and this case should be dismissed. However, if the Commission believes that there should be a remedy, Laclede would note that the Commission cannot order the remedy that the Union seeks, which is that Laclede be ordered to use Union members to install, or

supervise the installation of, the remaining AMR modules, and to inspect those modules that have already been installed.

In its initial complaint, the Union sought an order from the Commission that Laclede be required to use "its own trained, non-managerial personnel" to perform these tasks. Following the Commission's August 10, 2006 Order stating that, while the Commission has broad powers to enforce Section 390.130.1, it cannot dictate to Laclede how to manage its business, or what specific personnel it must use, the Union amended its relief request to provide that Laclede be required to use "its own trained and experienced personnel." Replacing the term "non-managerial" with the term "experienced," appears to be an indiscreet effort by the Union to make an end run around the meaning of the Commission's August 10 order.

Laclede reiterates its argument that, while the Commission certainly has the regulatory powers to examine and be kept informed of the methods and practices employed by Laclede in the transaction of its business, as provided in Section 393.140.5, the Missouri Supreme Court has stated that the Commission's authority to regulate does not include the right to dictate the manner in which the Company shall conduct its business. (*See State ex rel. City of St. Joseph v. PSC*, 30 S.W. 2d 8, 36 (Mo. 1930); *State ex rel. Kansas City Transit, Inc. v. PSC*, 406 S.W.2d 5 (Mo. 1966). In *City of St. Joseph*, the Court stated: "The customers of a public utility have a right to demand efficient service at a reasonable rate, but they have no right to dictate the methods which the utility must employ in the rendition of that service." In *State ex rel. Laclede Gas Company v. P.S.C.*, 600 S.W.2d 222, 228 (Mo. App. W.D. 1980), the Court stated that, although the Commission has the authority to regulate local distribution companies, it does not have

the "authority to take over the general management of any utility." Applying these principles to the instant case, the Commission may not dictate which specific personnel Laclede must use to install AMR units.

In addition to the foregoing legal argument, the Union's request that Laclede be required to use "experienced" personnel to ensure that devices are installed without damaging the meters or causing gas leaks is vague and non-sensical. First, the Union does not specify how much "experience" is necessary. Ten years? Five years? In a classic Catch-22 situation, does this mean Laclede would be prohibited from training any new workers to do this job? The Union does not clarify what type of "experience" is necessary. Does the Union mean personnel experienced in AMR installation? Or personnel experienced with the use of a screwdriver? Notably, Union members serving in Laclede's Service and Installation Department have no "experience" in performing AMR installations.

CONCLUSION

For the foregoing reasons, Laclede respectfully requests that the Commission deny the Union's requested relief, and dismiss this case.

Respectfully Submitted,

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Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing pleading was served on all of the parties to this case on this 1st day of December, 2006 by United States mail, hand-delivery, email, or facsimile.

/s/ Rick Zucker