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**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a Session of the Public Service
Commission held at its office
in Jefferson City on the 30th
day of October, 1997.

In the Matter of Union Electric Company's)
Application for a Variance Waiver from the) **Case No. GO-98-25**
Provisions of 4 CSR 240-10.030(19).)

ORDER GRANTING VARIANCE

On July 18, 1997, Union Electric Company (UE or Company) filed an application for a variance from Commission rule 4 CSR 240-10.030(19). This rule requires the Company to remove, inspect and test its gas service meters at least once every one hundred-twenty months or more often, if necessary, unless otherwise ordered by the Commission. UE requests approval of a proposed meter sampling program for meters with a capacity under 450 cubic feet per hour. UE stated as of April 1, 1996, it had 102,356 of these meters in its Missouri service territory classified into 20 groups by manufacturer, type and size. The larger meters which are not included in the sampling plan will continue to be tested in accordance with the Commission's rule. The proposed meter sampling program is set forth in Exhibit A to UE's application. Under the program, each meter group is stratified into lots by set years so that beginning in the ninth year after installation, every lot in each group is sample tested every year. The meters are statistically analyzed to ensure that not more than 6.5 percent of the meters in service will deviate from 100 percent accuracy by more than plus or minus two percent.

UE states in its application that the proposed program is similar to the Company's existing variance for testing electric meters

which was approved by the Commission in Case No. 18,172. An Acceptable Quality Level (AQL) of two percent is used in the electric meter sampling program. Nevertheless, UE proposes an AQL of 6.5 percent for the gas meter sampling program, based on the technological limitations of gas metering. An AQL of 6.5 percent has been adopted for gas utilities by the Illinois Commerce Commission and is used by Central Illinois Public Service (CIPS). See 83 Ill. Adm. Code 500.215. According to UE's application, UE and CIPS have entered a merger agreement which is currently under regulatory review.

The random sample testing method for the proposed program is detailed in an American National Standards Institute (ANSI) standard for sampling, ANSI/ASQC Z1.4. If a lot fails under the proposed program, then UE will remove all meters in that lot within four years. The maximum permissible sampling period is 30 years.

UE states in its application that full compliance with the rule will require that UE annually test approximately 10,000 gas service meters with a capacity of under 450 cubic feet per hour. With the proposed sampling program, UE would initially test about 5,400 meters. According to UE, this program will save approximately \$500,000 per year without compromising UE's ability to meet the measurement accuracy standards set forth in rule 4 CSR 240-10.030(18). UE asserts that approval of its application would be in the public interest, and UE seeks to begin the program by January 1, 1998.

On October 16 the Staff of the Commission (Staff) filed a memorandum in the official case file which indicated that the Commission granted UE and CIPS conditional approval to merge in Case No. EM-96-149. Therefore, the approval of this application would allow for consistent meter sampling programs in both states. Staff reported that the proposed program is similar to meter testing programs approved for Laclede Gas

Company (Laclede) in Case No. GO-95-320 and for the predecessor of Missouri Gas Energy (MGE) in Case No. GO-91-353, although the proposed 6.5 percent AQL is less stringent for small lot sizes. Staff concluded that the benefit of consistency with the CIPS meter sampling program outweighs any benefit of requiring a more stringent AQL for small lot sizes. Staff indicated that tables providing meter breakdowns as of January 1, 1998, should be available by April 1, 1998, that minor editorial changes to Exhibit A should be added and that references to the meter testing variances should be included in the tariff sheets. Staff recommended that the Commission issue an order approving the variance and ordering UE to submit a revised Exhibit A to its application by April 1, 1998, and to include references of the variance at an appropriate location in its tariff.

The Commission has reviewed the verified application and the Staff's memorandum. The Commission finds that the variance will result in savings of approximately \$500,000 per year and initially will eliminate approximately 4,400 visits to test and remove meters. The Commission determines that this decline of 4,400 visits will eliminate 4,400 opportunities to observe and remedy potentially unsafe conditions. Therefore, while the Commission will grant the variance request, the Commission finds that the appropriate response by UE to this decision would be the implementation by the Company of a program which recaptures those "lost" opportunities elsewhere in UE's safety inspection program.

The program should be set up so that the costs and labor hours involved approximate the costs and hours saved by implementation of the sample meter program. If UE desires Commission review of the program, UE should file a motion to establish a docket regarding the program, along with the proposed program. In developing the program, UE should bear in

mind the need to inspect older homes on a regular basis whose occupants are more likely to benefit from piping and appliance inspections as compared to the occupants of newer homes.

The Commission determines that UE should be permitted a variance from 4 CSR 240-10.030(19) to establish its sample method program for testing gas service meters as set forth in its application. The Commission further determines that UE should submit a revised Exhibit A to its application no later than April 1, 1998, and should include references of the variance at an appropriate location in its tariff.

IT IS THEREFORE ORDERED:

1. That the Application for Variance filed by Union Electric Company on July 18, 1997, is granted.

2. That Union Electric Company is granted a variance from 4 CSR 240-10.030(19) to establish its sample method program for testing gas service meters beginning on January 1, 1998, as set forth in its application filed on July 18, 1997.

3. That Union Electric Company shall file a revised Exhibit A with tables in this docket no later than April 1, 1998, as recommended by the Staff of the Commission.

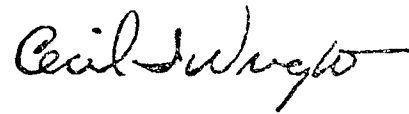
4. That Union Electric Company shall file tariff sheets referencing the variance granted herein no later than December 1, 1997, bearing an effective date of January 1, 1998.

5. That the Staff of the Missouri Public Service Commission shall file a memorandum in this case regarding whether the tariff sheets

filed pursuant to ordered paragraph 4 comply with this order no later than December 15, 1997.

6. That this order shall become effective on November 12, 1997.

BY THE COMMISSION



**Cecil I. Wright
Executive Secretary**

(S E A L)

Lumpe, Ch., Murray and Drainer, CC., concur
Crumpton, C., dissents with opinion to follow

George, Regulatory Law Judge