

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

In the matter of the verified application of Laclede Gas       )  
Company for an order establishing replacement                )  
requirements for the final phase of its soft copper service    ) Case No. GO-2008-\_\_\_\_  
line replacement program previously approved pursuant       )  
to Case No. GO 99-155   )

**VERIFIED APPLICATION OF LACLEDE GAS COMPANY**

**COMES NOW** Laclede Gas Company (“Laclede” or "Company"), pursuant to 4 CSR 240-2.060 and 2.080 of the Commission's Rules of Practice and Procedure and 4 CSR 240-40.030(16) of the Commission’s Pipeline Safety Rules, and respectfully requests that the Commission issue an Order revising replacement requirements for Case No. GO 99-155 establishing the adequacy of the Company’s Service Line Replacement Program and Leak Survey Procedures for Soft Copper Service Lines. In support thereof, Laclede states as follows:

1. Laclede is a public utility incorporated under the laws of the State of Missouri, with its principal office located at 720 Olive Street, St. Louis, Missouri 63101. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2007-0220 and is hereby incorporated by reference herein for all purposes. The information on such certificate is currently applicable and correct. Laclede is engaged in the business of distributing and transporting natural gas (and to a limited extent distributing liquefied petroleum gas) to customers in the City of St. Louis and the Counties of St. Louis, St. Charles, Crawford, Jefferson, Franklin, Iron, St. Genevieve, St. Francois, Madison, and Butler in Eastern Missouri, as a gas corporation

subject to the jurisdiction of the Missouri Public Service Commission (the "Commission").

2. Communications in regard to this Application should be addressed to:

Michael C. Pendergast  
Vice President & Associate General Counsel  
Laclede Gas Company  
720 Olive Street, Room 1520  
St. Louis, MO 63101  
(314) 342-0532

Patrick A. Seamands  
Chief Engineer  
Laclede Gas Company  
3950 Forest Park Ave.  
St. Louis, Missouri 63108  
(314) 658-5414

3. Laclede has no pending actions or final unsatisfied judgments or decisions against it from any state or federal agency or court which involve customer service or rates.

4. Laclede is current on its annual report and assessment fee obligations to the Commission, and no such report or assessment fee is overdue.

5. On behalf of all of its operating divisions in Missouri, Laclede requests that the Commission issue an Order reallocating and revising replacement requirements for certain aspects of its copper replacement program. Specifically, Laclede intends to reallocate resources it is currently expending on Region 2 copper service replacements to maximize the safety benefits of accelerating copper service line replacements in Region 1 areas and to provide for a more orderly and appropriate use of resources to complete the final phase of this replacement program. To that end, Laclede proposes that: (a) the replacement of any remaining soft copper service lines in the Company's Pressure Region 1 be further accelerated so that all such lines are renewed or replaced by the end

of program year 9; and (b) that a 6,000 per year average replacement schedule be established for all of the remaining soft copper service lines starting in program year 8; As discussed more fully below, the adoption of such a requirement would not compromise public safety in any way.

### **Background**

6. On October 30, 1998, the Commission issued an Order Establishing Case No. GO-99-155 for the purpose of receiving information relevant to the adequacy of Laclede's copper service line replacement program and the effectiveness of the Company's leak surveys and investigations. On February 18, 2000, the Parties filed a Unanimous Stipulation and Agreement ("Agreement") that was approved by the Commission on May 30, 2000. Section 7(h) of that agreement states that "[a]fter the third year of this program, Laclede and the Gas Safety Staff ("Staff") will review the progress and results of the Company's Copper Service Safety program to determine future relay/renewal plans, including the rate of such future actions, potential modifications to survey techniques and other related matters."

7. The schedule committed to by Laclede and approved by the Commission required relays<sup>1</sup> and/or renewals (main-to-meter) of 8,000 copper service lines commencing on March 1, 2000, and on each March 1<sup>st</sup> thereafter, unless, or until such time as, a new rate of renewals and/or relays is approved by the Commission. The Company was also required to conduct barhole leak surveys<sup>2</sup> over all copper service lines by July 1<sup>st</sup> of each year, or three times more frequently than the leak survey requirements

---

<sup>1</sup> A relay is a partial replacement of the copper service line to a point twelve feet from the main or curb, whichever is farther.

<sup>2</sup> A barhole leak survey is conducted by placing probe holes and testing the subsurface atmosphere for the presence of natural gas on each soft copper service line at the tee location, riser location, and if the service crosses a road, over the service line at the far curb.

for other service lines under the Commission's pipeline safety rules. Any class 3 leaks<sup>3</sup> identified during these barhole surveys in pressure region I<sup>4</sup> were required to be renewed or relayed within six months or the end of the calendar year, whichever occurred first. Any class 3 leaks identified during these barhole surveys in pressure region II<sup>5</sup> were required to be renewed or relayed within one year.

8. As required by the Agreement, after the third year of this program, Laclede and the Gas Safety Staff reviewed the progress and results of the Company's Copper Service Safety Program. On August 1, 2003, Staff filed its Three Year Summary Report. This report concluded that in Staff's opinion, the program was achieving the desired goals of: (1) protecting the public, (2) achieving a substantial number of replacements annually, (3) using effective leak detection methods, (4) and making timely repairs, yet at the same time, (5) being mindful of ratepayers' cost. It was also pointed out in Staff's report that the Company had voluntarily implemented several additional actions that have enhanced the Program. Specifically, it noted that the Company was completing replacements as renewals rather than relays, thereby eliminating all copper from replaced service lines. Under this approach -- which continues to this day -- the Company replaces the portion of each service line located on the customer's property in addition to the Agreement-required portion located in and near the street right-of-way. As a result, the Company has been replacing at least twice the footage on average as is required by the Agreement. The Company has also extended the practice of repairing class 3 leaks in pressure region I in six months and in pressure region II in twelve months

---

<sup>3</sup> A class 3 leak is defined in 4 CSR 240-40.030(14)(C)3 as a leak that does not constitute a hazard to property or to the general public but is of a nature to require routine action but must be repaired within 5 years.

<sup>4</sup> Region I areas are geographic areas where the winter operating pressures can exceed 35 psig.

<sup>5</sup> Region II areas are geographic areas where winter operating pressures will not exceed 35 psig.

to class 3 leaks reported from all sources, not just from the barhole survey as required by the Agreement. Staff also notes that the length of time to repair copper services reported as leaking in pressure region I has averaged three to four months and in pressure region II seven to nine months. Staff noted that the Company has established a procedure that requires Service Technicians who respond to a reported gas odor to conduct bar-hole surveys over copper service lines that exist at addresses adjacent to the address where the odor was reported. The Company filed a response in support of Staff's recommendation in the Three-Year Summary Report to continue under the current Agreement.

9. The continued actions the Company has taken have resulted in a significant improvement in the condition of the remaining copper service lines. The overall leak rate found during the annual barhole leak surveys can be seen in Exhibit 1. As shown in Exhibit 1, the leak rates found during both the 2006 and 2007 barhole surveys were 0.65%, a significant decrease from the leak rate of 3.4% during the initial barhole survey that was conducted immediately prior to the start of the current replacement program. It should be further noted that Exhibit 1 demonstrates that the leak rate reported has decreased each successive year prior to 2006. Exhibit 2 shows the corrosion history experienced by the Company for each program year since the beginning of the replacement program. This demonstrates a significant decrease in the percentage of services reported with corrosion for copper services replaced since the beginning of the replacement program. Both exhibits further demonstrate the increasing integrity of the copper service lines remaining in service. Exhibit 3 demonstrates a significant decrease in hazardous class 1 leaks associated annually with copper services. This represents a 73% decrease in these class 1 leaks since the Program has been in effect.

10. The Company believes these improvements have been facilitated greatly by use of a database that was established in 1999 of all copper services. This database has been used to accumulate data regarding all leaks reported on copper services and the subsequent condition of all copper services replaced in the program. In program year 2002, this database was linked with a Geographic Information System (GIS) that allows the Company to view this data geographically. This system has been utilized to prioritize and schedule the annual replacements in this program. Since January 1, 2000, over 60,000 copper services that require a barhole survey have been replaced or eliminated. This represents replacement of more than 73% of the copper services in existence at the start of this program. The Company believes that the improved performance of the copper service population is not only due to the raw number of services replaced but also due to the efforts that have been placed on prioritizing and replacing copper service lines in those areas experiencing the greatest degree of corrosion.

11. The Company identified that the greatest potential risk from leaking copper services existed in Pressure Region I areas. A review of conditions that existed at the time of past incidents revealed that all previous incidents related to leaking copper services occurred in areas considered as Pressure Region I. A total of 25,521 copper service lines were identified in these areas at the start of the Program. The Company has placed a priority on replacing these services and has succeeded in replacing over 88% of these lines in less than seven years of the program. The Company believes that the rapid elimination of service lines in pressure region I has significantly reduced the risk of an incident related to a leaking copper service and it is the Company's intention as part of its proposed re-allocation of resources to complete the already accelerated replacement of

these lines within the first two program years of the requested revised replacement schedule identified below.

12. Because of this significant reduction in the population of copper service lines, however, a much greater proportion of the remaining copper service lines are far more difficult and costly to replace because they are scattered<sup>6</sup> rather than grouped together, located under pavement or in high traffic areas, or located in areas where construction difficulties are often encountered. As a result, the resources required to replace each line has increased substantially at the very time that the risk of leakage associated with those lines has declined dramatically. As described below, Laclede strongly believes that these considerations warrant changes to the Program's annual replacement requirements.

#### **Requested Replacement Requirement**

13. For reasons previously discussed, Laclede proposes to complete its accelerated replacement of those soft copper service lines that are located in Pressure Region I, many of which are scattered, by the end of program year 9 which concludes in February 2009. If approved, such a schedule would require that approximately 2,750 soft copper service lines located in this Pressure Region be replaced or renewed within the next two years, a schedule that would complete the replacement process for these lines a full year ahead of the current schedule. Laclede further proposes that the Commission establish, effective with the current program year ending in February 2008, an overall average annual replacement rate of 6,000 services per year for all direct buried soft copper service lines. Laclede further requests that for purposes of determining whether

---

<sup>6</sup> Scattered service lines are services in areas where it is common to have less than six copper services on a typical city block.

this minimum replacement level has been satisfied, the Commission clarify that the Company may count, as a credit in each year for program years eight through eleven, one-fourth of the approximately 2,500 service lines it has already replaced in excess of the pre-existing 8,000 annual service line replacement minimum. Finally, Laclede requests that all other aspects of the Stipulation and Agreement not related to the replacement schedule remain unchanged.

14. If approved, the replacement requirements proposed herein would permit the Company to manage the final stages of its soft copper service replacement program in a more orderly and efficient manner. Specifically, by better matching the work force levels, equipment and other resources currently available to the Company with the increased demands imposed by this phase of the program, such an approach would enable Laclede to complete the program using in-house employees while simultaneously avoiding the kind of abrupt increases and decreases in employee levels that would otherwise occur. At the same time, the establishment of such replacement requirements would be fully consistent with public safety. As previously noted, the approach being recommended by Laclede would result in the replacement of all services located in the area of greatest risk – pressure Region 1 – by the beginning of 2009, or a year earlier than what is contemplated by current program requirements. Moreover, services in very low risk areas would continue to be replaced at a robust rate, with all replacements completed by 2012. And all of this would be accomplished in an environment where the leak performance of these remaining lines has already shown dramatic improvement compared to what was experienced at the time the program was first commenced.

15. In evaluating the Company's request, the Commission should also consider that Laclede has not hesitated to enhance aspects of its program where the



Company believed that public safety would have been served by such an action. As described above, the Company has made many improvements in the way that it identifies leaks, schedules subsequent replacements, and schedules and prioritizes the annual replacements. The Company is voluntarily completing all replacements, where practical, as renewals instead of relays. This will result in all copper service lines being replaced main-to-meter at the end of the proposed schedule. Finally, the Company has invested considerable effort in building and maintaining a database to accumulate information about its copper services. This has allowed the Company to use current and complete information in an effort to make sure that the highest priority services are scheduled and replaced. This data also allows the Company to identify areas of unusual activity and immediately schedule replacements, if necessary. The Company remains committed to taking whatever prudent actions are necessary, whether required by the Agreement or not, to maintain a safe operating system.

16. The Company believes that the foundation of this program for maintaining the safety of the public and its customers is established through the Company's commitment to its aggressive leak survey program and the accelerated replacement of leaking services. By approving the requested schedule, the Commission will allow the Company to move into the next phase of this replacement program with the same level of aggressive leak surveys and accelerated replacement of leaking services that has been established in the first seven years of this program, and that in many respects are above and beyond the requirements of the Agreement. Approval of this application will also allow the Company to begin replacing difficult and scattered service lines while being mindful of the cost to its ratepayers. Because of the increased costs associated with

replacing such lines, no significant reductions in the resources devoted to the Company's safety programs are anticipated if this request is approved.

17. Finally, the approval of this application would be consistent with the Commission's historical treatment of replacement programs conducted by Laclede and other natural gas operators within the State. There are several previous examples of operators requesting and obtaining Commission approval for relief from initial replacement program schedules after those facilities that represent the highest safety risk have been eliminated. These include Laclede's own unprotected steel service line replacement program (Case Nos. GO-93-343 and GO-99-155), Laclede's unprotected steel main replacement program (Case Nos. GO-91-239 and GO-2003-0506), and Missouri Gas Energy's unprotected steel service line replacement program.

18. For all of these reasons, Laclede would respectfully submit that the Commission's establishment of the replacement requirement requested herein will advance and not compromise public safety and should therefore be approved.

WHEREFORE, for the foregoing reasons, Laclede Gas Company respectfully requests that the Commission issue its Order, effective as soon as reasonably practicable, (a) establishing a replacement deadline of February 2009 for all buried soft copper service lines in Pressure Region I; (b) establishing an average annual replacement rate of 6,000 direct buried soft copper service line replacements commencing in the current program year ending February 2008, and (c) clarifying that Laclede may count, as a credit in each of the program years eight through eleven, one-fourth of the approximately 2,500 service lines it has already replaced in excess of the pre-existing 8,000 annual service line replacement minimum.

Respectfully submitted,

**/s/ Michael C. Pendergast**

Michael C. Pendergast, #31763

Vice President & Associate General Counsel

Rick Zucker #49211

Assistant General Counsel-Regulatory

Laclede Gas Company

720 Olive Street, Room 1520

St. Louis, MO 63101

Telephone: (314) 342-0532

Facsimile: (314) 421-1979

E-mail:mpendergast@lacledegas.com

rzucker@lacledegas.com

#### Certificate of Service

The undersigned certifies that a true and correct copy of the foregoing Application was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of the Public Counsel on this 8th day of August, 2007 by hand-delivery or by placing a copy of such Application, postage prepaid, in the United States mails.

**Gerry Lynch**

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

In the matter of the verified application of Laclede Gas       )  
Company for an order establishing replacement                )  
requirements for the final phase of its soft copper service    ) Case No. GO-2008-  
line replacement program previously approved pursuant       )  
to Case No. GO 99-155    )

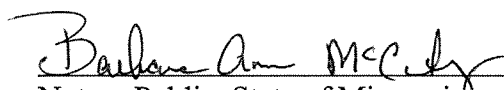
VERIFICATION

STATE OF MISSOURI    )  
                                  )   SS.  
CITY OF ST. LOUIS     )

Craig R. Hoeflerlin, of lawful age, being first duly sworn, on his oath states that he is Vice-President-Operations of Laclede Gas Company, the applicant in the foregoing Application; that he has read said Application and that the matters and things set forth therein are true and correct to the best of his knowledge, information and belief.

  
\_\_\_\_\_  
Craig R. Hoeflerlin

Subscribed and sworn to before me this 8 day of August, 2007.

  
\_\_\_\_\_  
Notary Public, State of Missouri



BARBARA ANN MCCARTHY  
My Commission Expires  
February 16, 2011  
Jefferson County  
Commission #07530723