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MEMORANDUM

FEB 20 1997

TO: Missouri Public Service Commission Official Case File
Case No. GO-97-242, Missouri Gas Energy

MISSOURI
PUBLIC SERVICE COMMISSION

FROM: Robert R. Leonberger, Energy Department - Gas Safety *RL*

Sam Elderman 2-20-97
Utility Operations Division/Date

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General Counsel's Office/Date

TRG 2/21/97

SUBJECT: Staff Recommendation for Approval of the Application for Variance from Provisions of 4 CSR 240-10.030(19) in Conjunction with Previous Variance Granted in Case No. GO-91-353.

DATE: February 20, 1997

On December 18, 1996, Missouri Gas Energy (MGE or Company) filed an Application for Variance (Application) seeking a temporary modification to an existing variance from provisions of 4 CSR 240-10.030(19), that was granted by the Commission on October 8, 1991, in Case No. GO-91-353. The variance granted in Case No. GO-91-353 allows the Company to utilize statistical sampling methods to select meters for removal, for those meter groups with accuracy rates (AR) of ninety percent (90%) or greater. For those meter groups with AR of less than ninety percent (90%), a specified percentage of meters must be tested annually. A more complete explanation of MGE's current meter testing program is contained in the Company and Staff filings in Case No. GO-91-353.

The Application in this case proposes to temporarily modify MGE's current meter testing program for a period of two years. The temporary modification would enable the Company to remove older-style meters in an expedited fashion to facilitate implementation of an automated meter reading (AMR) project. The older-style meters slated for expedited removal (tin case meters, targeted iron case meters, and targeted aluminum case meters) cannot accommodate a self-contained AMR device, so these meters will be retired and replaced with newer meters that can easily be fitted with an AMR device. The proposed temporary variance would remove the older-style meters noted in greater numbers than would occur under the current program. The total number of meters that would be removed annually under the proposal would remain basically the same as the number that are currently required to be tested. The accelerated removal of the older-style meters would, at the end of two years, result in a high number of newer meters in MGE's system and should enhance the overall accuracy and integrity of the Company's meter testing program.

MGE's AMR project will allow MGE to electronically "read" meters. The Company indicates that this electronic meter-reading will be faster, more efficient, more accurate, and safer than the current manual method. Further, the Company's proposal states that safety will not be compromised and is in the public interest, since it is designed to enhance customer service by eliminating meter reading errors, estimated meter readings (due to lack of access), and repeat trips to customer premises to read meters. Finally, MGE's Application requests that the temporary variance continue for a period of two years from the commencement of the installation of the AMR devices.

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The Staff has reviewed the proposed temporary variance in the Application, and believes that implementation of an AMR project would result in the Company's meters being "read" more quickly, more efficiently, and with less possibility of harm to the meter readers. A number of customer service issues will be positively impacted by AMR. These include elimination of estimated meter readings and problems associated with return trips to the customer premises. To more rapidly realize the benefits of converting to AMR, the noted older-style meters need to be replaced with newer-style meters in an expedited manner to accommodate the AMR devices. To accomplish this, a temporary variance from the currently approved meter testing program is necessary. The result will be the removal of the identified older-style meters in the Company's system within two years and ultimately provide an overall higher proportion of newer meters in MGE's system.

The number of meters that will be tested and removed in other meter groups (meters not targeted for expedited removal in the Application) during the proposed temporary (two-year) variance would decrease, to target the older-style meters. The Company has compiled detailed historic records of the AR of the various meter groups. These AR do not rapidly deteriorate for meter groups containing large numbers of meters. The Staff does not believe that temporarily decreasing the sample size for the other meter groups would result in an undetected deterioration of the AR during the proposed two-year variance period. If, for some unforeseen reason, the AR of a meter group (not in the targeted groups) should deteriorate during the two-year period and not be fully realized by MGE, the lower AR could trigger increased meter removals at the end of the two-year variance period (due restrictions contained in the current variance), if the AR fell below certain levels. Company personnel have indicated that the approval of the temporary variance and the associated cost-savings that will be realized, is an integral part of the implementation of the AMR project.

The Staff recommends that the temporary variance contained in the Application of MGE be granted. Expedited change-out of the older-style meters alone would result in improvement of the overall accuracy and integrity of the Company's meter testing program. However, additional benefits will be realized with the conversion to AMR by providing further accuracy/integrity benefits, as well as address customer service problems, as explained above, with no compromise of safety or of the accuracy of the meters remaining in the system after the expedited change-out. Finally, if the Commission approves the Application, the Staff would recommend that MGE be ordered to reference the variance that was granted in Case No. GO-91-353 and the temporary variance in this case at an appropriate location in its Tariff Sheets. The Staff recommends that the two-year variance time period, requested in the Application, begin on the effective date of the revised Tariff Sheets.

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