

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

In the matter of the application of Laclede Gas)
Company for a temporary variance from certain)
portions of Rule 10.A of its Tariff regarding meter) GE-2005-_____
testing in connection with its implementation of)
an automated meter reading program)

VERIFIED APPLICATION FOR VARIANCE

COMES NOW Laclede Gas Company (“Laclede” or “Company”) and, pursuant to 4 CSR 240-2.060(4) and 3.015, respectfully requests that the Missouri Public Service Commission (“Commission”) grant Laclede a variance through calendar year 2006 from the statistical sampling requirements of the meter testing program referenced in the first paragraph of Rule 10.A on Fifth Revised Sheet No. R-8 of the Company’s Tariff. This variance is sought to augment Laclede’s implementation of a system-wide automated meter reading (“AMR”) program under which certain obsolete meters will also be replaced on an accelerated basis. Accordingly, good cause exists for granting the variance, because it will contribute to greater customer convenience, a faster replacement of older, obsolete meters and more efficient implementation of a system that will substantially enhance Laclede’s meter reading capabilities. In support of this Application, Laclede states as follows:

INTRODUCTION

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. Contact information for any communications with Laclede concerning this Application, including electronic mail address, fax number and telephone number, are set forth on the signature page of this Application.

2. A Certificate of Good Standing evidencing Laclede's standing to do business in Missouri was submitted in Case No. GF-2000-843 and is hereby incorporated by reference herein for all purposes. The information on such Certificate is currently applicable and correct.

3. 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, Ste. Genevieve, St. Francois, Madison, and Butler in Eastern Missouri, as a gas corporation subject to the jurisdiction of the Commission.

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

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

BACKGROUND

6. On April 18, 1995, Laclede Gas Company filed a verified application in Case No. GO-95-320 for a variance from compliance with the requirements of 4 CSR 240-10.030(19) in order to perform meter testing through a statistical sampling procedure rather than periodically remove, inspect and test each meter at least once every 120 months.

7. Following an interim trial period, the Commission granted Laclede's application, and approved the Company's tariff implementing the statistical sampling method of meter testing. The specific tariff language pertaining to meter tests is located in the first paragraph of Rule 10.A of the tariff, and states as follows:

“Meters...shall be subject to testing in accordance with the statistical sampling authorized by the Commission in Case No. GO-95-320 in which the Commission granted the Company a variance from the requirements of 4 CSR 240-10.030(19) relating to the removal, testing and inspection of gas meters.”

8. The statistical sampling method calls for Laclede to select a percentage of meters each year for removal and testing. The method identifies certain groups of meters with common characteristics and applies a recognized statistical sampling technique to each group. Laclede is continuing to administer the statistical sampling program approved by the Commission. For example, about 10,535 meters are scheduled for removal and testing in 2005 and the Company believes that approximately another 11,941 would be scheduled for 2006 (a more accurate assessment of the 2006 schedule will be available in mid 2005).

AUTOMATED METER READING

9. Laclede is implementing an AMR program. Under this program, Laclede will cause to be installed on each of its residential meters and some of its commercial and industrial meters an electronic sending unit which electronically “reads” the meter on which it is installed. Laclede can capture these readings electronically on a much faster, more efficient, and more accurate basis than obtaining readings in the traditional manner. Laclede expects installation of the AMR units to begin in mid-2005 and be substantially completed by the end of 2006.

10. Laclede presently has about 859 meters in service with a casing made of tin plate. No manufacturers produce an AMR device for tin case meters. Therefore, Laclede would not be able to include these meters in the AMR program. Moreover, these tin plate meters are typically found inside customers’ basements since the tin casing was

not designed to, and does not, survive well when exposed to extreme weather conditions. The inside location of these meters requires customers to either (1) provide access to their premises so that a Company representative can read the meter, or (2) perform the reading themselves. As a result, reading of tin meters is typically less efficient than the reading of “outside” meters and, when access is limited, estimated meter readings result. In addition, the tin plate meters are older-style meters and are excellent candidates for replacement.

11. As of year-end 2004, Laclede also has in service 12,851 aluminum case meters and 299 iron case meters that are not practically compatible with the AMR units (the “incompatible meters”). The indexes of the incompatible meters cannot be directly connected to the AMR units. The only alternative available for such meters is to mount the AMR unit remotely and connect it by wire to the meter index. Remote mounting and wiring of AMR modules to the incompatible meters would produce lower reliability than direct mounting because the wiring would be exposed, and hence, susceptible to incapacitating damage. This alternative is clearly inferior to replacing the subject meters with meters that will readily accommodate a standard AMR installation, thus enhancing meter reading reliability. In addition, these 13,150 incompatible meters are also of older vintage; accordingly, replacement is appropriate.

12. As indicated above, the current statistical sampling procedure provides for the planned removal and testing by the Company of approximately 10,535 and 11,941 gas meters during the years 2005 and 2006, respectively, for a two-year total of approximately 22,476. Of that 22,476 total, approximately 79 would be meters of the tin type described above (35 in 2005 and 44 in 2006), approximately 202 would be

incompatible aluminum case meters (79 in 2005 and 123 in 2006) and 22,195 would be meters of other types (10,421 in 2005 and 11,774 in 2006).

13. Because tin meters are not suitable for attachment with any known AMR module, and because the remote installation of AMR units necessary on incompatible aluminum and iron case meters produces a lower level of reliability than direct mounting, Laclede requests a temporary modification of the statistical sampling procedures in 2005 and 2006 in order to expedite the removal and replacement of these meters. In lieu of the current procedures, Laclede proposes to remove and replace approximately 26,891 meters over that two-year period by concentrating on the elimination of meters that do not fit well with the AMR program, as follows (quantities are approximate):

859	Tin Meters
12,851	Incompatible Aluminum Case Meters
299	Incompatible Iron Case Meters
<u>12,882</u>	Other Meters with an accuracy rate of less than 90% in accordance with the current statistical sampling method.
26,891	Total meters to be replaced in 2005 and 2006

In 2007, after completion of the AMR installation project, Laclede would return to the current statistical sampling method in its entirety.

GOOD CAUSE FOR THE VARIANCE

14. As stated above, Laclede seeks a temporary variance from the tariff language set forth in paragraph 7. There are a number of reasons supporting the requested variance. First, approval of this variance will improve the effectiveness and speed of the AMR implementation by targeting resources at replacing meters that are known to be incompatible with AMR units, rather than simply testing a random sample

of meter populations. This, in turn, should benefit customers by reducing estimated bills. Since about 40% of Laclede's approximately 650,000 meters are inside customers' homes, obtaining regular, accurate meter readings is a constant challenge. When Laclede fails to gain access to read a meter, the customer receives an estimated bill, which is ultimately reconciled upon obtaining an actual meter reading. The disruptions and inconvenience to both the customer and the Company that result from having to work with estimated and reconciled bills will be virtually eliminated once the AMR program is fully implemented.

15. Second, modifying the statistical sampling process will also enhance customer service by reducing the number of times Laclede must impose on a customer to access the meter during the AMR deployment period. Under the AMR program, Laclede must request that all residential customers with inside meters permit access to the Company for the purpose of installing the AMR unit. If Laclede is at the same time performing random meter sampling, thousands of customers will be inconvenienced twice in a short period of time, once to have their meter changed, and once to have the AMR unit installed. Laclede seeks this variance to minimize such customer interruptions.

16. Third, if this proposed variance is approved, a substantial number of the older meters currently in service will have been removed and replaced during 2005 and 2006, resulting in a proportionately higher number of newer meters to be examined under the statistical meter sampling program in succeeding years than would have resulted under the current procedure. As a consequence, granting the proposed variance should

enhance the accuracy of Laclede's meters and the integrity of the Company's meter testing program.

17. In short, granting the requested variance is in the public interest because it is designed to enhance customer service by eliminating manual meter reading errors, estimated meter readings due to lack of access, and repeat trips to customer premises to read meters.

18. Finally, Laclede states that no other public utility will be affected by this requested variance.

WHEREFORE, Laclede Gas Company respectfully requests that the Commission grant the Company a variance from the statistical sampling meter testing procedure referenced in Rule 10.A of Laclede's Tariff through 2006, as described herein. This temporary variance would allow Laclede to accelerate the replacement of meters that are incompatible with the AMR program that Laclede will be implementing in 2005 and 2006, and redound to the benefit of its customers.

Respectfully Submitted,

/s/ Michael C. Pendergast

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Vice President & Associate General Counsel
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Assistant General Counsel-Regulatory

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CERTIFICATE OF SERVICE

The undersigned certifies that a true and correct copy of the foregoing Verified Application for Variance was served on the General Counsel of the Staff of the Missouri Public Service Commission and the Office of Public Counsel on this 10th day of May, 2005 by hand-delivery, email, fax or by placing a copy of such Application, postage prepaid, in the United States mail.

/s/ Rick Zucker

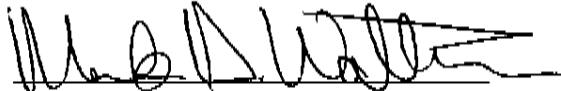
Rick Zucker

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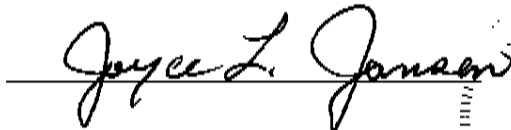
State of Missouri)
) SS.
City of St. Louis)

VERIFICATION

I, Mark D. Waltermire, Vice President of Operations and Marketing for Laclede Gas Company, being first duly sworn, verify that I am familiar with the foregoing Verified Application for Variance filed on behalf of Laclede; and that the matters set forth therein are true and correct to the best of my knowledge, information and belief.


Mark D. Waltermire

Subscribed and sworn to before me this 10th day of May, 2005.



My Commission expires:

JOYCE L. JANSEN
Notary Public — Notary Seal
STATE OF MISSOURI
ST. CHARLES COUNTY
My Commission Expires: July 2, 2005

