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November 2, 2000

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Mr. Dale Hardy Roberts
Secretary/Chief Regulatory Law Judge
Missouri Public Service Commission
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RE: Case No.GC-2001-137

Dear Mr. Roberts:

Enclosed for filing in the above-captioned case are an original and eight (8) conformed copies of **STAFF RESPONSE TO ANSWER OF LACLEDE GAS COMPANY**.

This filing has been mailed or hand-delivered this date to all counsel of record.

Thank you for your attention to this matter.

Sincerely yours,

Bruce H. Bates
Associate General Counsel
(573) 751-7434
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Enclosure
cc: Counsel of Record

FILED²

NOV 2 2000

Missouri Public
Service Commission

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

FILED²

NOV 2 2000

Missouri Public
Service Commission

In the Matter of the Missouri Public Service)
Commission,)

Complainant,)

Case No. GC-2001-137

v.)

Laclede Gas Company,)

Respondent.)

STAFF RESPONSE TO ANSWER OF LACLEDE GAS COMPANY

COMES NOW the Staff of the Missouri Public Service Commission by and through its Office of the General Counsel, and for its *Response to Answer of Laclede Gas Company* respectfully states as follows:

BACKGROUND

1. A Gas Incident Report (Report) was filed by the Gas Department – Gas Safety Section (“Staff”) in Case No. GS-2000-673 on September 7, 2000. The Report detailed an ignition of natural gas and ensuing fire at 416 Boyce Avenue in Farmington, Missouri, on March 25, 2000. As a result of the Staff’s incident investigation, a total of five recommendations were made to Laclede Gas Company (Laclede or Company). Recommendation No. 4 requested that Laclede be directed to file a response to each of the recommendations contained in the Report. Recommendation No. 5 requested that the Office of General Counsel cause a complaint to be filed with the Commission regarding two violations noted in the Report. The *Complaint* (GC-2001-137) was filed with the Commission simultaneously with the Report on September 7, 2000.

2. Laclede Gas Company ("Laclede" or "Company") filed its *Answer of Laclede Gas Company* in this case on October 12, 2000. Due to unforeseen events, Staff filed for an extension of time to respond which was granted by the Commission. The Order Granting Extension of Time became effective on November 1, 2000, which provided Staff and any other third party to file a responsive pleading no later than November 2, 2000.

3. Staff's request for an extension of time was, in part, due to progressive settlement discussions in Case No. GC-2001-19 involving Laclede. In that case, Staff alleged Laclede failed to conduct emergency procedures in a timely manner, similar to the allegations in this case (Case No. GC-2001-137). Settlement of Case No. GC-2001-19 regarding timely Laclede emergency procedures will directly influence potential settlement discussions related to this case.

4. Staff will accordingly respond to each of Laclede's answer of response to the allegations noted in the Report and will briefly describe the efforts of Staff and Laclede to resolve any related issues.

STAFF'S RESPONSE REGARDING LACLEDE'S ANSWER TO FAILURE TO NOTIFY

5. The Staff has reviewed the *Answer of Laclede Gas Company* ("Answer"), specifically the Alleged Failure To Notify. Staff points out three items before discussing current efforts being made between the Parties in Case No. GC-2001-19. First, Staff notes that a fourth criteria stated within the rule, requiring a two hour notification to the Commission, was not specifically stated in Laclede's Answer. This criteria requires a two hour notification when, "an event that is significant, in the judgment of the operator, even though it did not meet the criteria of paragraph (4)(A)1." Staff believes it is worth noting that the importance of making the two hour notification does not increase or decrease if only one, or if all of the four criteria within 4 CSR 240-40.020(4) have been met.

6. The prompt notification requirement (two hours) of the Missouri Reporting Requirements (4 CSR 240-40.020(4)) is essential to incident investigations, which leads into Staff's second point of this discussion. Prompt notification must be made by operators and should be strictly enforced to prevent delay in Staff investigations. Such delay could result in incident reports lacking conclusive evidence simply because the evidence was damaged, destroyed, or made unavailable as a result of the delayed notification. Staff can only believe the Commission could render a decision more easily in a case involving a natural gas incident where conclusive evidence is available.

7. For prompt notification, operator personnel that are involved with emergency related conditions must be trained and knowledgeable of appropriate actions and notification. This is Staff's third and final point of this discussion pertaining to incident notifications. Laclede's Answer as well as Staff's Report indicated more experienced management and claims department personnel appropriately estimated the damages of the incident and promptly made notification to Staff. Staff is not arguing the prompt notification made from Laclede's Claims Department or experienced management in St. Louis. The point of concern lies with the delayed *internal* notification made by Company employees. Statements made during an interview with the Service Foreman (the acting coordinator during the incident) indicated, in the Staff's opinion (Page 19 of the Report), a "reluctance to have Laclede's Claims Department in St. Louis," notified of the incident. Acceptance of Laclede's argument that isolated human error, an isolated failure, occurred in damage assessment by operator personnel not qualified to make the assessment in the first place or self questioning by a incident coordinator, leaves the door open for future delayed incident notifications to Staff. Incidents are isolated occurrences that require prompt action and decision and if there is any doubt by Company personnel, they should not hesitate in notifying an employee responsible for making appropriate decisions.

8. Laclede states in its Answer that the Staff's Complaint simply serves to highlight the degree of the Company's attempts to meet its obligation of incident notification to the Commission. It was internal procedures, Company procedures more stringent than the Commission's that were not followed, not known, or simply not understood. Internal incident reporting procedures generally are more stringent for operator employees not qualified to make certain judgment calls because it minimizes the level of decision making and prompts notification to those qualified employees who are responsible for making judgment calls.

9. As Laclede stated in its Answer, "it is appropriate for Staff to suggest that the Company make revisions to its procedures to better ensure that these practices will be fully observed in the future," which is clearly the main objective of this part of Staff's Complaint. Laclede also references Page 15 of the Report to indicate that the Company has already taken such action. However, at the time of constructing the Report, Staff was notified that "Company personnel *associated* with the incident" were given a review, and that revised reporting procedures were developed. Staff was only aware that revisions were developed. Staff has not seen the finalized procedures, training on the revised procedures or implementation of the revised procedures. To meet its objective pertaining to incident notifications, Staff believes revised procedures should be finalized, implemented, and **all** employees that would encounter a possible incident during their course of work be provided training that incorporates these revised procedures.

**STAFF'S RESPONSE REGARDING LACLEDE'S ANSWER TO ALLEGED FAILURE
TO CONDUCT EMERGENCY PROCEDURES IN A TIMELY MANNER**

10. Staff believes that Laclede's Answer has missed the point why the *Complaint* was filed with regard to conducting emergency procedures in a timely manner. It is true that Laclede's lack of timeliness did not contribute to the incident that had already occurred. However, the crux of Staff's concern was that natural gas was allowed to freely migrate within a residential sewer system at an ignitable mixture of gas-in-air for over 5½ hours before excavating over the leak. Laclede asserts that all efforts, which included air jacking that initiated 2½ hours after Company arrival, were aimed at minimizing the concentration of gas. Staff has filed Gas Incident Reports where escaping natural gas migrated within sewer systems before entering a structure, even blocks away, and finding an ignition source, all in less than 2½ hours.

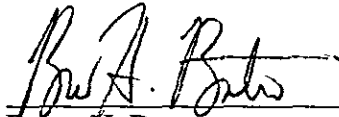
11. Laclede's Answer indicates that because no further damage or harm occurred to the public or public's property as a result of the escaping gas that the Company was 100% successful in its efforts. Staff believes this assertion gives false indications. The converse of the Company's statement is that if further damage or harm **did** occur to life or property as a result of escaping natural gas, after an operator arrives and begins proper emergency procedures, the efforts were 100% **unsuccessful**. In this second scenario, the operator could have easily arrived on-site in a timely manner, began conducting prompt and appropriate emergency procedures, but time simply ran out before the escaping natural gas caused further damage or harm, i.e., finding an ignition source. Time is always of essence when natural gas is able to freely/uncontrollably migrate from the confines of an underground pipeline. Timeliness of Laclede's emergency response actions to a Class 1 leak, after the incident occurred is the real issue in this discussion of conducting emergency procedures in a timely manner.

12. As mentioned above, in Case No. GC-2001-19, the same issues with regard to conducting emergency procedures in a timely manner are being discussed and a Unanimous Stipulation and Agreement has been reached. The Parties involved in that case have reevaluated the practices and procedures associated with protecting the safety of Laclede's customers, its employees, and the general public through measures that are intended, in part, to further enhance the Company's ability to respond to future emergencies in a prompt and effective way. Staff believes the efforts made by the Parties involved with Case No. GC-2001-19 can be applied to the issue of conducting emergency procedures in a timely manner in this case. The Company and Staff have discussed the revisions to the Company's procedures to enhance their internal notifications.

WHEREFORE, Staff believes that the issues of prompt, effective response to emergencies have been addressed by Laclede in the Unanimous Stipulation and Agreement in Case No. GC-2001-19 filed on November 2, 2000. Also, Staff and the Company are discussing revisions to procedures that would address the notification issue. It is respectfully requested that a hearing schedule be established. It is also requested that such scheduling be made after responses have been made to Laclede's Commission ordered response in Case No. GS-2000-673, which is due on November 20, 2000.

Respectfully submitted,

DANA K. JOYCE
General Counsel

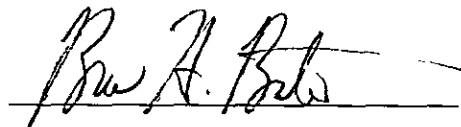


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Certificate of Service

I hereby certify that copies of the foregoing have been mailed or hand-delivered to all counsel or parties of record as shown on the attached service list this 2nd day of November 2000.



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Case No. GC-2001-137
November 2, 2000

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