

Exhibit No.:

Issue:

Inspections When the Flow
of Gas is Not Interrupted;
Manual Reading of Inside
Meters Equipped With
Automated Meter Reading
Units

Witness:

Thomas A. Reitz

Type of Exhibit: Direct Testimony

Sponsoring Party: Laclede Gas Company

Case No.: GC-2006-0060

Date Testimony

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LACLEDE GAS COMPANY

GR-2006-0060

Missouri Public
Service Commission

DIRECT TESTIMONY

OF

THOMAS A. REITZ

MAY 5, 2005

Exhibit No. 13
Case No(s). GC-2006-0060
Date 5-22-06 Rptr XF

DIRECT TESTIMONY OF THOMAS A. REITZ

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4 Q. Please state your name and business address.

5 A. My name is Thomas A. Reitz. My business address is 3950 Forest Park Avenue, Room
6 111, St. Louis, Missouri 63108.

7 Q. By whom are you employed and in what capacity?

8 A. I am employed by Laclede Gas Company as Superintendent of Service and Division
9 Operations.

10 Q. Please describe your work experience.

11 A. I have been in my current position since 2001. In that position, I have overall
12 management responsibility for the Laclede Service Department and the Missouri Natural
13 Gas Division of Laclede. This includes supervision of the Service Department's various
14 functions. Those functions include, among others, all field service work done on
15 customer meters and associated facilities, as well as any service work done on Company
16 or customer-owned facilities located inside the customer premises, such as turning gas on
17 and off, facility inspections, and appliance service and repair work. The Service
18 Department is also the first responder to emergencies involving natural gas. In the eight
19 years prior to assuming my current position (from 1994 to 2001), I held a variety of
20 management positions with the Missouri Natural Gas Division, primarily related to the
21 overall operations of the Division. From 1991 to 1994, I was a Service Foreman at the
22 Missouri Natural Gas Division during which time I directly supervised personnel who
23 performed the type of service work described above. From 1986 to 1991, I was
24 employed as a service man, meter reader and laborer. In those positions, I had direct
25 "hands-on" experience with performing service work, connecting and disconnecting gas

1 service, performing various facility inspections on the customer's premises, and
2 performing work on customer-owned appliances and piping.

3 Q. What is the purpose of your testimony in this case?

4 A. The purpose of my testimony in this proceeding is to explain why the Commission should
5 reject the request by USW Local 11-6 ("Local 11-6" or "Union") that Laclede be required
6 to perform inspections of customer-owned appliances and piping when the Company
7 establishes service to a new customer but the flow of gas to the customer's premises has
8 not been interrupted. I will refer to these inspections as "TFTO" inspections. I will also
9 explain why the Company objects to the Union's request that Laclede obtain manual
10 readings of its inside meters each year even though an automated meter reading device
11 has already been installed on the meter.

12 Q. Please summarize why Laclede believes the Commission should reject these requests by
13 the Union.

14 A. I believe the Commission should reject these requests for four main reasons. First,
15 because there is absolutely no operational or safety justification for mandating either the
16 TFTO inspections or the annual meter readings, I have been advised by counsel that a
17 substantial question exists as to whether the Commission even has the jurisdiction to
18 require such activities. Second, imposing such obligations on the Company would
19 needlessly increase the cost of providing utility service to its customers. At a minimum, I
20 estimate that such requirements would increase the cost of utility service by
21 approximately \$3 million per year. In addition, much of that increase would be imposed
22 on the most vulnerable customers who can least afford to pay it. Third, imposing such
23 requirements would needlessly inconvenience our customers by making them wait at

1 home to receive a "service" they do not need and have not asked for. It is impossible to
2 estimate with any precision how many hours, both work and recreational-related,
3 customers would lose as result of this unnecessary exercise, but it would easily reach into
4 the hundreds of thousands each year. Fourth, it would be inappropriate and
5 fundamentally unfair to subject Laclede and its customers to these burdens when no other
6 utility and no other group of customers in the state are subjected to them.

7 Q. Turning to your first reason, why do you say that there is no operational or safety
8 justification for imposing these requirements?

9 A. The only reason Laclede ever performed any kind of TFTO inspection in the past was
10 because it had to have an employee visit the customer's premises in any event to obtain
11 an initial meter reading prior to commencing service. With the implementation of the
12 Company's new automated meter reading (AMR) system, however, such readings can be
13 obtained remotely. As a result there is no longer any need for a gas employee to obtain
14 access to the customer's premises when the flow of gas has not been interrupted. This, in
15 turn, means that the customer no longer needs to be inconvenienced by having to wait for
16 and provide access to the employee and no longer has to pay a \$36.00 service initiation
17 charge. Nor with the advent of AMR, and the added meter reading accuracy and
18 reliability it brings, is there any operational or other need to obtain manual readings of
19 inside meters each year.

20 Q. How do you respond to the Union's contention that TFTO inspections are necessary to
21 protect public safety?

22 A. Although the Union depicts TFTO inspections as an important safety measure in its
23 filings, there is simply no basis for such a claim. As I previously indicated, the TFTO

1 inspection is an inspection that was only performed because personnel had to be on the
2 customer's premises for a different reason, namely to read the customer's meter. Contrary
3 to the Union's assertion, the TFTO inspection is not and never has been a mandatory
4 safety measure. In fact, such inspections have effectively been determined to be
5 unnecessary from a safety perspective, because they are not required by the
6 Commission's safety rules and are not performed by other gas utilities in the State.

7 Q. Please explain what you mean when you say TFTO inspections are not required by the
8 Commission's safety rules.

9 A. Commission Rule 40.030 (4 CSR 240-40.030) prescribes the safety standards that must
10 be followed by operators who transport natural gas in Missouri (the "Missouri Safety
11 Rule"). The Missouri Safety Rule standards apply to each Missouri municipal and
12 investor-owned gas utility, including Laclede. The Missouri Safety Rule was originally
13 adopted in 1968, and has since been amended 23 times. The Rule is 37 full pages of
14 single-spaced, triple column print, and covers, among other things, metering, corrosion
15 control, operation, maintenance, leak detection, and repair and replacement of gas
16 pipelines. The Missouri Safety Rule is similar to the Minimum Federal Safety Standards
17 contained in 49 CFR part 192 (the "Federal Safety Rule"). However, the Missouri Safety
18 Rule is, in certain circumstances, more strict than the Federal Safety Rule. With respect
19 to inspections, the Federal Safety Rule requires an operator to inspect only its own
20 facilities when physically turning on the flow of gas. Under Section 12(S) of the
21 Missouri Safety Rule, however, Laclede is required to perform a gas safe inspection of
22 both its own equipment (which generally ends at the meter) *and* the customer's

1 equipment, at the time a Laclede representative physically turns on the flow of gas to a
2 customer.

3 Q. Do either the Federal or Missouri safety standards require an inspection when the flow of
4 gas is not interrupted at a premises?

5 A. No, there is nothing in the Federal or Missouri safety standards requiring a utility to
6 inspect or test either its own equipment or a customer's equipment in a TFTO situation,
7 that is, when a new customer becomes responsible for gas service that is already flowing
8 to the property. Thus, both the federal authorities with responsibility over such matters,
9 as well as this Commission, have decided that, where there is no need to physically turn
10 on the gas (because it is already on), it is not necessary to inspect utility or customer
11 facilities.

12 Q. Are you aware of any other gas utility in Missouri that is currently required to perform
13 such inspections?

14 A. No. To my knowledge, no other gas utility in Missouri or, for that matter, in the United
15 States is required to perform a gas safe inspection when service is transferred to a new
16 customer without affecting the flow of gas. Nor am I aware of any unique or differing
17 circumstances involving Laclede's operations that would suggest such inspections are
18 necessary to provide safe service to Laclede's customers but unnecessary to provide safe
19 service to all of the other customers served by other utilities in Missouri and throughout
20 the country. To the contrary, the fact that other utilities have provided safe service for
21 decades without performing such inspections strongly indicates to me that such
22 inspections *are not* necessary to protect public safety.

1 Q. Are TFTO inspections consistent with any safety or maintenance-related
2 recommendations relating to the inspection of gas utilization appliances and equipment?

3 A. No, such inspections do not comport with standard recommendations regarding the
4 proper maintenance and inspection of natural gas equipment and facilities. In terms of
5 inside customer piping and appliances, it is commonly recommended that customers have
6 their furnaces checked and maintained by a qualified professional once per year. To my
7 knowledge, there are no recommendations regarding regular maintenance of inside
8 piping. Laclede agrees with these recommendations, and adds that furnace maintenance
9 is emphasized because it is generally the major unattended appliance in the home.
10 Furnace inspections, however, are not part of the regulated service provided by Laclede,
11 but can be obtained on the competitive market from Laclede or any qualified HVAC
12 contractor.

13 Q Is there another reason why you believe there is no safety justification for mandating
14 TFTO inspections?

15 A. Yes. The fact that there is no safety rationale or justification for TFTO inspections is
16 also demonstrated by the ad hoc and non-systematic nature of such inspections. For
17 example, it is standard practice for a customer selling a home in St. Louis under the
18 Missouri form real estate agreement to obtain a gas safe inspection (known as a "Home
19 Sale Inspection"). The Home Sale Inspection is a comprehensive inspection for which
20 Laclede charges approximately \$100. A few weeks after the Home Sale Inspection,
21 when the sale of the home closes, and the buyer takes over the property and the
22 uninterrupted gas service, Laclede would be required under the Union's proposal to
23 return and charge the buyer for another, less comprehensive, TFTO inspection. In this

1 case, the home would have had two inspections of the customer's inside equipment
2 within one month. On the other hand, a customer who lived in the same home for 30
3 years would have zero TFTO inspections in three decades. Likewise, one rental property
4 may change hands three times in one year, receiving three TFTO inspections in that year,
5 while another rental property changes hands zero times in three years, receiving no TFTO
6 inspections over that period. If some type of additional safety inspection were truly
7 necessary, these types of disparities would be completely unacceptable.

8 Q. But hasn't the Union provided examples in this case of where TFTO inspections have
9 identified potential safety hazards?

10 A. In my view, the examples provided by the Union in the form of Mr. Schulte's Affidavit
11 are highly questionable, unreliable and do not, in any event, justify the kind of TFTO
12 inspections that the Union would have the Commission impose on Laclede and its
13 customers.

14 Q. What is the basis for your conclusion?

15 A. To begin with, I think it's important for the Commission to recognize that virtually any
16 inspection process will always find "something" that someone can allege is a safety
17 hazard. If one were to mandate that everyone's car brakes be inspected on a monthly
18 basis, one could undoubtedly find more potential defects and problems than if such
19 inspections were performed on a yearly basis. Potential hazards, including life-
20 threatening hazards, could also be identified if one were to require monthly or even
21 annual inspections of bathtub flooring, home electrical systems, playground equipment,
22 swimming pool fencing, home storage arrangements for firearms, flammable liquids, and
23 poisons, or virtually any other potentially dangerous facet of modern life. The mere fact

1 that some potential hazards might be found, however, does not speak to the question of
2 whether and when a system of inspections should be mandated and imposed on people
3 with all of the attendant cost and inconvenience. In the case of TFTO inspections,
4 however, this more pertinent question has already been answered by the cumulative
5 actions of this Commission and other regulatory authorities who, in balancing these
6 considerations, have determined that such inspections are not needed where the flow of
7 gas has not been interrupted.

8 Q. You also said that the examples of potential hazards set forth in Mr. Schulte's affidavit
9 were highly questionable and unreliable. Please explain what you mean.

10 A. As evidence that TFTO inspections are needed, the Union's Motion included a list
11 purporting to show 342 instances over a five month period in which a potential hazard
12 ticket was identified as the result of TFTO inspections. (see Affidavit of Joseph Schulte,
13 par. 12) The information contained in the Affidavit, however, is flawed for a number of
14 reasons. First, the number of claimed hazards is overstated due to duplicate entries alone.
15 In fact, there are at least 25 instances in which the same property is listed twice in the
16 exhibit. Second, over a fourth of the items in the exhibit were *not* even found by a
17 TFTO inspection, but through some other form of inspection or service either required by
18 the Missouri Safety Rules or performed on an unregulated basis (e.g. a Home Sale
19 Inspection). Third, there are instances in which some items were found during TFTO
20 inspections that followed not long after a Home Sale Inspection or other inspection
21 raising the question of whether the identified items actually constitute real hazards.
22 Fourth, many of these so-called hazards found during TFTO inspections are more
23 accurately described as being in the nature of minor technical code violations rather than

1 a matter that is likely to lead to an incident. For example, nearly a fourth of the claimed
2 hazards involved the absence of an anti-tipping device on a gas stove. Such a device has
3 literally nothing to do with whether natural gas service is being delivered on a safe basis,
4 but instead is designed to ensure that a stove won't tip over and potentially burn someone
5 if someone should stand on the oven door of the stove. I see absolutely no good reason
6 why the gas utility -- rather than the customer or someone the customer hires -- should be
7 responsible for identifying such problems, particularly when there is no corresponding
8 obligation on other utilities to identify similar problems with electric stoves. Indeed, in
9 my view, there is no sound reason why gas utilities should be required to perform any
10 non-emergency inspections of customer-owned appliances and equipment when no
11 similar obligations are imposed on other utility providers.

12 Q. You mentioned that a number of the potential hazards cited in Mr. Schulte's Affidavit
13 were also questionable because Laclede personnel had failed to identify them in prior
14 inspections that had recently been conducted on the same premises. Has the Union
15 offered any explanation for this obvious inconsistency?

16 A. No. When the Union was specifically asked about a number of these instances in various
17 data requests it simply responded that it would not speculate on why one employee was
18 able to identify a potential hazard while another one, who was supposedly looking for
19 such hazards in the recent past, did not.

20 Q. Do you have any opinion as to why this obvious discrepancy exists?

21 A. Unless one assumes that a significant number of employees were not doing their job in
22 performing these prior inspections, I can only assume that an intentional effort was made
23 to exaggerate the nature and number of potential hazards cited by Mr. Schulte.

1 Q. Do you have any other evidence that would support such a conclusion?

2 A. Yes. After Laclede's tariff discontinuing TFTO inspections became effective in June
3 2005, the number of so-called hazards in the Union's "sampling" increased from 43 in
4 May 2005, to 68 in August 2005, to 91 in September 2005 (not counting duplicates). In
5 addition, 50% of the items were found in only one of Laclede's three districts, notably the
6 district in which Laclede first installed AMR devices and ceased making TFTO
7 inspections. Moreover, although 57 out of approximately 250 technicians who routinely
8 perform these inspections identified the items listed on the exhibit, more than one-fourth
9 of them were found by only 4 employees. In other words, 4 employees of the Company
10 were, on average, identifying 5 potential "hazards" per month during this period, while
11 the other 53 employees were, on average, identifying only one potential hazard per
12 month. I do not believe this kind of disparity could have occurred unless there was a plan
13 among certain employees to "find" and "identify" as many potential hazards as possible
14 during their inspections, including items that would not necessarily have been considered
15 a hazard during previous inspections.

16 Q. Given all of these considerations, is there anything in Mr. Schulte's Affidavit that
17 indicates to you that incidents would be avoided if TFTO inspections were mandated?

18 A. No, I can find nothing in the list that would indicate to me that an incident would have
19 occurred but for the performance of a TFTO inspection. The absence of discretionary
20 TFTO inspections will have no adverse impact on Laclede's compliance with those
21 standards that are actually designed to protect public safety, namely, the standards set
22 forth in the Missouri Safety Rules.

1 Q. You previously mentioned that imposing an obligation to conduct TFTO inspections
2 would needlessly increase the cost of providing utility service to Laclede's customers.
3 Please explain.

4 A. If the Company were required to conduct such inspections in the future, tens of thousands
5 of customers would be required to pay a \$36.00 service initiation fee for a service they do
6 not want or need. Moreover, many of those affected would be low-income customers
7 who already face enough trouble meeting their financial obligations without forcing them
8 to pay for something of no real value. In addition, all of Laclede's customers would have
9 to bear the cost of the labor that is not covered by the \$36.00 charge as well as the cost of
10 obtaining the annual reads of inside meters that the Union has proposed. In the
11 alternative, Laclede would be required to increase the cost of such inspections to reflect
12 the full cost of the trip, since a trip to obtain the meter reading will no longer be
13 necessary.

14 Q. Have you estimated the cumulative cost of these unnecessary mandates on Laclede's
15 customers?

16 A. On a very conservative basis, I estimate that Laclede's customers would have to pay at
17 least \$3 million more per year to fund these unnecessary activities.

18 Q. Is that the only kind of cost that would be imposed on Laclede's customers?

19 A. No. Customers would also experience a significant cost in terms of inconvenience and
20 lost productivity. In effect, adoption of the Union's proposal would literally force
21 250,000 to 300,000 of Laclede's customers to either return home or wait at home for
22 multiple hours each year in order to give Laclede personnel access to their premises so
23 that these unnecessary activities could be performed. On a conservative basis, that

1 equates to more than half a million hours of lost time that customers could be devoting to
2 something else.

3 Q. Is there any justification for imposing these burdens on Laclede or its customers?

4 A. No. The Union has provided nothing in my opinion to show that it is right, and the rest
5 of the country is wrong, in terms of whether TFTO inspections are necessary to protect
6 public safety.

7 Q. How do you respond to the Union's proposal to require an annual manual meter reading
8 where an AMR device has been installed?

9 A. The Union has presented nothing -- nothing at all -- to show that AMR technology cannot
10 be relied upon to provide accurate meter readings and therefore needs to be supplemented
11 by manual readings of inside meters each year. To the contrary, AMR technology has
12 proved its effectiveness time and time again as evidenced by its successful use over the
13 years by every other large energy utility in Missouri and by countless utilities throughout
14 the country. As a result, this is simply another instance where the Union would have the
15 Commission impose an unnecessary requirement on Laclede based on specious safety
16 concerns.

17 Q. Why do you believe there is no safety justification for such a requirement?

18 A. It is important to note that in terms of inspecting inside meters, the Commission's Safety
19 Rule standards are already more strict than the Federal Safety Rule standards in that the
20 former requires such inspections every three years while the latter requires them only
21 once every five years. Neither the state nor federal safety rules, however, require annual
22 inspections of such facilities. Nor do other utilities in Missouri conduct such annual
23 inspections or obtain annual meter readings where AMR devices have been installed.

1 Moreover, for many of the reasons I previously discussed, such a requirement would
2 make no sense from a safety standpoint, since it would subject customers with inside
3 meters to far more inspections than other customers, without any sound reason for doing
4 so. In view of these considerations, the Union's request represents nothing more than an
5 attempt to have this Commission preserve work functions that serve no purpose, other
6 than to impose unnecessary costs and inconvenience on Laclede's customers. It is simply
7 not fair to force Laclede's customers, in contrast to all other utility customers in the state,
8 to forgo the efficiencies and cost savings that this technology makes possible.

9 Q. Does that mean that customers who do desire to have their gas appliances and piping
10 inspected will have no alternatives?

11 A. No. Unlike the Union, Laclede believes that customers should be given the choice of
12 having their appliances and piping inspected rather than have such a requirement forced
13 on them. To that end, Laclede will be happy to cooperate with the Union in advising
14 customers of their ability to obtain such inspections from qualified HVAC service
15 providers. And as long as it continues to do Home Sale inspections, Laclede will also
16 make its personnel available to perform such inspections on the same kind of basis that
17 others in the HVAC marketplace do. The key consideration is that it will be the customer
18 who makes the choice, not Laclede, the Union, or this Commission. Such an approach
19 has apparently worked in virtually every other part of Missouri and the United States and
20 I see absolutely no reason why it won't work in Laclede's service territory as well.

21 Q. Does this conclude your direct testimony?

22 A. Yes, it does.

USW Local 11-6

Y.

Respondent.

Case No. GC-2006-0060

SS.

CITY OF ST. LOUIS)

Thomas A. Reitz
Thomas A. Reitz

Barbara Ann McCarthy
Notary Public, State of Missouri
BARBARA ANN MCCARTHY
My Commission Expires
February 16, 2007
Jefferson County