

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

In the matter of Missouri Gas Energy's)	
Application for a Determination of Certain)	
Matters Pertaining to its Safety Line)	Case No. GO-2002-48
Replacement Program.)	

STAFF'S SUPPLEMENTAL REPORT AND RECOMMENDATION

COMES NOW the Staff ("Staff") of the Missouri Public Service Commission ("Commission") in the above-captioned matter and respectfully states as follows:

1. On September 16, 2005, Missouri Gas Energy, a division of Southern Union Company, ("MGE" or "Company") filed with the Commission an Application to amend the Company's Safety Line Replacement Program ("SLRP") as it pertains to maintenance and replacement of service lines and mains associated with master meter trailer parks. In particular, MGE seeks permission to change the current Commission-ordered requirement¹ that it complete by June 30, 2006, line replacements in the following two master meter trailer parks:

- a) Finley River Mobile Home Park, Brick 5th Street and Church, Ozark, Missouri; and
- b) Heistland Mobile Home Park, Route 6, Box 150, Joplin, Missouri.

2. MGE requests that the June 30, 2006 line replacement deadline for these sites be extended to June 30, 2010. The Company further proposes that during the interim period, the frequency of leak surveying at these sites be increased from the current one time per year to at least every six months.

¹ See *Order Approving Amended Application*, issued May 16, 2002.

3. On October 14, 2005, the Staff filed a Recommendation and Memorandum, recommending that the Commission: a) grant the Company's request for an amendment to the current SLRP to allow deferral, until June 30, 2010, of line replacement at these two sites; b) order MGE to provide the owners and residents of the two trailer parks with written notice of the amendment in a manner similar to the original notification for the SLRP in this proceeding; and c) order the implementation of MGE's proposal to double of the frequency of leak surveying of the affected sites, with some refinements.

4. On October 26, 2005, the Commission issued an Order Directing Staff To Investigate And Report, wherein the Staff was directed: a) to speak with the owners of the two affected to determine whether the trailer parks are likely to close within the four-year extension period requested by MGE; b) to determine whether the trailer park owners want MGE to replace the mains and service lines on their property; c) to contact the City of Ozark in order to determine the city's intentions with respect to the Finley River Mobile Home Park; d) to explain in greater detail the Staff's conclusion that the safety of the residents can be protected through the implementation of a six-month leak detection survey schedule; and e) to file a supplemental report and recommendation no later than November 30, 2005.

5. The Staff has completed its further investigation of this matter. The attached Memorandum (Appendix A) incorporates Staff's response to the specific questions set out in the Commission's October 26, 2005 Order, and renews Staff's recommendation, previously filed on October 14, 2005.

WHEREFORE, the Staff recommends that the Commission issue an Order approving MGE's Application for an amendment to its Safety Line Replacement Program, directing proper notification of owners and residents of the affected trailer parks, and ordering that MGE adopt,

for the interim period, the bi-annual leak survey schedule as specified in the attached Memorandum.

Respectfully submitted,

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General Counsel

/s/ Dennis L. Frey

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Certificate of Service

I hereby certify that copies of the foregoing have been mailed, hand-delivered, transmitted by facsimile or e-mailed to all counsel of record this 30th day of November 2005.

/s/ Dennis L. Frey

MEMORANDUM

TO: Missouri Public Service Commission Official Case File
Case No. GO-2002-48, Missouri Gas Energy

FROM: Michael E. Taylor, Energy Department--Safety/Engineering

<u>/s/ Michael E. Taylor</u> 11/29/05 Project Coordinator / Date	<u>/s/Thomas R. Schwarz, Jr.</u> 11/29/05 General Counsel's Office / Date
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SUBJECT: Staff Supplemental Report and Recommendation for Approval of the Application to Amend Safety Line Replacement Program

DATE: November 29, 2005

On September 16, 2005, Missouri Gas Energy (MGE), a division of Southern Union Company filed an Application to Amend Safety Line Replacement Program (Application) seeking to amend its approved Safety Line Replacement Program (SLRP) with respect to two specific geographic locations. MGE's SLRP was undertaken pursuant to Commission rules. A number of Commission cases (e.g., Case Nos. GO-91-277, GO-91-239, GO-91-295, GO-99-302, GO-2002-48, and GO-2002-50) have administered the details of the SLRP.

The SLRP administered through Case No. GO-2002-48 addressed two specific items. The first item was maintenance and replacement of farm tap service lines. The second item was maintenance and replacement of service lines and mains associated with master meter trailer parks. This Application specifically relates to the second item (master meter trailer parks). The deadline for completion of the replacements in master meter trailer parks was established as June 30, 2006. Sixteen (16) master meter trailer parks were originally included in the scope of the SLRP.

Staff submitted a recommendation regarding this Application on October 14, 2005. The Commission issued an order on October 26, 2005, directing Staff to provide additional information. Staff has obtained this information and included same in this supplemental report and recommendation.

MGE is proposing to defer replacement activities at two locations for four (4) years beyond the original deadline date from June 30, 2006 until June 30, 2010. The two locations are: Finley River Mobile Home Park, Brick 5th Street and Church Street, Ozark, Missouri and Heistland Mobile Home Park, Route 6, Box 150, Joplin, Missouri. Each of these locations has a unique set of circumstances. The Finley River Mobile Home Park is located in a blighted area as established by the City of Ozark (City). The City has established a redevelopment plan for the area and the Finley River Mobile Home Park is designated as a non-conforming use which cannot be altered or expanded without a building permit from the City. The City has recommended to MGE that no upgrades be made at this location. The Heistland Mobile Home Park is currently in a state of decline and a large portion of the park property consists of vacant lots. The existing mobile homes are in various states of disrepair.

In its Application, MGE proposes to increase the frequency of leak surveys in these two locations. In nominal terms, the locations are currently being leak surveyed annually, with actual intervals between surveys not to exceed 15 months. MGE has proposed leak surveys no less frequently than every six (6) months. MGE also states that the current method of leak repair will continue. Under the current method, if a hazardous leak is found, MGE repairs the leak and bills the property owner; where a non-hazardous leak is found, MGE notifies the property owner, who then contracts with a qualified entity to perform the necessary repair.

The Staff toured the two mobile home parks. The Staff's observations are consistent with the information provided by MGE in the Application. At the Finley River Mobile Home Park, most lots are occupied by mobile homes; however, many of the mobile homes appear to be vacant and only marginally habitable. At the Heistland Mobile Home Park, the majority of the lots are vacant, while most of the mobile homes that are present appear to be occupied. The net result is similar for both parks; namely, a low occupancy rate (based on the number of actual residents) for the existing size of the mobile home park. Based on the inspection of the park facilities at these two locations, the parks do not appear to have long-term viability.

The Staff talked with the owner of the Finley River Mobile Home Park and the City Planner for the City of Ozark (City Planner). The City has established a Land Clearance Redevelopment Authority. The City is currently in the process of authorizing a redevelopment contract with a planning contractor. When this contractor submits a redevelopment plan and that plan is approved by the City, acquisition of property can commence. The City Planner and the park owner both confirmed that the City and the owner have negotiated the purchase of the mobile home park by the City. This park is in the portion of the redevelopment area that has been designated as Phase 1 of the overall project. This is not an eminent domain acquisition. According to the City's timetable and the owner's understanding, the City could acquire the mobile home park as early as March or April, 2006. Following the acquisition, the City will relocate the present tenants and proceed with redevelopment activities. The City Planner emphatically stated that no infrastructure improvements should be considered at this time for the location of the mobile home park.

Leaks that are identified as the results of customer calls or periodic leak surveys are routinely filed in MGE's normal tracking system. Review of this tracking system revealed no record entries for the Finley River Mobile Home Park, indicating no detectable leaks have occurred at this location in recent years.

Staff also talked with the owner of the Heistland Mobile Home Park. The present owner acquired the park approximately two years ago. He did not express certainty regarding the future of the park. The present owner was not aware of the safety line replacement program until recently. During discussions with Staff, he was not adamantly opposed to line replacement in the park (which would include a shared cost by the owner under existing tariffs). MGE is in the process of preparing a cost estimate for the line replacement to submit to the owner. The owner did not want to make any final decisions without knowing the financial aspects of the replacement program.

According to MGE records, the number of meters in the park has declined from approximately 33 meters in 2002 to approximately 10 meters currently.

MGE has records documenting leaks in the Heistland Mobile Home Park. The leak records extend back to 1990. Five leaks were recorded during this time frame. A brush hog hit a line in 1990 resulting in a leak that was immediately repaired. A backhoe hit a line in 1997 resulting in a leak that was immediately repaired. Another leak was identified in 1993 and repaired the following day. The other two leaks were identified in 2004. One of these leaks was immediately repaired by MGE. One non-hazardous leak is being monitored by MGE. Both of the calendar year 2004 leaks were located in the vacant portion of the mobile home park.

The Staff recommends that the Application be approved as submitted. As noted above, it appears that the Finley River Mobile Home Park will be acquired by the City prior to the June 30, 2006 deadline. While it is possible that the Heistland Mobile Home Park will remain open for the deferral period, this scenario is uncertain. In any event, increasing the frequency for leak surveys will provide the necessary level of safety for the mobile home parks in the interim. Leaks (other than third-party damage) in installations such as these mobile home parks are largely attributable to corrosion. By its nature, piping corrosion is a slow process and typically results in gradual degradation of the piping pressure boundary, rather than catastrophic failure. Because of this gradual degradation, leaks are readily detected by periodic surveys. Shortening the leak survey interval as MGE has proposed will also enhance detection of leaks earlier in their development and allow correction while the leakage rate is at a low level.

If the Commission approves the requested amendment, the affected trailer park owners and residents should be notified in writing of this amendment, in a manner similar to the original notification for the SLRP (Case No. GO-2002-48). Finally, if the Commission approves the amendment, Staff recommends that MGE be ordered to establish the following leak survey regimen: During the period from July 1, 2006 through June 30, 2010, for each of the two trailer park locations mentioned above, leak surveys shall be performed at intervals not exceeding seven and one-half (7-1/2) months, but at least twice each calendar year. In any event, during the period July 1, 2006 through December 31, 2006 and during the period January 1, 2010 through June 30, 2010, one leak survey shall be performed at each location.

The Staff has verified that the Company has filed its Annual Report and is not delinquent on any assessment. In addition to the case associated with this recommendation, the following cases involving this Company are open at this time:

AX-2005-0364	GR-2001-382	GW-2006-0110
GC-2006-0066	GR-2003-0330	GX-2004-0090
GO-2005-0019	GR-2005-0104	
GO-2006-0201	GR-2005-0169	

The Staff has reviewed the open cases and is not aware of any issues that would be affected by this filing.