

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service
Commission held at its office in
Jefferson City on the 22nd day of
December, 2005.

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

**ORDER APPROVING APPLICATION TO AMEND SAFETY LINE
REPLACEMENT PROGRAM**

Issue Date: December 22, 2005

Effective Date: January 1, 2006

On September 16, 2005, Missouri Gas Energy (MGE) filed an application asking the Commission to amend the company's Safety Line Replacement Program. The Commission last amended MGE's Safety Line Replacement Program in this case in 2002. At that time, the Commission ordered MGE to replace all service lines and mains in master metered mobile home parks by June 30, 2006. MGE now asks the Commission to allow it to defer replacement activities at two master metered mobile home parks.

The first affected mobile home park is the Finley River Mobile Home Park, located in Ozark, Missouri. That mobile home park includes approximately twelve mobile homes and has been designated as a blighted area by the City of Ozark. Ozark has also designated the mobile home park as a non-conforming use that cannot be altered or expanded without a building permit from the city. Ozark has asked that MGE not make upgrades to the natural gas infrastructure serving the mobile home park.

The second affected mobile home park is the Heistland Mobile Home Park located outside Joplin, Missouri. MGE reports that 21 out of 35 lots on that mobile home park are vacant and that 3 of the 14 occupied lots are not currently connected to the natural gas system.

For both mobile home parks, MGE contends that the parks are not likely to remain in operation for much longer. As a result, MGE argues that it would not be a good use of its resources to replace the mains and service lines to those mobile home parks at a cost of \$33,000 for the Finley River Mobile Home Park, and \$96,000 for the Heistland Mobile Home Park.

MGE asks the Commission to defer the requirement that MGE replace the mains and service lines in these mobile home parks until June 30, 2010, anticipating that the mobile home parks will cease operation before that time. Until the natural gas distribution systems in these two mobile home parks are replaced, or taken out of service, MGE proposes to leak survey the systems at least every six months, instead of the current annual leak survey schedule.

The Commission's Staff filed a recommendation regarding MGE's application on October 14. Staff indicated that it inspected the two mobile home parks and confirmed MGE's description of their condition. Staff supported MGE's request for a deferral of the replacement of the natural gas infrastructure at these two mobile home parks. Staff suggested that the affected mobile home park owners and residents be notified of the amendment by a letter from MGE, similar to the letter by which MGE notified those persons of the original amendment to the Safety Line Replacement Program. Staff also recommended that if the amendment is granted, MGE should be required to establish an

enhanced leak survey schedule at the two mobile home parks. Specifically, Staff recommended that from July 1, 2006, through June 30, 2010, for both of the mobile home parks, leak surveys be performed at intervals not exceeding seven and one-half months, but at least twice per calendar year. Furthermore, in the period July 1, 2006, through December 31, 2006, and in the period January 1, 2010, through June 30, 2010, one leak survey is to be performed at each location, while maintaining the required 7-1/2 month interval.

The Commission initially considered MGE's application at its agenda meeting on October 25. At that time, the Commission had questions about whether the safety of the residents of these two mobile home parks would be sufficiently protected if replacement of the mains and service lines were delayed by four years. So that its questions could be answered, the Commission directed its Staff to further investigate and to file a supplemental report by November 30.

Staff's supplemental report, which was filed on November 30, indicates that Staff has conducted a further investigation regarding both mobile home parks. Staff reports that it has visited the Finley River Mobile Home Park and found that most of its lots are occupied by mobile homes, but that most appear to be vacant and only marginally habitable. Staff has talked with the owner of the mobile home park, as well as the City Planner for the City of Ozark. They confirm that the owner and the city have negotiated a purchase of the mobile home park by the city. The city expects to acquire the mobile home park as early as March or April, 2006. After it acquires the property, the city will relocate the present tenants and redevelop the land. Staff indicates that it has reviewed MGE's leak tracking system

and found that no detectable leaks have been reported at the mobile home park in recent years.

Staff reports that it has also visited the Heistland Mobile Home Park and has talked with its owner. Staff indicates that at Heistland, most of the lots are vacant, but those that have homes on them are inhabited. The owner of Heistland reportedly acquired the mobile home park two years ago and is not certain about the future of the park. If the service lines in the mobile home park are replaced, the owner would have to pay a part of the replacement cost. The owner indicated that he would not be able to make any final decision about replacing the service lines until he had more information about those costs.

Subsequently, on December 16, Staff filed an addendum to its supplemental report, indicating that MGE has prepared a cost estimate for the line replacement in the Heistland Mobile Home Park. When presented with this cost estimate, the owner of the mobile home park was not willing to pay his portion of the line replacement cost.

In its November 30 report, Staff states that MGE has documented five leaks in the Heistland Mobile Home Park during the past fifteen years. 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 was immediately repaired. The other two leaks were identified in 2004. One of those leaks was immediately repaired by MGE. The other leak was considered non-hazardous and is being monitored by MGE. Both 2004 leaks were located in the vacant portion of the mobile home park.

Staff indicates that increasing the frequency for leak surveys will provide the necessary level of safety for the mobile home parks while their future existence is

determined. Staff explains that leaks in installations such as these mobile home parks usually result from corrosion of the pipes. Corrosion of a pipe is a slow process and usually does not result in catastrophic failure. Because of the gradual degradation of the pipes, leaks are readily detected by periodic surveys. Shortening the leak survey interval, as MGE has proposed, will allow for the detection of leaks earlier in their development and allow correction while the leakage rate is low.

Staff continues to recommend that MGE's application be approved as submitted. No other party has filed a response to MGE's application and no party has requested a hearing regarding that application. The requirement for a hearing is met when the opportunity for hearing has been provided and no proper party has requested the opportunity to present evidence.¹ Since no one has requested a hearing, the Commission may grant the relief requested based on the application.

The Commission has considered MGE's application, along with Staff's recommendations. For the Finley River Mobile Home Park, the situation is clear. That park is about to close to make way for a redevelopment project. In fact, it may be gone even before the existing June 30, 2006 deadline. Clearly there is no reason to replace the existing service lines in that park.

The situation at the Heistland Mobile Home Park is less clear. While the future existence of the park appears to be questionable, there is no certainty about when, or if, the park will be closed. Nevertheless, while the park remains open, its residents deserve to be protected from the obvious hazards that would result from leaking gas pipes. The enhanced leak survey schedule proposed by Staff should be sufficient to protect the

¹ *State ex rel. Rex Deffenderfer Enterprises, Inc. v. Public Service Commission*, 776 S.W.2d 494, 496 (Mo. App. 1989).

residents of the park. However, the Commission believes that four years is longer than necessary to resolve the question of whether the parks will remain open or whether their mains and service lines will be replaced. For that reason, the Commission will extend the June 30, 2006 deadline for only two years until June 30, 2008.

So that the Commission can remain informed about the situation in these mobile home parks, the Commission will order MGE to file annual leak survey reports regarding these mobile home parks. In addition, if any leaks are detected in either of these mobile home parks, MGE shall promptly notify the Commission. Staff shall file a recommendation based on that report.

IT IS THEREFORE ORDERED:

1. That the Application to Amend Safety Line Replacement Program filed by Missouri Gas Energy on September 16, 2005, is approved.

2. That Missouri Gas Energy's Safety Line Replacement Program is amended to provide that the company's obligation to replace the mains and service lines for the Finley River Mobile Home Park and for the Heistland Mobile Home Park is deferred from June 30, 2006, to June 30, 2008.

3. That Missouri Gas Energy shall, not later than January 30, 2006, send a letter to the affected mobile home park owners and residents notifying them of this amendment. The letter shall be in a form similar to the letter sent to affected owners and residents when the Commission approved Missouri Gas Energy's initial application to amend its Safety Line Replacement Program in May of 2002.

4. That Missouri Gas Energy shall establish an enhanced leak survey schedule at the two affected mobile home parks, so that from July 1, 2006, through June 30, 2008,

for both of the mobile home parks, leak surveys are performed at intervals not exceeding seven and one-half months, but at least twice per calendar year. Furthermore, in the period July 1, 2006, through December 31, 2006, and in the period January 1, 2008, through June 30, 2008, one leak survey shall be performed at each location, while maintaining the required 7-1/2 month interval.

5. That if Missouri Gas Energy detects any leaks at either the Finley River Mobile Home Park or the Heistland Mobile Home Park, it shall promptly notify the Commission. Staff shall file a recommendation based on that report.

6. That Missouri Gas Energy shall file annual leak survey reports, beginning on January 1, 2007, regarding the leak surveys it makes and any leaks it detects at the Finley River Mobile Home Park and the Heistland Mobile Home Park. The reports shall also indicate what progress is being made toward a resolution of the question of whether these parks will close or whether the mains and service lines will be replaced. The reports shall be filed in this case.

7. That this order shall become effective on January 1, 2006.

BY THE COMMISSION

A handwritten signature in black ink, appearing to read 'Colleen M. Dale', is written over a horizontal line.

Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, Gaw, Clayton and Appling, CC., concur

Woodruff, Senior Regulatory Law Judge