

**STATE OF MISSOURI
PUBLIC SERVICE COMMISSION**

At a session of the Public Service Commission held at its office in Jefferson City on the 30th day of March, 2006.

In the Matter of Aquila, Inc.'s Application for a Variance) **Case No. GE-2006-0330**
from the Provisions of 4 CSR 240-10.030(19))

ORDER APPROVING VARIANCE

Issue Date: March 30, 2006

Effective Date: April 9, 2006

Syllabus: This order approves Aquila, Inc.'s application for a variance from the provisions of 4 CSR 240-10.030(19).

On February 17, 2006, Aquila, Inc., filed an application asking the Commission to approve a variance from Commission Rule 4 CSR 240-10.030(19). That rule requires that gas service meters be removed, inspected and tested at least once every 120 months, unless otherwise ordered by the Commission. The stated purpose of the 120-month inspection requirement is to ensure that gas meters remain accurate.

Aquila proposes that instead of a rigid 120-month inspection requirement, it should be allowed to implement a meter sampling program. The sampling program would group gas meters by manufacturer, type and size. The groups of meters would be further divided into lots based on the year in which they were set. A random sample of each lot in each group would be tested every year, beginning the ninth year after that meter lot was installed. This random sampling method would allow Aquila to quickly identify groups of meters that develop accuracy problems so that those meters could be removed and

replaced. Aquila indicates that by using this sampling method it would check fewer meters each year, saving the company a significant amount of money, while still ensuring that gas meters remain accurate.

The Commission's Staff filed a recommendation regarding Aquila's application for variance on March 17. Staff indicates that the statistical sampling approach described by Aquila provides an acceptable level of accuracy of meters, while avoiding the unnecessary replacement of meters that are still operating correctly. Staff states that the sampling method of meter testing that Aquila advocates is a widely accepted method that the Commission has previously authorized for use by other gas companies in Missouri. Staff recommends that Aquila's application for variance be granted.

A technical description of Aquila's proposed meter sampling method was included as Exhibit A to Aquila's application. Staff's recommendation indicates that Staff and Aquila have agreed upon some technical modifications to the method described in Exhibit A. Staff recommends that Aquila be ordered to incorporate those agreed upon changes in a revised Exhibit A. In addition, Staff recommends that Aquila be ordered to include a reference to the granted variance at an appropriate location in its tariffs.

Finally, Staff notes that Aquila is in the process of selling its natural gas operations to The Empire District Gas Company. Staff states that Empire personnel indicate that they will follow Aquila's meter testing program after Empire acquires the Aquila properties.

On March 24, in response to Staff's recommendation, Aquila filed a revised Exhibit A that incorporates the technical changes agreed upon by Aquila and Staff, and described in Staff's recommendation.

Based on Aquila's verified application and the recommendation of its Staff, the Commission finds that Aquila's application for a variance from the meter testing requirements of the Commission's rules should be granted.

IT IS ORDERED THAT:

1. Aquila, Inc.'s Application for Variance from the provisions of 4 CSR 240-10.030(19) is granted.
2. Aquila, Inc., shall implement the method for the sample testing of inservice gas meters described in Revised Exhibit A to its Application for Variance.
3. Aquila, Inc., shall file tariff sheets no later than April 19, 2006, to reference the granted variance. The tariff sheets are to be filed in this case.
4. This order shall become effective on April 9, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray and Appling, CC., concur;
Clayton, C., concurs, concurrence to follow;
Gaw, C., dissents

Woodruff, Deputy Chief Regulatory Law Judge