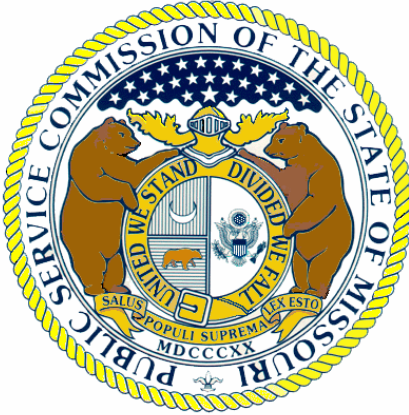


**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI**



USW Local 11-6,

Complainant,

v.

Laclede Gas Company,

Respondent.

Case No. GC-2006-0060

REPORT AND ORDER

Issue Date: November 2, 2006

Effective Date: November 12, 2006

BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MISSOURI

USW Local 11-6,)	
)	
Complainant,)	
)	
v.)	<u>Case No. GC-2006-0060</u>
)	
Laclede Gas Company,)	
)	
Respondent.)	

APPEARANCES

Janine M. Martin and **Sherrie A. Schroder**, Diekemper, Hammond, Shinnors, Turcotte and Larrew, P.C., 7730 Carondelet Avenue, Suite 200, St. Louis, Missouri 63105, for USW Local 11-6.

Michael C. Pendergast, Vice President & Associate General Counsel, and **Rick E. Zucker**, Assistant General Counsel-Regulatory, Laclede Gas Company, 720 Olive Street, St. Louis, Missouri 63101, for Laclede Gas Company.

Charles S. Elbert, Kohn, Shands, Elbert, Gianoulakis & Giljum, One US Bank Plaza, Suite 2410, St. Louis, Missouri 63101, for Laclede Gas Company.

Michael F. Dandino, Deputy Public Counsel, and **Marc Poston**, Assistant Public Counsel, Office of the Public Counsel, Post Office Box 2230, 200 Madison Street, Suite 650, Jefferson City, Missouri 65102-2230, for the Office of the Public Counsel and the public.

Thomas R. Schwarz, Jr., Deputy General Counsel, Missouri Public Service Commission, Post Office Box 360, 200 Madison Street, Jefferson City, Missouri 65102, for the Staff of the Missouri Public Service Commission.

REGULATORY LAW JUDGE: **Nancy Dippell, Deputy Chief Regulatory Law Judge .**

REPORT AND ORDER

Syllabus: This order finds that the tariff of Laclede Gas Company as revised on June 10, 2005, provides for safe and adequate service and therefore the Complaint is dismissed with prejudice.

Procedural History

On May 10, 2005, Laclede submitted proposed tariff revisions¹ to implement its automated meter reading (AMR) program. The tariff sheets became effective on June 10, 2005. USW Local 11-6 attempted to intervene in that tariff matter after the tariff had become effective and was denied intervention.² The USW Local 11-6 then filed a Complaint in which it alleges that because of these tariff revisions, Laclede may not be providing safe and adequate service as required by Section 393.130, RSMo. USW Local 11-6 amended its Complaint on February 8, 2006.

The Commission held an evidentiary hearing on May 22 and 23, 2006, at which all the parties were represented. The parties submitted briefs on July 7, 2006. On July 14, 2006, USW Local 11-6 attempted to file additional evidence which the Commission rejected.

Findings of Fact

The Missouri Public Service Commission, having considered all of the competent and substantial evidence upon the whole record, makes the following findings of fact. The positions and arguments of all of the parties have been considered by the Commission in making this decision. Failure to specifically address a piece of evidence, position or

¹ Tariff Number JG-2005-0976.

² Case No. GT-2005-0496.

argument of any party does not indicate that the Commission has failed to consider relevant evidence, but indicates rather that the omitted material was not dispositive of this decision.

1. Laclede Gas Company is a local gas distribution company providing natural gas service in Missouri.

2. The USW Local 11-6 is a union whose members are employed by Laclede.

3. Some of USW Local 11-6's members are meter readers whose job is to read residential and commercial meters for billing purposes.

4. Laclede trains its employees, including those conducting inspections and reading meters, on how to detect natural gas leaks.

5. Some meter readers believe it is a component of their job to watch for signs of natural gas leaks.³ Meter readers are required by Laclede to report leaks when found and carry company cell phones for this purpose.⁴ Failure to report a leak when found can subject the employee to discipline.

6. Although remote meter reading devices have been used for decades,⁵ in 2005, Laclede began implementing an automated meter reading (AMR) program to replace a substantial portion of its manually read meters. As part of the AMR implementation, AMR devices are being placed on most customer meters.

³ Transcript at p. 235.

⁴ Exhibit 1, pp.4, 26.

⁵ Tr. at 195.

7. Traditionally, meters were read by meter readers who physically viewed the meter on a monthly basis to determine how much natural gas was used by a particular customer.⁶

8. Where an AMR device has been put in place, the AMR technology allows Laclede to read the meters without physically visiting the customer's property. Thus, no meter reader is necessary to determine the amount of natural gas used. This is true whether the meter is located inside or outside the residence.

9. As part of its AMR implementation, Laclede revised its tariffs. Those tariff revisions were submitted on May 10, 2005, and became effective on June 10, 2005.⁷

10. Laclede's cover letter attached to its tariff revisions stated that the tariff changes were being made in order to implement AMR. The cover letter attached to Laclede's tariff submission only referenced "various operational changes" and did not mention changes to inspection practices with regard to the effect of the changes on customers.⁸

11. The Staff of the Missouri Public Service Commission reviewed the tariff changes to determine if they complied with the relevant safety regulations. Staff did not conduct any other safety studies or review.⁹

12. A "turn off/turn on" is when a customer requests that service be discontinued in that customer's name and the account is then transferred to a new

⁶ Ex. 3, *Declaration of Kevin Stewart*, para. 5.

⁷ P.S.C. MO. No. 5 Consolidated, Fifth Revised Sheet R-11 and R-14. (Exhibit 12)

⁸ Ex. 25, pp. 4-5.

⁹ Tr. at 437-438, 442.

customer name. Thus, one account is closed, or “turned off,” and another account is opened, or “turned on”.

13. Often, the natural gas service is not physically shut off, but rather, the account is set up to bill under another customer’s name.

14. The tariff revisions eliminated the requirement that a Laclede employee conduct an inspection of customer-owned natural gas piping and appliances whenever a “turn off/turn on” occurred. This inspection is referred to as a TFTO.

15. For decades prior to the elimination of the tariff requirement, Laclede was required by its tariff,¹⁰ and instructed its employees to conduct TFTOs every time there was a “turn off/turn on” regardless of whether the natural gas was physically shut off.

16. After the tariff revisions, the TFTO inspections are only required when the flow of natural gas is interrupted.¹¹

17. Also prior to the tariff revisions, and prior to the implementation of AMR, Laclede was required by the tariff language to annually read meters located inside a customer’s premises.

18. Annual meter reading started in 1991. Before that, inside meters were only read by Laclede employees in special circumstances such as a report of an unusually high bill by a customer.¹²

19. The tariff revisions eliminated the requirement for annual meter readings where a meter equipped with AMR is located inside a residence.

¹⁰ Ex.12, P.S.C. Mo. No. 5 Consolidated, Fifth Revised Sheet No. R-14.

¹¹ Tr. at 22-23.

¹² Tr. at 162.

20. Laclede made this revision because it no longer needed to have an employee on the premises on an annual basis.¹³

21. Staff was aware of the changes in the inspection practices when reviewing the tariff revisions.¹⁴

22. Laclede has stopped performing an annual meter reading on inside meters.¹⁵

23. Safety violations and hazards may be found during TFTOs and annual inspections. It is possible that these safety violations and hazards if left undetected could cause damage to life or property.

24. Laclede has approximately 250,000 meters that are located inside a customer's home or business.¹⁶

25. Laclede asks its customers to be available for a four-hour block of time when scheduling an inspection.¹⁷ This equals more than half a million hours of time that Laclede customers may spend waiting for inspections annually.¹⁸

26. Laclede bills its customers \$36.00 for each TFTO inspection.¹⁹

¹³ Tr. at 530.

¹⁴ Tr. at 488-489; Ex. 11, *Direct Testimony of Robert R. Leonberger*, p. 5.

¹⁵ Tr. at 22-23.

¹⁶ Brief of Laclede Gas Company, p. 2.

¹⁷ Ex. 13, *Reitz Direct*, p. 11, lines 19-23.

¹⁸ Ex. 13, p. 11, line 14 to p. 12, line 2.

¹⁹ Ex. 13, p.11, lines 4-6.

27. The \$36.00 fee does not cover all of the expenses of the inspections. Up to an additional \$3 million per year could be included in Laclede's rates to cover the complete costs of the inspections.²⁰

28. The customer, not Laclede, is responsible for the maintenance and safety of customer-owned equipment.²¹

29. Approximately three years ago, Laclede equipped some of its employees with pocket gas detection devices.²² Laclede requires its employees to carry these devices when conducting TFTO inspections and inside meter reading.²³

30. Laclede requires its meter readers to wear the combustible gas detection device during inside meter reads in order to help it fulfill its three-year leak survey requirement for inside piping.²⁴

31. Laclede considers the failure of its employees to carry the pocket gas detection devices during an inspection or an annual inside meter reading to be a safety-related violation of its operating procedures.

32. Laclede has disciplined employees for failure to carry these devices.

33. Laclede told employees that TFTOs were required for safety purposes.²⁵

34. Laclede implemented the TFTOs in order to reduce its liability from lawsuits. Laclede determined that if damage or injury occurred after a Laclede employee was on site,

²⁰ Ex. 13, p. 11, lines 1-17.

²¹ Tr. at 326, line 24 to 328, line 8.

²² Ex. 3, paras. 10-11; Tr. at 521-522, 578.

²³ Ex. 3, para 12; Tr. at 240.

²⁴ Tr. at 578.

²⁵ Ex. 2, *Testimony of Stephen Hendricks*, p. 2.

that Laclede would be exposed to liability. The implementation of the TFTOs was a business decision made by Laclede and is not required by any state or federal law or regulation.²⁶

35. There was no evidence that any other company in the state of Missouri or the United States conducts inspections for every TFTO even where the gas flow was interrupted.

36. There was no evidence that customers of utilities which perform TFTOs or annual inside meter readings have fewer gas incidents than customers of companies who do not.²⁷

37. No evidence was presented to show that gas incidents involving injury to persons or property have increased or changed in any manner since June 10, 2005.

38. USW Local 11-6 witnesses testified that the installation of AMR devices has caused an increased number of meters to leak, and damage has been caused to meters by the installation of AMR devices. Whether AMR devices are being installed properly is the subject of another Commission case, GC-2006-0390.

39. Kevin Stewart, a Laclede employee and a member of USW Local 11-6, has over 25 years of experience as a meter reader. He testified that to his knowledge, the failure to read a meter has never resulted in injury to persons or damage to property.²⁸

40. Billing is the primary purpose of meter reading.²⁹

²⁶ Tr. at 530-531.

²⁷ Tr. at 347-350; 360-361; 418-419; 422-423; and Ex. 15.

²⁸ Tr. at 168.

²⁹ Tr. at 158, 329-330; Ex. 11, pp. 9-10.

41. Mr. Stewart testified that in the early stages of AMR installation, he would discover one to two leaks per day on “AMR routes.”³⁰ He also testified that it was critically important to check a meter regularly for leaks which may migrate into a home.³¹ He clarified during cross-examination that he was speaking of the need for corrosive pipe inspections which occur every three years according to the Commission’s regulations.³²

42. Mr. Stewart also testified during a deposition that the three-year corrosive pipe inspections were sufficient to determine leaks.³³

43. Mr. Stewart further testified that he had never found an outside meter gas leak to be migrating.³⁴

44. The frequency of corrosive pipe inspections has not been affected by the tariff revisions.

45. Stephen Hendricks is a Laclede Service Department employee with twenty years of experience doing TFTOs but no formal training on gas incident investigations. He normally is assigned to emergency work, but sometimes performs route work including TFTOs.

46. Mr. Hendricks testified that he found safety issues in about a quarter of the homes in which he performed TFTOs.³⁵ His testimony, both written and oral, was very contradictory to answers he gave in a deposition. He stated that many hazards are

³⁰ Tr. at 180.

³¹ Ex. 3, para. 9.

³² Tr. at 173.

³³ Tr. at 237.

³⁴ Tr. at 239.

³⁵ Ex. 2, p. 5.

detected during TFTOs both on the customer side of the meter and on the Laclede side. He could not state a percentage of the time he finds a hazard during a TFTO. He testified to 60 to 70 percent, 25 percent, and 2 percent of the time. He also admitted that broad statements he made about TFTOs being the only way certain hazards could be detected were not accurate.

47. Mr. Hendricks testified to the types of hazards that may be found during TFTOs on both the customer-owned and company-owned equipment including: uncapped flex connectors for gas stoves; vent piping with carbon monoxide leaks; delayed ignition on furnaces due to dirt build-up; cobweb build-up in furnace burner orifice; carbon build-up in furnace due to items stored too close; and rusty pipes on Laclede-owned property. On cross-examination, however, he admitted that contrary to his written testimony, these hazards would also be found during a house sale inspection, an inspection by an HVAC contractor, or a corrosive pipe inspection.

48. He also testified that the improper installation of AMR devices has created gas leaks.

49. Mr. Hendricks' testimony regarding hazards found during TFTOs was too contradictory and confusing to be credible.

50. TFTO inspections are not conducted in any kind of systematic way. For instance, one rental apartment may be inspected three times in one year due to a heavy turnover in renters, while the home across the street may not have an inspection for 20 years.³⁶

³⁶ Ex. 11, p. 5, lines 5-12; Ex. 13, pp. 6-7.

51. The USW Local 11-6 witnesses conceded that which property will have a TFTO inspection is random and haphazard.³⁷

52. Joseph Schulte is a Business Representative for USW Local 11-6. He was formerly an employee of Laclede Gas working as a gas man, service person, and trouble-shooter with 25 years experience. He became a full-time union representative in 1991 and officially retired from Laclede on March 1, 2004.³⁸

53. Mr. Schulte has never been a meter reader.³⁹

54. Mr. Schulte conceded that he had no statistics or facts to show that AMR creates a greater hazard to customers or the general public than manual meter reading.⁴⁰

55. Mr. Schulte testified that the union has never taken the position that an employee should be discharged for not following a safety procedure.⁴¹

56. Mr. Schulte testified that USW Local 11-6 is interested in public safety but also objects to TFTOs being eliminated because the union has an interest in protecting jobs.⁴²

57. No person with personal knowledge of the safety violations listed in the attachment labeled "Exhibit 1" to Exhibit 4 testified at the hearing. Mr. Schulte admitted that he had no personal knowledge of the listed hazards. And, while Mr. Schulte claimed

³⁷ Tr. at 97, 343.

³⁸ Ex. 4, *Affidavit of Joseph Schulte*, paras. 1, 3.

³⁹ Tr. at 330; Ex. 4, paras. 1, 3.

⁴⁰ Tr. at 312.

⁴¹ Tr. at 323.

⁴² Tr. at 356, 358-359.

that this list was composed under his supervision, he admitted that he had not even read the list, nor was he familiar with the process for putting together the list.⁴³

58. Over one-fourth of the “hazards” on the list were not found during a TFTO inspection, but rather were found through some other form of inspection or service required by the Commission’s safety rules or performed on an unregulated basis.⁴⁴

59. The “hazards” identified on the attachment to Exhibit 4 included the absence of an anti-tipping device. Such a device is designed to ensure that a stove does not tip over on someone if weight is placed on the open oven door. Electric stoves have a similar requirement. There is no requirement for electric utilities to inspect customer-owner appliances.⁴⁵

60. Laclede is not responsible for inspecting, repairing, or maintaining customer-owned fuel lines or appliances.⁴⁶

61. The testimony of Mr. Schulte and the attachment to Exhibit 4 are not credible.

62. The number of safety violations or hazards found by TFTO inspections cannot be determined from the evidence presented.

63. It is undisputed that the more often safety inspections are conducted, the safer natural gas appliances will be. Thus, if inspections are conducted annually, the residence is safer than if the inspections are conducted semiannually. And, if inspections are conducted daily, the residence is safer than if the inspections are conducted

⁴³ Tr. at 273-275.

⁴⁴ Ex. 13, p. 8, lines 16-19.

⁴⁵ Ex. 13, p. 9.

⁴⁶ Tr. at 327.

semiannually. However, the degree of increased safety is not necessarily high, due to the fact that a hazard can occur the moment the inspector walks out of the residence, regardless of how often the inspections occur.

64. Communities and public boards in Laclede's service territory are concerned with the safety of their residents, as stated in the resolutions and proclamation attached to Mr. Schulte's testimony.⁴⁷ The Commission has no way to determine what expertise and information regarding natural gas facilities the members of the various boards, councils, and commissions had when deciding to express their concern and opposition to Laclede's tariff changes. It was clear that the various public bodies had received information from USW Local 11-6 and passed nearly identical resolutions which were authored by USW Local 11-6's attorney. The Commission takes notice of the public bodies' concern for their citizens; however, these resolutions have no probative value in determining whether Laclede is providing safe and adequate service.

65. Census data was provided in an attempt to show that Laclede's service territory is more densely populated than other areas of the state.⁴⁸ However, no expert opinion was offered to link the population density to the risks associated with natural gas incidents.

66. Union Electric Company, d/b/a AmerenUE, is also a natural gas distribution company operating in the state of Missouri.

⁴⁷ Ex. 4.

⁴⁸ Ex. 10.

67. AmerenUE performed TFTOs from 1988 through 1996, but no longer performs them after the implementation of AMR by Cellnet approximately five years ago.⁴⁹

68. There was no evidence that AmerenUE's gas incidents have increased since the cessation of TFTO inspections.

69. Mark Lauber is Laclede's Superintendent of Maintenance Engineering with 19-½ years experience.⁵⁰

70. Mr. Lauber believes that "significant" leaks could be discovered while a meter reader is performing any kind of meter read.⁵¹ However, Mr. Lauber thinks that depending on meter readers to find leaks is an unreliable method of determining leaks. He believes that if there is a need for this kind of leak detection, it should be more systematic, like the copper line replacement program.⁵²

71. The Commission finds that TFTOs are not a comprehensive or systematic approach to leak detection.

72. The Commission finds that the corrosive pipe inspections and leak survey procedures required by the Commission's gas safety rule⁵³ are sufficient to locate the leaks that meter readers locate.⁵⁴

⁴⁹ Tr. at 250.

⁵⁰ Tr. at 573.

⁵¹ Tr. at 586.

⁵² Tr. at 574-575.

⁵³ 4 CSR 240-40.030.

⁵⁴ Tr. at 198.

Conclusions of Law

The Missouri Public Service Commission has arrived at the following conclusions of law.

Laclede is an investor-owned public utility engaged in the provision of natural gas service in the state of Missouri, and is, therefore, a “gas corporation” as defined in Section 386.020(18), RSMo 2000. As a “gas corporation,” Laclede is subject to the jurisdiction of the Commission under Chapters 386 and 393, RSMo 2000.

Any decision of the Public Service Commission must be both lawful and reasonable.⁵⁵ The lawfulness of a decision is determined from the statutory authority of the Commission.⁵⁶ For a decision of the Commission to be reasonable, it must be supported by competent and substantial evidence on the whole record.⁵⁷

Laclede has an obligation to provide gas service that is “safe and adequate and in all respects just and reasonable.”⁵⁸

To ensure the provision of safe and adequate service, Section 386.010, RSMo, provides that the Public Service Commission:

shall have power, after a hearing had upon its own motion or upon complaint, by general or special orders, rules or regulations, or otherwise, to require every person, corporation, municipal gas system and public utility to maintain and operate its line, plant, system equipment, apparatus, and premises in such a manner as to promote and safeguard the health and safety of its employees, customers and the public, and to this end to prescribe, among other things, the installation, use, maintenance and operation of appropriate safety and other devices or appliances, to establish uniform or other standards of equipment, and to require the performance of any other act which the

⁵⁵ *City of Oak Grove v. Pub. Serv. Com’n*, 769 S.W. 2d 139, 141 (Mo. App. W.D. 1989)

⁵⁶ *State ex rel. Intercon Gas. v. Pub. Serv. Comm’n*, 848 S.W.2d 593, 597 (Mo. App. W.D. 1995)

⁵⁷ *State ex rel. Associated Natural Gas Co. v. Pub. Serv. Comm’n.*, 954 S.W. 2d 520, 528 (Mo. App. W.D. 1997)

⁵⁸ Section 393.130, RSMo.

health or safety of its employees, customers or the public may demand . . .

From at least December 1, 2001, until the revision took effect on June 10, 2005, Laclede was obligated by its tariff “to obtain an actual inside meter reading from locations having inside meters on an annual basis.”⁵⁹ For decades before, and until June 10, 2005, Laclede was obligated by its tariff to perform an inspection whenever a customer vacated the premises even if the gas flow was not discontinued to the premises.⁶⁰ Laclede’s current tariff does not require the performance of an inspection of customer-owned equipment unless the gas flow is interrupted.⁶¹

Commission rule 4 CSR 240-40.030, prescribes the safety standards that must be followed by operators who transport natural gas in Missouri. The Missouri safety rule is similar to the Minimum Federal Safety Standards contained in 49 C.F.R. part 192. Missouri’s gas safety rule is more stringent than the federal requirement in that the federal rule does not require an inspection even when the flow of gas is interrupted. Missouri’s rules do not require an inspection of customer-owned equipment and piping when the flow of gas has not been interrupted.⁶² The Missouri rule does, however, require an inspection of both its equipment and the customer’s equipment when the flow of gas is turned on.⁶³

No state or federal law requires Laclede to perform an inspection of customer-owned equipment when the gas flow is not interrupted. Laclede is required to

⁵⁹ Laclede Gas Company, P.S.C. Mo. No. 5 Consolidated, Fourth Revised Sheet No. R-11.

⁶⁰ Laclede Gas Company, P.S.C. Mo. No. 5 Consolidated, Fifth Revised Sheet No. R-14.

⁶¹ 4 CSR 240-40.030(12)(S).

⁶² 4 CSR 240-40.030(14)(B)6.

⁶³ 4 CSR 240-40.030(12)(S).

perform a corrosive pipe inspection every three years.⁶⁴ Laclede is also required to perform leak surveys at least annually.⁶⁵ The corrosive pipe inspection and leak surveys are not affected by the tariff revisions.

Laclede's tariff as amended does not violate, conflict with, or contradict any gas safety rule. There is not sufficient evidence of a safety-related justification to impose the expense and inconvenience of mandatory TFTO inspections or annual inspections on inside meters on Laclede or its customers. The Commission finds that USW Local 11-6 has not shown that Laclede is failing to operate in a safe and adequate manner under its tariff.

When filing a tariff revision, Commission rules require that Laclede summarize any changes which will affect customers.⁶⁶ Laclede did not adequately comply with this rule. This omission, however, is not sufficiently egregious to require the inspections reinstated without some showing that Laclede is operating contrary to the law or contrary to the public interest or safety. The Commission directs its Staff to closely review tariff changes and bring to the Commission's attention any change in inspection practices for natural gas distribution companies.

Decision

None of the parties claim that TFTO inspections or annual meter readings do not provide some added safety benefits. However, what level of safety is necessary? How many inspections must be done? How often? The Commission's gas safety rule already

⁶⁴ 4 CSR 240-40.030(9).

⁶⁵ 4 CSR 240-40.030(13)(D).

⁶⁶ 4 CSR 240-3.145(22).

prescribes these things. There is no evidence⁶⁷ that Laclede is in any different position from any other gas utility in the state or the United States.

Laclede is not inconsistent when it states in its safety manual that inspections are for safety purposes (or when it disciplines employees for failure to follow procedures), yet argues that the major purpose of meter reads is for billing. Laclede admits that it requires TFTO inspections and the carrying of combustible gas detectors to reduce its exposure to potential liability. Laclede made that requirement part of its tariff and established procedures to ensure that the requirement was met (via its meter reading manual, employee training, pocket gas detectors, and employee discipline). Failure to require strict adherence to its tariff would surely expose the company to claims of tariff violations or penalties relating to unsafe service from the Commission.

The Commission is aware of the dissatisfaction Laclede's customers have with estimated billing.⁶⁸ AMR has the potential of eliminating many of these consumers' complaints and dissatisfaction. By implementing AMR, customers will get a bill every month with the **actual** usage shown on it.⁶⁹ The benefits of discontinuing the TFTO inspections and the annual meter reading are: 1) company efficiency is increased by no longer having to have a person physically present to read a meter; 2) customer convenience is

⁶⁷ There was some census data admitted in an attempt to show population density in St. Louis is greater than in other parts of the state; but without some significant analysis and study, this data was not conclusive.

⁶⁸ For several examples, see the local public hearing transcripts in Laclede's last rate case, GR-2005-0284.

⁶⁹ Commission Case No. GC-2006-0390 and GC-2006-0318 are currently reviewing the alleged problems with the actual installation of AMR devices and the estimated billing practices of Laclede. Those issues are not before the Commission in this case.

enhanced in that hundreds of thousands of customers no longer have to wait for a meter reader to do an inside meter reading once a year; and 3) the cost savings of \$36.00 per TFTO inspection for customers and up to \$3 million annually for all ratepayers.

While the Commission finds that the more safety inspections that are made, the safer the system will be, the Commission cannot find sufficient evidence to support the USW Local 11-6's claim that TFTO or annual meter reading is necessary to protect the public interest and safety. The slight increment in safety is outweighed by the benefits of not having these inspections. Laclede is meeting the requirements of the current safety rules and is required to make inspections each time the gas flow is interrupted. In addition, Laclede is required to make corrosive pipe inspections at least every three years as well as annual leak surveys.

The Commission urges natural gas customers to have a qualified HVAC inspector annually inspect natural gas furnaces and appliances and to keep those appliances clean and in proper working order. However, Laclede is not responsible for inspecting the customer-owned equipment beyond the requirements of the safety rules and regulations. And, USW Local 11-6 has not shown that Laclede is operating in an unsafe manner under its tariffs as revised.

The Commission also has determined that Laclede may have violated the Commission's tariff rule by not properly summarizing the changes being made with regard to the discontinuance of inspections. However, the Staff of the Missouri Public Service Commission was aware of the changes when it reviewed the tariffs to determine if they complied with all current safety rules. In the opinion of Staff, Laclede is operating in a safe and adequate manner. In addition, after a thorough review, USW Local 11-6 has not

shown that Laclede is operating in an unsafe manner. Therefore, the Commission cannot find that this possible rule violation, by itself, justifies would justify a decision that Laclede is not providing safe and adequate service.

Therefore, the Commission determines that the USW Local 11-6's request for relief shall be denied and the complaint shall be dismissed with prejudice.

IT IS ORDERED THAT:

1. The requests for relief of the USW Local 11-6 are denied and the Complaint, as amended, is dismissed with prejudice.
2. All objections not ruled on are overruled and all motions not granted are denied.
3. This Report and Order shall become effective on November 12, 2006.
4. This case shall close on November 13, 2006.

BY THE COMMISSION



Colleen M. Dale
Secretary

(S E A L)

Davis, Chm., Murray, and Appling, CC.,
concur;
Gaw and Clayton, CC., dissent, with
separate dissenting opinion(s) to follow;
certify compliance with the provisions
of Section 536.080, RSMo 2000.

Dated at Jefferson City, Missouri,
on this 2nd day of November, 2006.