

FILE

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the matter of the Regulation of the
Purchased Gas Adjustment Clause
Contained Within the Rate Schedules
of Eastern Natural Gas Company and
Related Matters.

Case No. 07-207-GA-GCR

In the Matter of the Regulation of the
Purchased Gas Adjustment Clause
Contained Within the Rate Schedules
of Pike Natural Gas Company and
Related Matters.

Case No. 07-214-GA-GCR

In the Matter of the Regulation of the
Purchased Gas Adjustment Clause
Contained Within the Rate Schedules
of Southeastern Natural Gas
Company and Related Matters.

Case No. 07-215-GA-GCR

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STIPULATION AND RECOMMENDATION

I. BACKGROUND

Rule 4901:1-30 of the Ohio Administrative Code ("O.A.C."), provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such proceeding. Pursuant to Rule 4901:1-10(C), Ohio Administrative Code, the Staff of the Public Utilities Commission of Ohio ("Staff") is considered a party for the purpose of entering into a stipulation under 4901:1-30 of the O.A.C.

The purpose of this document is to set forth the understanding of Eastern Natural Gas Company ("Eastern"), Pike Natural Gas Company ("Pike"), and Southeastern Natural Gas Company ("Southeastern") or, collectively, the "Companies" and the Staff (collectively, the "Signatory Parties") and to resolve all issues.

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II. STIPULATION AND RECOMMENDATION

- A. It is understood by the Signatory Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio ("Commission"). However, the agreement contained herein is supported by information provided in the Financial Audits of the Gas Cost Recovery Mechanism of the Eastern Natural Gas Company, Pike Natural Gas Company and the Southeastern Natural Gas Company, filed in these proceedings on September 14, 2007. The Staff audited the companies for the period July 1, 2005 through June 30, 2007. The Stipulation and Recommendation is based upon the Signatory Parties' desire to arrive at a reasoned and reasonable result considering the law, facts and circumstances. Accordingly, the Signatory Parties believe this Stipulation and Recommendation should be given careful consideration by the Commission and should be adopted.
- B. This Stipulation and Recommendation is submitted for purposed of these cases and should not be understood to reflect the positions that either the Staff or the Companies would have taken if all the issues in these proceedings were litigated. As is the case with most Stipulations and Recommendations reviewed by the Commission, the willingness of the Staff and the Companies to jointly sponsor this document is predicated on the reasonableness of the Stipulation and Recommendation taken as a whole.
- C. This Stipulation and Recommendation is submitted subject to the condition that the Commission adopts each and every item specifically set forth below. In the event this condition is not satisfied, at the option of any of the parties who so

request, this Stipulation and Recommendation may be withdrawn, in which event it shall not be regarded in any way as part of the record in these proceedings and shall not be used for any purpose in these or any other proceedings. In the event said condition is not satisfied, it is understood that the Signatory Parties shall be entitled to fully litigate, including all rights of appeal, all issues which each has attempted to resolve herein just as though this Stipulation and Recommendation had never been submitted and the proceeding begun anew.

- D. In order to resolve all the issues raised in these proceedings, the agreement set forth below is offered for the Commission's consideration.

III. FINANCIAL MATTERS

- A. The Signatory Parties agree and recommend that:

1. The Commission adopt the findings and audit recommendations contained in the Financial Audits filed in Case Nos. 07-207-GA-GCR, 07-214-GA-GCR, and 07-215-GA-GCR on September 14, 2007 which include:
 - a) Eastern will implement a reconciliation adjustment of \$12 to be included in the GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This Adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
 - b) Pike will implement a reconciliation adjustment of \$1,975 in its Hillsboro Division to be included in GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This Adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

- c) Pike will implement a reconciliation adjustment of \$(1,730) in its Waverly Division to be reduced from GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This Adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- d) Southeastern will implement a reconciliation adjust of \$14,079 to be included in the GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This Adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- e) Pike shall refund to its Hillsboro Division customers \$350.48 that it received from Columbia Gas Transmission.
- f) Eastern and the Staff agree that the unaccounted for gas percentage for Eastern for the 24 months ending September, 2007 is 1.91%.
- g) In lieu of making a specific finding regarding the unaccounted for gas percentage in the Waverly Division during the audit period, Pike and the Staff agree that Pike will implement a reconciliation adjustment in its Waverly Division of \$84,797.00 in favor of customers to be included in GCR rates. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- h) Pike will conduct a study of the unaccounted for gas percentage in its Waverly Division and will submit a report containing its

findings and recommendations to the Staff prior to or coincident with its 2008 filing referenced in item 2 below.

2. Pike seeks to file an application which would combine its separate monthly GCR filings for its Hillsboro Division and for its Waverly Division into a single monthly GCR filing which would become effective on July 1, 2008. Pike alleges that administrative ease and more efficient use of computer capacity support the move toward a single GCR filing. Based on these statements, the Staff does not oppose such a filing in 2008 and the Signatory Parties agree to work with each other in advance of Pike making such a filing.
3. Consistent with the finding in the Financial Audit, the Commission explicitly finds that the Companies properly applied the fixed commodity rates and base rates to their respective customers' bills during the period ending June 30, 2007 for which they were audited.


IV. PROCEDURAL MATTERS

- A. The Signatory Parties agree that the proofs of publication for these proceedings will be filed as a Late-Filed Exhibits (Company Late-Filed Exhibits No. 1 (Eastern), No. 2 (Pike), and No. 3 (Southeastern) and will show that proper notice of these proceedings has been published in compliance with the Commission's rules and in substantial compliance with the Commission's Entry.
- B. The Signatory Parties agree that the Financial Audits filed September 14, 2007, should be deemed to be part of the record in these cases and further agree to


waive their right to conduct cross-examination of the sponsor of each document provided this Stipulation and Recommendation is adopted by the Commission.

- C. The Signatory Parties agree and intend to support the reasonableness of this Stipulation and Recommendation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation and Recommendation. If not finally adopted by the Commission or if rejected by any appellate court, this Stipulation and Recommendation shall not prejudice any of the positions taken by any issue before the Commission in these or any other proceeding, is not an admission of fact by any of the parties, and shall not be admissible evidence in this or any other proceedings. This Stipulation and Recommendation is submitted for purposes of these cases only, and may not be relied upon or used in any other proceeding except as necessary to enforce the terms of this Stipulation and Recommendation.

Executed this 30th Day of November, 2007.


On Behalf of the Staff of the
Public Utilities Commission of Ohio

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On Behalf of
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