

FILE

JOINT EXHIBIT NO. 1

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the Pur-)
chased Gas Adjustment Clauses Contained)
Within the Rate Schedules of Columbia Gas of) Case No. 05-221-GA-GCR
Ohio Inc. and Related Matters.)

In the Matter of the Regulation of the Pur-)
chased Gas Adjustment Clauses Contained)
Within the Rate Schedules of Columbia Gas of) Case No. 04-221-GA-GCR
Ohio Inc. and Related Matters.)

In the Matter of the Application of Columbia)
Gas of Ohio, Inc. to Establish the Columbia) Case No. 96-1113-GA-ATA
Customer ChoiceSM Program.)

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JOINT STIPULATION AND RECOMMENDATION

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JOINT STIPULATION AND RECOMMENDATION

INTRODUCTION

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

Pursuant to Rule 4901-1-30, OAC, Columbia Gas of Ohio, Inc. ("Columbia"); Staff; the Office of the Ohio Consumers' Counsel ("OCC"); the Bay Area Council of Governments; the Lake Erie Regional Council of Governments; the Ohio Schools Council; the Ohio Farm Bureau Federation; the Ohio Hospital Association; Honda of America Mfg., Inc.; Industrial Energy Users-Ohio; the Ohio Manufacturers' Association; North Coast Gas Transmission, LLC; the Ohio

Gas Marketers Group;¹ Dominion Retail, Inc.; Integrys Energy Services, Inc. and MXenergy Inc. (hereinafter “the Parties”) enter into and request the Public Utilities Commission of Ohio (“Commission”) to accept the following Joint Stipulation and Recommendation in the above-captioned proceedings.

Based upon the Parties’ participation in settlement discussions and the materials on file with the Commission, which include the Certificates of Accountability prepared by Deloitte and Touche LLP (“D&T”); Columbia’s Gas Cost Recovery (“GCR”) filings during the audit periods in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR,² the Management/Performance Audit of the Gas Purchasing Policies and Practices of Columbia Gas of Ohio, Inc. prepared by McFadden Consulting Group, Inc. (“Audit Report”) in Case No. 04-221-GA-GCR; the parties’ prefiled testimony in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR; and, the transcripts from the evidentiary hearing held on January 30, January 31, February 1, 2007, February 20, 2007, and February 26, 2007 in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR, the Parties believe that these materials and the record in this proceeding adequately support this Joint Stipulation and Recommendation.

It is understood by the Parties that this Joint Stipulation and Recommendation is not binding upon the Commission, however, this agreement represents a cooperative effort between the Parties to settle all of the issues in Case Nos. 05-221-GA-GCR and 04-221-GA-GCR in a manner that permits the Commission to retain significant portions of the 2003 Stipulation filed in

¹ The Ohio Marketers Group was originally comprised of Commerce Energy, Inc., Direct Energy Services, LLC, Hess Corporation, MXenergy Inc. and Vectren Retail, LLC. See Ohio Marketer Group Motion to Intervene filed in these dockets on January 11, 2007. The current members are Commerce Energy, Inc., Direct Energy, LLC, Hess Corporation, Interstate Gas Supply, Inc.; SouthStar Energy Services, LLC, and Vectren Retail, LLC.

² The management/performance audit period in Case No. 04-221-GA-GCR is the thirty-six months ended October 31, 2005. The financial audit period in Case No. 04-221-GA-GCR is the twelve months ended October 31, 2004. The financial audit period in Case No. 05-221-GA-GCR is the eighteen months ended April 30, 2006.

Case Nos. 94-987-GA-AIR, et al.³ via the below-described modifications, and to also achieve a GCR rate during the management/performance audit period that is fair, just and reasonable for the GCR customers who pay those rates.

This Joint Stipulation and Recommendation also represents an agreement among the Parties to establish Transition Period (November 1, 2008 through March 31, 2010) programs to resolve regulatory uncertainties associated with the expiration of the 2003 Stipulation on October 31, 2008.

During the Transition Period the provisions of this Joint Stipulation and Recommendation would: (1) implement improvements and enhancements to facilitate Columbia's current Customer ChoiceSM Program ("CHOICE") and Governmental Aggregation programs and to encourage expansion of those programs; and, (2) establish an ongoing Regulatory Issues stakeholder group process to discuss issues regarding the design and orderly implementation of a wholesale gas supply auction program to replace Columbia's current GCR mechanism, including consideration of appropriate changes to Columbia's CHOICE and transportation programs. This process will include establishment of a specific time-line for meetings, deliverables and regulatory filings.

Therefore, the Parties, by and through their respective counsel, hereby agree and stipulate to the following matters.

³ The "Fourth Amendment To Joint Stipulation And Recommendation In Case No. 94-987-GA-AIR And Second Amendment To Joint Stipulation And Recommendation In Case No. 96-1113-GA-ATA And Stipulation And Recommendation In Case No. 03-1459-GA-ATA" was filed on October 9, 2003, in Case Nos. 94-987-GA-AIR et al. This document is hereinafter referred to as "the 2003 Stipulation." The Commission issued an Entry on March 11, 2004, and Entries on Rehearing dated May 5, 2004 and June 9, 2004, that approved the 2003 Stipulation in part and modified it in part.

2004 AND 2005 GCR CASES

1. D&T filed, on July 15, 2005 (Commission-Ordered Ex. No. 2) and September 15, 2006 (Commission-Ordered Ex. No. 4), two Independent Accountants' Report on the Uniform Purchased Gas Adjustment Rates in these proceedings, which, together, covered the audit period of November 1, 2003 to April 30, 2006. In these Reports, D&T found that Columbia had fairly determined the GCR rates for the audit period, in all material respects, in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14, O.A.C, and related appendices, and that Columbia properly applied said GCR rates to customer bills during the audit periods. The Parties agree and recommend that the Commission adopt the Financial Audit findings of D&T in these proceedings.

2. D&T filed on July 15, 2005 (Commission-Ordered Ex. No. 3) and September 15, 2006 (Commission-Ordered Ex. No. 5), two Audit Reports of Columbia's Uncollectible Expense Rider covering the annual report periods of January 1, 2004 to December 31, 2004 and January 1, 2005 to December 31, 2005. In these reports, D&T verified that Columbia appropriately accounted for and billed its Uncollectible Expense Rider Rate during 2004 and 2005. The Parties agree with these findings.

3. In the Stipulation and Recommendation filed in Columbia's 2002 (Case No. 02-221-GA-GCR) and 2003 GCR Cases (Case No. 03-221-GA-GCR) and approved by the Commission, Columbia and the other parties agreed to utilize a collaborative-like process to address merchant function issues on a going-forward basis.⁴ The Parties agree that Columbia shall continue to meet with interested parties to discuss merchant function issues.

⁴ The Parties have met on numerous occasions since April 15, 2007 to discuss many issues related to Columbia's services and operation after the expiration of the 2003 Stipulation on October 31, 2008. Merchant function issues were among the many issues discussed. This Joint Stipulation and Recommendation is a direct result of those ongoing discussions.

4. The affidavits of publication submitted in these proceedings, Columbia Exhibit No. 2, demonstrate that proper notice of these proceedings has been published in substantial compliance with the Commission's rules.

5. Pursuant to Section 3.1.3 of the Audit Report, Columbia agrees that its future Strategic Gas Supply Plans will be dated.

6. Pursuant to Section 3.2.2 of the Audit Report, Columbia agrees to continue to assess its environment and modify its demand forecasting tools and methodologies as needed.

7. Pursuant to Section 3.2.3 of the Audit Report, Columbia will conduct an analysis of the likelihood that each of its twelve market areas would experience design conditions simultaneously. This analysis will explore the differences in forecasting for each of the twelve market areas individually and compare that analysis to one in which the forecast is prepared on a system-wide basis. Columbia shall docket the analysis in Case No. 07-121-GA-FOR within ten days of the issuance of a Commission order adopting this Joint Stipulation and Recommendation.

8. Pursuant to Section 5.8 of the Audit Report, Columbia will prepare a report on the avoided costs associated with off-system sales transactions that occur during the management/performance audit period designated by the Commission for Columbia's next GCR case. The report will identify the avoided costs, how the avoided costs were treated for purposes of determining the CHOICE Program Sharing Credit set forth on sheets 30C and Section VII, Sheet 29, page 8 of 10 of Columbia's Tariff, and how the avoided costs were reflected in Columbia's accounting records. Columbia will make this report available to the management/performance auditor and the OCC in Columbia's next GCR case.

9. The Commission previously stated: "We further reserve our right to terminate our approval of the 2003 [S]tipulation if we discover that Columbia is not implementing the Stipula-

tion as we have been informed it would.”⁵ The parties in the instant case disagree about whether Columbia implemented the 2003 Stipulation as the Commission was informed it would be implemented. This Joint Stipulation and Recommendation represents a cooperative effort to address that difference of opinion.

10. Columbia’s Transition Capacity Cost Recovery Pool (“TCCRP”) was created as part of the “Third Amendment to Joint Stipulation and Recommendation in Case No. 94-987-GA-AIR and Amendment to Joint Stipulation and Recommendation in Case No. 96-1113-GA-ATA” (“1999 Stipulation”). Under the 2003 Stipulation, Columbia assumed responsibility for all of the CHOICE Program capacity costs associated with continuation of the CHOICE Program, and one of the funding sources Columbia was permitted to use to offset the CHOICE Program capacity costs was 75% of the balance of the TCCRP. If the TCCRP has a positive balance at the end of the 2003 Stipulation period (October 31, 2008), the 2003 Stipulation provides that Columbia is to credit the balance to Columbia’s CHOICE Program Sharing Credit. The accounting for the use of the TCCRP balance was a major source of disagreement among the Parties related to the implementation of the 2003 Stipulation.

11. To resolve the disagreement over the TCCRP accounting, as well as other financial issues, the Parties agree as follows:

- A. Columbia estimates that the balance of the TCCRP will be \$25 million at December 31, 2007. Rather than waiting until after October 31, 2008 to credit the balance of the TCCRP to the CHOICE Program Sharing Credit, Columbia will credit to the CHOICE Program Sharing Credit the greater of \$25 million or the actual TCCRP balance at December 31, 2007. This

⁵ *In the Matter of the Application of Columbia Gas of Ohio, Inc. for Authority to Amend Filed Tariffs to Increase the Rates and Charges for as Service*, Case Nos. 94-987-GA-AIR, et al., Entry on Rehearing (May 5, 2004) at 11.

credit to the CHOICE Program Sharing Credit will be reflected in the calculation of customer bills beginning January 31, 2008 (the beginning of Columbia's February 2008 billing cycle), and to be fully refunded no later than January 1, 2009.

- B. Columbia also agrees to prepay its customers for \$10,000,000 of Off-System Sales and Capacity Release revenue anticipated to be earned by Columbia during the Transition Period (November 1, 2008 – March 31, 2010, as discussed in Paragraph 15 below). This prepayment represents a portion of the customers' share of Off-System Sales and Capacity Release revenues to be earned after October 31, 2008. Columbia will effectuate this prepayment to the CHOICE Program Sharing Credit by crediting \$10 million to the CHOICE Program Sharing Credit to be reflected in the calculation of customer bills beginning January 31, 2008 (the beginning of Columbia's February 2008 billing cycle), and is intended to be fully refunded no later than January 1, 2009. This prepayment is further addressed in Paragraph 19 below.
- C. Absent a change in the manner in which Columbia implements the terms of the 2003 Stipulation, the Parties agree that they will not initiate any additional litigation of issues related to implementation of the 2003 Stipulation as part of any GCR cases that include in those GCR cases' audit periods any part of the period November 1, 2004 through October 31, 2008 (the period covered by the 2003 Stipulation). As part of this agreement, the Parties agree that they will not initiate any additional litigation regard-

ing Columbia's accounting for the TCCRP balance, nor any other issue litigated in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR. The ongoing proceedings with regard to the wholesale gas supply auction (see Paragraphs 12 and 22 herein) are exempt from the prohibition on future litigation, or claims of estoppel due to the 2004 and 2005 GCR cases.

12. One of the litigated issues in the 2004 and 2005 GCR cases was whether a wholesale gas supply auction should be instituted in lieu of a continuation of the GCR. The Parties have agreed as addressed below that Columbia shall in consultation with the Stakeholders prepare and file an application to procure natural gas supplies via a wholesale gas supply auction as part of the settlement of the 2004 and 2005 GCR proceedings. The use of the term "wholesale gas supply auction" throughout this document is not intended to preclude the Parties as part of the Regulatory Issues Stakeholder process set forth hereinafter from discussing and possibly agreeing upon other forms of gas supply auctions should the Parties decide that it is desirable to do so.

13. The Parties reserve the right to raise in subsequent Columbia GCR cases issues related to: (1) the calculation of interest on pipeline refunds beginning on the date that Columbia receives such refunds; and, (2) capacity issues resulting from Off-System Sales matters related to any of Columbia's Off-System Sales transactions with Columbia customers. Any other issues briefed by the parties to Case Nos. 04-221-GA-GCR and 05-221-GA-GCR, and not addressed in this Joint Stipulation and Recommendation, are deemed withdrawn with prejudice and the Parties agree that the Commission need not address any such issues in its final order in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR.

14. The Parties agree that with the modifications to the 2003 Stipulation set forth herein, Columbia's GCR rates during the audit period were fair, just and reasonable as required by § 4905.302, Rev. Code and Rule 4901:1-14, OAC.

TRANSITION PERIOD AGREEMENT

15. In addition to resolving all the issues in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR, the Parties recognize that the expiration of Columbia's 2003 Stipulation creates issues that need to be dealt with beginning November 1, 2008. The 2003 Stipulation was designed to address allocation of costs and risks inherent in the expanded CHOICE and transportation programs. The expiration of the 2003 Stipulation and the maturity of the CHOICE, and Governmental Aggregation programs as well as the further development of regional and national natural gas physical and financial markets require a reevaluation of those programs. Implementation of agreed upon reforms and implementation of a competitive procurement procedure requires more study, discussion and implementation time than can reasonably be expected to occur prior to November 1, 2008. In order to provide all stakeholders with additional time to update and attune the CHOICE and Governmental Aggregation programs to reflect market changes and to prepare for the implementation of an auction procurement program, the Parties agree that there should be a transition period for the seventeen-month period beginning November 1, 2008 and ending March 31, 2010. The Parties' agreement concerning Transition Period matters is detailed in the paragraphs that follow.

Continuation of the CHOICE Program

16. In light of the passage of Sub. H. B. 9 of the 124th General Assembly, the Parties agree that Columbia's CHOICE program, as modified herein, shall continue to be made available

throughout Columbia's service territory through March 31, 2010, without a sunset provision, consistent with the Commission's rules and ongoing review of Columbia's program.

Treatment of Off-System Sales and Capacity Release Revenues

17. The Parties agree that Columbia shall be entitled to retain Off-System Sales and Capacity Release revenues earned during the Transition Period, subject to the sharing provisions described in the next paragraph. Off-System Sales and Capacity Release revenues are defined in Attachment B hereto.

18. Columbia shall be entitled to retain the first \$4 million of Off-System Sales and Capacity Release revenues earned during the seventeen-month Transition Period. The earned Off-System Sales and Capacity Release revenues in excess of \$4 million during the seventeen-month Transition Period shall be shared between Columbia and its customers, based on the formula below. The sharing formula shall be dependent upon the actual monthly CHOICE participation rates⁶ during the Transition Period, as follows:

CHOICE PARTICIPATION %	SHARING LEVEL
Under 35%	35% Columbia – 65% customers
35% up to 50%	50% Columbia – 50% customers
50% and above	65% Columbia – 35% customers

Any amounts shared with customers pursuant to the above formula shall be included in the CHOICE Program Sharing Credit, as set forth on Columbia's tariff sheets 30C and Section VII, Sheet 29, page 8 of 10.

⁶ For purposes of the CHOICE Program Sharing Credit, "Participation" is defined as the first of month number of customers participating in the CHOICE Program (including PIPP customers served by a supplier other than Columbia), divided by first of month number of CHOICE-eligible customers (also including PIPP customers served by a supplier other than Columbia). The monthly participation rates will be used to calculate the monthly sharing levels, and the monthly sharing levels will be used to determine the allocation between Columbia and its customers of the monthly Off-System Sales and Capacity Release revenues. The sum of these monthly shared revenues will be used for purposes of calculating the credit to the CHOICE Program Sharing Credit at the end of the Transition Period.

19. As noted in Paragraph 11(B) above, Columbia will accelerate a \$10 million credit to the CHOICE Program Sharing Credit to reflect a prepayment of a portion of the customers' share of Off-System Sales and Capacity Release revenues that would otherwise not be so credited until after the end of the Transition Period. In recognition of the fact that Columbia prepaid this credit prior to the end of the 2003 Stipulation, Columbia shall be entitled to retain the first \$10 million of Transition Period Off-System Sales and Capacity Release revenue that would otherwise have flowed to customers as part of CHOICE Program Sharing Credit.⁷ This \$10 million retention shall be in addition to Columbia's retention of the initial \$4 million of Off-System Sales and Capacity Release revenues earned during the Transition Period, and shall be in addition to Columbia's share of the Transition Period Off-System Sales and Capacity Release revenues.

Interstate Pipeline Capacity Contracts

20. The Parties acknowledge that Columbia holds contracts that are unique to Columbia that provide for unique utilization rights and, through these rights, Columbia has significant flexibility regarding management of its system that would not otherwise be available if existing contracts were reduced or eliminated to any great extent. The Parties agree that Columbia may renew or replace its existing interstate pipeline capacity contracts such that, including any and all contract renewals or replacements, the total peak day capacity does not exceed the existing total peak day capacity level.⁸ This authorization shall exist through the end of the Transition Period.

⁷ Columbia assumes the risk that it will generate sufficient Off-System Sales and Capacity Release revenues during the Transition Period to offset the \$10 million prepayment.

⁸ Columbia has indicated its intent to increase its firm transportation contract quantities with North Coast Gas Transmission, LLC by approximately an additional 15,000 MMBtu/day in the summer and 35,000 MMBtu/day in the winter and to reduce the level of its FTS contract with Columbia Transmission by an equivalent volume. At this time, Columbia does not plan any other changes to its interstate pipeline capacity contract mix during the Transition Period. Nothing herein precludes Columbia from proposing additional changes to its interstate pipeline capacity contract mix during the Transition Period; however, to the extent Columbia proposes any other changes the Parties reserve the right to review those proposed changes in subsequent GCR proceedings.

The Parties further agree that Columbia's interstate pipeline capacity contract levels during the Transition Period will not be subject to review in GCR cases so long as Columbia does not increase the sum total of its interstate pipeline capacity contract levels above those in existence as of the date of this Joint Stipulation and Recommendation.

GCR Management/Performance Audits

21. As part of its management/performance audit, the management/performance auditor in GCR cases that cover audit periods through the end of the Transition Period may audit Columbia's Off-System Sales and Capacity Release transactions to analyze whether such transactions were conducted according to the definitions and specifications of the 2003 Stipulation and this Joint Stipulation and Recommendation, including whether such transactions were properly accounted for. The management/performance auditor in GCR cases that cover audit periods through the end of the Transition Period may also review avoided costs associated with off-system sales transactions, as set forth in Paragraph 8 of this Joint Stipulation and Recommendation.

Wholesale Gas Supply Auction

22. Columbia shall work with all interested stakeholders to develop a wholesale gas supply auction. Based upon the results of the Regulatory Issues stakeholder process described hereinafter, Columbia shall file on or before February 1, 2009, an application that proposes to implement a wholesale gas supply auction. As part of that application Columbia will propose the implementation of a wholesale gas supply auction (i.e., gas should begin flowing under the auction process) by no later than April 1, 2010. Columbia will actively support this application and pursue Commission approval of the application.

CHOICE Eligibility

23. The Parties agree to make the CHOICE program available to additional customers during the Transition Period. Specifically, any non-Human Needs sales customers and Gas Transportation Service customers using 2,000 Mcf to 6,000 Mcf annually⁹ are eligible to participate in the CHOICE program during the Transition Period and the design peak day demand of said customers will be included in Columbia's total design peak day demand calculations regardless of whether such customers elect to participate in the CHOICE program. Once a non-Human Needs sales customer or Gas Transportation Service customer using 2,000 Mcf to 6,000 Mcf annually enrolls in the CHOICE program,¹⁰ such a customer will not be eligible to switch to Gas Transportation Service during the remainder of the Transition Period. Interested stakeholders shall engage in good faith negotiations to develop the specific procedures to effectuate this one-time election in a manner that is easy and convenient for Columbia, the customers and their suppliers.

Allocation of Capacity Costs Between CHOICE and GCR Customers

24. Effective November 1, 2008, Columbia will revise its methodology for allocating interstate pipeline capacity and related costs between CHOICE and GCR customers, as set forth in the paragraphs below. The changes will eliminate CHOICE Program Costs (as defined in the 2003 Stipulation) and the need for a mechanism to recover such costs as a result of CHOICE suppliers agreeing to take on higher asset cost responsibilities and asset assignments. The changes are also intended to help facilitate expansion of the CHOICE program. Attachment C attached and incorporated hereto provides an allocation matrix example that shows the allocation

⁹ GTS customers using 2,000 - 6,000 Mcf annually that elect to switch to CHOICE during the Transition Period are not eligible to receive the amounts credited to the CHOICE Program Sharing Credit pursuant to Paragraphs 11A and 11B herein, nor are they eligible to receive any other GCR or CHOICE refunds that return funds collected from GCR or CHOICE customers prior to January 31, 2008.

¹⁰ Once a customer becomes a CHOICE customer they will be treated under the provisions of Section VII of Columbia's tariffs.

of capacity between the GCR and CHOICE marketers. The methodology for the allocation of capacity to CHOICE marketers is further discussed below.

Assignment of Transportation and Storage Capacity, and the Purchase and Sale of Storage Gas among CHOICE Suppliers

25. The details of the capacity assignment methodology are set forth in Attachments C and D hereto. These details are summarized in the paragraphs that follow.

26. CHOICE marketers' will take direct capacity assignment from Columbia based on the CHOICE marketers' customers' design peak day demand for each Columbia Gas Transmission Corporation ("TCO") Master List of Interconnections ("MLI").¹¹ The capacity assigned by Columbia to the CHOICE marketers will include Columbia Gas Transmission Corporation ("TCO") Firm Transportation Service ("FTS"), TCO Firm Storage Service ("FSS"), TCO Storage Service Transportation ("SST"), Columbia Gulf Transmission Company ("Columbia Gulf") Firm Transportation Service ("FTS-1"), Panhandle Eastern Pipe Line Company ("PEPL") Enhanced Firm Transportation Service ("EFT"), PEPL Firm Storage Service ("FS"), and Trunkline Gas Company ("TRK") Firm Transportation Service ("FT"). CHOICE marketers shall have the option to elect assignment of PEPL EFT, PEPL FS and TRK FT, in lieu of equivalent volumes of TCO FTS, TCO FSS, TCO SST and Columbia Gulf FTS-1.

A. The PEPL and TRK volumes assigned will be based on each CHOICE marketer's share of Columbia's total daily CHOICE-eligible market demand (excluding the PIPP customer demand).

¹¹ Currently, the terms "Market Area" and "MLI" are used synonymously for nominating and scheduling gas supplies for delivery to Columbia. At the present time, Columbia understands that TCO (1) intends to implement a new electronic nominations system on or about May 1, 2008, and (2) two months following this implementation will require that nominations on its system for delivery to Columbia must be made in accordance with an expanded MLI listing. The time and details of TCO's MLI plan is uncertain at this time, therefore no party is able to definitively establish a position regarding operation under the MLI system.

- B. Allocations of PEPL and TRK will occur twice during the Transition Period, once for November 1, 2008 and once for April 1, 2009; however, a marketer that is electing PEPL storage can make such election effective April 1, 2008 so as to utilize the storage component for purposes of making their own injections.
- C. A CHOICE marketer not electing to take assignment of PEPL and TRK capacity will receive assignment of TCO FTS with Columbia Gulf FTS-1, and TCO FSS with TCO SST, in lieu of the PEPL and TRK capacity. Columbia will assign to CHOICE marketers electing PEPL and TRK capacity those capacity volumes not elected by other CHOICE marketers on a pro-rata basis. CHOICE marketers electing to take such additional assignment will make this election in advance of the appropriate allocation periods. Irrespective of whether a CHOICE marketer chooses to take the PEPL/TRK capacity or the TCO/Gulf capacity, the total amount of storage capacity assignable to the marketer will be the same – 58% of their peak day demand.

27. CHOICE marketers will take direct capacity assignment based on their customers' design peak day demand. CHOICE marketers will purchase Non-Temperature Balancing Service from Columbia under the current terms except that the balancing and peaking service will be increased from 18% to 22% of CHOICE customer design peak day demand.

28. CHOICE marketers will receive assignment of Columbia upstream firm transportation capacity volumes and storage remaining after Columbia first satisfies the sales customers' design peak day capacity needs, exclusive of the 22% balancing/peaking (see below), based upon

the existing contract levels. CHOICE marketers will not have to demonstrate any additional capacity to that allocated by Columbia.

29. Until procedures for TCO's new MLIs are developed, the MLI's of TCO Market Areas 2, 4 and 6 will be defined as constrained areas. Capacity in constrained areas will be assigned and recalled monthly on a mandatory basis. The capacity assigned to each CHOICE marketer in existing constrained areas shall be equal to 100% of the design peak day demand of the marketer's then current customer pool for such constrained areas.

30. Upon implementation by TCO of its expanded MLIs, Columbia shall meet with CHOICE marketers, Staff, OCC and other interested stakeholders to discuss which of the MLIs should be defined as being constrained. Columbia will not oppose a request by a CHOICE marketer or by the OCC to intervene in or initiate a Commission proceeding that seeks to alter or change the status as a "constrained area" for the purpose of allocating capacity which results in a current customer who is allocated capacity on a constrained basis being reclassified as "non constrained" or a customer who is currently being allocated capacity on a "non constrained" basis being allocated capacity on a constrained basis.

31. Columbia shall determine monthly the percentage of its contracted capacity that shall be assigned to Suppliers ("Supplier Assignment Percentage") based on the then current total CHOICE design peak day demand.¹² Capacity in non-constrained areas/MLIs shall be assigned to and/or recalled from:

- A. all CHOICE marketers in the CHOICE program if the total current assignment, expressed as a percentage of design peak day demand, is less than 90% or more than 110% of the Supplier Assignment Percentage for

¹² The implementation of this allocation methodology will result in Columbia no longer accruing CHOICE Program Capacity Costs as defined in the 2003 Stipulation.

all CHOICE customers, inclusive of all MLIs. Columbia shall then buy and/or sell storage gas in a ratio equal to the percentage of gas in Columbia's storage at that time.

B. an individual CHOICE marketer when that marketer's current assignment by Columbia is less than 85% or more than 115% of the Supplier Assignment Percentage, inclusive of all MLIs.

C. Exceptions to the non-constrained capacity allocation procedures:

- i. If a CHOICE marketer leaves or is terminated from the CHOICE program, or if a Governmental Aggregation ("GA") stops taking service from a CHOICE marketer, or other events occur that returns groups of customers to Columbia, then Columbia will recall the related capacity and have the option to purchase storage gas.
- ii. If a new marketer enters the CHOICE program under circumstances other than acquisition of customers from another CHOICE marketer, if a new GA enters the CHOICE program, or if an existing GA refreshes its customer participation, Columbia will assign capacity and sell associated storage gas to the marketer.
- iii. If a CHOICE marketer transfers groups of CHOICE or GA customers to another marketer in a single month, Columbia will recall and reassign capacity only if as a result of this transaction the supply demand balance for one or both of the marketers is outside of the 85%-115% band described above. In such instance, Columbia will not purchase or sell the associated storage gas. However, the

receiving marketer will be required to provide a supply plan to Columbia that demonstrates how continued reliable service will be assured.

Recovery of Capacity Costs

32. As referenced earlier herein, CHOICE Marketers will take direct assignment of capacity from Columbia based on their customers' design peak day demand. All capacity costs associated with capacity directly assigned by Columbia to CHOICE Marketers will be removed from the GCR through the form of bill credits from the upstream capacity supplier(s) because these capacity costs will be billed directly to CHOICE Marketers and credited to Columbia by the upstream capacity supplier(s) in accordance with their capacity release tariffs. Columbia's accounting for these costs in this manner will result in the automatic removal of all CHOICE Program capacity costs from the GCR with the exception of those capacity costs resulting from Columbia's provision of Non-Temperature Balancing Service. Columbia will flow all revenues received through its provision of Non-Temperature Balancing Service to the GCR as an offset to these capacity costs in recognition of fact that these capacity costs remain in the GCR. Any imbalance, positive or negative, between revenues received for Non-Temperature Balancing Service (net of gross receipts taxes) and the associated capacity costs incurred to provide the Non-Temperature Balancing Service shall be removed from the GCR and then flowed to GCR and CHOICE-eligible customers through the CHOICE Program Sharing Credit. At the end of the Transition Period Columbia shall provide the Parties with a report that details the imbalance calculation and the impact reflected in the CHOICE Program Sharing Credit. Attachment E provides examples of the proposed accounting.

Price of Gas

33. Storage gas sold by Columbia to a CHOICE marketer shall be priced at 100% of the adjusted first of month ("FOM") index that month plus an adjustment for shrinkage and applicable charges, all as specified in Columbia's tariff (See Columbia's tariff, Section VII, tariff sheet number 17, page 5 of 6.) The Parties agree that this pricing is reasonable and that Columbia may use this pricing method for the sale of storage gas to marketers instead of "last in first out" ("LIFO") accounting that Columbia currently uses to price storage gas.¹³ As a result, the Parties agree that while this switch in pricing methods may be subject to review during the financial audits in Columbia's GCR cases, the Parties agree that the net impact of the pricing change shall be removed from the GCR and then flowed back to GCR and CHOICE-eligible customers through the CHOICE Program Sharing Credit. At the end of the Transition Period Columbia shall provide the Parties with a report that details the impact of the pricing change reflected in the CHOICE Program Sharing Credit. Columbia and the CHOICE marketers also agree to explore alternative transactions to minimize the impact of gross receipts tax assessments.

Gas Transportation Service

34. Columbia will reduce the monthly bank tolerance levels available to all Gas Transportation Service ("GTS") customers, effective April 1, 2009, so that the tolerance levels are 80% of current tolerance levels. The revised tolerance levels are reflected in the tariff sheets attached hereto as Attachment A, as are revised tariff sheets that reference the monthly bank tolerance level selection procedure.

35. The Parties agree that Columbia's GTS Volume Banking and Balancing costs, and related services, will be subject to comprehensive review as part of the Regulatory Issues

¹³ This Joint Stipulation and Recommendation does not result in a change in Columbia's accounting for gas stored underground. Columbia will continue to use the LIFO method to account for all gas stored underground. The change is limited to the rates used by Columbia for the sale of storage gas to marketers participating in the CHOICE Program.

stakeholder process described hereinafter, as the stakeholders consider the implementation of a wholesale gas supply auction process and will not be considered in the base rate case as referenced in Paragraph 47 of this Stipulation and Recommendation. However, there will be no changes to Columbia's Volume Banking and Balancing services prior to March 31, 2010, outside of those changes referenced in this Joint Stipulation and Recommendation, unless agreed to otherwise by the Parties.

36. The Parties agree that Columbia will document its curtailment/emergency gas confiscation procedures, as required by Rule 4901:5-25-02, OAC. The procedures will be docketed in Case No. 91-1992-GA-ORD within sixty days after the issuance of the Commission order adopting this Joint Stipulation and Recommendation.

POST TRANSITION PERIOD

Marketer Issues to be Addressed as Part of the Regulatory Issues Stakeholder Process

37. The Parties agree that the following marketer issues¹⁴ should be addressed as part of the Regulatory Issues stakeholder process set forth hereinafter. Any resolution of these issues should be implemented after the end of the Transition Period unless a consensus for earlier implementation is agreed upon during the Regulatory Issues stakeholder process.

- A. Capacity assignment based on the pool peak day usage. The Parties agree to discuss the development of an allocation methodology that is cost neutral between CHOICE and sales customers for assets following customers and related costs. This may be accomplished by consideration of CHOICE program rates and charges being adjusted so that the following occur:

¹⁴ These issues were identified by the Ohio Gas Marketers Group and the other Parties do not necessarily agree to the exact characterization of each issue. Nonetheless, the Parties have agreed to discuss these issues in the manner set forth herein.

- (i) rates and charges for services to be commensurate with value of services; and,
 - (ii) rates and charges for services utilized by CHOICE marketers to be both cost neutral between CHOICE and sales customers and to be removed from GCR (or comparable sales rate once a wholesale auction is implemented) rate and assigned to sales customers in an open and transparent manner.
- B. Recalibration of the sales\CHOICE heat load and base load factors and resulting demand curves. Demand curves should be reviewed and revised as necessary for determining the send in amounts for both sales and CHOICE customers. Possible annual recalibration of the demand curve shall also be discussed.
- C. Although CHOICE marketers will pay the full cost of 22% of a peak for balancing and peaking services during the Transition Period, such CHOICE marketers do not have access to the storage itself and, therefore, do not have the benefit of the summer/winter spread for this 22%.
- D. Upgrade of the CHOICE program enrollment process to move to an ongoing rolling enrollment.
- E. Discussion of a CHOICE Program educational campaign.

DEMAND SIDE MANAGEMENT AND WEATHERIZATION ("DSM") PROGRAMS

38. The Parties agree that Columbia will file a DSM application, cooperatively developed by Columbia, OCC, Commission Staff and other stakeholders, by July 1, 2008, for approval of a comprehensive energy efficiency program for all residential and commercial custom-

ers, as described in the paragraphs that follow. The plan will initially be filed as an adjunct to Columbia's next base rate case application.

39. This DSM application shall provide that for calendar years 2009 through 2011, Columbia shall implement comprehensive, ratepayer funded, cost-effective energy efficiency programs made available to all residential and commercial customers.

40. This DSM application shall provide that by the end of calendar year 2011, the programs will achieve a verified (based on an impact evaluation) energy usage reduction at a level of three-quarters percent to one percent of Columbia's total annual residential and commercial jurisdictional tariff sales, adjusted for weather.¹⁵

41. As part of this DSM application, funding levels for the residential and commercial energy efficiency programs are anticipated to be up to 1% of Columbia's jurisdictional revenues by 2011 (as set forth in Paragraph 46 below), as determined by the test year adjusted revenues set forth on Schedule C-2 in Columbia's base rate case filed in early 2008. Program funding may be increased by up to an additional \$1 million per year in 2010 and 2011 assuming that energy efficiency targets are met.

42. This DSM application shall provide that the sales volume benchmark will be the total weather adjusted (normalized) annual tariff sales volumes appearing in Columbia's then most recent Ohio Long Term Forecast Report (for example, Total Tariff Sales for 2007 shown in Table (b)(xi) on page 71 of the 2008 report would set the benchmark for 2009).

43. The comprehensive energy efficiency programs to be addressed in the DSM application shall be developed through a DSM stakeholder process including Columbia, OCC, Commission Staff, and other interested stakeholders. Columbia shall initiate the DSM Stake-

¹⁵ The three-quarters to one percent target for energy usage reduction by the end of calendar year 2011 equates to a volume range of 611,000 Mcf to 815,000 Mcf.

holder process within thirty days of the Commission order adopting this Stipulation and Recommendation. The comprehensive energy efficiency programs shall be cost effective as measured by the Total Resource Cost ("TRC") test as defined by the 2002 *"California Standard Practice Manual: Economic Analysis Of Demand-Side Programs And Projects,"* or by other industry-accepted measurement techniques, as determined by the DSM stakeholder group.

44. As part of the DSM stakeholder process, Columbia, OCC, Staff and other stakeholders will develop an action plan, using an independent consultant, to determine the potential for energy efficiency savings, suggested programs, and cost-benefit measurement techniques. Other benefits of the programs will be examined including, but not limited to, longer term commodity price decreases resulting from the multi-year program savings.

45. Ratepayer funding of administrative expenses and advertising/educational expenses associated with comprehensive energy efficiency programs will be determined in the DSM stakeholder process and the DSM application shall provide that administrative expenses and advertising/educational expenses shall not exceed, in total, 20% of the program cost, unless otherwise modified for a specific program by the DSM stakeholder group.

46. Based on the above provisions, the Parties anticipate that representative funding levels to be included in the DSM application will approximate those in the table below.

	2009 (\$)	2010 (\$)	2011 (\$)	3-Year Total (\$)
Current Weatherization Program	5.5 million	5.5 million	5.5 million	16.5 million
Additional DSM Programs	7.3 million	8.3 million	9.3 million	24.9 million
Total Funding	12.8 million	13.8 million	14.8 million	41.4 million

However, if future state or federal legislation mandates higher levels of energy savings and/or energy efficiency funding than is contemplated in this settlement, Columbia shall use the existing stakeholder process to achieve the required savings/funding targets.

COLUMBIA BASE RATE CASE

47. The Parties agree that Columbia may file an Application to adjust base rates, pursuant to § 4909.18, Rev. Code, no earlier than February 1, 2008.

ONGOING REGULATORY ISSUES STAKEHOLDER PROCESS

48. Subsequent to the Commission's approval of this Joint Stipulation and Recommendation, the Parties agree to participate in an ongoing Regulatory Issues stakeholder process to discuss issues regarding the design and orderly implementation of a wholesale gas supply auction process to replace the current GCR mechanism, including consideration of changes to the CHOICE program and to GTS programs. The Parties agree to discuss the following issues:

- A. The design of Columbia's post-Transition Period services and market structures;
- B. Columbia's peak day requirements and peak day forecasts;
- C. Columbia's pipeline capacity contract requirements after the end of the Transition Period, along with the marketer issues identified earlier herein;
- D. Columbia's GTS Volume Banking and Balancing costs and related services;
- E. Columbia's CHOICE program services and related costs;
- F. The design of Columbia's wholesale gas supply auction program, including the potential for Columbia's exit from the merchant function;

- G. The impact of Columbia's wholesale gas supply auction program design upon any other Columbia services and tariffs, and any changes to those services and tariffs that may be required as a result;
- H. The need for possible FERC approval of some aspects of Columbia's wholesale gas supply auction and CHOICE program, as well as the impacts of possible changes in FERC policies and interstate pipeline operations upon Columbia's services; and,
- I. Other issues raised by the stakeholders.

49. Any changes agreed upon as a result of the Regulatory Issues stakeholder process will be submitted to the Commission for review and approval. Columbia agrees that, if the Regulatory Issues stakeholder process does not result in proposals for mutually agreeable changes, Columbia will submit a proposal for wholesale gas supply auction implementation in order to commence a formal Commission proceeding to consider such a proposal. The Parties agree to use their best efforts to effectuate by April 1, 2010 (following the suggested time line below) any changes agreed upon as a result of the Regulatory Issues stakeholder process.

June 1, 2008	Initiate Stakeholder Group discussions.
February 1, 2009	Deadline for submission to PUCO of Wholesale Auction/SSO proposals.
May 1, 2009	Requested hearing date on Wholesale Auction/SSO proposals
September 1, 2009	Requested Commission decision regarding Wholesale Auction/SSO proposals.
April 1, 2010	Intended implementation of Wholesale Auction/SSO proposals.

2003 STIPULATION

50. All other aspects of the 2003 Stipulation as it is practiced in 2007 that are not addressed or modified by this Joint Stipulation and Recommendation are to remain in effect through October 31, 2008, as contemplated by the 2003 Stipulation.

REVISED TARIFFS

51. Attachment A includes proposed tariff sheets that reflect the dollars to be flowed through the CHOICE Program Sharing Credit, as well as changes to the monthly bank tolerance levels for GTS customers, as previously described herein. Attachment A will also include copies of Columbia's other proposed tariff sheets that reflect the remaining terms of the Parties' overall agreement. However, the Parties need additional time to complete the final proposed tariffs, and will separately docket the remainder of Attachment A once the tariffs are completed. In the event that any Party does not agree with all of the proposed tariffs subsequently included in Attachment A as docketed with the Commission, any Party may withdraw from this Joint Stipulation and Recommendation by filing a notice with the Commission. The Parties recommend that the proposed tariffs should be approved. The Parties further agree that, based on this Joint Stipulation and Recommendation and the Parties' agreement thereto, the Commission should find the rates, terms and conditions provided in the revised tariffs to be just and reasonable. However, the Parties recognize that future tariff revisions may become necessary in order to effectuate a wholesale supply auction process and as part of the Regulatory Issues stakeholder process described above the Parties agree to use their best efforts to develop a consensus with respect to such future tariff revisions.

NON-SEVERABILITY OF STIPULATION PROVISIONS

52. This Joint Stipulation and Recommendation, if adopted by the Commission, will resolve all issues in the pending Columbia GCR cases (Case Nos. 04-221-GA-GCR and 05-221-

GA-GCR) and will establish various terms, conditions, rights, obligations, and processes for the Transition Period that will commence November 1, 2008, following the expiration of the 2003 Stipulation approved by the Commission in Case No. 96-1113-GA-ATA, et al. The settlement agreement embodied in this Joint Stipulation and Recommendation was reached only after extensive negotiations between and among the Parties in the context of a collaborative stakeholder process, and reflects a bargained compromise involving a balancing of competing interests. Although the Joint Stipulation and Recommendation does not necessarily reflect the position any of the Parties would have taken if all the issues addressed herein had been fully litigated, the Parties believe that, as a package, the Joint Stipulation and Recommendation strikes a reasonable balance among the various interests represented by the Parties, does not violate any important regulatory principle, and is in the public interest. This Joint Stipulation and Recommendation shall not be relied upon as precedent for or against any Party or the Commission itself in any subsequent proceeding, except as may be necessary to enforce the terms of the Joint Stipulation and Recommendation.

53. Because this Joint Stipulation and Recommendation is an integrated settlement, it is expressly conditioned upon the Commission adopting same in its entirety without material modification. Rejection of all or any part of the Joint Stipulation and Recommendation by the Commission shall be deemed to be a material modification for purposes of this provision. If the Commission materially modifies all or any part of this Joint Stipulation and Recommendation, and such modifications are not acceptable to all the Parties, the Parties agree to convene immediately to work in good faith to attempt to formulate an alternative proposal that satisfies the intent of the Joint Stipulation and Recommendation, or represents a reasonable equivalent thereto, to be submitted to the Commission for its consideration through a joint application for rehearing filed

by all the Parties.¹⁶ If the Parties do not reach unanimous agreement with respect to such an alternative proposal, no alternative proposal shall be submitted, and any Party may, within thirty days of the Commission's order, file an application for rehearing supporting the adoption of the Joint Stipulation and Recommendation as filed. No Party shall oppose an application for rehearing filed by any other Party pursuant to this provision. Upon the Commission's issuance of an entry on rehearing that does not adopt this Joint Stipulation and Recommendation in its entirety without material modification, or the alternative proposal, if one is submitted, a Party may terminate and withdraw from the Joint Stipulation and Recommendation by filing a notice with the Commission within thirty days of the Commission's entry on rehearing. No Party shall oppose the termination of the Joint Stipulation and Recommendation by any other Party.

54. Upon notice of termination and withdrawal by any Party in accordance with the above procedure, this Joint Stipulation and Recommendation shall immediately and automatically become null and void. In such event, the Commission shall decide the issues in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR based upon the existing record in those cases as if this Joint Stipulation and Recommendation had never been filed, and shall decide the issues in any proceeding addressing the rights, obligations and relationship of the affected stakeholders upon expiration of the 2003 Stipulation as if this Joint Stipulation and Recommendation had never been filed.

55. The Parties have agreed to the above-described process to be followed in the event the Commission materially modifies the terms of this Joint Stipulation and Recommendation in recognition of the unique circumstances involved. A Party's agreement to this process for purposes of this Joint Stipulation and Recommendation shall not be interpreted as binding such

¹⁶ The Commission Staff is not considered a signatory Party for purposes of requirements regarding rehearing applications.

Party to support a similar process in any future proceeding, and the Commission's approval of this Joint Stipulation and Recommendation shall not be interpreted or otherwise relied upon as authority for utilizing this process as a template for stipulations in future proceedings.

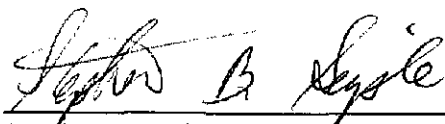
PROPOSED ACCOUNTING

56. The proposed accounting for the matters described herein is attached hereto as Attachments E. The Parties request that the Commission approve this proposed accounting.

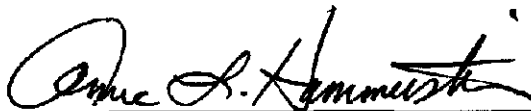
RECOMMENDATION

57. The parties agree that the foregoing Joint Stipulation and Recommendation is in the best interests of all parties, and urge the Commission to adopt the same.

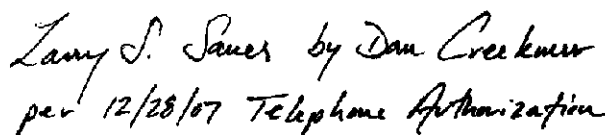
AGREED THIS 28TH DAY OF DECEMBER, 2007.



Stephen B. Seiple
On behalf of Columbia Gas of Ohio, Inc.



Stephen Reilly
Anne L. Hammerstein
Assistant Attorneys General,
Public Utilities Section
On behalf of the Staff of the Public Utilities
Commission

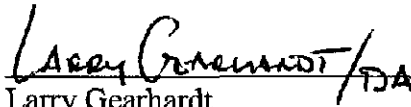


per 12/28/07 Telephone Authorization


Larry S. Sauer
Assistant Consumers' Counsel
On behalf of the Office of the Ohio Consumers' Counsel

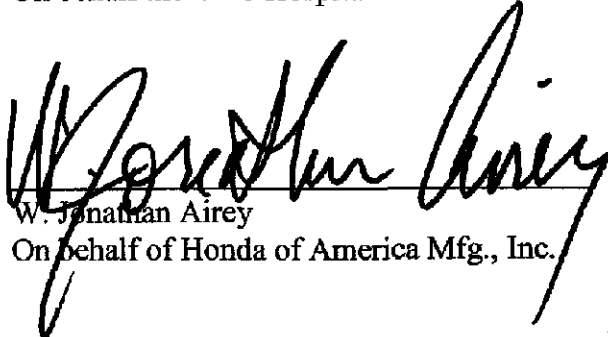
Glenn S. Krassen
On behalf of the Bay Area Council of Governments, the Ohio Schools Council And the Lake Erie Regional Council of Governments¹⁷

¹⁷ Although not intervenors in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR, these additional parties represent participants to the 2003 Stipulation proceedings (Case Nos. 94-987-GA-AIR et al.), signatory parties to the 2003

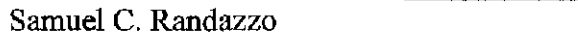

Larry Gearhardt
On behalf of the Ohio Farm Bureau Federation

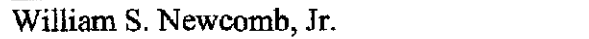

Thomas O'Brien
On behalf the Ohio Hospital Association¹⁷

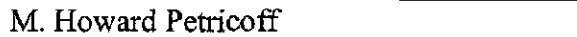

Thomas O'Brien
On behalf of the Ohio Manufacturers' Association¹⁷



W. Jonathan Airey
On behalf of Honda of America Mfg., Inc.

*William S. Newcomb, Jr. by Dan Creekmur
per 12/28/07 Telephone Authorization*


Samuel C. Randazzo
On behalf of Industrial Energy Users-Ohio


William S. Newcomb, Jr.
On behalf of North Coast Gas Transmission,
LLC¹⁸


M. Howard Petricoff
On behalf of the Ohio Gas Marketers Group:
Commerce Energy, Inc., Direct Energy Services LLC, Hess Corporation, Interstate Gas Supply, Inc., SouthStar Energy Services LLC, Vectren Retail, LLC (d/b/a Vectren Source)¹⁸


Barth Royer
On behalf of Dominion Retail, Inc.

Stipulation, members of the Columbia Collaborative that led to the development of the 2003 Stipulation or members of the stakeholder group that developed the instant Joint Stipulation and Recommendation.

¹⁸ North Coast Gas Transmission LLC and the Ohio Gas Marketers Group filed motions for limited intervention in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR and those motions were granted by the Commission. These parties participation in the two cases was limited as set forth in the motions to intervene as approved by the Commission. Interstate Gas Supply, Inc. also filed an individual motion to intervene as a full intervenor, which motion was granted by the Commission.

Kristin Kreuder by BCB
per 12/27/07 EMAIL AUTHORIZATION

Bobby Singh
On behalf of Integrys Energy Services, Inc.¹⁷

Kristin Kreuder
On behalf of MXenergy Inc.¹⁸

Lance Kieffer
On behalf of the Lucas County Prosecutor¹⁷

Kerry Bruce
On behalf of the City of Toledo¹⁷

John Klein
On behalf of the City of Columbus¹⁷

ATTACHMENT A
PROPOSED TARIFF REVISIONS

CHOICESM PROGRAM SHARING CREDIT

APPLICABILITY

Applicable to all Customers served under rate schedules SGS, MGS, GS and LGS.

DESCRIPTION

Credit per Mcf for the sharing of off-system sales and capacity release revenues, to the extent Columbia is required to share such revenues with Customers pursuant to an order or entry of the Public Utilities Commission of Ohio. This credit reflects the pass back of revenues in accordance with the terms of the Joint Stipulation and Recommendation filed by the parties in Case No. 96-113-GA-ATA; Case No. 04-221-GA-GCR; and Case No. 05-221-GA-GCR. This credit shall be calculated on the basis of annual consumption and remain in effect until all amounts deferred by Columbia have been flowed through to customers.

RATE

All gas consumed per account per month

Credit Per Mcf
\$0.3251

Filed Pursuant to PUCO Entry dated July 6, 1989 in Case No. 89-500-AU-TRF

Issued:

Effective: With bills rendered on and after January 31, 2008

Issued By
J. W. Partridge, Jr., President

COLUMBIA GAS OF OHIO, INC.

Thirty-Fourth Revised Sheet No. 66

**RULES AND REGULATIONS GOVERNING THE DISTRIBUTION
AND SALE OF GAS**

GAS TRANSPORTATION SERVICE**VOLUME BANKING AND BALANCING SERVICE****CUSTOMERS SERVED UNDER RATE SCHEDULES (SGTS) AND (GTS)****APPLICABILITY:**

Applicable in all territories served by Company.

AVAILABILITY:

Available to all transportation customers that contract for service under this rate schedule.

RATE:

Customers that subscribe for this service will be billed the applicable rate per Mcf on all volumes delivered which corresponds to the level of balancing service set forth in their service agreement. These rates will be updated concurrent with the Company's Gas Cost Recovery filings to reflect changes in supplier rates contained herein.

<u>Monthly Bank Tolerance - Maximum Percent of Annual Contract Volumes</u>	<u>Rate Per Mcf For All Volumes Transported</u>
0.8%	\$0.0090 per Mcf
1.6%	\$0.0128 per Mcf
3.2%	\$0.0206 per Mcf
4.8%	\$0.0279 per Mcf
6.4%	\$0.0357 per Mcf
8.0%	\$0.0433 per Mcf

Filed Pursuant to PUCO Entry dated July 6, 1989 in Case No. 89-500-AU-TRF and

Issued:

Effective: With Bills Rendered April 1, 2009

Issued By
J. W. Partridge, Jr., President

COLUMBIA GAS OF OHIO, INC.

Thirty-Fourth Revised Sheet No. 67

**RULES AND REGULATIONS GOVERNING THE DISTRIBUTION
AND SALE OF GAS**

GAS TRANSPORTATION SERVICE

VOLUME BANKING AND BALANCING SERVICE

CUSTOMERS SERVED UNDER RATE SCHEDULE (LGTS)

APPLICABILITY:

Applicable in all territories served by Company.

AVAILABILITY:

Available to all transportation customers that contract for service under this rate schedule.

RATE:

Customers that subscribe for this service will be billed the applicable rate per Mcf on all volumes delivered which corresponds to the level of balancing service set forth in their service agreement. These rates will be updated concurrent with the Company's Gas Cost Recovery filings to reflect changes in supplier rates contained herein.

<u>Monthly Bank Tolerance - Maximum Percent of Annual Contract Volumes</u>	<u>Rate Per Mcf For All Volumes Transported</u>
0.4%	\$.0045 per Mcf
0.8%	\$.0064 per Mcf
1.6%	\$.0103 per Mcf
2.4%	\$.0140 per Mcf
3.2%	\$.0178 per Mcf
4.0%	\$.0216 per Mcf

Filed Pursuant to PUCO Entry dated July 6, 1989 in Case No. 89-500-AU-TRF and

Issued:

Effective: With Bills Rendered April 1, 2009

Issued By
J. W. Partridge, Jr., President

Columbia Gas of Ohio, Inc.

SECTION VII
PART 29 - BILLING ADJUSTMENTS
CHOICESM PROGRAM SHARING CREDIT

29.15 **APPLICABILITY**

Applicable to all Customers served under rate schedules FRSGTS, FRGTS, FRMGTS and FRLGTS.

29.16 **DESCRIPTION**

Credit per Mcf for the sharing of off-system sales and capacity release revenues, to the extent Columbia is required to share such revenues with Customers pursuant to an order or entry of the Public Utilities Commission of Ohio. This credit reflects the pass back of revenues in accordance with the terms of the Joint Stipulation and Recommendation filed by the parties in Case No. 96-113-GA-ATA; Case No. 04-221-GA-GCR; and Case No. 05-221-GA-GCR. This credit shall be calculated on the basis of annual consumption and remain in effect until all amounts deferred by Columbia have been flowed through to customers.

29.17 **RATE**

All gas consumed per account per month

Credit Per Mcf
\$0.3251

Filed Pursuant to PUCO Entry dated July 6, 1989 in Case No. 89-500-AU-TRF and

Issued:

Effective: With bills rendered on and
after January 31, 2008

Issued By
J. W. Partridge, Jr., President

ATTACHMENT B

DEFINITIONS

Off-System Sales - The term "Off-System Sales" shall refer to arrangements that result in revenues earned by Columbia during the period November 1, 2008 through March 31, 2010, between Columbia and a buyer for the sale of unbundled or rebundled gas supply and capacity products, including the sale of a right to such arrangements, that create value from the gas supply and capacity assets available to Columbia, excluding "Capacity Releases." Such arrangements shall include, but not be limited to, flowing gas sales, incremental gas sales, physical gas options, exchanges, and contract management fees. The point of sale of these arrangements will occur upstream of Columbia's utility service delivery points. All Off-System Sales revenue is net of related costs, as illustrated in the testimony of Columbia witnesses in PUCO Case No. 95-223-GA-GCR in which net revenues related to flowing sales, incremental sales and exchanges are defined. Off-System Sales revenue includes additional savings generated from arrangements that result in avoided costs. Operational sales, as defined in the testimony of Columbia witnesses in PUCO Case No. 95-223-GA-GCR, shall be excluded from the definition of "Off-System Sales."

Capacity Release - The term "Capacity Release" shall refer to arrangements to sell in the secondary capacity market interstate pipeline transportation and/or storage capacity held under contract by Columbia, where the revenue from such arrangements is earned by Columbia beginning November 1, 2008 through March 31, 2010. However, capacity released to marketers under the provisions of Columbia's tariffs that apply to the CHOICE program (Columbia tariff sheet nos. 76f and 77), shall not be included within the definition of "Capacity Release."

ATTACHMENT C

CAPACITY ALLOCATION
SPREADSHEET

Columbia Gas of Ohio Proposed Capacity Assignment Methodology (Including PEPL)

November 26, 2007

Current Design Peak Day Demand Forecast for Contract Year 2008-09 @ 2,000 eligibility	2,058,500	2,058,500	2,058,500	2,058,500
Total Design Peak Day Firm Demand at @ 6,000 eligibility (Increase of 76k)	2,134,500	2,134,500	2,134,500	2,134,500
Total Capacity	2,039,100	2,039,100	2,039,100	2,039,100
% of Design Peak Day Firm Demand held by COH	95.5%	95.5%	95.5%	95.5%
% Migration to Choice	45.0%	50.0%	55.0%	60.0%
% of Design Peak Day non-migrated Firm Demand (includes PIPP)	55.0%	50.0%	45.0%	40.0%
Peak Day of Choice	960,525	1,067,250	1,173,975	1,280,700
Design Peak Day non-migrated Firm Demand (includes PIPP)	1,173,975	1,067,250	960,525	853,800
Total	2,134,500	2,134,500	2,134,500	2,134,500
Capacity Allocations				
Capacity allocated to Choice	965,125	971,850	1,078,575	1,185,300
Capacity allocated to non-migrated Firm Demand (includes PIPP)	1,173,975	1,067,250	960,525	853,800
Total	2,039,100	2,039,100	2,039,100	2,039,100
% of Choice capacity to Choice Peak (Supplier Assignment Percentage)	60.1%	91.1%	91.8%	92.8%
% of Non-Migrated Firm Demand to Non-Migrated Firm Peak Demand	100.0%	100.0%	100.0%	100.0%

The Following example allocation is based on Columbia Gas of Ohio's Choice Marketer Peak Day for November 2007 Proportionally Adjusted to 45% Participation and 2,134,500 Dth Total Firm Demand

	Market Area										TOTAL		
	Portsmouth (15)	Sandusky (7)	Columbus (5)	Toledo (1)	Lima (3)	Dayton (6)	Mansfield (8)	Ohio Misc (9)	Pittsburgh (35)	New Castle (38)			
TOTAL	10,801	199,465	56,512	238,672	246,922	35,903	40,725	30,969	37,646	43,918	19,730	262	960,525
Overall Assignment by Market Area													
Balancing/Peaking	2,376	43,882	12,433	52,508	54,323	7,999	8,960	6,813	8,282	9,662	4,121	58	211,316
Storage	6,265	115,690	32,777	138,430	143,215	20,824	23,621	17,962	21,835	26,471	10,863	152	557,105
TCO	8,285	115,690	32,777	138,430	130,901	20,824	23,621	17,962	21,835	26,471	10,863	152	544,791
PEPL	-	-	-	-	12,314	-	-	-	-	-	-	-	12,314
Total FTS Assignment	-	39,693	-	-	-	-	8,145	6,194	-	-	-	-	96,705
Constrained Areas	-	-	-	-	-	-	-	-	-	-	-	-	54,232
Non-Constrained Areas	665	-	3,482	14,705	15,213	2,212	-	-	2,319	2,708	1,164	16	42,473
Before PEPL Allocation	539	-	2,818	11,900	20,413	1,790	-	-	1,877	2,180	934	13	42,473
After PEPL Allocation	539	-	2,818	11,900	-	1,790	-	-	1,877	2,180	934	13	22,060
TCO	-	-	-	-	20,413	-	-	-	-	-	-	-	20,413
PEPL	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assignment	9,180	199,465	48,027	202,838	217,950	30,513	40,725	30,969	31,994	37,322	15,918	223	865,125
	85%	100%	86%	86%	88%	86%	100%	100%	85%	85%	85%	85%	90%

ATTACHMENT D
CAPACITY ALLOCATION
PROCEDURES

D1. The capacity assignment example presented in Table 1, included as part of Paragraph D4 below, is based in part upon Columbia's 2006 Peak Day Forecast and recognizes that the CHOICE program is being modified herein to extend eligibility to all customers with annual demand between 2,000 Mcf and 6,000 Mcf. The Parties agree that for purposes of allocating capacity between CHOICE and GCR customers throughout the Transition Period, Columbia's total design peak day firm demand, based on the revised CHOICE program, is 2,134,500 Dth/day.¹

D2. CHOICE marketers will take direct capacity assignment from Columbia based on the CHOICE marketers' customers' peak day demand.

- A. CHOICE marketers will purchase Non-Temperature Balancing Service from Columbia, and Columbia will provide CHOICE marketers a peaking supply service equal to 22% of the CHOICE marketers' customers' peak day demand.
- B. The capacity assigned by Columbia to the CHOICE marketers will include Columbia Gas Transmission Corporation ("TCO") Firm Transportation Service ("FTS"), TCO Firm Storage Service ("FSS"), TCO Storage Service Transportation ("SST"), and Columbia Gulf Transmission Company ("Columbia Gulf") Firm Transportation Service ("FTS-1").
- C. CHOICE marketers shall have the option to elect assignment of Panhandle Eastern Pipe Line Company ("PEPL") Enhanced Firm

¹ Total design firm peak day demand is comprised of Columbia's forecasted 2008-2009 peak day demand of 2,058,500 Dth plus an additional peak day demand of 76,000 Dth to recognize the expansion of CHOICE eligibility criteria set forth in Paragraph 23. Through October 31, 2008, Columbia will continue to use the current peak day forecast of 2,049,300 Dth for the winter of 2007-2008 for the allocation of capacity costs.

Transportation Service ("EFT"), PEPL Firm Storage Service ("FS"), and Trunkline Gas Company ("TRK") Firm Transportation Service ("FT") as described hereinafter, in lieu of equivalent volumes of TCO FTS, TCO FSS, TCO SST and Columbia Gulf FTS-1. CHOICE marketers will not have to demonstrate any additional capacity to that allocated by Columbia.

D3. During the Transition Period, the determination of capacity levels: (1) retained by Columbia to serve GCR customers; (2) used by Columbia to provide CHOICE balancing/peaking service; and, (3) assigned to CHOICE marketers will be conducted in accordance with the following process. The assignment of capacity to CHOICE marketers shall be mandatory and shall be based on the peak day requirements for each CHOICE Marketer nomination group behind each market.²

Initial Capacity Assignment Methodology

D4. The initial capacity assignment methodology at the statewide level is illustrated by the example in Table 1 at the end of this paragraph.

- A. Columbia shall determine the combined peak day demand of all participating CHOICE customers. (Table 1, Line 3)
- B. The capacity retained by Columbia to serve its GCR and standby service customers shall equate to 100% of the customers' peak day

² A market is defined as a single delivery point or set of geographically-related delivery points grouped by an upstream pipeline company, in part, for the purpose of scheduling gas supplies for delivery by that pipeline into Columbia's system. Currently such markets are identified in TCO's Master List of Interconnections ("MLI"). In some circumstances (e.g., PEPL and TCO at Maumee) more than one pipeline may be determined to be delivering to the same market. Currently, the terms "Market Area" and "MLI" are used synonymously for nominating and scheduling gas supplies for delivery to Columbia. At the present time, Columbia understands that TCO intends to implement a new electronic nominations system on or about May 1, 2008, and two months following this implementation will require that nominations on its system for delivery to Columbia must be done in accordance with an expanded MLI listing.

demand. This level of capacity to be retained to serve GCR and standby service customers shall be determined by taking Columbia's total design peak day firm demand under the revised CHOICE eligibility criteria as identified in paragraph D1 (up to 6,000 Mcf annual consumption), and subtracting the total peak day firm demand of CHOICE customers (based upon Columbia's demand curves). (Table 1, Line 4 = Line 1 – Line 3)

- C. Columbia shall determine the level of capacity available to be assigned to CHOICE marketers by taking Columbia's peak day contract capacity level minus that capacity retained to serve GCR customers. (Table 1, Line 7 = Line 2 – Line 6)
- D. Columbia shall determine the level of TCO FSS/SST capacity it must retain to provide CHOICE balancing/peaking services by taking CHOICE peak day demand multiplied by 22%. (Table 1, Line 8 = Line 3 x 22%)
- E. Columbia shall determine the capacity to actually assign to CHOICE marketers by taking the capacity available to serve CHOICE marketers and subtracting the capacity retained by Columbia for CHOICE balancing/peaking services. (Table 1, Line 9 = Line 7 – Line 8)
- F. Columbia shall determine the level of storage capacity that will be assigned to CHOICE marketers by multiplying CHOICE peak day demand (Table 1, Line 3) by 58%.

- G. For marketers that have elected to receive assignment of PEPL and TRK capacity, Columbia shall determine the level of PEPL FS storage service and related EFT capacity for delivery to the Columbia Maumee interconnection with PEPL based on each CHOICE marketer's share of Columbia's total design peak day firm demand (excluding the PIPP customer demand), as a percentage, multiplied by the city gate daily delivery capability of the PEPL FS-related EFT capacity level.³
- H. Columbia shall determine the level, if any, of assignment of TCO FSS/SST capacity in addition to the assignment of PEPL FS/EFT capacity at Maumee to provide for total assignment of storage to the marketer nomination groups that include the PEPL Maumee delivery point to equal 58% of each electing marketer's CHOICE peak day demand.
- I. Columbia shall determine the level of FTS capacity to be assigned CHOICE marketers (total level of capacity to be assigned less storage assignment).
- J. Columbia shall determine the level of FTS assignment to constrained markets.⁴
- K. Columbia shall calculate the level of capacity to be assigned to non-constrained markets, using the following formula: (total FTS

³ In the event that an individual CHOICE marketer's assignment of PEPL FS/EFT exceeds 58% of its customers' design peak day demand for the MLI in which this capacity is delivered, Columbia shall limit the assignment of the PEPL FS/EFT capacity to 58% of the marketer's customers' design peak day demand.

⁴ Currently, TCO Market Areas 2, 4 and 6 are defined as constrained areas. The list of constrained TCO Market Areas or MLI's is subject to change over time.

assignment – constrained markets assignment) x (peak day demand of each non-constrained market / total peak day demand of all non-constrained markets).

- L. For marketers that have elected to receive assignment of PEPL and TRK capacity, Columbia shall determine the level of PEPL and TRK FTS capacity for delivery to the Columbia Maumee interconnection with PEPL.⁵
- M. Columbia will test the assignment of PEPL and TRK FTS to determine whether this assignment exceeds the non-constrained market allocation to this market. If this assignment does not exceed the non-constrained FTS allocation no changes to the non-constrained market allocation will occur. If this assignment exceeds the non-constrained market allocation for this market Columbia shall recalculate the non-constrained markets FTS allocation excluding the market to which the PEPL and TRK FTS is delivered and the PEPL/TRK FTS capacity from this new calculation.⁶
- N. Marketers will receive an assignment of Columbia Gulf FTS-1 capacity in an amount equivalent to the assignment of TCO FTS capacity that is adjusted for pipeline retainage.
- O. Attachment E contains examples of the proposed accounting.

⁵ This order of assignment of FTS capacity assumes that the Columbia market served by the PEPL and TRK capacity is deemed non-constrained. Should this market be deemed constrained the allocation of PEPL and TRK FTS capacity would be made under the constrained market allocation step set forth in Paragraph D4J herein.

⁶ In the event that an individual CHOICE marketer's assignment of PEPL EFT/TRK FT exceeds 20% of its customers' design peak day demand for the MLI in which this capacity is delivered, Columbia shall limit the assignment of the PEPL EFT/TRK FT capacity to 20% of the marketer's customers' design peak day demand.

TABLE 1

Line No.	Description	Volume Total
1	Total Peak Day Demand of CHOICE-eligible @ 6,000 Eligibility	2,134,500
2	Total Peak Day Capacity	2,039,100
3	Peak Day of CHOICE Program Customers (from demand curves)	960,525
4	Peak Day of GCR Customers (Line 1 – Line 3)	1,173,975
5	Total (Line 3 + Line 4)	2,134,500
6	Capacity Retained by Columbia to Serve GCR Customers (Line 4)	1,173,975
7	Capacity Available to Serve CHOICE Program Customers (Line 2 – Line 6)	865,125
8	Capacity retained by Columbia for Balancing/Peaking (Line 3 x 22%)	211,316
9	Capacity to be Assigned to CHOICE Marketers (Line 7 – Line 8)	653,809

Monthly Capacity Assignment Review

D5. Columbia shall review the assignment of capacity to CHOICE marketers monthly utilizing the process described below. The monthly capacity assignment methodology is illustrated in Table 2 at the end of this paragraph.

- A. Columbia shall determine the peak day demand of participating CHOICE customers.
- B. Columbia shall calculate the Supplier Assignment Percentage which shall be equal to the sum of the capacity Columbia shall retain to provide CHOICE Balancing/Peaking Service plus the total volume of capacity identified for assignment under the Initial Assignment Methodology (Table 2, Line 5) divided by the updated peak day demand of all participating CHOICE customers (Table 2, Line 3). Every month Columbia shall determine a new Supplier

Assignment Percentage based on the then current total CHOICE design peak day demand.

- C. Columbia shall recall and assign TCO FSS, SST FTS and Columbia Gulf FTS-1 capacity to CHOICE marketers in constrained markets every month so that the capacity assigned to each CHOICE marketer in constrained markets shall be equal to 78% of the design peak day demand of the CHOICE marketer's then current customer pool for such constrained markets (58% FSS/SST and 20% FTS/FTS-1).
- D. Columbia shall test for any recall/assignment exceptions (See Paragraphs D8-D10 herein).
- E. Columbia shall test for 90% - 100% and 85% - 115% assignment range compliance (See Paragraph D7 herein).
- F. If the capacity assignment tests noted in sub-paragraphs D and E above demonstrate compliance, no further adjustments to assigned capacity will occur. If the above tests indicate an issue of non-compliance has occurred, Columbia shall recall and reassign capacity to the appropriate CHOICE marketers as specified in the Initial Assignment Methodology set forth above utilizing the then current CHOICE participation rates.

TABLE 2

Line No.	Description	Volume
1	Peak Day Demand of CHOICE-eligible @ 6,000 Eligibility	2,134,500
2	Total Peak Day Capacity	2,039,100
3	Updated Peak Day Demand of CHOICE Program Customers (from demand curves)	1,042,500
4	Updated Capacity Retained by Columbia to Serve GCR Customers (Line 1 – Line 3)	1,092,000
5	Revised Capacity Available at Full Assignment to Serve CHOICE Program Customers (Line 2 – Line 4)	947,100
6	Updated Capacity Retained by Columbia for Balancing/Peaking (Line 3 x 22%)	229,350
7	Supplier Assignment Percentage (Line 5 / Line 3)	90.8%

D6. Columbia will assign the PEPL and TRK capacity to those CHOICE marketers that have elected to take assignment of the PEPL and TRK capacity, as follows:

- A. The PEPL and TRK volumes will be assigned to each CHOICE marketer based on each CHOICE marketer's respective share of Columbia's total design peak day firm demand (excluding the PIPP customer demand).
- B. Allocations of PEPL and TRK will occur twice during the Transition Period, once for November 1, 2008 and once for April 1, 2009; however, CHOICE marketers that elect to take assignment of PEPL and TRK capacity will take assignment of the PEPL storage and related EFT capacity effective April 1, 2008 so as to utilize

ize the storage component for purposes of making their own injections.

- C. A CHOICE marketer electing not to receive assignment of PEPL and TRK capacity will receive assignment of TCO FTS with Columbia Gulf FTS-1, and TCO FSS with TCO SST, in lieu of the PEPL and TRK capacity. At their request, Columbia will assign to CHOICE marketers electing to take assignment of PEPL and TRK capacity those capacity volumes not elected by other CHOICE marketers under this provision, on a pro-rata basis. Furthermore, PEPL and TRK capacity not assigned to a CHOICE marketer due to Columbia's limiting assignment of PEPL FS and related EFT to 58% and/or PEPL EFT/TRK FT to 20% of a CHOICE marketer's customers' design peak day demand in the MLI to which the PEPL/TRK capacity is delivered will also be made available to other CHOICE marketers through this same reallocation process. CHOICE marketers electing to take such additional assignment will make this election in advance of the appropriate allocation periods. Whether or not a CHOICE marketer chooses to take the PEPL/TRK capacity or the TCO/Gulf capacity, the total amount of storage capacity assignable to each CHOICE marketer will be the same – i.e., 58% of the CHOICE marketer's peak day demand.

D7. Columbia will assign and/or recall capacity in non-constrained markets as described below.

- A. Columbia will assign or recall capacity in non-constrained markets to all CHOICE marketers if the total current assignment, expressed as a percentage of design peak day demand, is less than 90% or more than 110% of the Supplier Assignment Percentage for all CHOICE customers, inclusive of all markets. Columbia shall then buy and/or sell storage gas in a ratio equal to the percentage of gas in Columbia's storage at that time. Table 3 below demonstrates the test Columbia will perform to determine whether the total CHOICE Marketer capacity assignment falls within the 90% - 110% range.⁷

⁷ For this example the capacity assignment is assumed to be that listed in Table 1 while the CHOICE peak day demand and capacity retained by Columbia to provide CHOICE Balancing and Peaking Service is assumed to be that listed in Table 2, as representative of an updated CHOICE participation level.

Table 3

Line No.	Description	Volume
1	Current Capacity Assigned to CHOICE Marketers (Table 1, Line 9)	653,809
2	Updated Capacity Retained by Columbia for Balancing/Peaking (Table 2, Line 6)	229,350
3	Current Capacity Utilized in Serving CHOICE Program Customers Prior to Adjustments (Line 1 + Line 2)	883,159
4	Revised Capacity Available at Full Assignment to Serve CHOICE Program Customers (Table 2, Line 5))	947,100
5	Percentage of Capacity Assigned and Retained for Balancing/Peaking as Percent of Supplier Assignment Percentage (Line 3 / Line 4)	93.2%

The example test provided in Table 3 results in the assignment of capacity falling within the 90 – 110% range and therefore no adjustment to the assignment levels would occur.

- B. Columbia will assign or recall capacity in non-constrained markets to an individual CHOICE marketer when that CHOICE marketer's current assignment by Columbia is less than 85% or more than 115% of the Supplier Assignment Percentage, inclusive of all markets. A similar test to that shown in Table 3 specific to each individual marketer's CHOICE customer peak day demand, capacity assignment levels and capacity retained by Columbia for CHOICE Balancing/Peaking will be performed to determine if the assignment of capacity to any individual CHOICE Marketer requires adjustment.

Recall/Assignment Exceptions

D8. If a CHOICE marketer leaves or is terminated from the CHOICE program, or if a Governmental Aggregation ("GA") stops taking service from a CHOICE marketer, or other events occur that result in the return of groups of CHOICE customers to Columbia for sales service, then Columbia will recall from the CHOICE marketer(s) the related capacity and have the option to purchase the CHOICE marketers' storage gas.

D9. If a new CHOICE marketer enters the CHOICE program under circumstances other than acquisition of customers from another CHOICE marketer, or if a new GA enters the CHOICE program, or if an existing GA refreshes its CHOICE customer participation, Columbia will assign capacity and sell associated storage gas to the CHOICE marketer.

D10. If a CHOICE marketer transfers groups of CHOICE or GA customers to another CHOICE marketer in a single month, Columbia will recall and reassign capacity only if as a result of this transaction the supply demand balance for one or both of the marketers is outside of the 85%-115% band described above. In such instances, Columbia will not purchase or sell the associated storage gas from the CHOICE marketer, even if the provisions of Paragraph D7A have been triggered. However, the receiving CHOICE marketer will be required to provide a supply plan to Columbia that demonstrates how continued reliable service will be assured.

ATTACHMENT E
PROPOSED ACCOUNTING

Columbia Gas of Ohio, Inc.
Accounting for the GCR Settlement and Non-Marketed Capacity Release

GCR Settlement: In order to settle issues surrounding 2004/2005 management performance audit and the 2003 Regulatory Stipulation, Columbia Gas of Ohio, Inc. (Columbia) will pass-back approximately \$35 million to its Choice eligible customers beginning January 31, 2008. The \$35 million pass-back will be comprised of the following two components:

\$25.0 million¹ – Transition Capacity Cost Recovery Program (TCCRP) revenues
\$10.0 million – Prepayment of anticipated 2008/2009 OSS & CR margins
\$35.0 million – Total

An agreement is expected on this issue by December 31, 2007 and once agreement is reached, there will be no further litigation of the TCCRP with respect to audit periods through 10/31/08.

Specific details of the \$35 million pass-back are as follows:

Off System Sales/Capacity Release: Columbia agrees to prepay its Choice eligible customers for \$10,000,000 of Off-System Sales and Capacity Release revenue anticipated to be earned by Columbia during the Transition Period (November 1, 2008 – March 31, 2010). This prepayment represents a portion of the customers' share of Off-System Sales and Capacity Release revenues to be earned after October 31, 2008. The prepayment will be reflected in customers' bills beginning January 31, 2008. In addition, Columbia will be entitled to retain the first \$4 million of Off-System Sales and Capacity Release Revenues earned during the Transition Period. The remaining revenues will be subject to the sharing provisions outlined in paragraph 17. Below is the proposed accounting.

Calendar Years 2008/2009

A. Prepaid Off System Sales and Marketed Capacity Release Revenues

1. To record the passback of prepaid margins to Choice eligible customers as the credits are reflected in their bills

48x – Sales Revenues	\$10,000,000	
142/131 – Accounts Receivable/Cash		\$10,000,000
165 – Prepaid Off System Sales/Cap Release Rev	\$10,000,000	
48x – Sales Revenues		\$10,000,000

(It is anticipated that the pass-back will occur from 2/1/08 – 1/31/09 through the Choice program sharing credit.)

¹ This amount represents the minimum TCCRP revenues to be passed back - all TCCRP revenues as of 12/31/07 will be passed back.

Calendar Year 2008/2009

Assumptions:

<i>Off System Sales Revenues</i>	<i>\$40,000,000</i>
<i>Off System Sales Costs</i>	<i><u>\$20,000,000</u></i>
<i>Off System Sales Margins</i>	<i>\$20,000,000</i>

Marketed Capacity Release *\$ 5,000,000*

Total Margins *\$25,000,000*

B. Off System Sales Revenues

1. To record off system sales

143/131 – Accounts Receivable/Cash	\$40,000,000	
495- Off System Sales Revenues		\$40,000,000
803 – Off System Sales Gas Purchase Expense	\$20,000,000	
232/131- Accounts Payable/ Cash		\$20,000,000

2. To reclassify off system sales margins to a liability associated with the off-system sales and capacity release sharing mechanism.

495 – Off-System Sales Revenues	\$20,000,000	
242 – Off System Sales Margins		\$20,000,000

C. Marketed Capacity Release Revenues

1. To record marketed capacity release credits as they occur on the pipeline bill

232/234 – Accounts Payable to Pipeline	\$ 5,000,000	
803 – Gas Purchase Expense		\$ 5,000,000

2. To transfer marketed capacity release credits to liability associated with off-system sales and capacity release sharing mechanism

803 – Gas Purchase Expense	\$ 5,000,000	
242 – Marketed Capacity Release Margins		\$5,000,000

D. Recovery of Prepayment & Sharing of Off-System Sales/ Marketed Capacity Release Margins

Allocation of \$25 Million

(assuming 50/50 sharing)

	<u>COH</u>	<u>Customer</u>
COH Retains 1st \$4 million	\$ 4,000,000	
50/50 Sharing of Remaining Margins	\$ 10,500,000	\$ 10,500,000
Less: Amount offset against Prepayment		\$ (10,000,000)
	<u>\$ 14,500,000</u>	<u>\$ 500,000</u>

1. To reclassify off system sales and marketed capacity release margins based on sharing mechanism in place

Company Proceeds

242 – Off System Sales/Capacity Release	\$25,000,000
495 – Off System Sales – Company Proceeds	\$14,500,000
165 – Prepaid Off System Sales Margins	\$10,000,000
242 – Customer Proceeds	\$ 500,000

2. To record the passback of Off-System Sales and Capacity Release revenues to customers as the credits are reflected in their bills

48x – Sales Revenues	\$ 500,000	
142/131 – Accounts Receivable/Cash		\$ 500,000
242 – Customer Proceeds	\$ 500,000	
48x – Sales Revenues		\$ 500,000

TCCRP: Columbia is proposing to passback the balance of the TCCRP as of December 31, 2007 to its Choice eligible customers. The minimum passback required is \$25,000,000

Assumptions: TCCRP \$25,000,000

1. To remove \$25 million from Transition Capacity Cost Recovery Pool ("TCCRP") to a liability account to be passed back to the GCR customers.

242/254-4004-x-S*SET-30485 - TCCRP	\$25,000,000	
242 – GCR Customer Liability		\$25,000,000

2. To record the passback of TCCRP to GCR customers as the credits are reflected in their bills

48x – Sales Revenues	\$25,000,000	
142/131 – Accounts Receivable/Cash		\$25,000,000
242 – GCR Customer Liability	\$25,000,000	
48x – Sales Revenues		\$25,000,000

(It is anticipated that the pass-back will occur from 2/1/08 – 1/31/09 in the form of reduced billings to the customers.)

Choice Capacity Release & Non-Temperature Balancing Service: As referenced in paragraph 32, all capacity costs associated with capacity directly assigned by Columbia to Choice Marketers and all revenues received through the provision of Non-Temperature Balancing Service will be credited to the GCR.

Assumptions: Choice Marketer Assignment \$ 3,000,000
 Non-Temperature Balancing Service \$ 2,000,000

A. Choice Capacity Release

1. To record Choice capacity assignment credits are reflected on the pipeline bill

232/234 – Accounts Payable to Pipeline	\$ 3,000,000	
803 – Gas Purchase Expense		\$ 3,000,000

2. To reflect the credits in the over/under calculation

805 – Deferred Gas Purchase Expense	\$ 3,000,000	
191 – Over/Under Calculation		\$3,000,000

3. To record the passback to GCR customers as the credits are reflected in their bills

48x – Sales Revenues	\$ 3,000,000	
142/131 – Accounts Receivable/Cash		\$ 3,000,000
191 – Over/Under Calculation	\$ 3,000,000	
805 – Deferred Gas Purchase Expense		\$ 3,000,000

B. Non-Temperature Balancing Service

1. To record gross non-temperature balancing service revenue

143 – Transportation Receivable	\$ 2,000,000	
489 – Transportation Revenue		\$2,000,000

2. To reclassify balancing service revenues (net of gross receipts tax) as a credit to gas cost

489 – Transportation Revenue	\$ 1,900,000	
803 – Gas Purchase Expense		\$1,900,000

3. To reflect the credits in the over/under calculation

805 – Deferred Gas Purchase Expense	\$ 1,900,000	
191 – Over/Under Calculation		\$1,900,000

4. To record the passback of balancing service revenues as credits are reflected in customer bills

48x – Sales Revenues	\$ 1,900,000	
142/131 – Accounts Receivable/Cash		\$ 1,900,000
191 – Over/Under Calculation	\$ 1,900,000	
805 – Deferred Gas Purchase Expense		\$ 1,900,000

4. To record the liability for the associated gross receipts tax

Gross Receipts Tax Expense	\$ 100,000	
Gross Receipts Tax Payable		\$ 100,000