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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedules of Columbia Gas of Ohio, Inc., and Related Matters.	)))))	Case No. 05-221-GA-GCR
In the Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedules of Columbia Gas of Ohio, Inc., and Related Matters.	)))))	Case No. 04-221-GA-GCR
In the Matter of the Application of Columbia Gas of Ohio, Inc. to Establish the Columbia Customer Choice Program.	)))	Case No. 96-1113-GA-ATA

OPINION AND ORDER

The Commission, having considered the audit report and the joint stipulation and recommendation submitted by the signatory parties, and being otherwise fully advised, hereby issues its opinion and order.

APPEARANCES:

Mark R. Kempic and Stephen B. Seiple, 200 Civic Center Drive, P.O. Box 117, Columbus, Ohio 43216-0117, on behalf of Columbia Gas of Ohio, Inc.

Marc Dann, Attorney General of the state of Ohio, by Duane W. Luckey, Chief, Public Utilities Section, by Anne L. Hammerstein, Stephen A. Reilly and John H. Jones, Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43215, on behalf of the staff of the Public Utilities Commission of Ohio.

Janine L. Migden-Ostrander, Ohio Consumers' Counsel, by Larry S. Sauer and Joseph P. Serio, Assistant Consumers' Counsel, office of the Ohio Consumers' Counsel, 10 West Broad Street, Columbus, Ohio 43215, on behalf of residential utility consumers of Columbia Gas of Ohio, Inc.

McNees, Wallace & Nurick, LLC, by Samuel C. Randazzo, Gretchen J. Hummel, Lisa G. McAlister and Daniel J. Neilsen, 21 East State Street, 17th Floor, Columbus, Ohio 43215-4228, on behalf of Industrial Energy Users-Ohio.

Bell & Royer Co., LPA, by Barth E. Royer, 33 South Grant Avenue, Columbus, Ohio, 43215, on behalf of Dominion Retail, Inc.

Chester Wilcox & Saxbe LLP, by John W. Bentine and Mark S. Yurick, 65 East State Street, Suite 1000, Columbus, Ohio, 43215-4213, and Vincent A. Parisi, 5020 Bradenton Avenue, Dublin, Ohio, 43017, on behalf of Interstate Gas Supply, Inc.

Vorys, Sater, Seymour and Pease LLP, by M. Howard Petricoff, 52 East Gay Street, P.O. Box 1008, Columbus, Ohio 43216-1008, on behalf of The Ohio Gas Marketers Group.

Vorys, Sater, Seymour and Pease LLP, by W. Jonathan Airey, 52 East Gay Street, P.O. Box 1008, Columbus, Ohio 43216-1008, on behalf of Honda of America Mfg., Inc.

Nan Still, 280 North High Street, Columbus, Ohio 43215, on behalf of Ohio Farm Bureau Federation.

Vorys, Sater, Seymour and Pease LLP, by Michael J. Settineri and William S. Newcomb, Jr., 52 East Gay Street, P.O. Box 1008, Columbus, Ohio 43216-1008, on behalf of North Coast Gas Transmission, LLC.

Bobby Singh, 300 West Wilson Bridge Road, Suite 350, Worthington, Ohio 43085, on behalf of Integrys Energy Services, Inc.

OPINION:

I. HISTORY OF THE PROCEEDING

A. Case No. 96-1113-GA-ATA

On June 3, 1994, in Case No. 94-987-GA-AIR, Columbia Gas of Ohio, Inc., (Columbia) filed a notice of intent to file an application for an increase in rates in its service area. In addition, a joint stipulation and recommendation (1994 Stipulation) was filed to support Columbia's request to increase rates and to implement a comprehensive package of new services. The Commission adopted the 1994 Stipulation by Opinion and Order issued on November 29, 1994. Subsequently, an amendment to the 1994 Stipulation was submitted to the Commission on October 28, 1996 and approved by the Commission on December 12, 1996.

Further, the second amendment to the 1994 Stipulation was submitted to the Commission on November 28, 1997, in Case No. 96-1113-GA-ATA. The Commission

approved this second amendment to the 1994 Stipulation on January 7, 1998. The third amendment to the 1994 Stipulation was submitted on October 25, 1999, and approved by the Commission on December 2, 1999.

The fourth amendment to the 1994 Stipulation was filed on October 9, 2003 (the 1994 Stipulation, as amended by the fourth amendment, will hereinafter be referred to as the "2003 Stipulation"). The 2003 Stipulation was approved, as modified by the Commission, on March 11, 2004. The Commission ordered further modifications to the 2003 Stipulation in our Entry on Rehearing dated May 5, 2004. Subsequently, in our Opinion and Order issued on February 23, 2005, in Case No. 02-121-GA-FOR, the Commission directed the auditor in Columbia's 2004 GCR proceeding to review several issues relating to Columbia's implementation of the 2003 Stipulation.

B. Case No. 04-221-GA-GCR

Columbia is a "natural gas company," as defined in Section 4905.03(A)(6), Revised Code, and a public utility under Section 4905.02, Revised Code. Pursuant to Section 4905.302(C), Revised Code, the Commission promulgated rules for a uniform purchased gas adjustment clause to be included in the schedules of gas or natural gas companies subject to the Commission's jurisdiction. These rules, which are contained in Chapter 4901:1-14, Ohio Administrative Code (O.A.C.), separate the jurisdictional cost of gas from all other costs incurred by a gas or natural gas company and provide for each company's recovery of these costs.

Section 4905.302, Revised Code, also directs the Commission: to establish investigative procedures, including periodic reports, audits, and hearings; to examine the arithmetic and accounting accuracy of the gas costs reflected in the company's gas cost recovery (GCR) rates; and to review each company's production and purchasing policies and their effect upon these rates. Pursuant to such authority, Rule 4901:1-14-07, O.A.C., requires that periodic financial and management/performance audits of each gas or natural gas company be conducted. Rule 4901:1-14-08(A), O.A.C., requires the Commission to hold a public hearing at least 60 days after the filing of each required audit report, and Rule 4901:1-14-08(C), O.A.C., specifies that notice of the hearing be provided in one of three ways at least 15 days, but not more than 30 days, prior to the date of the scheduled hearing.

On January 2, 2004, the 2004 gas cost recovery docket was opened in order for the Commission to review the operation of the purchased gas adjustment clause and the gas purchasing practices and policies of Columbia. By entry dated October 12, 2004, the Commission established financial and management/performance audit periods, established the date upon which the audit reports must be filed and the hearing date, and directed Columbia to publish notice of the hearing.

On January 12, 2005, Columbia's 2005 gas cost recoverydocket was opened. By entry dated September 14, 2005, the Commission established the financial audit period, established the date upon which the audit report must be filed and the hearing date, and directed Columbia to publish notice of the hearing; moreover, the Commission consolidated the 2004 and 2005 gas cost recovery proceedings. Pursuant to Rule 4901:1-14-07(C) and Appendix D, O.A.C., Columbia is required to submit a certificate of accountability by an independent auditor attesting to the accuracy of the financial data pertaining to the period of the GCR rate activities specified. Deloitte & Touch LLP conducted the financial audits of Columbia and filed the 2004 and 2005 financial audit reports on July 15, 2005 (Commission-ordered Ex. 2) and September 15, 2006 (Commission-ordered Ex. 4), respectively.

Rule 4901:1-14-07, O.A.C., also requires an independent auditor and/or consulting firm, selected by the Commission, to perform the management/performance audit of Columbia's compliance with the provisions of Chapter 4901:1-14, O.A.C. By entry dated October 12, 2005, the Commission selected McFadden Consulting Group, Inc., (McFadden) to conduct the management/performance audit of Columbia. McFadden filed its management/performance audit report on September 15, 2006 (Commission-ordered Ex. 1).

The Ohio Consumers' Counsel (OCC); Industrial Energy Users-Ohio (IEU); Dominion Retail, Inc., (Dominion Retail); Interstate Gas Supply, Inc. (IGS); Honda of America Mfg., Inc. (Honda); the Ohio Farm Bureau Federation (OFBF); North Coast Gas Transmission LLC (North Coast); Integrys Energy Services, Inc. (Integrys); and the Ohio Marketers Group (consisting of Commerce Energy, Inc., Direct Energy Services LLC, Hess Corporation, MxEnergy Inc., and Vectren Retail LLC, d.b.a. Vectren Source) filed motions to intervene in this proceeding, which were granted by the attorney examiner. The hearing for this proceeding commenced on December 15, 2006, and continued on January 30, 2007, January 31, 2007, February 1, 2007, February 20, 2007 and February 26, 2007.

On April 3, 2007, OCC, Honda, IGS, OFBF, Marketers, North Coast, and Dominion Retail filed a joint motion for an extension to file initial post-hearing briefs and request for an expedited ruling. On April 3, 2007, the attorney examiner granted a five-day extension of time. On April 9, 2007, OCC filed a motion to further extend the briefing schedule. In its motion, OCC stated that OCC and certain other parties to the proceeding were involved in negotiations which might lead to the filing of a stipulation. On April 11, 2007, OCC reported to the attorney examiner that the parties were not able to reach agreement on a stipulation. Nonetheless, the parties continued to negotiate towards a resolution of the issues in this proceeding, and, on December 28, 2007, a joint stipulation and recommendation (2007 Stipulation) was filed by Columbia, the Staff, OCC, OFBF, the Ohio Hospital Association, Honda, North Coast, Dominion Retail and MxEnergy, Inc.,

(Signatory Parties). By letters dated January 7, 2008, Integrys, and the Ohio Marketer Group (on behalf of Commerce Energy, Inc., Direct Energy Services LLC, Hess Corporation, Interstate Gas Supply, Inc., and Vectren Retail LLC), requested that they be added to the Signatory Parties.

A hearing was held on the 2007 Stipulation on January 11, 2008. At the hearing, the Staff presented testimony in support of the 2007 Stipulation. Moreover, the City of Toledo and the Lucas County Commissioners requested that they be added to the Signatory Parties (Tr., January 11, 2008, at 18-19). No party testified against, or otherwise objected to, the 2007 Stipulation.

II. SUMMARY OF AUDIT REPORT

The management/performance audit period covered November 1, 2002, through October 31, 2005. The primary focus of the audit was to address Columbia's ability to balance CHOICE and sales customer's interests as Columbia moves from traditional sales service into the competitive environment. Accordingly, McFadden made, *inter alia*, the following recommendations:

(1) From a system reliability standpoint, McFadden determined that Columbia's methodology for forecasting design day requirements is reasonable. However, McFadden recommended that Columbia analyze the likelihood of experiencing a simultaneous design day in each of its market areas.

(2) McFadden noted that, following Commission approval of the 2003 Stipulation, Columbia entered into new pipeline capacity contracts, the majority of which have terms ending in 2008. Accordingly, McFadden concluded that, if the Commission believes it would be in customers' best interest for Columbia to contract only for the pipeline services needed to serve GCR customers, the process of entering such contracts be initiated as soon as possible.

(3) In the audit, McFadden discovered a number of transactions in which Columbia sold gas at prices below that at which it purchased the gas. McFadden could not confirm that there were avoided costs, which would offset such losses, with each transaction. Thus, McFadden recommended that Columbia be

required to report the avoided costs associated with each off-system sales transaction.

(4) McFadden noted that the allocation of pipeline capacity costs in the calculation of the sharing fund mechanism may unfairly burden GCR customers. McFadden recommended that the allocation of demand costs be modified in future stipulations.

(5) McFadden concluded that the use of the calendar year in the sharing fund mechanism may inadvertently benefit Columbia and penalize customers. Therefore, McFadden recommended that any future sharing mechanism should be based upon consistent twelve-month periods.

III. SUMMARY OF THE STIPULATION

The 2007 Stipulation was intended by the Signatory Parties to resolve all outstanding issues in this proceeding. The 2007 Stipulation includes, *inter alia,* the following provisions:

(1) The Signatory Parties agree that Columbia shall continue to meet with interested parties to discuss merchant function issues.

(2) Columbia agrees that future strategic gas supply plans will be dated as recommended in the audit report.

(3) Columbia agrees to continue to assess its environment and modify its demand forecasting tools and methodologies, as needed, as recommended in the audit report.

(4) As recommended in 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 will docket the analysis in Case No. 07-121-GA-FOR within ten days after the adoption of the Stipulation by the Commission.

(5) As recommended in the audit report, Columbia shall 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 proceeding.

(6) Columbia will credit to the CHOICE Program Sharing Credit the greater of $25,000,000 or the actual balance, on December 31, 2007, of the Transition Capacity Cost Recovery Pool, which was created by the third amendment to the 1994 Stipulation (by letter dated January 22, 2008, Columbia informed the Commission that the actual balance of the Pool on December 31, 2007, was $26,567,000). This credit to the CHOICE Program Sharing Credit will be reflected in the calculation of customer bills beginning January 31, 2008, and will be fully refunded no later than January 31, 2009.[1]

(7) Columbia also agrees to prepay its customers for $10,000,000 of off-system sales and capacity release revenues anticipated to be earned by Columbia during the transition period of November 1, 2008, through March 31, 2010, created by the 2007 Stipulation. 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 $10,000,000 to the CHOICE Program Sharing Credit, to be reflected in the calculation of customer bills beginning January 31, 2008, and is intended to be fully refunded no later than January 1, 2009.

(8) The Signatory Parties agree that Columbia, in consultation with interested stakeholders, shall file an application to procure natural gas supplies through a wholesale gas supply auction. The application should be filed on or before February 1, 2009, and the wholesale gas supply auction should be implemented by no later than April 1, 2010.

(9) The Signatory Parties reserve the right to raise issues, in

[1] By letter dated January 22, 2008, Columbia noted that Paragraph 11A of the 2007 Stipulation contained a typographical error and that the credit to the CHOICE Program Sharing Credit will be fully refunded by January 31, 2009, rather than January 1, 2009. Columbia further states that no Signatory Party objected to this revision.

subsequent Columbia GCR proceedings, related to: (1) the calculation of interest in 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 in Case Nos. 04-221-GA-GCR and 05-221-GA-GCR, and not addressed in the 2007 Stipulation, should be deemed withdrawn with prejudice.

(10) The Signatory Parties agree that, with the modifications to the 2003 Stipulation set forth in the 2007 Stipulation, Columbia's GCR rates during the audit periods were fair, just and reasonable, as required by Section 4905.302, Revised Code, and Chapter 4901:1-14, O.A.C.

(11) The Signatory Parties agree that there should be a transition period for the seventeen-month period beginning November 1, 2008, and ending March 31, 2010.

(12) The Signatory Parties agree that Columbia shall be entitled to retain off-system sales and capacity release revenues earned during the transition period, subject to the following sharing formula: Columbia shall be entitled to retain the first $4,000,000 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 $4,000,000 shall be shared between Columbia and its customers, depending upon the actual monthly CHOICE participation rates during the transition period, based upon the following formula:

Choice Participation	Sharing Level
Under 35%	Columbia 35%/Customers 65%
35% up to 50%	Columbia 50%/Customers 50%
50% and above	Columbia 65%/Customers 35%

All amounts shared with customers pursuant to the above formula shall be included in the CHOICE Program Sharing Credit.

(13) The Signatory 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. This authorization shall exist through the end of the transition period. The Signatory Parties further agree that Columbia's interstate pipeline capacity contract levels during the transition period will not be subject to review in GCR proceedings so long as Columbia does not increase the sum total of its contract capacity levels above those in existence as of the date of the 2007 Stipulation.

(14) Effective November 1, 2008, Columbia will revise its methodology for allocating interstate pipeline capacity and related costs between CHOICE and GCR customers. The changes will eliminate CHOICE Program Costs, as defined in the 2003 Stipulation, and the need for a mechanism to recover such costs.

(15) The Signatory Parties agree that CHOICE marketers will take direct capacity assignment from Columbia based upon the marketers' 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 percent to 22 percent of CHOICE customer design peak-day demand. CHOICE marketers will receive assignment of Columbia upstream firm transportation capacity volumes and storage after Columbia first satisfies the sales customers' design peak day capacity needs, exclusive of the 22 percent balancing/peaking, based upon the existing contract levels. CHOICE marketers will not have to demonstrate any additional capacity to that allocated by Columbia.

(16) The Signatory parties agree that 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 suppliers; these capacity costs will be billed directly to CHOICE marketers and credited to Columbia by upstream capacity suppliers 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 this service to the GCR as an offset to these capacity costs. Any imbalance between revenues received for Non-Temperature Balancing Service and the associated capacity costs incurred to provide the service shall be removed from the GCR and then flowed to GCR and CHOICE-eligible customers through the CHOICE Program Sharing Credit.

(17) The Signatory Parties agree that certain marketer issues should be addressed as part of a regulatory issues stakeholder process. Any resolution of those 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.

(18) The Signatory Parties agree that Columbia will file a demand side management (DSM) application, cooperatively developed by Columbia, OCC, Staff and other stakeholders, by July 1, 2008, for approval of a comprehensive energy efficiency program for all residential and commercial customers.

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

(20) As part of the DSM application, funding levels for the residential and commercial energy efficiency programs are anticipated to be up to one percent of Columbia's jurisdictional revenues by 2011. Program funding may be increased by up to an additional $1,000,000 per year in 2010 and 2011, assuming that energy efficiency targets are met. 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 percent of the program cost, unless otherwise modified for a specific program by the DSM stakeholder group.

(21) The Signatory Parties agree that Columbia may file an application to adjust base rates, pursuant to Section 4909.19, Revised Code, no earlier than February 1, 2008.

(22) The Signatory 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. Any changes to these programs 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.

(23) All other aspects of the 2003 Stipulation, as it is practiced in 2007, that are not addressed or modified by the 2007 Stipulation are to remain in effect through October 31, 2008, as contemplated by the 2003 Stipulation.

IV. EVALUATION OF THE STIPULATION

The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. *See, e.g., Dominion Retail v. Dayton Power and Light*, Case No. 03-2405-EL-CSS et al., Opinion and Order (February 9, 2005); *Cincinnati Gas & Electric Co.*, Case No. 91-410-EL-AIR, Order on Remand (April 14, 1994); *Ohio Edison Co.*, Case Nos. 91-698-EL-FOR et al., Opinion and Order (December 30, 1993); *Cleveland Electric Illum. Co.*, Case No. 88-179-EL-AIR, Opinion and Order (January 31, 1989). The ultimate issue for our consideration is whether the agreement, which embodies considerable time and effort by the signatory parties, is reasonable and should be adopted. In considering the reasonableness of a stipulation, the Commission has used the following criteria:

(1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?

(2) Does the settlement, as a package, benefit ratepayers and the public interest?

(3) Does the settlement package violate any important regulatory principle or practice?

The Ohio Supreme Court has endorsed the Commission's analysis using these criteria to resolve issues in a manner economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.*, 68 Ohio St. 3d 559, 563 (1994)(quoting *Consumers' Counsel*, supra, at 126). The Court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission.

We find the settlement is a product of serious bargaining among capable, knowledgeable parties. The Signatory Parties represent a wide diversity of interests including the utility, residential consumers, commercial and industrial consumers, competitive retail natural gas suppliers and the Staff. Moreover, no party is opposed to the 2007 Stipulation. Further, we note that Signatory Parties routinely participate in complex Commission proceedings and that counsel for the Signatory Parties have extensive experience practicing before the Commission in utility matters.

Moreover, we find that the settlement, as a package, benefits ratepayers and the public interest. As noted by Staff witness Puican, the 2007 Stipulation resolves one of the key disputed issues in this proceeding, the proper disposition of funds from the Transition Capacity Cost Recovery Pool, by providing for the credit to consumers of $26,567,000 by Columbia (Tr., January 11, 2008, at 15). The settlement also provides for a prepayment to consumers of $10,000,000 in off-system sales and capacity release revenues. Further, the settlement provides for the implementation of a DSM program which will provide a verified reduction in energy usage by 2011. Moreover, the 2007 Stipulation provides for a process under which Columbia will implement a wholesale gas supply auction by 2010.

Finally, the Commission finds that the settlement does not violate any important regulatory principles or practices. Accordingly, we find that the 2007 Stipulations should be adopted.

V. TARIFFS

Revised tariffs which comply with the 2007 Stipulation were submitted as an attachment to the 2007 Stipulation. Further, an amendment to the revised tariff was filed on January 22, 2008. Staff has reviewed the revised tariffs and finds them reasonable and recommends approval by the Commission. Upon review, the Commission finds the proposed tariffs, as amended on January 22, 2008, to be reasonable. The new tariffs will become effective for all services rendered on and after the effective date of the tariffs.

The 2007 Stipulation also provides that the Signatory Parties will separately docket additional proposed tariffs to implement the 2007 Stipluation. The Commission will address these additional proposed tariffs after they have been docketed.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

(1) Columbia is a natural gas company as defined in Section 4905.03(A)(6), Revised Code, and a public utility under Section 4905.02, Revised Code. Columbia is also a natural gas company for purposes of Sections 4905.302(C) and 4935.04, Revised Code.

(2) Pursuant to Section 4905.302, Revised Code, the Commission opened Case No. 04-221-GA-GCR, involving Columbia's 2004 GCR proceeding, on January 2, 2004, and established financial and management/performance audit periods.

(3) On January 12, 2005, the Commission opened the 2005 gas cost recovery proceeding in Case No. 05-221-GA-GCR and established the financial audit periods. By entry dated September 14, 2005, the Commission consolidated Columbia's 2004 and 2005 gas cost recovery proceedings.

(4) Intervention was granted to 14 parties in the consolidated GCR proceedings.

(5) The management/performance audit report was filed on September 15, 2006, and financial audit reports were filed on July 15, 2005, and September 15, 2006.

(6) Columbia published notice of the public hearing in Case No. 04-221-GA-GCR and 05-221-GA-GCR in substantial compliance with Commission requirements and Sections 4905.302 and

4935.04, Revised Code, as applicable, and Columbia filed proof of its publications (Columbia Ex. 2).

(7) The hearing for this proceeding commenced on December 15, 2006, and continued on January 30, 2007; January 31, 2007; February 1, 2007; February 20, 2007; February 26, 2007; and January 11, 2008.

(8) On December 28, 2007, a joint stipulation and recommendation was filed, intending to resolve all outstanding issues in these proceedings.

(9) The 2004 and 2005 financial audits and 2004 management/performance audit were performed in substantial compliance with Section 4905.302, Revised Code, and Rule 4901:1-14-07, O.A.C.

(10) The joint stipulation and recommendation filed on December 28, 2007, is reasonable and should be adopted.

(11) Columbia fairly determined its GCR rates, properly applied those rates to customer bills, and used prudent and reasonable procurement policies during the audit periods in these proceedings.

ORDER:

It is, therefore,

ORDERED, That the 2007 Stipulation of the parties be adopted and approved. It is, further,

ORDERED, That Columbia take all necessary steps to carry out the terms of the 2007 Stipulation and that Columbia be prepared to discuss its efforts with the next auditor. It is, further,

ORDERED, That the next auditor review Columbia's actions in carrying out the terms of the 2007 Stipulation. It is, further,

ORDERED, That Columbia is authorized to file, in final form, four complete copies of tariffs consistent with this Opinion and Order, and to cancel and withdraw its superseded tariffs. One copy shall be filed with this case docket, one copy shall be filed

with Columbia's TRF docket (or Columbia may make such filing electronically, as directed in Case No. 06-900-AU-WVR) and the remaining two copies shall be designated for distribution to the Rates and Tariff Division of the Commission's Utilities Department. Columbia shall also update its tariffs previously filed electronically with the Commission's docketing division. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than the date of this decision, and the date upon which four complete, printed copies of final tariffs are filed with the Commission. The new tariffs shall be effective for services rendered on or after such effective date. It is, further,

ORDERED, That Columbia shall notify all affected customers of the tariff changes via a bill message or a bill insert within 30 days of the effective date of the tariffs. It is, further,

ORDERED, That a copy of this opinion and order be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Alan R. Schriber, Chairman

Concurring in Part: Paul A. Centolella

Paul A. Centolella

Ronda Hartman Fergus

Valerie A. Lemmie

Donald L. Mason

GAP:ct

Entered in the Journal

JAN 23 2008

Reneé J. Jenkins

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Secretary

BEFORE

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CONCURRING OPINION OF COMMISSIONER PAUL A. CENTOLELLA

Given the benefits of the settlement in accelerating consideration of demand-side management, providing an orderly process for consideration of auctions, and resolving issues regarding the funds used to pay for the Choice program, I concur in the result. However, I do so despite serious misgivings regarding Columbia's implementation of the 2003 settlement.

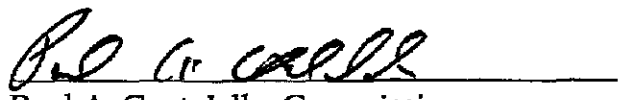
During the Commission's consideration of the 2003 stipulation, Columbia repeatedly advanced arguments that Off-system Sales and Capacity Release revenues retained by Columbia "will be used to offset Choice program capacity costs." (Reply Comments of Columbia Gas of Ohio on the Stipulation Filed October 9, 2003, December 22, 2003, at 20; See also: Memorandum Contra of Columbia Gas of Ohio, Inc. The Second Application for Rehearing of the Office of the Ohio Consumers' Counsel, May 24, 2004, at 9; Joint Application for Rehearing or, in the Alternative, Application for Approval of Modified Stipulation, April 9, 2004, at 9 - 11) Columbia's position appears to have invited a conclusion that the Stipulation would be implemented in a manner that placed significant reliance on Off-system Sales and Capacity Release revenues to cover Choice Program costs. When making its arguments to the Commission, Columbia does not appear to have disclosed its intended implementation of the Stipulation.

The accounting treatment adopted by the Company in implementing the 2003 Stipulation minimized the probability that Off-system Sales and Capacity Release revenues would be used to pay for the Choice program. Instead, Columbia first drew

down Transition Capacity Cost Recovery Pool funds, which otherwise would have been returned to consumers. The effect of Columbia's accounting treatment, prior to this order, appears to have been that Off-system Sales and Capacity Release revenues were retained by the Company and that capacity costs of the Choice program have been borne consumers, including GCR customers not involved in the Choice program.

Parties before this Commission have a responsibility to promote openness, transparency, and public confidence in the regulatory process. Public utilities have an obligation to the public, as well as, to their shareholders. And, by its representations to the Commission regarding the use of Off-system Sales and Capacity Release revenues, Columbia assumed some affirmative obligation to disclose its intended accounting treatment and the implications thereof. Columbia's failure to more promptly and fully disclose this information may have been inconsistent with its responsibilities to this Commission.

With this Order, the Parties will be able to place disputes regarding the 2003 Stipulation in the past and move forward in what I trust will be a more transparent and constructive manner.



Paul A. Centolella, Commissioner