

FILE

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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ATTORNEY GENERAL'S OFFICE  
PUBLIC UTILITIES SECTION

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

Case No. 09-207-GA-GCR

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

Case No. 09-214-GA-GCR

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

Case No. 09-215-GA-GCR

In the Matter of the Application of  
Eastern Natural Gas Company for  
Approval of an Adjustment to its  
Uncollectible Expense Rider Rate.

Case No. 09-367-GA-UEX

In the Matter of the Application of  
Pike Natural Gas Company for  
Approval of an Adjustment to its  
Uncollectible Expense Rider Rate.

Case No. 09-368-GA-UEX

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STIPULATION AND RECOMMENDATION

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I. BACKGROUND

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

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Utilities Commission of Ohio ("Staff") is considered a party for the purpose of entering into a stipulation under Rule 4901-1-30 of the O.A.C.

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

## **II. STIPULATION AND RECOMMENDATION**

A. It is understood by the Signatory Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio ("Commission"). However, the agreement contained herein is supported by information provided in the Financial Audits of the Gas Cost Recovery Mechanism of the Eastern Natural Gas Company, Pike Natural Gas Company and the Southeastern Natural Gas Company and the Audit of the Uncollectible Expense Mechanisms of Eastern Natural Gas Company and Pike Natural Gas Company for the Effective GCR Periods January, 2007 through December, 2008, both filed in these proceedings on October 15, 2009. The Staff audited the Companies for the period July 1, 2007 through June 30, 2009 in the GCR cases and audited Eastern and Pike for the period January, 2007 through December, 2008 for uncollectible expenses. The Stipulation and Recommendation is based upon the Signatory Parties' desire to arrive at a reasoned and reasonable result considering the law, facts and circumstances. Accordingly, the Signatory Parties believe this Stipulation and Recommendation should be given careful consideration by the Commission and should be adopted.

- B. This Stipulation and Recommendation is submitted for the purpose of these cases and should not be understood to reflect the positions that either the Staff or the Companies would have taken if all the issues in these proceedings were litigated. As is the case with most Stipulations and Recommendations reviewed by the Commission, the willingness of the Staff and the Companies to jointly sponsor this document is predicated on the reasonableness of the Stipulation and Recommendation taken as a whole.
- C. This Stipulation and Recommendation is submitted subject to the condition that the Commission adopts each and every item specifically set forth below. In the event this condition is not satisfied, at the option of any of the parties who so request, this Stipulation and Recommendation may be withdrawn, in which event it shall not be regarded in any way as part of the record in these proceedings and shall not be used for any purpose in these or any other proceedings. In the event said condition is not satisfied, it is understood that the Signatory Parties shall be entitled to fully litigate, including all rights of appeal, all issues which each has attempted to resolve herein just as though this Stipulation and Recommendation had never been submitted and the proceeding begun anew.
- D. In order to resolve all the issues raised in these proceedings, the agreement set forth below is offered for the Commission's consideration.

### **III. FINANCIAL MATTERS**

- A. The Signatory Parties agree and recommend that:
1. The Commission adopt the findings and audit recommendations contained in the Financial Audits filed in Case Nos. 09-207-GA-GCR, 09-214-GA-GCR, and 09-215-GA-GCR on October 15, 2009 which include:

- a) Eastern, Pike and Southeastern will agree to cross check their monthly costs against their general ledger account(s) to ensure that the amounts reflected in their actual adjustment calculations represent the costs in their financial statements.
- b) Eastern will implement a reconciliation adjustment of \$383,089 to be added to Eastern's GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- c) Eastern will implement a reconciliation adjustment of \$(2,645) to be deducted from Eastern's GCR rates. This represents the net difference the Staff found in the Balance Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- d) Pike will implement a reconciliation adjustment of \$(205,609) to be deducted from Pike's Hillsboro Division GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- e) Pike will implement a reconciliation adjustment of \$(5,422.94) to be deducted from Pike's Hillsboro Division GCR rates which recognizes that the two refunds the Staff found from TCO for the months of November and December 2008 were not included in

Pike's RA calculation. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

- f) Pike will implement a reconciliation adjustment of \$(81,861) to be deducted from Pike's Hillsboro Division GCR rates. This represents the net difference Staff found in the Balance Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- g) Pike will implement a reconciliation adjustment of \$28,698 to be added to Pike's Waverly Division GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- h) Pike will implement a reconciliation adjustment of \$(73,502) to be deducted from Pike's Waverly Division GCR rates. This represents the net difference Staff found in the Balance Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
- i) Southeastern will implement a reconciliation adjustment of \$(33,924) to be deducted from Southeastern's GCR rates. This represents the net difference the Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

- j) Southeastern will implement a reconciliation adjustment of \$774.30 to be added to Southeastern's GCR rates. The Staff found that the Commission-ordered reconciliation adjustment of \$14,079 from Case No. 07-215-GA-GCR was included in the Company's RA, but Southeastern did not apply the interest component to that amount. Applying the interest component to the reconciliation adjustment results in an additional \$774.30 that Southeastern should have included for recovery from its customers. This adjustment should be applied to the first GCR filing following the Opinion and Order in these cases.
  - k) Southeastern will implement a reconciliation adjustment of \$548 to be added to Southeastern's GCR rates. This represents the net difference Staff found in the Balance Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.
2. Pike seeks to file an application which would combine its separate monthly GCR filings for its Hillsboro Division and for its Waverly Division into a single monthly GCR filing which would become effective in 2010. Pike alleges that the administrative ease and more efficient use of computer capacity support the move toward a single GCR filing. Based on these statements, the Staff does not oppose such a filing and the Signatory Parties agree to work with each other in advance of Pike making such a filing.

3. Consistent with the finding in the Financial Audit, the Commission explicitly finds that the Companies properly applied the GCR rates and base rates to their respective customers' bills during the period July 1, 2007 through June 30, 2009 for which they were audited.

#### **IV. UNCOLLECTIBLE EXPENSE MECHANISMS**


The Signatory Parties adopt the findings and audit recommendations contained in the Audit of the Uncollectible Expense Mechanisms filed in Case Nos. 09-207-GA-GCR, 09-367-GA-UEX, 09-214-GA-GCR and 09-368-GA-UEX filed on October 15, 2009. In their respective uncollectible expense applications for 2010, Eastern and Pike will use their respective December, 2008 ending balances as their respective beginning balances for 2009 as shown on Staff's Tables 1 and 2 of the October 15, 2009 Staff Audit.

#### **V. PROCEDURAL MATTERS**

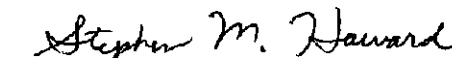
- A. The Signatory Parties agree that the proofs of publication for these proceedings will be filed as Late-Filed Exhibits (Company Late-Filed Exhibits No. 1 (Eastern), No. 2 (Pike), and No. 3 (Southeastern)) and will show that notice of the hearing has been published in substantial compliance with the Commission's rules and in substantial compliance with the Commission's Entry of January 21, 2009.
- B. The Signatory Parties agree that the Financial Audits and Audit of the Uncollectible Expense Mechanisms, both filed on October 15, 2009, should be deemed to be part of the records in these cases and further agree to waive their right to conduct cross-examination of the sponsor of each document provided this Stipulation and Recommendation is adopted by the Commission.

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

Executed this 11th Day of December, 2009.

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

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On Behalf of  
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