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JOINT EXHIBIT 1

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The East)
Ohio Gas Company d/b/a Dominion East)
Ohio for Approval to Modify and Further)
Accelerate its Pipeline Infrastructure)
Replacement Program and to Recover the)
Associated Costs.)

Case No. 11-2401-GA-ALT

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STIPULATION AND RECOMMENDATION

Ohio Adm. Code 4901-1-30 provides that any two or more parties to a proceeding may enter into a written stipulation covering the issues presented in such proceeding. The purpose of this document is to set forth the understanding and agreement of The East Ohio Gas Company d/b/a Dominion East Ohio ("DEO" or "Company"), the Staff of the Public Utilities Commission of Ohio ("Staff") (which, for the purpose of entering into this Stipulation and Recommendation, will be considered a party by virtue of Ohio Adm. Code 4901-1-10(C)), Ohio Partners for Affordable Energy ("OPAE"), Utility Workers of America, Local G555 ("Local G555") (collectively, the "Signatory Parties"), and to recommend that the Public Utilities Commission of Ohio approve and adopt this Stipulation and Recommendation, as part of its Opinion and Order, resolving all of the issues in the above-captioned proceeding.

This Stipulation and Recommendation, which shall be designated as Joint Exhibit 1, is supported by adequate data and information; represents, as an integrated and complete document, a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle or precedent; is in the public interest; and is the product of lengthy, serious bargaining among knowledgeable and capable parties, and parties that are representative of the many interests and stakeholders in a cooperative process undertaken by the Signatory Parties. While this Stipulation

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and Recommendation is not binding on the Commission, where, as here, it is sponsored by Parties representing a significant cross section of interests, including the Commission's Staff, it is entitled to careful consideration by the Commission. Except for enforcement purposes, neither this Stipulation nor the information and data contained herein or attached shall be cited as precedent in any future proceeding for or against any Signatory Party, or the Commission itself, if the Commission approves the Stipulation and Recommendation.

1. For purposes of resolving the issues in this proceeding, the Signatory Parties stipulate and recommend that the Commission issue such order as is necessary to modify the October 15, 2008 Opinion and Order in DEO's Rate Case, Case No. 07-829-GA-AIR, *et al.* ("Rate Case Order") in the following respects:

Program Scope

- a. The pipe installed and field coated before 1955 shall be considered to be ineffectively coated without further testing and within the scope of the PIR Program with the replacement costs thereof recovered through the PIR Cost Recovery Charge. Field coated pipe installed in 1955 or later will be tested to determine whether it is ineffectively coated, and if it is found to be ineffectively coated, the costs associated with its testing and replacement will be included in the PIR Cost Recovery Charge. The cost of testing of any segment found to be effectively coated shall not be included under the PIR Cost Recovery Charge. The cost of testing pipe found to be ineffectively coated shall be capitalized with the replacement project.
- b. The cost of moving inside meters to outside locations, which shall be capitalized, shall be recovered through the PIR Cost Recovery Charge only to the extent the following conditions are met: (a) DEO plans to increase the pressure in the pipeline

associated with the meter to operate that pipeline at regulated pressure (greater than 1 psig); (b) the meter is connected to a segment of target pipe (i.e., cast iron, bare steel, wrought iron, copper and ineffectively coated pipelines); and (c) DEO plans to operate the replacement mains and associated service lines at regulated pressure within two (2) years of relocating the first meter on the project. If DEO has included the cost of a meter relocation based on plans to operate the replacement mains and associated service lines at regulated pressure but does not do so within two years of relocating the first meter on the project, it will remove the associated cost from the revenue requirement in the next PIR Cost Recover Charge adjustment application and include a credit for any associated costs previously included in PIR Cost Recovery Charges billed to customers.

c. The costs of transmission integrity management, distribution integrity management and environmental compliance programs shall not be recovered through the PIR Cost Recovery Charge.

d. All of the costs associated with Governmental Relocations that include target pipe shall be recovered through the PIR cost recovery charge only if any plastic pipe associated with the relocation is less than or equal to 25% of the total footage relocated.

e. The cost of system improvements shall be recovered through the PIR Cost Recovery Charge only if the improvements replace the role of the target pipe and cost no more than an in-kind (i.e., size for size) replacement of the target pipe.

f. The cost of replacing, modifying or removing district regulating stations shall be recovered through the PIR Cost Recovery Charge only if needed due to age or condition or the work is directly associated with the replacement of target pipe connected to the regulating station. DEO shall not seek recovery through the PIR Cost Recovery Charge

of any programmatic replacement, modification or removal of regulating stations if such a program were to be implemented as a result of the Fairport Harbor incident and investigation.

g. Costs to replace steel main-to-curb service lines shall be recovered through the PIR Cost Recovery Charge regardless of whether such replacements are performed in conjunction with a planned PIR Project or are performed at the time of a defective service line replacement.

h. The Signatory Parties stipulate and agree that DEO should continue to prioritize PIR replacement projects using the Optimain software program, which ranks and prioritizes PIR projects according to pipe age, material type, leak and outage history, and other relevant attributes. The Company shall submit a proposed methodology to assess the replacement prioritization of cast and wrought iron pipelines and non-low pressure bare and ineffectively coated steel pipelines to Staff for comment.

Rider Mechanism

i. The Fiscal Year for purposes of calculating the PIR Cost Recovery Charge shall consist of the most recent calendar year. To facilitate the transition to a calendar year-based Fiscal Year, DEO shall submit a filing by February 28, 2012 with actual data for the period July 1, 2011 to December 31, 2011. The Commission shall authorize a revised PIR Cost Recovery Charge to go into effect as of the first billing cycle in May 2012. Thereafter, DEO shall submit a pre-filing notice by November 30 each year, and an updated filing with actual data by February 28, with the revised PIR Cost Recovery Charge becoming effective as of the first billing cycle in May.

j. The PIR Cost Recovery Charge shall include a reconciliation of costs recoverable and costs actually recovered. Any resulting reconciliation adjustment, plus or minus, shall be made to the revenue requirement of the subsequent PIR Cost Recovery Charge filing only.

k. The adjustment to the PIR Cost Recovery Charge for General Sales Service and Energy Choice Transportation Service Customers ("GSS Class") based on data for the period July 1, 2011 to December 31, 2011 shall not exceed the most recently authorized level by more than \$0.65. The adjustment for the PIR Cost Recovery Charge for the GSS Class based on data for Fiscal Year 2012 shall not exceed the most recently authorized level by more than \$1.15. Thereafter, annual adjustments to the PIR Cost Recovery Charge for the GSS Class shall not exceed the most recently authorized level by more than \$1.40; provided, however, that to the extent an increase in the PIR Cost Recovery Charge is less than \$1.40, the difference between the approved increase and \$1.40 shall be applied to increase the maximum allowable PIR Cost Recovery Charge only for the next Fiscal Year. The preceding limitations to the PIR Cost Recovery Charge do not include any adjustments attributable to the reconciliation of costs recoverable and costs actually recovered.

l. Notwithstanding Paragraph 17(f) of the Commission's Opinion and Order in Case No. 07-829-GA-AIR, commencing with the filing of an application to adjust the PIR Cost Recovery Charge for the Fiscal Year 2012, and in each annual filing thereafter, the calculation of the proposed PIR Cost Recovery Charge shall reflect a credit for minimum operating and maintenance (O&M) expense savings of \$1,000,000, notwithstanding actual O&M expense savings, if any, achieved during the Fiscal Year. DEO shall reflect

no additional credit for any O&M expense savings between \$1,000,000 and \$1,500,000. To the extent actual O&M expense savings exceed \$1,500,000, fifty percent (50%) of the excess thereof shall be reflected as additional O&M expense savings credited to the PIR Cost Recovery Charge revenue requirement. Savings shall be calculated in accord with the Commission's Opinion and Order in Case No. 09-458-GA-RDR. The preceding O&M savings credit thresholds for the PIR Cost Recovery Charge based on July 1, 2011 to December 31, 2011 data shall be adjusted proportionately to reflect the six-month filing period.

Reauthorization and Term

m. DEO may continue the PIR Program and PIR Cost Recovery Charge mechanism as modified by this Stipulation and Recommendation for a five-year period or until the effective date of new base rates resulting from the filing of an application to increase base rates, whichever comes first. At that time, DEO may request continuation of the PIR Program for an additional term, and the other Signatory Parties retain all rights to take any positions they respectively deem appropriate in future PIR filings by the Company.

n. The study described in Paragraph 17(d) of the Commission's Opinion and Order in Case No. 07-829-GA-AIR shall be deferred until twelve months before the end of the five-year reauthorization period.

2. Within five (5) days of issuance of a final Order in this proceeding, DEO will dismiss or otherwise withdraw its appeal in Supreme Court of Ohio Case No. 2010-0563.

3. The Signatory Parties agree that no additional modification to the Rate Case Order or the Stipulation and Recommendation approved therein is intended by the Stipulation and Recommendation submitted in this proceeding, except as expressly stated herein.

4. This Stipulation and Recommendation is entered into as an overall compromise and resolution of certain issues presented in this proceeding, and does not necessarily represent the position any Signatory Party would have taken absent its execution.

5. The Signatory Parties believe that this Stipulation represents a reasonable compromise of varying interests. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this Stipulation, the Signatory Parties shall have the right, within thirty days of issuance of the Commission's order, to file an application for rehearing, or to terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding, with service to all Parties. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation in its entirety without material modification; any Signatory Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty days of the Commission's entry on rehearing. Other Signatory Parties to this Stipulation agree to defend and shall not oppose the withdrawal and termination of the Stipulation by any other Party.¹ Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, the Signatory Parties agree that the hearing should continue, and the Signatory Parties should be afforded the opportunity to litigate the case, which will include but not be limited to the opportunity to present evidence including testimony with respect to any issues that remain to be litigated, to cross-examine all witnesses who have not previously been made available for cross-examination with respect to any issues that remain to be litigated, to present rebuttal testimony if and as deemed appropriate by the Commission, and

¹ Any Signatory Party has the right, in its sole discretion, to determine what constitutes a "material" change for the purposes of that Party withdrawing from the Stipulation.

to brief all issues which shall be decided based upon the record as if this Stipulation had never been executed.

6. The Stipulation and Recommendation is submitted for purposes of this proceeding and modification of the Rate Case Order, and is neither binding in any other proceeding, nor is it to be offered or relied upon in any other proceeding, except as necessary to enforce the terms of this Stipulation and Recommendation.

7. The Signatory Parties stipulate, agree, and recommend that the Commission issue a final Opinion and Order in this proceeding, ordering the adoption of this Stipulation and Recommendation including the rates, terms, and conditions agreed to in this Stipulation and Recommendation by all Signatory Parties is approved in accordance with R.C. 4929.08.

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this 15th day of July, 2011. This Stipulation and Recommendation may be signed in counterparts.

**The East Ohio Gas Company d/b/a
Dominion East Ohio**

By: Mark A. Whitt / *per oral authority*
Counsel SAR

Date: 7/15/11

**The Staff of the Public Utilities
Commission of Ohio**

By: Stephen A. Kelly
Counsel

Date: 7/15/11

Utility Workers of America, Local G555

By: Todd M. Smith / *per email authority*
Counsel SAR

Date: 7/15/11

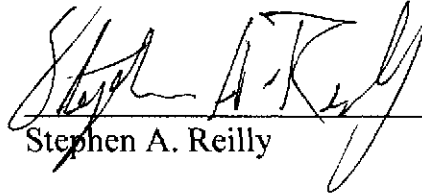
Ohio Partners for Affordable Energy

By: Colleen L. Mooney / *per email authority*
Counsel SAR

Date: 7/15/11

CERTIFICATE OF SERVICE

I certify a copy of the foregoing was served upon the following by electronic mail
on July 15, 2011.


Stephen A. Reilly

PARTIES OF RECORD:

Mark A. Whitt
Joel E. Sechler
Melissa L. Thompson
Carpenter, Lipps & Leland LLP
280 Plaza, Suite 1300
280 North High Street
Columbus, Ohio 43215
whitt@carpenterlipps.com
sechler@carpenterlipps.com
thompson@carpenterlipps.com

Joseph P. Serio
Larry S. Sauer
Kyle L. Verrett
Assistant Consumers' Counsel
Office of the Ohio Consumers' Counsel
10 West Broad Street, Suite 1800
Columbus, Ohio 43215-3485
614-466-8574 (Telephone)
serio@occ.state.oh.us
sauer@occ.state.oh.us
verrett@occ.state.oh.us

Attorneys for The East Ohio Gas Company

Attorneys for The Ohio Consumers' Counsel

Colleen L. Mooney
David C. Rinebolt
Ohio Partners for Affordable Energy
231 West Lima Street
P.O. Box 1793
Findlay, Ohio 45839-1793
cmooney2@columbus.rr.com
drinebolt@aol.com

Todd M. Smith
Schwarzwald McNair & Fuso LLP
616 Penton Media Building
300 East Ninth Street
Cleveland, Ohio 44114
tsmith@smcnlaw.com

Attorneys for Ohio Partners for Affordable
Energy

Attorney for UWUA Local G555

Joseph P. Meissner, Esq.
The Legal Aid Society of Cleveland
1223 West 6th Street
Cleveland, Ohio 44113
jpmisn@laslev.org