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BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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2013 OCT 28 PM 4: 12

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. 13-207-GA-GCR

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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. 13-214-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. 13-215-GA-GCR

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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 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.

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## **II. STIPULATION AND RECOMMENDATION**

A. It is understood by the Signatory Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio ("Commission"). However, the agreement contained herein is supported by information provided in the Financial Audits of the Gas Cost Recovery Mechanisms of the Eastern Natural Gas Company, Pike Natural Gas Company and the Southeastern Natural Gas Company for the Effective GCR Periods July 1, 2011 through June 30, 2013 filed in these proceedings on September 12, 2013. 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. 13-207-GA-GCR, 13-214-GA-GCR, and 13-215-GA-GCR on September 12, 2013 which include:

a) Eastern will implement a reconciliation adjustment of \$9,258 to be added to Eastern's GCR rates. This represents the net difference the Staff found in recording errors in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

b) Eastern will implement a reconciliation adjustment of \$20,631 to be applied to 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.

c) Pike will implement a reconciliation adjustment of \$303 to be added to Pike's Hillsboro Division GCR rates. This represents the net difference the Staff found in the Refund and Reconciliation 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 \$6 to be added to 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.

e) Pike will implement a reconciliation adjustment of (\$305) to be applied to Pike's Waverly Division GCR rates. The Staff identified an RA adjustment of (\$47,268) which was to be included in the March 2011 quarter but was recorded during the June 2011 quarter. *This timing difference resulted in a net adjustment to the BA of (\$305).* This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

f) Southeastern will implement a reconciliation adjustment of (\$80,374) to be applied to Southeastern's GCR rates. This net difference is shown in Table II of the Actual Adjustment section of the Staff's Audit Report. This adjustment should be applied in the first GCR filing following the Opinion and Order in these cases.

g) Southeastern will implement a reconciliation adjustment of (\$13,806) to be applied 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. 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, 2011 through June 30, 2013 for which they were audited.

#### **IV. UNACCOUNTED FOR GAS**

The Staff found that the Companies unaccounted for gas (UFG) percentage for Pike-Waverly was 6.09% for the twenty-four month period ending July, 2012. The Staff

recommended that Pike-Waverly submit a report to the Commission detailing the cause(s) of its unaccounted for gas level prior to the Company's November 12, 2013 hearing date.

Pike Natural Gas Company-Waverly Division has filed such a report with the Commission examining the previous volatility in unaccounted for gas percentages and detailing the physical surveys it has undertaken to attempt to determine the cause or causes of such unaccounted for gas. Based upon this report which summarizes a physical survey of the Pike-Waverly Division pipeline system revealing no significant leakage of natural gas, there is insufficient information upon which to draw a conclusion as to why the unaccounted for gas percentage in the Pike Waverly Division has been so volatile. Therefore, the Signatory Parties stipulate that Pike and the Staff shall continue to investigate and take steps to determine a) if the Pike-Waverly Division has in fact a relatively high unaccounted for gas percentage and b) if so, the cause of any such relatively high UFG gas percentage. This issue is to be treated in the next GCR audit proceeding.

## **V. PROCEDURAL MATTERS**

A. The Signatory Parties agree that the affidavit of the Billing Manager for these proceedings will be filed as Company Exhibit No. 2 and will show that notice of the hearing has been provided to customers in substantial compliance with the Commission's rules and in substantial compliance with the Commission's Entry of January 30, 2013

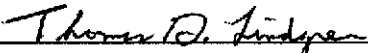
B. The Signatory Parties agree that the Financial Audit filed on September 12, 2013, should be deemed to be part of the records in these cases and further agree to waive their right to conduct cross-examination of the sponsor of each document provided this Stipulation and Recommendation is adopted by 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

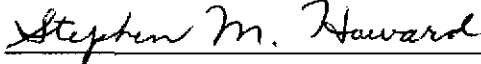
Commission's adoption or enforcement of this Stipulation and Recommendation. If not finally adopted by the Commission or if rejected by any appellate court, this Stipulation and Recommendation shall not prejudice any of the positions taken by any party before the Commission in these or any other proceeding, 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. The Signatory Parties jointly recommend that the Commission adopt the Stipulation and Recommendation.

The undersigned hereby stipulate, agree and represent that he is authorized to enter into this Stipulation and Recommendation on behalf of his respective Party.

This 28<sup>th</sup> day of October, 2013.

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

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