

BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the Regulation of  
the Purchased Gas Adjustment  
Clause contained within the Rate  
Schedules of The East Ohio Gas  
Company and Related Matters

Case No. 99-219-GA-GCR

**STIPULATION AND RECOMMENDATION**

Pursuant to Rule 4901-1-30 of the Ohio Administrative Code, The East Ohio Gas Company ("East Ohio"), the Ohio Consumers' Counsel ("OCC"), and the Staff of The Public Utilities Commission of Ohio ("Staff")<sup>1</sup>, being the parties to this proceeding, stipulate and recommend as follows:

A. The following items should be admitted as exhibits at the hearing in this matter:

1. Commission Ordered Exhibit 1: *Report on the Examination of the Gas Cost Recovery Mechanism for the Effective Three-Month Periods Ended February 10, 1999, May 11, 1999, August 10, 1999 and November 8, 1999*, prepared by PriceWaterhouseCoopers LLP and filed on December 29, 1999.
2. Commission Ordered Exhibit 2: *Final Report, Management/Performance Audit*, prepared by The Liberty Consulting Group and filed on December 30, 1999.
3. East Ohio Exhibit 1: *Proof of Publication of Legal Notice*, filed by East Ohio on January 28, 2000.
4. Joint Exhibit 1: *This Stipulation and Recommendation*.

<sup>1</sup> The Staff will be considered a party for the purpose of entering into this Stipulation and Recommendation by virtue of Rule 4901-1-10(C) of the Ohio Administrative Code.

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East Ohio, OCC, and the Staff agree that the submission of direct testimony on behalf of East Ohio and the cross-examination of the witnesses responsible for these exhibits are unnecessary if the terms of this Stipulation and Recommendation are accepted and adopted by the Commission without alteration or addition.

B. The opinion and finding and recommendations of PriceWaterhouseCoopers LLP as set forth in Commission Ordered Exhibit 1 should be approved and adopted by the Commission in its Opinion and Order in this matter. East Ohio, OCC, and Staff agree that the following specific recommendations from the financial audit be adopted by the Commission in its Opinion and Order:

1. The financial auditor for East Ohio's 2000 GCR should review to ensure that the \$600,000 credit required by Case No. 96-221-GA-GCR, plus interest, has been properly credited to GCR customers of the West Ohio Division.
2. The financial auditor for East Ohio's 2000 GCR should review the level of billed Energy Choice volumes and any true-up required to ensure that entries affecting the GCR have been properly calculated and recorded.
3. The financial auditor for East Ohio's 2000 GCR should review the 85th filing to ensure that the \$270,060 balance of the credit required by Case No. 97-219-GA-GCR has been properly credited to GCR customers.

C. East Ohio agrees to use its best efforts to reach agreement with Staff and OCC regarding the best means of accounting for Energy Choice volumes in its quarterly GCR filings.

D. East Ohio agrees to put greater emphasis on probability analysis in its planning process for peak day, seasonal, and annual supply.

E. East Ohio agrees that its internal auditing group will audit the gas procurement and management practices of the LDC Gas Supply Group, on an annual basis, to monitor compliance with established standards and to look for additional ways to improve operations.

F. East Ohio agrees that it will establish procedures to annually inform its employees regarding its affiliate code of conduct and that internal audits will annually monitor affiliate relations and transactions.

G. East Ohio agrees that it will engage in discussions with OCC and the Staff regarding the following issues with a goal of developing a plan that would allow East Ohio to exit the merchant function by 2004:

1. Supplier of Last Resort. In preparation for exiting the merchant function, East Ohio agrees to work with Staff and OCC to establish the parameters of a capacity and commodity portfolio to ensure system viability in the event of supplier(s) failure. East Ohio will work with Staff and OCC in the development of such parameters upon which bids will be solicited to fulfill this supplier of last resort component and to have input into the bid selection process.
2. System Operator. East Ohio agrees to work with Staff and OCC to establish East Ohio's role in a manner that will support system reliability as East Ohio moves toward exiting the merchant function. The parties will attempt to reach agreement regarding the ongoing activities East Ohio would perform as system operator

and how the costs associated with the system operation function would be recovered.

3. Capacity recontracting. East Ohio agrees to review with the Staff and OCC its capacity recontracting options in an attempt to gain consensus regarding the resulting capacity arrangements with a view toward obtaining preapproval of those arrangements. In assessing the Company's recontracting options, the parties will consider the allocation of constrained capacity, anticipated migration, operational balancing requirements, and nonstandard terms and conditions of interstate pipeline services.
4. GCR alternative. East Ohio agrees to discuss with Staff and OCC the pros and cons of filing an application for approval of an alternative to the GCR mechanism and, if a filing is to be made, the timing of that filing.

H. Absent a *force majeure*, East Ohio agrees to expand its energy choice program, to include all East Ohio customers, such that supplier gas will flow to those customers who have chosen, by November 1, 2000.

1. East Ohio agrees to convene a consumer education advisory group consisting of members from East Ohio, PUCO staff, and OCC. The advisory group is established to review and discuss East Ohio's efforts to educate consumers about its energy choice program. The group is to meet regularly, beginning in April 2000, through East Ohio's exit of the merchant function.

2. East Ohio agrees to convene a stakeholder group, consisting of, but not limited to, East Ohio, PUCO staff, OCC, and natural gas marketers. The purpose of the group is to discuss issues and milestones pertaining to the expansion of East Ohio's energy choice program. The issues to be discussed include: voluntary capacity assignment, a comparable capacity requirement, allocation of on-system storage, and customer education and enrollment and other administrative aspects of the program. Discussions should begin in May 2000 and continue regularly through East Ohio's exit from the merchant function.

I. East Ohio, OCC and Staff specifically agree that this Stipulation and Recommendation will not limit any party's right and opportunity to raise issues, in any future proceedings, related to the prudence of any costs arising from, or related to, the delay in the expansion of the East Ohio Choice program.

J. If the Commission does not accept this Stipulation and Recommendation without alteration or addition, East Ohio, OCC, and the Staff shall have the right within thirty days of the Commission's order either to file an application for rehearing or to terminate and withdraw the Stipulation by filing a notice with the Commission. If an application for rehearing is filed, and if the Commission does not accept the Stipulation in its entirety, without alteration or addition, on rehearing, then any of the parties may terminate and withdraw the Stipulation by filing a notice with the Commission within thirty days of the Commission's order or entry on rehearing. On notice of termination and withdrawal by any of the parties pursuant to this paragraph, the Stipulation shall be void and shall not be binding on any of the parties and shall not constitute any part of the record in this proceeding. East Ohio, OCC, and the Staff further agree that if that

is the case, hearing time should be promptly provided in order to litigate fully the issues in this proceeding and to argue their positions with respect to such issues to the Commission after hearing.

K. Based on the evidence, stipulations and recommendations above, East Ohio, OCC, and the Staff stipulate and agree that East Ohio has fairly determined the GCR rates for the audit period in accordance with the financial procedural aspects of Chapter 4901:1-14 (and related appendices) of the Ohio Administrative Code and has properly applied the GCR rates to customer bills, and that East Ohio's GCR rates for the audit period were fair, just, and reasonable. East Ohio, OCC and the Staff recommend that the Commission so find in its Opinion and Order in this matter.

THE EAST OHIO GAS COMPANY

By: Helene L. Lieberman

THE STAFF OF THE PUBLIC UTILITIES  
COMMISSION OF OHIO

By: Stephen A. Reilly / HCR per telephone  
authorization

THE OHIO CONSUMERS' COUNSEL

By: Jennifer M. Hester