



The Public Utilities
Commission of Ohio

A report by the Staff of the
Public Utilities Commission of Ohio

Oxford Natural Gas Company
Case No. 06-350-GA-CMR

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STAFF'S REPORT
OF
INVESTIGATION

In the Matter of the Complaint and Appeal)
of Oxford Natural Gas Company from)
Ordinance No. 2896 Passed by the Council)
of the City of Oxford on February 7, 2006.)

Case No. 06-350-GA-CMR

Submitted
to
The Public Utilities Commission

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Complaint and Appeal)
of Oxford Natural Gas Company from) Case No. 06-350-GA-CMR
Ordinance No. 2896 Passed by the Council)
of the City of Oxford on February 7, 2006.)

Alan R. Schriber, Chairman
Ronda Hartman Fergus, Commissioner
Judith A. Jones, Commissioner
Donald L. Mason, Commissioner
Valerie A. Lemmie, Commissioner

To The Honorable Commission:

In accordance with the provisions of R.C. Section 4909.19, the Commission's Staff has conducted its investigation in the above matter and hereby submits its findings in the within Staff Report.

The Staff Report of Investigation has been prepared by the Commission's Utilities Department.

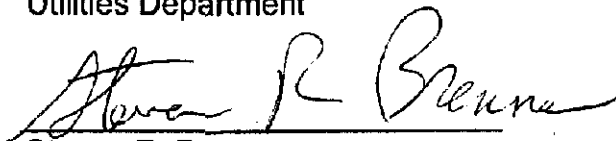
In accordance with R.C. Section 4909.19, copies of the Staff Report have been filed with the Docketing Division of the Commission and served by certified mail upon the mayors of all affected municipalities and other public officials deemed representative of the service area affected by the application. A copy of said report has also been served upon the utility or its authorized representative. Interested parties are advised that written objections to any portion of the Staff Report must be filed within thirty (30) days of the date of the filing of said report after which time the Commission will promptly set this matter for public hearing. Written notice of the time, place, and date of such hearing will be served upon all parties to the proceeding.

The Staff Report is intended to present for the Commission's consideration the results of the Staff's investigation. It does not purport to reflect the views of the Commission nor should any party to said proceeding consider the Commission as bound in any manner by

the representations or recommendations set forth therein. The Staff Report, however, is legally cognizable evidence upon which the Commission may rely in reaching its decision in this matter. (See Lindsey, et. al. v. PUC, 111 O.S. 6)

Respectfully submitted,

Utilities Department



Steven R. Brennen
Director

STAFF ACKNOWLEDGEMENTS

The Staff Report components reflect the results of investigations conducted by the Staff of the Applicant's rate application. The Staff person responsible for each component is shown below:

Utilities Department

Operating Income and Rate Base

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Carlos Garcia
James Gould

Rate of Return

Steve Chaney

Rates and Tariffs

Marchia Rutherford

TABLE OF CONTENTS

	Page
BACKGROUND	1
OPERATING INCOME AND RATE BASE	2
Scope of Investigation	2
Revenue Requirements	3
Rate Base.....	3
Allocation	6
Operating Income	7
RATE OF RETURN.....	13
RATES AND TARIFFS	14
 SCHEDULES	
A-1 Revenue Requirements	29
A-1.1 Calculation of Gross Revenue Conversion Factor	30
B-1 Rate Base Summary	31
B-2 Jurisdictional Plant in Service Summary	32
B-2.1 Calculation of Jurisdictional Plant in Service.....	33
B-2.2 Summary of Staff's Adjustments to Plant in Service	34
B-2.2a Original Cost Valuation Adjustment	35
B-2.2b Plant Valuation Adjustment.....	36
B-2.2c Plant Exclusions Adjustment	37
B-3 Calculation of Jurisdictional Depreciation Reserve	38
B-3.1 Staff's Adjustments to Depreciation Reserve.....	39
B-3.1a Original Cost Valuation Adjustment	40
B-3.1b Plant Valuation Adjustment.....	41
B-3.1c Plant Exclusions Adjustment	42
B-3.2 Calculation of Jurisdictional Depreciation Expense	43
B-4 Construction Work in Progress Summary	44
B-5 Working Capital Allowance.....	45
B-6 Other Rate Base Items	46
B-7 Jurisdictional Allocation Factors.....	47
C-1 Proforma Operating Income Statement.....	48
C-1.1 Proforma Adjustments	49
C-1.1a Summary of Operating Revenues at Current and Proposed Rates.....	50
C-2 Adjusted Test Year Operating Income.....	51
C-3 Summary of Staff's Adjustments	52
C-3.1 Base Revenue Adjustment	53

TABLE OF CONTENTS
(continued)

SCHEDULES	Page
C-3.2 Gas Cost Revenue Adjustment	54
C-3.3 Miscellaneous Revenues Adjustment	55
C-3.4 Gas Cost Expense Adjustment	56
C-3.5 Labor Expense Adjustment	57
C-3.6 Union Fringe Benefits Expense Adjustment	58
C-3.7 Saving Retirement Account (SRA) Expense Adjustment.....	59
C-3.8 Rate Case Expense Adjustment	60
C-3.9 General Liability Insurance Expense Adjustment.....	61
C-3.10 Business Expense Adjustment	62
C-3.11 Interest Expense Adjustment	63
C-3.12 Ohio Bureau of Workers' Compensation (OBWC) Expense Adjustment	64
C-3.13 Legal Expense Adjustment	65
C-3.14 Fuel Expense Adjustment	66
C-3.15 Other Expense Adjustment	67
C-3.16 Billing Expense Adjustment	68
C-3.17 Accounting Expense Adjustment	69
C-3.18 Management Fees Adjustment	70
C-3.19 Miscellaneous Expense Adjustment.....	71
C-3.20 Interest on Customers' Deposits Expense Adjustment	72
C-3.21 Depreciation and Amortization Expense Adjustment	73
C-3.22 Summary of Taxes Other than Income Adjustment	74
C-3.22a Calculation of Ohio Property Taxes	75
C-3.22b Calculation of Ohio Gross Receipts Tax	76
C-3.22c Calculation of FICA Taxes	77
C-3.22d Calculation of State and Federal Unemployment Taxes	78
C-3.22e Calculation of MCF Taxes.....	79
C-3.22f Calculation of PUCO & OCC Assessments.....	80
C-3.22g Other Taxes and Licenses	81
C-3.23 Federal Income Tax Expense Adjustment	82
C-4 Calculation of Federal Income Taxes	83

BACKGROUND

The Oxford Natural Gas Company (Applicant or Company) is an Ohio corporation and a public utility supplying natural gas service to customers located within the City of Oxford and the immediately surrounding unincorporated areas. The Applicant was incorporated in Ohio on July 18, 1960, and began providing gas service on January 1, 1963. On August 5, 1994, UHI Holdings, Inc., an Ohio corporation, was formed to purchase the assets of the Applicant and the Verona Natural Gas Company. In June of 2001, UHI Acquisition Corporation filed an application seeking Commission authority to purchase 100 percent of the stock of UHI Holdings, Inc. This acquisition was completed on September 14, 2001, and approved by the Commission's Order in Case No. 01-1524-GA-UNC. UHI Acquisition Corporation is a privately held Ohio corporation engaged solely in providing natural gas distribution and transportation services in Butler and Preble Counties of Ohio.

As of December 31, 2005, the Applicant provided gas distribution and transportation services to approximately 4,000 customers in Butler County, Ohio. The Applicant's service territory is located in Western Butler County near the Indiana/Ohio state line. The Applicant provides gas services to its customers at rates and charges established by the City of Oxford.

On February 7, 2006, the Oxford City Council enacted Ordinance No. 2896 which established the rates, prices and charges the Applicant could charge and collect from its natural gas service customers. The base rates proposed in Ordinance No. 2896 are significantly lower than the rates established by the City of Oxford in its previous rate Ordinance No. 2433, which expired on December 31, 2005. By letter dated February 16, 2006, the Applicant notified the City that it did not accept the rates and charges established by Ordinance No. 2896 and planned to file a Complaint and Appeal with the Commission seeking relief from those rates and charges.

On February 23, 2006, the Applicant filed a Complaint and Appeal from Ordinance No. 2896 and requested an increase to the rates and charges specified by the City and contained within its Ordinance No. 2433. The Applicant requested that the test year period begin November 1, 2005, and end October 31, 2006, and that the date certain be January 31, 2006. The Commission approved the requested test year and date certain in its Entry dated March 15, 2006. The application to increase rates was filed on September 15, 2006, together with the Standard Filing Requirements. By Entry of the Commission dated October 4, 2006, the application was accepted for filing as of its filing date of September 15, 2006.

The rates proposed by the Applicant, when applied to test year sales volumes, would generate approximately \$476,188 of additional revenues. This is an increase of 6.05% over current operating revenues, which are based on Ordinance rates currently being charged (Ordinance No. 2433).

OPERATING INCOME AND RATE BASE

SCOPE OF INVESTIGATION

The scope of the Staff's investigation was designed to determine if the Applicant's filed exhibits concerning the test year operating income, rate base, and other data were reasonable for ratemaking purposes and if the financial and statistical records supporting this data could be relied upon. The Staff's investigation of test year operating income included verification of the test year operating revenue computation and an examination of the reasonableness and appropriateness of the test year operating expenses. The Applicant's estimate of its original cost of property was tested for reasonableness through an examination of the plant evaluation study undertaken by the Applicant's consultant at the request of Staff. In addition, the existence and the used and useful nature of the assets listed in the Applicant's sponsored study were verified through physical inspections. Other independent analyses were performed as the Staff considered necessary under the circumstances.

The Applicant could not provide sufficient supporting documentation to substantiate its claim for the level of plant investment for the time period 1979 through January 2006. As such, the Staff requested the Applicant undertake a comprehensive plant evaluation study including a detailed inventory of all plant assets. As a result of Staff's request, the Applicant retained the services of a consulting engineering firm to conduct its plant evaluation study. This study serves as the basis for Staff's investigation of plant in service for the time period referenced above. Accordingly, the Staff made specific adjustments to the Applicant's filing based on its examination of the Applicant's plant study.

The Applicant proposed various adjustments to operating income and rate base as summarized on the Applicant's schedules. The Staff reviewed and analyzed the Applicant's proposed adjustments to operating income and rate base and traced them to supporting workpapers and to source data. As a result of its review and analysis, the Staff accepted some of the proposed adjustments as appropriate, changed some of the proposed adjustments using alternative approaches, and/or proposed new adjustments as required to make the test year operating income and date certain rate base consistent with sound regulatory accounting practices and representative of normal operations for ratemaking purposes.

The purpose of the Staff's investigation was to develop financial data for ratemaking purposes; it was not intended to provide a basis for expressing an opinion on the financial statements of the Applicant as a whole. The following sections of this report

summarize the results of the Staff's investigation, which it believes are relevant to the determination of test year operating income and rate base.

REVENUE REQUIREMENT

Schedule A-1 illustrates the calculation of the revenue increases recommended by both the Applicant and the Staff. The Applicant proposes a revenue increase of \$476,188 which represents an increase of 6.05% over its adjusted operating revenues. The Staff recommends a revenue decrease in the range of \$1,063,787 to \$1,082,125 which represents a decrease of 17.26% to 17.55% over Staff's adjusted operating revenues, which reflect rates charged under Ordinance No. 2433 and reflects the exclusion of the excise tax, the Mcf tax, and the uncollectible expenses from base rates. The Staff is recommending that these costs be recovered by individual riders. The Staff's calculation of the operating revenues is based on its examination of the application and the Applicant's financial accounting records of the test year operating income, date certain rate base and recommended rate of return. Supporting schedules are described below and summarized in this report.

RATE BASE

The rate base represents the Applicant's investment in plant and other assets as of the date certain, January 31, 2006, which was used and useful in providing gas utility service to its customers and upon which its investors are entitled to the opportunity to receive a fair and reasonable rate of return.

The Staff's analysis of the rate base is divided into Plant in Service, Depreciation, Construction Work In Progress, Working Capital, and Other Rate Base Items. A comparison of rate base submitted by the Applicant and that which is recommended by the Staff is shown on Schedule B-1. Schedules B-2 through B-6 provides additional support for the Staff's findings.

It should be noted that the Applicant is unable to provide the Staff with information regarding the disposition of \$191,699 of contribution in aid of construction recorded on the Applicant's plant ledger as of December 31, 1980. As a result, the Staff recommends that the entire balance of \$191,699 be excluded from rate base on Schedule B-6, Other Rate Base Items.

Plant in Service

The Plant in Service presented by the Applicant in its plant evaluation study is the Applicant's determination of the surviving original cost of the plant which the Applicant believes is used and useful in providing utility service to the Applicant's customers.

The Staff determined that the Applicant's plant accounting system including its plant ledgers and continuing property records (CPR) were neither reliable nor accurate sources of original cost data for purposes of this rate proceeding. The plant accounting system used by the Applicant was found to be unclear, not current, and to a large extent non-existent. For these reasons, the Staff requested the Applicant conduct a thorough plant evaluation study to serve as a reliable source of original plant cost data. The Staff determined after an exhaustive review of the Applicant's plant study that the information contained within the study represented a reliable source of original cost data. Additionally, the Staff conducted physical inspections of various plant assets listed in the study to determine their existence and used and useful nature.

The Staff strongly recommends that the Applicant place a high priority on maintaining a current computerized CPR. The Staff will do a periodic review of the Applicant's computerized CPR. The Staff also will evaluate the Applicant's up-to-date computerized CPR in the next rate case filing.

As a result of its investigation, the Staff recommends that certain adjustments be made to plant in service for ratemaking purposes. These adjustments are described below, summarized on Schedule B-2.2, and reflected on Schedule B-2.1.

Plant in Service Original Cost

The Staff adjusted the Applicant's plant in service book value to reflect the plant valuation calculated by the Applicant's consultant, as presented in the consultant's plant evaluation study. This adjustment is shown on Schedule B-2.2a.

Plant in Service Evaluation

The Staff adjusted the consultant's valuation of plant in service to reflect certain findings discovered by the Staff during the course of its investigation of the consultant's plant evaluation study. The consultant's determination of plant evaluation was further adjusted as a result of changes made by the Staff to some of the calculations and assumptions used by the consultant. This adjustment is shown on Schedule B-2.2b

Plant Exclusions

The Staff excluded several plant items from four plant accounts. The Staff excluded equipment either not found or deemed no longer used and useful as a result of field inspection. The items consist of twenty one various pieces of office furniture & equipment, a communications antenna at the main office building, a

nonexistent eight inch gas main pipe, an odor meter, leak detector, and hedge trimmer. This adjustment is shown on Schedule B-2.2c.

Depreciation

Depreciation accounting is the process which distributes the original cost of depreciable assets, adjust for net salvage, over the normal useful life of the property in a systematic and rational manner. The Staff's investigation of depreciation is segregated into two areas: Depreciation Reserve, and Depreciation Accrual Rates and the corresponding Depreciation Expense. Each of these is discussed in detail in the following sections.

Depreciation Reserve

The Applicant maintains depreciation reserve by account. In order to determine if the Applicant's booked reserve for depreciation is proper and adequate, the staff generally finds it useful to compare the book reserve with a calculated theoretical reserve as a guide to whether past accrual rate calculations have been accurate. However, the Staff could not perform a theoretical reserve due to Staff's concerns regarding the plant in service. Therefore the Staff utilized the Applicant's consulting engineering firm that was hired to determine the valuation of the Applicant's plant in-service to determine the depreciation reserve. Based upon the plant-in-service valuation, the Applicant's consultant calculated the depreciation reserve by plant account using the valuation of original cost, estimated date of installation, and the accrual rates discussed below.

The Staff adjusted the Applicant's depreciation reserve to exclude the reserve associated with the Staff's adjustments as discussed in the Plant in Service section. These adjustments are summarized on Schedule B-3.1.

The Staff is of the opinion that the jurisdictional reserve, as adjusted by the Staff on Schedule B-3, is reasonable and recommends its use for purposes of this proceeding. The Staff further recommends that the Applicant restate their depreciation reserve by plant account to reflect the depreciation reserve recommended by the Staff for ratemaking purposes. Specifically, the Staff recommends that the Applicant use Uniform System of Accounting to record plant retirement when they occur by debiting Account 101, Plant Investment and debiting Account 108, Depreciation Reserve for cost of removal, and crediting Account 108, Depreciation Reserve for salvage value and any other amounts recovered such as insurance.

Depreciation Accrual Rates and Depreciation Expense

The Applicant's current depreciation accrual rates were prescribed by this Commission in Case No. 03-2319-GA-AAM. The Staff is of the opinion that the current accrual rates as shown on Schedule B-3.2 are proper and adequate for ratemaking purposes and this proceeding.

The Staff's calculation of depreciation expense based on the adjusted jurisdictional plant in service balances at date certain and the accrual rates discussed above, is shown on Schedule B-3.2.

Construction Work In Progress (CWIP)

The Applicant did not request an allowance for construction work in progress in this case and none is recommended by the Staff as indicated on Schedule B-4.

Working Capital

The working capital allowance is based upon the formula approach which has been approved by the Commission in previous cases. Under this method the expense lag dollars for working capital represent one-eighth of adjusted operation and maintenance expense. The materials and supplies component reflects the test year thirteen-month average balance of materials and supplies held for normal operation and maintenance, and exclude supply dollars applicable to new construction. One-fourth of adjusted taxes other than income taxes (excluding FICA) and current federal income taxes are used to partially offset working capital. The Staff's calculation of working capital allowance is shown Schedule B-5.

Other Rate Base Items

The rate base was reduced by a thirteen-month average of customers' deposits, a 1980 balance of contribution in aid of construction, and a date certain balance of deferred income taxes related to accelerated depreciation.

The Staff's calculation of other rate base items is presented on Schedule B-6

ALLOCATION

Although the jurisdictional rate area affected by this application constitutes the Applicant's entire gas service territory, various allocations are necessary. The Applicant

operates two public utilities, Oxford Natural Gas and Verona Natural Gas. Therefore it is necessary to allocate certain costs to the Verona operation to ensure that the proposed operating expenses are sufficient for rendering service to the customers involved in this proceeding. Accordingly, the Staff proposes a three-allocation factor formula based upon the weighted average of payroll expenses, number of customers, and operating revenues. This allocation methodology is similar to an allocation used by the Staff and approved by the Commission in several previous rate cases. The Staff proposed allocation formula is computed on Schedule B-7.

OPERATING INCOME

The Applicant's test year operating income consists of five months of actual data covering the period November 1, 2005 to March 31, 2006, and seven months of forecasted data covering the period April 1, 2006 to October 31, 2006. The Staff adjusted the Applicant's test year operating income as required to render it appropriate as a basis for setting rates.

The Staff's proforma operating income is the Staff's adjusted test year operating income modified to reflect the Applicant's proposed increase in revenues and the associated increase in federal income taxes.

Schedules C-1 and C-2 present the Staff's determination of operating income. The calculation, methodologies and rationale used to develop the Staff's operating income are detailed on Schedules A-1.1, C-1.1, C-3.1 through C-3.23 and C-4.

Proforma Adjustments

Schedule C-1.1 shows the Applicant's proposed increase in operating revenues based on the Applicant's proposed rates and the associated increase in federal income taxes.

Current Adjustments

Base Revenue

The Staff adjusted test year MCF sales volumes to reflect weather normalized sales volumes. The Staff then calculated its base revenue by applying normalized sales volumes to the current rates established by the City of Oxford in Ordinance No. 2433. The Staff's adjustment is presented on Schedule C-3.1 and detailed on Schedule C.1.1a.

Gas Cost Revenue

The Staff annualized test year gas cost revenue by applying test year normalized sales volumes to the latest known gas cost recovery (GCR) rate. The Staff's adjustment is presented on Schedule C-3.2.

Miscellaneous Revenue

The Staff adjusted late payment revenue to recognize the Staff's adjustments to base revenue. The Staff also adjusted test year revenues for returned check charge, tap fee and reconnection charge to reflect current information. The Staff's adjustment is presented on Schedule C-3.3.

Gas Cost Expense

The Staff annualized test year gas cost expenses by applying test year normalized sales volumes to the latest known GCR rate. The Staff's adjustment is shown on Schedule C-3.4.

Labor Expense

The Applicant's annualized labor expense reflects estimated employee levels and wages at the end of the test year. The Staff's annualized labor expense reflects actual employee levels and wage rates at the end of the test year. The Staff's adjustment is presented on Schedule C-3.5.

Union Fringe Benefits Expense

The Applicant adjusted test year union fringe benefits expense using its projected test year employee wage and union rates. The Staff annualized test year union fringe benefits expense by using the latest known union rates and actual employee wages. The Staff's adjustment is presented on Schedule C-3.6.

Saving Retirement Account (SRA) Expense

The Applicant adjusted its matching portion of test year SRA expense using projected test year employee levels and wages at the end of the test year. The Staff annualized test year SRA expense by using the latest known rates and actual employee wages. The Staff's adjustment is shown on Schedule C-3.7.

Rate Case Expense

The Applicant estimated rate case expense to be \$100,000 for this proceeding, and proposed a three-year amortization period of this amount. The Applicant also estimated the consultant's plant evaluation study to be \$79,900 and proposed a three-year amortization period of this amount.

The Staff used the Applicant's estimate of rate case expense and like the Applicant recommends a three-year amortization period for this expense. However, the Staff recommends a five-year amortization period of the \$79,900 for a plant evaluation study performed by the Applicant's consultant. The Staff's adjustment is presented on Schedule C-3.8.

The Staff recommends that the Commission review the Applicant's revised estimate of this expense, which should be filed as a late exhibit, before making a final determination of the appropriate level of rate case expense.

General Liability Insurance Expense

The Staff adjusted test year general liability insurance expense to reflect the inclusion in operation and maintenance expense of the Applicant's most recent annual liability insurance policy premium. The Staff's adjustment is shown on Schedule C-3.9.

Business Expense

The Applicant adjusted test year business expense to include the costs associated with a Highway 27 project and a bridge construction project. The Staff adjusted test year business expense to exclude all costs associated with construction projects. The Staff believes that these costs should be capitalized. The Staff's adjustment is presented on Schedule C-3.10.

Interest Expense

The Applicant and the Staff removed interest expense from the test year operating expenses. Interest expense is not an operating expense item and should be booked below the line. The Staff's adjustment is shown on Schedule C-3.11.

Ohio Bureau of Workers' Compensation (OBWC) Expense

The Applicant adjusted OBWC insurance expense using its projected test year employee wages and insurance premium rates. The Staff annualized test year OBWC insurance expense by using the latest known test year insurance premium and actual employee wages. The Staff's adjustment is shown on Schedule C-3.12.

Legal Expense

The Applicant and the Staff adjusted test year legal expenses to include only those expenses necessary for the Applicant to obtain legal advice and representation associated with providing utility service to its customers. The Staff's adjustment reflects the latest three year average expense. The Staff's adjustment is shown on Schedule C-3.13.

Fuel Expense

The Staff adjusted test year fuel expense to exclude various charges deemed to be non-utility related. The Staff's adjustment is presented on Schedule C-3.14.

Other Expenses

The Staff adjusted test year operating expenses to exclude various expenses determined to be non-utility related and do not provide direct benefits to the customers. The Staff's adjustment is presented on Schedule C-3.15.

Billing Expense

The Staff annualized test year billing expense to reflect a normal twelve-month period of billing cost for Oxford Natural Gas customers. The Staff's adjustment is presented on Schedule C-3.16.

Accounting Expense

The Staff adjusted test year outside accounting service expense to remove cost associated with professional services rendered for an audit of 2004 financial statements. The Staff's adjustment is presented on Schedule C-3.17.

Management Fees

The Staff adjusted test year operating expenses to remove payment made to management as a compensation for their capital investment. Such payment is not an operating expense item and should be booked below the line. The Staff's adjustment is shown on Schedule C-3.18.

Miscellaneous Expense

The Staff adjusted several expense accounts to remove costs from the test year operating expenses that were found to be non-utility related expenses. The staff's adjustment is presented on Schedule C-3.19.

Interest on Customers' Deposits Expense

Consistent with the treatment of customers' deposits as an offset to the rate base, the Staff adjusted test year interest expense associated with these deposits to include a representative amount. The Staff's adjustment is shown on Schedule C-3.20.

Depreciation Expense

Depreciation expense is adjusted to reflect the Staff's recommended accrual rates and depreciable plant in service as of the date certain. This adjustment is presented on Schedule C-3.21 with supporting calculations shown on Schedule B-3.2. Further discussion on depreciation can be found in the Rate Base Section of this Report.

Taxes Other Than Income

Taxes Other Than Income Taxes were adjusted to reflect the proper base and the latest know tax rate. For example, property taxes were computed by applying the latest known property tax rates to property valuations at date certain. F.I.C.A. taxes were calculated based on test year adjusted labor expense.

The Applicant has proposed that all Ohio excise taxes and MCF taxes be recovered through two riders. Therefore, the Staff excluded Ohio excise taxes and MCF taxes from test year operating taxes and only included the impact of both taxes on the Staff's working capital and federal income tax calculations.

Further discussion of the excise and MCF tax riders can be found in the Rates and Tariffs section of this report.

Schedule C-3.22 provides the summary of the calculated taxes and the resultant adjustments of those taxes. The supporting calculations are detailed on C-3.22a through C-3.22g.

Federal Income Taxes

The Staff computed test year federal income taxes to reflect the recommended adjustments to operating revenues and expenses.

The computation of federal income taxes reflects the inter-period interest allocation and the normalization of accelerated tax depreciation.

Schedule C-3.23 provides the calculation of the federal income tax adjustment. Schedule C-4 shows the supporting calculations for federal income taxes.

Other Adjustments

The Applicant proposed four adjustments to the test year operating expenses. Two of the adjustments are estimated lease expenses for vehicles and construction equipments which were determined to be post test year events and have not been finalized. Therefore, the Staff recommends no lease expense allowance be included in the test year operating expenses. The other two adjustments are construction costs of a bridge and a Highway 27 project. The Staff believes that these types of expenditure should be capitalized and are already incorporated as part of the consultant's plant evaluation. Therefore, the Staff recommends no expense allowance be included in the test year operating expenses for these two construction projects.

RATE OF RETURN

In determining a fair rate of return, three economic criteria were established in the landmark Bluefield and Hope cases. These cases establish that the rate of return should be sufficient to enable the regulated utility to: (1) maintain its credit standing and financial integrity; (2) attract new capital at reasonable costs; and (3) earn returns commensurate with those being earned on investments attended by corresponding risk. However, they also indicate that a utility is not entitled to speculative return. These criteria serve as a basis for appropriate rate of return determination. A regulated company must be able to generate sufficient revenues from the rates set by the regulatory agency to cover all costs, both operating expenses and capital costs, incurred under prudent, honest, and efficient management. The regulatory commission must, therefore, give the investor the opportunity to receive fair compensation.

The Staff has reviewed the financial condition of the Applicant and believes that under prevailing interest rates and general economic conditions, a rate of return in the range of 9.5% to 10.5% is fair and reasonable.

RATES AND TARIFFS

By its application in Case No. 06-350-GA-CMR, Oxford Natural Gas Company requests authority to increase rates to be charged and collected for gas service within its service territory.

Staff of the Rates and Tariffs, Energy and Water Division of the Utilities Department has investigated the rates and tariffs matters proposed by the Applicant. The results of the Staff's investigation pertaining to rates and tariffs are reported in this section. It is Staff's intent to provide analysis with regard to the acceptability and reasonableness of the changes in revenue recovery mechanisms contained in the proposed tariffs. Proposals made by the Staff may require adjustments based on the revenue and rate structure authorized by the Commission.

The Staff's tariff analysis addresses changes specific to the rate. Rate Design analyzes the Current, Proposed, and Staff-Recommended mechanisms for rate recovery. Rate and Revenue Analysis is dedicated to the propriety and impact of the rate schedule proposal. Tables which portray the effects of Current, Proposed, and Staff-Recommended rates on typical bills are presented at the end of the section.

TARIFF ANALYSIS

The Applicant is proposing various textual changes to its tariff throughout Sections I through VI. Unless noted, Staff recommends approval of these changes as proposed by the Applicant. Staff's proposed changes are provided as follows:

Section I – Rates and Charges

To provide ease in reading the company's proposed tariff, the Company should replace "Item – Rate or Charge" with "Monthly Charges." The volumetric charge should be moved from Sheet No. 2 to 1. The following language should be added below volumetric charges as follows:

"Plus, all delivered gas shall be subject to an adjustment per one thousand cubic feet (MCF) as set forth on:

Sheet No. 26, PIPP Rider
Sheet No. 26, MCF Excise Tax Rider
Sheet No. 26, Uncollectible Expense Rider"

The Applicant's proposed reference for the PIPP Rider, MCF Excise Tax Rider and Uncollectible Expense Rider should be eliminated.

Staff recommends that the Applicant replace the Company's proposed language with the following language:

"Gross Receipts Tax Rider

All bills rendered will be adjusted to provide for the recovery of the Company's gross receipts tax liability of said bills through the application of the gross receipts tax rider specified on Sheet No. 26."

Section III – Metering and Billing

In the fourth paragraph, the Applicant is proposing the following language:

"The Company shall test the meter at the request of the customer using the method prescribed by the Public Utilities Commission of Ohio. Such test shall be performed by an outside vendor in the presence of the customer if requested. If the meter is found to be correct, as defined below, the customer shall pay the \$75.00 fee charged by the outside vendor for testing the meter in accordance with Ohio Revised Code, Section 4933.09. The date of re-inspection shall be stamped on the meter."

In reality, when a customer requests that their meter be tested, the meter is sent to a third party for testing. The current language does not reflect current operating procedures and should be changed. Staff proposes the following language:

"The Company shall test the meter at the request of the customer using the method prescribed by the Public Utilities Commission of Ohio. The meter will be removed from the customer's premise and tested by an outside vendor. If the meter is found to be operating within accepted tolerances (plus or minus 3%), the customer shall pay the meter test fee charged by the company. The date of re-inspection shall be stamped on the meter. If the meter was not operating within accepted tolerances, there shall be no charge for the test or removal. This charge shall not be assessed for the first such test performed in any 36-month period."

Section V – General

Staff recommends modifying the "Uncollectible Expense Rider" language by eliminating the reference to the \$.38 per Mcf rate as proposed by the Applicant. The paragraph should begin with the following language, "This rider is applicable to all volumes served under this tariff."

In addition, the \$.38 rate referenced in the last sentence of this paragraph should be replaced with \$.00, at this time. Conceptually, Staff believes the Applicant should recover uncollectible expenses, but does not recommend approval of the proposed rate

in this filing. Staff findings and recommendations are provided in the Miscellaneous Charges and Revenue section of the Rates & Tariffs portion of the Staff Report.

Staff recommends modifying the "Gross Receipts Tax Rider" language providing clarification in how the Gross Receipts Rider will be applied. Staff proposes the following language, "Applicable to all charges billed by the company under the Rate Schedule, including miscellaneous charges and all applicable rider rates, except that this rider shall not be billed to those customers statutorily exempted from the payment of gross receipts taxes."

"All bills rendered shall be adjusted to include the effect of the Ohio excise tax on gross receipts at a rate of 4.9032%."

Staff is proposing a language change in the "MCF Excise Tax Rider" section so that customers who are not subject to excise taxes are not charged. The company should include the following language:

"The excise tax rider shall not be applicable to customers that are statutorily exempt from the payment of excise taxes."

Miscellaneous Charges and Revenue

Staff has historically supported cost-based miscellaneous charges, in that they are incidental costs imposed by individual customers on the company and, ultimately, the rest of the customers. Such costs decrease the funds available for the company to meet its obligations with resulting:

- Additions to working capital requirements
- Increased interest expense associated with short-term borrowing; and
- Labor and non-labor expenses associated with those activities.

Staff believes the provisions and resulting charges should reflect the actual cost(s) incurred by the Company. These charges should be recovered from customers who cause the expense(s), rather than customers in general. The collection of these charges is generally not dollar-for-dollar, but a reasonable approximation of cost recovery.

Returned Check Charge

The Applicant is proposing increasing the returned check charge from \$15.00 to \$25.00. In data request response No. 4, the Applicant provided a calculation supporting the proposed \$25.00 charge. The worksheet listed a per hour rate of \$15.00 for use of a field vehicle in situations where an employee would return a check to a service address. Staff relied on information provided by Eastern Natural Gas in Case No. 04-1779-GA-

AIR as a starting point for determining the approximation of what an hourly average for field vehicles would be. In the Eastern Natural Gas rate case, Staff accepted an hourly vehicle use and administration amount of \$3.00. Staff believes that in this particular case an amount of \$5.00 is a good starting point for calculating costs associated with using field vehicles. Staff's adjustment to the field vehicle amount resulted in a proposal of \$23.50.

Credit Check Processing Charge

The Applicant currently charges \$5.00 and is proposing \$10.00. Staff finds the proposed charge reasonable and recommends approval.

Field Collection Fee

The Applicant currently charges \$5.00 and is proposing \$15.00. Staff finds the proposed charge reasonable and recommends approval.

Service Tap Charge

The Applicant is proposing a service tap charge of \$500.00 for single family dwellings and \$1,000.00 for multi-family or commercial customers, as opposed to the current single charge of \$250.00. The Applicant was unable to provide company records reflecting costs for equipment used for this function. In addition, Staff has no way of knowing whether it takes twice as long to service multi-family dwellings or commercial versus single family dwellings as indicated by the Applicant. To ensure that customers are not charged greater than the actual costs associated with installing new service taps, Staff is proposing that the customer be charged the lesser of actual costs or the proposed \$500.00 or \$1,000.00.

Reconnection Charge

The Applicant is proposing increasing the reconnection fee from \$25.00 to \$50.00. Based upon the Staff's adjustment to field vehicle amounts as provided by the Applicant, Staff's re-calculation of the field vehicle costs supports a recommended reconnection charge of \$40.00.

Meter Test Fee

The Applicant is proposing increasing the meter test charge from \$25.00 to \$75.00. The company does not have the capacity to test meters and meters must be sent to a third party for testing. In a work-paper provided by the Applicant, the Applicant listed an estimated third party fee of \$50.00 dollars, plus a shipping fee of \$12.50, Staff recommends approval provided the Applicant provide documentation supporting both estimated fees. This charge shall not be assessed if the meter was not operating within accepted tolerances. This charge shall also not be assessed for the first such test performed in any 36-month period.

Gross Receipts Tax Rider

Gross receipts tax is an item which fluctuates with revenue receipts, currently calculated at 4.75% of taxable receipts. Excluded from taxable receipts are; receipts from interstate business, receipts derived from business with the federal government, receipts from sales for resale, and receipts from the sale of merchandise.

This rider should apply to every revenue producing tariff and will allow the company to collect the amount of their gross receipts excise tax liability at the same time as the receipts upon which it is based. As the revenue generated by this rider is also subject to gross receipts excise tax, the gross receipts excise tax rider rates are grossed-up.

Oxford proposes a gross receipts excise tax rider rate of 4.96%. Oxford's proposed rate does not take into consideration uncollectible revenue and utilizes an incorrect gross-up formula. Staff instead proposes a gross receipts excise tax rider rate of 4.9032%, calculated from annual report data as follows:

(1)	3 year Average Uncollectible Revenue Percentage	1.6005%
(2)	Receipt Percentage 1.0000 - (1)	98.3995%
(3)	Rider Rate Numerator (2) x 4.75%	4.6740%
(4)	Rider Rate Denominator 1.0000 - (3)	95.3260%
(5)	Gross Receipts Excise Tax Rider Rate (3) / (4)	4.9032%
		=====

PIPP Rider

PIPP is a program established in 1983 for qualifying low income individuals to help them maintain utility services. PIPP customers pay a monthly minimum toward their utility bill based upon a percentage of their income. Incremental amounts not recovered from customers are allowed to be deferred and, after aging for a minimum of two months, recovered through the PIPP rider.

Oxford proposes a PIPP rider rate of \$.02 per Mcf. The Staff requested support for the proposed rate, which as of the date of this text was still outstanding. A review of Oxford's recent annual reports indicate no PIPP customer activity. Therefore, Staff does not believe there is a need for PIPP recovery in this case and recommends that Oxford's proposed PIPP rider rate not be approved. At such time as Oxford is able to justify initiation of a PIPP recovery mechanism, they may separately file a PIPP rider application.

MCF Excise Tax Rider

Oxford has proposed the rate of \$.04344 per Mcf for their Mcf excise tax rider. Staff recommends a Mcf excise tax rider rate of \$.0411 per Mcf, which is equal to the final statutory block rate for distributions to non-flex customers.

Further, staff proposes that Oxford should revise the language of the proposed tariff as follows:

"A rate of \$.0411 per Mcf shall be applicable to all volumes delivered, except volumes statutorily exempted from the tax or to flex customers, to recover the tax on natural gas distribution pursuant to Section 5727.811, Ohio Revised Code.

Flex Customers

All bills rendered to a flex customer, as defined by Section 5727.80(N), Ohio Revised Code, shall be adjusted to provide for recovery of the MCF excise tax at the rate of \$.02 per Mcf on all volumes delivered, with a corresponding reduction to the flexed base rate(s) being billed the customer."

Uncollectible Accounts Expense Rider

Oxford has proposed the rate of \$.38 per Mcf for its initial bad debt rider. Supporting calculations for Oxford's proposed rate are provided on Exhibit A attached to the pre-filed testimony of Robert Sanders. Staff believes there are several problems with Oxford's calculation.

- Exhibit A includes collections fees in the estimated amount to be recovered - the Commission's Finding and Order in Case No. 03-1127-GA-UNC indicates the rider is to recover disconnected or other final customer accounts
- Exhibit A includes past amounts as incremental recoverable bad debt - base rate recovery is required to calculate an incremental amount and base rate recovery is unknown
- Exhibit A includes a gross-up for gross receipts excise tax within the rider itself rather than by application of the gross receipts excise tax rider

Staff recommends that Oxford's proposed \$.38 per Mcf bad debt rider not be approved. Instead, staff recommends that Oxford's initial bad debt rider be set at \$0. Beginning with the date of rates approved in this case, Oxford would then begin to defer incremental customer bad debt, calculate carrying charges on the deferred incremental bad debt balance, and complete and file annual deferred bad debt balance reconciliations.

The reconciliations should follow the same format used by all other companies with such a rider. A blank copy is provided on page 21. Oxford's first balance reconciliation should show no balance or activity prior to the month the rider becomes effective. Thereafter, the report should show monthly customer bad debts written off, recoveries of customer bad debts written off, calculate carrying charges and arrive at a net balance. The reconciliations should be filed with an application to revise the rider rate, if such an application is filed, or separately if no such rider revision application is filed.

The case that authorized the bad debt rider in concept, Case No. 03-1127-GA-UNC, required that companies granted approval of a bad debt rider are to file copies of their credit and collection policies within 60 days of approval of their initial rider. If a bad debt rider is established in this case, Oxford should provide copies of its credit and collection policies to the staff and the Ohio Consumers' Counsel within 60 days of the disposition of this case.

OXFORD NATURAL GAS
BAD DEBT / UNCOLLECTIBLE ACCOUNTS EXPENSE RIDER

Annual Balance Reconciliation

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
(1) Balance - Beginning of Month												
(2) Bad Debts Written Off (a)												
(3) Recovery - Base Rates												
(4) Recovery - Bad Debt Rider (b)												
(5) Recovery - Other (c)												
(6) Incremental Bad Debt (2)-(3)+(4)+(5)												
(7) Balance Subtotal (1)+(6)												
(8) Carrying Charges $[(1)+(7)]/2 \times (d)$												
(9) Balance - End of Month (7)+(8)												
(a) Monthly amounts of disconnected or other final account balances												
(b) Calculated: actual consumption times authorized rider rate												
(c) Consists of customer payments, agency assistance, supplier discounts												
(d) Enter NET monthly carrying charge rate												

Late Payment Charge

The Applicant currently assesses a 10% charge to customer bills not paid within 25 days from the date the bill is postmarked. Although the Applicant is not proposing any changes to this charge, Staff is proposing the industry standard of 1.5%. The proposed language reads as follows:

"If a bill payment is not received by the company's offices or by the company's authorized agent within twenty five (days) of the date of the invoice, an additional amount of one and one half percent (1.5%) of the unpaid balance on the customer's subsequent bill will become due and payable as part of the customer's total obligation. This provision is not applicable to unpaid account balances of any customer enrolled in PIPP or a payment plan pursuant to Rule 4901:1-18-04, Ohio Administrative Code."

RATE DESIGN AND REVENUE ANALYSIS

Rate and Revenue Guidelines

General guidelines or objectives are followed in Staff's review of rate schedules and design. The applicable schedules should provide the utility the opportunity of recovering an authorized revenue. The schedule presents a reasonable distribution of revenue between and among the various customer groups. Schedules should be equitable and reasonable, should provide for customer understanding and continuity of rates, and should cause minimal customer impact.

The following analysis in this section reflects Staff's recommended rates and charges, which are based on the revenue requirement found proper by the Staff, as fully described in this Staff Report of Investigation. Rates and charges shown in the rate schedule tables may require adjustment based on the revenue requirement granted by the Commission, and/or changes in the rate areas, or changes in rate structure approved by the Commission.

Cost of Service Analysis

Generally, there are three capacity allocation methodologies that are commonly used – coincident demand, non-coincident demand, and average and excess demand. The standard filing requirements allow the selection of any of these approaches, or alternatives, when, in the utility's opinion, the procedure best represents the utility's system characteristics.

The company requested a waiver and was granted the request by the Commission from filing an E-3.2 Cost of Service Schedule. The current rate structure does not separate residential

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR

and commercial customers. Except for special contract customers, the proposed revenue increase is applied to all system sales customers. Without reliable financial documents, Staff is not proposing an alternative to the Company's proposal since there are no studies available to support such proposal. Staff recommends that the company establish record keeping according to FERC guidelines so that the separation of costs between classes can be identified more accurately.

In addition, it is Staff's position that the Company should perform a cost of service study for future use so that the company can develop an appropriate transportation tariff that offers rates that are downwardly flexible from the maximum rates. The rates should be designed such that the company recovers all variable costs of service and provides a contribution to the Company's fixed costs of providing service.

Staff-Recommended revenue, compared with Applicant's current and proposed increase, is shown in Tables 1, 1(a), 2, and 2(a) excluding and including gas costs.

The values include Gas Cost of \$ 10.474

GCR based upon Quarterly Report filed by Oxford on September 25, 2006.

Table 1

Applicant-Proposed Total Revenue Distribution Excluding Gas Costs

	<u>Current</u>	<u>Company Proposed</u>	<u>Increase</u>	<u>Pct. Increase</u>
General Service	\$1,674,050	\$2,157,671	\$483,621	28.89%
Industrial/ Transportation	<u>130,994</u>	<u>130,994</u>	<u>0</u>	<u>0.00</u>
	\$1,805,044	\$2,288,665	\$483,621	26.79%

Table 1(a)

Staff- Recommended Total Revenue Distribution Excluding Gas Costs

	<u>Current</u>	<u>Staff Rec'd</u>	<u>Increase</u>	<u>Pct. Increase</u>
General Service	\$1,722,141	\$626,037	\$(1,096,104)	-63.65%
Industrial/ Transportation	<u>130,994</u>	<u>130,994</u>	<u>0</u>	<u>0.00%</u>
	\$1,853,135	\$757,031	\$(1,096,104)	-59.15%

Table 1(a) based on adjusted sales as shown in Schedule C1.1a of the Staff Report.

Table 2
Applicant Proposed

Total Revenue Distribution Including Gas Costs and Miscellaneous Revenues

	<u>Current</u>	<u>Company Proposed</u>	<u>Increase</u>	<u>Pct. Increase</u>
General Service	\$5,671,238	\$6,113,560	\$442,322	7.80%
Industrial/ Transportation	<u>238,776</u>	<u>280,075</u>	<u>41,299</u>	<u>17.30%</u>
	5,910,014	6,393,635	483,621	8.18%
Late Payment Revenues	97,267	97,267	0	0.00%
Misc. Revenues	<u>12,585</u>	<u>25,425</u>	<u>12,840</u>	<u>102.03%</u>
	109,852	122,692	12,840	11.69%
Total Revenue	\$6,019,866	\$6,516,327	\$496,461	8.25%

Table 2(a)

Staff Recommended
Total Revenue Distribution Including Gas Costs and Miscellaneous Revenues

	<u>Current</u>	<u>Staff Rec'd</u>	<u>Increase</u>	<u>Pct. Increase</u>
General Service	\$5,940,283	\$4,844,179	\$(1,096,104)	-18.45%
Industrial/ Transportation	<u>130,994</u> 6,071,277	<u>130,994*</u> 4,975,173	<u>0</u> (1,096,104)	<u>0.00</u> -18.05
Late Payment Revenues	81,106	91,640	10,534	12.99
Misc. Revenues	<u>12,585</u>	<u>25,212</u>	<u>12,627</u>	<u>100.33</u>
	93,691	116,852	23,161	24.72%
Total Revenue	\$6,164,968	\$5,092,024	\$(1,072,944)	-17.40%

Table 2(a) based on adjusted sales as shown in Schedule C1.1a of the Staff Report.

* Excludes Miami low pressure (included in general service)

The revenue increase and revenue distribution tables are based on Staff adjustments as shown in the schedules included in this report. These adjustments are carried forward and reflected on all such tables.

The Staff-Recommended revenue distribution, compared with Applicant's current and proposed revenue distribution, is shown in Tables 3 and 4 excluding and including gas costs.

Table 3

Total Revenue Distribution Excluding Gas Costs

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Rec'd</u>
General Service	92.74%	94.28%	82.70%
Industrial/ Transportation	<u>7.26</u> 100.00%	<u>5.72</u> 100.00%	<u>17.30</u> 100.00%

Current & Company Proposed based on Table 1
Staff Rec'd based on Table 1(a)

Table 4

Total Revenue Distribution Including Gas Costs and Miscellaneous Revenues

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Rec'd</u>
General Service	94.21%	93.82%	95.13%
Industrial/ Transportation	3.97	4.30	2.57 (Excludes Miami low pressure)
Late Payment Revenues	1.62	1.49	1.80
Misc. Revenues	0.21	0.39	0.50
Total Revenue	100.00%	100.00%	100.00%

Current & Company Proposed based on Table 2
Staff Rec'd based on Table 2(a)

Rate Design and Schedules

Staff Customer Charge Analysis

Certain, generally unvarying, costs occur as a result of customer connections to the utility's system, regardless of usage. Staff has found it appropriate to separately recognize these costs and to continue this recognition in the form of customer charges in the design of rates.

Staff's general approach to calculating a customer-related cost was established in 1978. Since its establishment, Staff has periodically reviewed the costs included; yet has made few changes to the formula. Customer charges do not represent a dollar-for-dollar collection of the actual cost, but a reasonable approximation of the costs incurred. In recommending customer charges, Staff recognizes and prescribes to the established ratemaking principle of gradualism within the revenue distributions.

The Applicant provided a customer charge rationale using a methodology similar to Staff's. Although, Staff finds the methodology reasonable, the expense amounts used in the rationale can not be supported. To validate the expense amounts as shown in the Applicant's calculation, Staff requested that the Applicant provide a copy of the document/documents

supporting these numbers. The Applicant's calculation generated an average monthly charge of \$8.51. However, the Applicant is proposing a \$7.50 residential customer charge and a \$15.00 commercial customer charge. The commercial charge is premised on commercial meters costing more than the standard residential meter. Staff does not disagree with the fact that commercial meters are generally higher. What staff does disagree with is the lack of support showing how the proposed commercial customer charge is reasonable and justified. Staff recommends that the company establish record keeping according to FERC guidelines so that costs can be identified in appropriate accounts and expenses are allocated by class supporting such proposal. In this case Staff is proposing a revenue requirement that is less than what the Applicant is currently recovering. Several considerations are factored in this case taking into account the amount of the proposed reduction and the fixed revenue recovery through the customer charge.

Given the results of the analysis and Staff's proposed revenue recovery, Staff is proposing a \$6.00 customer charge for both residential and commercial customers.

Current and Proposed Rate Design

Applicant proposes to continue its current rate design. Staff recommends Applicant's general rate design, with adjustments made to compensate for differences in revenue requirements.

Rate Schedule Comparison

A table showing Applicant's Current and Proposed rate schedules, along with the Staff recommended rate schedules are shown in Table 5.

Table 5

	<u>Current</u>	<u>Company Proposed</u>	<u>Staff Proposed</u>
General Service			
Customer Charge:			
Residential	\$ 8.00	\$ 7.50	\$ 6.00
Commercial	8.00	15.00	6.00
All Mcf:	\$ 3.05	\$ 4.10	\$ 0.7623

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR

Typical Bills

Table 6
Typical Bill Comparison

<u>Usage</u>	<u>Applicant Current</u>	<u>Applicant Proposed</u>	<u>Increase</u>	<u>Pct. Increase</u>	<u>Staff Proposed</u>	<u>Increase</u>	<u>Pct. Increase</u>
0	\$ 8.00	\$ 7.50	\$ (0.50)	-6.25%	\$ 6.00	\$ (2.00)	-25.00%
1	11.05	11.60	0.55	4.98	6.76	(4.29)	-38.80
5	23.25	28.00	4.75	20.43	9.81	(13.44)	-57.80
10	38.50	48.50	10.00	25.97	13.62	(24.88)	-64.62
20	69.00	89.50	20.50	29.71	21.25	(47.75)	-69.21
30	99.50	130.50	31.00	31.16	28.87	(70.63)	-70.99
40	130.00	171.50	41.50	31.92	36.49	(93.51)	-71.93
50	160.50	212.50	52.00	32.40	44.12	(116.39)	-72.51
75	236.75	315.00	78.25	33.05	63.17	(173.58)	-73.32
100	313.00	417.50	104.50	33.39	82.23	(230.77)	-73.73
250	770.50	1,032.50	262.00	34.00	196.58	(573.93)	-74.49
500	\$1,533.00	\$2,057.50	\$ 524.50	34.21%	\$ 387.15	\$ (1,145.85)	-74.75%

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Revenue Requirements

		Staff	
		Lower Bound	Upper Bound
	Applicant (a)		
(1) Rate Base (b)	\$ 2,119,508 \$	1,210,225 \$	1,210,225
(2) Adjusted Operating Income (c)	(736,044)	829,174	829,174
(3) Rate of Return Earned (2) / (1)	-34.73%	68.51%	68.51%
(4) Rate of Return Recommended (d)	11.00%	9.50%	10.50%
(5) Required Operating Income (1) x (4)	233,146	114,971	127,074
(6) Income Deficiency (5) - (2)	969,190	(714,203)	(702,100)
(7) Gross Revenue Conversion Factor (e)	1.515152	1.515152	1.515152
(8) Revenue Increase Required (6) x (7)	1,468,470	(1,082,125)	(1,063,787)
(9) Revenue Increase Recommended	476,188	(1,082,125)	(1,063,787)
(10) Adjusted Operating Revenue (c)	7,872,385	6,164,968	6,164,968
(11) Revenue Requirements (9) + (10)	\$ 8,348,573 \$	5,082,843 \$	5,101,181
(12) Increase Over Current Revenue (9) / (10)	6.05%	-17.55%	-17.26%

- (a) Derived from Applicant's Schedule B-1, C1 and E-4
 (b) Staff's Schedule B-1
 (c) Staff's Schedule C-2
 (d) Refer to Rate of Return Section
 (e) Staff's Schedule A-1.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Gross Revenue Conversion Factor

(1)	Gross Revenue	100.000000
(2)	Uncollectibles (1) x 0.000000%	<u>0.000000</u>
(3)	Net Revenue (1) - (2)	100.000000
(4)	Ohio Gross Receipts Tax (3) x 0.000000%	<u>0.000000</u>
(5)	Income Before Federal Income Taxes (3) - (4)	100.000000
(6)	Federal Income Taxes (5) x 34%	<u>34.000000</u>
(7)	Operating Income Percentage (5) - (6)	66.000000
(8)	Gross Revenue Conversion Factor (1) / (7)	<u><u>1.515152</u></u>

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Rate Base Summary
As of Date Certain, January 31, 2006

	<u>Applicant</u> (a)	<u>Staff</u>
(1) Plant in Service	\$ 4,242,987	\$ 4,430,497 (b)
(2) Depreciation Reserve	<u>(2,215,382)</u>	<u>(2,897,445) (c)</u>
(3) Net Plant in Service	2,027,606	1,533,052
(4) Construction Work in Progress	0	0 (d)
(5) Working Capital Allowance	213,643	13,748 (e)
(6) Other Rate Base Items	<u>(121,740)</u>	<u>(336,573) (f)</u>
(7) Rate Base (3) Thru (6)	\$ <u>2,119,508</u>	\$ <u>1,210,225</u>

- (a) Applicant's Schedule B-1
(b) Staff's Schedule B-2
(c) Staff's Schedule B-3
(d) Staff's Schedule B-4
(e) Staff's Schedule B-5
(f) Staff's Schedule B-6

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Jurisdictional Plant in Service Summary

<u>Major Property Groupings</u>	<u>Applicant</u> (a)	<u>Staff</u> (b)
Production Plant	\$ 0	\$ 0
Intangible Plant	34,686	0
Distribution Plant	3,010,198	3,928,533
General	1,198,103	501,964
Common Plant (Allocated to Gas)	<u>0</u>	<u>0</u>
Total Plant in Service	\$ <u>4,242,987</u>	\$ <u>4,430,497</u>

(a) Applicant's Schedule B-2
(b) Staff's Schedule B-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Jurisdictional Plant in Service

FERC Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)
	<u>Intangible Plant:</u>			
302	Franchises and Consents	\$ 34,686	\$ (34,686)	\$ 0
	Total Intangible Plant	34,686	(34,686)	0
	<u>Distribution Plant:</u>			
374	Land and Land Rights	56,564	(56,564)	0
375	Structures and Improvements	576,696	(576,696)	0
376	Mains	1,424,009	1,675,116	3,099,125
378	Measuring and Regulating Station Equip. - General	0	3,806	3,806
379	Measuring and Regulating Station Equip. - City Gate	53,937	(53,882)	55
380	Services	244,052	(32,567)	211,485
381	Meters	385,745	211,996	597,741
382	Meter Installations	155,829	(139,508)	16,321
383	House Regulators	35,498	(35,498)	0
385	Industrial Measuring and Regulating Station Equipment	12,879	(12,879)	0
387	Other Equipment	64,989	(64,989)	0
	Total Distribution Plant	3,010,196	918,335	3,928,533
	<u>General Plant:</u>			
389	Land and Land Rights	0	38,000	38,000
390	Structures and Improvements	112,884	95,070	207,954
391.1	Office Furniture	418,796	(399,888)	18,908
391.2	Office Equipment	0	2,075	2,075
391.3	Computer Equipment	0	6,322	6,322
392	Transportation Equipment	258,147	(155,379)	102,768
394	Tools, Shop and Garage Equipment	126,421	(103,161)	23,260
395	Laboratory Equipment	12,932	(12,932)	0
396	Power Operated Equipment	53,915	48,478	102,393
397	Communication Equipment	69,216	(69,216)	0
398	Miscellaneous Equipment	145,792	(145,508)	284
	Total General Plant	1,198,103	(696,139)	501,964
	Total Gas Plant in Service	\$ 4,242,987	\$ 187,510	\$ 4,430,497

- (a) Applicant's Schedule B-2
(b) Staff's Schedule B-2.2
(c) Columns (a) + (b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Summary of Staff's Adjustments to Plant In Service

FERC Acct. No.	Description	Original Cost Valuation (a)	Plant Valuation (b)	Plant Exclusions (c)	Total Adjustments (d)
<u>Intangible Plant:</u>					
302	Franchises and Consents	\$ (34,686)	\$ 0	\$ 0	\$ (34,686)
	Total Intangible Plant	(34,686)	0	0	(34,686)
<u>Distribution Plant:</u>					
374	Land and Land Rights	(56,564)	0		(56,564)
375	Structures and Improvements	(576,696)	0		(576,696)
376	Mains	2,867,914	(1,189,732)	(3,066)	1,675,116
378	Measuring and Regulating Station Equip. - General	5,345	(1,539)		3,806
379	Measuring and Regulating Station Equip. - City Gate	(53,877)	(5)		(53,882)
380	Services	(7,177)	(25,380)		(32,557)
381	Meters	204,247	7,748		211,996
382	Meter Installations	(140,553)	1,045		(139,508)
383	House Regulators	(35,498)	0		(35,498)
385	Industrial Measuring and Regulating Station Equipment	(12,879)	0		(12,879)
387	Equipment Other	(64,989)	0		(64,989)
	Total Distribution Plant	2,129,273	(1,207,872)	(3,066)	918,335
<u>General Plant:</u>					
389	Land and Land Rights	119,000	(81,000)		38,000
390	Structures and Improvements	165,977	(68,611)	(2,296)	95,070
391.1	Office Furniture	(393,949)	(4,110)	(1,829)	(399,888)
391.2	Office Equipment	2,897	(156)	(466)	2,075
391.3	Computer Equipment	7,652	(905)	(425)	6,322
392	Transportation Equipment	(131,977)	(23,402)		(155,379)
394	Tools, shop, and garage equipment	(99,626)	(2,774)	(761)	(103,161)
395	Laboratory Equipment	(12,932)	0		(12,932)
396	Power Operated Equipment	48,478	0		48,478
397	Communication Equipment	(69,216)	0		(69,216)
398	Miscellaneous Equipment	(145,508)	0		(145,508)
	Total General Plant	(509,404)	(180,958)	(5,777)	(696,139)
	Total Plant Adjustments	\$ 1,585,183	\$ (1,388,830)	\$ (8,843)	\$ 187,510

- (a) Staff's Schedule B-2.2a
(b) Staff's Schedule B-2.2b
(c) Staff's Schedule B-2.2c
(d) Columns (a) + (b) + (c)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Original Cost Valuation Adjustment

FERC Acct. No.	Description	Consultant Engineering Valuation (a)	Applicant's Unadjusted (b)	Adjustments (c)
	<u>Intangible Plant:</u>			
302	Franchises and Consents	\$ 0	\$ 34,686	\$ (34,686)
	Total Intangible Plant	0	34,686	(34,686)
	<u>Distribution Plant:</u>			
374	Land and Land Rights	0	56,564	(56,564)
375	Structures and Improvements	0	576,696	(576,696)
376	Mains	4,291,923	1,424,009	2,867,914
378	Measuring and Regulating Station Equip. - General	5,345	0	5,345
379	Measuring and Regulating Station Equip. - City Gate	60	53,937	(53,877)
380	Services	236,875	244,052	(7,177)
381	Meters	589,992	385,745	204,247
382	Meter Installations	15,276	155,829	(140,553)
383	House Regulators	0	35,498	(35,498)
385	Industrial Measuring and Regulating Station Equipment	0	12,879	(12,879)
387	Other Equipment	0	64,989	(64,989)
	Total Distribution Plant	5,139,471	3,010,198	2,129,273
	<u>General Plant:</u>			
389	Land and Land Rights	119,000	0	119,000
390	Structures and Improvements	278,861	112,684	165,977
391.1	Office Furniture	24,847	418,796	(393,949)
391.2	Office Equipment	2,697	0	2,697
391.3	Computer Equipment	7,652	0	7,652
392	Transportation Equipment	126,170	258,147	(131,977)
394	Tools, Shop and Garage Equipment	28,795	126,421	(99,626)
395	Laboratory Equipment	0	12,932	(12,932)
396	Power Operated Equipment	102,393	53,915	48,478
397	Communication Equipment	0	69,216	(69,216)
398	Miscellaneous Equipment	284	145,792	(145,508)
	Total General Plant	688,699	1,198,103	(509,404)
	Total Gas Plant in Service	\$ 5,828,170	\$ 4,242,987	\$ 1,585,183

(a) Consultant Engineering Report
(b) Applicant's Schedule B-2
(c) Columns (a) - (b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Plant Valuation Adjustment

FERC Acct. No.	Description	Staff's Valuation (a)	Consultant Engineering Valuation (b)	Adjustments (c)
	<u>Intangible Plant:</u>			
302	Franchises and Consents	\$ 0	\$ 0	\$ 0
	Total Intangible Plant	0	0	0
	<u>Distribution Plant:</u>			
374	Land and Land Rights	0	0	0
375	Structures and Improvements	0	0	0
376	Mains	3,102,191	4,291,923	(1,189,732)
378	Measuring and Regulating Station Equip. - General	3,806	5,345	(1,539)
379	Measuring and Regulating Station Equip. - City Gate	55	60	(5)
380	Services	211,485	236,875	(25,390)
381	Meters	597,741	589,992	7,749
382	Meter Installations	16,321	15,276	1,045
383	House Regulators	0	0	0
385	Industrial Measuring and Regulating Station Equipment	0	0	0
387	Other Equipment	0	0	0
	Total Distribution Plant	3,931,599	5,139,471	(1,207,872)
	<u>General Plant:</u>			
389	Land and Land Rights	38,000	119,000	(81,000)
390	Structures and Improvements	210,250	278,861	(68,611)
391.1	Office Furniture	20,737	24,847	(4,110)
391.2	Office Equipment	2,541	2,697	(156)
391.3	Computer Equipment	6,747	7,652	(905)
392	Transportation Equipment	102,768	126,170	(23,402)
394	Tools, Shop and Garage Equipment	24,021	26,795	(2,774)
395	Laboratory Equipment	0	0	0
396	Power Operated Equipment	102,393	102,393	0
397	Communication Equipment	0	0	0
398	Miscellaneous Equipment	284	284	0
	Total General Plant	507,741	688,699	(180,958)
	Total Gas Plant in Service	\$ 4,439,340	\$ 5,828,170	\$ (1,388,830)

- (a) Staff's Workpapers
(b) Consultant Engineering Report
(c) Columns (a) - (b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Plant Exclusions Adjustment

(1) Mains - Account 376 (a)	\$ (3,066)
(2) Structure & Improvements - Account 390 (a)	(2,296)
(3) Office Furniture & Equipment - Account 391.1 (a)	(1,829)
(4) Office Furniture & Equipment - Account 391.2 (a)	(466)
(5) Office Furniture & Equipment - Account 391.3 (a)	(425)
(6) Tools, Shop & Garage Equipment - Account 394 (a)	<u>(761)</u>
(7) Total Plant Exclusions (1) thru (6)	\$ <u><u>(8,843)</u></u>

(a) Staff's Workpapers

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Jurisdictional Depreciation Reserve

FERC Acct. No.	Description	Applicant's Unadjusted (a)	Adjustments (b)	Staff's Adjusted Jurisdictional (c)
	<u>Intangible Plant:</u>			
302	Franchises and Consents	\$ 23,579	\$ (23,579)	0
	Total Intangible Plant	23,579	(23,579)	0
	<u>Distribution Plant:</u>			
374	Land and Land Rights	11,345	(11,345)	0
375	Structures and Improvements	198,039	(198,039)	0
376	Mains	839,537	928,118	1,767,655
378	Measuring and Regulating Station Equip. - General	0	1,543	1,543
379	Measuring and Regulating Station Equip. - City Gate	2,027	(1,932)	95
380	Services	251,360	21,653	273,013
381	Meters	129,953	358,975	488,928
382	Meter Installations	41,988	(29,384)	12,604
383	House Regulators	42,028	(42,028)	0
385	Industrial Measuring and Regulating Station Equipment	5,645	(5,645)	0
387	Equipment Other	39,407	(39,407)	0
	Total Distribution Plant	1,559,329	984,509	2,543,838
	<u>General Plant:</u>			
389	Land and Land Rights	0	0	0
390	Structures and Improvements	43,887	177,423	221,290
391.1	Office Furniture	214,051	(198,056)	15,995
391.2	Office Equipment	0	2,217	2,217
391.3	Computer Equipment	0	2,082	2,082
392	Transportation Equipment	228,944	(154,007)	74,937
394	Tools, shop, and garage equipment	17,698	(4,451)	13,247
395	Laboratory Equipment	4,238	(4,238)	0
396	Power Operated Equipment	9,983	13,769	23,752
397	Communication Equipment	30,940	(30,940)	0
398	Miscellaneous Equipment	28,010	(27,923)	87
399	Other Tangible Property	54,353	(54,353)	0
	Total General Plant	632,084	(278,477)	353,607
	Total Gas Plant in Service	\$ 2,214,992	\$ 682,453	\$ 2,897,445

- (a) Applicant's Schedule B-3
(b) Staff's Schedule B-3.1
(c) Columns (a)-(b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Staff's Adjustments to Depreciation Reserve

FERC Acct. No.	Description	Original Cost Valuation (a)	Plant Valuation (b)	Plant Exclusions (c)	Total Adjustments (d)
<u>Intangible Plant:</u>					
302	Franchises and Consents	\$ (23,579)	\$ 0	\$ 0	\$ (23,579)
	Total Intangible Plant	(23,579)	0	0	(23,579)
<u>Distribution Plant:</u>					
374	Land and Land Rights	(11,345)	0		(11,345)
375	Structures and Improvements	(196,039)	0		(196,039)
376	Mains	1,622,749	(692,074)	(2,557)	928,118
378	Measuring and Regulating Station Equip. - General	2,167	(624)		1,543
379	Measuring and Regulating Station Equip. - City Gate	(1,925)	(7)		(1,932)
380	Services	54,446	(32,793)		21,653
381	Meters	354,788	4,187		358,975
382	Meter Installations	(29,806)	422		(29,384)
383	House Regulators	(42,028)	0		(42,028)
385	Industrial Measuring and Regulating Station Equipment	(5,645)	0		(5,645)
387	Equipment Other	(39,407)	0		(39,407)
	Total Distribution Plant	1,707,955	(720,889)	(2,557)	984,509
<u>General Plant:</u>					
389	Land and Land Rights	0	0		0
390	Structures and Improvements	226,055	(46,843)	(1,789)	177,423
391.1	Office Furniture	(192,602)	(3,721)	(1,733)	(198,056)
391.2	Office Equipment	2,871	(170)	(484)	2,217
391.3	Computer Equipment	2,876	(484)	(110)	2,082
392	Transportation Equipment	(135,163)	(18,844)		(154,007)
394	Tools, shop, and garage equipment	(1,843)	(1,969)	(639)	(4,451)
395	Laboratory Equipment	(4,238)	0		(4,238)
396	Power Operated Equipment	13,767	2		13,769
397	Communication Equipment	(30,940)	0		(30,940)
398	Miscellaneous Equipment	(27,923)	0		(27,923)
399	Other Tangible Property	(50,875)	(3,478)		(54,353)
	Total General Plant	(198,215)	(75,507)	(4,755)	(278,477)
	Total Reserve Adjustments	\$ 1,486,161	\$ (796,396)	\$ (7,312)	\$ 682,453

- (a) Staff's Schedule B-3.1a
(b) Staff's Schedule B-3.1b
(c) Staff's Schedule B-3.1c
(d) Columns (a) + (b) + (c)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Original Cost Valuation Adjustment

FERC Acct. No.	Description	Consultant Engineering Valuation (a)	Applicant's Unadjusted (b)	Adjustments (c)
	<u>Intangible Plant:</u>			
302	Franchises and Consents	\$ 0	\$ 23,579	\$ (23,579)
	Total Intangible Plant	0	23,579	(23,579)
	<u>Distribution Plant:</u>			
374	Land and Land Rights	0	11,345	(11,345)
375	Structures and Improvements	0	196,039	(196,039)
376	Mains	2,462,286	839,537	1,622,749
378	Measuring and Regulating Station Equip. - General	2,167	0	2,167
379	Measuring and Regulating Station Equip. - City Gate	102	2,027	(1,925)
380	Services	305,806	251,360	54,446
381	Meters	484,741	129,953	354,788
382	Meter Installations	12,182	41,988	(29,806)
383	House Regulators	0	42,028	(42,028)
385	Industrial Measuring and Regulating Station Equipment	0	5,645	(5,645)
387	Other Equipment	0	39,407	(39,407)
	Total Distribution Plant	3,287,284	1,559,329	1,707,955
	<u>General Plant:</u>			
389	Land and Land Rights	0	0	0
390	Structures and Improvements	269,922	43,867	226,055
391.1	Office Furniture	21,449	214,051	(192,602)
391.2	Office Equipment	2,871	0	2,871
391.3	Computer Equipment	2,676	0	2,676
392	Transportation Equipment	93,781	228,944	(135,163)
394	Tools, Shop and Garage Equipment	15,855	17,698	(1,843)
395	Laboratory Equipment	0	4,238	(4,238)
396	Power Operated Equipment	23,750	9,883	13,767
397	Communication Equipment	0	30,940	(30,940)
398	Miscellaneous Equipment	87	28,010	(27,923)
399	Other Tangible Property	3,478	54,353	(50,875)
	Total General Plant	433,869	632,084	(198,215)
	Total Gas Plant in Service	\$ 3,701,153	\$ 2,214,992	\$ 1,486,161

- (a) Consultant Engineering Report
(b) Applicant's Schedule B-3
(c) Columns (a) - (b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Plant Valuation Adjustment

FERC Acct. No.	Description	Staff's Valuation (a)	Consultant Engineering Valuation (b)	Adjustments (c)
<u>Intangible Plant:</u>				
302	Franchises and Consents	\$ 0	\$ 0	\$ 0
	Total Intangible Plant	0	0	0
<u>Distribution Plant:</u>				
374	Land and Land Rights	0	0	0
375	Structures and Improvements	0	0	0
376	Mains	1,770,212	2,462,286	(692,074)
378	Measuring and Regulating Station Equip. - General	1,543	2,167	(624)
379	Measuring and Regulating Station Equip. - City Gate	95	102	(7)
380	Services	273,013	305,806	(32,793)
381	Meters	488,928	484,741	4,187
382	Meter Installations	12,604	12,182	422
383	House Regulators	0	0	0
385	Industrial Measuring and Regulating Station Equipment	0	0	0
387	Other Equipment	0	0	0
	Total Distribution Plant	2,546,395	3,267,284	(720,889)
<u>General Plant:</u>				
389	Land and Land Rights	0	0	0
390	Structures and Improvements	223,079	269,922	(46,843)
391.1	Office Furniture	17,728	21,449	(3,721)
391.2	Office Equipment	2,701	2,871	(170)
391.3	Computer Equipment	2,192	2,676	(484)
392	Transportation Equipment	74,937	93,781	(18,844)
394	Tools, Shop and Garage Equipment	13,886	15,855	(1,969)
395	Laboratory Equipment	0	0	0
396	Power Operated Equipment	23,752	23,750	2
397	Communication Equipment	0	0	0
398	Miscellaneous Equipment	87	87	0
399	Other Tangible Property	0	3,478	(3,478)
	Total General Plant	358,362	433,869	(75,507)
	Total Gas Plant in Service	\$ 2,904,757	\$ 3,701,153	\$ (796,396)

(a) Staff's Workpapers
(b) Consultant Engineering Report
(c) Columns (a) - (b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Plant Exclusions Adjustment

(1) Mains - Account 376 (a)	\$ (2,557)
(2) Structure & Improvements - Account 390 (a)	(1,789)
(3) Office Furniture & Equipment - Account 391.1 (a)	(1,733)
(4) Office Furniture & Equipment - Account 391.2 (a)	(484)
(5) Office Furniture & Equipment - Account 391.3 (a)	(110)
(6) Tools, Shop & Garage Equipment - Account 394 (a)	<u>(639)</u>
(7) Total Plant Exclusions (1) thru (6)	\$ <u><u>(7,312)</u></u>

(a) Staff's Workpapers

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Jurisdictional Depreciation Expense

FERC Acct. No.	Description	Jurisdictional Plant In Service (a)	Accrual Rate (b)	Jurisdictional Depreciation Expense (c)
<u>Intangible Plant:</u>				
302	Franchises and Consents	\$ 0	6.67%	\$ 0
	Total Intangible Plant	0		0
<u>Distribution Plant:</u>				
374	Land and Land Rights	0	5.00%	
375	Structures and Improvements	0	2.86%	
376	Mains	3,099,125	2.56%	79,338
378	Measuring and Regulating Station Equip. - General	3,806	4.23%	161
379	Measuring and Regulating Station Equip. - City Gate	55	4.23%	0 (d)
380	Services	211,485	4.29%	9,073
381	Meters	597,741	3.33%	19,905
382	Meter Installations	16,321	3.50%	571
383	House Regulators	0	3.50%	
385	Industrial Measuring and Regulating Station Equipment	0	3.67%	
387	Equipment Other	0	4.00%	
	Total Distribution Plant	3,928,533		109,048
<u>General Plant:</u>				
389	Land and Land Rights	38,000	0.00%	0
390	Structures and Improvements	207,954	5.00%	0 (d)
391.1	Office Furniture	18,908	5.56%	1,051
391.2	Office Equipment	2,075	6.67%	0 (d)
391.3	Computer Equipment	6,322	10.00%	632
392	Transportation Equipment	102,768	10.56%	10,852
394	Tools, shop, and garage equipment	23,260	6.67%	1,551
395	Laboratory Equipment	0	4.00%	
396	Power Operated Equipment	102,393	5.00%	5,120
397	Communication Equipment	0	6.67%	
398	Miscellaneous Equipment	284	6.67%	19
399	Other Tangible Property	0	6.67%	
	Total General Plant	501,964		19,225
	Total Gas Plant in Service	\$ 4,430,497		\$ 128,273

- (a) Staff's Schedule B-2.1
(b) See Text
(c) Columns (a) x (b)
(d) Fully Depreciated

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Construction Work In Progress Summary

None

SCHEDULE B-5

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Working Capital Allowance

(1) Operation and Maintenance Expense (a)	\$	656,937
(2) Expense Lag Dollars (1) / 8		82,117
(3) Materials and Supplies (b)		89,441
(4) 1/4 of Operating Taxes (c)		<u>157,812</u>
(5) Working Capital Allowance (2) + (3) - (4)	\$	<u>13,746</u>

- (a) Staff's Schedule C-2
- (b) Applicant's Schedule WPB-1.1
- (c) Represents 1/4 of Operating Taxes Excluding FICA and Deferred Income Taxes

SCHEDULE B-6

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Other Rate Base Items

(1)	Customers' Deposits (a)	\$	(144,874)
(2)	CIAC (b)		(191,699)
(3)	Deferred Taxes (c)		<u>0</u>
(4)	Total Other Rate Base Items (1) + (2) + (3)	\$	<u>(336,573)</u>

- (a) Applicant's Schedule B-5.1
- (b) Applicant's Annual Report for 1980
- (c) Applicant's Annual Report for 2005

SCHEDULE B-7

Oxford Natural Gas
Case No. 06-350-GA-CMR
Jurisdictional Allocation Factors

District	Payroll Hours		Customers		Operating Revenues		Weighted Average Allocation
	Number	Allocation	Number	Allocation	Amount	Allocation	
(1) Oxford Natural Gas	17,364	97.10%	4,085	94.69%	\$ 6,516,441	95.58%	95.79%
(2) Verona Natural Gas	519	2.90%	229	5.31%	301,132	4.42%	4.21%
(3) Total	17,883	100.00%	4,314	100.00%	\$ 6,817,573	100.00%	100.00%

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Proforma Operating Income Statement
For The Twelve Months Ending March 31, 2005

	Staff		Applicant
	Adjusted Revenues & Expenses (a)	Proforma Adjustments (b)	Proforma Revenues & Expenses (d)
<u>Operating Revenues:</u>			
Base Revenue	\$ 1,853,135	\$ 472,389	\$ 2,325,524
Gas Costs Revenue	4,218,142		4,218,142
Other Revenue	93,691	26,450	120,141
Total Operating Revenues	6,164,968	498,839	6,663,807
<u>Operating Expenses:</u>			
Operation and Maintenance	4,875,079	0	4,875,079
Depreciation	128,273		128,273
Taxes Other Than Income	66,088	0	66,088
Federal Income Taxes	266,354	161,549	427,903
Total Operating Expenses	5,335,794	161,549	5,497,343
Net Operating Income	\$ 829,174	\$ 337,290	\$ 1,166,464
Rate Base (e)	\$ 1,210,225		\$ 1,210,225
Rate of Return (f)	68.51%		96.38%

- (a) Staff's Schedule C-2
(b) Staff's Schedule C-1.1
(c) Columns (a) + (b)
(d) Applicant's Schedule C-1
(e) Staff's Schedule B-1
(f) Net Operating Income / Rate Base

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Proforma Adjustments

(1)	Proposed Revenue Increase (a)	\$ 472,389
(2)	Late Payment Revenue (b)	14,323
(3)	Return Checks Revenue (b)	417
(4)	Tap Revenue (b)	11,500
(5)	Reconnection Revenue (b)	<u>210</u>
(6)	Total Proposed Revenue Increase (1) + (2)	\$ <u>498,839</u>
(7)	Uncollectible Accounts Expense (3) x 0.000000%	\$ <u>0</u>
(8)	Ohio Gross Receipts Tax	\$ <u>0</u>
(9)	Federal Income Tax (c)	\$ <u>161,549</u>

- (a) Staff's Schedule C-1.1a, \$257,431 + \$170,785 + \$8,946 + \$258 + \$34,969 + \$0
(b) Staff's Schedule C-1.1a
(c) Staff's Schedule C-4

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Summary of Operating Revenues at Current and Proposed Rates

	Annual Number of Customers (a)	Test Year Consumption MCF's (b)	Current Monthly Rate (c)	Current Revenue Less Gas Cost Revenue (d)	Annualized Gas Cost Revenue At \$10.474/MCF (e)	Total Current Revenue (f)	Proposed Rate (g)	Proposed Revenue Less Gas Cost Revenue (h)	Total Proposed Revenue (i)	Revenue Increase Less Gas Cost Revenue (j)	% Increase In Revenue Less Gas Cost Revenue (k)	Total Revenue Percent Increase (l)
Residential												
Customer Charge	42,293	265,312	8.00 \$	338,344 \$	0 \$	338,344 \$	7.50 \$	317,198 \$	317,198 \$	(21,146)	-6.25%	-6.25%
1st 500			3.0500	809,202	2,778,878	3,588,080	4.10	1,087,779	3,886,857	278,577	34.43%	7.76%
Total Residential				1,147,546	2,778,878	3,926,424		1,404,977	4,183,855	257,431	22.43%	6.56%
Commercial												
Customer Charge	5,134	128,425	8.00	41,072	0	41,072	15.00	77,010	77,010	35,938	87.50%	87.50%
Sales			3.0500	391,686	1,345,123	1,736,819	4.10	526,543	1,871,866	134,847	34.43%	7.76%
Total Commercial				432,768	1,345,123	1,777,891		603,553	1,948,676	170,785	39.46%	9.61%
Houston Woods												
Customer Charge	468		8.00	3,744	0	3,744	7.50	3,510	3,510	(234)	-6.25%	-6.25%
Sales		8,743	3.0500	26,666	91,574	118,240	4.10	35,846	127,420	9,180	34.43%	7.76%
Administrative Charge			25.00	300		300	25.00	300	300	0	0.00%	0.00%
Total Houston Woods				30,710	91,574	122,284		39,656	131,230	8,946	29.13%	7.32%
Forest Ridge												
Number of Lights			2.00	192	0	192	2.00	192	192	0	0.00%	0.00%
Sales		245	3.0500	747	2,566	3,313	4.10	1,005	3,571	258	34.54%	7.79%
Total Forest Ridge				939	2,566	3,505		1,197	3,763	258	27.48%	7.36%
Miami Low												
Customer Charge	910		8.00	7,280	0	7,280	7.50	6,825	6,825	(455)	-6.25%	-6.25%
Sales		33,737	3.0500	102,898	0	102,898	4.10	138,322	138,322	35,424	34.43%	34.43%
Total Miami Low				110,178	0	110,178		145,147	145,147	34,969	31.74%	31.74%
Transportation												
Customer Charge	48		Various	8,800	0	8,800	Various	6,600	6,600	0	0.00%	0.00%
Sales		102,678	Various	124,394	0	124,394	Various	124,394	124,394	0	0.00%	0.00%
Total Transportation				130,994	0	130,994		130,994	130,994	0	0.00%	0.00%
Late Payment Charges (m)												
Return Checks (m)			15.00	81,106		81,106		95,429	95,429	14,323	17.66%	17.66%
Tap Fees (m)			250.00	735		735	23.50	1,152	1,152	417	0.00%	0.00%
Reconnection Fees (m)			25.00	11,500		11,500	500.00	23,000	23,000	11,500	60.00%	60.00%
				350		350	40.00	560	560	210	60.00%	60.00%
Total	42,853	539,140		1,948,826 \$	4,218,141 \$	6,164,967 \$		2,445,665 \$	6,663,806 \$	498,839	25.62%	8.09%

(a) Applicant's Schedule E-4 and Staff's Worksheet
(b) Applicant's Schedule E-4 and Staff's Worksheet
(c) Applicant's Schedule E-2
(d) Customer Charge: Columns (a) x (c). Sales Charge: Columns (b) x (c)
(e) Columns (b) x \$10.474 (Staff's Schedule C-3.2)
(f) Columns (d) x (e)
(g) Applicant's Schedule E-1
(h) Customer Charge: Columns (a) x (g). Sales Charge: Columns (b) x (g)
(i) Columns (e) x (h)
(j) Columns (h) - (i)
(k) Columns (j) / (i)
(l) Columns (i) / (d)
(m) Staff's Schedule C-3.3

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Adjusted Test Year Operating Income

	Applicant			Staff	
	Test Year Revenues & Expenses	Adjustments	Adjusted Revenues & Expenses	Incremental Adjustments	Adjusted Revenues & Expenses
	(a)	(b)	(c)	(d)	(e)
<u>Operating Revenues:</u>					
Base Revenue	\$ 2,276,159	\$ (426,544)	\$ 1,849,615	\$ 3,520	\$ 1,853,135
Gas Costs Revenue	5,340,712	682,058	6,022,770	(1,804,628)	4,218,142
Other Revenue	0	0	0	93,691	93,691
Total Operating Revenues	7,616,871	255,514	7,872,385	(1,707,417)	6,164,968
<u>Operating Expenses:</u>					
Gas Costs Expense	5,340,712	682,058	6,022,770	(1,804,628)	4,218,142
Other Operation & Maintenance	1,882,895	207,659	2,090,554	(1,433,617)	656,937
Total Operation & Maintenance	7,223,607	889,717	8,113,324	(3,238,245)	4,875,079
Depreciation & Amortization	144,000	21,300	165,300	(37,027)	128,273
Taxes Other Than Income	72,060	257,745	329,805	(263,717)	66,088
Federal Income Taxes	0	0	0	266,354	266,354
Total Operating Expenses	7,439,667	1,168,762	8,608,429	(3,272,635)	5,335,794
Net Operating Income	\$ 177,204	\$ (913,248)	\$ (736,044)	\$ 1,565,218	\$ 829,174

- (a) Applicant's Schedule C-2
(b) Applicant's Schedule C-3
(c) Columns (a) + (b)
(d) Staff's Schedule C-3
(e) Columns (c) + (d)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Summary of Staff's Adjustments

	Staff's Adjustments (a)	Applicant's Adjustments (b)	Staff's Incremental Adjustments (c)
<u>Operating Revenues:</u>			
C-3.1 Base Revenue Annualization	\$ (423,024)	\$ (426,544)	\$ 3,520
C-3.2 Gas Cost Revenue	(1,122,570)	682,058	(1,804,628)
C-3.3 Miscellaneous Revenues	93,691	0	93,691
Total Revenue Adjustments	<u>\$ (1,451,903)</u>	<u>\$ 255,514</u>	<u>\$ (1,707,417)</u>
<u>Operating Expenses:</u>			
C-3.4 Gas Cost Expense	\$ (1,122,570)	\$ 682,058	\$ (1,804,628)
C-3.5 Labor	(275,681)	196,768	(472,449)
C-3.6 Union Fringe Benefits	(15,580)	12,651	(28,231)
C-3.7 SRA Expense	(7,103)	3,858	(10,961)
C-3.8 Rate Case Expense	21,103	88,510	(67,407)
C-3.9 General Liability Insurance	(2,493)	18,897	(21,390)
C-3.10 Business Expense	(85,365)	20,685	(106,050)
C-3.11 Interest Expense	(29,884)	(29,884)	0
C-3.12 OBWC Insurance Expense	(4,826)	6,787	(11,613)
C-3.13 Legal Expense	(364,303)	(266,224)	(98,079)
C-3.14 Fuel Expense	(4,447)	8,542	(12,989)
C-3.15 Other Expenses	(163,428)	42,095	(205,523)
C-3.16 Billing Expense	(6,436)	0	(6,436)
C-3.17 Accounting Expense	(16,673)	0	(16,673)
C-3.18 Management Fees	(240,000)	0	(240,000)
C-3.19 Miscellaneous Expenses	(35,188)	0	(35,188)
C-3.20 Interest on Customers' Deposits	4,346	0	4,346
Auto Lease	0	35,180	(35,180)
Rental Equipment	0	12,000	(12,000)
Auto Insurance	0	10,000	(10,000)
Construction Expense	0	47,794	(47,794)
Total O & M Expenses	(2,348,528)	889,717	(3,238,245)
C-3.21 Depreciation Expense	(15,727)	21,300	(37,027)
C-3.22 Taxes Other Than Income Taxes	(5,972)	257,745	(263,717)
C-3.23 Federal Income Taxes	266,354	0	266,354
Total Expense Adjustments	<u>\$ (2,103,873)</u>	<u>\$ 1,168,762</u>	<u>\$ (3,272,635)</u>

- (a) Staff's Schedules C-3.1 Through C-3.23
(b) Applicant's Schedule C-3
(c) Columns (a) - (b)

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Base Revenue Adjustment

(1) Annualized Base Revenue (a)	\$ 1,853,135
(2) Test Year Base Revenue (b)	<u>2,276,159</u>
(3) Adjustment (1) - (2)	\$ <u>(423,024)</u>

- (a) Staff's Schedule C-1.1a
(b) Applicant's Schedule C-2

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Gas Cost Revenue Adjustment

(1)	Test Year Mcf Subject to GCR (a)	402,725
(2)	Gas Cost Rate (b)	\$ <u>10.474</u>
(3)	Annualized Gas Cost Revenue (1) x (2)	4,218,142
(4)	Test Year Gas Cost Revenue (c)	<u>5,340,712</u>
(5)	Adjustment (3) - (4)	\$ <u>(1,122,570)</u>

- (a) Staff's Schedule C-1.1a
(b) Latest Expected Gas Cost Rate
(c) Applicant's Schedule C-2

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Miscellaneous Revenues Adjustment

(1) Base Revenues (a)	\$ 1,853,135
(2) Late Payment Ratio (b)	<u>4.3767%</u>
(3) Late Payment Revenue (1) x (2)	81,106
(4) Return Checks Revenue (c)	735
(5) Tap Revenue (c)	11,500
(6) Reconnection Revenue (c)	<u>350</u>
(7) Total Miscellaneous Revenues (3) + (4) + (5) + (6)	<u>\$ 93,691</u>

(a) Staff's Schedule C-3.1

(b) Applicant's Schedule WPC-2.1, Late Payment Revenue / Operating Revenue (\$99,621 / \$2,276,159)

(c) Staff's Workpapers

SCHEDULE C-3.4

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Gas Cost Expense Adjustment

(1)	Test Year Mcf Subject to GCR (a)	402,725
(2)	Gas Cost Rate (b)	\$ <u>10.474</u>
(3)	Annualized Gas Cost Expense (1) x (2)	4,218,142
(4)	Test Year Gas Cost Expense (c)	<u>5,340,712</u>
(5)	Adjustment (3) - (4)	\$ <u><u>(1,122,570)</u></u>

- (a) Applicant's Schedule C-1.1a
(b) Latest Expected Gas Cost Rate
(c) Applicant's Schedule C-2

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Labor Expense Adjustment

(1) Total Adjusted O&M Labor Expense (a)	\$ 241,431
(2) Test Year Labor Expense (b)	<u>517,112</u>
(3) Labor Expense Adjustment (1) - (2)	\$ <u>(275,681)</u>

- (a) Derived from Applicant's Payroll Worksheet, Payroll Summary and O&M Worksheet
(b) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Union Fringe Benefits Expense Adjustment

(1)	Adjusted Union Fringe Benefits (a)	\$ 105,876
(2)	O & M Ratio (b)	<u>94.13%</u>
(3)	Total O & M Union Fringe Benefits (1) x (2)	99,861
(4)	Allocation Factor (c)	<u>97.10%</u>
(5)	Adjusted Jurisdictional Union Fringe Benefits (3) x (4)	96,769
(6)	Test Year Union Fringe Benefits (d)	<u>112,349</u>
(7)	Adjustment (5) - (6)	\$ <u>(15,580)</u>

- (a) Derived from Applicant's Ohio Laborers' Fringe Benefit Program
(b) Derived from Applicant's O&M Worksheet
(c) Staff's Schedule B - 7
(d) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Saving Retirement Account (SRA) Expense Adjustment

(1) Total Direct Hourly Labor (a)	\$ 241,431
(2) Employer Matching Ratio (b)	<u>3.00%</u>
(3) Total SRA Expense (1) x (2)	7,243
(4) Test Year SRA Expense (c)	<u>14,346</u>
(5) Adjustment (3) - (4)	\$ <u><u>(7,103)</u></u>

- (a) Staff's Schedule C - 3.5
- (b) Derived from Applicant's Payroll Deduction Sheet
- (c) Applicant's Schedule WPC - 2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Rate Case Expense Adjustment

(1) Estimated Rate Case Expense (a)	\$ 100,000
(2) Amortization Period (a)	<u>3</u>
(3) Annual Amortization of Rate Case Expense (1) / (2)	33,333
(4) Total Cost of Burgess & Niple Plant Evaluation Study (a)	79,900
(5) Amortization Period (a)	<u>5</u>
(6) Annual Amortization of Plant Evaluation Study (4) / (5)	15,980
(7) Total Rate Case and Plant Evaluation Study Expense (3) + (6)	49,313
(8) Test Year Expense (b)	<u>28,210</u>
(9) Adjustment (7) - (8)	\$ <u><u>21,103</u></u>

(a) Refer to Text

(b) Staff's Schedule WPC-3.8

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
General Liability Insurance Expense Adjustment

(1) Adjusted General Liability Insurance Expense (a)	\$ 48,610
(2) Test Year General Liability Insurance Expense (b)	<u>51,103</u>
(3) Adjustment (1) - (2)	<u>\$ (2,493)</u>

- (a) Staff's Schedule WPC-3.9
(b) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Business Expense Adjustment

(1) Adjusted Business Expenses (a)	\$ 17,128
(2) Test Year Business Expense (b)	<u>102,491</u>
(3) Adjustment (1) - (2)	\$ <u>(85,365)</u>

- (a) Derived from Applicant's Invoices
(b) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Interest Expense Adjustment

(1) Elimination of Interest Expense (a)	\$ <u>(29,884)</u>
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(a) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Ohio Bureau of Workers' Compensation (OBWC) Expense Adjustment

(1) Adjusted Total OBWC Insurance Expense (a)	\$ 4,106
(2) O & M Ratio (b)	<u>94.13%</u>
(3) Total O&M OBWC Insurance Expense (1) x (2)	3,865
(4) Allocation Factor (c)	<u>97.10%</u>
(5) Adjusted Jurisdictional OBWC Insurance Expense (3) x (4)	3,753
(6) Test Year OBWC Insurance Expense (d)	<u>8,579</u>
(7) Adjustment (5) - (6)	\$ <u>(4,826)</u>

- (a) Derived from Applicant's Payroll Summary and OBWC Latest Premium Rates
(b) Derived from Applicant's O&M Worksheet
(c) Staff's Schedule B -7
(d) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Legal Expense Adjustment

(1)	Adjusted Test Year Legal Expense (a)	\$	54,203
(2)	Allocation Factor (b)		<u>95.79%</u>
(3)	Adjusted Jurisdictional Legal Expense (1) x (2)		51,921
(4)	Test Year Legal Expense (c)		<u>416,224</u>
(5)	Adjustment (3) - (4)	\$	<u>(364,303)</u>

- (a) Applicant's Schedule WPC-2.1 and Staff's Workpaper WPC-3.13
(b) Staff's Schedule B-7
(c) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Fuel Expense Adjustment

(1)	Adjusted Fuel Expense (a)	\$	17,012
(2)	Test Year Fuel Expense (b)		<u>21,459</u>
(3)	Adjustment (1) - (2)	\$	<u>(4,447)</u>

- (a) Applicant's Actual Fuel Invoices
(b) Applicant's Schedule WPC - 2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Other Expenses Adjustment

(1)	Elimination of A/C 532050 Prepaid Legal (a)	\$	(166)
(2)	Elimination of A/C 594000 Consulting Fees (a)		(22,914)
(3)	Elimination of A/C 532300 Insurance Medical (a)		(13,213)
(4)	Elimination of A/C 532000 Insurance Supplemental (a)		(340)
(5)	Elimination of A/C 593100 Payroll Expense Bonus (a)		(59,533)
(6)	Elimination of A/C 592000 Payroll Expense Subcontract (a)		(12,916)
(7)	Elimination of A/C 550000 Vehicle Allowance (a)		(11,284)
(8)	Elimination of A/C 555500 Penalty & Interest (a)		(18,925)
(9)	Elimination of A/C 585500 Travel (a)		<u>(24,137)</u>
(10)	Total Adjustment (1) Thru (9)	\$	<u>(163,428)</u>

(a) Applicant's Schedule WPC - 2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Billing Expense Adjustment

(1) Adjusted Test Year Billing Expense (a)	\$	23,827
(2) Test Year Billing Expense (b)		<u>30,263</u>
(3) Adjustment (1) - (2)	\$	<u>(6,436)</u>

- (a) Applicant's Schedule WPC-2.1 and Staff's Workpaper WPC-3.16
(b) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Accounting Expense Adjustment

(1) Adjusted Test Year Accounting Expense (a)	\$ 30,932
(2) Allocation Factor (b)	<u>95.79%</u>
(3) Adjusted Jurisdictional Accounting Expense (1) x (2)	29,630
(4) Test Year Accounting Expense (c)	<u>46,303</u>
(5) Adjustment (3) - (4)	\$ <u>(16,673)</u>

- (a) Applicant's Schedule WPC-2.1 and Staff's Workpaper WPC-3.17
(b) Staff's Schedule B-7
(c) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Management Fees Adjustment

(1)	Elimination of Management Fees (a)	\$ <u>(240,000)</u>
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(a) Applicant's Schedule WPC-2.1

SCHEDULE C-3.19

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Miscellaneous Expense Adjustment

(1) Adjusted Miscellaneous Expenses (a)	\$ 71,061
(2) Test Year Miscellaneous Expenses (b)	<u>106,249</u>
(3) Adjustment (1) - (2)	\$ <u>(35,188)</u>

- (a) Derived from Applicant's actual invoices and Staff's workpaper WPC-3.19
(b) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Interest on Customers' Deposits Expense Adjustment

(1) Customers' Deposits (a)	\$	144,874
(2) Interest Rate (b)		<u>3.00%</u>
(3) Adjusted Interest on Customers' Deposits (1) x (2)	\$	<u><u>4,346</u></u>

- (a) Staff's Schedule B-6
- (b) Applicant's Records
- (c) Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Depreciation and Amortization Expense Adjustment

(1) Adjusted Depreciation Expense (a)	\$ 128,273
(2) Test Year Depreciation Expense (b)	<u>144,000</u>
(3) Adjustment (1) - (2)	\$ <u>(15,727)</u>

(a) Staff's Schedule B-3.2
(b) Applicant's Schedule C-2

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Summary of Taxes Other Than Income Adjustment

	<u>Schedule Reference</u>		
(1) Ohio Property Taxes	C-3.22a	\$	30,937
(2) Ohio Gross Receipts Tax (a)	C-3.22b		0
(3) FICA Tax	C-3.22c		18,469
(4) State and Federal Unemployment Taxes	C-3.22d		2,345
(5) MCF Taxes (a)	C-3.22e		0
(6) PUCO Maintenance and OCC Taxes	C-3.22f		13,199
(7) Other Taxes and Licenses	C-3.22g		<u>1,138</u>
(8) Total Taxes Other Than Income Taxes (1) Thru (7)			66,088
(9) Test Year Taxes Other Than Income Taxes (b)			<u>72,060</u>
(10) Adjustment (8) - (9)		\$	<u>(5,972)</u>

- (a) Ohio Gross Receipts and MCF Taxes will be recovered through separate riders. Therefore no taxes are included in base rates.
(b) Applicant's Schedule C-2

SCHEDULE C-3.22a

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Ohio Property Taxes

(1) Jurisdictional Plant in Service at January 31, 2006 (a)	\$ 4,430,497
(2) Materials and Supplies (b)	<u>89,441</u>
(3) Total (1) + (2)	4,519,938
(4) Percentage of Assessment Value to the Total Cost (c)	<u>11.31%</u>
(5) Property Subject to Ohio Property Taxes (3) x (4)	511,205
(6) Tax Rate per \$1,000 (c)	<u>60.52</u>
(7) Ohio Property Tax (5) x (6)	\$ <u>30,937</u>

- (a) Staff's Schedule B-2.1
- (b) Staff's Schedule B-5
- (c) Staff's Workpaper WPC-22a

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Ohio Gross Receipts Tax

	Adjusted Operating Income	Proforma Operating Income
(1) Adjusted Operating Revenues (a)	\$ 6,184,968	\$ 6,663,807
(2) Less: Uncollectible Accounts Expense (1) x .00000 (b)	0	0
(3) Less: Non-Taxable Receipts (1) x .00000 (c)	0	0
(4) Less: Statutory Exemption	<u>25,000</u>	<u>25,000</u>
(5) Net Taxable Receipts (1) - (2) - (3) - (4)	6,139,968	6,638,807
(6) Tax Rate	<u>4.75%</u>	<u>4.75%</u>
(7) Ohio Gross Receipts Taxes (5) x (6)	<u>\$ 291,648</u>	<u>\$ 315,343</u>

- (a) Staff's Schedule C-1
(b) Staff's Data Request No. 12
(c) Applicant's Excise Tax Annual Statement

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of FICA Taxes

(1) Annualized O&M Labor Expense (a)	\$	241,431
(2) FICA Tax Rate (b)		<u>7.65%</u>
(3) FICA Tax (1) x (2)	\$	<u>18,469</u>

- (a) Derived from Staff's Schedule C-3.5
(b) Latest Known Rate

OXFORD NATURAL GAS COMPANY
Case No. 08-350-GA-CMR
Calculation of State and Federal Unemployment Taxes

	<u>State</u>	<u>Federal</u>
(1) Taxable Wages	\$ 9,000	\$ 7,000
(2) Number of Employees (a)	<u>7</u>	<u>7</u>
(3) Taxable Wages (1) x (2)	63,000	49,000
(4) Unemployment Tax Rate (b)	<u>3.10%</u>	<u>0.80%</u>
(5) Unemployment Taxes (3) x (4)	\$ <u>1,953</u>	\$ <u>392</u>

- (a) Derived from Applicant's Payroll Information
(b) Applicant's Unemployment Tax Rates

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of MCF Taxes

		General Service	Rate Blocks			Flex Customer	Total Test Year				
		Mcf Sales	100	101 - 2,000	Over 2,000	Mcf Sales	Mcf Sales				
(1)	November	42,501	100	1,900	40,501	14,760	57,261				
(2)	December	62,217	100	1,900	60,217	9,624	71,841				
(3)	January	76,891	100	1,900	74,891	18,574	95,465				
(4)	February	67,540	100	1,900	65,540	13,723	81,263				
(5)	March	53,224	100	1,900	51,224	10,068	63,292				
(6)	April	26,367	100	1,900	24,367	9,020	35,387				
(7)	May	13,445	100	1,900	11,445	9,868	23,313				
(8)	June	17,729	100	1,900	15,729	5,665	23,394				
(9)	July	7,854	100	1,900	5,854	5,464	13,318				
(10)	August	9,855	100	1,900	7,855	16,646	26,501				
(11)	September	7,350	100	1,900	5,350	14,723	22,073				
(12)	October	17,751	100	1,900	15,751	8,281	26,032				
(13)	Total Test Year Mcf Sales	402,724	1,200	22,800	378,724	136,416	539,140				
(14)	Mcf Tax Rate	\$	0.1593	\$	0.0877	\$	0.0411	\$	0.0200		
(15)	Mcf Tax (13) x (14)	\$	191	\$	2,000	\$	15,566	\$	2,728	\$	\$20,485

(a) Staff Workpaper WPC-3.21e

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of PUCO & OCC Assessments

(1) PUCO Maintenance Assessment (a)	\$ 10,578
(2) OCC Fund Assessment (a)	<u>2,621</u>
(3) Total Assessments (1) + (2)	\$ <u>13,199</u>

(a) Latest Known Assessments

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Other Taxes and Licenses

(1) Other Taxes and Licenses (a)

\$ 1,138

(a) Derived from Applicant's Schedule WPC-2.1

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Federal Income Tax Expense Adjustment

(1) Adjusted Federal Income Taxes (a)	\$ 266,354
(2) Test Year Federal Income Taxes (b)	<u>0</u>
(3) Adjustment (1) - (2)	\$ <u>266,354</u>

- (a) Staff's Schedule C-4
(b) Applicant's Schedule C-2

OXFORD NATURAL GAS COMPANY
Case No. 06-350-GA-CMR
Calculation of Federal Income Taxes

	Adjusted Operating Income	Proforma Operating Income
(1) Operating Income Before FIT (a)	\$ 1,095,528	\$ 1,594,367
<u>Reconciling Items:</u>		
(2) Interest Charges (b)	0	0
(3) Book Depreciation (c)	128,273	128,273
(4) Tax Accelerated Depreciation (d)	113,155	113,155
(5) Excess of Tax Over Book Depreciation (3) - (4)	15,118	15,118
<u>Other Reconciling Items:</u>		
(6) Ohio Gross Receipts Tax	(291,648)	(315,343)
(7) Ohio MCF Tax	(20,485)	(20,485)
(8) Total Reconciling Items (2) + (5) + (6) + (7)	(297,015)	(320,710)
(9) Federal Taxable Income (1) + (6)	798,513	1,273,657
<u>Federal Income Taxes</u>		
(10) First \$50,000 x 15%	7,500	7,500
(11) Next \$25,000 x 25%	6,250	6,250
(12) Next \$25,000 x 34%	8,500	8,500
(13) Next \$235,000 x 39%	91,650	91,650
(14) Next \$9,665,000 x 34%	157,594	319,143
(15) Next \$5,000,000 x 35%	0	0
(16) Next \$3,333,333 x 38%	0	0
(17) Excess of Taxable Income Over \$18,333,333 x 35%	0	0
(18) Federal Income Taxes - Current (8) Through (15)	271,494	433,043
<u>Deferred Income Taxes:</u>		
(19) Tax Accelerated Depreciation (d)	113,155	113,155
(20) Tax Straight Line Depreciation (c)	128,273	128,273
(21) Excess of Tax Accelerated over Tax S/L Deprec. (17) - (18)	(15,118)	(15,118)
(22) Deferred @0.34%	(5,140)	(5,140)
(23) Total Federal Income Taxes (16) + (20)	\$ 266,354	\$ 427,903

- (a) Staff's Schedule C-1
(b) Staff's Schedule B-1, \$1,210,225 x 0.0000, Weighted Cost of Debt
(c) Staff's Schedule B-3.2
(d) Applicant's Federal Income Tax Return for 2005

