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The Public Utilities
Commission of Ohio

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

Eastern Natural Gas Company
07-207-GA-GCR

Pike Natural Gas Company
07-214-GA-GCR

Southeastern Natural Gas Company
07-215-GA-GCR

Financial Audit of the Gas Cost Recovery
Mechanisms for the Effective GCR Periods
July 1, 2005 through June 30, 2007

September 14, 2007



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Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

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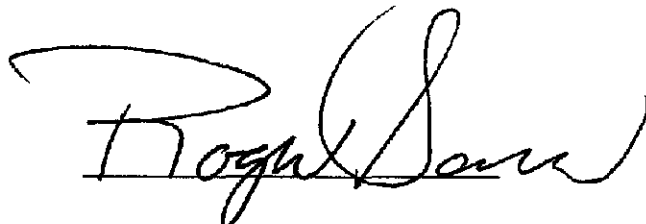
Certificate Of Accountability

The Staff has completed the required audits of the Eastern Natural Gas Company (Eastern), Pike Natural Gas Company (Pike) and Southeastern Natural Gas Company (Southeastern) (collectively "Companies") ordered by the Public Utilities Commission of Ohio (PUCO or Commission) for the Companies' re-implemented Gas Cost Recovery (GCR) rates for the three-month periods for October 1, 2005 through December 31, 2005 and monthly GCR filings from January 1, 2006 through June 30, 2007, for conformity in all material respects with the procedural aspects of the uniform purchase gas adjustment as set forth in Chapter 4901:1-14 and related appendices, Administrative Code, and the Commission Entries in Case No. 07-207-GA-GCR, 07-214-GA-GCR and 07-215-GA-GCR. The Staff also verified that Eastern, Pike, and Southeastern appropriately applied the fixed/stabilized commodity rates (fixed rates) to their customers' bills during the period of July 2005 through September 2005. The fixed rates were originally approved by the Commission in Case No. 01-1523-GA-UNC on September 25, 2001 with extensions to the fixed rates approved by the Commission on April 10, 2003.

Our audits have revealed certain findings, as discussed in this combined audit report, which should be addressed in this proceeding. The Staff notes that the Companies have accurately calculated their Gas Cost Recovery rates for those periods under investigation in accordance with the uniform purchase gas adjustment as set forth in Chapter 4901:1-14, Administrative Code, and related appendices. The Staff has performed investigations into these specific areas and respectfully submits its findings and recommendations.



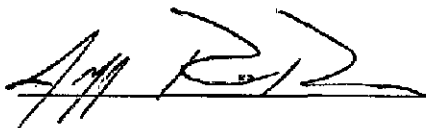
Steve Puican
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Gas Specialist



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Section I

Executive Summary

Audit Work Program

The audit investigations consisted of several components. Staff initially reviewed and evaluated relevant documents from within the Commission in preparation for the audit. Staff conducted investigative interviews with appropriate company personnel at the Companies' offices in Frazeyburg, Ohio. Additionally, Staff reviewed and evaluated relevant company documents as necessary to understand and evaluate the company's activities. For these audits, Staff focused its review of purchase gas costs invoices from the Companies' marketing affiliate (M&B Marketing) and agent Atmos Energy. For the first three months of the audit period the Companies billed customers the last of the stabilized commodity rates (SCRs) approved by the Commission in Case No. 01-1523-GA-UNC. Staff verified that the Companies properly applied the SCRs to customers' bills.

Recommendations

Unless otherwise stated in this report, Staff's review has shown that Southeastern, Eastern and Pike accurately calculated for the last 21 months of the audit period and properly applied their SCRs to customers' bills for the first three months of the audit period.

Eastern

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$12 to be included in GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Staff recommends that Eastern meet with Staff to address this high UFG level. Staff believes if this high level of UFG can not be accounted for by the Company, there must be a financial adjustment to Eastern's GCR rates. Staff typically calculates UFG over a 12-month period ending in June or July. Due to the timing of the audit, the closest Staff could calculate UFG on a 12-month summertime month-ending basis, the resulting rate was even higher than the 9.57% rates found for the 18-month period.

Pike Hillsboro

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$1,975 to be

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

included in GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Staff recommends that Pike Hillsboro refund to its customers \$(350.48) that received from TCO.

Pike Waverly

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$(1,730) to be reduced from GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Staff recommends that Pike meet with Staff to address this high UFG level. Staff believes if this high level of UFG can not be accounted for by the Company, there will be a financial adjustment to the Company's rates. Staff typically calculates UFG over a 12 month period ending in June or July. When Staff did this calculation for Pike - Waverly, the resulting rate was higher than the 5.22% found for the 22 month period under review.

Southeastern

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$14,079 to be included in GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Section II

Introduction

Eastern, Pike and Southeastern Natural Gas Companies (Companies) are headquartered in Frazeyburg, Ohio. The companies are wholly owned subsidiaries of Clearfield Ohio Holding, Inc. (COHI). COHI provides administrative and management services to its subsidiaries.

Eastern's service area is made up of three non-contiguous regions, located in the eastern portions of Ashtabula and Trumbull counties. These three regions were formerly part of National Fuel Gas Supply (National Fuel). Eastern still receives nearly all of its system requirements through National Fuel with approximately 3% of its supplies delivered directly into its system by local producers.

Currently, Eastern provides utility sales service to approximately 6,534 customers and transportation service to 6 industrial customers. The customer counts for sales customers has decreased slightly by approximately 250 customers since the 2005 audit with the transportation count decreasing by 2 customers during the same period.

Pike's system is separated into two service areas, Waverly and Hillsboro. Different interstate pipelines serve each service area and their systems are not interconnected, therefore the Company files separate GCR rates, but during this audit Waverly and Hillsboro divisions billed GCR rates that were within cents of each other for most of the audit period. With its GCR rates being approximately the same, Pike should consider combining the Hillsboro and Waverly GCR rates into a single rate. This would reduce some of the administrative work associated with the separate calculations, filing, and billing of these two rates.

The Hillsboro division currently serves approximately 3,537 residential, commercial, and industrial customers located in Highland and Clinton Counties and receives its gas supply through Columbia Gas Transmission. The Waverly division currently serves approximately 3,442 residential, commercial, and industrial customers located in Pike, Ross, and Jackson Counties and receives its gas supply through Tennessee Gas Pipeline. Combined, the two systems provide transportation service to 7 customers.

Southeastern's service area is located primary in the southeastern portion of Ohio, along with the former Paramount system and a few customers in Delaware and Union counties. Southeastern services the majority of its customers off the Southeastern pipeline, which is connected to Columbia Gas Transmission Corporation and Tennessee Gas Pipeline. The customers in Delaware and Union counties are served under a transportation agreement with Columbia Gas of Ohio. Southeastern serves approximately 1,382 customers in all, which is down slightly from the 2005 figure. Southeastern also transports gas for 12 customers.

Section III

Expected Gas Cost

The Staff has reviewed Eastern's calculations of its Expected Gas Cost (EGC) for the audit period. The EGC mechanism attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. It is calculated by extending twelve-month historical purchase volumes from each supplier by the rate that is expected to be in effect during the upcoming GCR quarter. The cost for each supplier is summed and the total is divided by twelve-month historical sales to develop an EGC rate to be applied to customer bills.

In reviewing the Company's calculations of the EGC, the Staff makes the following observations concerning supply sources, purchase volumes, and sales volumes.

Supply Sources

For the first three months of the audit periods, Eastern, Pike and Southeastern (the Companies) received their gas supplies under stabilized commodity rates (SCRs) approved by the Commission in Case No. 01-1523-GA-UNC. The SCRs were billed in place of the Companies' GCR rates. The responsibility of supplying the SCRs was assigned to Woodward Marketing.

During the audit period Atmos Energy purchased Woodward Marketing and continued service to the Companies. Following the expiration of the SCRs rates, Atmos served the Companies as agent for the Companies. The Companies retained its pipeline entitlements, with Atmos purchasing and nominating gas to the Companies' city gates. In place of the expired SCRs, the Companies negotiated with Atmos a price adder. The price adder reflected the different interstate pipelines services (transportation and storage services demand and volumetric charges) that were being utilized to move gas to the respective Company's city gate(s) along with a margin and Dth to MCF conversion factors. Each month the Companies city gate prices were calculated using the NYMEX closing price, trued up for fuel losses on the pipelines plus the price adder.

The price adder for these Companies is similar to the Standard Service Offer (SSO) charge paid by suppliers under Dominion East Ohio SSO program.

Sales Volumes

Eastern

Staff has verified that all of the monthly sales volume figures reported in the Company's quarterly GCR filings matched the monthly sales volume figures contained in the Company's customer billing register.

Pike

Staff has verified that all of the monthly sales volume figures reported in Pike Hillsboro and Waverly quarterly GCR filings matched the monthly sales volume figures contained in the Company's customer billing register.

Southeastern

Staff has verified that all of the monthly sales volume figures reported in Southeastern quarterly GCR filings matched the monthly sales volume figures contained in the Company's customer billing register.

Purchase Volumes

Eastern

Staff has reviewed the purchased volumes contained on the invoices Eastern receives from its supplier and has found that these volumes match those filed in the Company's periodic filings.

Pike

Staff has reviewed the purchased volumes contained on the invoices Pike receives from its supplier for its Hillsboro and Waverly divisions and has found that these volumes match those filed in the Company's periodic filings.

Southeastern

Staff has reviewed the purchased volumes contained on the invoices Southeastern receives from its supplier and has found that these volumes match those filed in the Company's periodic filings.

Recommendations

Staff has no recommendations in this section.

Section IV

Actual Adjustment

The Actual Adjustment reconciles the monthly cost of purchased gas with the EGC billing rate. It is calculated by dividing the total cost of gas purchases for each month of the three-month reporting quarter by total sales for those respective months. The result is the unit book cost of gas, which is the cost incurred by the company for procuring each MCF it sold that month. That unit book cost for each month is compared with the EGC rate which was billed for that quarter. The difference between each monthly unit cost and the EGC, whether positive or negative, is multiplied by the respective monthly jurisdictional sales to identify the total under-or over-recoveries of gas costs. The monthly under or over recoveries are summed and divided by the twelve-month historic jurisdictional sales to develop an Actual Adjustment rate to be included in the GCR for four quarters.

Errors in the Actual Adjustment calculation can result from incorrectly reported purchase gas costs, errors in the stated sales volumes and from the use of the wrong EGC rate.

Eastern

Staff examined the invoices from Eastern's supplier Atmos Energy (Atmos) and found the invoices, including the revised invoices from Atmos, matching the costs included for recovery through the Company's GCR. Staff traced some of the invoices back to the wire transfer summary sheets and traced these totals to bank statement to confirm the invoiced amount were paid. Staff did find that in November 2005, the Company filed an incorrect purchase gas cost by \$(4,000). The Company found its error and corrected it by increasing its January 2006 purchase gas cost by \$4,000. The timing difference resulted in a \$12 error which is not self-correcting. This positive sum represents a very slight increase to the GCR rate. Staff's AA calculation is shown on Table I.

Pike - Hillsboro Division

Staff examined the invoices from Pike's supplier, Atmos Energy, and found all but one of the invoices to match the amount filed in the Company's GCR filings. Staff has incorporated in its AA calculation the Atmos invoice that did not match the Company's filings for November 2006. Staff also found that for March 2006, the Company used Waverly's EGC rate in its AA calculation instead of Hillsboro. Staff used the March EGC for Hillsboro in its calculation. Staff finds that these errors totaled \$1,975 which is not self-correcting. This positive sum represents an increase to the GCR rate. Staff's AA calculation is shown in Table II.

Pike - Waverly Division

Staff examined the invoices from Pike's supplier, Atmos Energy, and found all the invoices to match the amount filed in the Company's GCR filings. However, Staff did find that for March

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2006, the Company used Hillsboro's EGC rate in its AA calculation instead of Waverly, along with a transposition error in October 2005. Staff used the March EGC for Waverly in its calculation and staff purchase gas costs for October 2005. Staff finds that these errors totaled \$(1,730), which is not self-correcting. This negative sum represents a decrease to the GCR rate. Staff's AA calculation is shown in Table III.

Southeastern

Staff has reviewed the applicable pipeline and supplier invoices, sales volumes, and companies prepared worksheets for Southeastern and find that the Company properly calculated the AA for each quarter of the audit period with the exception of the first quarter. Purchase gas costs, sales volumes and EGC rates were incorrectly input into the calculation. Staff finds that these errors totaled \$14,079, which is not self-correcting, and should be added to customers' bills. Staff's AA calculation is shown in Table IV.

Recommendation

Eastern

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$12 to be included in GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Pike - Hillsboro Division

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$1,975 to be included in GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Pike - Waverly Division

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$(1,730) to be reduced from GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

Southeastern

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$14,079 to be included in GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

**Eastern Natural Gas Company
Case No. 07-207-GA-GCR
Actual Adjustment Calculation
Table I**

Quarter	Per Staff	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$739,858	\$1,459,827	\$2,268,631		
Dec-05	Jur. Sales MCF	21,489	57,331	116,430		
	Total Sales MCF	21,489	57,331	116,430		
	Book Cost \$/ MCF	\$34.4296	\$25.4631	\$19.4849		
	EGCS/MCF	\$15.3522	\$15.3522	\$13.5253		
	Diff. \$/MCF	\$19.0774	\$10.1109	\$5.9596		
	Cost Diff. \$	\$409,955	\$579,670	\$693,880	\$1,683,505	
	<u>Per Company</u>					
	Supply Cost \$	\$739,858	\$1,455,827	\$2,268,631		
	Jur. Sales MCF	21,489	57,331	116,430		
	Total Sales MCF	21,489	57,331	116,430		
	Book Cost \$/ MCF	\$34.4296	\$25.3934	\$19.4849		
	EGCS/MCF	\$15.3522	\$15.3522	\$15.5253		
	Diff. \$/MCF	\$19.0774	\$10.0412	\$5.9596		
	Cost Diff. \$	\$409,954	\$575,672	\$693,876	\$1,679,502	\$4,003
Quarter	Per Staff	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$1,813,823	\$1,498,322	\$1,139,628		
Mar-06	Jur. Sales MCF	128,495	112,531	119,172		
	Total Sales MCF	128,495	112,531	119,172		
	Book Cost \$/ MCF	\$14.1159	\$13.3147	\$9.5629		
	EGCS/MCF	\$13.5253	\$12.3104	\$11.7555		
	Diff. \$/MCF	\$0.5906	\$1.0043	(\$2.1926)		
	Cost Diff. \$	\$75,890	\$113,020	(\$261,298)	(\$72,388)	
	<u>Per Company</u>					
	Supply Cost \$	\$1,817,824	\$1,498,321	\$1,139,628		
	Jur. Sales MCF	128,495	112,531	119,172		
	Total Sales MCF	128,495	112,531	119,172		
	Book Cost \$/ MCF	\$14.1470	\$13.3147	\$9.5629		
	EGCS/MCF	\$13.5253	\$12.3104	\$11.7555		
	Diff. \$/MCF	\$0.6217	\$1.0043	(\$2.1926)		
	Cost Diff. \$	\$79,885	\$113,015	(\$261,297)	(\$68,397)	(\$3,991)

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Eastern Natural Gas Company
Case No. 07-207-GA-GCR
Actual Adjustment
Table I

Quarter	<u>Per Staff</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$438,083	\$278,678	\$124,413		
Jun-06	Jur. Sales MCF	76,654	32,649	25,349		
	Total Sales MCF	76,654	32,649	25,349		
	Book Cost \$/ MCF	\$5.7151	\$8.5356	\$4.9080		
	EGCS/MCF	\$9.5611	\$9.7954	\$9.6098		
	Diff. \$/MCF	(\$3.8460)	(\$1.2598)	(\$4.7018)		
	Cost Diff. \$	(\$294,813)	(\$41,132)	(\$119,186)	(\$455,132)	
	<u>Per Company</u>					
	Supply Cost \$	\$438,083	\$278,678	\$124,413		
	Jur. Sales MCF	76,654	32,649	25,349		
	Total Sales MCF	76,654	32,649	25,349		
	Book Cost \$/ MCF	\$5.7151	\$8.5356	\$4.9080		
	EGCS/MCF	\$9.5611	\$9.7954	\$9.6098		
	Diff. \$/MCF	(\$3.8460)	(\$1.2598)	(\$4.7018)		
	Cost Diff. \$	(\$294,811)	(\$41,131)	(\$119,186)	(\$455,132)	\$0
Quarter	<u>Per Staff</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$159,894	\$129,820	\$184,623		
Sep-06	Jur. Sales MCF	16,041	13,110	15,378		
	Total Sales MCF	16,041	13,110	15,378		
	Book Cost \$/ MCF	\$9.9679	\$9.9024	\$12.0056		
	EGCS/MCF	\$9.7448	\$9.2673	\$9.2658		
	Diff. \$/MCF	\$0.2231	\$0.6351	\$2.7398		
	Cost Diff. \$	\$3,578	\$8,326	\$42,133	\$54,037	
	<u>Per Company</u>					
	Supply Cost \$	\$159,894	\$129,820	\$184,622		
	Jur. Sales MCF	16,041	13,110	15,378		
	Total Sales MCF	16,041	13,110	15,378		
	Book Cost \$/ MCF	\$9.9678	\$9.9024	\$12.0056		
	EGCS/MCF	\$9.7448	\$9.2673	\$9.2658		
	Diff. \$/MCF	\$0.2230	\$0.6351	\$2.7398		
	Cost Diff. \$	\$3,577	\$8,326	\$42,133	\$54,037	\$0

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Eastern Natural Gas Company
Case No. 07-207-GA-GCR
Actual Adjustment
Table I

Quarter	<u>Per Staff</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$352,000	\$792,441	\$1,233,805		
Dec-06	Jur. Sales MCF	28,386	69,913	87,061		
	Total Sales MCF	28,386	69,913	87,061		
	Book Cost \$/ MCF	\$12.4005	\$11.3347	\$14.1717		
	EGCS/MCF	\$8.9770	\$9.6108	\$9.8047		
	Diff. \$/MCF	\$3.4235	\$1.7239	\$4.3670		
	Cost Diff. \$	\$97,179	\$120,521	\$380,198	\$597,898	
	<u>Per Company</u>					
	Supply Cost \$	\$352,000	\$792,442	\$1,233,805		
	Jur. Sales MCF	28,386	69,913	87,061		
	Total Sales MCF	28,386	69,913	87,061		
	Book Cost \$/ MCF	\$12.4005	\$11.3347	\$14.1717		
	EGCS/MCF	\$8.9770	\$9.6108	\$9.8047		
	Diff. \$/MCF	\$3.4235	\$1.7239	\$4.3670		
	Cost Diff. \$	\$97,179	\$120,523	\$380,195	\$597,898	\$0
	Total:					\$12

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Pike Natural Gas Company - Waverly
Case No. 07-214-GA-GCR
Actual Adjustment Calculation
Table I

Quarter	<u>Per Staff</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$449,015	\$836,947	\$996,131		
Dec-05	Jur. Sales MCF	9,866	25,345	55,236		
	Total Sales MCF	9,866	25,345	55,236		
	Book Cost \$/ MCF	\$45.5114	\$33.0222	\$18.0341		
	EGCS/MCF	\$14.0992	\$14.0992	\$12.3577		
	Diff. \$/MCF	\$31.4122	\$18.9230	\$5.6764		
	Cost Diff. \$	\$309,913	\$479,603	\$313,542	\$1,103,058	
	<u>Per Company</u>					
	Supply Cost \$	\$448,986	\$836,947	\$996,131		
	Jur. Sales MCF	9,866	25,345	55,236		
	Total Sales MCF	9,866	25,345	55,236		
	Book Cost \$/ MCF	\$45.5084	\$33.0220	\$18.0341		
	EGCS/MCF	\$14.0992	\$14.0992	\$12.3577		
	Diff. \$/MCF	\$31.4092	\$18.9230	\$5.6764		
	Cost Diff. \$	\$309,883	\$479,603	\$313,542	\$1,103,028	\$30
Quarter	<u>Per Staff</u>	<u>Jan-06</u>	<u>Feb-06</u>	<u>Mar-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$659,275	\$600,232	\$383,507		
Mar-06	Jur. Sales MCF	65,068	56,707	56,470		
	Total Sales MCF	65,068	56,707	56,470		
	Book Cost \$/ MCF	\$10.1321	\$10.5848	\$6.7913		
	EGCS/MCF	\$12.3577	\$11.1996	\$10.6706		
	Diff. \$/MCF	(\$2.2256)	(\$0.6148)	(\$3.8793)		
	Cost Diff. \$	(\$144,815)	(\$34,863)	(\$219,064)	(\$398,743)	
	<u>Per Company</u>					
	Supply Cost \$	\$659,275	\$600,232	\$383,507		
	Jur. Sales MCF	65,068	56,707	56,470		
	Total Sales MCF	65,068	56,707	56,470		
	Book Cost \$/ MCF	\$10.1321	\$10.5848	\$6.7913		
	EGCS/MCF	\$12.3577	\$11.1996	\$10.6706		
	Diff. \$/MCF	(\$2.2256)	(\$0.6148)	(\$3.8793)		
	Cost Diff. \$	(\$144,815)	(\$34,863)	(\$219,064)	(\$398,744)	\$0

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Pike Natural Gas Company - Waverly
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Actual Adjustment
Table I

Quarter	Per Staff	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$197,512	\$208,746	\$61,510		
Jun-06	Jur. Sales MCF	40,399	15,333	13,264		
	Total Sales MCF	40,399	15,333	13,264		
	Book Cost \$/ MCF	\$4.8890	\$13.6141	\$4.6374		
	EGCS/MCF	\$8.5074	\$8.7406	\$8.5541		
	Diff. \$/MCF	(\$3.6184)	\$4.8735	(\$3.9167)		
	Cost Diff. \$	(\$146,180)	\$74,725	(\$51,951)	(\$123,405)	
	<u>Per Company</u>					
	Supply Cost \$	\$197,512	\$208,746	\$61,510		
	Jur. Sales MCF	40,399	15,333	13,264		
	Total Sales MCF	40,399	15,333	13,264		
	Book Cost \$/ MCF	\$4.8890	\$13.6141	\$4.6374		
	EGCS/MCF	\$8.5074	\$8.6259	\$8.5541		
	Diff. \$/MCF	(\$3.6184)	\$4.9882	(\$3.9167)		
	Cost Diff. \$	(\$146,180)	\$76,484	(\$51,951)	(\$121,647)	(\$1,758)
Quarter	Per Staff	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$70,616	\$136,372	\$74,795		
Sep-06	Jur. Sales MCF	8,902	8,657	8,926		
	Total Sales MCF	8,902	8,657	8,926		
	Book Cost \$/ MCF	\$7.9326	\$15.7527	\$8.3795		
	EGCS/MCF	\$8.6700	\$8.5500	\$8.5500		
	Diff. \$/MCF	(\$0.7374)	\$7.2027	(\$0.1705)		
	Cost Diff. \$	(\$6,564)	\$62,354	(\$1,522)	\$54,268	
	<u>Per Company</u>					
	Supply Cost \$	\$70,616	\$136,372	\$74,796		
	Jur. Sales MCF	8,902	8,657	8,926		
	Total Sales MCF	8,902	8,657	8,926		
	Book Cost \$/ MCF	\$7.9326	\$15.7528	\$8.3796		
	EGCS/MCF	\$8.6700	\$8.5500	\$8.5500		
	Diff. \$/MCF	(\$0.7374)	\$7.2028	(\$0.1704)		
	Cost Diff. \$	(\$6,564)	\$62,355	(\$1,521)	\$54,270	(\$3)

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike Natural Gas Company - Waverly
Case No. 07-214-GA-GCR
Actual Adjustment
Table I

Quarter	<u>Per Staff</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$217,242	\$494,540	\$612,395		
Dec-06	Jur. Sales MCF	12,595	32,439	44,326		
	Total Sales MCF	12,595	32,439	44,326		
	Book Cost \$/ MCF	\$17.2483	\$15.2452	\$13.8157		
	EGCS/MCF	\$8.3000	\$9.2500	\$9.4400		
	Diff. \$/MCF	\$8.9483	\$5.9952	\$4.3757		
	Cost Diff. \$	\$112,704	\$194,478	\$193,957	\$501,139	
	<u>Per Company</u>					
	Supply Cost \$	\$217,242	\$494,540	\$612,395		
	Jur. Sales MCF	12,595	32,439	44,326		
	Total Sales MCF	12,595	32,439	44,326		
	Book Cost \$/ MCF	\$17.2483	\$15.2452	\$13.8157		
	EGCS/MCF	\$8.3000	\$9.2500	\$9.4400		
	Diff. \$/MCF	\$8.9483	\$5.9952	\$4.3757		
	Cost Diff. \$	\$112,704	\$194,478	\$193,957	\$501,139	\$0
			Total:			(\$1,730)

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike Natural Gas Company - Hillsboro
Case No. 07-214-GA-GCR
Actual Adjustment Calculation
Table II

<u>Quarter</u> <u>End</u>	<u>Per Staff</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>AA</u>	<u>Diff.</u>
Dec-05	Supply Cost \$	\$415,674	\$770,932	\$1,183,835		
	Jur. Sales MCF	8,628	31,227	73,388		
	Total Sales MCF	8,628	31,227	73,388		
	Book Cost \$/ MCF	\$48.1774	\$24.6880	\$16.1312		
	EGCS/MCF	\$13.8958	\$13.8958	\$12.0869		
	Diff. \$/MCF	\$34.2816	\$10.7922	\$4.0443		
	Cost Diff. \$	\$295,782	\$337,008	\$296,803	\$929,593	
	<u>Per Company</u>					
	Supply Cost \$	\$415,674	\$770,932	\$1,183,835		
	Jur. Sales MCF	8,628	31,227	73,388		
	Total Sales MCF	8,628	31,227	73,388		
	Book Cost \$/ MCF	\$48.1774	\$24.6880	\$16.1312		
	EGCS/MCF	\$13.8956	\$13.8956	\$12.0869		
	Diff. \$/MCF	\$34.2818	\$10.7924	\$4.0443		
	Cost Diff. \$	\$295,783	\$337,014	\$296,803	\$929,600	(\$7)
	<u>Per Company</u>					
Mar-06	Supply Cost \$	\$762,984	\$784,566	\$563,569		
	Jur. Sales MCF	79,221	72,869	70,959		
	Total Sales MCF	79,221	72,869	70,959		
	Book Cost \$/ MCF	\$9.6311	\$10.7668	\$7.9422		
	EGCS/MCF	\$12.0869	\$11.0981	\$10.4281		
	Diff. \$/MCF	(\$2.4558)	(\$0.3313)	(\$2.4859)		
	Cost Diff. \$	(\$194,551)	(\$24,141)	(\$176,397)	(\$395,089)	
	<u>Per Company</u>					
	Supply Cost \$	\$762,984	\$784,566	\$563,561		
	Jur. Sales MCF	79,221	72,869	70,959		
	Total Sales MCF	79,221	72,869	70,959		
	Book Cost \$/ MCF	\$9.6311	\$10.7668	\$7.9421		
	EGCS/MCF	\$12.0869	\$11.0981	\$10.4281		
	Diff. \$/MCF	(\$2.4558)	(\$0.0331)	(\$2.4860)		
	Cost Diff. \$	(\$194,551)	(\$24,141)	(\$176,404)	(\$395,096)	\$6
	<u>Per Company</u>					

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike Natural Gas Company - Hillsboro
Case No. 07-214-GA-GCR
Actual Adjustment
Table II

Quarter	<u>Per Staff</u>	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$240,164	\$123,147	\$49,591		
Jun-06	Jur. Sales MCF	49,566	17,036	13,247		
	Total Sales MCF	49,566	17,036	13,247		
	Book Cost \$/ MCF	\$4.8453	\$7.2286	\$3.7435		
	EGCS/MCF	\$8.3945	\$8.6259	\$8.4306		
	Diff. \$/MCF	(\$3.5492)	(\$1.3973)	(\$4.6871)		
	Cost Diff. \$	(\$175,920)	(\$23,804)	(\$62,090)	(\$261,814)	
	<u>Per Company</u>					
	Supply Cost \$	\$240,164	\$123,147	\$49,583		
	Jur. Sales MCF	49,566	17,036	13,247		
	Total Sales MCF	49,566	17,036	13,247		
	Book Cost \$/ MCF	\$4.8453	\$7.2286	\$3.7430		
	EGCS/MCF	\$8.3945	\$8.7406	\$8.4306		
	Diff. \$/MCF	(\$3.5492)	(\$1.5120)	(\$4.6876)		
	Cost Diff. \$	(\$175,920)	(\$23,758)	(\$62,097)	(\$263,775)	\$1,962
Quarter	<u>Per Staff</u>	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$62,952	\$78,047	\$97,006		
Sep-06	Jur. Sales MCF	7,605	6,829	7,828		
	Total Sales MCF	7,605	6,829	7,828		
	Book Cost \$/ MCF	\$8.2778	\$11.4288	\$12.3921		
	EGCS/MCF	\$8.6100	\$8.5500	\$8.5500		
	Diff. \$/MCF	(\$0.3322)	\$2.8788	\$3.8421		
	Cost Diff. \$	(\$2,526)	\$19,659	\$30,076	\$47,209	
	<u>Per Company</u>					
	Supply Cost \$	\$62,952	\$78,047	\$97,006		
	Jur. Sales MCF	7,605	6,829	7,828		
	Total Sales MCF	7,605	6,829	7,828		
	Book Cost \$/ MCF	\$8.2770	\$11.4288	\$12.3922		
	EGCS/MCF	\$8.6100	\$8.5500	\$8.5500		
	Diff. \$/MCF	(\$0.3323)	\$2.8788	\$3.8422		
	Cost Diff. \$	(\$2,527)	\$19,659	\$30,077	\$47,209	\$0

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike Natural Gas Company - Hillsboro
Case No. 07-214-GA-GCR
Actual Adjustment
Table II

Quarter	<u>Per Staff</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$174,345	\$419,245	\$730,025		
Dec-06	Jur. Sales MCF	12,303	39,075	58,947		
	Total Sales MCF	12,303	39,075	58,947		
	Book Cost \$/ MCF	\$14.1709	\$10.7292	\$12.3844		
	EGCS/MCF	\$8.3000	\$9.2500	\$9.5000		
	Diff. \$/MCF	\$5.8709	\$1.4792	\$2.8844		
	Cost Diff. \$	\$72,230	\$57,800	\$170,027	\$300,056	
	<u>Per Company</u>					
	Supply Cost \$	\$174,345	\$419,227	\$730,025		
	Jur. Sales MCF	12,303	39,075	58,947		
	Total Sales MCF	12,303	39,075	58,947		
	Book Cost \$/ MCF	\$14.1709	\$10.7288	\$12.3844		
	EGCS/MCF	\$8.3000	\$9.2500	\$9.5000		
	Diff. \$/MCF	\$5.8709	\$1.4788	\$2.8844		
	Cost Diff. \$	\$72,230	\$57,784	\$170,027	\$300,041	\$15
			Total:			\$1,975

Pike Natural Gas Company - Waverly
Case No. 07-214-GA-GCR
Actual Adjustment Calculation
Table III

<u>Quarter</u> <u>End</u>	<u>Per Staff</u>	<u>Oct-05</u>	<u>Nov-05</u>	<u>Dec-05</u>	<u>AA</u>	<u>Diff.</u>
Dec-05	Supply Cost \$	\$449,015	\$836,947	\$996,131		
	Jur. Sales MCF	9,866	25,345	55,236		
	Total Sales MCF	9,866	25,345	55,236		
	Book Cost \$/ MCF	\$45.5114	\$33.0222	\$18.0341		
	EGCS/MCF	\$14.0992	\$14.0992	\$12.3577		
	Diff. \$/MCF	\$31.4122	\$18.9230	\$5.6764		
	Cost Diff. \$	\$309,913	\$479,603	\$313,542	\$1,103,058	
	<u>Per Company</u>					
	Supply Cost \$	\$448,986	\$836,947	\$996,131		
	Jur. Sales MCF	9,866	25,345	55,236		
	Total Sales MCF	9,866	25,345	55,236		
	Book Cost \$/ MCF	\$45.5084	\$33.0220	\$18.0341		
	EGCS/MCF	\$14.0992	\$14.0992	\$12.3577		
	Diff. \$/MCF	\$31.4092	\$18.9230	\$5.6764		
	Cost Diff. \$	\$309,883	\$479,603	\$313,542	\$1,103,028	\$30
	<u>Per Company</u>					
Mar-06	Supply Cost \$	\$659,275	\$600,232	\$383,507		
	Jur. Sales MCF	65,068	56,707	56,470		
	Total Sales MCF	65,068	56,707	56,470		
	Book Cost \$/ MCF	\$10.1321	\$10.5848	\$6.7913		
	EGCS/MCF	\$12.3577	\$11.1996	\$10.6706		
	Diff. \$/MCF	(\$2.2256)	(\$0.6148)	(\$3.8793)		
	Cost Diff. \$	(\$144,815)	(\$34,863)	(\$219,064)	(\$398,743)	
	<u>Per Company</u>					
	Supply Cost \$	\$659,275	\$600,232	\$383,507		
	Jur. Sales MCF	65,068	56,707	56,470		
	Total Sales MCF	65,068	56,707	56,470		
	Book Cost \$/ MCF	\$10.1321	\$10.5848	\$6.7913		
	EGCS/MCF	\$12.3577	\$11.1996	\$10.6706		
	Diff. \$/MCF	(\$2.2256)	(\$0.6148)	(\$3.8793)		
	Cost Diff. \$	(\$144,815)	(\$34,863)	(\$219,064)	(\$398,744)	\$0
	<u>Per Company</u>					

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike Natural Gas Company - Waverly
Case No. 07-214-GA-GCR
Actual Adjustment
Table III

Quarter	Per Staff	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$197,512	\$208,746	\$61,510		
Jun-06	Jur. Sales MCF	40,399	15,333	13,264		
	Total Sales MCF	40,399	15,333	13,264		
	Book Cost \$/ MCF	\$4.8890	\$13.6141	\$4.6374		
	EGCS/MCF	\$8.5074	\$8.7406	\$8.5541		
	Diff. \$/MCF	(\$3.6184)	\$4.8735	(\$3.9167)		
	Cost Diff. \$	(\$146,180)	\$74,725	(\$51,951)	(\$123,405)	
	<u>Per Company</u>					
	Supply Cost \$	\$197,512	\$208,746	\$61,510		
	Jur. Sales MCF	40,399	15,333	13,264		
	Total Sales MCF	40,399	15,333	13,264		
	Book Cost \$/ MCF	\$4.8890	\$13.6141	\$4.6374		
	EGCS/MCF	\$8.5074	\$8.6259	\$8.5541		
	Diff. \$/MCF	(\$3.6184)	\$4.9882	(\$3.9167)		
	Cost Diff. \$	(\$146,180)	\$76,484	(\$51,951)	(\$121,647)	(\$1,758)
Quarter	Per Staff	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$70,616	\$136,372	\$74,795		
Sep-06	Jur. Sales MCF	8,902	8,657	8,926		
	Total Sales MCF	8,902	8,657	8,926		
	Book Cost \$/ MCF	\$7.9326	\$15.7527	\$8.3795		
	EGCS/MCF	\$8.6700	\$8.5500	\$8.5500		
	Diff. \$/MCF	(\$0.7374)	\$7.2027	(\$0.1705)		
	Cost Diff. \$	(\$6,564)	\$62,354	(\$1,522)	\$54,268	
	<u>Per Company</u>					
	Supply Cost \$	\$70,616	\$136,372	\$74,796		
	Jur. Sales MCF	8,902	8,657	8,926		
	Total Sales MCF	8,902	8,657	8,926		
	Book Cost \$/ MCF	\$7.9326	\$15.7528	\$8.3796		
	EGCS/MCF	\$8.6700	\$8.5500	\$8.5500		
	Diff. \$/MCF	(\$0.7374)	\$7.2028	(\$0.1704)		
	Cost Diff. \$	(\$6,564)	\$62,355	(\$1,521)	\$54,270	(\$3)

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike Natural Gas Company - Waverly
Case No. 07-214-GA-GCR
Actual Adjustment
Table III

Quarter	<u>Per Staff</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$217,242	\$494,540	\$612,395		
Dec-06	Jur. Sales MCF	12,595	32,439	44,326		
	Total Sales MCF	12,595	32,439	44,326		
	Book Cost \$/ MCF	\$17.2483	\$15.2452	\$13.8157		
	EGCS/MCF	\$8.3000	\$9.2500	\$9.4400		
	Diff. \$/MCF	\$8.9483	\$5.9952	\$4.3757		
	Cost Diff. \$	\$112,704	\$194,478	\$193,957	\$501,139	
	<u>Per Company</u>					
	Supply Cost \$	\$217,242	\$494,540	\$612,395		
	Jur. Sales MCF	12,595	32,439	44,326		
	Total Sales MCF	12,595	32,439	44,326		
	Book Cost \$/ MCF	\$17.2483	\$15.2452	\$13.8157		
	EGCS/MCF	\$8.3000	\$9.2500	\$9.4400		
	Diff. \$/MCF	\$8.9483	\$5.9952	\$4.3757		
	Cost Diff. \$	\$112,704	\$194,478	\$193,957	\$501,139	\$0
	Total:					(\$1,730)

Southeastern Natural Gas Company
Case No. 07-215-GA-GCR
Actual Adjustment Calculation
Table IV

Quarter	Per Staff	Oct-05	Nov-05	Dec-05	AA	Diff.
End	Supply Cost \$	\$85,006	\$164,645	\$304,773		
Dec-05	Jur. Sales MCF	5,452	12,584	23,187		
	Total Sales MCF	5,452	12,584	23,187		
	Book Cost \$/ MCF	\$15.5917	\$13.0836	\$13.1442		
	EGCS/MCF	\$9.1920	\$13.8956	\$13.8956		
	Diff. \$/MCF	\$6.3997	(\$0.8120)	(\$0.7514)		
	Cost Diff. \$	\$34,891	(\$10,218)	(\$17,423)	\$7,250	
	<u>Per Company</u>					
	Supply Cost \$	\$164,647	\$304,774	\$218,112		
	Jur. Sales MCF	12,552	23,235	16,305		
	Total Sales MCF	12,552	23,235	16,305		
	Book Cost \$/ MCF	\$13.1172	\$13.1170	\$13.3770		
	EGCS/MCF	\$13.8956	\$13.8956	\$12.0870		
	Diff. \$/MCF	(\$0.7784)	(\$0.7786)	\$1.2900		
	Cost Diff. \$	(\$9,770)	(\$18,091)	\$21,033	(\$6,828)	\$14,078
Quarter	Per Staff	Jan-06	Feb-06	Mar-06	AA	Diff.
End	Supply Cost \$	\$218,112	\$203,371	\$135,586		
Mar-06	Jur. Sales MCF	16,326	19,894	15,219		
	Total Sales MCF	16,326	19,894	15,219		
	Book Cost \$/ MCF	\$13.3598	\$10.2227	\$8.9090		
	EGCS/MCF	\$12.0870	\$11.0981	\$10.4281		
	Diff. \$/MCF	\$1.2728	(\$0.8754)	(\$1.5191)	\$30,373	
	Cost Diff. \$	\$20,780	(\$17,415)	(\$23,119)	\$10,618	
	<u>Per Company</u>					
	Supply Cost \$	\$218,112	\$203,371	\$135,586		
	Jur. Sales MCF	16,326	19,894	15,219		
	Total Sales MCF	16,326	19,894	15,219		
	Book Cost \$/ MCF	\$13.3598	\$10.2227	\$8.9090		
	EGCS/MCF	\$12.0870	\$11.0981	\$10.4281		
	Diff. \$/MCF	\$1.2728	(\$0.8754)	(\$1.5191)	\$30,373	
	Cost Diff. \$	\$20,780	(\$17,415)	(\$23,119)	\$10,618	\$0

Southeastern Natural Gas Company
Case No. 07-215-GA-GCR
Actual Adjustment
Table IV

Quarter	Per Staff	<u>Apr-06</u>	<u>May-06</u>	<u>Jun-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$39,150	\$32,481	\$13,166		
Jun-06	Jur. Sales MCF	4,325	3,573	1,710		
	Total Sales MCF	4,325	3,573	1,710		
	Book Cost \$/ MCF	\$9.0521	\$9.0906	\$7.6995		
	EGCS/MCF	\$9.0688	\$9.3188	\$9.0913		
	Diff. \$/MCF	(\$0.0167)	(\$0.2282)	(\$1.3918)		
	Cost Diff. \$	(\$72)	(\$815)	(\$2,380)	(\$3,268)	
	<u>Per Company</u>					
	Supply Cost \$	\$39,150	\$32,481	\$13,166		
	Jur. Sales MCF	4,325	3,573	1,710		
	Total Sales MCF	4,325	3,573	1,710		
	Book Cost \$/ MCF	\$9.0521	\$9.0906	\$7.6995		
	EGCS/MCF	\$9.0688	\$9.3188	\$9.0913		
	Diff. \$/MCF	(\$0.0167)	(\$0.2282)	(\$1.3918)		
	Cost Diff. \$	(\$72)	(\$815)	(\$2,380)	(\$3,268)	\$0
Quarter	Per Staff	<u>Jul-06</u>	<u>Aug-06</u>	<u>Sep-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$11,881	\$13,236	\$20,405		
Sep-06	Jur. Sales MCF	1,551	1,492	2,367		
	Total Sales MCF	1,551	1,492	2,367		
	Book Cost \$/ MCF	\$7.6601	\$8.8710	\$8.6204		
	EGCS/MCF	\$8.5900	\$9.0000	\$9.0000		
	Diff. \$/MCF	(\$0.9299)	(\$0.1290)	(\$0.3796)		
	Cost Diff. \$	(\$1,442)	(\$193)	(\$899)	(\$2,533)	
	<u>Per Company</u>					
	Supply Cost \$	\$11,881	\$13,237	\$20,405		
	Jur. Sales MCF	1,551	1,492	2,367		
	Total Sales MCF	1,551	1,492	2,367		
	Book Cost \$/ MCF	\$7.6602	\$8.8720	\$8.6206		
	EGCS/MCF	\$8.5900	\$9.0000	\$9.0000		
	Diff. \$/MCF	(\$0.9298)	(\$0.1280)	(\$0.3794)		
	Cost Diff. \$	(\$1,442)	(\$191)	(\$898)	(\$2,533)	\$0

**Southeastern Natural Gas Company
Case No. 07-215-GA-GCR
Actual Adjustment
Table IV**

Quarter	<u>Per Staff</u>	<u>Oct-06</u>	<u>Nov-06</u>	<u>Dec-06</u>	<u>AA</u>	<u>Diff.</u>
<u>End</u>	Supply Cost \$	\$43,629	\$97,619	\$167,872		
Dec-06	Jur. Sales MCF	7,389	10,833	16,434		
	Total Sales MCF	7,389	10,833	16,434		
	Book Cost \$/ MCF	\$5.9046	\$9.0112	\$10.2149		
	EGCS/MCF	\$8.5000	\$9.2500	\$9.5000		
	Diff. \$/MCF	(\$2.5954)	(\$0.2388)	\$0.7149		
	Cost Diff. \$	(\$19,177)	(\$2,587)	\$11,749	(\$10,016)	
	<u>Per Company</u>					
	Supply Cost \$	\$43,629	\$97,619	\$167,872		
	Jur. Sales MCF	7,389	10,833	16,434		
	Total Sales MCF	7,389	10,833	16,434		
	Book Cost \$/ MCF	\$5.9046	\$9.0113	\$10.2149		
	EGCS/MCF	\$8.5000	\$9.2500	\$9.5000		
	Diff. \$/MCF	(\$2.5954)	(\$0.2387)	\$0.7149		
	Cost Diff. \$	(\$19,177)	(\$2,586)	\$11,749	(\$10,016)	\$0
	Total:					\$14,079

Section V

Refund and Reconciliation Adjustment

The Refund and Reconciliation Adjustment (RA) is used to pass through the jurisdictional portion of refunds received from gas suppliers and adjustments ordered by the Commission. Annual interest of ten percent (10 %) is applied to the net jurisdictional amount of the RA, which is then divided by twelve months of historic sales volumes to develop a unit rate to be included in the GCR calculation for four quarters.

The Staff has reviewed the RA calculations contained in each GCR filing within the audit periods. Due to the limited number of GCR filings for the Companies, Staff found no refunds during the audit periods. However, Eastern included in its rates the Commission-ordered reconciliation adjustment from Case No. 05-215-GA-GCR, 05-207-GA-GCR, 05-214-GA-GCR.

Eastern

Staff in its examination of Eastern did not find any refunds of interstate pipelines nor were there any Commission order reconciliation from the 2005 audit.

Pike - Hillsboro

Staff in its verification of interstate pipelines found a refund from Columbia Gas Transmission (TCO) for \$350.48 in February 2006. Staff was unable to locate the TCO refund in the Company's RA or AA calculations.

Pike - Waverly

Staff in its examination of Waverly did not find any refunds of interstate pipelines nor were there any Commission order reconciliation from the 2005 audit.

Southeastern

Staff in its examination of Southeastern did not find any refunds of interstate pipelines nor were there any Commission order reconciliation from the 2005 audit.

Recommendations

Pike - Hillsboro

Staff recommends that Pike Hillsboro refund to its customers \$350.48 that they received from TCO.

Section VI

Balance Adjustment

The Balance Adjustment (BA) mechanism corrects for under- or over- recoveries of previously calculated AA's, RA's, and BA's. The BA is calculated by subtracting the product of the respective AA, RA, or BA rate and the sales to which those rates were applied from the dollar amounts of the respective AA, RA, or BA previously included in the GCR and used to generate those adjustment rates. Since those adjustment rates, themselves, were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus estimated sales. The sum of the differences for the AA, RA, and BA calculations is the total BA for the quarter which is divided by historic three-month sales to obtain a new BA rate to be included in the GCR.

Errors detected in the BA generally are the result of incorrectly reported sales volumes, but also may be due to selecting an incorrect rate from previous AA, RA, or BA calculations.

Due to the fact that all three Companies reinstituted their GCR filings in October 2005, there are no BA calculations contained in this audit period. Staff will examine the Companies' BA calculations starting in the next audit.

Recommendation

Staff has no recommendation in this section.

Section VIII

Customer Billing

An important component in the GCR process is the proper application of GCR rates and in these cases the fixed/stabilized commodity rates approved by the Commission in Case No. 01-1523-GA-UNC that was applied to customers' bills for the first three months of the audit period. Staff also has recalculated the Companies' customers' bills to verify the GCR rates that were applied, as well as the customer service base rate charges and taxes applied to jurisdictional customer bills during the audit period.

Staff randomly sampled customer bills for Eastern and Pike (Hillsboro and Waverly Divisions), and found no discrepancies, other than occasional rounding differences, in its comparison. Staff did note a billing change that occurred during the audit period for the Southeastern system. For the first three months of the audit period, the Company utilized a bills rendered basis for billing. The following 12 months, the Company switched to a service rendered basis. Staff finds there is no affect of switching billing methods as long as the Company remains consistent from this point forward. Any financial differences caused by the switch in billing practice was accounted for in the Southeastern's AA calculation.

Conclusions

Staff believes that Southeastern, Eastern and Pike have billed the proper GCR and fixed rates and base rates to their respective customers during the audit period.

Recommendations

Staff has no recommendation in this section.

Section IX

Unaccounted For Gas

Unaccounted-For Gas (UFG) is the difference between gas purchases and gas sales. It is calculated on a twelve-month basis, ending in one of the low usage summer months, so as to minimize the effects of unbilled volumes on the calculation. The GCR Rule, Chapter 4901:1-14 (FF) (3), Administrative Code, specifies that the Commission may adjust the Company's future GCR rates as a result of UFG above a reasonable level, presumed to be no more than 5% for the audit period.

The Staff has performed an analysis of the UFG for each of the three companies on the information that was available for each. The Staff used the difference between sales volumes and purchase volumes to arrive the amount of UFG for each period. That difference is then divided by the purchase volumes to arrive at a system UFG percentage. Eastern used a 19 month period ending March, 2007. Pike used the 22 month period ending July, 2007 and Southeastern used the 21 month period ending April, 2007. The results of the Staff's calculation are shown in Tables V through VIII below.

Eastern

Table V
System Average UFG Rates

Twelve Months <u>Ended</u>	Purchases <u>(MCF)</u>	Sales <u>(MCF)</u>	UFG <u>(MCF)</u>	<u>UFG</u>
March 2007	1,451,668	1,312,718	138,950	9.57%

Pike - Hillsboro

Table VI
System Average UFG Rates

Twenty-two Month <u>Period Ending</u>	Purchases <u>(MCF)</u>	Sales <u>(MCF)</u>	UFG <u>(MCF)</u>	<u>UFG</u>
July 2007	860,209	884,051	(23,842)	(2.77)%

Eastern, Pike, and Southeastern Natural Gas Companies
Case Nos. 07-207-GA-GCR, 07-214-GA-GCR & 07-215-GA-GCR

Pike - Waverly

Table VII
System Average UFG Rates

<u>Twenty-two Month</u> <u>Period Ending</u>	<u>Purchases</u> <u>(MCF)</u>	<u>Sales</u> <u>(MCF)</u>	<u>UFG</u> <u>(MCF)</u>	<u>UFG</u>
July 2007	766,901	736,341	40,560	5.22%

Southeastern

Table VIII
System Average UFG Rates

<u>Twenty-one Month</u> <u>Periods Ended</u>	<u>Purchases</u> <u>(MCF)</u>	<u>Sales</u> <u>(MCF)</u>	<u>UFG</u> <u>(MCF)</u>	<u>UFG</u>
April 2007	220,321	220,285	36	0.02%

Conclusions

Staff is concerned with the high UFG level for Eastern and Pike. In the 2001 GCR audit report, Pike – Waverly's UFG fell right around the +/- 1% range. The UFG in this audit for Pike – Waverly is over 5.22%.

Recommendations

Eastern

Staff recommends that Eastern meet with Staff to address this high UFG level. Staff believes if this high level of UFG can not be accounted for by the Company, there must be a financial adjustment to Eastern's GCR rates. Staff typically calculates UFG over a 12-month period ending in June or July. Due to the timing of the audit, the closest Staff could calculate UFG on a 12-month summertime month-ending basis, the resulting rate was even higher than the 9.57% rates found for the 18-month period.

Pike-Waverly

Staff recommends that Pike meet with Staff to address this high UFG level. Staff believes if this high level of UFG can not be accounted for by the Company, there will be a financial adjustment to the Company's rates. Staff typically calculates UFG over a 12 month period ending in June or July. When Staff did this calculation for Pike - Waverly, the resulting rate was higher than the 5.22% found for the 22 month period under review.

Section X

Prior Audit Directive

On September 25, 2001, in Case No. 01-1523-GA-UNC the Commission approved Eastern, Pike (Hillsboro and Waverly divisions), and Southeastern Natural Gas Companies (the Companies') application to establish stabilized commodity rates (SCRs) in place of their of Gas Cost Recovery Rates (GCR). The application requested that while the SCRs were in effect that the Companies would cease the filing of GCR rates. The Commission approved the Companies' request to cease the filing of GCR rates for an initial 18 month period for which the SCRs were in effect (October 2001 through March 2003). The Companies also requested and received approval of limited GCR financial audits in which the staff was to verify that these SCRs were properly applied to customers' bills. On February 19, 2003, the Companies filed an application to extend its SCRs for three months (April 2003 through June 2003) and then two years (July 2003 through June 2005). The Commission approved the Companies request for an extension of their SCRs on April 10, 2003.

In Case No. 03-211-GA-GCR, Staff completed its first audit of the Companies' SCRs. In the Opinion and Order in this case the Commission ordered the Staff in its next audit (2005) to determine and report on the GCR prices that would have been in place under the traditional GCR calculation methodology through the periods as compared to the prices that were actually charged under this stabilized price alternative, as well as the amount of fluctuation in prices that was or was not avoided by using the stabilized price alternative, and any other matters that staff deems relevant and important. The results of this analysis should be reported to the Commission together with the financial audit prepared by staff for the companies' next GCR cases." Staff inadvertently omitted this audit requirement in its 2005 GCR financial audit and is now determining and reporting on the GCR prices that would have been in place under a traditional GCR and the amount of fluctuation in prices.

As a starting point for determining the GCR prices under the traditional GCR, Staff used in its calculation the NYMEX closing prices which were representative of natural gas commodity prices that were available in the market when the Companies would have bought natural gas. Staff used along with the NYMEX closing prices, spreadsheets provided by the Companies to support their applications for stabilized commodity rates (SCRs). Staff found that with minor modifications to these spreadsheets the monthly costs were representative of the monthly costs recovered by the Companies in their GCR filings. The costs contained in the Companies' spreadsheets were as follows; straddles, NYMEX, basis, fuel, storage fuel, margins, and demand charges for transportation and storage services and volumetric charges on transportation and storage services. Staff removed the cost of the straddles in its calculation, replaced NYMEX strip pricing with NYMEX close pricing and replaced average historical monthly usage with actual monthly usage for the Companies.

Staff found in its calculation of the traditional GCR prices that if the Companies locked in (triggered) NYMEX strip prices during periods of rising natural gas prices as was the case with

the initial 18 month SCRs, the Companies customers saved several thousands of dollars even as sales volumes for the 18 month period declined. In one winter month alone, the NYMEX strip price used to calculate the 18 month SCRS was approximately \$6.00 per MCF below the NYMEX closing price for that month. This resulted in a substantial saving to the Companies customers.

Staff also found that during periods of declining natural gas prices (mid 2003 through mid 2005) the Companies locked in prices that were slightly above what eventually were the NYMEX closing prices. The customers over paid what they would have paid under the traditional GCR prices in about 40% of the months in which there SCRs were in effect, with the largest difference between the NYMEX close price and NYMEX strip prices used in these SCRs being \$1.17 per MCF

Conclusion

Staff has examined the stabilized commodity rates billed by the Companies for the period of October 2001 through September 2005. During this 4 year period, customers of these companies overall saved money on their commodity costs under the SCRs, except for Eastern, which paid slightly more than a thousand dollars for the 4 year period. Staff's calculation of the traditional GCR rates are approximations of what costs could have been and are not precise over- or under-payments of commodity costs. Staff determined the fluctuations between the NYMEX strip prices used by the Companies in SCR's calculations and the NYMEX closing prices ranged from a high of nearly six dollars per MCF in savings for customers to over-payment of as high as \$1.17 per MCF, with the majority of the differences in the plus or minus 50 cents to \$1.00 range.