

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of	:	
the Purchased Gas Adjustment	:	
Clause Contained Within the Rate	:	CASE NO. 07-210-GA-GCR
Schedules of Oxford Natural Gas	:	
Company and Related Matters	:	

MOTION OF OXFORD NATURAL GAS COMPANY FOR APPROVAL TO FILE MONTHLY UPDATES TO THE EXPECTED GAS COSTS (EGC) COMPONENT OF ITS PURCHASED GAS ADJUSTMENT AND FOR LIMITED WAIVER OF THE REQUIREMENT IN OHIO ADMINISTRATIVE CODE 4901:1-14-04 TO FILE MONTHLY UPDATES TO THE EXECTED GAS COST (EGC) COMPONENT OF ITS PURCHASED GAS ADJUSTMENTS NO LATER THAN 14 DAYS PRIOR TO THE EFFECTIVE DATE OF THE GAS COST RECOVERY RATE AND REQUEST FOR EXPEDITED APPROVAL

Oxford Natural Gas Company ("ONG" or "the Company") respectfully requests this Commission grant it authority to modify its tariff to permit monthly as opposed to quarterly updates to its Expected Cost of Gas Component ("EGC") of its Gas Cost Recovery ("GCR") mechanism. The Company respectfully asks to file its first monthly GCR filing for December, 2007. Further, ONG respectfully moves that the Commission grant a limited waiver of the requirement that monthly updates to the EGC be filed not later than fourteen days prior to the effective date of its Gas Costs Recovery Rate. The Company requests a determination by the Commission that, due to the continuing volatility in natural gas commodity markets, the interests of the consumers of natural gas service on its system will be best-served by permitting the monthly EGC component to be updated after the monthly settlement of the New York Mercantile Exchange ("NYMEX") for natural gas contracts, which occurs three business days from

the end of the prior month. Specifically, in support of this Motion, the Company states the following:

1. ONG is a natural gas company and a public utility as defined in Sections 4905.02 and 4905.03, Revised Code, and is subject to the jurisdiction of the Commission.

2. ONG has less than fifteen thousand customers and does not operate a Choice program.

3. ONG's next quarterly GCR filing will be effective from October 1, 2007 through December 31, 2007. ONG respectfully requests approval of the Commission to make its first monthly GCR filing to be effective on December 1, 2007 and that such monthly GCR filing would supersede the third month of its last quarterly GCR filing.

4. ONG purchases all of its gas from natural gas suppliers based on NYMEX prices and trade journals and other industry publications and indices forecast that natural gas commodity market in general and the NYMEX in particular will continue to be extremely volatile as a consequence of historically high and fluctuating oil prices and high demand for natural gas.

5. The Company can best match the cost of the gas it purchases for customers with the amount it charges customers if it pegs the price to the NYMEX on a monthly basis. Therefore, it is in the interests of ONG and its customers to permit the Company to file monthly updates to its EGC.

6. In order to set the EGC as close as possible to what ONG will pay its suppliers, the Company would like to wait until the NYMEX settlement date for the billing month has closed. On systems with Choice programs the Commission has often required the filing fourteen days in advance of the billing month to assist Choice

customers to shop. Since ONG is too small for a Choice program the Company believes that requiring that the requested monthly EGC updates be filed with the Commission fourteen days in advance is not necessary. Therefore, it is in the interests of ONG and its customers to permit the Company to file its requested monthly updates to the EGC component of the GCR on or after the NYMEX settlement for the prior months, which occurs on the third business day prior to the close of the calendar month. This will ensure that the latest available commodity prices as affected by the settlement of NYMEX contracts for the prior month can be included in the EGC.

7. Pursuant to Ohio Administrative Code 4901:1-14-4, the Commission possesses authority to authorize ONG to revise the EGC component of the GCR on a monthly basis. Furthermore, that regulation permits the Commission to make a determination that market conditions warrant the filing of the EGC updates on a basis other than the fourteen-day minimum set forth therein.

8. It is further requested that approval be expedited in order that ONG may make a monthly EGC update as soon as possible, immediately after the NYMEX settlement for this month and each month thereafter, which settlement occurs three business days from the end of the prior month. The Company commits to submit its revised GCR rate and supporting documentation at least one business day before the effective date.

WHEREFORE, Oxford Natural Gas Company respectfully requests that the Commission grant ONG approval on an expedited basis to commence the filing of monthly GCR reports, beginning with December, 2007, embodying a monthly update to its EGC each month commencing as soon as possible for good cause shown. Further, the Company respectfully requests that the Commission determine that market

conditions justify the waiver as to Oxford Natural Gas Company of the fourteen day minimum filing requirement for monthly updates to the Expected Gas Costs component of its Gas Costs Recovery Mechanism. Finally, the Company requests that the Commission authorize it to file the requested monthly EGC updates immediately after the NYMEX settlement effective for the next billing cycle. Oxford Natural Gas Company further commits to submit each month's revised GCR rate and supporting documentation taking into account the NYMEX settlement at least one day before the effective date of the revised GCR.

Respectfully submitted,

By: /s/ _____
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MEMORANDUM IN SUPPORT

Oxford Natural Gas Company seeks to avail itself of the flexibility in the GCR mechanism explicitly anticipated by the Commission when it last revisited the reporting requirement at Ohio Administrative Code Chapter 4901:1-14 in 2003. Specifically, in its May 12, 2004 Entry on Rehearing in Case No. 03-1384-GA-ORD, the Commission addressed the issue of changing quarterly to monthly updates in Finding 23:

The Commission clarifies that it was not our intention to allow an LDC to randomly switch to and from a monthly GCR or a quarterly GCR process. Our intent, after case-specific review and approval, is to allow an LDC to enact a monthly EGC process on a long-term basis or to continue to follow the quarterly GCR process...

The concurrence of unrelenting demand for oil and natural gas, uncertainty as to the impact of weather on seasonal demand and the wild card presented by international events creating continuing volatility in natural gas and oil prices presents gas utilities with exceeding difficulty in forecasting gas prices to be experienced during the winter heating season and beyond. The Company believes that the quarterly GCR mechanism has served its customers well. However, the extreme volatility in gas markets currently being experienced clearly demonstrates a compelling reason for

increasing the frequency of its GCR updates so that the EGC can be adjusted monthly. The Commission has anticipated this scenario, and has provided the flexibility of natural gas companies utilizing the quarterly update mechanism to seek Commission approval to institute monthly EGC updates in the Entry on Rehearing discussed above.

When the Commission issued its Entry on Rehearing on May 12, 2004, in Case No. 03-1384-GA-ORD, it recognized the development of a national natural gas market in which wholesalers pegged their prices in large measure on the monthly closing price of the NYMEX. Thus, the Commission permitted monthly EGC adjustments so that the retail prices could better track the wholesale costs. The Commission set the default time for filing the EGC changes fourteen days in advance of billing, but permitted that to be shortened on a showing of good cause. Commission revised rule 4901:1-14-04 provides in pertinent part:

Each gas or natural gas company subject to the provisions of this chapter shall file with the commission's docketing division quarterly gas costs recovery reports. With commission approval, the gas or natural gas company may revise the expected gas cost component of the gas cost recovery report on a monthly basis. Unless otherwise determined by the commission, the expected gas cost component may be revised, as market conditions warrant, and file with the commission's docketing division no later than fourteen days prior to the effective date of the gas cost recovery rate. The filing interval for each such report shall be established by the commission.

In the matter at bar, the Commission should determine "otherwise" and find that market conditions justify waiving the fourteen day minimum filing requirement and authorize ONG to submit the requested monthly EGC updates immediately after the NYMEX settlement date. All of the prices paid to the Company's

suppliers are based or indexed to the NYMEX, thus pegging the customer cost to the NYMEX price best pairs price determination with cost causation.

ONG has far less customers than the number required to have a Choice program. Without a Choice program there is no need to post the GCR price early to assist the Choice customers with shopping. Further, by closely matching the actual costs of service with price charged, the Company will provide better price signals for conservation measures such as installing insulation, more efficient furnaces or lowering room temperatures.

In conclusion, ONG asks the Commission to expeditiously grant its request to move to a monthly EGC update, beginning with December, 2007, filed following the monthly settlement date of the NYMEX and at least one day before the start of the billing cycle.

Respectfully submitted,

By: /s/

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Summary: Motion Oxford Motion for Approval to File Monthly Updates to Expected Gas Costs Component electronically filed by Stephen M Howard on behalf of Oxford Natural Gas Company