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**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING  
AGREED-UPON PROCEDURES**

To the Board of Directors  
East Ohio Gas Company  
Cleveland, OH

We have performed the procedures enumerated below, which were agreed to by The East Ohio Gas Company (the "Company") and provided to the Public Utility Commission of Ohio (the "PUCO") and the Ohio Consumers' Counsel (the "OCC"), solely to assist you with respect to the Company's, the PUCO's and the OCC's (collectively, "the specified parties") evaluation of the recovery of uncollectible expense through a bad debt recovery mechanism in conjunction with PUCO Case No. 03-1127-GA-UNC. The Company's management is responsible for the financial reporting and record keeping of the data related to the bad debt recovery mechanism. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

**UNCOLLECTIBLE EXPENSE RECOVERY MECHANISM**

- a. We obtained from Company management, and proved the mathematical accuracy of, the accounting schedules summarizing bad debt tracker activity by month and supporting schedules for the following items from January 1, 2006 to December 31, 2006:
  1. Bad debt charge offs for the period of January 1, 2006 through December 31, 2006 of \$63,969,571.
  2. Recovery of bad debts
    - i. Through the rider rate in effect January 2006 through June 2006 of \$24,791,104.
    - ii. Through the rider rate in effect July 2006 through December 2006 of \$15,195,198.
  3. Broker recoveries for the period of January 1, 2006 through December 31, 2006 of \$7,220,797. These recoveries were reduced by an adjustment of \$11,400,889 related to supplier funding of Energy Choice program costs as outlined in Case No. 05-474-GA-ATA.
  4. Customer recoveries for the period of January 1, 2006 through December 31, 2006 of \$15,457,051.

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5. Carrying charges for the period of January 1, 2006 through December 31, 2006 of \$1,252,262.
- b. We compared bad debt charge offs from the schedule obtained in a) 1. above to Customer Care System (CCS) and Special Billing System (SBS) reports. We report all amounts to be in agreement and report that eligible charge-offs used in the calculations relate only to accounts that pay the Percentage of Income Payment Plan ("PIPP") rider per the CCS charge-off and SBS charge-off reports.
- c. We randomly selected 3 months of data (March 2006, June 2006 and September 2006) included in the schedules obtained in a) 2. above and performed the following procedures:
  - i. We compared sales and Energy Choice transportation volumes to volumetric CCS and SBS reports and found them to be in agreement. We report that such eligible volumes relate only to accounts that pay the PIPP rider per the CCS charge-off and SBS charge-off reports.
  - ii. We compared the bad debt recovery rates for East Ohio and for the West Ohio Division with those permitted by the Public Utilities Commission of Ohio, as outlined in Case No. 06-729-GA-UEx and Case No. 05-672-GA-UEx, and found them to be in agreement. We report that the respective rates, net of the portion attributable to gross receipts tax, have been applied to the eligible volumes by reference to the SBS and CCS billing summaries obtained from management.
- d. We compared the amounts of the accounts receivable discounts withheld from the Energy Choice Brokers per the schedule obtained in a) above to CCS billing system and SBS broker worksheets for the months selected in c).
- e. We compared customer recovery volumes for months selected in c) above to the respective CCS and SBS reports and found them to be in agreement.
- f. We obtained from Company management the Company's money pool interest rate for the months selected in c) above and found them to be in agreement with the interest rate utilized by the Company to calculate the monthly carrying charges.
- g. We applied the rate obtained in f) to recalculate the carrying cost calculations for the months selected in c) above, and found them to be in agreement.
- h. We recalculated the gross receipts tax component of the rider billings for the months selected in c) above, and found them to be in agreement.

#### **Bad Debt Tracker Regulatory Asset Balance**

- i. We obtained the Bad Debt Tracker Regulatory Asset balance from general ledger account 1242200 at December 31, 2006 and report that the balance recorded on the general ledger is \$144,871 less than the balance reflected on the rollforward obtained in j) below. We were informed by the Company that the difference relates to timing of differences in the general ledger and an interest true up based on the final summary of 2006 bad debt tracker activity.

- j. We obtained from Company management the rollforward of SAP account 1242200 and report that the broker recoveries reported on the general ledger are \$806,714 greater than the broker recoveries obtained in a) 3 above. We also report that the customer recoveries reported on the general ledger are \$262,028 less than the customer recoveries obtained in a) 4 above. We also report that the recovery of bad debts reported on the general ledger is \$2,793 greater than the recovery of bad debts obtained in a) 2 above. We also report that the carrying charges reported on the general ledger are \$72,228 greater than the carrying charges obtained in a) 5 above. We report that these differences are included within the total difference between the general ledger and summary schedule of \$144,871 reported in i) above.
- k. We compared the amortization rate of the accounts receivable regulatory asset per the schedule obtained in j) above to the PUCO order in Case 03-1127-GA-UNC and found them to be in agreement.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

*Deloitte Touche LLP*

October 15, 2007