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**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Application of) Case No. 07-589-GA-AIR
Duke Energy Ohio, Inc.)
for an Increase in Gas Rates)

In the Matter of the Application of) Case No. 07-590-GA-ALT
Duke Energy Ohio, Inc.)
for Approval of an Alternative Rate)
Plan for its Gas Distribution Service)

In the Matter of the Application of) Case No. 07-591-GA-AAM
Duke Energy Ohio, Inc. for Approval)
to Change Accounting Methods)

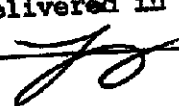
**MEMORANDUM CONTRA THE OFFICE OF THE OHIO CONSUMERS' COUNSEL'S
MOTION TO STRIKE CERTAIN OBJECTIONS TO THE STAFF REPORT FILED BY
INTERSTATE GAS SUPPLY, INC.**

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In the Matter of the Application of Duke Energy Ohio, Inc. for an Increase in Gas Rates) **Case No. 07-589-GA-AIR**
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INTERSTATE GAS SUPPLY, INC.**

I. Introduction

Pursuant to O.A.C. 4901-1-12(B)-(1) and the Commission's Entry in this proceeding dated December 21, 2007, Interstate Gas Supply, Inc. ("IGS") files this Memorandum Contra The Office of Ohio Consumers' Counsel's ("OCC") Motion to Strike IGS's Objection to the Staff Report ("OCC Motion"). OCC moved to strike on the grounds that IGS's Objection was not specific. IGS's Objection meets the specificity requirements of O.A.C. 4901-1-28(B) and should be addressed by the Commission on its merits.

II. IGS's Objection Meets the Requirements of O.A.C. 4901-1-28(B)

O.A.C. 4901-1-28(B) requires that "objections must be specific and states "(a)ny objections which fail to meet this requirement may be stricken." The OCC Motion asserts that IGS's Objection lacks specificity in violation of O.A.C. 4901-1-28(B). IGS's Objection stated "gas related costs should not be recovered in base rates, whether through the working capital component of rate base or otherwise, even if the Applicant performed an appropriate lead-lag study." IGS Objection; p. 3. On its face, this Objection meets the specificity requirement of OAC 4901-1-28(B). Its meaning is clear and understandable. Perhaps that is why OCC makes no attempt to explain why IGS's Objection is not specific. Rather, OCC simply argues that IGS's proposal is inappropriate. OCC Motion; p. 4.

While it is perfectly acceptable for OCC to disagree with the merits of IGS's Objection – although IGS submits OCC is wrong - their argument in no way supports any lack of specificity of IGS's Objection. On the contrary, the OCC's ability to address the merits of IGS's Objection implies that it is specific enough to be understood by OCC and considered by the Commission. Finally, IGS further explains the nature of its Objection in the Objection and Summary of Major Issues.

III. IGS's Proposal Has Been Approved by the Commission in Another Rate Proceeding

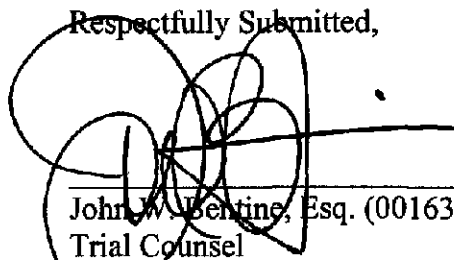
Not only is IGS's objection sufficiently specific, the Commission has already approved the recovery of gas storage carrying costs in the Gas Recovery Rate ("GCR"). In a rate case for Vectren Energy Delivery of Ohio ("Vectren"), the Commission approved the removal of storage carrying costs from Vectren's base rates and the recovery of their actual storage carrying costs

through their GCR. PUCO Case No. 05-220-GA-GCR at pp. 5-6, Apr. 11, 2007. This prior ruling by the Commission clearly indicates that it is appropriate for Duke to recover gas storage costs in its GCR and that such recovery is a more appropriate mechanism to recover these costs than their inclusion in base rates.

IV. Conclusion

Other than its bald and unsupported assertion in its Motion to Strike, OCC has not provided any basis for a finding that IGS's Objection lacks specificity. Additionally, it is self-evident from the detailed Objection and Summary of Issues that IGS's Objection clearly satisfies the specificity requirements of O.A.C. 4901-1-28(B). Lastly, the Commission has already accepted the position advocated by IGS in another rate proceeding, so there is no issue as to whether IGS's objection is appropriate, much less whether it was made with sufficient specificity. For the above reasons the OCC's motion to strike should be denied.

Respectfully Submitted,



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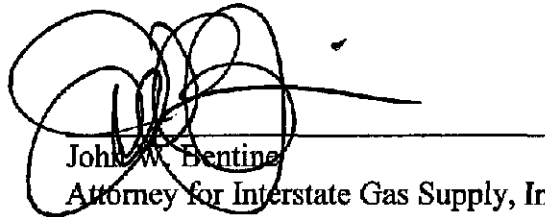
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CERTIFICATE OF SERVICE

It is hereby certified that a true copy of the foregoing *Memorandum Contra the Office of the Ohio Consumers' Counsel's Motion to Strike Certain Objections to the Staff Report Filed by Interstate Gas Supply, Inc.* was served by Regular U.S. Mail Service (also electronically as a courtesy copy, where possible), to the following parties this 5th day of February, 2008.


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