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**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

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In the Matter of the Regulation of the)
Purchased Gas Adjustment Clause Contained) Case No. 07-220-GA-GCR
Within the Rate Schedules of Vectren Energy)
Delivery of Ohio, Inc. and Related Matters.)

STIPULATION AND RECOMMENDATION

I. BACKGROUND

Rule 4901:1-30, Ohio Administrative Code ("O.A.C."), provides that any two or more parties to a proceeding may enter into a written or oral stipulation concerning the issues presented in such proceeding. Pursuant to Rule 4901:1-10(C), O.A.C., the Staff of the Public Utilities Commission of Ohio ("Staff") is considered a party for the purpose of entering into a stipulation under 4901:1-30, O.A.C.

The purpose of this document is to set forth the understanding of Vectren Energy Delivery of Ohio, Inc. ("the Company" or "VEDO"), Interstate Gas Supply, Inc. ("IGS"), Integrys Energy Services, Inc. ("Integrys") and the Staff (collectively, the "Parties") and to resolve all issues pertaining to VEDO in this proceeding.

II. STIPULATION AND RECOMMENDATION

- A. It is understood by the Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio ("Commission"). This Stipulation and Recommendation is based upon the Parties' desire to arrive at a reasoned and reasonable result considering

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the law, facts and circumstances in this case. Accordingly, the Parties believe this Stipulation and Recommendation should be given careful consideration by the Commission and should be adopted. This Stipulation is supported by adequate data and information; represents a just and reasonable resolution of all issues in this proceedings; violates no regulatory principle; and is the product of serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case. While this Stipulation is not binding on the Commission, it is entitled to careful consideration by the Commission, where, as in here, it is sponsored by a wide range of interests, including the Commission Staff.¹

- B. This Stipulation is a compromise involving a balance of competing positions, and it does not necessarily reflect the positions that one or more of the Parties would have taken if these issues had been fully litigated. The Parties believe that this Stipulation represents a reasonable compromise of varying interests when it is considered in its entirety. This Stipulation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission. Should the Commission reject or materially modify all or any part of this Stipulation, the Parties shall have the right, within thirty (30) days of the issuance of the Commission's order, to file an application for rehearing. Upon the Commission's issuance of an entry on rehearing that does not adopt the

¹ Rule 4901-1-10(c), Ohio Administrative Code, provides that Commission Staff is a party for the purpose of entering into this Stipulation.

Stipulation in its entirety without material modification, any Party may terminate and withdraw from the Stipulation by filing a notice with the Commission within thirty (30) days of the Commission's entry on rehearing. Prior to any Party seeking rehearing or terminating and withdrawing from this Stipulation pursuant to this provision, the Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of the Stipulation or proposes a reasonable equivalent thereto to be submitted to the Commission for its consideration. Upon notice of termination or withdrawal by any Party, pursuant to the above provisions, the Stipulation shall immediately become null and void. In such event, this proceeding shall go forward from the procedural point at which this Stipulation was filed, and the Parties will be afforded the opportunity to present evidence through witnesses, to cross examine all witnesses, to present rebuttal testimony, and to brief all issues which shall be decided based upon the record and briefs as if this Stipulation had never been executed.

- C. For purposes of resolving all issues presented in this proceeding, the Parties stipulate, agree, and recommend that the Commission make the following findings and issue its Opinion and Order in this proceeding as set forth below.

III. FINANCIAL AND UNCOLLECTIBLE EXPENSE RIDER AUDITS

A. Financial Audit

On January 16, 2008, Deloitte & Touche LLP ("D&T") filed its Independent Accountants' Report on the Uniform Purchased Gas Adjustment Rates in this proceeding which covers the audit period of May 2006 through October 2007. In this Report, D&T found as follows:

1. VEDO fairly determined the GCR rates for the audit period, in all material respects, in accordance with the financial procedural aspects of the uniform purchased gas adjustment as set forth in Chapter 4901:1-14, O.A.C., and properly applied the GCR rate to customer bills.
2. VEDO's annual Unaccounted For Gas percentage level for the eighteen months ended October 31, 2007 is below the five percent ceiling established in Case No. 86-2011-GA-ORD.
3. VEDO incorrectly calculated Estimated Purchased Gas Cost-Commodity Cost for the period December 2006 through February 2007 and corrected these errors in the Actual Adjustment Calculation in GCR 110 for the December 2006 through January 2007 errors and in GCR 111 for the February 2007 error.
4. VEDO properly refunded \$831,740 to its customers as required by the Commission in Case Nos. 04-220-GA-GCR and 05-220-GA-GCR.

The Parties agree and recommend that the Commission adopt the Financial Audit findings of D&T in this proceeding.

B. Uncollectible Expense Rider Audits

On January 16, 2008, D&T filed its Audit Report of VEDO's Uncollectible Expense Rider covering the annual report period of January 1, 2006 to December 31, 2006, and verified that VEDO appropriately accounted for and billed its Uncollectible Expense Rider Rate during 2006. The Parties agree and recommend that the Commission adopt the Uncollectible Expense Rider findings of D&T in this proceeding.

IV. PROCEDURAL MATTERS

- A. The Parties agree that the proofs of publication to be submitted in the GCR proceeding will demonstrate that reasonable and adequate notice of this proceeding has been published in compliance with the Commission's rules. The proofs of publication will be filed as a late-filed exhibit and shall be admitted into the record of this proceeding.
- B. The Parties agree that the Financial Audit and the Uncollectible Expense Rider Audit Reports filed by Deloitte and Touche LLP on January 16, 2008 should be admitted as evidence in this proceeding and that said evidence supports the reasonableness of this Stipulation and Recommendation, taken as a whole, consistent with the criteria that the Commission has adopted for purposes of evaluating of settlements.
- C. The Signatory Parties agree and intend to support the reasonableness of this Stipulation and Recommendation before the Commission and in any

appeal from the Commission's adoption or enforcement of this Stipulation and Recommendation. If not finally adopted by the Commission or if rejected by any appellate court, this Stipulation and Recommendation shall not prejudice any of the positions taken by any party on any issue before the Commission in this or any other proceeding, is not an admission of fact by any of the parties, and shall not be admissible evidence in this or any other proceeding. This Stipulation and Recommendation is submitted for purposes of this case only, and may not be relied upon or used in any other proceeding except as necessary to enforce the terms of this Stipulation and Recommendation.

Agreed upon this 18th day of March, 2008.


On Behalf of the Staff of the
Public Utilities Commission of Ohio

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On Behalf of Vectren Energy Delivery
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing *Stipulation and Recommendation* was served upon the following parties of record this 18th day of March, 2008, *via* electronic transmission, hand-delivery or ordinary U.S. mail, postage prepaid.


Gretchen J. Hummel

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