

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Regulation of the :
Purchased Gas Adjustment Clause :
Contained Within the Rate Schedules of : Case No. 08-209-GA-GCR
Northeast Ohio Natural Gas Corporation :
and Related Matters. :

In the Matter of the Application of :
Northeast Ohio Natural Gas Corporation : Case No. 07-934-GA-UEX
for Approval of an Adjustment to its :
Uncollectible Expense Rider Rate. :

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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 the Northeast Ohio Natural Gas Corporation (Company) and the Staff (collectively, the Signatory Parties) and to resolve all issues related to the Company's gas cost recovery (GCR) and Uncollectible Expense (UEX) Rider Mechanism involved in these proceedings.

- A. It is understood by the Signatory Parties that this Stipulation and Recommendation is not binding upon the Public Utilities Commission of Ohio

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(Commission). However, the agreement contained herein is supported by information provided in the "Audit of the Gas Cost Recovery Mechanism for the Effective GCR Periods March 1, 2006 through February 29, 2008 (GCR Audit) and the "Audit of the Uncollectible Expense Mechanisms for the Effective GCR Periods July 2003 through December 2006 (UEX Audit), both conducted by the Staff and filed in these proceedings on September 12, 2008. Additionally, revised information docketed on November 5, 2008 also supports this agreement. This Stipulation and Recommendation is based upon the Signatory Parties' desire to arrive at a reasoned and reasonable result considering the law, facts, and circumstances in these cases. Accordingly, the Company and Staff believe this Stipulation and Recommendation should be given careful consideration by the Commission and should be adopted.

- B. This Stipulation and Recommendation is submitted for purposes of these cases and should not be understood to reflect the positions which either the Staff or the Company would have taken if all the issues in these proceedings were litigated. As with most Stipulations and Recommendations reviewed by the Commission, the willingness of the Staff and the Company to jointly sponsor this document is predicated upon the reasonableness of the Stipulation and Recommendation taken as a whole.
- C. This Stipulation and Recommendation is submitted subject to the condition that the Commission not make any material modifications and adopt the

Stipulation as set forth below. In the event the Commission should materially modify this Stipulation or reject this Stipulation and Recommendation, the parties shall have thirty (30) days after the order or decision effecting such material modification or rejection within which to file with the Commission a letter requesting that the Stipulation and Recommendation be deemed withdrawn. In such event, the Stipulation and Recommendation shall not be regarded in any way as part of the record in these proceedings. If this Stipulation and Recommendation is not adopted by the Commission in accordance with these conditions, it is understood that the parties shall be entitled to fully litigate, including all rights of appeal, all issues which each has attempted to resolve herein, just as though this Stipulation and Recommendation had never been submitted.

- D. In order to resolve all the issues raised in these proceedings, the agreement set forth below is offered for the Commission's consideration.

II. STIPULATIONS AND RECOMMENDATIONS

The Signatory Parties agree and recommend that the Commission find:

- A. That the Company is a natural gas company within the meaning of Section 4905.03(A)(5), Revised Code, and, as such, is a public utility subject to the jurisdiction and supervision of the Commission.
- B. Pursuant to O.A.C. 4901:1-14-07, the Staff conducted an audit of the Company and compiled its findings in a document entitled "Audit of the Gas

Cost Recovery Mechanism for the Effective GCR Periods March 1, 2006 to February 29, 2008" (hereinafter "GCR Audit"). The GCR Audit was filed with the Commission's Docketing Division on September 12, 2008. The GCR Audit should be identified and admitted into evidence as Commission-Ordered Exhibit 1. Additionally, there was revised information developed by Staff, in cooperation with the Company, that incorporated substantive accounting changes that occurred during this period. The revised information was filed on November 5, 2008 as a supplement to the GCR Audit report. This supplemental information should be identified and admitted into evidence as Commission-Ordered Exhibit 1-A.

- C. This Joint Stipulation and Recommendation should be adopted and admitted into evidence as Joint Exhibit 1.
- D. The Commission should adopt the findings, as modified, contained in the aforementioned exhibits.
- E. The Company's level of unaccounted-for gas for the audit period under review is reasonable and within the requirements of the Commission's rules. (GCR Audit at 15.)
- F. The Company agrees to discuss and review with Staff, prior to implementation, future substantive accounting changes that relate to its GCR calculation.
- G. The Company has accurately calculated its Gas Cost Recovery rates during the audit period, subject to the following recommendations:

1. The difference between the Staff and Company calculations in the AA is not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of \$615,766. This reconciliation adjustment should be applied in the first GCR filing following the Opinion and Order in this case.
2. Staff recommends a reconciliation in the Company's favor for the RA in the amount of \$14,065 to be included in its next GCR filing following the Commission's Opinion and Order in this case.
3. The differences between the Staff and Company's calculations of the BA are not self-correcting through the GCR mechanism. Staff recommends a net reconciliation adjustment of (\$44,447.92).
4. The following reconciliation adjustment should be applied in the Company's first GCR filing following the Opinion and Order in this case:

Actual Adjustment	\$615,766
Refund/Reconciliation	\$14,065
<u>Balance Adjustment</u>	<u>(\$44,447.92)</u>
Total Adjustment	\$585,383.08

- H. The Company agrees to implement the Staff's recommendations contained in the UEX Audit Report filed on September 12, 2008 (see UEX Audit at 1-2).

III. PROCEDURAL MATTERS

- A. The Signatory Parties agree that the proof of publication filed in Case No. 08-209-GA-GCR demonstrates that proper notice of this proceeding has been published in compliance with the Commission's rules and the Commission's Entry herein dated September 26, 2008, and should be admitted into evidence.
- B. The Signatory Parties agree that the GCR and UEX Audit Reports filed on September 12, 2008, as well as the revised supplemental information filed on November 5, 2008, should be deemed to be part of the record in these cases and further agree to waive their right to conduct cross-examination of the sponsor of these documents, provided this Stipulation and Recommendation is adopted by the Commission.
- 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 these or any other proceeding, is not an admission of fact by any of the parties, and shall not be admissible evidence in these or any other proceedings. This Stipulation and Recommendation is submitted for purposes of these cases only, and may not be relied upon or used in any

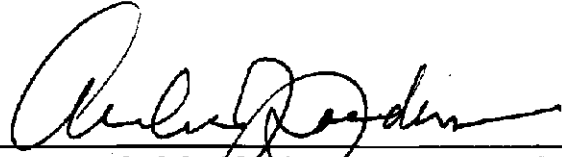
other proceedings except as necessary to enforce the terms of this Stipulation and Recommendation.

Agreed to and signed this 17th day of December, 2008.



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

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