

FILE

Joint Exhibit 1

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. 08-218-GA-GCR
Duke Energy Ohio)

PUCO

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STIPULATION AND RECOMMENDATION

Pursuant to Ohio Administrative Code Rule 4901-1-30, Duke Energy Ohio ("DE-Ohio"), the Commission Staff ("Staff"),¹ The Office of the Ohio Consumers' Counsel ("OCC"), and Interstate Gas Supply, Inc. ("IGS") (collectively referred to herein as the "Parties") do hereby stipulate and agree to resolve all issues in the instant proceeding.

Although the Parties hereto recognize that this Stipulation and Recommendation ("Stipulation") is not binding upon the Commission, it is the position of the Parties hereto that the Stipulation is an agreement among the Parties to this proceeding; that the Stipulation is supported by adequate data and information; that it represents a just and reasonable resolution of all issues in this proceeding; that it violates no regulatory principle or precedent; and that, accordingly, the Stipulation is entitled to careful consideration and should be adopted in its entirety by the Commission. This Stipulation shall not be cited as precedent for or against any signatory, or the Commission itself if it approves the Stipulation, in any future proceeding. This Stipulation is a compromise involving a balancing of competing positions and it does not necessarily reflect the

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position 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. The Parties further believe that this Stipulation satisfies the Commission's criteria for considering the reasonableness of stipulations, as evidenced by the Affidavit of Roger L. Sarver of the Commission Staff, attached to this Stipulation and hereby incorporated by reference.

Should the Commission reject or modify all or any part of this Stipulation or impose additional conditions or requirements upon the Parties, the Parties shall have the right, within thirty days of issuance of the Commission's order, to either file an application for rehearing or terminate and withdraw the Stipulation by filing a notice with the Commission. Upon rehearing, any Party may terminate and withdraw the Stipulation by filing a notice with the Commission within thirty days of the Commission's order on rehearing. 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, a hearing shall go forward and the Parties shall be afforded the opportunity to present evidence through witnesses, cross-examine all witnesses, present rebuttal testimony, and submit briefs all issues to be decided based upon the record as if this Stipulation had never been executed.

Subject to the terms and conditions set forth in this Stipulation, the Parties hereto agree, stipulate and recommend that the Commission find as follows:

¹ Staff will be considered a party for the purpose of entering into this Stipulation by virtue of O.A.C. Rule 4901-1-10(c).

1. The costs passed through the GCR clause of DE-Ohio during the audit period were fair, just and reasonable.
2. DE-Ohio's GCR rates were accurately applied to customer bills during the audit period.²
3. A financial audit was conducted by Deloitte & Touche, LLP in accordance with the objectives outlined in Appendix C of Chapter 4901:1-14 of the Ohio Administrative Code.
4. In satisfaction of the requirements of Section 4905.302(C) of the Revised Code and Section 4901:1-14 of the Ohio Administrative Code, DE-Ohio caused notice to be published in various newspapers of general circulation throughout its service territory for Case No. 08-218-GA-GCR. The tear sheets and affidavits have been previously admitted into the record as DE-Ohio Exhibit 1.
5. The Deloitte & Touche, LLP Independent Accountants' Report on the Uniform Purchased Gas Adjustment for the one-month periods ended September 27, 2007, October 28, 2007, November 28, 2007, January 1, 2008, January 30, 2008, February 28, 2008, March 31, 2008, April 29,

² The Parties acknowledge that a refund resulting from collections of the Firm Transportation Development Cost Rider and that was provided to GCR customers during a prior audit period has no impact on the GCR rates for which the audit at issue was conducted. The Parties further acknowledge that the Commission found the costs passed through DE-Ohio's GCR Rider during the prior year's audit to be fair, just, and reasonable. See, *In the Matter of the Long-Term Forecast Report of Duke Energy Ohio and Related Matters*, Case No. 07-218-GA,-FOR, *et al.*, Opinion and Order at page 12, para 17. Intervenor Interstate Gas Supply, Inc. objects to manner in which the prior refund was distributed. But as the review of that refund is outside the scope of the audit at issue, Interstate Gas Supply, Inc. consents to the present Stipulation.

2008, May 29, 2008, June 29, 2008, July 29, 2008 and August 27, 2008 in Response to Case No. 08-218-GA-GCR shall be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 1.

6. The specific findings presented in the "Summary of Findings" of the Deloitte Audit are reasonable and should be adopted by the Commission.
7. This Stipulation and Recommendation shall be admitted into the record in this proceeding and identified as Joint Exhibit 1.

The undersigned hereby stipulate and agree and each represents that he or she is authorized to enter into this Stipulation and Recommendation this 27th day of January 2009.

DUKE ENERGY OHIO

By: Amy B. Spiller / by Werner L. Margard
Amy B. Spiller, Associate General Counsel
its Attorney *per Werner L. Margard*

STAFF OF THE PUBLIC UTILITIES
COMMISSION OF OHIO

By: Werner L. Margard
Werner L. Margard, Assistant Attorney General
its Attorney

INTERSTATE GAS SUPPLY, INC.

By: Matthew S. White / by Werner L. Margard
Matthew S. White
its Attorney *per Werner L. Margard*

AFFIDAVIT OF ROGER L. SARVER

STATE OF OHIO

)

) ss.

COUNTY OF FRANKLIN

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I, Roger L. Sarver, being of sound mind, age of majority, and being duly cautioned and sworn in accordance with law, makes the following statement based upon personal knowledge:

1. I am employed by the Public Utilities Commission of Ohio ("PUCO") as an Energy Specialist in the Rates, Energy and Water Division in the Utilities Department.
2. My duties as an Energy Specialist for the PUCO include conducting and reviewing financial audits of the Gas Cost Recovery ("GCR") mechanisms of the regulated Ohio natural gas companies.
3. In that capacity, I was responsible for reviewing the independent auditor's report examining the periodic filings supporting the GCR rates of Duke Energy Ohio, Inc. ("Duke") prepared by Deloitte & Touche and filed in this case on October 9, 2008.
4. In my opinion, I believe that the Stipulation and Recommendation reached in this case is reasonable and should be adopted by the Commission.
5. I was involved with the negotiations that resulted in the Stipulation and Recommendation in this case. In my opinion, the bargaining conducted to arrive at the Stipulation and Recommendation was conducted between knowledgeable, capable parties and at arm's-length.

6. In my opinion, the Stipulation and Recommendation advances the public interest by attempting to resolve all of the issues related to the review of Duke's GCR and fuel-related policies and practices during the audit period. The Stipulation and Recommendation adopts the Commission-ordered audit report and the findings and recommendations contained within that audit report.
7. In my opinion, and to the best of my knowledge, the Stipulation and Recommendation does not violate any public policy or statute.

Further, Affiant sayeth naught.


ROGER L. SARVER

Sworn to before me and subscribed in my presence this 27th day of January, 2009.


NOTARY PUBLIC

Werner L. Margard III
Notary Public, State of Ohio
My Commission Does Not Expire.