

FILE

JOINT EXHIBIT NO. 1

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Regulation of the Pur-)
chased Gas Adjustment Clauses Contained)
Within the Rate Schedules of Columbia Gas of) Case No. 08-221-GA-GCR
Ohio Inc. and Related Matters.)

In the Matter of the Long-Term Forecast Re-)
port of Columbia Gas of Ohio, Inc. and Re-) Case No. 07-121-GA-FOR
lated Matters.)

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JOINT STIPULATION AND RECOMMENDATION

INTRODUCTION

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

Pursuant to Rule 4901-1-30, OAC, Columbia Gas of Ohio, Inc. ("Columbia"); Staff; and Stand Energy Corporation (hereinafter "the Parties") enter into and request the Public Utilities Commission of Ohio ("Commission") to accept the following Joint Stipulation and Recommendation in the above-captioned proceedings.¹

¹ Interstate Gas Supply, Inc. is not signing this Joint Stipulation, but has stated that it will not oppose it. The Office of the Ohio Consumers' Counsel has stated that it will not sign this Joint Stipulation and may oppose it.

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Based upon the Parties' participation in settlement discussions and the materials on file with the Commission, which include the Financial Audit Report and the Independent Accountants' Report on Applying Agreed Upon Procedures prepared by Deloitte and Touche LLP ("D&T"); Columbia's Gas Cost Recovery ("GCR") filings during the audit period in Case No. 08-221-GA-GCR,² the Final Report Management/Performance Audit Columbia Gas of Ohio, Inc. prepared by The Liberty Consulting Group ("Audit Report") in Case No. 08-221-GA-GCR; the Revision to Columbia Final Report Chapter III prepared by The Liberty Consulting Group in Case No. 08-221-GA-GCR; the Long-Term Forecast Report of Columbia Gas of Ohio, Inc. filed in Case No. 07-121-GA-FOR, the Parties' prefiled testimony in Case No. 08-221-GA-GCR; and, the transcripts from the evidentiary hearing held on January 20, 2009 in Case No. 08-221-GA-GCR, the Parties believe that these materials and the record in this proceeding adequately support this Joint Stipulation and Recommendation.

It is understood by the Parties that this Joint Stipulation and Recommendation is not binding upon the Commission, however, this agreement represents a cooperative effort between the Parties to settle many of the issues in Case No. 08-221-GA-GCR and all of the issues in Case No. 07-121-GA-FOR. Therefore, the Parties, by and through their respective counsel, hereby agree and stipulate to the following matters.

COLUMBIA'S 2007 LONG TERM FORECAST REPORT CASE

1. Columbia filed its Long-Term Forecast Report in Case No. 07-121-GA-FOR on May 31, 2007. Consistent with the requirements of Ohio Revised Code Section 4935.04 (D)(3)(b) that the Commission convene a hearing at least once every five years that considers a utility's long-term forecast, a hearing was scheduled in this matter for August 21, 2007. The Par-

² The management/performance audit period is the thirty-six months ended October 31, 2008, and the financial audit period is the twelve months ended October 31, 2008.

ties agree that Columbia's Long Term Forecast Report substantially complies with the requirements of Ohio Revised Code Chapter 4935 and they request that the Commission close the record in this matter with a finding that Columbia has satisfied such requirements. The purpose of the Long Term Forecast Report, as provided in Ohio Revised Code Section 4935.04, is to require energy utilities to prospectively plan for a sufficient supply based on projected demand and to demonstrate that such a process has been adequately implemented by the reporting utility. The Long Term Forecast Reports are primarily for the utilities' planning purposes.

COLUMBIA'S 2008 GCR CASE

2. D&T filed on November 21, 2008, an Independent Accountants' Report on the Annual Examination of the Financial Procedural Aspects of the Uniform Purchased Gas Adjustment in these proceedings covering the financial audit period ("Financial Audit Report"). (Commission-Ordered Ex. No. 1A). In this Financial Audit Report D&T found that Columbia had 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 related appendices, and that Columbia properly applied said GCR rates to customer bills during the audit periods. The Parties agree and recommend that the Commission adopt the Financial Audit Report in these proceedings.

3. D&T filed on November 21, 2008 an Independent Accountants' Report on Applying Agreed Upon Procedures, in which D&T examined Columbia's application of its Uncollectible Expense Rider during the audit period. (Commission-Ordered Ex. No. 1B) In this report, D&T compared Columbia's bad debt charge off and billings for its Uncollectible Expense Rider Rate during the audit period and noted no differences. The Parties agree and recommend that the Commission adopt the report of D&T in these proceedings.

4. The affidavits of publication submitted in these proceedings, Columbia Exhibit Nos. 2A and 2B³, demonstrate that proper notice of these proceedings has been published in substantial compliance with the Commission's rules.

5. Subject to the provisions of Paragraph numbers 26 and 27 the parties agree that the following exhibits should be admitted into the record, in addition to the exhibits admitted into the record during the hearing on January 20, 2009:

- Joint Exhibit No. 1 -- This Joint Stipulation and Recommendation.
- Columbia Exhibit No. 2A -- Proof of Legal Notice in Case No. 07-121-GA-FOR.
- Columbia Exhibit No. 2B -- Proof of Legal Notice in Case No. 08-221-GA-GCR.
- Columbia Exhibit No. 9 -- Columbia's 2007 Long-Term Forecast Report in Case No. 07-121-GA-FOR

6. Pursuant to Section I(D)(1) of the Audit Report, Columbia will revise the one general job description that applies to all three Director positions within Columbia's Energy Supply Services section so that there is a job description specific to each of the three Director positions. Columbia will create the job descriptions and make them available to the management/performance auditor in Columbia's next management/performance GCR Case.

7. Pursuant to Section I(D)(2) of the Audit Report, Columbia will develop written operating procedures for the fundamental aspects of Columbia's planning, procurement and management of natural gas supplies. Columbia will create the procedures and make them available to the management/performance auditor in Columbia's next management/performance GCR Case.

³ Columbia Exhibit No. 2B, the affidavits of publication in Case No. 08-221-GA-GCR, will be filed as a late-filed exhibit. The Parties other than Columbia reserve the right to review this exhibit and note any deficiencies.

8. Pursuant to Section I(D)(3) of the Audit Report, Columbia will develop appropriate controls in the form of new procedures, management oversight, and internal auditing procedures focused on ensuring that the conduct of natural gas transactions does not inappropriately favor any LDC at the expense of another. Columbia will create the procedures, management controls and internal auditing procedures and make them available to the management/performance auditor in Columbia's next management/performance GCR Case.

9. Pursuant to Section III(D)(4) of the Audit Report, Columbia will develop policies and procedures for administering and monitoring the capacity release and off-system sales programs addressing the segregation and separation of assets, costs, revenues and margins among the five Columbia local distribution companies. The policies and procedures should also provide for a strong internal audit function. Columbia will create the policies and procedures and make them available to the management/performance auditor in Columbia's next management/performance GCR Case.

10. Pursuant to Section IV(D)(1) of the Audit Report, Columbia will develop procedures for the gas procurement activities. Columbia will create the procedures and make them available to the management/performance auditor in Columbia's next management/performance GCR Case.

11. Pursuant to Section IV(D)(2) of the Audit Report, Columbia will develop formal written guidelines and criteria for the evaluation of suppliers' bids. Columbia will create the guidelines and criteria and make them available to the management/performance auditor in Columbia's next management/performance GCR Case.

12. Pursuant to Section V(D)(1) of the Audit Report, Columbia will develop and implement formal procedures for negotiating and renewing flex rate contracts. Columbia will make

the procedures available to the management/performance auditor in Columbia's next management/performance GCR Case.

13. Pursuant to Section II(D)(1) of the Audit Report, Columbia will continue to evaluate the methodology, the algorithm, input variables, and source data associated with its daily sendout algorithm to improve the accuracy of the model where possible. Said evaluations shall be made available to the management/performance auditor in Columbia's next management/performance GCR Case.

14. Pursuant to Section II(D)(3) of the Audit Report, Columbia will develop and have available for the next management/performance auditor an analysis of all existing and potential firm capacity options to its system. Additionally, Columbia will develop an analysis of potential firm city-gate supply options to those points of delivery into Columbia's distribution system behind which exists firm design peak day demand of 50,000 Dth/day or greater. Columbia's analysis will contain detailed calculations of the cost of all firm capacity (existing and potential) options along with estimated capital costs required to effectuate or increase potential capacity options. The analysis will also list relevant contractual terms, durations, and other information necessary to fully evaluate existing and potential firm capacity and/or firm city-gate delivery options.

15. Pursuant to Section III(D)(1) of the Audit Report, Columbia will continue to investigate the use of asset manager arrangements. This Audit Report recommendation is applicable only if for some reason Columbia does not implement the proposed wholesale gas supply auction in 2010.

16. Section III(D)(2) of the Audit Report recommends that Columbia revisit and re-evaluate the incremental capacity cost associated with the CHOICE program. This recommenda-

tion will be evaluated in a subsequent Columbia management/performance audit if Columbia does not implement the proposed wholesale gas supply auction in 2010.

17. Section III(D)(3) of the Audit Report recommends that Columbia “reduce the margin sharing percentages for sharing revenues with ratepayers that result from capacity release and off-system sales in the next round of negotiations with the stakeholder group.” This recommendation will be evaluated in a subsequent Columbia management/performance audit if Columbia does not implement the proposed wholesale gas supply auction in 2010.

18. Pursuant to Section V(D)(3) of the Audit Report, Columbia will review the incentive compensation formula used for Columbia’s Large Customer Account representatives involved in the flex rate contract process to ensure that those incentives are consistent with the interests of the general body of customers. The Parties agree that this is a matter that the management/performance auditor should review in Columbia’s next management/performance GCR Case.

19. Pursuant to Section V(D)(4) of the Audit Report, Columbia will add a web link to its home page to allow CHOICE suppliers to go directly to the CHOICE page for suppliers.

20. Pursuant to Section V(D)(5) of the Audit Report, in procuring supplies for PIPP customers, Columbia will continue to consider the use of web-based procurement tools.

21. The scope of future financial audits shall be expanded to include a financial auditor review of amounts credited to sales customers pursuant to any Commission-approved mechanisms applicable to the sharing of off-system sales and capacity release revenues, to ensure that the amounts credited were properly calculated and applied to customer bills.

22. A number of the preceding paragraphs provide for review of matters by the management/performance auditor in Columbia’s next management/performance GCR case. In the

event that the wholesale supply auction proposed by Columbia in Case No. 08-1344-GA-EXM results in the elimination of future management/performance audits for Columbia, then the review contemplated herein will take place within a subsequent audit procedure ordered by the Commission.

23. Nothing in this Joint Stipulation and Recommendation shall restrict the issues that any Party may raise and litigate in Case No. 08-1344-GA-EXM.

24. To the extent that any recommendations in the Audit Report are not addressed in this Joint Stipulation and Recommendation nor addressed in any briefs filed in this proceeding, such Audit Report recommendations require no further action on the part of Columbia or the Commission.

NON-SEVERABILITY OF STIPULATION PROVISIONS

25. This Joint Stipulation and Recommendation, if adopted by the Commission, will resolve many of the issues in Case Nos. 08-221-GA-GCR and 07-121-GA-FOR. The settlement agreement embodied in this Joint Stipulation and Recommendation was reached only after extensive negotiations between and among the Parties, and reflects a bargained compromise involving a balancing of competing interests. Although the Joint Stipulation and Recommendation does not necessarily reflect the position any of the Parties would have taken if all the issues addressed herein had been fully litigated, the Parties believe that, as a package, the Joint Stipulation and Recommendation strikes a reasonable balance among the various interests represented by the Parties, does not violate any important regulatory principle, and is in the public interest. This Joint Stipulation and Recommendation shall not be relied upon as precedent for or against any Party or the Commission itself in any subsequent proceeding, except as may be necessary to enforce the terms of the Joint Stipulation and Recommendation.

26. This Joint Stipulation and Recommendation is expressly conditioned upon the Commission adopting same without material modification. If the Commission materially modifies all or any part of this Joint Stipulation and Recommendation, and such modifications are not acceptable to all the Parties, the Parties agree to convene immediately to work in good faith to attempt to formulate an alternative proposal that satisfies the intent of the Joint Stipulation and Recommendation, or represents a reasonable equivalent thereto, to be submitted to the Commission for its consideration through a joint application for rehearing filed by all the Parties.⁴ If the Parties do not reach unanimous agreement with respect to such an alternative proposal, no alternative proposal shall be submitted, and any Party may, within thirty days of the Commission's order, file an application for rehearing supporting the adoption of the Joint Stipulation and Recommendation as filed. No Party shall oppose an application for rehearing filed by any other Party pursuant to this provision. Upon the Commission's issuance of an entry on rehearing that does not adopt this Joint Stipulation and Recommendation without material modification, or the alternative proposal, if one is submitted, a Party may terminate and withdraw from the Joint Stipulation and Recommendation by filing a notice with the Commission within thirty days of the Commission's entry on rehearing. No Party shall oppose the termination of the Joint Stipulation and Recommendation by any other Party.

27. Upon notice of termination and withdrawal by any Party in accordance with the above procedure, this Joint Stipulation and Recommendation shall immediately and automatically become null and void. In such event, the Commission shall schedule an additional evidentiary hearing in Case Nos. 08-221-GA-GCR and 07-121-GA-FOR as if this Joint Stipulation and Recommendation had never been filed.

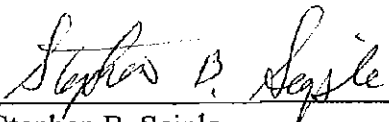
⁴ The Commission Staff is not considered a signatory Party for purposes of requirements regarding rehearing applications.

28. The Parties have agreed to the above-described process to be followed in the event the Commission materially modifies the terms of this Joint Stipulation and Recommendation in recognition of the unique circumstances involved. A Party's agreement to this process for purposes of this Joint Stipulation and Recommendation shall not be interpreted as binding such Party to support a similar process in any future proceeding, and the Commission's approval of this Joint Stipulation and Recommendation shall not be interpreted or otherwise relied upon as authority for utilizing this process as a template for stipulations in future proceedings.

RECOMMENDATION

29. The Parties agree that the foregoing Joint Stipulation and Recommendation is in the best interests of all parties, and urge the Commission to adopt the same.

AGREED THIS 17th DAY OF JULY, 2009.



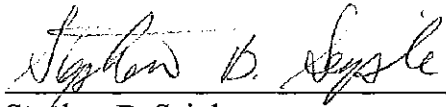
Stephen B. Seiple
On behalf of Columbia Gas of Ohio, Inc.

/s/ Stephen Reilly by email consent 7/17/09
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Assistant Attorney General,
Public Utilities Section
On behalf of the Staff of the Public Utilities
Commission

/s/ John M. Dosker by email consent 7/14/09
John M. Dosker
On behalf of Stand Energy Corporation

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing Joint Stipulation and Recommendation was served upon all parties of record by regular U.S. Mail this 20th day of July, 2009.



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