FILE

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PUCO EXHIBIT FILING

Date of Hearing: 11/17/09

Case No. 09-206-GA-GCR

PUCO Case Caption:

In The Matter of the Regulation of the Purchased Gas Adjustment Clause Contained Within the Rate Schedule of Brainard Gas Corp.

List of exhibits being filed:

Joint Ex. No. 1
Brainard Ex. No. 1
Staff Ex. No. 1

PUCO

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Reporter's Signature: Valerie Sloas

Date Submitted:

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

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In the Matter of the :	
Regulation of the :	
Purchased Gas Adjustment :	
Clause Contained Within :	Case No. 09-206-GA-GCR
the Rate Schedule of :	
Brainard Gas Corporation. :	

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PROCEEDINGS

Before Katie L. Stenman, Hearing Examiner, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-C, Columbus, Ohio, called at 10:00 a.m. on Tuesday, November 17, 2009.

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ARMSTRONG & OKEY, INC.
222 East Town Street, Second Floor
Columbus, Ohio 43215-4620
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FILE

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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 Schedule of Brainard Gas Corporation.	: : : :	Case No. 09-206-GA-GCR

STIPULATION AND RECOMMENDATION

This case is before the Public Utilities Commission of Ohio ("Commission"), pursuant to Ohio Administrative Code Rules 4901:1-14-07 and 4901:1-14-08, for review of the Financial Audit of the Gas Cost Recovery Mechanism of Brainard Gas Corporation for the Effective GCR Period from April 1, 2007 through March 31, 2009 ("Audit Report"), which was prepared by the Staff of the Commission ("Staff") and filed with the Commission's Docketing Division on August 10, 2009. Brainard Gas Corporation ("Brainard") agrees with all of the findings and endorses all of the recommendations made by the Staff in the Audit Report.

Ohio Administrative Code Rule 4901-1-30 provides that any two or more parties may enter into a written stipulation concerning the issues presented in any Commission proceeding. Pursuant to Ohio Administrative Code Rule 4901-1-10(C), the Staff is considered a party for the purposes of entering into a stipulation under Ohio Administrative Code Rule 4901-1-30. There are no matters in dispute between Brainard and the Staff (collectively, "Parties"). The Parties stipulate and agree to resolve all of the issues in the instant proceeding.

While the Parties recognize that this Stipulation and Recommendation ("Stipulation") is not binding on the Commission, the Parties state that the Stipulation is an agreement among all of the parties to this proceeding; is supported by adequate data and information; represents a just and reasonable resolution of all of the issues in this proceeding; violates no regulatory principle or practice; is the product of serious bargaining among knowledgeable and capable parties in a cooperative process undertaken by the Parties to settle this case; and, accordingly, 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 party, if the Commission approves it. This Stipulation is a compromise involving a balancing of competing positions, and it does not necessarily reflect the position that any party would have taken if these issues had been fully litigated.

The Parties believe that this Stipulation represents a reasonable compromise of varying interests. If the Commission's order adopting this Stipulation in this proceeding materially modifies the Stipulation, Brainard may withdraw its consent for joining this Stipulation by filing an application for rehearing aimed at preserving the stipulation as filed. Unless the Commission adopts this Stipulation on rehearing without material modification, in which case Brainard would again be bound, this Stipulation shall after rehearing become null and void and shall not constitute any part of the record in this proceeding, nor shall it be used for any purpose in this proceeding or any other proceeding.

Prior to any party seeking rehearing pursuant to the above provision, the Parties agree to convene immediately to work in good faith to achieve an outcome that substantially satisfies the intent of the Commission or proposes a reasonable equivalent to be submitted to the Commission for its consideration.

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

A. Brainard is a natural gas company within the meaning of Ohio Revised Code Section 4905.03(A)(6) and, as such, is a public utility subject to the jurisdiction and supervision of the Commission.

B. Staff completed an audit of Brainard's Gas Cost Recovery ("GCR") rates for the period April 2007 through March 2009 for conformity with Ohio Administrative Code Chapter 4901:1-14 and related appendices. The Audit Report shall be identified as Staff Exhibit 1 and admitted into evidence in this proceeding.

C. Except as noted below, Brainard's GCR rates were accurately calculated by Brainard during the audit period, in accordance with the provisions of Ohio Administrative Code Chapter 4901:1-14.

D. The Parties agree that all of the findings and recommendations contained in the Audit Report are reasonable and should be adopted. More specifically, the findings and recommendations to be implemented are as follows:

1. Brainard shall make a total adjustment of ($47,742.35), decreasing the GCR rate in the first GCR filing following the Opinion and Order in this case. This is the net effect of a reconciliation adjustment to the Actual Adjustment (AA)

of ($47,825.82), and a reconciliation adjustment of $83.47 to the Balance Adjustment (BA) to correct differences in those components of the GCR that are not self-correcting.

2. Brainard accepts the following Staff recommendations: (a) that Brainard time the meter reading of its largest transportation customers to be on the same date and at approximately the same time as the reading of the Bridge Road meter on Cobra; (b) that periodically (every six months) Brainard compare its purchase volumes to sale volumes to determine the level of unaccounted-for gas ("UFG"); and (c) that Brainard attempt to negotiate firm gas sale agreements with its current suppliers and/or solicit bids from other gas marketers with an emphasis on securing reliable (firm) service with pricing commensurate with the quality of service to be provided and that the new sales arrangements include pricing provisions that reference or are tied to market indices, as is the case with the Great Plains agreement.

E. In satisfaction of the requirements of Ohio Revised Code Section 4905.302(C) and Ohio Administrative Code Rule 4901:1-14-08(C), Brainard provided individual notice by bill insert within the period from 15 to 30 days prior to the date set for hearing in this matter, November 17, 2009. The affidavit confirming this notice shall be identified as Brainard Exhibit 1 and admitted into evidence in this proceeding.

F. This Stipulation and Recommendation shall be identified as Joint Exhibit 1 and admitted into evidence in this proceeding.

The undersigned are authorized representatives of the Parties to this Stipulation, who stipulate and agree to enter into this Stipulation on behalf of their respective parties this 30th day of October, 2009, and respectfully request that the Public Utilities Commission of Ohio adopt the foregoing Stipulation.

BRAINARD GAS CORPORATION

By:

Andrew J. Sonderman
Weltman, Weinberg & Reis Co., LPA
175 South Third Street, Suite 900
Columbus, Ohio 43215
(614) 857-4383

THE STAFF OF THE PUBLIC UTILITIES COMMISSION OF OHIO

By:

Sarah J. Parrot
Assistant Attorney General
Public Utilities Section
180 East Broad Street, 9th Floor
Columbus, Ohio 43215-3793
(614) 466-4396

AFFIDAVIT CONFIRMING COMPLETION OF LEGAL NOTICE
PUCO Case No. 09-206-GA-GCR

STATE OF OHIO

ss:

COUNTY OF LAKE

The undersigned Thomas J. Smith, President of Brainard Gas Corporation, being duly cautioned and sworn, states the following:

1. By Entry on January 21, 2009, the Commission required that Legal Notice of the public hearing in Case No. 09-206-GA-GCR be provided between 15 and 30 days prior to the date set for the hearing. That entry further provided that the Company could elect to provide this notice by publication in a section other than the legal notice section of a newspaper; or by bill message, bill insert or direct mailing to its customers.
2. Brainard Gas Corporation elected to provide the Legal Notice of the public hearing set for November 17 at the Commission's offices by bill insert.
3. A copy of the bill insert of the Legal Notice is attached hereto.
4. This notice was provided to customers along with their monthly bills commencing after October 19, 2009 and concluding on or before November 2, 2009 which is between 15 and 30 days prior to the hearing date as required by the Entry of January 21.

Brainard
Exhibit
1

Respectfully submitted,

T J Smith

Thomas J. Smith, President
Brainard Gas Corporation

Sworn and subscribed before me, a Notary Public for the State of Ohio, on this 30th day of October, 2009.

Julie E. Intihar
Notary Public

NOTARY SEAL STATE OF OHIO

JULIE E. INTIHAR
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES 05/20/12
RECORDED IN LAKE COUNTY

My commission expires ______________

LEGAL NOTICE

The Public Utilities Commission of Ohio has set for public hearing Case No. 09-206-GA-GCR to review the gas cost recovery rates of Brainard Gas Corporation and the operation of its Purchased Gas Adjustment Clause, and related matters. This hearing is scheduled to begin at 10:00 am on Tuesday, November 17, 2009 at the offices of the Commission, 180 East Broad Street, Columbus, Ohio. All interested persons will be given an opportunity to be heard. Further information may be obtained by contacting the Commission's Hotline at (800) 686-7826. The hearing impaired can reach the Commission via TTY-TDD (800) 686-1570, or, in Columbus, at 466-8180.

Staff Ex. 1

FILE

The Public Utilities Commission of Ohio

A report by the Staff of the Public Utilities Commission of Ohio

Brainard Gas Corporation

09-206-GA-GCR

Financial Audit of the Gas Cost Recovery Mechanism For The Effective GCR Period April 1, 2007 through March 31, 2009

August 7, 2009

RECEIVED

AUG 10 2009

DOCKETING DIVISION
Public Utilities Commission of Ohio

TABLE OF CONTENTS

CERTIFICATE OF ACCOUNTABILITY

The Staff has completed the required audit of the Brainard Gas Corp., (Brainard or Company), ordered by the Public Utilities Commission of Ohio (PUCO or Commission), of the Gas Cost Recovery (GCR) rates for the periods April 2007 through March 2009 for conformity in all material respects the procedural aspects of the uniform purchase gas adjustment as set forth in Chapter 4901:1-14 and related appendices, Administrative Code, and the Commission Entry in Case No. 09-206-GA-GCR.

Our audit has revealed certain findings, set out separately in the attached Memorandum of Findings, which should be addressed in this proceeding. The Staff notes that the Company has accurately calculated its Gas Cost Recovery rates for those periods under investigation in accordance with the uniform purchase gas adjustment as set forth in Chapter 4901:1-14, Administrative Code, and related appendices, except for those instances noted in the audit report.

The Staff has performed an investigation into these specific areas and respectfully submits its findings and recommendations.

Steve Puican

Steve Puican
Division Chief

Roger Sarver

Roger Sarver
Gas Specialist

Section I

Executive Summary

Audit Work Program

The audit investigation consisted of several components. Staff initially reviewed and evaluated relevant documents from within the Commission in preparation for the audit, along with documentation provided by the Company prior to Staff's on-site investigations. Staff conducted investigative interviews with appropriate company personnel at the offices of the Company's headquarters in Mentor, Ohio. Additionally, Staff reviewed and evaluated relevant company documents as necessary to understand and evaluate the company's activities.

Summary of Recommendations

Unless otherwise stated in this report, Staff's review has shown that the Brainard Gas Corp. (Brainard or Company) accurately calculated its Gas Cost Recovery rates for the periods that are discussed in this report. Following is a summary of the Staff's recommendations contained in Chapters III through IX of this report:

- On the Brainard system the vast majority of the through-put on its system is transportation volumes with less than 8% of it being sale volumes. Staff recommends that Brainard time the meter reading of its largest transportation customers to on the same date and at approximately the same and time as the reading of the Bridge Road meter on Cobra. Staff believes that these imbalances which were billed to the sales customers could have been detected and resolved prior to their placement for recovery in its GCR.

- Staff would also recommend that periodically (every six months) Brainard compare its purchase volumes to sale volumes to determine the level of UFG. Staff believes that based on the last two GCR audits that this difference should be approximately zero.

- The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of $(47,825.82) to be credited to the GCR rate. This represents the net difference Staff found in the Actual Adjustment calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

- The differences between the Staff and Company calculations in the BA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of $83.47 to be added to the GCR rate. This represents the net difference Staff found in the BA calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

- Staff recommends Brainard attempt to negotiate firm gas sale agreements with its current suppliers and/or solicit bids from other gas marketers with an emphasis on securing reliable (firm service) with pricing commensurate of the quality of service to be provided. Staff recommends that the new sales arrangements include pricing provisions that reference or are tied to market indices, as is the case with the Great Plains agreement. With defined pricing provisions Brainard can determine if the invoices are accurate and reflective of current market pricing.

AA	**$(47,825.82)**
BA	**$83.47**
Total Adjustment	**$(47,742.35)**

Section II

COMPANY PROFILE

On August 19, 1999, in Case No. 99-825-GA-ATA, the Commission approved the withdrawal of Power Energy Distribution, Inc. (Power Energy) tariffs and the adoption of Brainard Gas Corporation tariffs, as Brainard took over operations of the distribution system formerly operated by Power Energy. At that time all of Brainard's outstanding shares were held by the company's president Edward Bonk. In March 2006, Mr. Bonk sold his shares to Robert Osborne, who is the Chairman of Orwell Natural Gas Company (Orwell). Following the sale of shares by Mr. Bonk to Mr. Osborne, the operations and maintenances of the Brainard system was taken over by Orwell Gas Company, but Brainard continued as a separate regulated corporate entity. On October 29, 2008, Energy West, Incorporated (Energy West) filed a joint application along with Brainard, Orwell Natural Gas Company (Orwell) and Northeast Ohio Natural Gas Corporation (Northeast) for the approval of a transfer of stock. On December 3, 2008, the Commission approved the transfer of Brainard, Orwell and Northeast stocks to Energy West.

Brainard serves two townships, Middlefield and Parkman, in the south-eastern portion of Geauga County, Ohio and expanded its service area during the audit period to include customers in Lake County to areas adjacent to Orwell Trumbull Pipeline.

Brainard provided natural gas utility service to 99 residential and small commercial customers as of March 2009. In addition to its sale customers, Brainard provides transportation service to 13 small to medium volume customers and 1 large volume customer. For the 12 months ending December 2008, sales customers accounted for 20,470 Mcf or 7.5% of the total Company throughput. For the same 12 months Brainard reported 251,040 Mcf of transportation volumes, or approximately 92.5% of the total Company throughput.

The Company relies upon city-gate service suppliers delivering through two pipelines (Orwell Trumbull Pipeline Company and Cobra Pipeline Company) and a local producer to meet its system's requirements.

Section III

Expected Gas Cost

The Staff has reviewed Brainard's calculations of its Expected Gas Cost (EGC) for the audit period. The EGC mechanism attempts to match future gas revenues for the upcoming quarter with the anticipated cost to procure gas supplies. It is calculated using twelve-month historic purchase volumes from each supplier by the rate that is expected to be in effect during the upcoming GCR quarter. The cost for each supplier is summed and the total is divided by twelve-month historic sales to develop an EGC rate to be applied to customer bills.

Differences in the reported purchase volumes, tariff or contract rates used or errors in reported sales volumes may affect the calculation of the EGC. It should be noted, however, that the Actual Adjustment (AA) will "true-up" the EGC to the actual cost of gas each month, therefore no audit adjustments will be required for any errors detected in the EGC.

In reviewing the Company's calculations of the EGC, the Staff makes the following observations concerning supply sources, purchase volumes, sales volumes and transportation services.

Supply Sources

Brainard's gas supply options are limited to it's interconnect to Cobra Pipeline Company (Cobra) formerly a part of Columbia Gas Transmission Company, Orwell Trumbull Pipeline Company and direct connections to a local producer's wells. All of Brainard's supplies were purchased under Gas Sales Agreements from John D. Oil and Gas Marketing (John D.) and Great Plains Exploration (Great Plains) and Excalibur Exploration (Excalibur), the local producer on its system. Brainard purchases from John D., Great Plains and Excalibur were priced at market.

Purchase Volumes

The proper accumulation of purchase volumes is important in calculating the Expected Gas Cost, as well as for the Staff calculation of the Company's level of unaccounted-for gas (UFG). Staff reviewed the Company's reported purchase volumes for the audit period. Staff found that gas purchased from John D. was not properly accounted for during the audit period. Staff examined the levels of monthly purchase volumes compared to monthly sale volumes and found that there were substantially more purchase volumes than sales volumes. Staff has accounted for these differences in volumes in its Actual Adjustment calculation. Staff's has also accounting for these purchase volumes in its calculation of unaccounted-for-gas (UFG). Staff's purchase volumes are shown on Table I.

Sales Volumes

Staff has reviewed the meter read summary sheets for the audit period to ensure the sales volumes were properly calculated and summed each month for inclusion in Brainard's GCR. Staff found there were several months in which billing adjustments were made to months that had been included in the Company's filings. These out of period adjustments occurred during the first half of the audit period. The Company no longer makes out of period adjustments. Staff also noted that there was a large billing adjustment to September 2008 sales volumes for a customer receiving free gas. Staff has taken this large adjustment out of September 2008 and adjusted each of the months that were affected.

These out of period sales volumes differences and September 2008 adjustment were incorporated into Staff's actual adjustment, balance adjustment and UFG calculations. Staff's volumes are shown on Table II.

Transportation Service

The Company offers transportation service to fourteen customers. The Company transports gas under its tariffed transportation service with the vast majority of Brainard's (greater than 92%) through-put being transportation volumes.

Conclusion

Staff finds that Brainard has limited gas supply options.

Staff finds that Brainard did not properly account for its purchase volumes. Staff believes that the bills from John D. were calculated by taking system purchases less selected transporters metered volumes to equal purchase volumes. This calculation assumed that the transportations customers' deliveries matched their metered usage with any imbalance born by the sales customers. This difference is shown on Staff's Table 1 and II with the audit period purchases for sale customers at 38,968 Mcf and sale volumes of 31,638.5 Mcf, a difference of 7,329.5 Mcf or a 23% difference.

Staff notes that in the 2005 GCR audit (Case No. 05-206-GA-GCR) a slight negative system UFG (around 1%) existed with a slight increase occurring in the 2007 GCR audit (Case No. 07-206-GA-GCR) when the level rose to a positive 0.25%. Staff believes that the system UFG level is right around zero meanings that for each unit of gas brought into in its system another unit was metered going out through a customer's meter. Also, sales customers' usage in some months were as little as 2% of the system throughput with the remaining 98% being transportation volume with the result being that the transportation imbalances were substantially larger than sales volumes.

The difference between Brainard's and Staff sales volumes were the result of when Staff recognized billing adjustments.

Recommendations

On the Brainard system the vast majority of the through-put on its system is transportation volumes with less than 8% of it being sale volumes. Staff recommends that Brainard time the meter reading of its largest transportation customers to be on the same date and at approximately the same time as the reading of the Bridge Road meter on Cobra. Staff believes that these imbalances which were billed to the sales customers could have been detected and resolved prior to their placement for recovery in its GCR.

Staff would also recommend that periodically (every six months) Brainard compare its purchase volumes to sale volumes to determine the level of UFG. Staff believes that based on the last two GCR audits that this difference should be approximately zero.

Table I
Purchase Volumes

MONTH	MCF	MONTH	MCF
Oct-06	1,496	Oct-07	1,025
Nov-06	1,461	Nov-07	1,816
Dec-06	2,086	Dec-07	2,730
Jan-07	2,355	Jan-08	7,334
Feb-07	3,216	Feb-08	2,407
Mar-07	1,841	Mar-08	2,186
Apr-07	1,230	Apr-08	2,298
May-07	533	May-08	1,320
Jun-07	289	Jun-08	688
Jul-07	276	Jul-08	135
Aug-07	270	Aug-08	479
Sep-07	535	Sep-08	964
1st Year Total	15,588	**2nd Year Total**	23,380

Table II
Sales Volumes

MONTH	MCF	MONTH	MCF
Oct-06	1,105	Oct-07	319.1
Nov-06	607.9	Nov-07	1,250.2
Dec-06	1713	Dec-07	2,588.2
Jan-07	2,584.5	Jan-08	3,317.7
Feb-07	3,151.8	Feb-08	3,467.3
Mar-07	1,809.6	Mar-08	2,723
Apr-07	1,285.7	Apr-08	1,379.5
May-07	468.5	May-08	793
Jun-07	274.7	Jun-08	362
Jul-07	338.2	Jul-08	408.5
Aug-07	276.8	Aug-08	308.7
Sep-07	441.6	Sep-08	663.8
1st Year Total	14,057.3	**2nd Year Total**	17,581.2

Section IV

Actual Adjustment

The Actual Adjustment reconciles the monthly cost of purchased gas with the EGC billing rate. It is calculated by dividing the total cost of gas purchases for each month of the three-month reporting quarter by sales for those respective months. The result is the unit book cost of gas, which is the cost incurred by the Company for procuring each MCF sold that month. That unit book cost for each month is compared with the EGC rate, which was billed for that month. The difference between each monthly unit cost and the monthly EGC, whether positive or negative, is multiplied by the respective monthly jurisdictional sales to identify the total of under- or over-recoveries of gas costs. The monthly under- or over- recoveries are summed and divided by the twelve-month historic jurisdictional sales to develop an Actual Adjustment rate to be included in the GCR for four quarters.

Errors in the Actual Adjustment calculation can result from incorrectly reported purchase gas volumes and/or costs, errors in the stated sales volumes and from the use of the wrong EGC rate.

Staff has reviewed the applicable purchase invoices, sales volumes, and customer billing for Brainard's customers. There were differences noted in the EGC rates used in two months of the audit period. In nine of months the sales volumes verified by staff differed from the Company due to when adjustments were recognized. In several months Staff found differences in the purchase costs. The results of Staff's findings totaled $(35,968.47). Staff's and Company's AA calculations are shown on Table III.

Staff also incorporated in its AA calculation recognition of excessive purchase volumes which were the difference between sales volumes and staff's adjusted purchase volumes. Staff has determined that the appropriate level of purchase volumes was equal to sale volumes due to Brainard's unaccounted-for-gas level for the audit period as noted in Section VII. Staff multiplied the excess purchase volumes by the average cost per unit of gas for the two year audit period. The total amount of the excess purchase volumes was $(11,857.35). When the AA differences of $(35,968.47) is added to excess purchases the total AA adjustment calculated by Staff is $(47,825.82). The $(47,825.82) amount is not self-correcting and represents a decrease in GCR rates.

Recommendation

The differences between the Staff and Company calculations in the AA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of $(47,825.82) be deducted from the Company's GCR rates. This represents the net difference Staff found in the Actual Adjustment calculations plus the purchase volume issue. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

ACTUAL ADJUSTMENT CALCULATION
Table III

Per Staff	*Oct-06*	*Nov-06*	*Dec-06*	AA	Difference
Supply Cost $	$9,018	$9,095	$16,130		
Jur. Sales MCF	1,105.0	607.9	1,713.0		
Total Sales MCF	1,105.0	607.9	1,713.0		
Book Cost $/MCF	$8.161	$14.961	$9.416		
EGC $/MCF	$9.415	$6.910	$8.700		
Diff. $/MCF	($1.254)	$8.051	$0.716		
Cost Diff. $	($1,386)	$4,894	$1,227	$4,736	
Per Company					
Supply Cost $	$9,018	$7,661	$20,431		
Jur. Sales MCF	1,105.0	1,012.0	1,722.0		
Total Sales MCF	1,105.0	1,012.0	1,722.0		
Book Cost $/MCF	$8.161	$7.561	$11.864		
EGC $/MCF	$9.415	$6.910	$8.879		
Diff. $/MCF	($1.254)	$0.651	$2.985		
Cost Diff. $	($1,386)	$658	$5,140	$4,412	$323.61

Per Staff	*Jan-07*	*Feb-07*	*Mar-07*	AA	Difference
Supply Cost $	$18,964	$24,593	$16,129		
Jur. Sales MCF	2,584.5	3,151.8	1,809.6		
Total Sales MCF	2,584.5	3,151.8	1,809.6		
Book Cost $/MCF	$7.337	$7.803	$8.913		
EGC $/MCF	$7.295	$7.465	$8.427		
Diff. $/MCF	$0.043	$0.338	$0.486		
Cost Diff. $	$110	$1,064	$880	$2,054	
Per Company					
Supply Cost $	$18,698	$24,897	$15,908		
Jur. Sales MCF	2,585.0	3,152.0	1,810.0		
Total Sales MCF	2,585.0	3,152.0	1,810.0		
Book Cost $/MCF	$7.235	$7.899	$8.792		
EGC $/MCF	$7.295	$7.465	$8.427		
Diff. $/MCF	($0.060)	$0.434	$0.365		
Cost Diff. $	($155)	$1,369	$660	$1,874	$180.37

ACTUAL ADJUSTMENT CALCULATION
Table III

Per Staff	*Apr-07*	*May-07*	*Jun-07*	AA	Difference
Supply Cost $	$4,993	$9,837	$2,607		
Jur. Sales MCF	1,285.7	468.5	274.7		
Total Sales MCF	1,285.7	468.5	274.7		
Book Cost $/MCF	$3.883	$20.997	$9.490		
EGC $/MCF	$8.310	$8.696	$8.790		
Diff. $/MCF	($4.427)	$12.301	$0.700		
Cost Diff. $	($5,692)	$5,763	$192	$264	
Per Company					
Supply Cost $	$10,477	$4,648	$2,840		
Jur. Sales MCF	1,286.0	469.0	272.0		
Total Sales MCF	1,286.0	469.0	272.0		
Book Cost $/MCF	$8.149	$9.921	$10.451		
EGC $/MCF	$8.310	$8.696	$8.790		
Diff. $/MCF	($0.161)	$1.225	$1.661		
Cost Diff. $	($207)	$574	$451	$818	($554.36)

Per Staff	*Jul-07*	*Aug-07*	*Sep-07*	AA	Difference
Supply Cost $	$2,217	$1,957	$3,192		
Jur. Sales MCF	338.2	276.8	441.6		
Total Sales MCF	338.2	276.8	441.6		
Book Cost $/MCF	$6.556	$7.069	$7.228		
EGC $/MCF	$8.762	$8.291	$7.695		
Diff. $/MCF	($2.206)	($1.221)	($0.467)		
Cost Diff. $	($746)	($338)	($206)	($1,290)	
Per Company					
Supply Cost $	$2,217	$1,957	$3,022		
Jur. Sales MCF	338.0	277.0	442.0		
Total Sales MCF	338.0	277.0	442.0		
Book Cost $/MCF	$6.555	$7.070	$6.843		
EGC $/MCF	$8.762	$8.291	$7.695		
Diff. $/MCF	($2.206)	($1.221)	($0.852)		
Cost Diff. $	($746)	($338)	($376)	($1,460)	$169.83

ACTUAL ADJUSTMENT CALCULATION
Table III

Per Staff	*Oct-07*	*Nov-07*	*Dec-07*	AA	Difference
Supply Cost $	$10,297	$8,046	$15,485		
Jur. Sales MCF	319.1	1,250.2	2,588.2		
Total Sales MCF	319.1	1,250.2	2,588.2		
Book Cost $/MCF	$32.269	$6.436	$5.983		
EGC $/MCF	$7.862	$8.416	$9.481		
Diff. $/MCF	$24.407	($1.980)	($3.498)		
Cost Diff. $	$7,788	($2,475)	($9,054)	($3,741)	
Per Company					
Supply Cost $	$2,979	$16,747	$18,624		
Jur. Sales MCF	319.0	1,250.0	2,588.0		
Total Sales MCF	319.0	1,250.0	2,588.0		
Book Cost $/MCF	$9.336	$13.395	$7.196		
EGC $/MCF	$7.862	$8.416	$9.481		
Diff. $/MCF	$1.474	$4.979	($2.285)		
Cost Diff. $	$470	$6,225	($5,915)	$780	($4,521.04)

Per Staff	*Jan-08*	*Feb-08*	*Mar-08*	AA	Difference
Supply Cost $	$43,973	$22,544	$10,658		
Jur. Sales MCF	3,317.7	3,467.3	2,723.2		
Total Sales MCF	3,317.7	3,467.3	2,723.2		
Book Cost $/MCF	$13.254	$6.502	$3.914		
EGC $/MCF	$8.861	$9.381	$10.215		
Diff. $/MCF	$4.393	($2.879)	($6.301)		
Cost Diff. $	$14,575	($9,981)	($17,159)	($12,565)	
Per Company					
Supply Cost $	$50,706	$17,706	$27,829		
Jur. Sales MCF	3,345.0	3,564.0	3,001.0		
Total Sales MCF	3,345.0	3,564.0	3,001.0		
Book Cost $/MCF	$15.158	$4.968	$9.272		
EGC $/MCF	$8.861	$9.381	$10.215		
Diff. $/MCF	$6.297	($4.412)	($0.943)		
Cost Diff. $	$21,064	($15,724)	($2,830)	$2,510	($15,075.39)

ACTUAL ADJUSTMENT CALCULATION
Table III

Per Staff	*Apr-08*	*May-08*	*Jun-08*	AA	Difference
Supply Cost $	$20,953	$12,685	$6,134		
Jur. Sales MCF	1,379.5	793.0	362.0		
Total Sales MCF	1,379.5	793.0	362.0		
Book Cost $/MCF	$15.189	$15.996	$16.945		
EGC $/MCF	$10.649	$11.858	$13.006		
Diff. $/MCF	$4.540	$4.139	$3.939		
Cost Diff. $	$6,263	$3,282	$1,426	$10,971	
Per Company					
Supply Cost $	$21,889	$15,909	$8,686		
Jur. Sales MCF	1,227.0	780.0	361.0		
Total Sales MCF	1,227.0	780.0	361.0		
Book Cost $/MCF	$17.835	$20.391	$24.060		
EGC $/MCF	$10.469	$12.533	$13.006		
Diff. $/MCF	$7.367	$7.858	$11.053		
Cost Diff. $	$9,041	$6,131	$3,990	$19,162	($8,191.40)

Per Staff	*Jul-08*	*Aug-08*	*Sep-08*	AA	Difference
Supply Cost $	($1,520)	$5,461	$7,187		
Jur. Sales MCF	408.5	308.7	663.8		
Total Sales MCF	408.5	308.7	663.8		
Book Cost $/MCF	($3.720)	$17.689	$10.828		
EGC $/MCF	$14.272	$10.940	$9.410		
Diff. $/MCF	($17.992)	$6.749	$1.418		
Cost Diff. $	($7,350)	$2,083	$941	($4,325)	
Per Company					
Supply Cost $	$2,180	$6,028	$8,601		
Jur. Sales MCF	407.0	309.0	388.0		
Total Sales MCF	407.0	309.0	388.0		
Book Cost $/MCF	$5.360	$19.527	$22.157		
EGC $/MCF	$14.272	$10.940	$9.410		
Diff. $/MCF	($8.913)	$8.587	$12.748		
Cost Diff. $	($3,625)	$2,651	$4,949	$3,975	($8,300.09)

ACTUAL ADJUSTMENT CALCULATION
Table III

Actual Adjustment	($35,968.47)
Recognition of purchase volume issue	($11,857.35)
Total Actual Adjustment	**($47,825.82)**

Section V

Refund and Reconciliation Adjustment

The Refund and Reconciliation Adjustment (RA) serves to reconcile any refunds received by the Company from producers and to initiate any reconciliation that the Commission had ordered prior to and during the audit period.

The Staff has reviewed the RA calculations by the Company and found that the reconciliation adjustment ordered in the last GCR audit of $(1,668) was properly included in the GCR rate. There were no interstate pipeline refunds during the audit period.

Recommendation

Staff has no recommendations for this section.

Section VI

Balance Adjustment

The Balance Adjustment (BA) mechanism corrects for under- or over- recoveries of previously calculated AA's, and RA's. The BA is calculated by subtracting the product of the respective AA or RA rate and the sales to which those rates were applied from the dollar amounts of the respective AA or RA previously included in the GCR and used to generate those adjustment rates. Since those adjustment rates, themselves, were derived by dividing the dollar amounts by historic sales, the BA calculation depicts the differences in revenues generated for each of these adjustment mechanisms using actual versus estimated sales. The sum of the differences for the AA and RA is the total BA for the quarter, which is then included at the bottom of the AA calculation and added to the cost difference for the three month period which is then divided by historic 12-months sales to arrive at the new AA rate to be included in the GCR.

Errors detected in the BA generally are the result of incorrectly reported sales volumes or sequencing of the BA calculations, but may also be due to selecting an incorrect rate from previous AA or calculations.

Staff has calculated the Company BA and found that Brainard sequencing of its calculations was one quarter off for most of the audit period. Staff also found differences in the sales volumes used in some of the quarters during audit period. Staff's findings are not self-correcting and results in adjustment of $83.47 in the Company's favor. Staff and Company's BA calculations are shown in Table IV.

Recommendation

The differences between the Staff and Company calculations in the BA are not self-correcting through the GCR mechanism. Staff recommends a reconciliation adjustment of $83.47 to be added to the GCR rate. This represents the net difference Staff found in the BA calculations. This adjustment should be applied in the first GCR filing following the Opinion and Order in this case.

BALANCE ADJUSTMENT CALCULATION
Table IV

Staff	AA	RA	Total BA	Difference
Adjustment $	$1,430.18	$717.40		
Rate $/MCF	0.1060	0.0530		
Sales MCF	11,447.6	11,447.6		
Recovery $	$1,213.45	$606.72		
Balance $	$216.73	$110.68	$327.41	
Company				
Adjustment $	($1,892.59)	$0.00		
Rate $/MCF	(0.1330)	0.0000		
Sales MCF	14,875.0	0.0		
Recovery $	($1,978.00)	$0.00		
Balance $	$86.00	$0.00	$86.00	$241.41

Staff	AA	RA	Total BA	Difference
Adjustment $	$3,958.97	$0.00		
Rate $/MCF	0.2910	0.0000		
Sales MCF	13,140.4	13,140.4		
Recovery $	$3,823.86	$0.00		
Balance $	$135.11	$0.00	$135.11	
Company				
Adjustment $	($2,189.00)	$0.00		
Rate $/MCF	0.1104	0.0000		
Sales MCF	13,170.0	0.0		
Recovery $	($1,454.00)	$0.00		
Balance $	($735.00)	$0.00	($735.00)	$870.11

BALANCE ADJUSTMENT CALCULATION
Table IV

Staff	AA	RA	Total BA	Difference
Adjustment $	($2,189.00)	$0.00		
Rate $/MCF	(0.1104)	0.0000		
Sales MCF	13,818.1	13,818.1		
Recovery $	($1,525.52)	$0.00		
Balance $	($663.48)	$0.00	($663.48)	
Company				
Adjustment $	($2,301.00)	$0.00		
Rate $/MCF	(0.1685)	0.0000		
Sales MCF	13,785.0	0.0		
Recovery $	($2,323.00)	$0.00		
Balance $	$22.00	$0.00	$22.00	($685.48)

Staff	AA	RA	Total BA	Difference
Adjustment $	($2,301.00)	$0.00		
Rate $/MCF	(0.1603)	0.0000		
Sales MCF	14,057.3	14,057.3		
Recovery $	($2,253.39)	$0.00		
Balance $	($47.61)	$0.00	($47.61)	
Company				
Adjustment $	($3,191.00)	$0.00		
Rate $/MCF	(0.2442)	0.0000		
Sales MCF	13,785.0	0.0		
Recovery $	($3,433.00)	$0.00		
Balance $	$242.00	$0.00	$242.00	($289.61)

BALANCE ADJUSTMENT CALCULATION
Table IV

Staff	AA	RA	Total BA	Difference
Adjustment $	($3,191.00)	$0.00		
Rate $/MCF	(0.2442)	0.0000		
Sales MCF	14,788.9	14,788.9		
Recovery $	($3,611.45)	$0.00		
Balance $	$420.45	$0.00	$420.45	
Company				
Adjustment $	$4,498.00	$0.00		
Rate $/MCF	0.3513	0.0000		
Sales MCF	14,789.0	0.0		
Recovery $	$5,195.00	$0.00		
Balance $	($697.00)	$0.00	($697.00)	$1,117.45

Staff	AA	RA	Total BA	Difference
Adjustment $	$4,498.00	$0.00		
Rate $/MCF	0.3513	0.0000		
Sales MCF	16,751.2	16,751.2		
Recovery $	$5,884.70	$0.00		
Balance $	($1,386.70)	$0.00	($1,386.70)	
Company				
Adjustment $	$1,139.00	$0.00		
Rate $/MCF	0.0865	0.0000		
Sales MCF	17,153.0	0.0		
Recovery $	$1,484.00	$0.00		
Balance $	($345.00)	$0.00	($345.00)	($1,041.70)

BALANCE ADJUSTMENT CALCULATION
Table IV

Staff	AA	RA	Total BA	Difference
Adjustment $	$1,139.00	$0.00		
Rate $/MCF	0.0865	0.0000		
Sales MCF	17,256.8	17,256.8		
Recovery $	$1,492.71	$0.00		
Balance $	($353.71)	$0.00	($353.71)	
Company				
Adjustment $	$840.00	$0.00		
Rate $/MCF	0.0609	0.0000		
Sales MCF	17,493.0	0.0		
Recovery $	$1,065.00	$0.00		
Balance $	($225.00)	$0.00	($225.00)	($128.71)

Staff	AA	RA	Total BA	Difference
Adjustment $	$840.00	$0.00		
Rate $/MCF	0.0609	0.0000		
Sales MCF	17,581.2	17,581.2		
Recovery $	$1,070.70	$0.00		
Balance $	($230.70)	$0.00	($230.70)	
Company				
Adjustment $	$840.00	$0.00		
Rate $/MCF	0.0609	0.0000		
Sales MCF	17,540.0	0.0		
Recovery $	$1,068.00	$0.00		
Balance $	($228.00)	$0.00	($228.00)	$0.00

Total Balance Adjustment **$83.47**

Section VII

Unaccounted-For Gas

Unaccounted-For Gas (UFG) is the difference between gas purchases and gas sales. It is typically calculated on a twelve-month basis, ending in one of the low usage summer months, so as to minimize the effects of unbilled volumes on the calculation, however in this case it was calculated with the month ending in September due to the audit period. The GCR Rule, Chapter 4901:1-14 (FF) (3), Administrative Code, specifies that the Commission may adjust the Company's future GCR rates as a result of UFG above a reasonable level, presumed to be no more than 5% for the audit period.

The Staff has performed an analysis of the UFG for the twelve-month periods ending September 2007 and September 2008. The Staff used the difference from Bridge Road delivered volumes and the metered sales and transportation volumes to arrive at the amount of UFG for each period. That difference is then divided by the delivered volumes to arrive at a system UFG percentage. The results of the Staff's calculation are shown in Table V below.

Table V
System Average UFG Rates

Twelve Months Ended	Delivered Volumes (MCF)	Sales/Transport Meters (MCF)	UFG (MCF)	UFG
September 2007	226,366	226,838	(472)	(0.20%)
September 2008	258,867	260,819	(1,952)	(0.75%)

Conclusion

As noted in Section III, Staff believes the UFG level on Brainard system to be right around zero percent. The UFG levels show on Table V are less than 1% negative and are probably the result of differences in metering accuracy and timing.

Recommendations

Staff has no recommendations for UFG.

Section VIII

Customer Billing

An important component in the GCR process is the proper application of GCR rates to customer bills. The Staff has randomly selected customers' billings for each month of the audit period and verified that the GCR rates, customer charge and base rate were properly applied. Slight differences (no more than a cent or two) were noted in the billing verification.

Conclusion

The Company made no customer billing errors.

Recommendation

Staff has no recommendations in this area.

Section IX

Management Issues

Supply Issues

A primary concern to any local distribution company is the need to obtain reliable supply sources at competitive prices. Currently, Brainard acquires its gas supplies from one local producer and its marketing affiliates John D. Oil and Gas Marketing and Great Plain Exploration under Gas Sales Agreements (agreements).

The agreement with John D. covers the deliveries to Brainard system via its interconnection with Cobra Pipeline Company, formerly Columbia Gas Transmission Corporation. The agreement provides that John D. will sell to Brainard on a "best effort basis". Staff interprets "best efforts basis" to be an interruptible agreement which would allow John D to reduce or eliminate deliveries to Brainard under certain conditions and require Brainard to find alternative supplies. Secondary to reliable supplies is the purchase price of the delivered commodity. The agreement defines purchase price as the "Seller's delivered cost" plus a margin. Staff believes that this pricing provision is open-ended and could expose Brainard's sales customers to costs that are well above market conditions.

The agreement with Great Plains serves the Lake County customers with deliveries through Orwell Trumbull Pipeline. This agreement has the same "best efforts" language, but the pricing provisions are well defined. The initial price is fixed with an index rate plus a defined price adder billed once the initial term expires.

In August 2004, Brainard initiate service with Excalibur Exploration for local production delivered directly into its system. These local supplies provide Brainard with base-load gas for the southern part of Brainard's system. This system operates at a lower pressure and is more rural and residential in nature. During the audit period a second local well has been added to Brainard system increasing purchase volumes slightly.

Market Area Issues

Currently, the Company serves approximately 99 sales customers and 13 small to medium sized transportation customers and one large transportation customer. For the 12 months ending September 2008, the Company had 12 month throughput volumes of 260,819 Mcf, of which 7% percent were sales volumes and 93% were transportation volumes.

Brainard currently serves the majority of its customers in the villages of Middlefield and Parkman, with the rest of its customers being served along the State Route 528 corridor connecting the two villages. Brainard's distribution system is wholly integrated, the oldest portion of this system dating back to 1998. During the audit period, Brainard expanded its system into Lake County serving areas adjacent to Orwell Trumbull Pipeline facilities.

Operational Issues

In mid-August 2008 the Bridge Road delivery meter that was once own by Columbia Gas Transmission was removed and for approximately six weeks the deliveries from Cobra to Brainard were unmetered. On November 1, 2008, Cobra installed a new meter. The installation of the new metering device may result in the levels of unaccounted-for-gas changing for the next audit period and the Company should closely monitor its Cobra invoices along with metered sales and transportation volumes on its system. To aid the Company with its UFG levels, the installation of temperature-compensating (TC) meters on its small customers would result in more accurate reading especially during cold weak when the most gas is being consumed. The use of TC meters would help Brainard to better reconcile its unaccounted-for gas volumes.

Conclusion

Brainard has is place agreements with two suppliers (John D. and Great Plains) for deliveries off its two pipelines (Cobra and Orwell Trumbull). The agreements with the suppliers appear to be for interruptible sales with one of them having undefined pricing provisions.

Recommendations

Staff recommends Brainard attempt to negotiate firm gas sale agreements with its current suppliers and/or solicit bids from other gas marketers with an emphasis on securing reliable (firm service) with pricing commensurate of the quality of service to be provided. Staff recommends that the new sales arrangements include pricing provisions that reference or are tied to market indices, as is the case with the Great Plains agreement. With defined pricing provisions Brainard can determine if the invoices are accurate and reflective of current market pricing.