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 Suburban Natural Gas Company and Related Matters.	)	Case No. 10-216-GA-GCR
In the Matter of the Uncollectible Expense Rider of Suburban Natural Gas Company and Related Matters.	)	Case No. 10-316-GA-UEX

OPINION AND ORDER

The Commission, having considered the audit reports and the stipulation and recommendation submitted by Suburban Natural Gas Company and Staff, and being otherwise fully advised, hereby issues its opinion and order.

APPEARANCES:

Richard Cordray, Ohio Attorney General, by Sarah J. Parrot and Thomas J. McNamee, Assistant Attorneys General, 180 East Broad Street, Columbus, Ohio 43215-3793, on behalf of the Staff of the Public Utilities Commission of Ohio.

Chester, Wilcox, & Saxbe, LLC, by John W. Bentine and Matthew S. White, 65 East State Street, Columbus, Ohio 43215-3900, on behalf of Suburban Natural Gas Company.

SUMMARY OF THE PROCEEDINGS:

Suburban Natural Gas Company (Suburban or company) is a natural gas company, as defined in Section 4905.03(A)(5), Revised Code, and a public utility under Section 4905.02, Revised Code. Pursuant to Section 4905.302(C), Revised Code, the Commission promulgated rules for a uniform purchased gas adjustment clause to be included in the schedules of gas or natural gas companies subject to the Commission's jurisdiction. These rules, which are contained in Chapter 4901:1-14, Ohio Administrative Code (O.A.C.), separate the jurisdictional cost of gas from all other costs incurred by a gas or natural gas company and provide for each company's recovery of these costs.

Section 4905.302, Revised Code, also directs the Commission to establish investigative procedures, including periodic reports, audits, and hearings; to examine the arithmetic and accounting accuracy of the gas costs reflected in the company's gas cost recovery (GCR) rates; and to review each company's production and purchasing policies and their effect upon these rates. Pursuant to such authority, Rule 4901:1-14-07, O.A.C., requires that periodic financial audits of each gas or natural gas company be conducted. Rule 4901:1-14-08(A), O.A.C., requires the Commission to hold a public hearing at least 60 days after the filing of each required audit report, and Rule 4901:1-14-08(C), O.A.C., specifies that notice of the hearing be published throughout the company's service area at least 15 days and not more than 30 days prior to the date of the scheduled hearing by: (1) a display ad in a newspaper or newspapers of general circulation; (2) a bill message on or insert included with the customer bills; or (3) a separate direct mailing to customers.

On January 20, 2010, the Commission initiated the financial GCR audit and the uncollectible expense (UEX) audit proceedings. The January 20, 2010 entry established the financial and UEX audit review periods, the date of the hearing, and due dates for various filings, and directed the company to publish notice of such hearing. On May 27, 2010, in accordance with the January 20, 2010 entry and Rule 4901:1-14-07(C), O.A.C., the Staff of the Commission (Staff) submitted its reports on the financial audit of the GCR mechanism for the period March 1, 2008 through February 28, 2010 (Commission-ordered Ex. 1 or GCR Audit Report) and on the UEX mechanism for the period April 2008 through December 2008 (Commission-ordered Ex. 2 or UEX Audit Report).

Pursuant to the January 20, 2010 entry, the public hearing was scheduled for July 27, 2010, at the offices of the Commission. On July 27, 2010, the hearing was called, and continued until August 31, 2010, to allow the parties additional time to negotiate a resolution of the issues raised in the proceedings. At the August 31, 2010 hearing, Suburban and Staff requested the hearing be continued until September 30, 2010. On September 24, 2010, Suburban and Staff filed a Stipulation and Recommendation (Jt. Ex. 1 or Stipulation) which, if adopted, will resolve all of the issues in these cases. Attached as Exhibits 1-6 to the Stipulation are Suburban's proof that notice of the hearing was published in Delaware, Hancock, Henry, Lucas, Marion, and Wood counties, pursuant to Rule 4901:1-14-08, O.A.C. At the September 30, 2010 hearing, Staff presented the testimony of Roger L. Sarver, in support of the Stipulation. No public witnesses appeared at any of the hearings to offer testimony.

AUDIT REPORTS:

I. GCR Financial Audit:

In the certificate of accountability, Staff stated that it examined the company's GCR rates for the period March 1, 2008 through February 28, 2010. Staff concluded that Suburban had accurately calculated the GCR rates for those periods in accordance with the procedural aspects of Chapter 4901:1-14, O.A.C., and related appendices, except as noted in the audit report. (Commission-ordered Ex. 1 at 1).

According to the GCR audit report, Suburban operates one jurisdictional service territory that is referred to as the SCOL system and one home rule service territory that is referred to as the CORE system. The SCOL system is operated primarily in Delaware and Marion counties and serves approximately 10,268 customers under Commission-approved rates. The CORE system serves approximately 5,636 customers primarily in Henry, Lucas, Wood, and Hancock counties. Suburban submits a single GCR filing for its CORE and SCOL systems. Suburban's customer base has grown by approximately 490 customers since the last GCR review. However, Suburban has an application pending before the Commission in *In the Matter of the Application of Suburban Natural Gas Company for Authority to Abandon Service to Certain Villages Within its Service Territory*, Case No. 08-947-GA-ABN, to request authority to abandon service to the five villages which Suburban served pursuant to lease agreements. Four of the lease agreements expired in 2009 and the fifth lease agreement will expire in 2012. Suburban continues to provide service to the villages pursuant to an interim agreement and has agreed to assist the villages with the transfer of service to another supplier with no interruption in service or inconvenience to customers. Suburban also has a special agreement in place with Columbia Gas of Ohio (Columbia) for a select group of sales customers who are billed under Columbia's prevailing GCR rate. (Commission-ordered Ex. 1 at 3-4, 11-12).

With regard to the company's calculations of the expected gas cost, Staff made certain observations and recommendations concerning supply sources, purchase volumes, and sales volumes. Suburban utilizes the asset management services of Atmos Energy Marketing (Atmos). Pursuant to its asset management agreement with Atmos, Suburban added the North Coast Gas Transmission (North Coast) delivery point, increasing its maximum daily quantity by 3,000 dekatherms and extended the term of the contract by an additional three years. (Commission-ordered Ex. 1 at 4).

Staff verified that Suburban's SCOL system sales volume totaled 2,324,272 thousand cubic feet (Mcf) for the audit period, which is an increase of 405,635 Mcf or 21.14 percent over the 2008 audit. Staff also verified the CORE system sales volume total of 1,328,086 Mcf, which is an increase of 55,327 Mcf or 4.35 percent from the 2008 audit. Staff noted no errors in the computation of sales volumes contained within the company's GCR filings. For the last two GCR audit proceedings, Staff has recommended that Suburban place in its GCR filings its monthly purchased volumes for the combined systems reflecting all volumes purchased for GCR customers, net of transportation volumes. However, Suburban did not file any monthly purchase volumes during this GCR audit period. (Commission-ordered Ex. 1 at 4-5).

With regard to the actual adjustment (AA), Staff reviewed the applicable purchase invoices, sales volumes, and company-prepared worksheets and noted no differences between the purchase gas costs that were filed and those verified by Staff in the course of this audit. Staff had no recommendations for Suburban's AA calculation. (Commission-ordered Ex. 1 at 6).

With regard to the refund and reconciliation adjustment (RA), Staff reviewed the calculations contained in the GCR filings during the audit period and verified that a Commission-ordered reconciliation of $145,839 in Case No. 08-216-GA-GCR was refunded to customers, including interest. Staff had no recommendation regarding Suburban's RA calculation. (Commission-ordered Ex. 1 at 7).

With regard to the Suburban's balance adjustment (BA), Staff calculated the BA and found that the proper rates and sales volumes were used throughout the audit period. Staff found no errors in the company's calculations and had no recommendations for Suburban's BA calculation. (Commission-ordered Ex. 1 at 8).

Staff reviewed the company's unaccounted-for gas (UFG). Staff noted that Suburban has incorporated in the company's purchase volumes, volumes associated with transportation services due to the fact that the company did not place purchase volumes in its GCR filings. Staff examined receipts from Atmos and Columbia volumes, including transportation, for the 12-month periods ending August 2008 and August 2009. Pursuant to Rule 4901:1-14-08(F)(3), O.A.C., the Commission may adjust a company's future GCR rates as a result of an UFG rate above 5.0 percent for the audit period. Suburban's UFG for the 12 months ending August 2008 was 3.01 percent and for the 12 months ending August 2009 it was (0.41) percent. Accordingly, Staff had no recommendations as to Suburban's UFG. (Commission-ordered Ex. 1 at 9).

Staff reviewed a random sample of monthly customer bills issued during the audit period. Staff verified the GCR rates, base rate, customer charge, uncollectible rider, and percentage of income payment plan (PIPP) riders on the customer bills. Staff found no discrepancies and had no recommendations regarding customer billing. (Commission-ordered Ex. 1 at 10).

Staff also reviewed Suburban's management and operations as a part of the GCR audit. Staff noted the company's significant customer growth, 5.4 percent, on the SCOL system during this audit period. Staff also recognized that, as a result of the company's growth, primarily in the Delaware, Lewis Center, and Polaris Center areas, Suburban should be "vigilant during the next several years to ensure that it is adequately planning for the rapid growth of its system." Further, however, Staff cautioned that, with the changing market dynamics, which have had the effect of halting the previously fast-growing new home construction in the Delaware, Lewis Center, and Polaris Center areas, Suburban should continue to monitor its changing load growth, and daily and seasonal requirements. (Commission-ordered Ex. 1. at 11-12).

In this audit, Staff verified Suburban's inclusion of the Del-Mar Pipeline lease agreement payments from January 2008 through August 2009. Staff found that Suburban included $1,323,706 of the Del-Mar lease payments for the period January 2008 through December 2008 and $864,727 for the period January 2009 through August 2009. The lease payments for 2009 decreased slightly due to an over-collection of property taxes in 2008 lease payments. As a result of changes to Ohio property taxes in 2009, Del-Mar experienced a significant increase in its property taxes over 2008, which resulted in an under-collection of property taxes in 2009 lease payments. Del-Mar lease payments in 2010 will recover any under-collection of property taxes from 2009. (Commission-ordered Ex. 1 at 13).

Suburban serves two customers under transportation arrangements. One of the transportation customers transports on a seasonal basis, primarily during the fall, under Suburban's interruptible transportation tariff. Suburban's other transportation customer is BankOne, now know as Chase (Chase). Chase is served pursuant to the terms of Suburban's firm transportation tariff which permits Suburban to bill Chase for imbalances, demand charges, and unauthorized usage. Starting in October 2008, Suburban began to bill Chase for some interstate pipeline demand charges under the demand charge provision of its tariff. The demand charges that were billed to the transporter were credited to Suburban's GCR. (Commission-ordered Ex. 1 at 13).

Staff reviewed the Del-Mar lease payments and the underlying annual calculations of those payments in this audit. Annually, the lease payments are recalculated to reflect certain actual costs and any difference between the original calculation and annual recalculated lease payments are added to or subtracted from the subsequent year's lease payments, as was the case in 2009 and 2010. (Commission-ordered Ex. 1 at 13-14).

During the audit period, Suburban's sales customers paid, through the GCR, almost all of the Del-Mar lease payments. Staff believes that Suburban's firm transportation customer benefitted from the Del-Mar pipeline and should have been responsible for a larger portion of the cost of the Del-Mar pipeline than was credited to the GCR. Staff believes all firm customers benefitted from the addition of the Del-Mar pipeline and, therefore, its costs should be shared equally on a per unit basis. Accordingly, Staff recommends a larger portion of the Del-Mar lease payments should be paid by Chase and credited to Suburban's GCR. Staff recommends that Suburban credit its GCR customers $59,783, the average cost per unit of the Del-Mar lease payments times Chase's audit period transportation volumes, less the demand charge credits already paid by Chase. (Commission-ordered Ex. 1 at 13-14).

As the final aspect of its financial audit, Staff reviewed Suburban's system growth and long-term forecast. Suburban experienced significant customer load growth from 2000 through 2007 which was substantially curtailed in 2008 and 2009 as a result of market and economic conditions in the service area. As of February 2010, Suburban served approximately 15,912 customers, which placed Suburban over the 15,000 customer threshold and required the company to file long-term forecast reports (LTFRs). Staff notes that, as of the time Suburban filed its LTFR in *In the Matter of the Long-Term Forecast Report of Suburban Natural Gas Company and Related Matters*, Case No. 09-116-GA-FOR, the company anticipated adding 250 to 275 customers per year for the foreseeable future. However, as previously noted, Suburban has filed for the abandon of approximately 1,590 customers on its CORE system, which represents approximately 10 percent of its customer base. The projected loss of customers will place Suburban below the 15,000 customer level required for filing LTFRs. (Commission-ordered Ex. 1 at 15).

Staff reviewed Suburban's LTFR and noted the company's 2009 peak-day design (PDD), system demand of approximately 26,000 Mcf for a customer base of 16,065 sales customers. For 2010, Suburban projects the same PDD demand but for a slightly larger customer base of 16,340 customers. Staff also calculated a PDD using two other methods which incorporate: (a) average use per heating degree day (UPHDD); and (b) average use per customers (UPC) on peak day which were obtained from a neighboring gas utility serving central and northwest Ohio. Using the UPC method, Staff calculated Suburban's PDD is 23,082 Mcf based on the number of residential and commercial customers in its two service territories as of March 2010. The UPC PDD number will increase or decrease based on the number of customers. Staff's PDDs compare favorably with Suburban's recent coldest day (January 16, 2009) when the system deliveries from Columbia Gas Transmission and Columbia were 22,601 Mcf to meet the demand created by average temperatures of negative four degrees Fahrenheit for central Ohio and negative five degrees Fahrenheit for northwest Ohio. Suburban's recent coldest day contained sales and transportation demand at conditions approaching the design day temperatures for several of Ohio's medium to large gas utilities. Suburban's recent coldest day is within Staff's calculated ranges of 22,049 Mcf for the UPHDD to 23,082 Mcf for the UPC methods. Staff believes its calculations are a valid representation of peak-day conditions on Suburban's system. (Commission-ordered Ex. 1 at 15-16).

In light of the rapid customer growth experienced by Suburban from 2000 through 2007, Suburban has added substantial amounts of firm interstate pipeline transportation and storage capacity, which has continued through this audit period with the addition of North Coast capacity. Staff determined that Suburban's customer growth has slowed and, with the potential of losing approximately ten percent of its customer base, the company has substantially more pipeline capacity under contract than is required to meet its PDD requirements. Suburban has PDD of approximately 22,000 to 23,000 Mcf for 2010 and purchase gas and capacity entitlement under contract to meet a PDD of 32,215 Mcf for the winter of 2009 - 2010, and 33,685 Mcf for the winter of 2010 - 2011. Staff estimates that, Suburban will have unutilized capacity for the next 15 years, and possibly longer, if its abandonment application in granted. Staff concludes that Suburban has substantial amounts of currently unutilized capacity under contract which results in an average cost per customer of over two dollars per Mcf for demand charges alone. Absent a large increase in annual sale volumes, Suburban's customers will continue to pay over $2.00 per Mcf in pipeline demand charges. However, Suburban believes that there is significant potential for growth on the SCOL system and that there exists an opportunity to replace some or most of the volumes lost on its CORE system when its abandonment application is approved. The company asserts that, if economic conditions improve, the current level of unutilized capacity could decrease or even disappear within the next couple of years with the addition of 500 to 1,000 customers per year along with continual growth in the commercial and industrial sectors. Staff is not as optimistic that economic conditions will improve to that degree but notes that, since the first capacity contract does not expire until March 2014, Staff and Suburban have sufficient time to assess Suburban's growth and evaluate system requirements, prior to determining if the capacity entitlement should be maintained at current levels or reduced. Accordingly, Staff recommends Suburban not increase its capacity entitlements, at this time, and that the company monitor its system growth while simultaneously evaluating opportunities to align its capacity entitlements with its system requirements. Staff expects this to again be an issue in the company's 2012 audit. (Commission-ordered Ex. 1 at 15-18).

II. <u>Uncollectible Expense Audit:</u>

In the certificate of accountability, Staff stated that it examined the company's UEX rider rates for the period April 1, 2008 through December 31, 2008. Staff concluded that Suburban had accurately calculated the UEX rider rates during the audit period, except as noted in the audit report. (Commission-ordered Ex. 2 at 1).

Suburban sought approval to establish a UEX rider in *In the Matter of the Application of the Suburban Natural Gas Company for Authority to Increase its Rates and Charges in Certain Areas of its Service Territory*, Case No. 07-689-GA-AIR. By order issued March 19, 2008, the Commission approved Suburban's request for a UEX rider and the rider was set at $0.07012727 per Mcf effective April 17, 2008. The Commission subsequently authorized an increase in Suburban's UEX rider to $0.08641518 per Mcf in Case No. 09-438-GA-UEX, effective August 26, 2009. (Commission-ordered Ex. 2 at 2).

Staff examined the company's 2008 bad debt account listing for the UEX audit period. Of the accounts listed, 222 were written off in the amount of $95,547.39. Staff also randomly selected several customers' accounts from the bad debt account listing and reviewed the billing history for the selected accounts. For each customer account selected, Staff verified that monthly charges and payments were properly applied to the account balance and that the bad debt account listing accurately reflected the amount of the final payment made, the date when the final payment was made, and the final balance included for write-off. Based on its investigation, Staff confirmed that the amount of the total bad debts written off was correct. After an initial attempt to collect past due customer accounts, Suburban utilizes the services of a collection agency. In 2008, the collection agency recovered $49,578.65 from Suburban's customers and $17,981.83 was retained by the collection agency as their fee. Any monies recovered by the collection agency are credited to the customer's arrearage. (Commission-ordered Ex. 2 at 2-3).

Staff notes that, prior to 2008, Suburban had neither a PIPP rider nor a UEX rider and, therefore, bad debt PIPP accounts were also included in the bad debt account listing for write-off. Staff recommends that PIPP accounts be excluded from the UEX and bad debt account for accounts written off in 2009 and going forward, consistent with the Commission's policy. (Commission-ordered Ex. 2 at 2-3).

Staff found discrepancies between actual annual sales, as calculated from the bad debt tracker, and annual sales as indicated in the sales volume consumption reports. It appears that Suburban overstated recoveries when compared to calculated recoveries. Further investigation by Staff revealed that Suburban inadvertently included the gross receipts tax generated by billing of the UEX rider as part of total recoveries. This resulted in a difference of $2,639.95 between recoveries reported and actual recoveries. Finally, Staff recommends that Suburban use as its January 2009, a starting balance of $42,155, which includes $2,639.95 to correct for over-reporting recoveries in 2008.

STIPULATION:

In order to resolve the issues in these proceedings, Suburban and Staff filed a Stipulation on September 24, 2010, for the Commission's consideration. In the Stipulation, the parties agree, in pertinent part, that:

(1) Suburban's GCR rates were fairly determined in accordance with the provisions of Chapter 4901:1-14, O.A.C., during the audit period.

(2) Suburban accurately determined and billed the GCR rates for the audit period March 2008 through February 2010, in accordance with Chapter 4901:1-14 and related appendices of the O.A.C.

(3) Suburban's GCR rates were properly applied to customer bills during the audit period.

(4) A financial audit was conducted by Staff in accordance with the objectives outlined in Rule 4901:1-14-07, O.A.C. In satisfaction of the requirements of Section 4905.302(C), Revised Code, and Chapter 4901:1-14, O.A.C., Suburban caused notice to be published in various newspapers of general circulation

throughout its service territory. The proofs of publication are attached to the Stipulation as Exhibits 1 through 6.

(5) Except as noted below in Paragraphs 6 and 7, Suburban and Staff agree with Staff's recommendations as presented in the GCR audit report that:

(a) Suburban place, in its combined GCR filings, the purchase volumes for the combined systems (CORE and SCOL) reflecting all volumes purchased on behalf of its GCR customers, net of transportation volumes.

(b) Suburban should not increase its capacity entitlements at this time. Suburban agrees it will continue to monitor its system growth while at the same time evaluating opportunities to align its capacity entitlements with its system requirements, and this will be a topic of discussion in the 2012 audit.

(6) In lieu of Staff's recommendation in Section X of the financial audit report, to credit GCR customers $59,783 regarding the Del-Mar Pipeline, the signatory parties agree that:

(a) No later than November 1, 2010, Suburban will begin performing daily reads and monthly reconciliations for its largest transportation customer, Chase.

(b) Suburban shall, within 30 days of an order approving this Stipulation, submit a filing in a separate docket to modify and update its transportation tariff. Said filing will propose that Suburban replace its current transportation demand charge with a charge of $.25 per Mcf per month.

(c) The physical deliveries of over nominations of Chase from January 1, 2010 through July 31, 2010, shall be used to offset physical deliveries associated with under nominations for the audit period, including any prior years' deficiencies, for the benefit of GCR customers.

(d) GCR customers will be credited $12,878 for the audit period March 1, 2008 through February 28, 2010.

(7) Suburban and Staff agree that the provisions in Paragraph 6 above will settle all issues relating to the GCR audit demand cost allocation between GCR and transportation customers on a going forward basis, unless and until Suburban's supply portfolio materially changes, and that they satisfy Staff's recommendation in Section X of the GCR audit report. Accordingly, Staff agrees to withdraw its recommendation reported in Section X of the GCR audit report.

(8) In regard to the UEX audit, Suburban and Staff agree that accounts written off in 2009 shall not include the accounts of PIPP customers.

(9) In regard to the UEX audit, Suburban and Staff agree that Suburban will use as its January 2009 starting balance $42,155, which includes $2,639.95 to correct for over-reporting recoveries in 2008.

Mr. Sarver, an Energy Specialist in the Commission's Rates, Tariffs, Energy, and Water Section, testified in support of the Stipulation. Mr. Sarver offered that, based on his 22 years of experience with the Commission, the Stipulation is a just and reasonable resolution between knowledgeable and capable parties. Mr. Sarver estimates that, combined, he and counsel for Suburban have more than 50 years of experience in utility regulation. Further, the witness stated that the Stipulation is the result of concessions made by both parties which resulted in benefits for GCR customers. More specifically, Staff witness Sarver explained that one benefit of the Stipulation is that revenue collected from transportation customers will be credited to GCR customers, in order to recognize transportation customers' use of buyback capacity. Another benefit of the Stipulation, according to the witness, is that, with the revision of the transportation tariffs, the impact of transportation service on GCR customers will be minimize or eliminated. Mr. Sarver stated that the Stipulation, as a package, does not violate any important regulatory principle or practice and is a reasonable resolution of the issues in these matters. The witness recommended that the Commission adopt the Stipulation. (Tr. at 7-13).

DISCUSSION AND CONCLUSION:

Rule 4901-1-30, O.A.C., authorizes parties to Commission proceedings to enter into stipulations. Although not binding upon the Commission, the terms of such an agreement are accorded substantial weight. *Consumers' Counsel v. Pub. Util. Comm.* (1992), 64 Ohio St. 3d 123, at 125, citing *Akron v. Pub. Util. Comm.* (1978), 55 Ohio St. 2d 155.

The standard of review for considering the reasonableness of a stipulation has been discussed in a number of prior Commission proceedings. See, e.g., *The Cincinnati Gas & Electric Co.*, Case No. 91-410-EL-AIR (April 14, 1994); *Ohio Edison Co.*, Case No. 91-698-EL-FOR, et al. (December 30, 1993); *The Cincinnati Gas & Electric Co.*, Case No. 92-1463-GA-AIR, et al. (August 26, 1993); *Ohio Edison Co.*, Case No. 89-1001-EL-AIR (August 19, 1993); *The Cleveland Electric Illuminating Co.*, Case No. 88-170-EL-AIR (January 31, 1989); and *Restatement of Accounts and Records (Zimmer Plant)*, Case No. 84-1187-EL-UNC (November 26, 1985). In these cases and others, the Commission has used the following criteria in considering the reasonableness of a settlement agreement:

(1) Is the settlement a product of serious bargaining among capable, knowledgeable parties?

(2) Does the settlement, as a package, benefit ratepayers and the public interest?

(3) Does the settlement package violate any important regulatory principle or practice?

The Ohio Supreme Court has endorsed the Commission's analysis using these criteria to resolve cases by a method economical to ratepayers and public utilities. *Indus. Energy Consumers of Ohio Power Co. v. Pub. Util. Comm.* (1994), 68 Ohio St. 3d 559, citing *Consumers' Counsel, supra*, at 126. The court stated in that case that the Commission may place substantial weight on the terms of a stipulation, even though the stipulation does not bind the Commission (*Id.*).

Based on our three-pronged standard of review, we find the first criterion, that the process involved serious bargaining by knowledgeable, capable parties, is clearly met. Suburban and Staff have been involved in previous cases before the Commission, including a number of GCR and some UEX cases. Moreover, these parties have provided helpful information to the Commission in cases regarding fuel-related policies and practices. The settlement agreement also meets the second criterion. As a package, the stipulation advances the public interest by attempting to resolve all of the issues related to the review of Suburban's GCR and fuel-related policies and practices and the UEX rider during the audit periods. Moreover, the Stipulation meets the third criterion because it does not violate any important regulatory principle or practice. Rather, the Stipulation includes terms designed to enhance Suburban's ability to provide service to its GCR and transportation customers, at fair rates to all customers. Accordingly, we find that the Stipulation should be adopted and approved in its entirety.

FINDINGS OF FACT AND CONCLUSIONS OF LAW:

(1) Suburban is a gas company and natural gas company within the meaning of Section 4905.03(A)(4) and (5), Revised Code, and, as such, is a public utility subject to the supervision and jurisdiction of this Commission.

(2) These proceedings were initiated by the Commission's entry of January 20, 2010, to review the company's GCR rate and the company's UEX rider rates.

(3) Staff conducted the GCR audit as required by Section 4905.302(C), Revised Code, and Rule 4901:1-14, O.A.C., and the UEX audit in accordance with the agreed upon procedures for such audits. Staff filed its GCR and UEX audit reports on May 27, 2010.

(4) Pursuant to Section 4905.302(C), Revised Code, and Rule 4901:1-14-08(A), O.A.C., a public hearing was held on September 30, 2010, and Suburban published notice of such hearing in compliance with Rule 4901:1-14-08(C), O.A.C.

(5) The Stipulation, filed by the parties on September 24, 2010, represents a just and reasonable resolution of the issues in these proceedings, and should be approved by this Commission.

(6) Suburban fairly determined its GCR rates in accordance with Rule 4901:1-14, O.A.C., and related appendices, except as specifically noted in the GCR audit report. Suburban accurately calculated the UEX rider rates during the UEX audit period, except as noted in the audit report.

(7) Suburban's gas costs, which were passed through the company's GCR clause for the audit period, were fair, just, and reasonable.

It is, therefore,

ORDERED, That the Stipulation filed by the parties be adopted. It is, further,

ORDERED, That the auditor selected to conduct Suburban's next GCR audit shall evaluate how the company implemented the agreements set forth in the Stipulation. It is, further, ORDERED, That nothing in this opinion and order shall be binding upon this Commission in any subsequent investigation or proceeding involving the justness or reasonableness of any rate, charge, rule, or regulation. It is, further,

ORDERED, That a copy of this opinion and order be served upon each party of record.

THE PUBLIC UTILITIES COMMISSION OF OHIO

Alan R. Schriber, Chairman

Paul A. Centolella

Valerie A. Lemmie

Steven D. Lesser

Cheryl L. Roberto

GNS/vrm

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Reneé J. Jenkins
Secretary