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PUCO EXHIBIT FILING

Date of Hearing: 3/14/11

Case No. 10-221-GA-GCR / 10-421-GA-WEX

PUCO Case Caption: \_\_\_\_\_

Columbata Gas of Ohio

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List of exhibits being filed:

Joint Ex. 1

OCC Exs 1 & 2

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Reporter's Signature: Maria DiPaolo Jones  
Date Submitted: \_\_\_\_\_

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PUCO

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the :  
 Regulation of the :  
 Purchased Gas Adjustment :  
 Clauses Contained Within :  
 the Rate Schedules of : Case No. 10-221-GA-GCR  
 Columbia Gas of Ohio, :  
 Inc., and Related :  
 Matters. :

In the Matter of the :  
 Audit of the :  
 Uncollectible Expense : Case No. 10-421-GA-UEX  
 Rider of Columbia Gas of :  
 Ohio, Inc., and Related :  
 Matters. :

PROCEEDINGS

before Ms. Sarah Parrot and Mr. Henry Phillips-Gary,  
 Hearing Examiners, at the Public Utilities Commission  
 of Ohio, 180 East Broad Street, Room 11-D, Columbus,  
 Ohio, called at 2:00 p.m. on Monday, March 14, 2011.

ARMSTRONG & OKEY, INC.  
 222 East Town Street, 2nd Floor  
 Columbus, Ohio 43215  
 (614) 224-9481 - (800) 223-9481  
 Fax - (614) 224-5724

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BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

PUCO

In the Matter of the Regulation of the Pur- )  
chased Gas Adjustment Clauses Contained )  
Within the Rate Schedules of Columbia Gas of ) Case No. 10-221-GA-GCR  
Ohio Inc. and Related Matters. )

In the Matter of the Audit of the Uncollectible )  
Expense Rider of Columbia Gas of Ohio, Inc. ) Case No. 10-421-GA-UEX  
and Related Matters. )

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**JOINT STIPULATION AND RECOMMENDATION**

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**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 the Office of the Ohio Consumers' Counsel ("OCC") (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.

Based upon the Parties' participation in settlement discussions and the materials on file with the Commission, the Parties believe that the record in this proceeding adequately supports 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 all of the issues in these dockets. Therefore, the Parties, by and through their respective counsel, hereby agree and stipulate to the following matters.

1. Columbia's Gas Cost Recovery ("GCR") rates for the period October 28, 2008 through March 29, 2010, were fairly determined by Columbia in accordance with the provisions of O.A.C. Chapter 4901-1-14 and related appendices of the Ohio Administrative Code during the audit period.

2. Columbia accurately computed the GCR rates, and the GCR rates were accurately applied to customer bills during the audit period.

3. A financial audit was conducted by Deloitte & Touche LLP ("D&T") in accordance with the objectives outlined in Appendix C of O.A.C. Chapter 4901-14. On November 18, 2010, D&T filed 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"). 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, and that the Financial Audit Report

should be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 1.

4. An audit of procedures, agreed upon by Staff and Columbia was also conducted by D&T to assist the Commission in evaluating the recovery of uncollectible customer accounts receivable through an uncollectible expense recovery mechanism as set forth in Case Nos. 09-372-GA-UEx and 10-578-GA-UEx. On November 18, 2010, D&T filed two Independent Accountants' Reports on Applying Agreed Upon Procedures, in which D&T examined Columbia's application of its Uncollectible Expense Rider. One report covered calendar year 2008, and the second report covered calendar year 2009. In these reports, D&T compared Columbia's bad debt charge off and billings for its Uncollectible Expense Rider Rate and noted no differences. The Parties agree and recommend that the Commission adopt the reports of D&T in these proceedings. The Report covering the operations of the uncollectible expense recovery mechanism for calendar year 2008 should be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 2. The Report covering the operations of the uncollectible expense recovery mechanism for calendar year 2009 should be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 3.

5. An audit of procedures, agreed upon by Staff and Columbia was also conducted by D&T to assist the Commission in evaluating Columbia's compliance with the terms outlined by the Commission related to the amounts credited to sales customers pursuant to any Commission-approved mechanisms applicable to the sharing of off-system sales and capacity release revenues for the period from November 1, 2008 through March 31, 2010. On November 18, 2010, D&T filed an Independent Accountants' Report on Applying Agreed Upon Procedures, in which D&T examined Columbia's sharing of off-system sales and capacity release revenues for

the audit period. The Parties agree and recommend that the Commission adopt the Report covering the sharing of off-system sales and capacity release revenues, and that the Report should be admitted into the record in this proceeding and identified as Commission-ordered Exhibit 4.

6. A management/performance audit was also conducted by Exeter Associates, Inc. to assist the Commission in evaluating Columbia's gas purchasing practices and policies during the audit period. On November 18, 2010, Exeter Associates filed its Report to the Public Utilities Commission of Ohio on the Management and Performance Audit of Gas Purchasing Practices and Policies Columbia Gas of Ohio, Inc. ("Audit Report"). The Audit Report shall be sponsored by an Exeter witness at the evidentiary hearing in this proceeding. All parties reserve the right to cross-examine the Exeter witness. The Parties agree and recommend that the Commission adopt the Audit Report in this proceeding, and that the Audit Report, identified as Commission-ordered Exhibit 5, should be admitted into the record, following cross-examination of the Exeter witness in this proceeding.

7. The Audit Report contained the following four recommendations for further action.

- Section 4.8.2, page 4-34 – Columbia's future interstate pipeline capacity entitlement levels should be reviewed, with Commission oversight, by the Columbia Collaborative. On page 4-6 of the Audit Report are listed Columbia's existing firm capacity contracts and the associated expiration dates. Some of those contracts expire prior to March 31, 2013. With regard to those contracts that expire prior to March 31, 2013, Columbia will discuss with the Columbia Collaborative the alternatives Columbia is considering before taking any renewal or extension actions with respect to such expiring contracts beyond the March 31, 2013 date.

- Section 4.8.3, page 4-35 – The Audit Report noted that in Columbia’s pipeline capacity study two economic alternatives for the Maumee market were addressed – the ANR option evaluated replacement of Panhandle Eastern Pipeline (“PEPL”) capacity and the peaking service option evaluated the replacement of Columbia Gas Transmission LLC (“TCO”) capacity. As Columbia continues to monitor capacity options, both alternatives should be considered for the replacement of PEPL and TCO capacity as both alternatives serve the same market. In addition, the peaking proposal rejected by Columbia in its study because it included daily index pricing for supply purchases should be fully evaluated based on estimated costs rather than being dismissed simply because of daily index pricing.
- Section 5.10.2, page 5-27 – the Columbia Collaborative, with Commission oversight, should consider future changes to the accounting for sales rights transactions which consider the gas cost impacts of those transactions.
- Section 5.10.3, page 5-28 – the Columbia Collaborative, with Commission oversight, should consider providing CHOICE suppliers with access to the TCO FSS seasonal storage capacity Columbia currently uses to support its time differentiated exchange activities.

The parties agree that all four of the above-described matters are issues that shall be considered by Columbia and its stakeholders in future Columbia Collaborative discussions and negotiations. Any stakeholder may introduce any of the issues for discussion and negotiation at future Columbia Collaborative sessions and/or for Commission resolution.

8. The affidavits of publication submitted in these proceedings, Columbia Exhibit No. 1, demonstrate that proper notice of this proceeding has been published in substantial compliance with the Commission's rules.

9. The parties agree that all of the provisions of the Joint Stipulation and Recommendation in Case No. 08-221-GA-GCR (filed on July 20, 2009, and approved by the Commission in an Opinion and Order dated March 17, 2010) have been satisfied.

10. Subject to the provisions of Paragraph numbers 13 and 14 the parties agree that the following exhibits should be admitted into the record:

- Joint Exhibit No. 1 -- This Joint Stipulation and Recommendation.
- Commission-Ordered Exhibit No. 1 – Independent Accountants' Report on the Annual Examination of the Financial Procedural Aspects of the Uniform Purchased Gas Adjustment, filed by D&T on November 18, 2010
- Commission-Ordered Exhibit No. 2 –Independent Accountants' Reports on Applying Agreed Upon Procedures, (Columbia's application of its Uncollectible Expense Rider for calendar year 2008) filed by D&T on November 18, 2010
- Commission-Ordered Exhibit No. 3 – Independent Accountants' Reports on Applying Agreed Upon Procedures (Columbia's application of its Uncollectible Expense Rider for calendar year 2009), filed by D&T on November 18, 2010
- Commission-Ordered Exhibit No. 4 -- Independent Accountants' Report on Applying Agreed Upon Procedures (Columbia's sharing of off-system sales and capacity release revenues for the audit period), filed by D&T on November 18, 2010
- Commission-Ordered Exhibit No. 5 – Exeter Associates Report to the Public Utilities Commission of Ohio on the Management and Performance Audit of Gas Purchasing Practices and Policies Columbia Gas of Ohio, Inc., filed on November 18, 2010
- Columbia Exhibit No. 1 – Proof of Legal Notice
- Columbia Exhibit No. 2 – Application and Uncollectible Expense Rider Report of Columbia Gas of Ohio, Inc., filed on April 30, 2009 in Case No. 09-372-GA-UEX



- Columbia Exhibit No. 3 – Application and Uncollectible Expense Rider Report of Columbia Gas of Ohio, Inc., filed on April 27, 2010 in Case No. 10-578-GA-UEx
- Columbia Exhibit No. 4 – Prepared Direct Testimony of Michael D. Anderson (filed December 30, 2010)
- Columbia Exhibit No. 5 – Prepared Direct Testimony of Larry W. Martin (filed December 30, 2010)

11. To the extent that any recommendations in the Audit Report are not addressed in this Joint Stipulation and Recommendation, such Audit Report recommendations require no further action on the part of Columbia or the Commission.

#### **NON-SEVERABILITY OF STIPULATION PROVISIONS**

12. This Joint Stipulation and Recommendation, if adopted by the Commission, will resolve all of the issues in Case Nos. 10-221-GA-GCR and 10-421-GA-UEx. 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. The Signatory Parties' agreement to this Stipulation, in its entirety, shall not be interpreted in a future proceeding before this Commission as their agreement to only an isolated provision of this Stipulation.

13. 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.<sup>1</sup> 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 or terminate and withdraw from the Stipulation by filing a notice with the Commission in this proceeding, including service to all the Parties. 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.

14. 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, this proceeding shall go forward at the procedural point at which this Joint Stipulation and Recommendation was filed, and the Commission shall

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<sup>1</sup> The Commission Staff is not considered a signatory Party for purposes of requirements regarding rehearing applications.

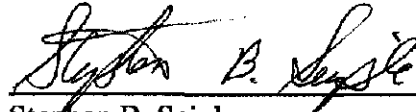
schedule an evidentiary hearing in Case Nos. 10-221—GA-GCR and 10-421-GA-UEX as if this Joint Stipulation and Recommendation had never been filed.

15. 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**

16. 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 14<sup>th</sup> DAY OF MARCH, 2011.**

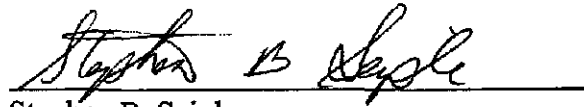
  
Stephen B. Seiple  
On behalf of Columbia Gas of Ohio, Inc.

/s/ John Jones per email consent 3/14/11  
John Jones  
Assistant Attorney General,  
Public Utilities Section  
On behalf of the Staff of the Public Utilities  
Commission

/s/ Larry Sauer per telephone consent 3/14/11  
Larry Sauer  
Assistant Consumers' Counsel  
On behalf of the Office of the Ohio Consumers' Counsel

**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 14<sup>th</sup> day of March, 2011.

A handwritten signature in cursive script, reading "Stephen B. Seiple", is written over a horizontal line.

Stephen B. Seiple  
Attorney for  
**COLUMBIA GAS OF OHIO, INC.**

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**COLUMBIA GAS OF OHIO, INC.  
RESPONSE TO OCC'S THIRD SET OF INTERROGATORIES  
DATED NOVEMBER 30, 2010**

**Interrogatory No. 3-093:**

In regards to the M/P Audit Report, at page 4-28 Exeter states:

"At the time of the 2007 Stipulation, Columbia's total system firm design peak day demand was 2,134,500 Dth (Table 4.3). Since that time, firm design peak day demand has declined by nearly 250,000 Dth to 1,886,400 Dth \* \* \*."

Was any of the 250,000 Dth decline in the firm design peak day demand due to load loss?

**Response:**

Noting that the actual calculated variance between the two estimates is 248,100 Dth, an explanation of this variance follows. The design peak day demand estimate of 2,134,500 Dth recognized the broadened eligibility criteria for participation in Columbia's CHOICE program to be effective November 1, 2008, as negotiated in the 2007 Stipulation. Specifically, this broadening enabled participation by all customers with annual demand between 2,000 Mcf and 6,000 Mcf. Resultantly, it was assumed that existing Transportation Service (TS) customers with annual usage in this range would opt for service in Columbia's CHOICE program and their design peak day demand was estimated to be 76,000 Dth. Subsequent to the implementation of the broadened CHOICE program it became evident that actual participation by TS customers had not occurred at the rate expected. Thus, a reduced participation level was factored into Columbia's design peak day estimate of 1,886,400 Dth which accounts for 74,000 Dth of the 248,100 Dth variance. The remainder of the variance, 174,100 Dth, is attributed to a number of factors, including the following: (a) the sale of Company assets and respective loss of customers, (b) the Company's implementation of a Demand Side Management program, (c) updating the Company's design day criteria resulting in slightly warmer current and prior day design temperatures for a number of the Company's Pipeline Scheduling Points and correspondent reduction in demand, (d) reduced Standby Sales levels for the Company's Transportation Service Customers, and (e) an expected reduction in customer usage due to the effects of higher gas prices, the overall economy and prevalence of more efficient equipment. A breakdown of the 174,100 Dth variance, by customer class, for the aforementioned factors is provided in the table below.

**Table 3-093 1**  
**Columbia Gas of Ohio, Inc.**  
**Explanation of Design Day Firm Demand Variance of 174.1 MDth**  
**Quantities in MDth**

	<b>Asset Sales</b>	<b>Demand Side Management</b>	<b>Updated Design Criteria</b>	<b>Updated Standby Sales</b>	<b>Customer Usage</b>	<b>Total</b>
<b>Residential</b>	(8.0)	(3.0)	(11.7)	0.0	(127.5)	(150.2)
<b>Commercial</b>	(1.7)	(0.7)	(4.6)	(0.2)	(8.6)	(15.8)
<b>Industrial</b>	0.0	0.0	0.0	(2.6)	(3.4)	(8.0)
<b>Other</b>	0.0	0.0	0.0	0.0	(2.1)	(2.1)
<b>Total</b>	(9.7)	(3.7)	(16.3)	(2.8)	(141.6)	(174.1)

PUCO Case No. 10-221-GA-GCR  
OCC Interrogatory No. 3-083  
Respondent: Scott D. Phelps

**COLUMBIA GAS OF OHIO, INC.  
RESPONSE TO OCC'S THIRD SET OF INTERROGATORIES  
DATED NOVEMBER 30, 2010**

**Interrogatory No. 3-083:**

If Columbia's response to OCC Interrogatory No. 82 is negative, does Columbia or the Counter Party in the Sales Rights transaction mandate the transaction goes forward?

**Response:**

Once the sales right is sold to Columbia's counter party, that counter party holds the decision as to whether and when to make a sale to Columbia.



**COLUMBIA GAS OF OHIO, INC.**  
**RESPONSE TO OCC'S THIRD SET OF INTERROGATORIES**  
**DATED NOVEMBER 30, 2010**

**Interrogatory No. 3-085:**

Do the Sales Rights transactions always negatively impact the GCR?

**Response:**

Columbia disagrees with the auditor regarding the potential impact on the GCR. Columbia enters into sales rights when it identifies flexibility in its decision to purchase baseload gas for the month. Instead of purchasing baseload supply for the month, within an acceptable range in month ending supply balance outcomes, Columbia has entered into sales rights instead of purchasing the thirty day baseload supply. If Columbia had purchased the baseload supply, the gas would have been purchased at a price equivalent to the monthly index price of gas. If the gas is sold to Columbia as a result of a Sales Right, it is also sold to Columbia at the monthly index price of gas. Therefore, whether the gas is sold to Columbia as a result of a sales right or a baseload supply, Columbia pays the same price. By applying the flexibility in this decision regarding baseload purchases, Columbia is able to capture and share the value with its customers.