

recovery (“GCR”) mechanism for Brainard, Northeast, and Orwell for the effective GCR periods,¹ the Commission’s audit of the uncollectable expense (“UEX”) riders for Northeast and Orwell, and the Commission’s audit of Northeast’s percentage of income payment plan (“PIPP”) rider.

This Stipulation and Recommendation, which shall be designated as Joint Exhibit 1, is supported by adequate data and information; represents, as an integrated and complete document, a just and reasonable resolution of all issues in this proceeding; violates no regulatory principle or precedent; is in the public interest; and is the product of lengthy, serious bargaining among knowledgeable and capable parties, and parties that are representative of various interests and stakeholders in a cooperative process undertaken by the Signatory Parties. While this Stipulation and Recommendation is not binding on the Commission, where, as here, it is sponsored by parties representing a significant cross section of interests, including Staff, it is entitled to careful consideration by the Commission.

Except for enforcement purposes, neither this Stipulation and Recommendation nor the information and data contained herein or attached, nor the Commission’s Order and/or Entry in this proceeding shall be cited as precedent in any future proceeding (including, but not limited to, Case Nos. 14-205-GA-COI, 14-1654-GA-CSS, 14-1709-GA-COI, 15-0637-GA-CSS and 15-0475-GA-CSS) for or against any Signatory Party, or the Commission itself, if the Commission approves this Stipulation and Recommendation.

For purposes of resolving certain issues raised by this proceeding, the Signatory Parties stipulate, agree and recommend as follows:

¹ Northeast: March 1, 2012 through June 30, 2014, Orwell: July 1, 2012 through June 30, 2014, Brainard: January 1, 2013 through June 30, 2014.

A. BACKGROUND

1. On February 13, 2014, the Commission issued an Entry in the above captioned cases initiating a GCR financial audit for Brainard, Northeast, and Orwell (Case Nos. 14-206-GA-GCR, 14-209-GA-GCR, and 14-212-GA-GCR), an audit of Northeast's and Orwell's UEX riders (Case Nos. 14-309-GA-UEX and 14-312-GA-UEX), and an audit of Northeast's PIPP rider (Case No. 14-409-GA-PIP).

2. On January 22, 2015, Staff filed its report for the Audit of the Uncollectable Expense Mechanisms for Northeast ("Northeast UEX Report"), a report for the Audit of the Uncollectable Expense Mechanisms for Orwell ("Orwell UEX Report"), and report for the Audit of the Percentage of Income Payment Plan for Northeast ("Northeast PIPP Report").

3. On January 27, 2015, Commission Staff filed its report for the Financial Audit of the Gas Cost Recovery Mechanisms for Brainard, Northeast, and Orwell for the Effective GCR Periods ("GCR Report").

B. GAS COST RECOVERY FINANCIAL AUDIT

1. The Signatory Parties agree to the following recommendations for Brainard:

- a. An adjustment of \$4960 in the customers' favor will be applied to the GCR and included in Brainard's GCR filing in the month following the Commission's Opinion and Order in this case.

2. The Signatory Parties agree that Brainard filed an updated Lake Erie College transportation contract with the Commission in Case No. 14-948-GA-AEC on October 27, 2014,

consistent with Staff's recommendation on page 4 of the GCR Report and Staff filed its review and recommendations on June 23, 2015, proposing acceptance of the contract.

3. Brainard agrees that it will conduct visual meter readings for the large transportation customers within one hour of the Bridge Road meter reading by Cobra Pipeline.

4. The Signatory Parties agree to the following recommendations for Northeast:

a. An adjustment of \$1,013,401² in the customers' favor will be applied to the GCR and filed in Northeast's GCR filing in the month following the Commission's Opinion and Order in this case.

5. The Signatory Parties agree to the following recommendations for Orwell:

a. An adjustment of \$181,639³ in the customers' favor will be applied to Orwell's GCR. This adjustment will be refunded to GCR customers as an adjustment to quarterly GCR rates, equally, over the next eight quarters, without interest.

6. Consistent with Staff's recommendation on pages 4 and 13 of the GCR Report, Brainard, Northeast, and Orwell agree that the person responsible for gas procurement for Brainard, Northeast, and Orwell will be a different individual than the person responsible for gas procurement for Gas Natural Resources. Brainard, Northeast, and Orwell represent that each Company implemented this recommendation prior to entering into this Stipulation and Recommendation, and agree that each Company will maintain this practice and policy in the future, until otherwise ordered by the Commission.

² This reduced adjustment reflects the customers' contribution (\$42,500) to the cost of a \$100,000 M/P audit.

³ This reduced adjustment reflects the customers' contribution (\$7,500) to the cost of a \$100,000 M/P audit.

7. Orwell will, at its earliest opportunity, but no later than 30 days after the execution of the Stipulation and Recommendation, enter into good faith negotiations with Dominion East Ohio Gas Company to re-establish the taps or interconnections that were previously in place. Orwell agrees it will not collect the cost of re-establishing the taps or interconnections from its GCR customers. Orwell agrees to keep Staff and the Ohio Consumers' Counsel apprised of the negotiations.

8. The Companies agree to use good faith efforts to pursue litigation of the Complaint in Case Nos. 15-475-GA-CSS and 15-637-GA-CSS, including pursuing damages, refunds, or other relief.

9. The Signatory Parties agree that any damages, refunds, or other relief obtained from Orwell-Trumbull Pipeline as a result of the Complaint Case Nos. 15-475-GA-CSS and 15-637-GA-CSS shall be shared between GCR customers and Orwell as follows:

- a. From \$0.00 to \$200,000.00, the damages, refunds, or other relief are to be refunded at 100% to customers through Orwell's GCR in the month following the final resolution of the Complaint Case Nos. 15-475-GA-CSS and 15-637-GA-CSS.
- b. Any amount in excess of \$200,000.00 will necessitate a split of the damages, refunds, or other relief evenly between GCR customers and Orwell, whereby 50% of the amount in excess of the \$200,000 will be refunded to GCR customers through Orwell's GCR in the month following the final resolution of the Complaint Case Nos. 15-475-GA-CSS and 15-637-GA-CSS.

10. The Signatory Parties recommend that the PUCO order a Management Performance ("M/P") Audit conducted by an independent auditor, selected by the PUCO, with an audit period July 1, 2014 through June 30, 2016. The Companies' shareholders and Orwell's and Northeast's

customers agree to split the actual cost of the M/P Audit. Orwell's and Northeast's customers' share of the cost of the M/P audit (assuming the audit cost is \$100,000) has been paid as a result of the reduction of their respective refund amounts. The cost of the M/P Audit will not exceed \$100,000. If the actual cost of the M/P Audit is less than \$100,000, the Utilities will refund to Orwell's and Northeast's customers an amount that ensures an equal sharing of the cost between the Utilities and their customers. The scope of the M/P Audit shall be set to enable the MP Auditor to make recommendations that may include prior period adjustments that are based on new information or findings.

C. UNCOLLECTABLE EXPENSE AUDIT

1. The Signatory Parties agree Northeast and Orwell will follow its procedure for writing-off accounts 180 days after nonpayment of individual accounts.

2. The Signatory Parties agree that, upon notification of a non-paying customer's Chapter 11 bankruptcy filing, Orwell will place the non-paying customer's account into a contra account until the 180 day time-frame has lapsed before writing-off the account to the bad debt rider. If Orwell receives notification from the bankruptcy court that the debt has been discharged before the 180 days has lapsed, Orwell can place the account in the bad debt rider account.

3. Orwell will adjust its December 2013 ending balance to (\$39,166.58).

D. PERCENTAGE OF INCOME PAYMENT PLAN AUDIT

1. The Signatory Parties agree Northeast will increase its PIPP customers' account beginning balance as of January 1, 2014 by \$16,202.51. The beginning balance as of January 1, 2014 should be \$107,587.

E. OTHER AGREEMENTS OF THE SIGNATORY PARTIES

1. The Signatory Parties agree to meet (and include the Ohio Consumers' Counsel in such meetings) not less than once per year to discuss potential capacity and supply options

available to Northeast and Orwell in order to promote the diversity of supplies for the economic and reliability benefit of Northeast and Orwell customers. The Signatory Parties will continue this periodic meeting until such time as all Signatory Parties determine that future meetings on the matter are no longer necessary.

2. The Signatory Parties agree that any testimony from the Signatory Parties and the exhibits admitted into the record support the reasonableness of this Stipulation and Recommendation, and that the Stipulation and Recommendation taken as a whole, is consistent with the criteria that the Commission has adopted for purposes of evaluating settlements.

3. The Signatory Parties agree that this Stipulation and Recommendation is entered into as an overall compromise and resolution of all issues presented in the aforementioned proceedings, and does not necessarily represent the position any Signatory Party would have taken had these issues been fully litigated. This Stipulation and Recommendation constitutes the entire agreement between the Signatory Parties concerning the above-captioned cases, and there are no other agreements among the Signatory Parties concerning the resolution of these cases.

4. This Stipulation and Recommendation represents a reasonable compromise of varying interests. This Stipulation and Recommendation is expressly conditioned upon adoption in its entirety by the Commission without material modification by the Commission; provided, however, that each Signatory Party has the right, in its sole discretion, to determine whether Commission approval of this Stipulation and Recommendation constitutes a “material modification” thereof. Should the Commission reject or materially modify all or any part of this Stipulation and Recommendation, the Signatory Parties shall have the right, within thirty days of issuance of the Commission’s order, to file an application for rehearing or withdraw from the Stipulation and Recommendation by filing a notice with the Commission in this proceeding and

serving all Signatory Parties. The Signatory Parties agree that they will not oppose or argue against any other Party's application for rehearing that seeks to uphold the original, unmodified Stipulation. Upon the Commission's issuance of an entry on rehearing that does not adopt the Stipulation and Recommendation in its entirety without material modification, any Signatory Party may file an application for rehearing or withdraw from the Stipulation and Recommendation by filing a notice with the Commission within thirty days of the Commission's entry on rehearing. The Signatory Parties to the Stipulation and Recommendation agree not to oppose the withdrawal and termination of the Stipulation and Recommendation by any other Signatory Party in accordance with this paragraph. Upon notice of termination or withdrawal by any Signatory Party, pursuant to the above provisions, the Stipulation and Recommendation shall immediately become null and void. In such event, a hearing shall go forward at the procedural point at which this Stipulation and Recommendation was filed, and the Signatory Parties will be afforded the opportunity to present evidence through witnesses, cross-examine all witnesses, present rebuttal testimony, and brief all issues which shall be decided based upon the record and briefs as if this Stipulation and Recommendation had never been executed.

5. The Signatory Parties agree and recommend that the Commission issue a final Opinion and Order in this proceeding, ordering the adoption of this Stipulation and Recommendation, including the terms and conditions agreed to in this Stipulation and Recommendation by all Signatory Parties.

6. The Signatory Parties agree and intend to support the reasonableness of this Stipulation and Recommendation before the Commission and in any appeal from the Commission's adoption or enforcement of this Stipulation and Recommendation. If not finally adopted by the Commission or if rejected by any appellate court, this Stipulation and

Recommendation shall not prejudice any of the positions taken by any Signatory Party on any issue before the Commission in this or any other proceeding, is not an admission of fact by any of the Signatory Parties, and shall not be admissible in this or in any other proceeding.

The undersigned hereby stipulate and agree and each represents that it is authorized to enter into this Stipulation and Recommendation this 28th day of July, 2015. This Stipulation and Recommendation may be signed in counterparts.

Northeast Ohio Natural Gas Corporation

By: Mark A. Frink
Counsel

Date: July 23, 2015

Orwell Natural Gas Company

By: Mark A. Frink
Counsel

Date: July 23, 2015

**The Staff of the Public Utilities
Commission of Ohio**

By: Werner N. Margard, III / e-mail
Counsel

Date: July 23, 2015

Brainard Gas Corporation

By: Mark A. Frink
Counsel

Date: July 23, 2015

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Summary: Stipulation Amended Stipulation and Recommendation electronically filed by Mr. Devin D. Parram on behalf of Northeast Ohio and Orwell Natural Gas and Brainard Gas