



**BEFORE  
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Application of	)	
Pike Natural Gas Company,	)	
Eastern Natural Gas Company,	)	Case No. 04-1338-GA-UNC
and Southeastern Natural Gas	)	
Company to Stabilize Gas Costs.	)	
In the Matter of the Gas Cost Recovery	)	
Filings of Gas Distribution Companies	)	Case No. 04-1225-GA-GCR
For the Last Quarter of 2004.	)	

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**WITHDRAWAL OF APPLICATION FOR EXTENSION,  
NOTICE OF REINSTATEMENT  
OF GAS COST RECOVERY MECHANISM,  
AND APPLICATION FOR MONTHLY EXPECTED GAS COST  
ADJUSTMENTS**

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Applicants submit the following:

1. On August 26, 2004, Pike Natural Gas Company, Eastern Natural Gas Company, and Southeastern Natural Gas Company ("Applicants," "Pike," "Eastern," or "Southeastern") filed their application ("August Application") herein for approval of an extension of their price stabilization program for the twenty-four month period of July 2005 through June 2007.
2. As a result of subsequently prevailing unfavorable natural gas market conditions, Applicants filed two amendments to this Application for interim authority, one on June 20, 2005, which was granted by Entry dated June 29, 2005, and the second dated September 9, 2005, which is still pending.

3. The unfavorable market conditions underlying Applicants amended requests have been significantly aggravated by Hurricanes Katrina and Rita, and have made continuation of Applicants' price stabilization program uneconomical for both Applicants and their customers.

4. Applicants, therefore, hereby withdraw their August application to extend their price stabilization program at this time. Applicants will continue to monitor the natural gas market with the intent of reviving the price stabilization program when conditions permit.

5. Applicants will reinstate their gas cost recovery (GCR) mechanisms to be effective on a bills-rendered basis beginning October 1, 2005. Applicants will submit the appropriate GCR calculations to Commission Staff as soon as practicably possible.

6. The Commission promulgated new GCR rules in Case No. 03-1384-GA-ORD, one of which was a change to Rule 4901:1-14-04, Ohio Administrative Code, to provide for Commission approval for authority to adjust the EGC component of the GCR at intervals other than quarterly. In an Entry dated August 6, 2004, in Case Nos. 03-1384-GA-ORD and 04-1225-GA-GCR, the Commission required companies seeking to adjust their EGCs, other than quarterly, to file for approval in the above-styled cases.

7. By this filing, Applicants request, pursuant to the recently-promulgated Rule 4901:1-14-04, Ohio Administrative Code, authority to make adjustments to the EGC components of their GCR rates on a monthly basis.

8. In approving an application filed by Vectren Energy Delivery of Ohio, Inc. ("VEDO") to make monthly adjustments to the EGC, the Commission stated that, "since these monthly adjustments will be in reaction to changes in the market price of gas, it

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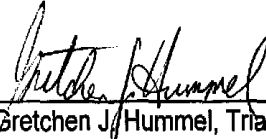
will help minimize the magnitude of subsequent period adjustments when the market price is changing rapidly.” Case No. 03-939-GA-UNC, Entry at 2 (July 24, 2003).

9. On May 28, 2004, in Case No. 03-939-GA-UNC, VEDO filed a report of the effects of its monthly EGC adjustments from November 1, 2003 through April 30, 2004. The data in that report confirms the expectation of the Commission and demonstrates that the use of the monthly EGC produced variances from actual gas costs less than that which would have occurred through the application of the quarterly EGC rate for that period. Applicants believe that use of monthly EGC adjustments will produce the same results for its GCR customers, which reduce bill volatility and minimize the potential for large adjustments to the GCR, particularly in the face of recent events affecting the magnitude of natural gas prices for the coming winter.

10. Pursuant to Rule 4901:1-14-06, Ohio Administrative Code, Applicants elect to continue their previous practice of applying new GCR rates on a bills-rendered basis.

WHEREFORE, Applicants hereby withdraw their Application to extend their price stabilization program, provide notice of the reinstatement of the GCR mechanism, and respectfully request approval, pursuant to Rule 4901:1-14-04, Ohio Administrative Code, for authority to make monthly adjustments to the EGC components of their GCR rates.

Respectfully submitted,



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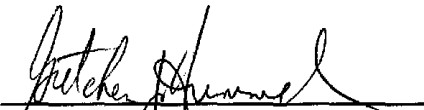
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**Attorneys for Pike Natural Gas  
Company, Eastern Natural Gas  
Company, and Southeastern Natural  
Gas Company**

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing *Withdrawal of Application for Extension, Notice of Reinstatement of Gas Cost Recovery Mechanism, and Application for Monthly Expected Gas Cost Adjustments* was served upon the following party of record this 28<sup>th</sup> day of September, 2005, via electronic transmission, hand-delivery, or ordinary U.S. mail, postage prepaid.

  
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