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July 27, 2007

RECEIVED
2007 JUL 27 PM 4:41
PUBLIC SERVICE COMMISSION

VIA HAND DELIVERY

The Honorable Charles Terreni
Chief Clerk/Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, South Carolina 29210

RE: Carolina Gas Transmission (FKA South Carolina Pipeline Corporation) – Final Review of the Purchased Gas Adjustments and Gas Purchasing Policies of South Carolina Pipeline Corporation (SCPC) for the review period ending on October 31, 2006 immediately prior to Carolina Gas Transmission becoming an interstate jurisdictional pipeline
Docket No. 2007-6-G

Dear Mr. Terreni:

Enclosed for filing is the proposed **Order Approving and Adopting Settlement Agreement** in the above-referenced matter. Please accept the original and ten (10) copies for filing. I would appreciate your acknowledging receipt of these documents by date-stamping the extra copy that is enclosed and returning it to me via my messenger.

By copy of this letter, I am serving all parties of record and attach a certificate of service to that effect.

If there are any questions regarding this matter, please advise.

Sincerely,

WILLOUGHBY & HOEFER, P.A.

Benjamin P. Mustian

BPM/twb
Enclosures

cc: Jeffrey M. Nelson, Esquire
Shannon Bowyer Hudson, Esquire
Catherine D. Taylor, Esquire
K. Chad Burgess, Esquire
Mr. George Fasano
(all via first class mail w/enclosures)

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-6-G

RECEIVED
2007 JUL 27 PM 4:41
SC PUBLIC SERVICE COMMISSION

IN RE: Carolina Gas Transmission Corporation f/k/a South Carolina Pipeline Corporation – Final Review of the Purchased Gas Adjustments (PGA) of South Carolina Pipeline Corporation (SCPC) for the period ending on October 31, 2006 immediately prior to SCPC merging with SCG Pipeline, Inc., changing its name to Carolina Gas Transmission Corporation, and becoming an interstate jurisdictional pipeline.	**CERTICATE OF SERVICE**

This is to certify that I have caused to be served this day one (1) copy of the **Proposed Order** by placing same in the care and custody of the United States Postal Service with first class postage affixed thereto and addressed as follows:

Jeffrey M. Nelson, Esquire
Shannon B. Hudson, Esquire
Office of Regulatory Staff
Post Office Box 11263
Columbia, South Carolina 29211

Tracy W. Barnes

Columbia, South Carolina
This 27th day of July, 2007.

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2007-6-G; ORDER NO. _____

_____ _____, 2007

RECEIVED
2007 JUL 27 PM 4:41
SC PUBLIC SERVICE COMMISSION

IN RE: Carolina Gas Transmission Corporation f/k/a South Carolina Pipeline Corporation – Final Review of the Purchased Gas Adjustments (PGA) of South Carolina Pipeline Corporation (SCPC) for the period ending on October 31, 2006 immediately prior to SCPC merging with SCG Pipeline, Inc., changing its name to Carolina Gas Transmission Corporation, and becoming an interstate jurisdictional pipeline.	)	**ORDER APPROVING AND ADOPTING SETTLEMENT AGREEMENT**

The above-captioned matter is before the Public Service Commission of South Carolina ("Commission") for the final annual review of the Purchased Gas Adjustments ("PGA") and Gas Purchasing Policies of Carolina Gas Transmission Corporation ("CGTC"), formerly known as South Carolina Pipeline Corporation ("SCPC" or "Company").

By Commission Order No. 87-1122, dated October 5, 1987, the Commission instituted an annual review of SCPC's PGA and Gas Purchasing Policies. On July 20, 2006, FERC approved the merger of SCG Pipeline, Inc. with SCPC to form a single,

integrated interstate pipeline to be operated under the jurisdiction of FERC and to be called CGTC. SCPC's last day of providing intrastate services was October 31, 2006. On November 1, 2006, the merger was consummated and CGTC began operating as an interstate pipeline under FERC jurisdiction. Therefore, the final period for review of SCPC's PGA and Gas Purchasing Policies relating to its intrastate operations is the period from January 1, 2006, to October 31, 2006 ("the Review Period").

A Notice of Filing regarding SCPC's PGA and Gas Purchasing Policies was prepared and, pursuant to the instructions of the Commission's Docketing Department, was published in newspapers of general circulation in the affected areas. In addition, a copy of the Notice of Filing was mailed by United States first class mail service directly to customers receiving service from SCPC during the review period. No Petitions to Intervene were filed in this case in response to the Notice of Filing.

On June 8, 2007, SCPC pre-filed the direct testimony of witnesses Samuel L. Dozier, Michael P. Wingo, John S. Beier and Thomas R. Conard. On June 22, 2007, the Office of Regulatory Staff ("ORS") pre-filed the direct testimony of witnesses Roy H. Barnette and Brent L. Sires. On June 22, 2007, the Parties filed a comprehensive Settlement Agreement wherein they stipulated to a resolution of all issues in the proceeding.

The Commission conducted a formal hearing in this matter on July 12, 2007, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable O'Neal Hamilton presiding. Mitchell Willoughby, Esquire, and K. Chad Burgess,

Esquire, represented SCPC. Shannon Bowyer Hudson and Jeffrey M. Nelson appeared on behalf of ORS.

As a preliminary matter, a Settlement Agreement among the parties was presented to the Commission, which is attached hereto as Order Exhibit No. 1. In addition, SCPC and ORS stipulated and introduced into the record the testimony of Samuel L. Dozier, Michael P. Wingo, John S. Beier, Thomas R. Conard, Roy H. Barnette and Brent L. Sires. The exhibits sponsored by witnesses Wingo, Beier and Barnette were also stipulated and introduced into the record.

At the outset of the hearing, the Commission asked the parties to present oral arguments on whether certain provisions of the Settlement Agreement were in accord with the statutory requirements of the Uniform Unclaimed Property Act (the "Act"), S.C. Code Ann. Section 27-18-10, et seq. (Supp. 2007). Specifically, the Commission asked whether Sections 6 and 7 of the Settlement Agreement relating to the proposed distribution of monies received by SCPC from its vendors or compensation received from a claim filed in a class action lawsuit were in compliance with the Act.

During the oral argument, Mr. Willoughby, counsel for SCPC, stated that the Act did not apply to the proposed mechanisms for distributing these monies to certain customers. Mr. Willoughby asserted that SCPC is not legally required to distribute to customers any monies received by SCPC from its vendors or from the class action claim, if any money is in fact received by SCPC from this pending claim. SCPC would normally seek Commission approval to include monies received from its vendors as

credits to the monthly Weighted Average Cost of Gas ("WACOG") calculation so as to reduce the WACOG on a going forward basis. SCPC has ceased its intrastate operations, however, and no longer offers transportation services bundled with gas supply. Thus, the company proposes to distribute these monies based upon the distribution mechanisms agreed to in the Settlement Agreement.

Mr. Willoughby further explained that these monies are not refunds of deposits or amounts which legally belong to customers; rather, they are owned by SCPC and are being held by the Company for distribution as agreed by the parties, subject to Commission approval. A former customer's right to receive any portion of these monies only arises if the Commission approves and orders the distribution mechanisms. For these reasons, SCPC asserted that the distribution mechanisms, if approved by the Commission, would not be inconsistent with the provisions of the Uniform Unclaimed Property Act. Only after the proposed distribution mechanisms are approved by the Commission would a distribution be legally required and then only as directed by the Commission's order.

Mr. Willoughby also addressed that portion of the Settlement Agreement in which the parties agreed that any checks which were not cashed or returned within six months after issuance or any distribution amounts not otherwise claimed would escheat to the South Carolina Treasurer pursuant to the terms of S.C. Code Ann. Section 27-18-10, *et seq.* SCPC acknowledged that, pursuant to the statutory provisions of Section 27-18-90(B), sums which utilities are ordered to refund are not presumed abandoned until five

years after the date the refund becomes payable. However, Mr. Willoughby pointed out that Section 27-18-280(B) allows holders of unclaimed funds to deliver those funds to the State Treasurer before the expiration of the five year period if the Treasurer consents and accepts the funds. If there are any distributions which are not claimed within six months of issuance, SCPC agreed to seek the State Treasurer's consent to receive such unclaimed distributions after the expiration of six months pursuant to Section 27-18-280(B). Otherwise, SCPC agreed to continue to hold unclaimed distributions until the expiration of the five year period set forth in Section 27-18-90(B) and thereafter deliver any unclaimed distributions to the State Treasurer.

Mr. Nelson, counsel for ORS, stated that ORS concurred with SCPC's analysis of the Act and also observed that the charges paid by Pipeline's customers were based upon Commission approved tariffed rates. The customers had paid no more or no less than they were legally required to pay. Therefore, ORS concurred with the Company's position that monies received from its vendors and any class action claim compensation (if any) are not the property of customers as they have no right to these funds, unless a right is created by order of the Commission. Mr. Nelson also stated that an ordered distribution without SCPC's consent would, in effect, be unlawful retroactive ratemaking. Avoiding this legal pitfall, the parties have proposed distribution mechanisms to which SCPC has voluntarily agreed.

After careful review and consideration of the Settlement Agreement, the evidence of record, and the argument of counsel, the Commission concludes as a matter of law that

approval of the Settlement Agreement is in the public interest, subject to the agreed upon proviso that any unclaimed funds will be delivered to the State Treasurer after the expiration of six months only if the State Treasurer consents pursuant to Section 27-18-280(B) of the Act. The Commission agrees with the position taken by the parties regarding the applicability of the Uniform Unclaimed Property Act to the proposed distribution mechanisms and finds Sections 6 and 7 of the Settlement Agreement relating to the distribution mechanism should be approved subject to the above-stated proviso.

The Commission further finds that i) SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent; (ii) SCPC's costs for gas purchases and asset management were reasonable and prudent during the Review Period; (iii) SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period; and (iv) SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders. Additionally, in light of SCPC's conversion to an interstate transportation pipeline, which is now subject to FERC jurisdiction exclusively, the Commission finds that the Company's tariff, rates, charges and terms and conditions of service on file with the Commission are no longer effective or in force and should be cancelled, terminated or otherwise revoked.

NOW THEREFORE, based upon the foregoing, **IT IS HEREBY DECLARED, ADJUDGED, DECREED AND ORDERED THAT**:

1. The Settlement Agreement attached hereto as Order Exhibit No. 1 is accepted into the record without objection and is incorporated into and made part of this Order by reference.

2. The Settlement Agreement is hereby approved as a reasonable resolution of this proceeding with the proviso as stated in Paragraph 7, below.

3. SCPC's gas purchasing policies and practices during the Review Period were reasonable and prudent.

4. SCPC's costs for gas purchases and asset management were reasonable and prudent during the Review Period.

5. SCPC properly adhered to the gas cost recovery provisions of its gas tariff and relevant Commission orders during the Review Period.

6. SCPC managed its hedging program during the Review Period in a reasonable and prudent manner consistent with Commission orders.

7. SCPC shall distribute monies received from its vendors and any class action claim compensation (if any) as contemplated by Sections 6 and 7 of the Settlement Agreement and the distribution mechanisms agreed to therein with the proviso, as agreed to by the parties, that any distributions unclaimed after the expiration of six (6) months may only be delivered by SCPC to the State Treasurer with his consent pursuant to Section 28-17-280(B). If the State Treasurer does not consent to receive any such unclaimed distributions after the expiration of only six (6) months, then and in that event, such distributions shall be held by SCPC for five years pursuant to Section 27-18-90(B)

and thereafter delivered to the State Treasurer pursuant to the Uniform Unclaimed Property Act.

8. SCPC's tariff, rates, charges and terms and conditions of service on file with the Commission are no longer effective or in force and are hereby cancelled, terminated or otherwise revoked of record.

9. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

_____
G. O'Neal Hamilton, Chairman

ATTEST:

_____
Robert Moseley, Vice-Chairman