

Standard Choice Offer Questions & Answers for April 2010

Introduction On February 11, 2010, the Public Utilities Commission of Ohio (PUCO) approved the results of Dominion East Ohio's February 9 auctions seeking the lowest cost providers of natural gas for customers not already purchasing gas through an Energy Choice supplier or aggregation program.

What happens today? Today, customers who are eligible for Energy Choice but have not chosen a supplier or joined an aggregation program are assigned a supplier and move to a Standard Choice Offer (SCO) rate.

What will happen? Beginning in April 2010, Dominion East Ohio customers who:

- **are not eligible** for the Energy Choice program will continue to receive their gas at the Standard Service Offer (SSO) rate.
- **are Energy Choice eligible**, but have not selected a supplier, will receive gas under a new Standard Choice Offer rate (SCO).

Both will pay a price for gas supply that varies each month based on a widely used price measure from the New York Mercantile Exchange (NYMEX), plus a retail price adjustment cost of \$1.20 per MCF, which takes into consideration the cost of transporting gas from producing areas to Ohio. The retail price adjustment (adder) cost will change from \$1.40 to 1.20 per MCF from April 2010 through March 2011.

What if I am currently an SCO customer? Customers on the Standard Choice Offer (SCO) going into April 2010 may be reassigned to another participating supplier in the program.

Who's ineligible for Energy Choice? Can PIPP customers participate? Percentage of Income Payment Plan (PIPP) customers and customers with more than one broken payment plan in the past 12 months are ineligible for Energy Choice. These customers will remain on the SSO rate.

Why has Dominion East Ohio continued to allow customers to be assigned to suppliers? **Points to review with customers:**

- Over 70% of customers have already chosen an Energy Choice supplier or aggregation program.
- Dominion East Ohio makes no profit on the cost of the gas. We are only permitted to make money on its delivery.
- We are moving from the traditional regulated merchant function into a more competitive commodity market for its customers.
- Dominion East Ohio will focus on providing delivery service rather than gas commodity service.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010, Continued

Isn't that slamming?

No. Slamming is a term used during the deregulation of the telephone industry. Through illegal practices, customers had their local or long-distance telephone service switched to another provider without permission. With the assignment of SCO suppliers, the entire process of selecting suppliers and setting the price is overseen by the PUCO, including the rotation of the suppliers. Every customer who moves to SCO service will pay the same rate, regardless of the assigned supplier.

Doesn't this discourage customers from shopping?

No. The SCO and MVR rates will change each month. They may be more, or less, than the price of gas a customer may find with a supplier or aggregation program. Plus, a supplier may be able to offer a fixed rate, which helps customers plan their gas costs.

Is the SCO a default supplier rate?

Yes. Customers will always have gas supply. For Choice-eligible customers, that would be the SCO rate.

Once a supplier is assigned, do I call Dominion for service?

Yes. Dominion East Ohio will continue to deliver natural gas to all customers, offer payment plans, read meters, issue bills and other customer service options, and handle all emergency calls. Dominion East Ohio ensures that customers receive reliable service even if they buy gas from another provider.

Auction

Explain the auction process and how it determines the rate?

Unlike most auctions, this auction is designed to yield the lowest price. In the auction, bidders offer to supply gas at progressively lower prices until Dominion East Ohio has the amount of supply that it needs at the lowest possible cost. Suppliers base their bids on the amount to be added to a market-based reference price (the NYMEX price). This NYMEX adder, or "Retail Price Adjustment," reflects the suppliers' cost of delivering the gas from wherever it is produced to our system for delivery on to the customers. The suppliers that offered bids at the lowest price were awarded the opportunity to supply customers. The PUCO approved the auction results on February 11, 2010.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010,

Continued

What happens when Energy Choice contracts expire?

Customers will return to the SSO for up to 2 billing periods. If former Energy Choice and Opt-In customers have not selected another EC or aggregation supplier, or elected SCO, they will revert to a Monthly Variable Rate “MVR” (similar to procedures established for SCO assignments). Former Opt-Out customers, who have not selected an Energy Choice or aggregation supplier, will revert back to SCO.

What is the difference between the auctions?

The auction processes used to establish the SSO and SCO prices are identical. However, differences in the number of suppliers and the customers assigned to the two rates could have caused the adders to be slightly different. However, it happened that the adder for both the SSO and SCO are identical -- \$1.20 per MCF.

How many suppliers won the bid?

- **SSO.** Three suppliers were successful bidders for the SSO gas supplies. Each supplier won 1 tranche (pool of gas). Each tranche is approximately 5 Bcf annually.
- **SCO.** Five suppliers were successful bidders for the SCO gas supplies. They won the right to serve 9 tranches. Each tranche is approximately 3 Bcf annually.

Please note: The Commission order states that the names of the winning auction bidders will not be provided for 45 days. This period of confidentiality protects the bidders' positions in negotiations with pipeline companies for the incremental capacity necessary to meet their obligations as standard service offer suppliers.

How are customers divided among suppliers?

Customers are assigned to an SCO or MVR supplier on a rotating basis until the tranches are filled.

What is the SSO & SCO adder?

The retail price adjustment (adder) cost will be \$1.20 per MCF for both the SSO and SCO rates, which takes into consideration the cost of transporting gas from producing areas to Ohio. The retail price adjustment (adder) cost will remain \$1.20 per MCF from April 2010 through March 2011. The adder amount, along with the closing monthly NYMEX price, will set the monthly rate for the following month.

How could the auction drop to \$1.20 and suppliers still make a profit?

It is part of the risk that suppliers incur. Suppliers may make a profit on gas commodity; they are not guaranteed a profit. The adder, or Retail Price Adjustment, includes the costs of transportation and other related costs that gas suppliers incur to bring that gas to Dominion East Ohio's service territory.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010,

Continued

Is the adder the same thing as a rider? No. An adder is the amount added on to the NYMEX price to set the SSO or SCO rate for the following month. A rider is a PUCO-approved DEO tariff charge designed to recover specified costs, such as the PIPP or Uncollectible Expense riders.

The auction is only good for a year; what happens next? Unless DEO obtains Commission approval in a new proceeding to modify the existing program upon its expiration in March 2011, DEO will continue to hold annual auctions to refresh the participating SSO and SCO suppliers and Retail Price Adjustment rates.

SCO Rate

Will my rate be locked in once a supplier is assigned to me? The SCO rate will change monthly based on the monthly closing price of the NYMEX, plus a retail price adjustment. You always have the option to “shop” for another supplier and rate within the Energy Choice or aggregation programs without incurring a penalty.

Will this change result in a price increase? The Standard Choice Offer (SCO) is set by market prices, just like the Standard Service Offer (SSO) rate is. The rate changes monthly. It may cost more, or less, each month, based on supply and demand, as well as additional factors, such as weather.

Will there be any supplier fees (i.e., service charges)? No.

If assigned to an SCO supplier, is there a penalty if the customer wants to choose supplier? No. To select a supplier, the customer would need to enroll in Energy Choice or an aggregation program, if one is available.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010, Continued

What happens if the supplier goes out of business or stops participating?

The process will be no different than it is today under Energy Choice. The customer will initially return to SSO service. If the customer does not select another supplier within two months, Dominion East Ohio will assign a supplier to provide natural gas service to the customer.

Will I still pay transportation and will it be the same as if I had picked my own supplier?

Yes. You will still pay the same transportation rate to Dominion East Ohio for delivering the gas.

Do the SCO rate and the assigned Supplier change monthly?

The SCO rate changes monthly based on change in the NYMEX price, but the Supplier and retail price adjustment (adder) remains the same through March 2011, after which Dominion East Ohio may go through the same process to set pricing and select suppliers for the following year.

Do SCO suppliers charge cancellation fees if I choose another supplier on my own?

No.

How do I obtain additional information about Energy Choice?

If you want to choose your own supplier, there's help. A good one-stop source for prices and options include a Web site dedicated to Energy Choice information. Go to www.DominionGasChoice.com.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010,

Continued

Will the SCO customer pay sales tax or gross receipts tax?

Both. They will pay Sales tax on the commodity, just like an Energy Choice customer. They will continue to pay gross receipts tax on delivery and all Dominion East Ohio charges. (i.e., returned check fees, basic monthly charge, etc.) By law, certain non-profit organizations and businesses may be exempt from the Sales tax. Only federal government accounts do not have to pay the gross receipts tax.

Once on SCO, what happens if a customer enrolls in PIPP?

Same as before. We notify the suppliers that the customer has been enrolled in PIPP during the nightly file update. The customer is then moved to the SSO rate.

If an SCO customer breaks 2 payment plans, do they go back to SSO?

Customers will return to the SSO after two broken payment plans. By not paying the minimum in full and on time, customers run the risk of falling farther behind and being shut off for non-payment. We should always encourage customers to pay their bills; they remain legally responsible for their account balances.

With SCO, what amount will be required for reconnection?

To be reconnected, customers must pay the full account balance, except for Products and Services charges. Payment plan customers must pay past-due plan amounts for reconnection.

Explain the movement between rates

After April 2010, customers who leave Energy Choice or Aggregation, or those whose service is restored after shutoff, will move to SSO for two months.

If customer does not elect a supplier, and remains credit-eligible, then after two months:

- Former Energy Choice or Aggregation Opt-In customer will move to MVR; these customers, however, may elect to go onto the SCO rate.
- Former Aggregation Opt-Out customer will move to SCO

Do PIPP customers pay gross receipts tax on SSO?

Yes. They will continue to pay gross receipts tax on the commodity and Dominion East Ohio charges (i.e., returned check fees, basic monthly charge, etc.)

Continued on next page

Standard Choice Offer Questions & Answers for April 2010, Continued

Do customers move to SSO, then to MVR?

Only former Energy Choice or Aggregation Opt-In customers can move to MVR. Prior to moving to the MVR, the customer will receive two bill messages telling him that he will be switched to the MVR rate. These customers may specifically elect to go onto the SCO rate instead of MVR.

Will customers receive drop letters or bill messages?

If the customer contacts Dominion East Ohio and drops his or her supplier (Energy Choice or aggregation), we will issue a letter to confirm that he or she intended to take such action. If the supplier or aggregation program allows the contract to expire, customers will be advised in a message on their bill.

When an SCO customer claims they are sales tax-exempt

To be billed as sales tax exempt, customers must provide a valid tax exemption certificate to their Energy Choice, aggregation, SCO or MVR supplier.

Should SCO customers block their names from supplier lists?

SCO customers who opt out of supplier lists will only block their information from being released for Energy Choice solicitations. They cannot keep their names off of governmental aggregation lists.

Suppliers may request several types of customer lists, including:

- **Energy Choice List:** SSO Only (non-PIPP, Choice-eligible) customers
 - **Governmental Aggregation (Opt Out):** SSO (non-PIPP, Choice-eligible) and SCO customers
 - **Governmental Aggregation (Opt In):** The supplier may request SSO (non-PIPP, Choice-eligible) and/or SCO customers, depending on if the program is certified or not. In most cases it is the same as an Energy Choice List. There are a few examples of communities that have both an opt-in and opt-out program.
-

How often will the assigned suppliers change?

The SCO or MVR customer's assigned default supplier will not change again until April 2011. The SCO or MVR rate will transfer if the customer moves. However, if the customer's account is finalized, he or she will go through the SCO/MVR rotation again once service is restored, which means the customer may end up with the same, or a different, SCO/MVR supplier.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010,

Continued

Will SCO customers be included in any aggregation opt-out programs?

SCO customers would receive an opt-out notice and if they don't opt out, they will be enrolled.

Can a SCO customer enroll in an opt-in aggregation?

Yes.

If the SSO price drops, can we advise the customer to consider different plans?

First of all, agents must remain neutral when speaking with customers; they cannot recommend or persuade customers to a particular rate or supplier. This is part of Energy Choice rules set forth by the PUCO. The SSO rate is only available:

- To PIPP and Choice-ineligible customers
- For two months for customers who have cancelled their Energy Choice or aggregation agreement, or their contract expired. After two months on the SSO, and the customer remains Choice-eligible, the customer will then move on to the SCO or MVR.

Will Low-Income, Low-Use Customers be excluded from SCO?

No. As long as they remain credit-eligible, they will move to SCO as well.

Can customers select their SCO or MVR supplier?

No, the assignment of suppliers to customers is an automated process. If a customer wants to buy gas from a particular supplier, they should contact that supplier directly and ask about their current offers.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010, Continued

MVR Rate

If assigned to an MVR supplier, is there a penalty if the customer wants to choose supplier?

No. To select a supplier, the customer would need to enroll in Energy Choice or an aggregation program, if one is available

Will the MVR customer pay sales tax or gross receipts tax?

Both. They will pay Sales tax on the commodity, just like an Energy Choice customer. They will continue to pay gross receipts tax on delivery and all Dominion East Ohio charges. (i.e., returned check fees, basic monthly charge, etc.) By law, certain non-profit organizations and businesses may be exempt from the Sales tax. Only federal government accounts do not have to pay the gross receipts tax.

Once on MVR, what happens if a customer enrolls in PIPP?

Same as before. We notify the suppliers that the customer has been enrolled in PIPP during the nightly file update. The customer is moved to the SSO rate.

With MVR, what amount will be required for reconnection?

To be reconnected, customers must pay the full account balance, except for Products and Services charges. Plan customers must pay past-due plan amounts for reconnection.

Will MVR be indicated on the customer's bill?

Yes. Once on the MVR rate, the bill will display an MVR rate.

Continued on next page

Standard Choice Offer Questions & Answers for April 2010, Continued

**Is MVR a better rate?
How long can they be on it?**

We do not know what the price will be once a customer is switched to the MVR. It will be an unregulated rate. They can remain on the MVR as long as they would like. They will only be moved to the SCO if they request it.

Should MVR customers block their names from supplier lists?

MVR customers will not be included in any customer lists for individual Energy Choice or aggregation solicitations.

Can a MVR customer enroll in an opt-in aggregation?

Yes.

To avoid going to the MVR, can a customer request to go straight to the SCO in Month 3? Does the customer have 60 days to make a change to avoid the MVR?

Yes. Former Energy Choice or Aggregation Opt-In customers are initially placed on the SSO for two billing periods or about 60 days. The customer can shop for a supplier during those 60 days, but we do not control when we might receive an Energy Choice enrollment from a supplier. They can also elect to go onto the SCO rate. If they don't make a choice and they remain choice eligible, the customer will move to the MVR with their third bill. If they remain Choice-eligible, and a new supplier enrollment is not in effect yet, the customers will move to the MVR with their third bill.

Once on the MVR, customers may:

- Remain on the MVR
- Switch to the SCO rate and thereby be assigned to an SCO supplier
- Shop for his or her own Choice supplier or
- Join an aggregation program, if one is available in the community.

A bill message will tell MVR customers what their options are.
