

BEFORE

THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Application of The)
 East Ohio Gas Company d/b/a)
 Dominion East Ohio for the Approval) Case No. 05-474-GA-ATA
 of a Plan to Restructure its Commodity)
 Service Function.)

ENTRY

The Commission finds:

- (1) By Opinion and Order issued on May 26, 2006, the Public Utilities Commission of Ohio (PUCO) authorized The East Ohio Gas Company d/b/a Dominion East Ohio (Dominion) to proceed with the first phase of its plan (Phase 1) to eliminate its Gas Cost Recovery rate (GCR) and obtain and price its natural gas supplies through a more market-based rate methodology. Phase 1 will serve as a pilot program to test the ability of the market-based methodology to expand competition among suppliers and reduce natural gas rates long-term. Under Phase 1, Dominion will conduct an auction in which interested suppliers can compete for the ability to provide portions of Dominion's wholesale gas supply. Dominion will continue to provide commodity service to its retail sales customers but via a Standard Service Offer (SSO), the price of which will be partially based on the auction results. The May 26, 2006 Order also directed Dominion to hire a professional auction manager to conduct the auction and to fund the hiring of a consultant by the Commission to oversee the auction process and to assist the staff and Commission in the evaluation of the auction results.
- (2) Dominion contracted for the services of EnergyGateway as the auction manager. EnergyGateway is a provider of energy purchasing services using a proprietary, web-based platform. By Entry dated July 12, 2006, the Commission selected CRA International (CRA) to provide the consultant support for the staff and Commission.
- (3) Since the May 26, 2006 Order, Dominion has held informational sessions with potential auction participants and other stakeholders. Through these meetings, Dominion has been able to work out

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details of the auction process including addressing issues of concern to potential bidders.

- (4) On August 29, 2006, the Phase 1 auction took place via the internet with twelve bidders participating. The auction was jointly monitored by Dominion, the Office of the Ohio Consumers' Counsel, PUCO staff, and CRA. Consistent with the Commission's May 26, 2006 Order, the auction was conducted as a descending clock auction. Twelve wholesale supply tranches were bid with each bidder limited to a maximum of four tranches. During each round, the bid was in the form of the number of tranches each bidder would be willing to supply at an announced rate. That rate was a "Retail Price Adjustment" which is in the form of an adder to the monthly NYMEX settlement price. The Retail Price Adjustment is a fixed dollar amount for the entire twenty-three month term of Phase 1.
- (5) On August 29, 2006, the staff filed a post-auction report (Staff Report) detailing the results of the auction. That report contained a description of the auction, and a conclusion by the consultants that, based on their observations, the auction was fair and devoid of any indications of collusion or other anomalies. The Staff Report also contained an analysis which concluded that a range of \$2.196 to \$2.504 per Mcf above the monthly NYMEX settlement price for natural gas futures was a reasonable benchmark by which to evaluate the auction results. The result of the auction was a Retail Price Adjustment of \$1.44 per Mcf. The Staff Report thus recommended the Commission approve the auction results and allow Dominion to proceed with the Phase 1 plan.
- (6) The Commission has reviewed the Staff Report and agrees with its conclusion that the auction results are reasonable and should be approved. We agree with the staff's evaluation that a range of \$2.196 to \$2.504 represents a reasonable benchmark by which to judge the auction results. The Retail Price Adjustment of \$1.44 per Mcf is, in fact, well below that benchmark range. We are further satisfied with CRA's conclusions that the auction was conducted in a fair and impartial manner and was free of any apparent collusion or other anomalies. Dominion is authorized to replace its current Gas Cost Recovery mechanism with a Standard Service Offer and to enter into the necessary agreements with the winning bidders to implement the SSO process. The monthly SSO price will be

calculated as the sum of the NYMEX settlement price for the prompt month plus a Retail Price Adjustment of \$1.44 per Mcf. Dominion is further authorized to file the final tariffs necessary to implement the terms of this Entry as well as the prior May 26, 2006, Opinion and Order.

- (7) Unless otherwise ordered by the Commission, Phase 1 is authorized for the period October 2006 through September 1, 2008. The Commission reserves all authority to exercise oversight during Phase 1 and specifically reserves the right to terminate Phase 1 and return to the GCR pricing methodology at any time if circumstances warrant.
- (8) The Staff Report filed on August 29, 2006 was filed without identifying the names of the participating or winning bidders. The Staff Report stated that this was done in order to protect the bidder's positions in negotiations with pipelines for the incremental capacity necessary to meet their obligations as SSO suppliers. The staff report requests the Commission continue to treat the bidder's names as confidential for a period of 60 days from this Entry or until agreements with pipelines are completed, whichever is less. The Commission believes this request is reasonable and should be granted.

It is, therefore,

ORDERED, That Dominion is authorized to replace its current Gas Cost Recovery mechanism with a Standard Service Offer consistent with finding (6) above. It is, further,

ORDERED, That the effective date of the new tariffs shall be a date not earlier than both the date of this Entry and the date upon which complete copies of the final tariffs are filed with the Commission. It is, further,

ORDERED, That Dominion shall notify all affected customers of the change from the GCR to an SSO pricing methodology via a bill message or via a bill insert within 30 days of the effective date of the tariffs. A copy of the customer notice shall be submitted to the Commission's Service Monitoring and Enforcement Department, Reliability and Service Analysis Division, at least 10 days prior to its distribution to customers. It is, further,

ORDERED, That Dominion is authorized to file complete copies of tariffs in final form consistent with this Entry. Dominion shall file one copy in its TRF docket (or may make such filing electronically as directed in Case No. 06-900-AU-WVR), and one copy in this case docket. It is, further,

ORDERED, That the identities of the participating bidders be treated as confidential for a period of 60 days or until contractual arrangements between the winning bidders and pipelines are completed, whichever is less. It is, further,

ORDERED, That this docket remain open until otherwise ordered by the Commission. It is, further,

ORDERED, That a copy of this Entry be served upon all parties in this proceeding.


THE PUBLIC UTILITIES COMMISSION OF OHIO



Alan R. Schriber, Chairman



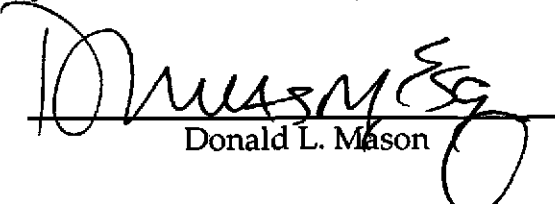
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Entered in the Journal
AUG 30 2006



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