

DOMINION EAST OHIO

CASE NO. 05-474-GA-ATA

STANDARD SERVICE OFFER AUCTION

SUPPLEMENTAL INFORMATION PACKAGE

Disclaimer

The information presented in the preliminary and supplemental information packages, at the information sessions for potential and registered bidders, or in any other Dominion East Ohio communication regarding the auction process is for the sole purpose of providing general information about the auction process in order to help potential participants determine whether they will participate in the auction. The information is subject to change, and it is not intended to be, and does not purport to constitute, a sufficient basis on which to determine whether to participate or how to structure potential bids. While Dominion East Ohio has used reasonable efforts to ensure the accuracy of the information presented herein, it does not warrant the accuracy of that information for use by any party in assessing potential participation or structuring potential bidding approaches or actual bids.

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STANDARD SERVICE OFFER AUCTION SUPPLEMENTAL INFORMATION PACKAGE

BACKGROUND

On June 15, 2006, Dominion East Ohio (“DEO”) issued a preliminary information package explaining the provisions of an auction intended to address the commodity service needs of DEO’s SSO and PIPP customers during a period expected to begin October 1, 2006 and end September 1, 2008. That information is clarified and modified by this supplemental information package. All of the provisions set forth in the earlier package remain in effect unless specifically modified herein. In order to help potential bidders more readily identify the changes, this document addresses only those aspects of the auction that have been revised or clarified.

AREAS OF CHANGE

Below is a listing of the areas of change and/or clarification from the preliminary information package:

- Auction Timing and Administration
- Bidder Registration Form
- Term of Tranches to be Auctioned
- Initial Capacity and Supply Plan Templates
- Disclosure of Final Tranche Size, Starting Auction Price and Decrement
- DEO Capacity to be Assigned
- Post 3/31/08 Treatment of Storage Capacity
- Resolution of Default Risk and SSO Supplier Requirements
- Gas Purchase Contract
- Auction Rules

Potential bidders are asked to contact DEO after reviewing this supplemental information if they wish to withdraw their application to participate in the auction process.

AUCTION TIMING AND ADMINISTRATION

The primary DEO contact for applications, creditworthiness documents, registrations and auction procedures will be:

Mr. Tony Sanabria
Dominion East Ohio
1201 East 55th Street
Cleveland, OH 44103
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The list of key events and tentative dates that DEO initially established is largely unchanged. Changes in the tentative dates have been made in steps 5, 6 and 13 as noted below:

STEP	DESCRIPTION	DATE
1	Preliminary information packages distributed to suppliers	6/15
2	Information session held for potential bidders	6/29
3	Deadline for bidder applications (Attachment 11)	7/7
4	Applicants notified of application and creditworthiness results	7/21
5	Deadline for supplier creditworthiness documents	8/11
6	Final tranche size and starting auction price announced	8/17
7	Supplemental auction rules issued	8/4
8	Deadlines for bidder registrations (Attachment 12)	8/11
9	Information session and trial auction for registered bidders	8/17
10	Auction starts	8/29
11	Auction results announced	8/30
12	Application to approve auction results filed with PUCO	8/30
13	PUCO ruling on auction results	9/6
14	Gas supply agreements executed	9/6
15	Gas flow starts	10/1
16	Initial demonstration of comparable capacity	10/25

The deadline for initial supplier creditworthiness documents has been changed to August 11 to coincide with submission of the bidder registration form. The announcement of the final tranche size, starting auction price and round-to-round price decrement will be made at the information session and trial auction for registered bidders to be held on August 17. The Public Utilities Commission of Ohio (“PUCO”) staff has indicated that the probable date for a PUCO ruling on the auction results is September 6. The date that gas supply agreements are executed remains on September 6, meaning that DEO is prepared to execute gas supply agreements with winning bidders on the same day that it receives Commission approval.

BIDDER REGISTRATION FORM

This supplemental information package includes the Bidder Registration Form as Attachment 12, its original designation in the preliminary information package. The form must be accompanied by the initial financial security required for the number of tranches to be bid upon by the registering bidder as well as the initial capacity and supply plans setting forth a plan to supply those tranches. In the form, the registering bidder is to indicate the number of tranches that it plans to bid upon (up to four of the twelve tranches available); describe the nature of its participation in the auction (i.e., on a stand-alone basis or as part of a bidding agreement with other parties); and certify that it will comply with each of the certifications contained therein. The deadline for submission of the form and the accompanying information is August 11, 2006.

TERM OF TRANCHES TO BE AUCTIONED

Based on the consensus input provided by bidder applicants, DEO will conduct a single auction with all tranches having a term that covers the entire Phase 1 pilot period from October 1, 2006 to August 31, 2008. Please see the section entitled Post 3/31/08 Treatment of Storage Capacity, which describes the treatment of storage after the 2007-2008 winter period.

INITIAL CAPACITY AND SUPPLY PLAN TEMPLATES

Please see Attachment 13, which is the initial capacity and supply templates that registered bidders must submit with their Bidder Registration Forms. As noted in the title page disclaimer, the information in the template (and all other information provided by DEO in conjunction with the auction process) is subject to change, and it is not intended to be, and does not purport to constitute, a sufficient basis on which to determine whether to participate or how to structure potential bids. The templates provided herein include peak day capacity, peak day commodity and monthly commodity plans for the East Ohio and West Ohio systems separately. Potential bidders are advised to develop their own analyses to assess the cost of providing the service described in the preliminary and supplemental information packages.

The sole intent of the templates is to provide DEO with a consistent basis on which to determine whether potential bidders have adequately considered and planned for the capacity and commodity resources needed to provide reliable service to DEO's SSO and PIPP customers. Suppliers may, at their option, provide a narrative description of those resources in addition to the template. No other information is necessary. Suppliers are not required to have capacity agreements in place prior to the auction. Suppliers may make different capacity and/or commodity arrangements should they be awarded tranches, but may be asked to explain significant deviations from the initial plan if requested by DEO. The footnotes provide important additional information regarding the capacity and DEO constraints on receiving volumes at certain delivery points.

After reviewing the submitted plans, DEO may request additional information at its discretion to ensure any remaining reliability concerns are adequately addressed. While the templates are largely self-explanatory, parties are encouraged to contact Tony Sanabria at 216-736-5558 or Anthony_M._Sanabria@dom.com for additional information and/or an explanation of any terms or calculations. Please refer to the sections entitled DEO Capacity to be Assigned and Post 3/31/08 Treatment of Storage Capacity for additional information relevant to the initial capacity and supply plans to be submitted.

DISCLOSURE OF FINAL TRANCHE SIZE, STARTING AUCTION PRICE AND DECREMENT

The Company continues to anticipate dividing its system supply requirements in effect as of the end of June into twelve individual tranches of roughly 5 Bcf in annual volume each. The final estimated number, size and configuration (i.e., residential vs. non-residential customer composition) of the tranches to be auctioned will be announced at the August 17 information session and trial auction for registered bidders. The auction starting price and decrement pricing approach will also be announced at that time.

DEO CAPACITY TO BE ASSIGNED

Based on input received at the June 29 information session for potential bidders, DEO has initiated efforts to extend the capacity arrangements scheduled to expire on March 31, 2007 on ANR, Panhandle Eastern, North Coast Gas Transmission, Texas Eastern and Columbia Transmission/Gulf Transmission. Below is the status of those efforts on each pipeline:

- DEO has acquired 5,000 Dt/day of service on North Coast Gas Transmission for the 2007-08 and 2008-09 winters and for the necessary upstream capacity on Crossroads Pipeline for the same period. That capacity level is 10,000 Dt/day less than DEO's current contract that expires in March 31, 2007.
- Because Panhandle Eastern no longer had capacity available from the points in DEO's current agreement, DEO acquired 29,000 Dt/day of capacity on a combination Trunkline/Panhandle route for a November 1, 2007 to March 31, 2009 term.
- DEO renewed its existing 15,000 Dt/day year-round capacity agreement on ANR and increased the MDQ by 10,000 Dt/day for the 2007-2008 and 2008-2009 winters.
- The notice requirements for the TCO and Columbia Gulf capacity as well as the Texas Eastern capacity are similar in that they both require the capacity to be posted subject to DEO's right of first refusal. DEO is currently working through the notice procedures on both pipelines with the intent of renewing the same capacity through March 31, 2009.

DEO removed Egan storage from the capacity to be assigned due to the mixed reaction it received when potential bidders were asked about their interest in getting an assignment of that capacity and the fact that it would not count toward a supplier's comparable capacity requirement. Please see Revised Attachment 10, which is an updated version of the capacity allocation attachment provided in the preliminary auction information package. The footnotes provide important additional information regarding DEO's existing capacity arrangements as well as the new contracts described above.

Winning bidders will be released a pro rata share of the capacity through the August 31, 2008 end date of the Phase 1 pilot at the rates paid by DEO. Please see the section entitled Post 3/31/08 Treatment of Storage Capacity for certain changes in the capacity to be assigned after the 2007-2008 winter season.

A registered bidder will be provided rate information on those pipelines where DEO has negotiated rates once it submits a Bidder Registration Form, which includes a certification requiring the bidder to (1) maintain the confidentiality of negotiated interstate pipeline rate information provided by DEO as part of the SSO auction process and (2) use that information for the sole purpose of determining whether to participate in the auction and how to structure potential bids.

POST 3/31/08 TREATMENT OF STORAGE CAPACITY

Due to the uncertain outcome of the Phase 1 pilot, DEO will withdraw the on-system storage rights and contract storage assignments on the Dominion Transmission and Columbia Transmission systems effective April 1, 2008. Suppliers will not be asked to fill any storage from that point through the end of the Phase 1 pilot period ending August 31, 2008. DEO will purchase and schedule the gas for storage injections that would have otherwise been the responsibility of suppliers in the auction program. The disposition of those storage volumes will be the subject of a Phase 2 filing, should one be made.

In order to provide suppliers with an ability to balance supply and requirements in the April-May 2008 period (before DEO reverts to its fixed week-day/week-end delivery requirement for the summer months beginning in June), DEO will provide suppliers with the same on-system storage injection capability in April and May 2008 that ordinarily would have been assigned based on their respective tranche volume to be served. Such capability is not to be used to accumulate storage inventory, but rather to balance load. Any positive bank accumulated in on-system storage as a result of injections made during April 2008 will be ratably returned to the supplier in May 2008. Any positive bank accumulated in on-system storage as a result of injections made during May 2008 will be ratably returned to the supplier in June 2008.

RESOLUTION OF DEFAULT RISK AND SSO SUPPLIER REQUIREMENTS

At the June 29 information session for potential bidders, DEO requested suggestions to address the perceived risks associated with the treatment of supplier default set forth in the preliminary information package. Based on the input received, and after discussions with PUCO staff, DEO will address those perceived risks by (1) requiring additional financial security that would be used to compensate non-defaulting suppliers in the event an SSO supplier defaults and (2) limiting the additional volume that an individual supplier must provide in the event of a default by another SSO supplier.

The additional collateral provisions, described in more detail in the Special Provisions to the Base Contract for Sale and Purchase of Natural Gas included as Attachment 3, are as follows:

- Each winning bidder will have to provide additional financial security in a form acceptable to DEO for a Default Fee initially equal to \$0.20/mcf times the estimated volumes to be supplied over the remainder of the term based on the number of tranches awarded in the auction.
- Winning bidders must provide that additional financial security, which must be in the form of a letter of credit, surety bond or cash, within ten days of PUCO approval of the auction results. A potential bidder must certify in the Bidder Registration Form that it can provide the additional security should it be awarded any tranches in the auction.
- The amount of additional financial security will be reassessed on a monthly basis from November through March and at each April for the period of April through October.
- The amount of the financial security can change due to (1) a revised estimate of the volumes remaining in the term of the agreement and (2) an increase in the NYMEX strip relative to a baseline level.
- The latter change occurs when the NYMEX strip over the remainder of the term differs from a baseline NYMEX strip for the same period established at the time of the auction. (Each strip will be weighted by the future monthly volumes projected at the time the update is performed.)
- For each \$1.00 increase in the NYMEX strip, the initial \$0.20/mcf rate will be increased by \$0.06. No adjustment will be made for changes of less than a dollar. The unit rate applied to the remaining volumes will not be less than \$0.20/mcf.
- Upon supplier default, DEO will distribute the all of the proceeds of the additional financial security to the remaining non-defaulting suppliers to offset the impact of having to supply additional volumes at the initial auction price when basis and other costs may exceed the level reflected in a supplier's auction bid.

The additional volume that an individual supplier must provide in the event of a default by another SSO supplier is limited to 50%. DEO will initially solicit volunteers from non-defaulting suppliers to serve the load formerly provided by the defaulting supplier at the price established in the auction. In the event that the suppliers are unwilling to serve the entire defaulted load, DEO will obtain alternative supplies to meet its provider-of-last-resort ("POLR") obligation as set forth in the preliminary information package.

After it has fulfilled its POLR obligation, DEO will assign the defaulted load to non-defaulting suppliers at the Retail Price Adjustment established in the auction. However, the maximum increase in the share of the SSO supply originally awarded the supplier will be 50%, i.e., a supplier is only obligated to serve at most the equivalent of 1.5 tranches for each tranche originally awarded in the auction. A supplier may voluntarily provide more than that volume up to one-third of the total tranches to be served after the default. If the increase in volume assigned to remaining non-defaulting

suppliers would exceed 50%, DEO will conduct a supplemental auction for the remainder in conjunction with, and under the supervision of, the PUCO and its staff.

GAS PURCHASE CONTRACT

This supplemental information package includes a NAESB Base Contract for Sale and Purchase of Natural Gas as Attachment 3, its original designation in the preliminary information package. That contract includes accompanying Special Provisions and a Transaction Confirmation statement that revise certain sections in the base contract in accordance with the provisions of the preliminary and supplemental information packages. DEO is willing to consider modifications to the Base Contract, Special Provisions and Transaction Confirmation provided the intent and effect of the provisions remain intact. Parties are urged to contact DEO with any suggested modifications prior to the August 17 information session and trial auction for registered bidders.

AUCTION RULES

Below are certain clarifications and revisions to the auction rules set forth in the preliminary information package. Specifically, DEO wishes to clarify that:

- A bidder must submit a bid in each round in which it wishes to bid on a tranche or tranches. A bidder that wishes to drop out of the bidding process after a round must submit a zero bid in the Bidding Phase of the next round. If a supplier does not submit a bid, it will be deemed to be a bid for zero tranches.
- The only bids to be disclosed will be the final bids for which DEO will seek PUCO approval. DEO plans to identify the winning bidders and number of tranches awarded to each in its application for approval of the auction results.
- DEO will return any financial security provided expressly for the auction to unsuccessful bidders within 30 days after the PUCO rules on the auction results.

The only other revision to the auction rules not previously addressed in this supplemental information package is a reduction in the number of bidding recesses that a bidder may request to two requested extensions from the three originally provided in the preliminary information package.