

NYMEX Knowledge Can Help Customers Make Good Energy Choices

Beginning in October, natural gas commodity prices -- determined by trading on the New York Mercantile Exchange (NYMEX) -- will have a more direct impact on the 400,000 Dominion East Ohio customers who continue to buy natural gas from the company.

The NYMEX, the world's largest commodity futures exchange, sets a national market price for natural gas, so a good working knowledge of how the exchange works can help customers better evaluate their options under the company's Energy Choice program.

The NYMEX is like a "stock market" for a wide range of commodities, including energy (natural gas, crude oil, gasoline, heating oil, coal and electricity) and precious metals (gold, silver, copper and platinum). The futures contract, an agreement to buy a quantity of a commodity, at a certain price, at a future date, is the NYMEX market mechanism linking buyers and sellers.

The NYMEX natural gas futures contract is widely used as a national benchmark price. For example, the month-end settlement price for natural gas delivered for September 2006 was \$6.816 per million British thermal units (MMBTU), a unit of measure roughly equivalent to one thousand cubic feet (mcf), the sales unit Dominion East Ohio uses.

Beginning in mid-October, Dominion's sales customers will pay a Standard Service Offer (SSO) price that varies each month -- based on the NYMEX month-end settlement price -- plus a "Retail Price Adjustment" of \$1.44 per thousand cubic feet (mcf). The Public Utilities Commission of Ohio approved that \$1.44/mcf adjustment, which resulted from an August 29 auction Dominion East Ohio conducted with Commission supervision.

Under the auction, six suppliers agreed to provide the amount of natural gas needed to serve the 400,000, or 30 percent, of Dominion East Ohio's 1.2 million customers who do not already buy natural gas from other suppliers under Energy Choice or municipal aggregation programs.

The price that Dominion will bill its sales customers for natural gas under the new SSO will be identical to what it pays the suppliers. Thus, as with the previous Gas Cost Recovery (GCR) price, Dominion will continue to make no profit on the natural gas portion of its bill.

The PUCO's approval of this new pricing approach, as a pilot program through August 2008, will make it easier for Dominion's customers to compare offers from other natural gas providers, which will improve the competition in its Energy Choice program.

The GCR, based on a combination of price forecasting and "unrecovered gas costs," made it difficult for Energy Choice suppliers to set competitive prices. This also made it harder for customers to compare the Dominion East Ohio rate to supplier prices to figure out their best options. The new SSO system eliminates unrecovered gas costs, resulting in a more market-based price.

Though Dominion East Ohio's approach to purchasing and pricing natural gas for its sales customers is changing, the company will continue to deliver natural gas to all customers, regardless of supplier, offer payment plans such as Budget Billing, and handle emergency and other customer service calls.

If customers choose to purchase gas from another supplier, they remain Dominion East Ohio customers for the transportation, or delivery, of that natural gas to their home or business. They will pay a delivery charge based on the amount of gas they use, plus the same monthly service charge.

The price of natural gas price has increased significantly in recent years. Over the last three years, the combination of increasing natural gas demand for electrical power generation and declining domestic natural gas production have more than doubled NYMEX natural gas market prices in the past seven years.

Variables, such as the impact of Hurricanes Katrina and Rita on the Gulf of Mexico, a major natural gas production region, caused prices to spike even higher last year. On the other hand, warmer-than-normal winter weather and milder late summer temperatures this year have caused NYMEX prices to decline from their peak of \$13.907 in October 2005. ***Because the demand for natural gas is seasonal, the NYMEX price can change dramatically from one month to the next. When comparing Energy Choice offers to the SSO price, customers should avoid placing too much emphasis on the current month's SSO price if they are comparing it to a long-term fixed price offer.***

Dominion East Ohio urges all customers to research their options under Energy Choice. Participants must have no arrears of 30 days or more, be current on a payment plan to discharge such arrears, or not have broken a prior payment plan more than once in the past twelve months. ***Percentage of Income Payment Plan (PIPP) customers are covered by the Standard Service Offer and are not eligible to participate in Energy Choice.***

Dominion believes effective competition is the best way for consumers to manage the biggest portion of their gas bill – the cost of the natural gas itself. A little NYMEX knowledge can help customers evaluate Energy Choice and municipal aggregation offers. Customers can learn more about the NYMEX and obtain natural gas futures prices online at www.nymex.com.

The NYMEX month-end settlement price is set on the third business day from the end of the previous month. For October, that date would be September 27. Customers can take that price -- and add the \$1.44/mcf Retail Price Adjustment -- to get a preview of the next month's SSO figure, to use as a benchmark in comparing competitive Energy Choice offers.

While Dominion's price will still change monthly, as it did under the former GCR system, customers can choose from a variety of offers made by other providers. Some of those offers may have variable monthly pricing or a fixed price for some or all of the contract term.

A valuable source of supplier information is the Public Utility Commission of Ohio's "Apples to Apples" chart, which compares supplier offers. To get a free copy of the "Apples to Apples" chart, which compares various supplier offers, contact the PUCO at 1-800-299-7271 or visit the Commission's Web site at www.PUCO.ohio.gov. Customers also may contact the Ohio Consumers' Counsel, toll-free, at 1-877-PICKOCC (1-877-742-5622) or on line at www.pickocc.org.