



Dominion Energy Ohio SSO/SCO Auction Information Meeting

December 4, 2018



Meeting Agenda

- Background Information
- General Auction Structure
- Auction Details
- Capacity Release Process



Background Information

Dominion Energy Ohio Market

- DEO serves 1.2 million customers in Ohio with 2017 throughput of approximately 288 Bcf
- Two primary operating areas – East Ohio and West Ohio (Lima)
- East Ohio served by company-owned storage, local production, Utica wells, Processing Plants, and pipeline interconnects:
 - ANR
 - Blue Racer Midstream
 - Dominion Energy Trans.
 - Eureka Midstream
 - MarkWest Cadiz
 - North Coast Transmission
 - Ohio River System
 - Panhandle Eastern
 - EQT/Rice Olympus Midstream
 - Rockies Express
 - Tennessee Gas Pipeline
 - Texas Eastern
 - UEO Kensington
- West Ohio served by interconnects with:
 - Columbia Transmission
 - KNG Energy, Inc.
 - ANR Pipeline



DEO Commodity Market Transformation

- DEO conducted first **Standard Service Offer (SSO)** auction in **2006**
 - Wholesale supply obligation, not actual customers, was bid out

- DEO conducted first **Standard Choice Offer (SCO)** auction in **2009**
 - Retail supply obligation for assigned customers was bid out
 - Same general process as SSO, i.e., market divided into tranches, one-third share maximum, credit pre-approval, etc.
 - Bidders must be certified to provide Energy Choice service
 - Supplier name and contact info appears on the bill

- SSO and SCO auctions were combined into one auction in 2012

SSO/SCO Pricing Structure

- **SSO/SCO = Prompt Month NYMEX + Retail Price Adjustment**
 - Retail Price Adjustment equals the difference between the \$/Mcf to be billed customers over the month and the NYMEX settlement price for that month on the final day of trading

- Retail Price Adjustment includes all costs for:
 - Upstream transportation to city gate
 - Btu conversion
 - DEO fuel retention
 - ECPS pooling and other fees
 - Uncertainty of aggregate load to be served
 - Unique nature of the commodity service

Nature of SSO Service

- Full requirements obligation to provide the daily gas supply requirements of DEO's Choice-ineligible customers
- Supply volume, not actual customers, will be awarded:
 - Aggregate load of ~13.6 Bcf
 - Customers served under Sales tariffs
- SSO pool customer load will change for various reasons, including:
 - Weather conditions / usage equation updates
 - Participation in Energy Choice / aggregation programs
 - Level of PIPP program participation
 - New customer additions / termination & restoration of service
 - Supplier default (none since Oct 2000)
- SSO available to certain Choice-eligible customers for up to two billing periods:
 - Includes new customers and those whose Energy Choice or aggregation contracts expire without renewal

Nature of SCO Service

- Opportunity to serve specific customers will be awarded:
 - Residential Choice-eligible SSO and SCO customers are randomly assigned to each supplier based on the number of tranches won
 - ~18.6 Bcf, 197,000 residential customers
 - Customers are served under Energy Choice residential tariff

- Full requirements obligation to provide the daily gas supply needs of Choice-eligible customers assigned as a result of the:
 - February 2019 SCO auction **and**
 - Rotating assignment of residential customers entering SCO service after leaving the SSO or another form of Energy Choice commodity service

- Suppliers not awarded SCO tranches can elect to participate in the rotating assignment provided they have an active Energy Choice pool
 - Annual election
 - Notice will be posted on the EBB with deadline dates for executing contracts

Nature of SCO Service (cont.)

- SCO pool customer load will change for various reasons, including:
 - Weather conditions / usage equation updates
 - Customer enrollment with an Energy Choice supplier
 - Customer participation in an opt-out governmental aggregation
 - Change in customer status from Choice-eligible to Choice-ineligible
 - Termination of service

- Operations and fees are identical to those of the Energy Choice program (applies to SSO service as well)

- Winning suppliers required to execute SCO Letter Agreement

- Suppliers cannot charge any exit or termination fees to departing SCO customers

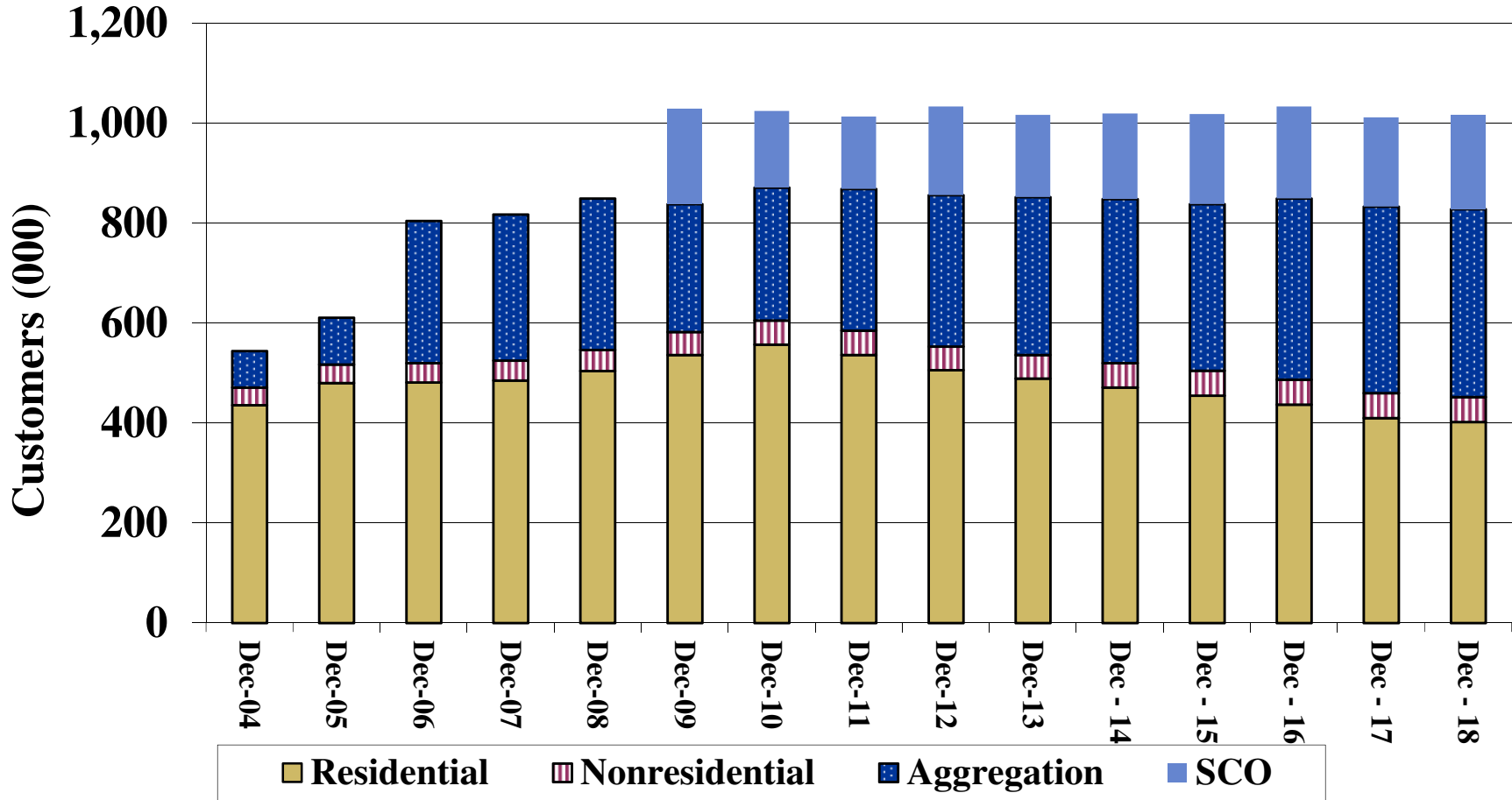
- Since April 2013, DEO has included SCO customer information in the customer lists that are purchased by Certified Retail Natural Gas Suppliers (CRNGS)



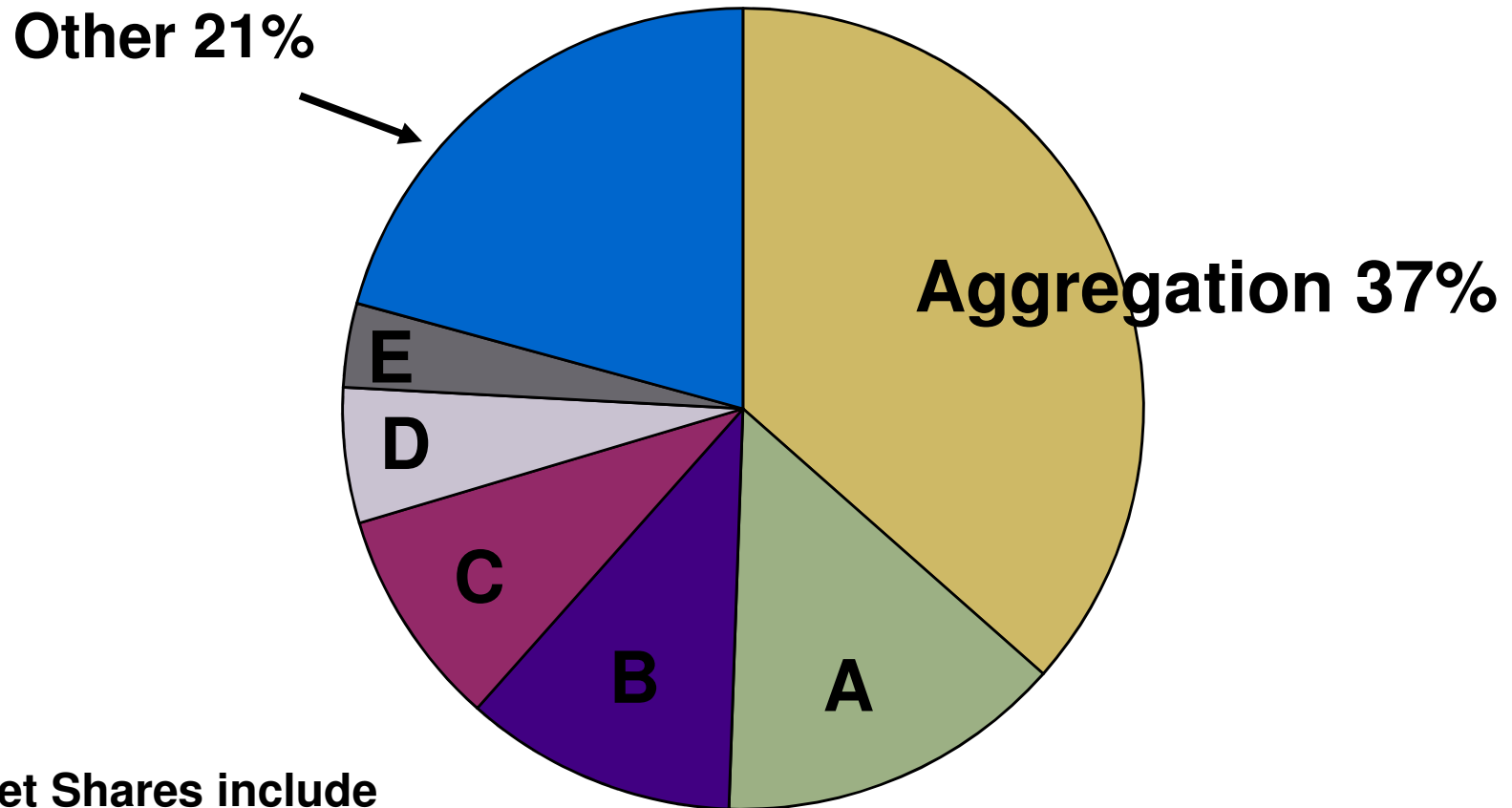
Prior Auction Results

DATE	AUCTION TYPE	RESULTS
Aug-06	SSO	\$ 1.44
Jul-08	SSO	\$ 2.33
Feb-09	Separate SSO/SCO	\$ 1.40
Feb-10	Separate SSO/SCO	\$ 1.20
Mar-11	Separate SSO/SCO	\$ 1.00
Feb-12	Combined	\$ 0.60
Feb-13	Combined	\$ 0.60
Feb-14	Combined	\$ 0.43
Feb-15	Combined	\$ 0.02
Feb-16	Combined	\$ (0.05)
Feb-17	Combined	\$ 0.00
Feb-18	Combined	\$ 0.07

Energy Choice Enrollments



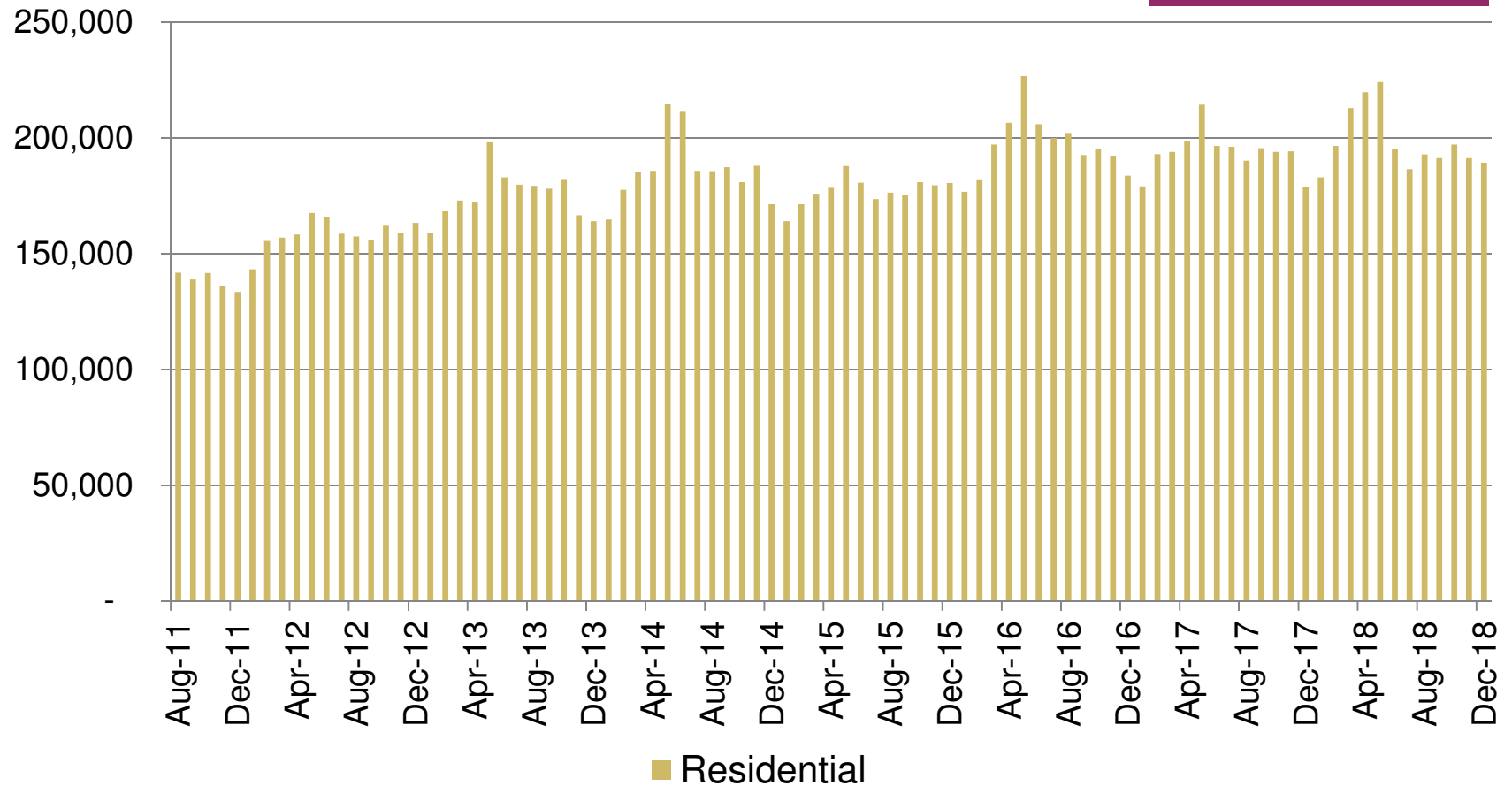
Energy Choice Market Shares – 12/18



Market Shares include
SCO & MVR customers



SCO Customer Counts



Types of DEO Customers

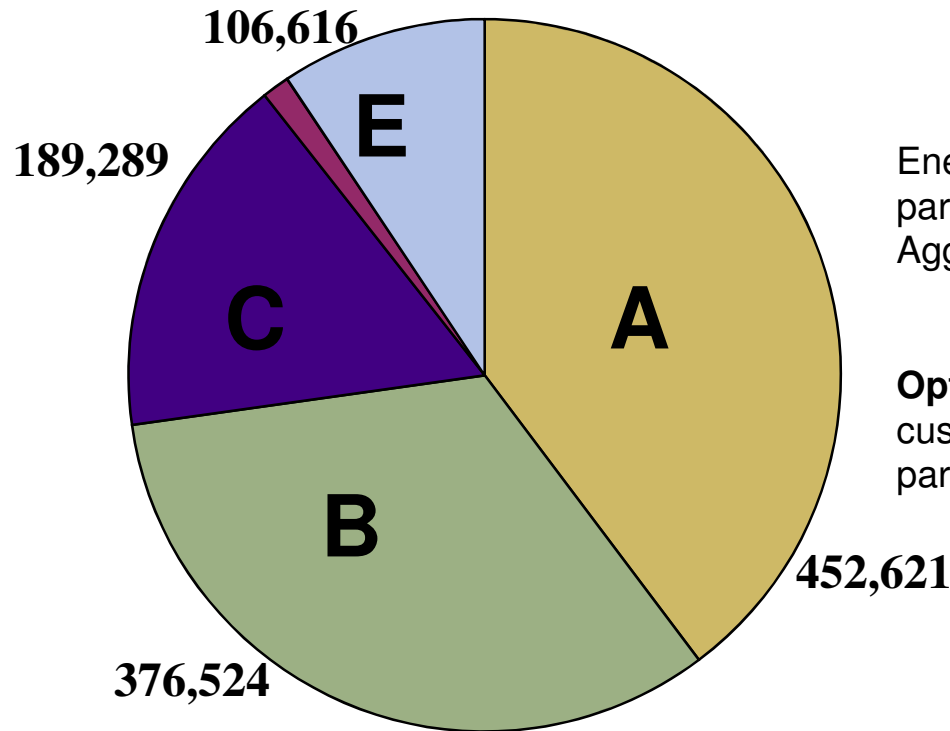
SSO (Standard Service Offer)	Default commodity service for customers who are <u>not</u> Choice-eligible (including PIPP+ customers)
PIPP+ (Percentage Income Payment Plan)	Low-income payment plan for households at or below 150% of poverty level (Not eligible to participate in Energy Choice)
Choice-Eligible	Must have no arrears, be current on a payment, or not have broken a payment plan more than once in last 12 months
Governmental Aggregation	Customers participating in governmental aggregation programs (opt-out – do not affirmatively elect to participate)
SCO (Standard Choice Offer)	Default commodity service for certain residential Choice-eligible customers (price set by auction)
MVR (Monthly Variable Rate)	Default commodity service for certain Choice-eligible customers (price set by supplier – see below)
Traditional Transportation	Customers participating in DEO's non-Choice transportation program under the DTS, GTS or TSS rate schedules)

MVR suppliers must have a competitive MVR posted on their list of active offers available to all eligible customers on PUCO's Apples-to-Apples Chart

MVR cannot exceed any of the supplier's competitive MVRs for the same billing period



December 2018 Customer Composition



Energy Choice customers include those participating in **Opt-in** Governmental Aggregation programs

Opt-out Governmental Aggregation customers do not affirmatively elect to participate

- A - Energy Choice
- B - Governmental Aggregation
- C - SCO Customers
- D - MVR Customers (14,258)
- E - SSO (Primarily PIPP)



Choice-Eligible Customer Default Commodity Service

	Default Service ⁽²⁾	Options Available ⁽³⁾
New Customer ⁽¹⁾	SCO (Res) MVR (Non-Res)	- Energy Choice - Governmental Aggregation
Customer whose opt-out aggregation program ends	SCO (Res) MVR (Non-Res)	- Energy Choice - Governmental Aggregation
Customer whose Energy Choice agreement expires	MVR	- Energy Choice - Governmental Aggregation - SCO (Res) <i>(must contact DEO)</i>

1. *New customers include those establishing service for first time, relocating without portable agreement, or restoring service more than 10 days after being disconnected*
2. *All of the above customers will initially be placed on SSO service for up to two months*
3. *Choice-eligible customers served under SSO, SCO and MVR are eligible to be included in opt-out aggregation programs*

Res – Residential Non-Res – Non-Residential





General Auction Structure

Combined SSO/SCO Auction

- DEO will be conducting one descending clock auction for both wholesale (SSO) and retail (SCO) load
- Winning bidders awarded SCO customers **AND** a slice of the SSO load
 - Existing SCO customers will be reassigned to winning suppliers as of April 1st
 - MVR customers remain with their existing supplier
 - SSO load will be administered as a separate pool
- Total load of ~32.2 Bcf divided over nine (9) tranches
- Bidders must be certified CRNGS providers to participate

Proposed Auction Process Timing

Step	Description	Date
1	Preliminary auction information package distributed	12/03/2018
2	Information session for potential bidders	12/04/2018
3	Application deadline (no exceptions)	12/14/2018
4	Application response and credit requirement notification	12/31/2018
5	Tranche size, initial going price, decrement and final rules issued	01/16/2019
6	Registration deadline	01/21/2019
7	Mock auction held for registered bidders	01/29/2019
8	Live Auction conducted	02/05/2019
9	PUCO ruling on auction results (based on previous timing*)	02/06/2019
10	Gas supply agreements executed	03/01/2019
11	Gas flow starts	04/01/2019
12	Initial demonstration of comparable capacity	10/21/2019

* DEO makes no representation regarding the timing of a PUCO ruling



Auction Structure

- Internet-based descending clock auction administered by EnerNOC, Inc.
- Term of commodity service obligation is April 2019 to March 2020
- Descending clock auction process:
 - Supplier bids # of tranches it would supply at the Going Price
 - Going Price is reduced round-by-round until market is cleared
- Going Price = Fixed adder to NYMEX settlement price for prompt month
- Initial Going Price and decrement pricing may change during the auction
- Sealed bid if # of tranches bid in round falls below # needed to clear market

Bid Review and Approval

- In prior auctions, PUCO Staff filed its post auction report on the same day as the auction
- PUCO has approved the auction results the following day
- DEO has executed supply agreements with suppliers later that same day
- PUCO has ability to reject results if it concludes there were material deficiencies in the auction process, that the final Going Price is unacceptable, or for any other reason(s) it deems appropriate
- Because the PUCO is not obligated to rule on the auction results within a specific timeframe, DEO cannot provide assurance that the prior timeline will be followed
- Within 30 days after PUCO ruling, DEO will return or cancel any security that was provided by unsuccessful bidders

Bidder Pre-Qualification/Certification

- Suppliers must submit financial statements with Bidder Application Form to facilitate creditworthiness review
 - Acceptable collateral forms available on Auction website
 - Letter of Credit Issuer Requirements:
 - Minimum \$10B in assets
 - Rated A- or better by S&P and Moody's
 - Domestic presentment is required (if issuing bank is foreign)
 - Letter of Credit must have the ISP98 and NY jurisdiction references
 - Surety Bond Issuer Requirements:
 - The bond issuer must have a rating category of Excellent or Superior by AMBest's Credit Rating Service
- Collateral requirement for a single tranche is based on ECPS tariff creditworthiness provisions
 - Collateral Requirement per tranche = \$1,020,000 **does not include the Default Fee** and may be reduced with perfected interest to DEO
 - In accordance with DEO's tariffs, Suppliers have the option of signing a Security Agreement which may reduce collateral requirements

Registered Bidder Restrictions

- May participate on stand-alone basis or as part of joint arrangement, but not both
- Joint bidders must identify all parties involved
- May not have controlling interest, corporate affiliation with, or $\geq 10\%$ stake in another bidder
- May not have relationship with another bidder that includes supply arrangements or provides incentives based on auction outcome
- Must maintain confidentiality of bidding strategy and not retain advisors/consultants used by other bidders
- Must maintain confidentiality of discounted rates for pipeline capacity

On-Line Documents

- All Auction documents available at:

- <https://www.dominionenergy.com/large-business/transportation-services>

- All Dominion Energy Ohio tariffs available at:

- <https://www.dominionenergy.com/large-business/rates-and-regulation/tariffs>

- All Public Utilities Commission of Ohio filings available at:

- <http://dis.puc.state.oh.us/>
- 07-1224-GA-EXM
- 11-6076-GA-EXM
- 12-1842-GA-EXM



Auction Details

Default Fee

- One Default Fee to be posted per winning supplier
 - Estimated at \$568,000 per tranche. Will be updated when final tranche information is set.
 - Default Fee must be in the form of a Letter of Credit
 - Fee = \$0.20/Mcf for remaining months' estimated requirements
 - Fee may increase \$0.06/Mcf for every \$1.00 increase in weighted average NYMEX strip price over remaining term (as compared to average strip price day of the auction)
 - Fee reduced during winter months only

Auction Rules

- Each supplier is given only one ID for use during the actual auction
- Round 1 has 10-minute bidding and reporting phases (subject to change in later rounds after consultation with PUCO Staff)
- Total number of tranches bid in the round is announced at the end of reporting period (no reporting of individual supplier bids)
- Bids can be changed or withdrawn during bidding phase, but last bid is binding
- Once a supplier drops out, its access to auction information ceases
- Bidding phase can be extended once each round with suppliers given two opportunities apiece to request an extension
- Round duration, Initial Going Price and subsequent Price Decrements are subject to change after consultation with PUCO Staff

End of Auction Procedure (Refer to Attachment 10)

- Auction concludes once the number of tranches bid equals the number needed
- If an over-supplied round is followed by an under-supplied round, the suppliers that participated in the last over-supplied round must submit a sealed bid
- The sealed bid is to indicate (1) # of tranches bidder is willing to supply and (2) the lowest price that the bidder is willing to accept for those tranches
 - All suppliers participating in the last over-supplied round must submit a bid even if it merely reflects the Going Price and tranches bid in that round
 - The # of tranches cannot exceed that bid in the over-supplied round
 - There is no minimum price
- DEO will use the minimum sealed bid price that clears the market as the final Going Price for the auction
 - If the market clears with more than nine tranches, the load will be prorated among those suppliers that submitted a bid at or below the clearing price

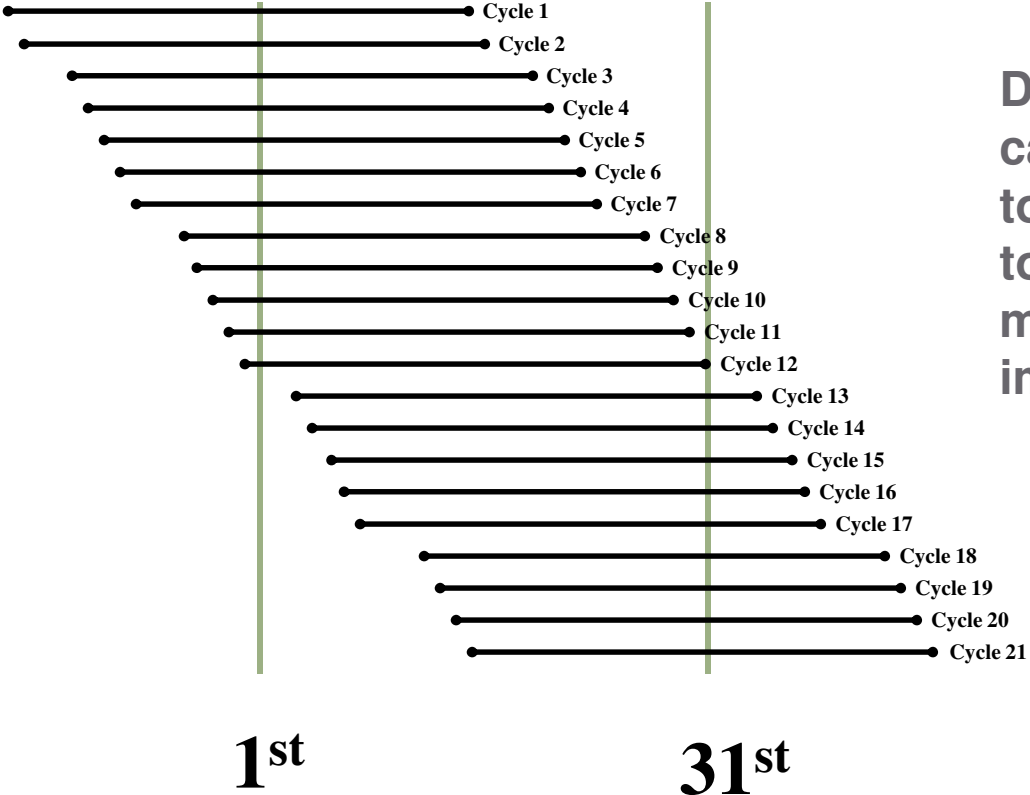
SCO Letter Agreement (Refer to Attachment 9)

- Winning Suppliers must sign letter agreement to confirm award
 - Summarizes service to be rendered by supplier and DEO
 - Shows resulting auction price and number of tranches won
 - States Btu conversion and UFG percentage
 - Describes the default fee required of all SCO suppliers
 - Restates supplier's performance obligation

SSO Supplier Payment

- Supplier payment will equal (NYMEX + Retail Price Adjustment) x Burner-tip Mcfs billed
- Suppliers reimbursed via wire transfer on first business day following 15th for prior month's supply
- Initial payment is based on volume supplied over the calendar month
- After billed volumes become known, DEO performs volumetric and financial true-up to the billed volume
- Objective is to ensure amounts and volumes billed exactly match amounts and volumes supplied:
 - If volume billed < volume supplied, DEO returns excess gas and reduces the next month's remittance accordingly (and vice-versa)
 - Volumes to be supplied and amounts remitted to suppliers can be affected by customer rebills
- DEO assumes receivable risk, i.e., suppliers are paid whether DEO is paid or not, with no receivable discount
- DEO may adjust supplier volumes and dollars owed up to 2 months after the term ends.

Billing Cycle Illustration



DEO will compare calendar month supply to billing month usage to determine the monthly SSO pool imbalance



True-Up Example

- October calendar month target volume for Supplier A equals 400,000 Mcf, which it provides as requested
- DEO pays Supplier A for that volume on the first business day following November 15th
- DEO subsequently determines that the actual volume billed for the October billing month was 385,000 Mcf
- DEO returns the 15,000 Mcf over-supply to Supplier A prior to the October imbalance trading period that occurs in mid-November
 - Imbalances can be traded, put in storage or cashed out
- DEO withholds 15,000 Mcf times the October NYMEX price plus the Retail Price Adjustment from the next payment to Supplier A

Resolution of Default Risk

The risk facing non-defaulting Auction suppliers has been addressed by:

- Requiring Default Fee financial security from Auction winners
 - In event of default by an auction supplier, 100% of Default Fee financial security will be distributed on a weighted basis to non-defaulting suppliers
- Supplier's increase in its SSO and/or SCO share is limited to 50% of the load originally obtained in the auction
 - Suppliers can voluntarily provide more
 - DEO will conduct supplemental auction for any amounts not covered by 50% increase

Energy Choice Supplier Options

- Winning suppliers must accept SCO customers via rotating assignment process
- Other CRNGS suppliers can elect to participate in the rotating assignment process, serving customers at the SCO rate
 - Supplier must make one-time election by March 1st to participate
 - Supplier must maintain an active Energy Choice pool
 - Supplier must agree to continue serving assigned customers at the SCO rate through March 2020 billing period
 - Suppliers who elected to be SCO supplier last time must re-elect to continue
- All CRNG suppliers can elect to accept customers at a Monthly Variable Rate (above provisions also apply)
 - Residential MVR customers can elect to move to SCO service
 - Suppliers who elected to be MVR supplier last time must re-elect to continue
- Suppliers cannot charge any exit or termination fees to departing SCO or MVR customers

DEO's Provider of Last Resort Role

- Supply sequence in event of default:
 - Non-defaulting Energy Choice, SCO and SSO suppliers (voluntary)
 - Storage inventory of defaulting supplier(s)
 - Operational balancing inventory
 - Incremental purchases

- DEO's POLR obligation extends to the billing month after the one in which the default occurred
 - Customer's price in the month of default will be at its supplier's price
 - Will revert to SSO price in the month following the default

- After DEO's two-month POLR obligation expires, customers of a defaulting supplier will revert to SSO service for up to two months
 - Residential customers of a defaulting opt-out aggregation or SCO pool will be assigned to SCO supplier after second SSO bill
 - Other customers will be assigned to MVR supplier after second SSO bill (Residential customers can elect SCO if desired)



Operation/Supply Issues

- Assignment of DEO Interstate Capacity
- Isolated Points
- Delivery Point Issues
- Information in DEO's EBB - Dekaflow

Interstate Capacity Assignment

(Refer to Attachment 4)

- All non-operational balancing upstream capacity released for entire term of auction (April 2019 to March 2020)
- Suppliers notified of available capacity once final tranche size is determined
- Winning bidders and qualifying Energy Choice suppliers must take pro rata share of remaining capacity
 - Capacity made available to those suppliers with > 1% market share
- Energy Choice suppliers may initially reject assignments
 - Becomes mandatory if capacity remains unreleased after the optional assignment process is complete
 - TGP (and associated DTI) and West Ohio associated ANR capacity cannot be rejected.

Interstate Capacity Assignment Example

- Estimated East Ohio capacity for One Auction Tranche:

	Tranche	
Peak Day (PD)	35,574	Mcf BT
91.75% of PD	32,639	Mcf BT
On-System Storage	12,131	Mcf BT
Un-Met Capacity	20,508	Mcf BT
	22,753	CG Dth
Assigned Capacity	8,700	CG Dth
Un-Met Capacity	14,053	CG Dth

Interstate Capacity Assignment Example

- Estimated West Ohio capacity for One Auction Tranche:

	Tranche	
Peak Day	3,563	Mcf BT
91.75% of PD	2,300	Mcf BT
Un-Met Capacity	2,300	Mcf BT
	2,569	CG Dth
Assigned Capacity	2,000	CG Dth
Un-Met Capacity	569	CG Dth

Interstate Capacity Assignment

- **Mandatory** releases of:
 - Texas Eastern (TETCo) – 100% released to winning bidders
 - Tennessee Gas Pipeline (TGP) and upstream DTI – 100% released to winning bidders and Energy Choice suppliers
 - ANR Pipeline ETS for West Ohio
- **Initially optional** releases of:
 - Non-West Ohio ANR Pipeline (ANR)
 - Dominion Energy Transmission (DETI) (the portion not upstream of TGP)
 - Panhandle Eastern (PEPL)
 - Columbia Transmission (TCo) and upstream Columbia Gulf (CGT)
- Suppliers cannot take upstream FT on TRK or CGT and/or contract storage on DETI and TCo without the corresponding downstream FT capacity
- Release of TGP obligates shipper to serve Cochranton isolated point
- Certain capacity discounts apply only to volumes nominated to Energy Choice pools at the primary receipt point(s)
 - Supplier must pay max rates if nominated elsewhere

Interstate Capacity Assignment Process

- Final estimated tranche sizes established
- Existing SCO suppliers have their SCO customers backed out of peak day number to determine Energy Choice market share
- All suppliers and Auction customer peak days compared
 - Pools with less than 1% peak day market share are excluded
 - Remaining pools are assigned share of capacity based on percent of total qualifying market share they hold
- Auction winning suppliers required to take all TETCo capacity and serve isolated TETCo points

Interstate Capacity Assignment Process Example

- Assume 6 Energy Choice suppliers and Auction tranches:

Pool	Peak Day	% of Peak Day
Supplier A	20,000	20.00%
Supplier B	15,000	15.00%
Supplier C	13,000	13.00%
Supplier D	900	0.90%
Supplier E	850	0.85%
Supplier F	250	0.25%
Auction Tranches	<u>50,000</u>	<u>50.00%</u>
Total	100,000	100.00%

Interstate Capacity Assignment Process Example

- Energy Choice Suppliers D, E and F are below 1% market share and do not get an assignment

Pool	Peak Day	% of Qualified Peak Day
Supplier A	20,000	20.41%
Supplier B	15,000	15.31%
Supplier C	13,000	13.26%
Auction Tranches	<u>50,000</u>	<u>51.02%</u>
Total	98,000	100.00%

Interstate Capacity Assignment Process Example

- Supplier A gets 20.41% of each type of capacity
- Supplier B gets 15.31% of each type of capacity
- Supplier C gets 13.26% of each type of capacity
- Auction tranches get 51.02% of each type of capacity
 - Each supplier gets 1/9th (or number of winning tranches) of assigned capacity

Interstate Capacity Assignment Process Example

- ANR ETS Contract (15,000 dt/d of annual capacity)

Pool	Assigned ANR ETS	% of Qualified Peak Day
Supplier A	3,061	20.41%
Supplier B	2,296	15.31%
Supplier C	1,990	13.26%
Auction Tranches	<u>7,653</u>	<u>51.02%</u>
Total	15,000	100.00%

Interstate Capacity Assignment Process Example

- Each winning auction supplier given the option to accept 850 dt/d (1/9th of 7,653) of ANR ETS
- E-mails sent to all qualified suppliers and registered bidders showing:
 - Amount of capacity assigned
 - Applicable discounted capacity rates
 - Non-registered Auction bidders must execute Confidentiality Agreement to receive negotiated capacity information
- Suppliers with the option to elect capacity must inform DEO of **capacity they do not want** by date posted on the EBB

Interstate Capacity Assignment Process Example

- Winning Auction bidders given first option to accept any capacity returned after auction
- Any unclaimed capacity will then be posted to all shippers on DEO's system via DEO's EBB
- Any capacity not accepted by posted deadline will then revert to original supplier who initially rejected capacity
- Only ANR ETS comes with corresponding Firm Receipt Space at West Ohio - Convoy
- All releases will be done prior to their start date
 - If supplier wants capacity released to an agent, supplier and agent must execute Three Party Agent Agreement

Isolated Points (Refer to Attachment 3)

- DEO has three market areas that must receive specific supply
 - Powhatan Point and Woodsfield (via TETCo)
 - Cochranon (via DETI from TGP)
 - ANR West Ohio - Convoy (via ANR West Ohio ETS)

- If supplier receives a release of these capacities they must serve these markets

- Targets are posted with the daily Energy Choice/SSO targets
 - Total target INCLUDES these volumes

- Refer to Attachment 3 on Auction website

Delivery Points

- Receipt Space assigned at TGP should be scheduled to TGP Gilmore meter.
 - Operational issues may require DEO to request a change to the TGP Petersburg meter.
 - **Does not** include TGP Carroll County Firm Receipt Space
- Receipt Space assigned for TETCo interconnect can be used to schedule deliveries from TETCo and/or Rockies Express (REX)
 - REX deliveries subject to rules posted on the EBB
- Due to decrease in Firm Receipt Point volumes, under certain operating conditions, suppliers may be required to deliver additional volumes to west side delivery points above the capacity that has been released on ANR and/or Panhandle

Info Postings in Dekaflow

- DEO posts auction and other critical information on its EBB
- Make sure your EBB users relay information to appropriate contact
- DEO will send information to ONE company contact only
 - Supplier's responsibility to distribute or use group e-mail
- Supplier's EBB users can set up Event Notification to have all postings emailed

Contacts

- For more information contact:

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