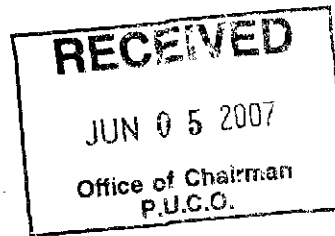


FILE

June 2, 2007

Alan R. Schriber, Chairman, ✓
 Ronda Hartman Fergus,
 Paul A. Centolella,
 Valerie A. Lemmie,
 Donald L. Mason.
 The Public Utilities Commission of Ohio.
 180 E. Broad St, Columbus, OH 43215



Re: In the matter of the regulation of the purchased gas adjustment clause contained within the rate schedules of the East Ohio Gas Company dba Dominion East Ohio and related matters in Case Number 05-219-GA-GCR.

Dear Honorable Chairman Dr. Alan R. Schriber, and fellow Commissioners,

The Commission stated in its entry on rehearing on March 21, 2007 the following:

1. **"The Commission found that, based on the evidence, it was unable to conclude that DEO's purchases of gas were unreasonable, unlawful, or improper and that the evidence presented did not support the allegations of fraud." (Pg. 1, (1))**
2. **"In this case, we determined that the settlement process clearly involved serious bargaining by knowledgeable, capable parties." (Pg. 2-3, (6)).**

I, Paul T. Kroll, testified pursuant to an OCC subpoena on September 14, 2006 at the hearing held in the above referenced case. In the event that the conclusion stated below is rejected, this Commission should, in the alternative, make a request of the West Virginia Public Service Commission to participate in the audit involving affiliated transactions described more fully below. The conclusion stated below, would generate approximately \$15 million for 2003 alone, in refunds to the Ohio ratepayers.

Subsequent to the September 14, 2006 hearing, the Honorable Judge Marks compelled Dominion on February 7, 2007 to respond to my Discovery Requests, Sets Four and Five, and to supplement responses to Sets One and Three, in my civil suit in the West Virginia court system. Additionally, in Dominion Hope's (DH) Consolidated Cases before the West Virginia Public Service Commission, in which I am an intervenor, I have submitted prepared direct testimony, prepared supplemental direct testimony, and rebuttal testimony.

The purpose of my testimony in the West Virginia proceedings was to bring about fair and honest disclosure of material facts relating to purchased gas activities of DH, as conducted by the Dominion's LDC Gas Supply Group, and the resultant impacts on reported net income of DH. I also examined the affiliated transactions that have yielded income to stockholders during rate moratorium periods, income which would not have occurred absent the involvement of affiliates in transactions that were not arm's-length. I also identified significant inconsistencies in Dominion's filings, data request responses

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and testimony from various proceedings that were direct attempts to mislead the applicable state Commissions.

In response to WV Commission's Staff data requests, I have submitted over 1200 documents, to date. Additionally, on May 4, 2007, Commission's Staff filed a Motion for Continuance of Hearing, or In The Alternative, Bifurcation of Dominion Hope's Purchase Gas Adjustment Cases from the Consolidated Proceedings. On May 7, 2007 the WV Commission's Staff filed a Corrected Motion for Continuance of Hearing or Bifurcation correcting certain typographical errors, line spacing errors and attached Exhibits 1-4. **(Enclosed Under Separate Cover).**

In these motions Commission's Staff stated that, "It has come to the attention of the Commission's Staff that in past years, approximately as far back as 2003, Hope Gas, Inc., doing business as Dominion Hope, may have engaged in certain gas supply purchase practices, which may be in direct violation of West Virginia Code sections 24-2-4c and Rule 43 of the Commission's Tariff Rules. Staff stated additionally that, "The information that Staff received on May 4, 2007, pursuant to a data request propounded on intervenor Paul T. Kroll indicates, upon initial examination, that the PSC may not have received such required information while Dominion Hope has been in PGA mode and that certain suspect practices may have been engaged in by Dominion Hope and affiliates to the detriment of the West Virginia ratepayers."

On May 7, 2007 the West Virginia Public Service Commission agreed with Staff's Motion that time be allowed for an independent **audit** to be conducted concerning issues stated in Staff's motion. The Commission agreed with Staff and held the hearing on the evidentiary portions of the Consolidated Cases beginning May 7, 2007 and bifurcated DH's PGA cases from the Consolidated Proceedings. The Commission, additionally agreed with Staff, that there would be two hearings, but only one order in the Consolidated Proceedings and a separate procedural schedule for the bifurcated cases would be issued. **(Enclosed).**

Recent available information will provide you with sufficient evidence to determine that DEO's purchases from DH, both under the so-called "volume flexible" gas sales agreements (May 1999 through April 2002) and DEO's purchases from third party marketers who were so-called "straddle" counterparties of DH (May 2002 through October 2003), were unreasonable, unlawful and improper. And, this evidence, only recently made available, validates that these purchases represent intentional misconduct and fraud on part of the Dominion companies. If recovery of additional purchase gas costs by DEO from its GCR customers, resulting from these volume flexible purchases from DH and "put" volume purchases from DH's straddle counterparties is ultimately disallowed by the PUC of Ohio, this would result in refunds to Dominion East Ohio ratepayers upwards of, approximately \$40 million.

You will find that the enclosed documents, which were either recent company responses or in the company's possession for approximately a year before the signing of the Stipulation, that do not support the testimony given by DEO's witnesses in their

depositions or at the hearing in DEO's GCR. This material does not support the story given by the company in its Initial Brief, Reply Brief nor in its Memorandum Contra Application for Rehearing of Office of the Ohio Consumers' Counsel.

CONCLUSION: THE PUC SHOULD NOW REJECT THE STIPULATION

Arguments:

1. **Further cross examination of Ronald Walther, by Miss Hotz,
"Q. Did Dominion Hope ever find another counter-party to
purchase the gas that it purchased through the straddle
transactions after East Ohio stop purchasing it from them?
A. Occasionally Dominion Hope sold to Peoples Gas, but largely
when East Ohio dropped out, East -- Dominion Hope dropped out
of straddles". (Tr. I, p. 217).**

March 30, 2007, Re: Paul T. Kroll v. Hope Gas Inc. et. al., Civil Action No.05-C-457-1, Defendants' Responses to Plaintiff's Fifth Set of Discovery Requests. **Enclosed.**

Discovery Request No. 21: When Dominion East Ohio ceased purchasing gas from Dominion Hope at first-of-the-month prices in tandem with Dominion Hope's "straddle" arrangements, did Dominion Hope immediately cease "straddle" activity? If not, please explain.

RESPONSE: No. After May 2002, the structure of the arrangement was revised such that Dominion East Ohio ceased purchasing related gas supplies from Dominion Hope and began purchasing such supplies directly from Dominion Hope's straddle transaction counterparties. The revised structure continued until October 2003.

Analysis:

This information makes it clear that the company intentionally misled and misinformed the regulators in order to avoid a more detailed inspection of how DH was able to generate significant "straddle" revenues without DEO purchasing first-of-the-month-index price gas directly from DH. Additionally, these transactions were accomplished without DEO requesting proper reimbursement by DH or DH's straddle transaction counterparties for DEO purchasing gas directly from DH's straddle transaction counterparties only when they exercised their "put" option.

2. Initial Brief filed by Dominion East Ohio, page 8 line four," DEO was not a counter-party to Hope's so-called straddle transaction (Tr. a at II, and p.230),"

The company was compelled to release information that now provides evidence to clearly demonstrate that DEO was involved in a concerted effort to defraud its GCR customers. On March 8, 2007, March 20, 2007 and March 30, 2007, only after compelled by the Judge, Dominion made available documents that the company was fully aware existed, and that if presented at the time of the negotiation of the Stipulation or at the Ohio hearing, would likely have resulted in a forensic audit of DEO's gas purchasing practices.

The following is but one example:

A Natural Gas Sale Transaction Confirmation and Agreement between (SELLER) Dominion Hope Release and (BUYER) Occidental Energy Marketing Inc.,

Type of Transaction: Firm,

Term: November 1, 2002 -November 30, 2002,

Special Terms: "Deal is part of two straddles -- each straddle is 10,000 DT/D Hope will bill Oxy \$120,000 and \$140,000= \$261,000. Hope sells 20,000 DT/D to Oxy every day and when gas is put, it will be sold to East Ohio (sic)."

(Kroll's Direct Testimony filed April 5, 2007 in Dominion Hope's Consolidated Cases, Exhibit Number 4). **Enclosed (bold and underlining added for emphasis).**

Analysis:

DEO was a vital counterparty to DH's straddle scheme. The special terms section of the above referenced agreement with Occidental Energy Marketing, Inc. (OEMI) confirms that DH with OMEI executed this transaction under the guise of a straddle, however, only represents a simple purchase gas agreement.

OMEI committed to purchase from DH 20,000 DT/D every day of the month (See Enclosed, two November 2002 Straddle "deal sheets" for 10,000DT/D each and an Invoice from DH to OMEI for November 2002 for 20,000DT/D or 600,000Dts for the month, at the first-of-the-month index price of \$4.43).

However, when OMEI exercised its put option with DH of 20,000 DT/D, OMEI sold the put volumes directly to DEO. Additionally, when OMEI exercised its put option with DH, OMEI sold the gas it purchased from DH on that day at \$4.43 also directly to DEO at the first-of-the-month index price of \$4.43, a "wash sale".

This resulted in DEO purchasing from OMEI, only on days when OMEI exercised its "put" option with DH. DEO purchased the put volume of 20,000 DT/D, plus the volumes that DH sold to OMEI on put days of 20,000DT/D. These

two purchases by DEO totaled 40,000DT/D and sold by OMEI to DEO for \$4.43. (See Enclosed, THE EAST OHIO GAS COMPANY INTERSTATE PURCHASES FOR THE PRODUCTION MONTH OF NOVEMBER 2002, reflecting purchases from OMEI for 40,000DT/D at \$4.43 on the flow days of November 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18 and 19 of 2002).

Dominion Hope retained the so-called "straddle" revenues of \$261,000 paid by OMEI and DEO agreed as part DH's straddle agreement to purchase from OMEI only on the "put" days (18 days).

This 40,000DT/D purchase for a total of 720,000DTs at \$4.43, resulted in DEO knowingly and willingly providing OMEI with a free put option. Therefore, DEO knowingly purchased such supplies directly from DH's straddle counterparties only on days when DH's straddle counterparties' had secured gas at a price, which assured them that their put option was "in the money." A put option is in-the-money when the gas commodity is secured at a price below the strike price. Which simply stated, DH's straddle counterparties did not wait for the daily cash price to be posted, which is the average of all contracts executed. The counterparties had a target (FOMI) price to beat, and whenever they could secure gas below the target price, they simply exercised their put option.

Therefore, all DEO's gas purchases from DH under the guise on the so-called volume flexible basis were made when the counterparty had secured gas below the FOMI and was totally irrespective of the posted daily price by Gas Daily for Dominion's South Point price. This purchased gas activity was something DEO was also capable of doing on its own, if it so chose. But, it did not. However, it did choose to purchase gas from DH (from May 1999 through April 2002) only when straddle counterparties exercised their put options (excluding base load purchases from DH). To find it more simply stated, one only has to refer to MPH, Attachment 3, Ron Walther, Director of DRI's LDC Gas Supply, (Transcript page 79 lines 16-25, and page 80 lines 1-15), "In other words, if Mirant, in exercising its put option, sold gas to Dominion Hope at a first-of-the-month price, Dominion Hope would turn around and sell that gas to Dominion East Ohio for the first-of-the-month price".

Michael P. Haugh's Exhibit 4, last page, footnote (a), specifically stated that, "Daily Price is the Midpoint of the Daily Price Survey in Gas Daily for Dominion, South Point." The Commission in rendering its decision concerning the Stipulation never recognized this fact. Additionally, the Commission needs to further explore how and when gas traders make their purchasing decisions.

In the Commission's OPINION AND ORDER issued January 31, 2007 at page 11 it discusses DEO only purchasing gas from Dominion Hope on one day in March of 2000. This Commission must realize that the Daily Price listed on MPH Exhibit 4, for March 1, 2000, is the midpoint of a survey of gas contracts executed on February 29, 2000 by gas traders for delivery for March 1, 2000. This execution requirement is necessary in order that gas can be nominated and scheduled for next business day delivery. Additionally, DH's straddle counterparties, by agreement, had until 10:45 a.m. of each day to notify DH of their intent of whether to exercise a put or call option. Therefore, a simple explanation of why DEO purchased gas from

DH, on March 1, 2000 is because DH's straddle counterparty executed a contract for delivery on March 1, 2000 prior to 10:45 a.m. on March 1, 2000 below their target FOMI price. Again, something DEO was capable of doing on its own, if it chose to do so, however, it did not.

In summary, for each example cited in the Commission **OPINION AND ORDER**, if DEO had incorporated the same purchasing strategy as DH's straddle counterparties, it too, would have purchased gas for delivery on the same days and at a price below the target FOMI price, and not necessary at the Daily Price Survey reported in Gas Daily for Dominion, South Point. This same purchasing strategy, if incorporated by DEO, would have saved Ohio ratepayers millions.

Additionally, the DEO's transaction information of 2003 reveals the most compelling new evidence that the LDC Gas Supply Group and DEO were involved in a concerted effort to defraud GCR customers by purchasing gas at the FOMI price solely for the benefit of Dominion stockholders and should be reviewed by this Commission,

After being compelled by the West Virginia Public Service Commission to respond, below is Dominion Hope's response in Dominion Hope's Consolidated Cases, Case No. 06-0441-G-PC, et. al., **Requesting Party; Kroll, Data Requests Set; First, Question Number 003 b.**

Question: For each gas sale and straddle sale identified on the "GSG Revenue Summary" memorandum in response to 3a, please provide:

- i. the deal sheet,
- ii. the confirmation and/or sales sale agreement,
- iii. the invoice, and,
- iv. for each gas sale for which the duration of flow was not the entire month, identify the specific dates and quantities of flow.

Answer: See attached documents.

Preparer of Response: Ronald Walther, dated 05/04/2007.

Company's response included Dominion Hope's straddle deal sheets number 5760 for February 2003 and 5850 also for February 2003 that reflected on straddle deal sheet, the following inscription; "**put to EOG**". (Enclosed).

Furthermore, and again after being compelled by the West Virginia Public Service Commission to respond to WV Staff's Third Set of Data Requests, the company on April 24, 2007 provided the following responses to Staff's Question Numbers 015 and 016. (Enclosed).

Question Number 015: Please provide the amount of any premiums paid to Dominion Hope's affiliate Dominion East Ohio during the time Dominion Hope was selling gas to Dominion East Ohio in relation to Dominion Hope's straddle arrangements. Please provide the date that each premium was paid.

Answer: \$343,125.00 -- Invoiced 10/27/00
\$577,762.50 -- Invoiced 11/11/00
\$343,125.00 -- Invoiced 01/04/01
\$216,000.00 -- Invoiced 01/11/01
\$577,762.50 -- Invoiced 01/12/01
\$577,762.50 -- Invoiced 03/29/01
\$521,850.00 -- Invoiced 03/29/01.

Preparer of Response: Ronald Walther, dated 04/20/2007.

Analysis:

These amounts totaling \$3,157,387.50 were invoiced from DEO to Dominion Hope. Included in this amount was \$2,057,775, representing the amount for months in 2000, a base-period for a Dominion Hope's base rate filing. The total amount of \$1,099,612.50, invoiced by DEO on 03/29/01 is for the month of FEBRUARY 2001. The invoices reflect the billing party, as the LDC Gas Supply Group, agent for East Ohio Gas Company and billed to, the LDC gas Supply Group, agent for Hope Gas, Inc. for GIC Charges. These are the only payments made to DEO between May 1999 and December 2003 for reducing "Dominion Hope's risk related to straddle transactions entered into by Dominion Hope."

Question Number 016: Please provide an explanation of how the premiums were determined as requested in request number 15. Please provide all supporting documentation including applicable agreements.

Answer: Premiums paid were based on Dominion Hope's valuation of Dominion East Ohio's purchasing gas on a volume flexible basis from Dominion Hope, which reduced Dominion Hope's risk related to straddle transactions entered into by Dominion Hope and third party marketers. Attached are related documents.

Preparer of Response: Ronald Walther, dated 04/24/2007.

Analysis:

The facts above reflect that, indeed, DEO was without a doubt, a vital counterparty to the so-called "straddle arrangements" of Dominion Hope, as orchestrated by LDC Gas Supply Group of Dominion Resource Services, Inc., under the direction of Ronald Walther.

3. "There is no issue in this case regarding what DEO knew and when DEO knew it". (DEO Reply Brief in Case No. 05-219-GA-GCR page 20, Argument A, 5).

Analysis:

Kroll's Direct Testimony filed April 5, 2007 in DH's Consolidated Cases, Exhibit Number 7. **(Enclosed)**. This exhibit includes three phone mail messages from the Director of pricing and regulatory affairs for Pennsylvania and West Virginia that indicate very clearly that Mr. Murphy and Mr. Walther were very concerned about **DEO's exposure** in DH's August 1, 2003 Purchased Gas Costs recovery filing. The company was given ample opportunity to rebut this testimony relating to these management concerns, however, the company chose not to address these conversations in their prepared rebuttal testimony.

The actual recordings of these phone mail messages, plus the transcripts were in the company's possession a full year before the negotiations began that produced the Stipulation in the above referenced DEO's GCR case. Therefore, the settlement process clearly did not involve "serious bargaining by knowledgeable and capable parties." Only one party to the Stipulation was knowledgeable and capable of bringing forth the truth but elected not to do so. Only one party intentionally kept the other signatory parties in the dark. This ultimately proved to be to the benefit of Dominion shareholders and to the detriment of the ratepayers in Ohio.

CONCLUSION: THE PUC SHOULD NOW REJECT THE STIPULATION

This Commission should now know that the company was the only fully knowledgeable party to the Stipulation that was approved and adopted. And that the company intentionally misinformed and misled the Commission and the signatory parties to the Stipulation in order to prevent full disclosure of material facts related to DEO's risk and exposure in DH's straddle scheme, information the company knew at the time of signing the Stipulation existed.

Furthermore, the facts show that the final report of the Liberty Consulting Group was filed on May 22, 2006 and the Stipulation was filed on July 7, 2006. It took DEO only 43 days to secure a Stipulation among the signatory parties, which amounts to DEO retaining for its stockholders, approximately \$1 million a day while negotiating the Stipulation. The facts indicate that from the date the OCC gave Notice to take Depositions upon Oral Examination and Request Production of Documents, specifically relating to DEO's purchases from Dominion Hope on June 29, 2006, the company and the signatory parties signed the Stipulation within only eight days of the above referenced OCC Notice. This ultimately assuring DEO of otherwise disallowable costs being recovered from DEO's ratepayers, something that company management anticipated would not be possible, if caught. This was, however, avoided by having the signatory parties agree not to conduct an audit of prior periods relating to affiliated transactions about which the OCC was attempting to secure additional facts and information.

Again, whether this Commission should rely on the testimony of company witnesses or should review the deal sheets, sales agreements and confirmations and invoices plus have a forensic audit conducted, is critical in determining if the Stipulation is detrimental to the Ohio ratepayers.

As recently as April 25, 2007, before the Public Service Commission of West Virginia, and DH's Consolidated Cases, Mr. Walther, in his Prepared Rebuttal Testimony, acknowledged that Dominion Hope received a cost free gas loan from DEO, in order to avoid purchasing high cost gas in January of 2003 while DH was in a rate freeze. DH was given the opportunity, by DEO, to repay the loan in later months of April, May, and June 2003. This was done all to the benefit of Dominion shareholders. Mr. Walther stated on page 11 of his Prepared Rebuttal Testimony that, "However, rather than Dominion Hope purchasing gas on the market and selling it to its customers at a loss, Dominion Hope borrowed gas from Dominion East Ohio. Dominion Hope purchase gas in later months and return the gas in-kind to Dominion East Ohio". **(Enclosed under separate cover).**

So, to the extent that the above actions of Dominion East Ohio and the LDC Gas Supply Group, acting on behalf of Dominion East Ohio, violated the Ohio Revised Code, specifically, Title 49, Chapter 4905.33 and Chapter 4905.35, is a question to which the ratepayers of Dominion East Ohio now deserve a full and complete answer.

Sincerely Yours,



Paul T. Kroll

SEE COPY of CHARLESTON WEST VIRGINIA GAZETTE, MAY13, 2007, ARTICLE. **(Enclosed).**

Enclosures

xc: Jim Perro, Ohio Attorney General,
Jamie L. Migden-Ostrander, Ohio Consumers' Counsel,
Billy Jack Greg-Director, West Virginia Consumer Advocate Division, and
Darrell McGraw, Jr., West Virginia Attorney General.

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 14th day of May, 2007.

CASE NO. 05-1120-G-30C

HOPE GAS, INC., dba DOMINION HOPE

Rule 30C application for adjustment period commencing November 1, 2005.

CASE NO. 06-0441-G-PC

EQUITABLE RESOURCES, INC. and HOPE GAS, INC., dba DOMINION HOPE

Joint Petition for Consent and Approval for the sale of all of the stock of Hope Gas, Inc., by its parent company, Consolidated Natural Gas Company to Equitable Resources, Inc., with Equitable Resources, Inc., being the surviving parent company of Hope Gas, Inc.

CASE NO. 06-0605-G-GI

HOPE GAS, INC., dba DOMINION HOPE

Petition of the Consumer Advocate Division requesting that the Commission initiate a general investigation into Dominion Hope's method of accounting for gas in storage and motion to consolidate this proceeding with Case No. 06-0441-G-PC.

CASE NO. 06-0998-G-30C

EQUITABLE GAS COMPANY

Rule 30C application to adjust purchased gas costs.

CASE NO. 06-1003-G-30C

HOPE GAS, INC., dba DOMINION HOPE

Rule 30C application to adjust purchased gas costs.

COMMISSION ORDER

By this Order the Commission initiates a focused management audit of Hope Gas, Inc., dba Dominion Hope (Dominion Hope), to the extent described herein.

Background

On May 4, 2007, Commission Staff (Staff) filed a "Motion for Continuance of Hearing or in the Alternative Bifurcation of Case Nos. 05-1120-G-30C and 06-1003-G-30C from the Consolidated Proceedings" (as corrected by a May 7, 2007 Staff filing, collectively referred to as the Motion). In support of its Motion, Staff argued that, based upon allegations obtained from Intervenor Paul T. Kroll, Dominion Hope may have engaged in practices that could enure to the detriment of West Virginia ratepayers. Staff further argued that if the allegations obtained from Mr. Kroll are true, it could potentially impact the assumptions relied on by Staff in developing Dominion Hope's purchased gas rates in Case Nos. 05-1120-G-30C and 06-1003-G-30C and might have an impact on the proposed sale of the common stock of Dominion Hope to Equitable Resources, Inc., in Case No. 06-0441-G-PC. The Commission heard argument from all parties regarding this issue on the morning of May 7, 2007, the first of four days of hearing in the above-referenced cases.

After reviewing Staff's Motion and considering the arguments made by the parties, the Commission ruled from the bench during the May 7, 2007 hearing to the effect that a final order could not issue until the matters raised by Staff's Motion had been investigated and the results of that investigation presented during a subsequent hearing in these consolidated cases.

On May 10, 2007, counsel for Dominion Hope moved that the Commission defer the testimonies of Mr. Kroll and Dominion Hope witness Ronald D. Walther until completion of the investigation described above. The Commission, at the May 10, 2007 hearing, considered the arguments by the parties and granted Dominion Hope's motion to defer.

DISCUSSION

Rule 2.6.1 of the Commission's *Rules for the Government of Gas Utilities and Gas Pipeline Safety*, 150 CSR 4 (*Gas Rules*) provides:

To establish a procedure for examination of management practices and policies to determine whether the entity being audited is operating with efficiency and utilizing sound management practices. The purpose of a management audit is to disclose operating areas that are efficient or inefficient, to identify areas for improvement, and to form recommendations for changes.

Gas Rule 2.6.2.c authorizes the Commission to engage in a "focused management audit" of one or several specific areas of a utility's management and operations. *Gas Rules 2.6.4* and *2.6.5* authorize the Commission to develop a request for quotes (RFQ) to hire a qualified outside auditing firm to be paid for by the audited entity.

By this Order the Commission will initiate a focused management audit to review the activities of Dominion Hope in regard to the allegations raised by Staff in its Motion. The

Commission will direct its Administration Division to develop the RFQ, with the assistance of Staff, for the Commission's approval. The focused management audit will be conducted by a qualified outside auditing firm and will be paid for by Dominion Hope. The Commission will waive the "Implementation of Recommendations" process contained in *Gas Rule 2.6.6*, because the Commission's processing of these cases presents the logical forum for review and resolution of the filed focused management audit. After the qualified outside auditing firm files the completed focused management audit with the Commission, the parties to these cases will have 10 days to file a response and direct testimony addressing the focused management audit. Simultaneous rebuttal testimony will be due 10 days thereafter. The Commission will hold a second hearing shortly thereafter to take evidence and hear argument on the results of the focused management audit in addition to the deferred testimonies of Mr. Kroll and Mr. Walther. The second hearing will be scheduled by a subsequent order.

FINDINGS OF FACT

1. Staff filed a Motion raising questions regarding management practices of Dominion Hope that may have an impact on several aspects of these cases.
2. Dominion Hope moved that the Commission defer the testimonies of Mr. Kroll and Mr. Walther until completion of the focused management audit.

CONCLUSIONS OF LAW

1. *Gas Rule 2.6* authorizes the Commission to conduct management audits.
2. A focused management audit conducted by a qualified outside auditing firm will address Dominion Hope's management practices in regard to the allegations raised by Staff in its Motion.
3. It is reasonable to waive the "Implementation of Recommendations" process contained in *Gas Rule 2.6.6*, because the Commission's processing of these cases presents the logical forum for review and resolution of the filed focused management audit.
4. Because the testimonies of Mr. Kroll and Mr. Walther are closely related to the subject matter of the focused management audit initiated by this Order, it is reasonable to defer taking those testimonies until the second hearing in these cases.

ORDER

IT IS THEREFORE ORDERED that a focused management audit is hereby initiated to address Dominion Hope's management practices in regards to the allegations raised by Staff in its Motion and the possible impact of those allegations on the assumptions relied on by the Staff in developing Dominion Hope's purchased gas rates in Case Nos. 05-1120-G-30-C and 06-1003-G-30-C and any impact that those allegations might have on the proposed sale of the common stock of Dominion Hope to Equitable Resources, Inc.

IT IS FURTHER ORDERED that the Commission's Administration Division shall develop a request for quotes to hire a qualified outside auditing firm to conduct the focused management audit. The Commission's Administration Division shall promptly develop the RFQ and present it to the Commission for approval within 30 days of the date of this Order.

IT IS FURTHER ORDERED that the RFQ shall include the requirement that the qualified outside auditing firm complete the focused management report within 30 days or within such additional time as requested for good cause.

IT IS FURTHER ORDERED that the cost of the focused management audit shall be paid promptly by Dominion Hope and Dominion Hope is encouraged to assist in all reasonable manners in carrying out the focused management audit.

IT IS FURTHER ORDERED that upon submission of the focused management audit the parties shall use the following procedural schedule:

Simultaneous Response and Direct Testimony from all parties regarding the focused management audit.	Due within 10 days of the date the focused management audit is submitted to the Commission.
Simultaneous Rebuttal Testimony from all parties.	Due within 20 days of the date the focused management audit is submitted to the Commission.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this Order upon all parties of record by **facsimile transmission** and by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Testes:


Sandra Squire
Executive Secretary

JJW/klm
060441cj.wpd

ECKERT SEAMANS

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April Morgan Hincy
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March 30, 2007

J. Michael Benninger, Esq.
Wilson, Frame, Benninger & Metheney, P.L.L.C.
151 Walnut Street
Morgantown, WV 26505

Re: *Paul T. Kroll v. Hope Gas, Inc. et al.*
Civil Action No.: 05-C-457-1

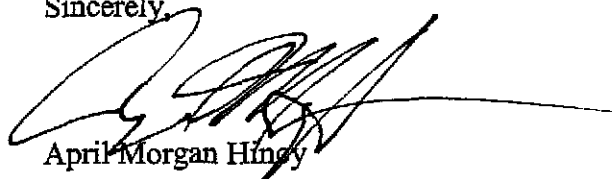
Dear Mike:

Enclosed please find our clients' responses to your Fifth Set of Discovery Requests. To facilitate your review, I have taken the liberty of providing hard copies of the documents you requested. If you still require the information in an electronic form, please let me know and further advise as to whether a cd would be an acceptable "computer diskette."

Also, please note that the information responsive to Request No. 1 is still being compiled. I will forward the same as soon as it is completed, which should be early next week.

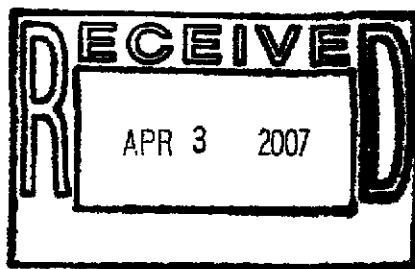
Thank you for your attention to this matter. If you have any questions in the meantime, please do not hesitate to contact me.

Sincerely,



April Morgan Hincy

AMH/ru
Enclosure



IN THE CIRCUIT COURT OF HARRISON COUNTY, WEST VIRGINIA

PAUL T. KROLL,

Plaintiff,

v.

HOPE GAS, INC. d/b/a Dominion
Hope, a West Virginia Corporation;
DOMINION RESOURCES SERVICES, INC.,
a Virginia Corporation; WILLIAM E.
McKEOWN; and RONALD D. WALTHER, }

Defendants.

}
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Civil Action No. 05-C-457-1

**PLAINTIFF'S COMBINED DISCOVERY
REQUESTS TO DEFENDANTS (5TH SET)**

DISCOVERY REQUEST NO. 1: Please provide a complete monthly history of Dominion Hope's gas purchase activity for the years 2002 and 2003. Provide the company's response on computer diskette in Excel format. The history should include the following:

- A. Rates paid to each supplier (including peaking service and purchases which were not necessary for sale to Tariff customers or for injection into storage) by component (i.e., demand, commodity, etc.);
- B. The applicable quantity for each component identified in part A;
- C. The applicable costs for each component identified in Part A;

DISCOVERY REQUEST NO. 19: In what month and year did Dominion East Ohio's volume-flexible purchase agreements with Dominion Hope begin?

RESPONSE: May 1999.

DISCOVERY REQUEST NO. 20: In what month and year did Dominion East Ohio's volume-flexible purchase agreements with Dominion Hope end?

RESPONSE: May 2002.

DISCOVERY REQUEST NO. 21: When Dominion East Ohio ceased purchasing gas from Dominion Hope at first-of-the-month prices in tandem with Dominion Hope's "straddle" arrangements, did Dominion Hope immediately cease "straddle" activity? If not, please explain.

RESPONSE: No. After May 2002, the structure of the arrangement was revised such that Dominion East Ohio ceased purchasing related gas supplies from Dominion Hope and began purchasing such supplies directly from Dominion Hope's straddle transaction counterparties. The revised structure continued until October 2003.

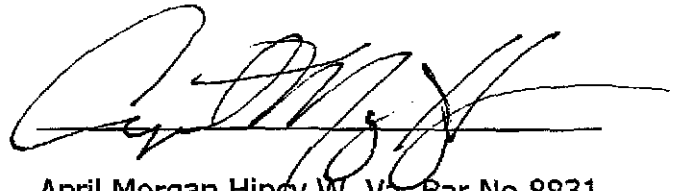
DISCOVERY REQUEST NO. 22: Please provide copies of P. Greg Nicholes' expense statements for the months of May, June, July, August and September for years 2003 and 2004.

RESPONSE: Defendants object to Discovery Request No. 22 on the grounds that it is not relevant and not likely to lead to relevant information.

Respectfully submitted,

Defendants, by Counsel:

Eckert Seamans Cherin & Mellott, PLLC

A handwritten signature in black ink, appearing to read 'April Morgan Hince', is written over a horizontal line.

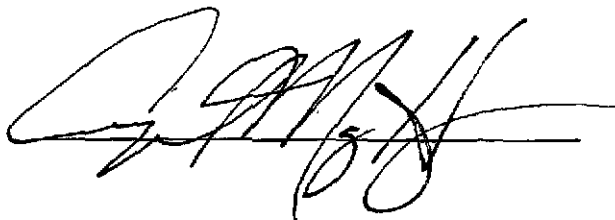
April Morgan Hince W. Va. Bar No.8831
Eckert Seamans Cherin & Mellott, LLC
2400 Cranberry Square, Second Floor
Morgantown, WV 26508-9209
304-594-1000

John J. Myers
Eckert Seamans Cherin & Mellott, LLC
Pa. I.D. No. 23596
Eckert Seamans Cherin & Mellott, LLC
44th Floor, 600 Grant Street
Pittsburgh, PA 15219
412-566-5900

CERTIFICATE OF SERVICE

I certify that on this 30th day of March 2007, I served a true copy of the foregoing discovery responses on counsel for plaintiff via facsimile as follows:

J. Michael Benninger, Esq.
Paul T. Farrell, Jr. Esq.
Wilson, Frame, Benninger & Metheney, P.L.L.C.
151 Walnut Street
Morgantown, WV 26505

A handwritten signature in black ink, appearing to read "JMB", with a long horizontal line extending to the right.

BEFORE THE PUBLIC SERVICE COMMISSION OF WEST VIRGINIA
CHARLESTON

CASE NO. 05-1120-G-30C
HOPE GAS, INC., dba DOMINION HOPE,
Rule 30c Application for adjustment period commencing
November 1, 2005.

CASE NO. 06-0441-G-PC
EQUITABLE RESOURCES, INC. AND
HOPE GAS, INC., dba DOMINION HOPE,
Joint Petition for Consent and Approval for the sale
Of the stock of Hope Gas Inc., by its parent company,
Consolidated Natural Gas Company to Equitable
Resources, Inc., with Equitable Resources, Inc., being
the surviving parent company of Hope Gas Inc.

CASE NO. 06-0605-G-GI
HOPE GAS, INC., dba DOMINION HOPE,
Petition of the Consumer Advocate Division requesting
That the Commission initiate a general investigation into
Dominion Hope's method of accounting for gas in storage.

CASE NO. 06-0998-G-30C
EQUITABLE GAS COMPANY,
Rule 30C application to adjust purchased gas costs

CASE NO. 06-1003-G-30C
HOPE GAS, INC., dba DOMINION HOPE,
Rule 30C application to adjust purchased gas costs.

EXHIBITS TO
DIRECT TESTIMONY
OF
PAUL T. KROLL

April 5, 2007

Exhibits Nos.
4 AND 7



TIME-CRITICAL ITEM

March 12, 2007

Virginia Power
5000 Dominion Blvd.
Glen Allen, 23060-6711

(804) 273-4378
(XXX) XXX-XXXX FAX

103063

Page: 1 of 1

PLEASE DELIVER IMMEDIATELY UPON RECEIPT TO:

Occidental Energy Marketing, Inc.

Attn: Scott Wells

Fax No: 713-215-7486

From: Craig Colombo

Fax No: 804-787-6478

NATURAL GAS SALE TRANSACTION CONFIRMATION AND AGREEMENT

Base Contract No: GIC-29470

Effective Date: October 01, 2002

Transaction No: 103063

We are pleased to confirm the verbal agreement of October 30, 2002, between Dominion Hope Release (SELLER) and Occidental Energy Marketing, Inc. (BUYER) as described below.

Type of Transaction: FIRM

This is a "FIRM" sale contract, consistent with the generally applicable provisions set forth in the Base Sales Contract and those provisions made specifically applicable hereto by an "F" section designation.

Term: November 1, 2002 - November 30, 2002

From:	To:	Volume	Price per MMBTU (dry) USD	Adder	Delivery Point(s)	Pipeline
Nov. 01, 2002	Nov. 30, 2002	10000 Per Day.	[IF/ONG/APP]MONTHLY]	0	DOM SP-TTT	DTI
Nov. 01, 2002	Nov. 30, 2002	10000 Per Day.	[IF/ONG/APP]MONTHLY]	0	DOM SP-TTT	DTI

Special Terms: Deal is part of 2 straddles- each straddle is 10,000DT/D Hope will bill Oxy \$120,000 & \$141,000 = \$261,000. Hope sells 20,000 DT/D to Oxy every day and when gas is put, it will be sold to East Ohio.

Agreed and Accepted:

Dominion Hope Release (SELLER)

Occidental Energy Marketing, Inc. (BUYER)

BY: _____

BY: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

If this description is contrary to our verbal agreement, please notify Virginia Power by the close of the second Business Day following receipt. Your failure to notify Virginia Power of any such contrary understanding by such time constitutes your confirmation of the transaction as described above.

Verbal agreements regarding Transactions are binding. The parties agree that telephone conversations may be recorded; that such recordings are valid proof of telephonic Transactions; and that they are admissible evidence in the event of a dispute.

All deals are subject to credit approval.

EXHIBIT

4

1
2 ("Phonemail" Telephonic message to Paul T. Kroll from
3 William E. McKeown on Monday, December 16, 2002
4 at 5:14 p.m.)

5 WILLIAM McKEOWN: Hey, Paul. It's Bill. I got
6 a couple things. One, just want to check to make sure
7 you guys are still coming up on Wednesday. We're
8 planning our luncheon schedule for 1 o'clock, so I didn't
9 know what time you guys were going to get in here but, if
10 you want to get in a little earlier, if we have any
11 issues, we can talk about those.

12 The second thing is, I was having a conversation
13 with Ron Walther this afternoon. He was telling me about
14 the special deal revenues and how much it would go in
15 East Ohio's way versus Hope and it sounds like Hope is
16 collecting a fairly high revenue number.

17 I know that last case we were trying to keep
18 that number down to a minimum and Ron said that there's
19 about \$800,000 that could be booked in November/December
20 that could be diverted to East Ohio.

21 I told him it made sense to me that we do that,
22 but I wanted to check with you to see if there were any
23 reasons you guys were thinking that we wanted to show
24 that. Then, related to that, he was saying --

25 We probably can't do this, but he could at least

EXHIBIT

7

ACC 49

1 check with the accounting group to see if we can divert
2 some of what was already in there for Hope over to East
3 Ohio, but he told me that his sense was that you guys
4 didn't seem like you were too worried about it being
5 reflected on Hope's books, so I just wanted to talk with
6 you about that before he does anything with it, so give
7 me a call when you get a minute. I'm at 6840.. Bye.

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("Phonemail" Telephone message to Paul T. Kroll from
William E. McKeown on Thursday, July 24, 2003 at
9:46 a.m.)

WILLIAM MCKEOWN: Hey, Paul. It's Bill. I
talked to Jeff Murphy this morning on the straddle issue
and, as I mentioned the other day, he'd left me a
message.

They are concerned about the exposure that they
have there; although, after we talked it through, what we
both agreed was, at this point, whether Hope puts it in
at zero or \$4 million, there's a reasonable chance that
Byron is going to look into this and discover it and
there's not much we can do, so Jeff said that his only
request of us is whichever way we think causes the least
review and possibility of them bringing that up is his

1 preference on the thing, so if you want to talk about
2 it --

3 I got to run to a meeting that starts in a
4 minute here but, if you want to talk about what we should
5 do there, give me a call. I guess my sense is that
6 putting it in at zero still may be our better option, but
7 I can go either way on this thing. If you have strong
8 feelings on what causes least exposure for us. See ya.

9 - - - - -

10 ("Phonemail" Telephone message to Paul T. Kroll from
11 William E. McKeown on Monday, July 28, 2003 at 4:55 p.m.)

12 WILLIAM McKEOWN: Hey, Paul. It's Bill. Sue
13 looked at Ron's testimony. He makes one statement in
14 there that, if we were not in a moratorium situation,
15 that we wouldn't be doing those type of transactions so,
16 if we put it at zero, that at least makes things
17 consistent there.

18 I talked to Ron again a little bit more about it
19 and I think he's just sort of a little concerned about
20 the transactions which, obviously, those guys are the
21 ones who entered into this stuff, and reiterated that he
22 knows that East Ohio is somewhat concerned about this,
23 too, but again he left it up to us on where to go with
24 this.

25 I actually have to leave in a couple of minutes

1 for a personal thing, but probably you and I just need to
2 talk one last time on this and make sure we're okay with
3 where we're going with this thing. If we need to do that
4 tonight, I should be home after like 9 o'clock.

5 I guess it's no different than talking tomorrow
6 morning, but I should be in a little after 7:00 tomorrow
7 and maybe we can just come to some conclusion on this.

8 See ya.

9 - - - - -



Deal Sheet

No. 5760

<input type="checkbox"/> EOG	<input checked="" type="checkbox"/> HGI	<input type="checkbox"/> PNG	<input checked="" type="checkbox"/> HGI Release	<input type="checkbox"/> Other: _____
Natural Gas	Capacity	Special Deal	Other	

Deal Date	1/23/03	Term From	2/1/03	To	2/28/03	Deal Number	128358
Buyer				Seller	B.P.		
Contact				Contact	A. H. M. H.		
Phone Number				Phone Number			

CAPACITY RELEASE				
Pipeline	Printout Attached <input type="checkbox"/> Yes <input type="checkbox"/> No	Receiving Point	Contract Number	
EOG CMAS		Delivery Point	Quantity (Dthd)	
PNG Priority 1		Demand Price	Offer Number	
Cap Reduction		Volumetric Price	Recallable <input type="checkbox"/> Yes <input type="checkbox"/> No	Maximum Rate <input type="checkbox"/> Yes <input type="checkbox"/> No

GAS TRADE				
Pipeline	Quantity	Select One	Commodity Price	Plus/Minus
OTI	10,000	<input type="checkbox"/> Index/Nymex/Fixed <input type="checkbox"/> Premium Disc or Basis	56	
Rec/Del Point		Res Fee (Premium or GIC on Title ID?)	GIC Volume (Daily or Monthly)	Norm ID#
<input type="checkbox"/> Baseload <input type="checkbox"/> Swing <input type="checkbox"/> Term <input type="checkbox"/> Other: _____				

GAS ROUTING			
Receiving Point/Meter No.	Delivery Point/Meter No.	Contract No.	Daily Quantity
19,000 BT/D	56		put to 1000

SWAP DETAIL				
Receipt Term From 1/1 To 1/1				
Purchase #	Rec. Pt. #1	Rec. Pt. #2	Rec. Pt. #3	Rec. Pt. #4
Receipt Pt(s)				
Quantity				
Delivery Term From 1/1 To 1/1				
Sale #	Del. Pt. #1	Del. Pt. #2	Del. Pt. #3	Del. Pt. #4
Delivery Pt(s)				
Quantity				
Master ID#				
Comments/Further Description				
5-tradable				
Entered by Bob 12/1-03				



Deal Sheet

No. 5850

<input type="checkbox"/> EOG	<input type="checkbox"/> HGI	<input type="checkbox"/> PNG	<input checked="" type="checkbox"/> HGI Release	<input type="checkbox"/> Other: _____
Natural Gas	Capacity	Special Deal	Other	

Deal Date <u>1/17/03</u>	Term From <u>2/18/03</u> To <u>2/28/03</u>	Deal Number <u>127556</u>
Buyer <u>BP</u>		Seller
Contact <u>N. Cornute</u>		Contact <u>DEA</u>
Phone Number		Phone Number

CAPACITY RELEASE			
Pipeline	Printout Attached <input type="checkbox"/> Yes <input type="checkbox"/> No	Receiving Point	Contract Number
EOG CMAS		Delivery Point	Quantity (Dthd)
PNG Priority 1		Demand Price	Offer Number
Cap Reduction		Volumetric Price	Recallable <input type="checkbox"/> Yes <input type="checkbox"/> No
			Maximum Rate <input type="checkbox"/> Yes <input type="checkbox"/> No

GAS TRADE			
Pipeline <u>DTF</u>	Quantity <u>20k</u>	Select One <input type="checkbox"/> Index/Nymex/Fixed <input type="checkbox"/> Premium Disc or Basis	Commodity Price <u>IF</u>
Rec/Del Point <u>SP</u>	Res Fee (Premium or GIC on Title ID?)	GIC Volume (Daily or Monthly)	Plus/Minus
<input type="checkbox"/> Baseload <input type="checkbox"/> Swing <input type="checkbox"/> Term <input type="checkbox"/> Other: _____			

GAS ROUTING			
Receiving Point/Meter No.	Delivery Point/Meter No.	Contract No.	Daily Quantity
<u>Stadth Fee = \$59.5¢/Dth</u>			

SWAP DETAIL				
Receipt Term From <u>1/1</u> To <u>1/1</u>				
Purchase #	Rec. Pt. #1	Rec. Pt. #2	Rec. Pt. #3	Rec. Pt. #4
Receipt Pt(s)				
Quantity				
Delivery Term From <u>1/1</u> To <u>1/1</u>				
Sale #	Del. Pt. #1	Del. Pt. #2	Del. Pt. #3	Del. Pt. #4
Delivery Pt(s)				
Quantity				
Master ID#				
Comments/Further Description				
Entered by <u>Bab</u> <u>1-31-03</u>				

Dominion Hope
500 Davison Run Road, Clarksburg, WV 26301
Mailing Address: P.O. Box 2868
Clarksburg, WV 26302-2868
Web Address: www.dom.com



April 24, 2007

Meyishi Pearl Blair, Esquire
WV Public Service Commission
P. O. Box 812
Charleston, WV 25323

Re: Hope Gas, Inc. dba Dominion Hope
Case No. 05-1120-G-30C
Case No. 06-0441-G-PC
Case No. 06-0605-G-GI
Case No. 06-1003-G-30C
Equitable Gas Company
Case No. 06-0998-G-30C

RECEIVED
2007 APR 25 AM 8:48
WV PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Dear Mrs. Blair:

Please find enclosed the responses to the Commission Staff's Third Request for Information to Dominion Hope, Numbers 009, 010, 011, 012, 013, 014, 015 and 016.

If you have any questions about the enclosed data, please do not hesitate to let me know.

Sincerely

Carol Farmer
Regulatory & Pricing Analyst

Enclosures
cc: (w/enc)

Sandra Squire, Executive Secretary
David A. Sade, Esquire
Michael Majoros, Esquire
Richard Gottlieb, Esquire
Daniel L. Frutchey, Esquire
Mark O. Webb, Esquire
Stephen H. Watts, II, Esquire
Kathryn Reed Bayless, Esquire
Elaine C. Lippman, Esquire
George A. Patterson, III, Esquire
Ruben D. Gomez, Esquire
James D. Kauffelt, Esquire
E. D. McDonald, Esquire



RECEIVED

2007 APR 25 AM 8:48

Hope Gas, Inc., dba Dominion Hope
Case No. 06-1003-G-30C
HGI Response to Data Request

W. VA. PUBLIC SERVICE
COMMISSION
REGULATORY OFFICE

Data Response

Requesting Party

Staff

Data Request Set

Third

Question Number

015

Question

Please provide the amount of any premiums paid to Dominion Hope's affiliate Dominion East Ohio during the time Dominion Hope was selling gas to Dominion East Ohio in relation to Dominion Hope's straddle arrangements. Please provide the date that each premium was paid.

Answer

\$343,125.00 - Invoiced 10/27/00
\$577,762.50 - Invoiced 11/11/00
\$343,125.00 - Invoiced 01/04/01
\$216,000.00 - Invoiced 01/11/01
\$577,762.50 - Invoiced 01/12/01
\$577,762.50 - Invoiced 03/29/01
\$521,850.00 - Invoiced 03/29/01

Prepared by Response

Ron Walther

Date: 04/20/2007



Hope Gas, Inc., dba Dominion Hope
Case No. 06-1003-G-30C
HGI Response to Data Request

RECEIVED

2007 APR 25 AM 8:48

W VA PUBLIC SERVICE
COMMISSION
STOCK MARKET'S OFFICE

Data Response

Requesting Party:

Staff

Data Request Set:

Third

Question Number:

016

Subject:

Question:

Please provide an explanation of how the premiums were determined as requested in Request No. 15. Please provide all supporting documentation including applicable agreements.

Answer:

Premiums paid were based on Dominion Hope's valuation of Dominion East Ohio's purchasing gas on a volume flexible basis from Dominion Hope, which reduced Dominion Hope's risk related to straddle transactions entered into by Dominion Hope and third party marketers. Attached are related documents.

Prepared by Response:

Ron Walther

Date: 04/24/2007

INVOICE

Bill To:

LDC Gas Supply Group, agent
for Hope Gas, Inc.

Gas Accounting, SNE

Attn: Angie Marquez

5000 Dominion Blvd

Glen Allen, VA 23060

600000/336

4/1/8300

Invoice Information:

Invoice Month: 02/2001

Invoice Due Date: 03/29/01

Invoice Date: 03/14/01

Invoice Number: 0220011

Doc # 1200000020

Billing Inquiries:

LDC Gas Supply Group, agent

for East Ohio Gas Company

Gas Accounting, SNE

Attn: Robert Phillips

5000 Dominion Blvd

Glen Allen, VA 23060

Phone: 804-273-4352

FAX: 804-273-4397

If Payment Differs from Amount Invoiced, Please Fax Your Support:

GIC Charges

Amount Due

\$223,200.00

354,562.50

201,800.00

320,250.00

Net Amount Due

\$1,099,612.50

Please Wire Transactions To:

East Ohio Gas Company

Chase Manhattan Bank N.A.

New York, NY

Account #: 910-1-480212

ABA #: 021000021

Please Send Correspondence To:

LDC Gas Supply Group Agent for

East Ohio Gas Company

5000 Dominion Blvd

3 North

Glen Allen, VA 23060

S:\GASACCTG\EOG\AIR_CFS\Hope Invoice 0220011.123

CNG LDC Gas Supply Group Agent for East Ohio
Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC Gas Supply Group Agent for Hope
Release Agency Pool
P.O. Box 15746
Pittsburgh, PA 15244-0746

Invoice Number: V I-EOG-200012-000001
Customer ID: HOPERELASE
Customer Number:
GMS Contract Number: S-HOPERELASE-S-0004
Invoice Date: 28-Dec-2000
Due Date: 12-Jan-2001
Production Month: 12/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Stat.</u>	<u>Quantity</u>	<u>Avg. Price</u>	<u>Amount Due</u>
GIC: GICREV based on Fixed						\$223,200.00
Current Totals						\$223,200.00
Recap:						
GIC Total						\$223,200.00
Net Amount Due						\$223,200.00

Please Wire Transactions To:
Chase Manhattan

Account #: 918-1-450212
ABA# 021000021

Please Send Invoices To:

CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465

Please Remit Check To:

CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P.O. Box 15746
Pittsburgh, PA 15244-0746

Please Send Correspondence To:

CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465
Fax: (412) 490-1444

CNG LDC Gas Supply Group Agent for East Ohio
Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC Gas Supply Group Agent for Hope
Release Agency Pool
P.O. Box 15746
Pittsburgh, PA 15244-0746

Invoice Number: I-EOG-200012-000002
Customer ID: HOPERERELEASE
Customer Number:
GMS Contract Number: S-HOPERERELEASE-S-0003
Invoice Date: 28-Dec-2000
Due Date: 12-Jan-2001
Production Month: 12/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Stat.</u>	<u>Quantity</u>	<u>Avg.Price</u>	<u>AmountDue</u>
		GIC: GICREV based on Fixed				\$354,562.50
		Current Totals				\$354,562.50
		Recap:				
		GIC Total				\$354,562.50
		Net Amount Due				\$354,562.50

Please Wire Transactions To:
Chase Manhattan

Account #: 910-1-430212
ABA#: 021000021

Please Send Invoices To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7463

Please Remit Check To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P.O. Box 15746
Pittsburgh, PA 15244-0746

Please Send Correspondence To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7463
Fax: (412) 490-1444

CNG LDC Gas Supply Group Agent for East Ohio
Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC Gas Supply Group Agent for Hope
Release Agency Pool
P.O. Box 15746
Pittsburgh, PA 15244-0746

Invoice Number: I-EOG-200011-000005
Customer ID: HOPERELASE
Customer Number:
GMS Contract Number: S-HOPERELASE-S-0004
Invoice Date: 27-Dec-2000
Due Date: 11-Jan-2001
Production Month: 11/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Stat.</u>	<u>Quantity</u>	<u>Avg. Price</u>	<u>Amount Due</u>
		GIC: GICREV based on Fixed				\$216,000.00
		Current Totals				\$216,000.00
		Recap:				
		GIC Total				\$216,000.00
		Net Amount Due				\$216,000.00

Please Wire Transactions To:
Chase Manhattan
Account #: 910-1-450212
ABA# 021000021

Please Send Invoices To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465

Please Remit Check To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P.O. Box 15746
Pittsburgh, PA 15244-0746

Please Send Correspondence To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465
Fax: (412) 490-1444

CNG LDC Gas Supply Group Agent for East Ohio
Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC Gas Supply Group Agent for Hope
Release Agency Pool
P.O. Box 15746
Pittsburgh, PA 15244-0746

Invoice Number: I-EOG-200011-000004
Customer ID: HOPERELASE
Customer Number:
GMS Contract Number: S-HOPERELASE-S-0003
Invoice Date: 20-Dec-2000
Due Date: 04-Jan-2001
Production Month: 11/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Start</u>	<u>Quantity</u>	<u>Avg. Price</u>	<u>Amount Due</u>
		GIC: GICKEY based on Fixed				\$343,125.00
		Current Totals				\$343,125.00
		Recap:				
				GIC Total		\$343,125.00
				Net Amount Due		\$343,125.00

Please Wire Transactions To:
Chase Manhattan

Account #: 910-1-450212
ABA# 021000021

Please Send Invoices To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465

Please Remit Check To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P.O. Box 15746
Pittsburgh, PA 15244-0746

Please Send Correspondence To:
CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465
Fax: (412) 490-1444

CNG LDC Gas Supply Group Agent for East Ohio
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Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC Gas Supply Group Agent for Hope
Release Agency Pool
P.O. Box 15746
Pittsburgh, PA 15244-0746

Invoice Number: I-EOG-200010-00000233
Customer ID: HOPERELASE
Customer Number:
GMS Contract Number: S-HOPERELASE-S-0004
Invoice Date: 27-Oct-2000
Due Date: 11-Nov-2000
Production Month: 10/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Stat.</u>	<u>Quantity</u>	<u>Avg. Price</u>	<u>Amount Due</u>
		GIC: GICRY based on Fixed				\$223,200.00
		Current Totals				\$223,200.00
		Recap:				
				GIC Total		\$223,200.00
				Net Amount Due		\$223,200.00

Please Wire Transactions To:

Chase Manhattan

Account #: 919-1-450212
ABA# 021000021

Please Send Invoices To:

CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465

Please Remit Check To:

CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P.O. Box 15746
Pittsburgh, PA 15244-0746

Please Send Correspondence To:

CNG LDC Gas Supply Group Agent for
East Ohio Gas Company
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465
Fax: (412) 490-1444

CNG LDC Gas Supply Group Agent for East Ohio
Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC Gas Supply Group Agent for Hope
Release Agency Pool
P.O. Box 15746
Pittsburgh, PA 15244-0746

Invoice Number: I-EOG-200010-000003
Customer ID: HOPERELASE
Customer Number:
GMS Contract Number: S-HOPERELASE-S-0003
Invoice Date: 27-Oct-2000
Due Date: 11-Nov-2000
Production Month: 10/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Stat.</u>	<u>Quantity</u>	<u>Avg.Price</u>	<u>AmountDue</u>
		GIC: GICREV based on Fixed				\$354,562.50
		Current Totals				\$354,562.50
		Recap:				
				GIC Total		\$354,562.50
				Net Amount Due		\$354,562.50

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Chase Manhattan

Account #: 910-1-450212
ABA# 021000021

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Director Gas Accounting
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Phone: (412) 787-7465
Fax: (412) 490-1444

Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746

CNG LDC GAS SUPPLY GROUP HOPE
RELEASE AGENCY POOL
P.O. Box 15746
PITTSBURGH, PA 15244-0746

Invoice Number: I-EDG-200009-000011
Customer ID: HOPE RELEASE
Customer Number:
GMS Contract Number S-HOPE RELEASE
Invoice Date: 27-Oct-2000
Due Date: 27-Oct-2000
Production Month: 9/2000

CNG LDC Gas Supply Group Agent for East Ohio Gas Company

<u>Pipeline</u>	<u>Meter</u>	<u>Description</u>	<u>Stat.</u>	<u>Quantity</u>	<u>Avg.Price</u>	<u>AmountDue</u>
GIC: GICREV based on Fixed						\$343,125.00
Current Totals						\$343,125.00
Recap:						
GIC Total						\$343,125.00
Net Amount Due						\$343,125.00

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Chase Manhattan
Account #: 919-1-430212
ABA# 021000021

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East Ohio Gas Company
Director Gas Accounting
One Park Ridge Center
P. O. Box 15746
Pittsburgh, PA 15244-0746
Phone: (412) 787-7465

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Pittsburgh, PA 15244-0746

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East Ohio Gas Company
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Pittsburgh, PA 15244-0746
Phone: (412) 787-7465
Fax: (412) 490-1444

May 13, 2007
 Sunday Gazette-Mail
 Charleston, West Virginia

Business



GEORGE HOHMANN

Are we on the verge of a new identity?

It's been 144 years since West Virginian became a state, but we're still having an identity crisis.

Those who have resolved this issue have the advantage of being readily identified on the world stage. Milk chocolate and cheese — that's Swiss. A drive to constantly improve — that's Japanese.

In contrast, we West Virginians are still clueless. Here's an example: Some of us believe we are an energy state — but some of us want coal mining completely banned. It's not just about coal. Here's another example: Some people who use Corridor H think it's great — but some think it's an ugly scar.

My point is, we don't seem to know who we are — and decisions are about to be made that could create an identity for us.

Voters in West Virginia's four racetrack counties — Kanawha, Hancock, Ohio and Jefferson — will vote June 9 on whether to allow table games at the tracks. If voters approve the games, the tracks are promising to become destination resorts.

Dan Adkins, vice president of Tri-State Racetrack & Gaming Center's corporate parent, Hartman & Tyner, said that if Kanawha County voters approve table games, his company will invest up to \$500 million to transform the Nitro track into a resort.

"Our plan is to partner with other tourist destinations and market the entire state," he said. "The idea is to bring new money in here. We have a heck of an opportunity."

Voters may or may not have moral issues about the expansion of gambling. We all have opinions. But consider this: The transformation of the tracks into destination resorts may well define who we are in the eyes of the world.

Burning suspicions

Secret tape-recordings cloud Dominion Hope sale

18 I can show you the tape. It's absolutely stolen.
 19 I can show you the tape. It's absolutely stolen.
 20 I can show you the tape. It's absolutely stolen.
 21 I can show you the tape. It's absolutely stolen.
 22 I can show you the tape. It's absolutely stolen.
 23 I can show you the tape. It's absolutely stolen.
 24 I can show you the tape. It's absolutely stolen.
 25 I can show you the tape. It's absolutely stolen.

PAUL KROLL: Greg told me he was with him. I can show you the tape. It's absolutely stolen.

CYRENA OLIVER: Of course. I can't believe Ron Walther would think that would be acceptable to say. I think that puts Dan on the spot. I mean, he has just been told they moved money around different companies. I mean, he basically said when Hope didn't want to need to do is find it.

PAUL KROLL: That's right. So, you know, and Charlie's big thing, though, I

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Voters may or may not have moral issues about the expansion of gambling. We all have opinions. But consider this: The transformation of the tracks into destination resorts may well define who we are in the eyes of the world.

Actually, Tri-State currently has a Mardi Gras theme. Adkins said that theme would be maintained in the expansion.

If the racetracks do become destination resorts, will West Virginia become known as the Mardi Gras of the East, the biggest speakeasy this side of Chicago, an island escape or a

PAUL KROLL: I can show you
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CYRENA OLIVER: I think that would be acceptable right in front of general spot. I mean, he has just different companies

PAUL KROLL: Right in
puts Dan on the spot.
money around different
(inaudible) the books.

Walther: FAULT: They're (inaudible)
I think that puts Dan
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18 I think
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CYRUS OLIVER: That
OL KROLL: Craig basically
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Craig basically said.
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18 mean,
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20 PAUL KROLL,
CYRENA OLIVER;
That's what Craig
when Hope didn't want

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books? PAUL KRILL: That
basically said when they
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22 boom. The
23 I mean, he basically
24 accept the risk.
lot of things.

24 I know a lot of things.
25
thi. KROLL: See, that's where I
and Bill...

and Bill disagree. We had that
meet. In December where they wanted to
some money back.

some money back to East Ohio or something. I said, Bill, first of all, you can't do that's all.

that's illegal. You are just going to get yourself in jail. You can't

P. GREG NICHOLS: All he has to do is find it.

PAUL KROLL: That's right.

PAUL KROLL: That's right. So, you know, and Charlie's big thing, though, I

the
hope. I

good deal for Hope. I mean
was anybody but Field Services. I
you know what I meant?
I'm sure wh

8 was anybody but I
already said yes, you know what
PAUL KROLL: Yes. I'm sure wh
he would then say,

8
19
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PAUL: ...
it's time to go to jail, he would then
have no knowledge.
...: Right. Ju

20 it's time
21 well, I have no knowledge.
P. GREG NICHOLS: Right.
I asked Sue. I asked her to
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22 sort of like I asked Sue. I
23 got out of jail or come bail me out. You
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Suspicious

Secret tape-recordings Dominion Hope sale

By Joe Morris

morris@wvgazette.com

A YEAR-OLD plan to merge two of West Virginia's biggest natural-gas utilities is hung up on suspicions raised by a disgruntled former executive.

The \$970 million deal — between Equitable Resources Inc. of Pittsburgh and Dominion Hope, owned by Richmond, Va.-based Dominion Resources Inc. — was challenged almost from the start by the state Public Service Commission's consumer advocate office, which complained about accounting practices at Dominion Hope that might shortchange customers.

Last week, however, the advocate's office filed a motion with the PSC suggesting that Dominion Hope manipulated regulators in order to inflate profits. As evidence, the filing includes more than 100 double-spaced pages of transcripts of phone conversations taped by a Dominion official who says he quit after complaining of gas-price manipulations.

In the conversations, Dominion officials appear to talk about schemes to buy gas from Dominion drilling affiliates at unnecessarily high prices so the affiliates and Dominion could benefit at ratepayers' expense, in violation of public utility regulations. Another ploy discussed apparently involved shifting assets from operations in West Virginia to Ohio in order to throw regulators off the trail.

"We had that meeting in December where they wanted to move some money back to East Ohio or something," says Paul Kroll, Dominion Hope's former manager for pricing and regulatory affairs, in one of the conversations. "I said, 'Bill, that's illegal. You are just going to get yourself in jail. You can't do that.'"

On the other end of the line, P. Craig Nicholes, a buyer for Dominion Hope, responds: "All he has got to do is find it," referring apparently to a consumer advocate office lawyer.

In another exchange, the head of the Dominion Field Services affiliate, Charles Roberts, complains to Kroll, who was secretly taping the conversations, about Dominion Hope's negotiations to buy gas from Field Services.

"I'm supposed to be looking out for Hope," Roberts says. "But there's got to be some skin in it for me, and that's what I was trying to do. [Inaudible] We can find you direct feed supply. Save you and the ratepayer, and I like to do that, but there has to be some skin in it for us. And

now, yeah, there is not much money and you're taking away our existing margins and just to pass it on to the ratepayers. Tell me what I'm missing."

Dominion Hope maintains that if the phone conversations could be heard in their full context, they would show no wrongdoing took place.

"These were all self-edited by Paul Kroll in order to put people in a certain light," said Dominion Hope spokesman Dan Donovan. "The whole tape is not there, and the other person doesn't know they're being recorded."

Kroll quit in 2005, alleging "serious and intolerable adverse and hostile working conditions" following his complaints about price manipulation. His lawsuit against Dominion Hope in Harrison Circuit Court will be heard this summer. Kroll did not return a call for comment.

"These are totally incomplete tapes. And when people don't know they're being recorded, you can't tell when they're joking."

Dominion Hope
spokesman Dan Donovan

The Public Utilities Commission of Ohio — the PSC's counterpart — reviewed Kroll's claims against Dominion and rejected them in a January ruling, finding that he provided insufficient evidence.

"When the West Virginia allegations are fully examined, we believe they will be found to be without merit," Donovan said.

The transaction Roberts was discussing on the tapes ultimately benefited ratepayers, he said. "We can't do it now, but at the proper time we'll show the transaction benefited West Virginia ratepayers," Donovan said.

Instead of proposing to cheat ratepayers, Roberts was actually proposing to supply Dominion Hope with access to a direct feed that would save ratepayers while generating business for Field Services, Donovan said.

"[Roberts] said, 'Go through us and we'll save the ratepayer money,' and that's exactly how the deal turned out," Donovan said.

"These are totally incomplete tapes," he said. "And when people don't know they're being recorded, you

Please See **MERGER**, Page 5E

Of course. I can't believe Ron that would be acceptable to say. Right in front of general counsel. Dan on the spot. I mean, he has just moved money around different companies. I

ANA OLIVER: They're (inaudible) the books.

AUL KROLL: Craig basically said --

CYRENA OLIVER: Isn't that called cooking the books?

PAUL KROLL: That's what Craig basically said. I mean, he basically said when Hope didn't want to need accept the risk. lot of things.

KROLL: See, that's where I and Bill disagree. We had that December where they wanted to move back to East Ohio or something. I think to East Ohio or something. I think first of all, you can't do stuff. You are just going to get 1. You can't do that.

GREG NICHOLAS: All he has got

AUL KROLL: That's right. So, Charlie's big thing, though, I

Hope. but Field Services. and yes, you know what I mean? PAUL KROLL: Yes. I'm sure when to go to jail, he would then say, have no knowledge.

P. GREG NICHOLAS: Right. Just like I asked Sue. I asked her to keep of jail or come bail me out. You know McDonald both were in the room and

demands and violates the U.S. Constitution by restraining interstate commerce.

"We fully support dealing with this problem and we're the ones pumping millions into research to find the solution," said John Jamian, president of the Seaway Great Lakes Trade Association. A mechanism for killing invasives in ballast may be ready to install on ships as soon as next year, he said.

"But you can't have Michigan

Resources Defense Council's Midwest director.

States have a history of regulating pollution — auto emissions, mercury from power plants — when they believe the federal government isn't doing enough.

Critics, however, say it makes no sense to go it alone on ballast regulation. The five Great Lakes are linked by rivers and canals. Foreign species released at one port can reproduce and

the federal agency in charge of ballast rulemaking.

It may come to that. Bills similar to Michigan's are pending in the Minnesota and Wisconsin legislatures.

"We fully acknowledge that in order for it to be effective, we'll need to get the other Great Lakes states on board," said Robert McCann, spokesman for the Michigan Department of Environmental Quality. "Michigan decided we need to be a leader on

organisms that might escape into the lakes. The Coast Guard encourages them to flush ballast tanks at sea, but doesn't require it.

The agency said in 2002 it would develop new federal standards for all vessels operating in U.S. waters. It plans to issue a draft environmental analysis and take public comment this year, Patnaik said. He declined to say when the updated regulations would be finished.

MERGER

Continued From Page 1E

can't tell when they're joking."

If the PSC determines that Dominion Hope was cheating ratepayers, it could impose regulatory orders for the utility to repay ratepayers, the consumer advocate filing says, and those repayments could be big enough to affect Equitable's purchase price of Dominion Hope.

"Certain suspect practices may have been engaged in by Dominion Hope and its affiliates to the detriment of the West Virginia ratepayer," the filing states. "The implications of the information is so far-reaching that it may even potentially impact the appropriate purchase price for Dominion Hope."

The purchase — which requires approval by the PSC — would make Equitable the state's second-biggest gas provider, behind Mountaineer Gas Co. of Charleston. Dominion Hope now has about 116,500 gas-service customers in 32 counties covering most of the state west of the Alleghenies, while Equitable has 13,474, in the central part of the state, according to PSC documents. (The deal's \$970 million price tag also covers a Dominion utility in Pennsylvania.)

All last week, the PSC held hearings on the Equitable-Dominion deal. So far, the revelations haven't scared off Equitable.

"Equitable Resources is eager to bring the benefits of this acquisition to the customers and region and is continuing through the approval process," said Equitable spokeswoman Patricia Kornick. "Equitable is monitoring

the PSC hearings and will assess the situation after the PSC renders a decision regarding Dominion Hope."

Another taped phone conversation involves "purchase-gas agreements."

In Ohio, Dominion Hope's utility operations were governed by these agreements, in which rates are regularly updated according to market conditions. In West Virginia, a PSC price moratorium was in place until 2004, which bound utilities to charge the same price regardless of market swings.

A practice known in the industry as "straddling" is where a company shifts higher-priced gas to a market operating under a purchase-gas agreement and shifts lower-priced gas to a market with a moratorium. This is done to maximize profits.

Nicholes seems to tell Kroll in one conversation that he doesn't know how to convince consumer advocate office lawyer Byron

Harris that Dominion Hope needed to pay more for gas than it was under the moratorium.

"My only thing is, you know, I have a hard time fighting him on what is best for Dominion is not to continue what we are doing," he says. "Ninety percent of what our group does, OK, and if it was really known, and really discovered, unallowable. It would all be judged. Do you know what I am saying?"

"Yes," Kroll responds.

Nicholes then says: "I mean, this straddle thing would be unallowable. ... In a moratorium you can do a lot of things. Outside of a moratorium —"

Donovan said Kroll and Nicholes may be speculating on how Dominion Hope might operate once the moratorium ended. "I don't think they're talking about any particular deal," he said.

But any interpretation would be just that, an interpretation, Donovan stresses.

"It's totally up to your inter-

pretation," he said. "We're stuck with tapes that are incomplete and out of context."

The consumer advocate's office was suspicious of Dominion Hope's post-moratorium pricing practically from the minute the moratorium ended.

"Ever since Hope has emerged from the moratorium in January 2004, we've had longstanding and continual questions about the gas-purchase practices," says Billy Jack Gregg, the chief of the consumer advocate's office.

In August, Gregg's office convinced an administrative law judge to order Dominion Hope to reprice gas by \$3.8 million because of questions about the 2005 purchase-gas agreement, but the utility is appealing.

"We've contested purchases in every case since the [moratorium's] price cap ended, and we've been achieving success in repricing," Gregg said.

To contact staff writer Joe Morris, use e-mail or call 348-5179.

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