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PUCO

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Directors
The East Ohio Gas Company
Cleveland, Ohio

RE: Public Utility Commission of Ohio Case Nos. 05-474-GA-ATA and 07-659-GA-UEX

We have performed the procedures enumerated below, which were agreed to by The East Ohio Gas Company (a wholly-owned subsidiary of Dominion Resources, Inc.) (the "Company") and the Public Utility Commission of Ohio (the "PUCO") (collectively, "the specified parties"), solely to assist the PUCO with respect to their evaluation of the Company's compliance with PUCO Case No. 03-1127-GA-UNC in conjunction with recovery of uncollectible expense through a bad debt recovery mechanism. The Company's management is responsible for such compliance, and for the financial reporting and record keeping of the data related to the bad debt recovery mechanism. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

UNCOLLECTIBLE EXPENSE RECOVERY MECHANISM

- a. We obtained from Company management the accounting schedule summarizing bad debt tracker activity by month and the supporting schedules referred to below for the following items from January 1, 2007 to December 31, 2007. We randomly recomputed the mathematical accuracy of one row or one column per schedule.
 1. Schedule of bad debt charge-offs for the period of January 1, 2007 through December 31, 2007 noting that the total was \$63,805,116.
 2. Schedule of recovery of bad debts:
 - i. Through the rider rate in effect January 2007 through and including part of August 2007 noting that the total was \$32,847,265.
 - ii. Through the rider rate in effect August 2007 through December 2007 noting that the total was \$28,133,775.
 3. Schedule of customer recoveries for the period of January 1, 2007 through December 31, 2007 noting that the total was \$17,756,186.

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4. Schedule of carrying charges for the period of January 1, 2007 through December 31, 2007 noting that the total was \$1,963,225.
- b. We compared bad debt charge-offs from the schedule obtained in a) 1 above to Customer Care System ("CCS") and Special Billing System ("SBS") charge-off reports. We noted all amounts to be in agreement and noted that eligible charge-offs used in the calculations relate only to accounts that pay the Percentage of Income Payment Plan ("PIPP") rider per the CCS and SBS charge-off reports.
- c. For 3 months of data (March 2007, June 2007 and September 2007) included in the schedules obtained in a) 2 above, we performed the following procedures:
 - i. Compared sales and Energy Choice transportation volumes to volumetric CCS and SBS reports and found them to be in agreement. We noted that such eligible volumes relate only to accounts that pay the PIPP rider per the CCS and SBS charge-off reports.
 - ii. Compared the bad debt recovery rates for East Ohio and for the West Ohio Division with those permitted by the PUCO, as outlined in Case No. 06-729-GA-UEx and Case No. 07-659-GA-UEx, and found them to be in agreement. We noted that the respective rates, net of the portion attributable to gross receipts tax, have been applied to the eligible volumes by reference to the CCS and SBS billing summaries obtained from management.
- d. We compared customer recovery volumes for months selected in c) above to the respective CCS and SBS reports and found them to be in agreement.
- e. We obtained from Company management the Company's money pool interest rate for the months selected in c) above and found them to be in agreement with the interest rate utilized by the Company to calculate the monthly carrying charges.
- f. We applied the rate obtained in e) above to recalculate the carrying cost calculations for the months selected in c) above, and found them to be in agreement.
- g. We recalculated the gross receipts tax component of the rider billings for the months selected in c) above, and found them to be in agreement.

BAD DEBT TRACKER REGULATORY ASSET BALANCE

- h. We obtained the Bad Debt Tracker Regulatory Asset balance from general ledger account 1242200 at December 31, 2007 and noted that the balance recorded on the general ledger is \$755,151 less than the balance reflected on the rollforward obtained in i) below. We were informed by Company management that the Company believes that the difference relates to timing differences in the general ledger and an interest true-up based on the final summary of 2007 bad debt tracker activity.
- i. We obtained from Company management the rollforward schedule of SAP account 1242200 and noted the following: Customer recoveries reported on the general ledger are \$672,938 greater than the customer recoveries obtained in a) 3 above; the recovery of bad debts reported on the general ledger is \$81,177 less than the recovery of bad debts obtained in a) 2 above; and the carrying charges reported on the general ledger are \$17,880 less than the carrying charges obtained in a) 4 above. We also noted that the balance at the beginning of the year on the general ledger is \$145,509 less than the balance on the rollforward. We noted that these differences are included

within the total difference between the general ledger and summary schedule of \$755,151 reported in h) above.

- j. We compared the amortization rate of the accounts receivable regulatory asset per the schedule obtained in i) above to the PUCO order in Case 03-1127-GA-UNC and found them to be in agreement.

BAD DEBT TRACKER CHARGE-OFF AND RECOVERY BALANCES

- k. For 23 bad debt charge-offs (20 from CCS and 3 from SBS) included in the schedule obtained in a) 1 above, we performed the following procedures:
 - i. We reviewed each customer's status noting that the customer did not participate in the PIPP program.
 - ii. We reviewed each customer's billing system account detail for the period January 1, 2007 through December 31, 2007, noting that the final account balance agreed to the charge-off amount at December 31, 2007 included in a) 1 above.
 - iii. We reviewed each customer's billing system account detail and noted the following for each charge-off included in a) 1 above; the account contained a notation for disconnection, a final bill has been issued, and the account has been assigned to collections.
- l. For 5 customer recoveries included in the schedule obtained in a) 3 above, we reviewed the associated account detail for the selected customer noting that recoveries in the period January 1, 2007 through December 31, 2007 were properly included in the schedule obtained in a) 3 above.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with PUCO Case No. 03-1127-GA-UNC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Oslitt & Trench LLP

November 12, 2008