



Agenda Date: 1/29/14
Agenda Item: 2A

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH)
JERSEY GAS COMPANY FOR AUTHORIZATION)
THROUGH DECEMBER 31, 2016: (i) TO MAKE,)
EXECUTE AND DELIVER PURSUANT TO N.J.S.A.)
48:3-7, A TWENTY-SIXTH (26TH) SUPPLEMENTAL)
MORTGAGE INDENTURE AND ADDITIONAL)
SUPPLEMENTAL MORTGAGE INDENTURES)
PROVIDING FOR THE ISSUANCE OF A FIRST)
MORTGAGE BOND OR BONDS WITH A MATURITY)
OR MATURITIES OF NOT MORE THAN FORTY (40))
YEARS IN AGGREGATE PRINCIPAL AMOUNT OF)
NOT MORE THAN \$200,000,000, LESS THE)
AGGREGATE PRINCIPAL AMOUNT OF ANY OTHER)
EVIDENCE OF INDEBTEDNESS PAYABLE IN MORE)
THAN TWELVE (12) MONTHS FROM THE DATE OR)
DATES THEREOF THAT IS ISSUED PURSUANT TO)
(iii) BELOW; (ii) TO MAKE, EXECUTE AND DELIVER)
PURSUANT TO N.J.S.A. 48:3-7, SUCH OTHER)
SUPPLEMENTAL INDENTURES, AND TO ISSUE)
SUCH FIRST MORTGAGE BONDS THEREUNDER, AS)
SHALL BE NECESSARY TO COMPLETE THE)
TRANSACTIONS CONTEMPLATED IN THIS)
PETITION; (iii) TO ISSUE OTHER EVIDENCE OF)
INDEBTEDNESS PAYABLE MORE THAN TWELVE)
(12) MONTHS FROM THE DATE OR DATES)
THEREOF; (iv) TO ISSUE AND SELL MEDIUM TERM)
NOTES WITH A MATURITY OF NOT MORE THAN)
FORTY (40) YEARS IN AN AGGREGATE PRINCIPAL)
AMOUNT OF NOT MORE THAN \$200,000,000, LESS)
THE AGGREGATE PRINCIPAL AMOUNT OF ANY)
OTHER EVIDENCE OF INDEBTEDNESS PAYABLE IN)
MORE THAN TWELVE (12) MONTHS FROM THE)
DATE OR DATES THEREOF THAT IS ISSUED)
PURSUANT TO (iii) ABOVE, (v) TO MAKE, EXECUTE)
AND DELIVER A TRUST INDENTURE, TRUST)

ORDER

INDENTURES OR SUPPLEMENTS THERETO)
PROVIDING FOR THE ISSUANCE OF MEDIUM)
TERM NOTES; AND (vi) TO REDEEM, REFINANCE)
OR DEFEASE ANY OR ALL OF ITS OUTSTANDING)
LONG-TERM DEBT SECURITIES AS LONG AS THE)
REDEMPTION, REFINANCING OR DEFEASANCE IS)
ACCOMPLISHED ON A COST- SAVING BASIS.) DOCKET NO. GF13100994

Parties of Record:

Ira Megdal, Esq. Cozen O'Connor for the Petitioner
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

South Jersey Gas Company ("Petitioner" or "Company"), a public utility of the State of New Jersey, by petition filed on October 29, 2013 ("Petition"), requested authority (i) to make, execute and deliver pursuant to N.J.S.A. 48:3-7 a Twenty-Sixth (26th) Supplemental Mortgage Indenture and any additional supplemental mortgage indentures providing for the issuance of a first mortgage bond or bonds, with a maturity or maturities of not more than forty (40) years from the respective dates of issuance, in an aggregate principal amount of not more than \$200,000,000; (ii) to make, execute and deliver pursuant to N.J.S.A. 48:3-7, such other supplemental indentures, and to issue such first mortgage bonds thereunder, as shall be necessary to complete the transactions contemplated in this Petition; (iii) to issue other evidence of indebtedness payable more than twelve (12) months from the date or dates thereof; (iv) to issue and sell medium term notes, with a maturity of not more than forty (40) years from the respective dates of issuance, in an aggregate principal amount of not more than \$200,000,000 ("MTNs"); (v) to make, execute and deliver a trust indenture, trust indentures or supplements thereto or to previous trust indentures providing for the issuance of any such medium term notes; and (vi) to redeem, refinance or defease any or all of its outstanding long-term indebtedness or long-term debt securities as long as the redemption, refinancing or defeasance is financially advantageous to Petitioner. On November 22, 2013, the Company amended its petition to include a request for authorization as needed under N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9 to implement the requested financing.

According to the Petition, the net proceeds of this transaction or series of transactions will be utilized primarily to retire short-term debt, to fund capital expenditure requirements, to fund gas supply acquisitions, other general corporate purposes, and, potentially, to redeem, refinance or defease any or all of the Company's long-term indebtedness or long-term debt securities as long as such redemption, refinancing or defeasance is financially advantageous to Petitioner. The Company's construction program has been financed, in part, by short-term debt, and periodically Petitioner is required to retire such debt.

Petitioner proposes to issue some or all of the MTNs under an Indenture of Trust or under various note indentures between Petitioner and The Bank of New York Mellon, or another financial institution, as trustee (the "Note Trustee" or "Note Trustees"). MTNs may be issued under a Note Indenture in one or more series from time to time without limit. MTNs issued under a Note Indenture may be secured by the Pledged Bonds, discussed infra. Alternatively, Petitioner may elect to issue MTNs secured by other assets or unsecured MTNs pursuant to a Note Indenture.

The Company also seeks authorization to issue MTNs as mortgage bonds under its First Mortgage Indenture dated October 1, 1947 (as amended, the "Mortgage Indenture") from Petitioner to The Bank of New York Mellon (formerly Guaranty Bank and Trust Company), as Mortgage Trustee (the "Mortgage Trustee"). MTNs issued under the Mortgage Indenture will be issued pursuant to one or more supplemental indentures under the Mortgage Indenture. As a result, it may be necessary for Petitioner to make, execute and deliver multiple supplemental Mortgage Indentures in addition to a Twenty-Fifth Supplemental Indenture to the Mortgage Indenture (the "Twenty-Fifth Supplemental Indenture"). Petitioner will choose to issue MTNs under a Note Indenture or the Mortgage Indenture, under a separate indenture or indentures or under both a Note Indenture and the Mortgage Indenture depending upon which structure, in Petitioner's judgment, allows it to issue MTNs in a financially advantageous manner.

In addition to being issued in various series, Petitioner proposes that MTNs may be issued at various times, and have differing maturity dates and may bear interest at different rates, and may contain other terms that vary from series to series. Any series of MTNs may be issued in one or more offerings that will be registered under the Securities Act of 1933 ("Securities Act"), or in one or more offerings that will be exempt from registration under the Securities Act. If a MTN offering is registered under the Securities Act, the sale will be made in a manner which, in the judgment of the Company, yields a financially advantageous result for the Company. If a MTN offering is not registered under the Securities Act, the Company intends to sell the MTNs either to or through one to three agents, in either case to purchasers that will be accredited investors, as defined in rules adopted by the Securities and Exchange Commission ("SEC"). The successful bidder or bidders may, in turn, resell the MTNs to qualified institutional buyers, pursuant to Rule 144A under the Securities Act, or to any eligible purchasers under an applicable exemption from the Securities Act. This type of sale, in an unregistered offering, will be made to or through the agent or agents whose bid or bids will, in the judgment of the Company, yield a financially advantageous result for the Company. The agents to be utilized by the Company may change from offering to offering.

Petitioner anticipates that the interest rates to be borne by the MTNs will not exceed ten percent (10%). However, if market conditions require an interest rate greater than ten percent (10%), Petitioner states that it will notify the Office of the Economist of the Board at least fourteen (14) days prior to the issuance of any such MTNs.

Petitioner proposes to issue MTNs within the following yield spreads over U.S. Treasury securities. However, if market conditions require a yield spread over U.S. Treasury securities greater than as set forth below, Petitioner proposes to notify the Office of the Economist of the Board at least seven (7) days prior to pricing of such MTNs, and if Petitioner does not receive any objection in writing from the Office of the Economist of the Board within seven (7) days of receipt of that notice, that the Maturity Yield Spread Table shall be deemed amended as set forth in the notice.

MARKET YIELD SPREAD TABLE

<u>Range of Maturities</u>	<u>Maximum Coupon Spread Over U.S. Treasury Securities (Basis Points)</u>
1 Yr. to less than 18 Mos.	425
18 Mos. to less than 2 Yrs.	435
2 Yrs. to less than 3 Yrs.	445
3 Yrs. to less than 4 Yrs.	455
4 Yrs. to less than 5 Yrs.	465
5 Yrs. to less than 7 Yrs.	475
7 Yrs. to less than 10 Yrs.	485
10 Yrs. to less than 15 Yrs.	495
15 Yrs. to less than 20 Yrs.	505
20 Yrs. to 40 Yrs.	515

To provide Petitioner with the opportunity to take advantage of changing money market conditions and advantageously manage its cost of capital and meet competitive conditions, Petitioner requests authority, as appropriate market opportunities arise, to issue and sell MTNs in one or more offerings. According to the Petition, the terms of the proposed MTNs cannot be determined at this time, as they will be dependent upon market and other conditions.

The timing of each transaction with respect to each issuance of MTNs, the price to be paid to Petitioner, the rate of interest, maturity, redemption provisions and prices, and the type, terms and conditions of the MTNs will be determined from time to time for each issuance of MTNs. Such determinations will depend upon the market conditions at the time of issuance and sale. Depending upon the then prevailing market conditions, the MTNs will have maturities of up to forty (40) years from their respective dates of issuances. MTNs may include conventional, floating rate, put, call, remarketed, swaps, options or other terms and conditions. Petitioner requests that all MTNs be sold without further approval by this Board in accordance with procedures set forth in the Petition and this Order.

If secured MTNs are issued under a Note Indenture, they may be secured by one or more bonds (each, a "Pledged Bond" and collectively, the "Pledged Bonds") that will be issued under the Mortgage Indenture ("Mortgage Bonds"). The Pledged Bond or Pledged Bonds, if any, issued to service and secure MTNs, will be issued under the Mortgage Indenture, as to be supplemented and amended by the Twenty-Sixth Supplemental Mortgage Indenture or further supplemental mortgage indentures providing for the issuance of the Pledged Bond or Pledged Bonds. According to the Petition, the Mortgage Indenture is a first lien on substantially all of the property and franchises of Petitioner, now owned or hereafter acquired, with certain delineated exceptions. The terms and conditions for the Twenty-Sixth Supplemental Indenture and other supplemental mortgage indentures will be determined prior to the issuance of the respective Pledged Bond or Pledged Bonds. If authorized, Petitioner may also issue additional supplemental indentures and additional mortgage bonds providing for the issuance of a Pledged Bond or Pledged Bonds or providing for the issuance of MTNs as mortgage bonds as provided under the Petition and this Order.

The Pledged Bond or Pledged Bonds shall be issued in a principal amount up to \$200,000,000. If the Pledged Bond or Pledged Bonds are issued to secure MTNs issued under a Note Indenture, such Pledged Bond or Pledged Bonds shall be issued and pledged by the Company

and delivered to the Note Trustee in accordance with the relevant Note Indenture. The Pledged Bond or Pledged Bonds will service and secure the payment of the principal of, and interest on, secured MTNs issued under a Note Indenture that are to be secured by such Pledged Bond(s). The principal amount of the Pledged Bond or Pledged Bonds deemed outstanding that have been issued to the Note Trustee to secure MTNs issued under a Note Indenture will at all times be equal to the outstanding principal amount of the MTNs issued under a Note Indenture that are secured by such Pledged Bond or Pledged Bonds.

If an offering of MTNs is registered under the Securities Act, any related Pledged Bond or Pledged Bonds may also be registered under the Securities Act, if required. Interest on the Pledged Bond or Pledged Bonds or portions thereof that are used to secure payment on such MTNs shall accrue at a rate to be determined. Relative to the Pledged Bonds that are issued to the Note Trustee to secure MTNs issued under a Note Indenture, the Company shall be entitled to credits equal to the amount by which principal of and interest due on the Pledged Bonds exceeds principal of and interest due on the MTNs secured thereby. As a result, the amount of interest due and payable on the Pledged Bonds from time to time will equal the amount of interest due under all outstanding secured MTNs issued under a Note Indenture to which such Pledged Bond or Pledged Bonds relate.

Additionally, Petitioner requests authority to engage in redemptions, refinancings or defeasances of any of its outstanding long-term indebtedness or long-term debt securities, at any time through December 31, 2016, that, in the judgment of the Company, are financially advantageous to the Company. Specifically, Petitioner requests authority to redeem, refinance or defease at its option, all or any of the outstanding principal balance of any of its remaining outstanding long-term indebtedness or long-term debt securities which are eligible to be redeemed at their previously approved redemption prices, including any premium, plus interest thereon to the date of redemption if it is financially advantageous to the Company.

Petitioner proposes to amortize the issuance cost of the MTNs and Pledged Bond or Pledged Bonds by monthly charges to account number 428, Amortization of Debt Discount and Expense. Petitioner contemplates that its first offering of MTNs hereunder total will be an offering of \$20 million of MTNs issued under a Note Indenture. The projected cost for such issuance (and a Pledged Bond to be issued to the Note Trustee in connection with such issuance), is \$426,000.

No franchise or right is proposed to be capitalized, directly or indirectly, by the Company, as a result of this Petition. Petitioner represents that it will use the proceeds of the MTNs to be issued as a result of the approval of this Petition, if approved, only for the purposes set forth in the Petition.

The Division of Rate Counsel ("Rate Counsel") has reviewed this matter and by letter dated January 7, 2014, stated that it does not object to Board approval of the Petition subject to certain conditions. Those conditions are incorporated into this Order.

The Board, after investigation, having considered the Petition and exhibits submitted in this proceeding and the comments submitted by Rate Counsel and the recommendation of Board staff, **FINDS** that the proposed series of transactions is to be made in accordance with the law, and the Board, approving the purposes thereof, **HEREBY ORDERS** that Petitioner be and is **HEREBY AUTHORIZED** through December 31, 2016: (i) to make, execute and deliver pursuant

to N.J.S.A. 48:3-7, N.J.S.A. 48:3-9 and N.J.A.C. 14:1-5.9 a Twenty-Sixth (26th) Supplemental Mortgage Indenture and any additional supplemental mortgage indentures providing for the issuance of a first mortgage bond or bonds, with a maturity or maturities of not more than forty (40) years from the respective dates of issuance, in an aggregate principal amount of not more than \$200,000,000 less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date or dates thereof that is issued pursuant to (iii) below; (ii) to make, execute and deliver pursuant to N.J.S.A. 48:3-7, such other supplemental indentures, and to issue such first mortgage bonds thereunder, as shall be necessary to complete the transactions contemplated in this Petition; (iii) to issue other evidence of indebtedness payable more than twelve (12) months from the date or dates thereof; (iv) to issue and sell medium term notes, with a maturity of not more than forty (40) years from the respective dates of issuance, in an aggregate principal amount of not more than \$200,000,000 less the aggregate principal amount of any other indebtedness payable in more than twelve (12) months from the date or dates thereof that is issued pursuant to (iii) above; (v) to make, execute and deliver a trust indenture, trust indentures or supplements thereto or to previous trust indentures providing for the issuance of any such medium term notes; and (vi) to redeem, refinance or defease any or all of its outstanding long-term indebtedness or long-term debt securities as long as the redemption, refinancing or defeasance is financially advantageous to Petitioner.

This Order is issued subject to the following provisions:

1. Petitioner will issue the various series of MTNs in compliance with this Order. No further Order of this Board shall be necessary for Petitioner to complete the series of MTN transactions if the conditions of this Order are met.
2. With respect to each issue and sale of any MTNs which may be made through competitive bidding, and not registered under the Securities Act, Petitioner shall provide this Board with the following material for informational purposes, as soon as it is available, and in no event later than 24 hours prior to the time for the receipt of bids which materials may be provided by mail or by facsimile transmission and confirmed by mail: (a) a statement with respect of bidding for the MTNs which shall specify (i) the date and time for receipt of bids for the MTNs, (ii) the principal amount of the MTNs, (iii) the series designation of the MTNs, (iv) the minimum and maximum percentage of principal amount which may be specified in the bid as the purchase price for the MTNs, (v) the term of the MTNs, (vi) the terms and conditions, if any, upon which the MTNs may be redeemed, whether at the option of the Petitioner, pursuant to any sinking fund or improvement fund for the MTNs, or otherwise, and (vii) such other provisions as may be established by Petitioner with respect to the terms and conditions of the MTNs and the bidding thereof; and (b) An assessment of the then current financial markets applicable to the MTNs which shall include (i) data with respect to recent sales of comparable securities of other utilities, (ii) interest rate spreads between United State Treasury Bonds and utility securities comparable to the MTNs, (iii) the anticipated number of bidders for the MTNs, (iv) the anticipated range of the yield of the MTNs based upon current market conditions, and (v) such other information as Petitioner shall deem relevant to assess the expected sale of the MTNs and the reasonableness of the annual cost of money.
3. Pursuant to competitive bidding procedures (a) at least three independent bids for the purchase of MTNs are received, (b) Petitioner accepts the bid which produces the most advantageous financial terms to Petitioner, and (c) the price to Petitioner in

such bid is no less than 97% of principal amount and no more than 102% of principal amount, Petitioner may, without further Order of the Board, issue and sell the MTNs in accordance with the terms and conditions contained in such accepted bid. If (x) only one or two bids are received for the MTNs, or (y) Petitioner proposes to accept the bid which does not produce the most advantageous financial terms to the Petitioner or (z) the accepted bid provides for a price to the Petitioner of less than 97% of principal amount or more than 102% of principal amount, the proposed issuance and sale of the MTNs shall not be consummated until a further Order of the Board authorizing such issuance and sale has been entered.

4. If MTNs are sold pursuant to competitive bidding, Petitioner shall furnish this Board in writing as soon as practicable after accepting the bid for MTNs, the names of all principal bidders together with the interest rate, the annual cost of money to Petitioner, the price to the public, the percentage yield and the price to Petitioner applicable to each bid.
5. While it is anticipated that the interest rates to be borne by the MTNs will not exceed ten percent (10%), if market conditions require an interest rate greater than ten percent (10%), Petitioner will notify the Office of the Economist of the Board at least fourteen (14) days prior to the issuance of any MTNs if this falls within the Market Yield Spread Table approved by this Order. If the rate exceeds the approved range, Petitioner shall seek Board approval as described below.
6. Whether the MTNs are sold in an offering that is registered under the Securities Act, or sold on a competitively bid basis, Petitioner shall not issue MTNs at coupon rates in excess of those that would result from the Market Yield Spread Table set forth in this Order. In the event that market conditions change, Petitioner must file an updated Market Yield Spread Table for Board approval, before issuing MTNs with coupon rates that are not within the Market Yield Spread Table set forth herein.
7. Petitioner shall telephonically notify the Board's Chief Economist prior to its issuance of MTNs, whether issued in an offering registered under the Securities Act or not, and will supply the following for informational purposes only: (i) principal amount or amounts of the MTNs proposed to be sold; (ii) anticipated maturity ranges; (iii) actual current yields of United States Treasury securities; (iv) range of estimated coupon spreads over United States Treasury securities; (v) data, as available, with respect to recent sale of comparable MTNs of other utilities; and (vi) such other information as Petitioner shall deem relevant to assess the reasonableness of the expected sale of the MTNs. Further, within seven (7) business days after the issuance and sale of any MTNs, Petitioner will provide the Chief Economist such information as was available at the time of sale upon which Petitioner based its decision to sell, such as market data with respect to utilities with similar credit ratings that have issued comparable securities.
8. Petitioner shall, as promptly as is practicable following the end of each month during which the MTNs are sold, file with the Board a statement which shall set forth the MTN transactions concluded during such month including the names of the agents and details of the transactions with the agents. Such statement shall also set forth (a) the principal amount, maturity date, redemption provisions, commissions and the interest rate spread over comparable United State Treasury securities for any MTNs

sold and (b) the principal amount of the MTNs remaining authorized for issuance and sale in this Docket.

9. Petitioner shall furnish the Board with copies of each Note Indenture, similar indenture, and supplemental indenture, as executed.
10. Petitioner shall furnish this Board with copies of all final and complete documents as executed and filed with other regulatory agencies, including the SEC.
11. Petitioner shall semi-annually file with this Board, a statement setting forth: (i) the amount of MTNs issued pursuant to this Order; and (ii) details with respect to the disbursement of proceeds from such issuances.
12. This Order shall not be construed as a certification that the securities authorized to be offered for sale will be represented by tangible or intangible assets of commensurate value or investment costs.
13. This Order shall not effect nor in any way limit the exercise or authority of this Board, or of this State, in any future petition or in any proceeding with respect to rates, franchises, services, financing, capitalization, depreciation, or any other matters affecting the Petitioner.
14. This Order shall not be construed as directly or indirectly fixing, for any purpose whatsoever, any value of the tangible or intangible assets now owned or hereafter to be owned by Petitioner.
15. Petitioner should undertake financing in a manner that achieves the lowest reasonable cost of capital to customers.
16. Petitioner is obligated to use a prudent mix of capital to finance its utility operations and investments to provide service at lowest reasonable cost.
17. Petitioner is obligated to conduct its long-term borrowing at the lowest reasonable cost.
18. The long-term debt issuance authority granted by the Board in this docket is to be used to fund utility operations and investments only, not to fund unregulated affiliates.
19. The Board's approval of the Petition does not constitute pre-approval of any cost recovery from customers or rate setting.
20. Rate Counsel reserves all rights to take appropriate positions in any future Board proceedings involving the Company.


21. The authority granted in this Order shall become null and void and of no effect with respect to any portion thereof which is not exercised by December 31, 2016.

This Order is effective February 7, 2014.

DATED: 1/29/14

BOARD OF PUBLIC UTILITIES
BY:

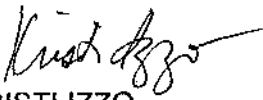

DIANNE SOLOMON
PRESIDENT


JEANNE M. FOX
COMMISSIONER

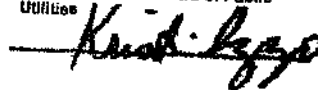

JOSEPH L. FIORDALISO
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:


KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within
document is a true copy of the original
in the files of the Board of Public
Utilities



In the Matter of the Petition of South Jersey Gas Company for Authority to Issue up to \$200
Million of Debt Securities - Docket No. GF13100994

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