



**STATE OF NEW JERSEY**  
**Board of Public Utilities**  
44 South Clinton Avenue, 9<sup>th</sup> Floor  
Post Office Box 350  
Trenton, New Jersey 08625-0350  
[www.nj.gov/bpu/](http://www.nj.gov/bpu/)

ENERGY

IN THE MATTER OF THE PETITION OF SOUTH	)	DECISION AND ORDER
JERSEY GAS COMPANY TO REVISE THE LEVEL OF	)	APPROVING STIPULATION
ITS BASIC GAS SUPPLY SERVICE ("BGSS")	)	FOR FINAL BGSS AND CIP
CHARGE AND TO REVISE THE LEVEL OF ITS	)	RATES
CONSERVATION INCENTIVE PROGRAM ("CIP")	)	
CHARGES FOR THE YEAR ENDING SEPTEMBER 30,	)	
2014	)	DOCKET NO. GR13050434

**Parties of Record:**

**Ira G. Megdal, Esq.** for petitioner South Jersey Gas Company (Cozen O'Connor)  
**Stefanie A. Brand, Esq., Director**, New Jersey Division of Rate Counsel

BY THE BOARD:

**BACKGROUND**

Per the generic Order of the New Jersey Board of Public Utilities ("Board") dated January 6, 2003, in Docket No.GX01050304, each of New Jersey's four gas distribution companies submits to the Board its annual basic gas supply service ("BGSS") gas cost filing by June 1 for the BGSS year beginning October 1.

In accordance with the above noted Order, on May 31, 2013, South Jersey Gas Company ("Company" or "SJG") filed with the Board its annual petition to establish new Periodic BGSS rates for the period October 1, 2013 through September 30, 2014. The Company's petition sought to maintain its current after-tax per therm BGSS charge of \$0.5325 applicable to residential heating and non-heating ("RSG") and small commercial ("GSG") customers.

In its petition, the Company also requested the following after-tax rate revisions:

- i) an increase in the gas cost portion of the Company's D-2<sup>1</sup> charge for Rate Schedule Large Volume Service ("LVS") from \$13.4618 per Mcf to \$15.5183 per Mcf.

<sup>1</sup> Designed to recover interstate pipeline demand charges.

- ii) an increase in the gas cost portion of the Firm D-2 charges from \$15.2755 per Mcf to \$18.1541 per Mcf.
- iii) an increase in the Limited Firm D-2 charges for Rate Schedule Electric Generation Service – Large Volume (“EGS-LV”) and Firm Electric Service (“FES”) from \$6.7310 per Mcf to \$7.7591 per Mcf.
- iv) a decrease in the monthly BGSS non-commodity per therm rate applicable to Rate Schedules GSG, General Service – Large Volume (“GSG-LV”), Electric Generation Service (“EGS”), LVS and EGS-LV from \$0.1701 per therm to \$0.1486 per therm.

The petition also included a Conservation Incentive Program (“CIP<sup>2</sup>”) proposal seeking approval of the following changes to its after-tax per therm CIP rates to be effective as of October 1, 2013:

- i) a decrease from a charge of \$0.0545 to a credit of \$0.0325 for RSG non-heating customers.
- ii) a decrease from a charge of \$0.1024 to \$0.0392 for RSG heating customers.
- iii) a decrease from a charge of \$0.0688 to \$0.0391 for GSG customers.
- iv) an increase from a charge of \$0.0138 to \$0.0372 for GSG-LV (large commercial) customers.

As proposed, the net annual revenue decrease to the Company from the BGSS, D-2 and CIP revisions was estimated at \$17.29 million excluding taxes (\$18.51 million including taxes). The combined proposed changes in the Company’s BGSS and CIP rates were to result in a net decrease of approximately 4.8% or \$6.32 per month, after taxes, for the residential heat customer using 100 therms of gas during the month.

After publication of notice in newspapers of general circulation in SJG’s service territory, two public hearings in this matter were held on August 7, 2013, in Voorhees, New Jersey. No members of the public appeared or filed comments related to the Company’s filing.

On September 5, 2013, SJG, the New Jersey Division of Rate Counsel (“Rate Counsel”), and Board Staff, (collectively, “the Parties”), executed a stipulation in which the Parties agreed that the requested rates should be approved on a provisional basis (“Stipulation for Provisional BGSS and CIP Rates”) with the rates subject to refund with interest on any net over recovered BGSS balance.

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<sup>2</sup> The CIP was approved by the Board in Docket No. GR05120120 in Board Orders dated October 12 and December 12, 2006 and extended by an Order dated January 20, 2010. The CIP encourages the Company to foster customer conservation by allowing it to share in energy related savings due to conservation. The non-weather related CIP surcharges are limited to corresponding decreases in specific supply related costs incorporated in the Company’s BGSS Rates. The CIP surcharge is also subject to a return on equity cap of 10.3%.

By Order dated September 18, 2013, the Board approved the Stipulation for Provisional BGSS and CIP rates.<sup>3</sup>

### **Stipulation of Settlement**

Following review of discovery and subsequent discussions, on July 7, 2014, the Parties executed a Stipulation of Settlement<sup>4</sup> ("Stipulation") in which the Parties agreed that it would be reasonable and in the public interest for the Board to make "final" the provisional BGSS and CIP rates previously approved in the September 18, 2013 Order, and that there will be no change in the Company's rates as a result of the Stipulation

The Stipulation also indicates that the Company has committed to continuing to provide the Parties with monthly reports in the form of Exhibits A and B attached to the Stipulation, containing updated information on the BGSS NYMEX and on the per therm net cost of gas.

In addition, the Company has agreed to provide in its 2014-2015 BGSS filing, Docket No. GR14050510, a detailed analysis supporting any plans to extend or replace its multi-year releases of pipeline transportation capacity from Leidy and other Appalachia points at the tariff rate when they expire at the end of this year.

### **DISCUSSION AND FINDINGS**

The Board, having carefully reviewed the Stipulation and being persuaded that the BGSS and CIP rates at issue have been thoroughly reviewed, **HEREBY FINDS** that subject to the terms and conditions set forth below, the Stipulation is reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully set forth herein.

Therefore, the Board **HEREBY DIRECTS** that the Company's after-tax per therm BGSS rate of \$0.5325 including all applicable taxes be made final. Furthermore, the Board **HEREBY APPROVES** the following after-tax rates as final: 1) the gas cost portion of the D-2 charge for Rate Schedule LVS at \$15.5183 per Mcf; 2) the gas cost portion of the Firm D-2 charges at \$18.1541 per Mcf, and the gas cost portion of the Limited Firm D-2 charges at \$7.7591 per Mcf for Rate Schedule EGS-LV; 3) the gas cost portion of the D-2 charge at \$7.7591 per Mcf for Rate Schedule FES; and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, EGS-LVS and EGS-LV at \$0.1486 per therm. Also, the Board **HEREBY APPROVES** the following after-tax per therm CIP rates as final: a credit of \$0.0325 for RSG Non-Heating Customers, a charge of \$0.0392 for RSG Heating Customers, a charge of \$0.0391 for GSG Customers, and a charge of \$0.0372 for GSG - LV Customers.

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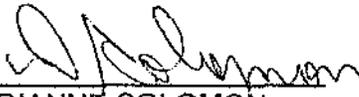
<sup>3</sup> While the Order approving the provisional rates directed that the matter be transmitted to the Office of Administrative Law for review and hearing (if needed), because the Parties agreed that settlement was likely, the case was retained at the Board.

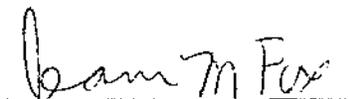
<sup>4</sup> Although summarized in this Order, the detailed terms of the Stipulation control, subject to the findings and conclusions of this Order.

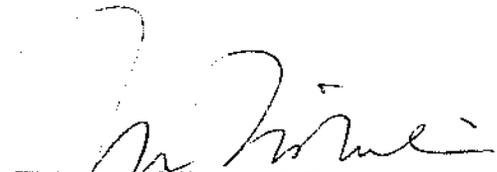
The Company's BGSS and CIP rates remain subject to audit. This Decision and Order shall not preclude nor prohibit the Board from taking any actions determined to be appropriate as a result of any such audit.

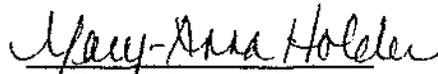
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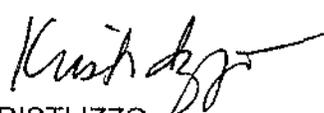
BOARD OF PUBLIC UTILITIES  
BY:

  
DIANNE SOLOMON  
PRESIDENT

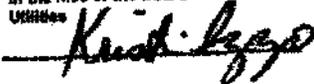
  
JEANNE M. FOX  
COMMISSIONER

  
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 To Revise the Level of its Basic Gas Supply Service ("BGSS") Charge and to Revise the Level of its Conservation Incentive Program ("CIP") Charges for the Year Ending September 30, 2014  
BPU Docket GR13050434

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**STATE OF NEW JERSEY  
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION OF : BPU DOCKET NO. GR13050434**  
**SOUTH JERSEY GAS COMPANY TO :**  
**REVISE THE LEVEL OF ITS BASIC GAS : STIPULATION FOR FINAL BGSS**  
**SUPPLY SERVICE (“BGSS”) CHARGE : AND CIP RATES**  
**AND TO REVISE THE LEVEL OF ITS :**  
**CONSERVATION INCENTIVE :**  
**PROGRAM (“CIP”) CHARGES FOR THE :**  
**YEAR ENDING SEPTEMBER 30, 2014 :**

**APPEARANCES:**

**Ira G. Megdal, Esquire, (Cozen O’Connor, attorneys) on behalf of South Jersey Gas Company (“Petitioner”)**

**Felicia Thomas-Friel, Esquire, Deputy Rate Counsel, Henry M. Ogden, Esquire, Assistant Deputy Rate Counsel and James W. Glassen, Esquire, Assistant Deputy Rate Counsel on behalf of the New Jersey Division of Rate Counsel (“Rate Counsel”) (Stefanie A. Brand, Director)**

**Alex Moreau and Veronica Beke, Deputy Attorneys General, on behalf of the Staff of the Board of Public Utilities (“Staff”) (John J. Hoffman, Acting Attorney General of the State of New Jersey)**

**TO: THE HONORABLE BOARD OF PUBLIC UTILITIES:**

**I. INTRODUCTION**

1. This Stipulation is intended to make final the provisional Basic Gas Supply Service (“BGSS”) and Conservation Incentive Program (“CIP”) rates previously approved by the Board on September 18, 2013 in Docket No. GR13050434 (“this Proceeding”).

**II. PROCEDURAL HISTORY**

2. On May 31, 2013, South Jersey Gas Company (“South Jersey,” or “Company,” or “Petitioner”) filed a Petition (“Petition”) in this Proceeding seeking to revise the level of its Basic Gas Supply Service Clause (“BGSS”) charges and to revise the level of its Conservation Incentive Program (“CIP”) charges for the period October 1, 2013 through September 30, 2014

("BGSS/CIP Year") in Docket No. GR13050434. The Company requested that the Board of Public Utilities ("Board") approve the Company's proposal to maintain the current level of its periodic BGSS charge of \$0.5325 per therm (including taxes).

3. With respect to the BGSS aspect of the Petition, South Jersey also requested that the Board authorize that: 1) the gas cost portion of the Company's D-2 charge for Rate Schedule LVS be set at \$15.5183 per Mcf (including taxes); 2) the gas cost portion of the Firm D-2 charge for Rate Schedule EGS-LV Firm be set at \$18.1541 per Mcf (including taxes); 3) the Limited Firm D-2 charge for Rate Schedule EGS-LV and the D-2 charge for Rate Schedule FES be set at \$7.7591 per Mcf (including taxes); and 4) the monthly BGSS non-commodity rate applicable to Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV be set at \$0.1486 per therm (including taxes). These changes would result in a decrease in annual revenues of approximately \$590,000, excluding taxes, and \$630,000 including taxes.

4. With respect to the CIP aspect of the Petition, South Jersey requested that the Board approve the implementation, effective October 1, 2013, of per therm CIP factors of:

- \$(0.0325) for Group I Residential Non-Heat customers;
- \$0.0392 for Group II Residential Heat customers;
- \$0.0391 for Group III General Service (GSG) customers; and
- \$0.0372 for Group IV General Service Large Volume (GSG-LV) customers.

5. The requested CIP rates would result in a monthly decrease of \$6.32, or 4.8% per month, for a residential heating customer using 100 therms of gas during a winter month. The impact on a residential non-heating customer using 15 therms of gas during a month is a decrease of \$1.31, or 4.9%. The impact on a GSG customer using 500 therms of gas during a month is a

decrease of \$14.85, or 2.6%. The impact on a GSG-LV customer using 15,646 therms of gas a month is an increase of \$366.12, or 2.2%.

6. As proposed, the net annual revenue decrease to the Company from the BGSS and CIP revisions would be approximately \$18.51 million (including taxes). The combined proposed changes in the Company's BGSS and CIP rates would result in a net decrease of approximately 4.8% or \$6.32 per month, after taxes, for the residential heat customer using 100 therms during the month.

7. Two duly noticed public hearings for the Petition were held on August 7, 2013 in Voorhees, New Jersey. The public hearings were noticed in newspapers of general circulation within South Jersey's service territory. No members of the public attended.

8. By Order and Decision dated September 18, 2013, the Board approved, on a provisional basis, the BGSS and CIP rates proposed in Docket No. GR13050434. The Board approved no change to the Company's after-tax per therm Periodic BGSS rate of \$0.5325 per therm; a revision of the gas portion of the after-tax per Mcf D-2 charge to \$15.5183 for Rate Schedule LVS; a revision of the gas portion of the after-tax per Mcf D-2 charge of \$18.1541 and a revision of the gas portion of the Limited Firm D-2 rate to \$7.7591 for Rate Schedule EGS-LV; a revision of the gas portion of the after-tax per Mcf D-2 rate of \$7.7591 for Rate Schedule FES and a decrease of the after-tax per therm Monthly BGSS non-commodity rate to \$0.1486 for Rate Schedules GSG, GSG-LV, EGS, LVS and EGS-LV.

9. In the September 18, 2013 Order, the Board also approved, on a provisional basis, the Company's implementation of the following per therm CIP rates: (1) an after-tax per-therm credit of \$0.0325 for Group I RSG Non-Heating Customers; (2) a charge of \$0.0392 for Group II

RSG Heating Customers; (3) a charge of \$0.0391 for Group III GSG Customers; and (4) a charge of \$0.0372 for Group IV GSG-LV Customers.

10. All changes to the Company's BGSS and CIP rates became effective, on a provisional basis, for service rendered on or after October 1, 2013.

11. In January 2014, the Company provided its Periodic BGSS customers a \$12 million bill credit, including taxes.

12. All discovery propounded upon Petitioner has been answered.

## **II. STIPULATED TERMS**

13. South Jersey, Staff, and Rate Counsel, the only parties to this Proceeding (collectively the "Parties"), have discussed certain matters at issue in this Proceeding. The Parties have determined that it would be reasonable and in the public interest to make final the provisional BGSS and CIP rates previously approved in the September 18, 2013 Order. Also, although the Board in said Order had directed that this Proceeding be transmitted to the Office of Administrative Law ("OAL") for review and evidentiary hearings, if necessary, such OAL transmittal never became necessary.

14. Pursuant to the Board's October 12, 2006 and January 21, 2010 Orders in Docket No. GR05121020, any non-weather related CIP surcharges must be offset by reductions in BGSS costs. Accordingly, in its Petition, the Company sought to recover an estimated total of \$6.2 million in non-weather related CIP margin, comprised of an estimated \$5.2 million of non-weather related CIP margin for the CIP year ending September 2014 and a \$1.0 million prior year revenue carry over. The Company asserts that BGSS savings for the period October 2013

through September 2014 are \$8.9 million, offsetting the non-weather related CIP charges for the same period and thus, meeting the BGSS savings test. The Company further asserts that recovery of the \$6.2 million margin deficiency results in a return on equity of 8.9 percent, which is less than the Company's approved return on equity of 10.3 percent, and thus, the ROE test has been met. Rate Counsel opposes the Company's proposal to include the \$0.9 million in Antero-related commodity savings in the BGSS Savings test. This exclusion will not impact the Company's CIP rates or recoveries in this Proceeding.

15. The Parties accordingly **STIPULATE AND AGREE** that the provisional BGSS and CIP rates contained in the stipulation approved by the Board's Decision and Order dated September 18, 2013 in BPU Docket No. GR13050434 should be made final. There will be no change in South Jersey's rates as a result of this Stipulation.

16. The Company agrees to continue to provide electronically to the Parties in this Proceeding, on a monthly basis, the following updated information: 1) the BGSS NYMEX Update Report (also known as S-SCHART-1) attached hereto as Exhibit A; and 2) a monthly report (also known as S-SCHART-2) showing the calculation of net gas per therm, attached hereto as Exhibit B. The chart reflected on Exhibit A is to be completed using information from the first Friday of the month and submitted to the Parties the following Tuesday. The chart reflected on Exhibit B is to be submitted to the Parties on approximately the 15th of the following month. The Company agrees to provide in its 2015 BGSS filing (BPU Docket #: GR14050510) a detailed analysis supporting any plans to extend or replace their multi-year releases of pipeline transportation capacity from Leidy and other Appalachia points at the tariff rate when they expire at the end of this year.

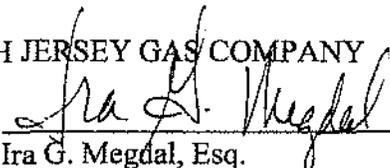
### III. MISCELLANEOUS

17. This Stipulation represents a mutual balancing of interests and, therefore, is intended to be accepted and approved in its entirety. In the event this Stipulation is not adopted in its entirety by the Board, then any party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.

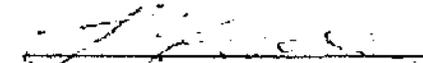
18. It is specifically understood and agreed that this Stipulation represents a negotiated final agreement and has been made exclusively for the purpose of this Proceeding. Except as expressly provided herein, South Jersey, Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein. Also, all rates are subject to Board audit.

19. The Parties further acknowledge that a Board Order approving this Stipulation will become effective upon the service of said Board Order, or upon such date after the service thereof as the Board may specify, in accordance with N.J.S.A. 48:2-40.

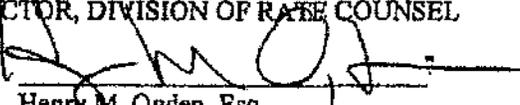
WHEREFORE, the Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

SOUTH JERSEY GAS COMPANY  
By:   
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Cozen O'Connor

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Attorney for the Staff of the Board of Public Utilities

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STEFANIE A. BRAND  
DIRECTOR, DIVISION OF RATE COUNSEL

By:   
Henry M. Ogden, Esq.  
Assistant Deputy Rate Counsel

Dated: July 7, 2014

# **EXHIBIT**

**A**

**S-SCHART-1**  
**BGSS NYMEX Update Report**  
**As of June 06, 2014**

<u>Month</u>	<u>a</u>		<u>b</u>		<u>c = b - a</u>		<u>d</u>		<u>e</u>		<u>f = d - e</u>		<u>g = c x f</u>	
	<u>BGSS</u>	<u>NYMEX</u>	<u>Incr/</u>	<u>% Chg</u>	<u>Sales</u>	<u>Hedged</u>	<u>Unhedged</u>	<u>forecast (dths)</u>	<u>volume (dths)</u>	<u>volume (dths)</u>	<u>value unhedged</u>	<u>Change in</u>	<u>value unhedged</u>	
Oct-12	\$ 2.757	\$ 3.023	\$ 0.266		1,302,971	360,000	942,971						\$250,830	
Nov-12	\$ 3.033	\$ 3.471	\$ 0.438		2,688,904	1,309,554	1,379,350						\$604,155	
Dec-12	\$ 3.374	\$ 3.696	\$ 0.322		4,314,323	2,726,407	1,587,916						\$511,309	
Jan-13	\$ 3.525	\$ 3.354	\$ (0.171)		4,771,229	3,261,928	1,509,301						(\$258,090)	
Feb-13	\$ 3.538	\$ 3.226	\$ (0.312)		4,121,944	2,878,161	1,243,783						(\$388,060)	
Mar-13	\$ 3.520	\$ 3.427	\$ (0.093)		3,417,876	1,832,429	1,585,447						(\$147,447)	
Apr-13	\$ 3.500	\$ 3.976	\$ 0.476		1,782,490	410,000	1,372,490						\$653,305	
May-13	\$ 3.536	\$ 4.152	\$ 0.616		902,912	410,000	492,912						\$303,634	
Jun-13	\$ 3.584	\$ 4.148	\$ 0.564		543,776	370,000	173,776						\$98,010	
Jul-13	\$ 3.632	\$ 3.707	\$ 0.075		526,529	390,000	136,529						\$10,240	
Aug-13	\$ 3.650	\$ 3.459	\$ (0.191)		534,645	370,000	164,645						(\$31,447)	
Sep-13	\$ 3.653	\$ 3.347	\$ (0.306)		626,966	370,000	256,966						(\$78,632)	
<b>Avg Total \$</b>	<b>\$ 3.442</b>	<b>\$ 3.582</b>	<b>\$ 0.140</b>	<b>4.1%</b>	<b>25,534,565</b>	<b>14,688,479</b>	<b>10,846,086</b>						<b>\$1,527,807</b>	
Oct-13	\$ 4.081	\$ 3.498	\$ (0.583)		1,170,641	360,000	810,641						(\$472,604)	
Nov-13	\$ 4.165	\$ 3.496	\$ (0.669)		2,568,045	1,310,000	1,258,045						(\$841,632)	
Dec-13	\$ 4.339	\$ 3.818	\$ (0.521)		4,180,203	2,726,000	1,454,203						(\$757,640)	
Jan-14	\$ 4.423	\$ 4.407	\$ (0.016)		4,587,992	3,262,000	1,325,992						(\$21,216)	
Feb-14	\$ 4.399	\$ 5.557	\$ 1.158		3,922,925	2,878,000	1,044,925						\$1,210,023	
Mar-14	\$ 4.336	\$ 4.855	\$ 0.519		3,248,878	1,832,000	1,416,878						\$735,360	
Apr-14	\$ 4.106	\$ 4.584	\$ 0.478		1,612,451	410,000	1,202,451						\$574,772	
May-14	\$ 4.104	\$ 4.795	\$ 0.691		811,899	410,000	401,899						\$277,712	
Jun-14	\$ 4.135	\$ 4.619	\$ 0.484		489,033	410,000	79,033						\$38,252	
Jul-14	\$ 4.168	\$ 4.710	\$ 0.542		489,911	400,000	89,911						\$48,732	
Aug-14	\$ 4.189	\$ 4.700	\$ 0.511		480,972	390,000	90,972						\$46,487	
Sep-14	\$ 4.188	\$ 4.676	\$ 0.488		587,632	380,000	207,632						\$101,324	
<b>Avg Total \$</b>	<b>\$ 4.219</b>	<b>\$ 4.476</b>	<b>\$ 0.257</b>	<b>6.1%</b>	<b>24,150,582</b>	<b>14,768,000</b>	<b>9,382,582</b>						<b>\$939,570</b>	

**Footnotes:**

a : Nymex rate used for annual BGSS periodic rate filing

b : Nymex rate as of date of the report

c : Increase/Decrease in the Nymex rate compared to rate used for annual BGSS periodic rate filing

d : Sales forecast (includes fuel requirement)

e : 'Hedged' volume consists of all fixed price contracts (financial or physical), purchased call option positions, and tentative storage withdrawal volumes (reduced by fuel required for delivery to citygate)

f : 'Unhedged' volume consists of sales volume forecast less 'hedged' volume

g : Not necessarily representative of a change in under/over-recovery value

# **EXHIBIT**

## **B**

