

STATE OF NEW YORK
PUBLIC SERVICE COMMISSION

At a session of the Public Service
Commission held in the City of
Albany on April 18, 2013

COMMISSIONERS PRESENT:

Garry A. Brown, Chairman
Patricia L. Acampora
Maureen F. Harris
James L. Larocca
Gregg C. Sayre

CASE 12-G-0404 - Minor Rate Filing by Reserve Gas Company, Inc.
to Increase its Annual Gas Revenues by About
\$116,000 or 7.78%.

ORDER DETERMINING REVENUE REQUIREMENT AND RATE DESIGN

(Issued and Effective April 22, 2013)

BY THE COMMISSION:

INTRODUCTION AND BACKGROUND

On September 7, 2012, Reserve Gas Company, Inc. ("Reserve" or "the Company") filed revised tariff leaves and supporting documents seeking an increase in its delivery rates effective January 1, 2013. In this order, the Commission approves the increase of delivery revenues of Reserve by \$116,000, or 7.78% of its total revenue. The rate change will increase typical annual bills by \$139 (14.85%) for residential customers, \$1,035 (13.8%) for commercial customers, and \$850 (14.15%) for public authority customers.

Reserve is a small gas local distribution company ("LDC") located in Alden, NY. It provides gas service to approximately 624 customers in the Village of Alden and in the Towns of Alden, Lancaster, and Newstead in Erie County and the Town of Darien Center in Genesee County.

Service is rendered under the following Service Classifications ("S.C.s"):

<u>S.C. No.</u>	<u>Applicability of Service</u>
1	Leasehold-domestic and commercial purposes by leasehold customers for amounts in excess of free allowances under respective leasehold customers.
3	Commercial purposes except as provided for in S.C. No. 1.
4	Residential customers not eligible for service under S.C. No. 1.
5	Cogeneration customers, for the sole purpose and intent of using for generation of electricity.
6	Interruptible large volume, dual fuel customers whose annual usage exceeds 50,000 thousand cubic feet ("Mcf").

The Company obtains its gas supply from its own wells, local producers, including Alden Aurora Gas Company, Inc. ("Alden Aurora"), an affiliate of Reserve, and from National Fuel Resources, Inc. ("NFR").

Reserve's last rate increase became effective on October 1, 1992.¹ The rates approved in 1992 were estimated to produce an increase in annual revenues of about \$99,999, or 18.5% based on projected rate year revenues.

By letter dated September 7, 2012, Reserve filed proposed tariff leaves to increase rates, along with

¹ Case 92-G-0258, Reserve Gas Company, Inc. - Rates, Untitled Order (issued September 30, 1992).

"testimony",² which would increase delivery revenues by \$116,000, or 7.78%. The Company proposed that rates would become effective as of January 1, 2013. On November 15, 2012, Reserve filed a supplement postponing the date that the rates would become effective until April 1, 2013.³ On March 12, 2013, the Company filed another supplement to further postpone the effective date to July 1, 2013.⁴

PUBLIC NOTICE

Reserve published notice of the proposed rate increase in the Alden Advertiser, a newspaper of general circulation, on October 4, 11, 18 and 25, 2012. In accordance with the State Administrative Procedure Act ("SAPA") §202(1), notice of the petition was published in the State Register on October 3, 2012. The SAPA comment period expired on November 17, 2012. No comments were filed in response to the notice.

PETITION

Reserve is requesting a rate increase of \$116,000, or 7.78% of its total revenues, for the rate year twelve months ending December 31, 2013. To support its filing, Reserve presented balance sheets from December 31, 2006 through 2011,

² Reserve's request in aggregate revenues is less than \$300,000, or 2.5% and, therefore, pursuant to Public Service Law ("PSL") §66(12)(c), is not a major rate filing and a hearing is not required (PSL §66(12)(f)). The "testimony" is unsworn and Department of Public Service Staff did not file responsive testimony. Therefore, the "testimony" will be considered the information filed in support of the request for waiver and revenue requirement relief.

³ Case 12-G-0404, Reserve Gas Company, Inc. - Rates, Postponement of Tariff Filing (issued November 21, 2012).

⁴ Case 12-G-0404, Reserve Gas Company, Inc. - Rates, Postponement of Tariff Filing (issued March 13, 2013).

income statements and statements of operation and maintenance expenses for the years ended December 31, 2006 through 2011, and pro-forma income statements based on the test year ended December 31, 2011 (including explanation of adjustments) attached hereto as Appendix B. In addition, the Company's filing included various other statements and schedules.

Reserve proposes to increase its delivery rates by \$1.5299 per Mcf for residential, commercial and public authority customers served under S.C. No. 1, S.C. No. 3 and S.C. No. 4. The Company also proposed to increase its minimum charge for residential customers served under S.C. No. 1 and S.C. No. 4 from \$1.50 to \$5.00 and commercial, industrial and public authority customers served under S.C. No. 3 from \$1.50 to \$10.00. The Company projected the new rates would result in an increase in revenues of \$116,000.

Reserve provides the following reasons in support of its proposed rate increase: decline in net revenue since 2010; need for a conservative wage increase for employees; equipment replacement; forecast of operating expenses projected to be 103% of total operating revenues; warmer than normal weather patterns resulting in a decline in sales, overabundance of natural gas and declining gas prices; and, its cash flow has deteriorated.

Reserve asserts that its existing rates do not yield just and reasonable compensation for supplying natural gas delivery service to its customers or a just and reasonable return to the Company on the value of the property used in supplying gas service. The Company's schedules show it incurred an actual negative rate of return of 8.89% for the test year ending December 31, 2011, and a pro-forma negative return of 11.87% before a rate increase, as shown in Appendix B. Reserve calculates the need for increased revenues of \$204,933 in order to realize a rate of return of 9.10%, but limited its request to

\$116,000 to avoid a substantial rate increase for its ratepayers.

Reserve requests a waiver of a requirement in the Commission's Statement of Policy on Test Periods in Major Rate Proceedings and states that its test period ended more than 150 days prior to the rate filing.⁵ The Policy Statement requires a company to use a base period to project rate year operating results that ends no more than 150 days after the close of the calendar quarter used to forecast the operating results.

DISCUSSION

Reserve requested a waiver of the 150-day provision contained in the Commission's Statement of Policy on Test Periods in Major Rate Proceedings. We reviewed the financial data presented by the Company and verified it to the general ledger, and conducted an analysis of the Company's adjustments, balance sheet, income statement and expense accounts. Reserve has provided data that is slightly older than what is required, however we believe it is sufficiently reliable. Therefore, Reserve's waiver request is approved.

Our analysis resulted in several adjustments to Reserve's presentation, including updating the rate year to twelve months ending April 30, 2014, and the adjustments are included in Appendix C. Significant adjustments and audit findings are discussed below. Our findings support Reserve's request to increase delivery revenues by \$116,000.

⁵ Case 26821, Statement of Policy on Test Periods in Major Rate Proceedings (issued November 23, 1977), 17 NY PSC 25-R.

A. Revenues

1. Sales and Revenue Forecast

The Company forecasted rate year revenue at \$1,446,652 using the latest twelve months ending June 2012, normalized to exclude revenues associated with the Gas Adjustment Clause ("GAC") reconciliation balance. Our sales forecast summary is shown in Appendix D (Adjustments A - D).

Our customer forecast is based on a regression analysis that determines if a trend exists for customer counts per service class over time. Our analysis showed that the customer counts for S.C. No. 1 residential leaseholds and S.C. No. 4 residential, and S.C. No. 3 commercial, industrial and public authority customers varied little over the last three years. We, therefore, used the three-year average customer counts by service class as our customer forecasts for the rate year.

To forecast the rate year total customer usage, we analyzed the relationship between actual heating degree-days ("HDDs") and total usage per customer for each service class. We found that there was a strong correlation between HDDs and usage among service classes, including usage of several special contract customers. Using the relationship, we forecast usage per customer in the rate year assuming "normal" weather (defined as the ten-year average (2001-2010) of actual HDDs reported by the National Weather Service for Buffalo, New York). The total usage for each service class was then determined by multiplying our customer forecast with our normal usage per customer forecast. For those special contract customers that showed little or no correlation between HDDs and actual usage per customer, the three-year average was used as our rate year forecast.

One of Reserve's special contract customers, customer number 8948, a non-heating commercial customer, is expected to switch its heating system to natural gas, and this action may significantly increase Reserve's revenue. Since no historical data was available to forecast this additional load, our forecast was determined by interpolating the peak load and historical usage of a similar type customer. Based on this relationship, we estimated a range of annual usage, which could be substantial and potentially impact future earnings. We will impose revenue sharing to manage this uncertainty and will discuss it more fully below (Adjustment J).

2. Miscellaneous Revenue

Miscellaneous revenue listed in the petition include: (1) transportation revenue; (2) minimum meter charges, collected for each meter that registers no gas usage in a particular month; and, (3) miscellaneous income. Reserve used test year data as the forecast for the transportation revenue and minimum meter charges of \$20,429 and \$1,152, respectively. The Company normalized miscellaneous income by removing \$38,525 from a lawsuit settlement.

We decreased the Company's transportation revenue by \$503 to reflect our rate year sales forecast for adjustments discussed above (Adjustment F). We adjusted the minimum charge revenue upwards by \$8,976 (Adjustment G) because minimum charges should be charged to all customers whenever more than the minimum usage is consumed.⁶ We also increased miscellaneous income by \$59,159 to include revenues for the commodity sold to Alden Aurora for resale (Adjustment K). We made this adjustment

⁶ During our review, we found that the Company only billed minimum charges when a customer used no gas. This application is not correct. A gas customer should be billed the minimum charge each month as long as the minimum usage is delivered.

to ensure the revenues associated with commodity revenues match commodity expenses and do not impact the revenue requirement.

B. Operating Expenses

1. Gas Cost Matching

In order for the GAC mechanism to operate correctly, forecasted gas cost recoveries should match forecasted gas cost expenses at the time base rates are set because the GAC mechanism provides for full recovery of any changes in purchase gas expense. This ensures that sales customers subject to the GAC are charged only for gas costs paid by the Company and also ensures that there is no under or over-collections built into delivery rates. We adjusted the gas commodity expense upwards by \$40,291 to match the purchase gas revenue (Adjustments L).

2. Labor and Benefits

Reserve and Alden Aurora share common ownership and their respective operations share employees. Reserve maintains a total work force of nine shared employees who appear on Alden Aurora's payroll. Alden Aurora charges Reserve for payroll, payroll taxes and all related insurances. Reserve's petition forecasted labor, payroll tax and benefits expenses totaling \$343,605 for the rate year. Reserve's calculation reflects a 2.95% growth factor.

We found that the Company's forecast only extended to 2012 and the factor must be applied for the years 2013 and 2014. This change increases the labor, payroll tax and benefits by \$24,995 to a forecasted rate year level of \$368,600. The Company did not account for capitalization of 10% of the labor, payroll tax and benefits, which reduces the forecasted rate year expenses by \$36,860. Our overall adjustment decreases the forecasted labor, payroll taxes and benefits by a net amount of \$11,865 (Adjustment M).

Since Reserve has no plans to modify its affiliate relationships and Alden Aurora does not have plans to expand, we believe the current sharing of employees is reasonable to provide safe and adequate service. However, if Reserve's level of employees is reduced (or the allocation of time is increased to Alden Aurora) and not replaced within four months, Reserve shall notify the Secretary to the Commission within 30 days. We will require this to ensure that sufficient staffing continues to be maintained to provide safe and adequate service.

3. Equipment Replacement Fund Request

Reserve requests rate recovery of \$107,500 for vehicles and equipment expenditures, as well as a new billing system. The Company is seeking to recover \$7,679 of capital expenditures in operating expenses spread over a 14-year period. Reserve asserts this annual fee is the most cost effective way for a small utility with a small customer base to fund an asset replacement program rather than incur the cost of filing a financing petition.

We do not believe an escrow account is necessary. Traditionally, the long-term funding of utility plant is achieved through the issuance of debt and equity. In addition, the Company collects depreciation expense for transportation equipment and should have sufficient cash flow to replace equipment as needed. The Company has not made a convincing argument to justify the funding of an asset replacement program through current operating expenses. We eliminated the \$7,679 operating expense because vehicles and equipment expenditures and a new billing system represent capital additions and should not be recovered as expense items (Adjustment N). Our capital expenditure forecast includes allowances for vehicles, equipment expenditures and billing system and will be discussed below.

4. Inflation

Reserve applied an inflation factor of 1.68% to certain test year operating expenses spanning the 12-month period from January 1, 2012 through December 31, 2012. However, since gas rates will not be effective until May 1, 2013, we calculated inflation from the test period through the end of the rate year. This adjustment will have the impact of increasing inflation by \$3,990 (Adjustment P).

C. Depreciation Expense

Due to the destruction of its continuing property records for plant, the Company was unable to determine its actual original cost or its annual plant retirements.⁷ The Company projected its depreciation expenses to be \$44,387 which does not reflect salvage costs and assumes average service lives ("ASLs") of 25 years and 10 years for mains and services, and meters, respectively. The ASLs of all other accounts the Company used in its calculation are shown in Appendix E. Reserve excluded plant that is "fully depreciated" from its expense calculation, resulting in an artificially low plant in service balance.

We are concerned with the Company's calculations of depreciation expense because of the relatively short ASLs the Company used and the lack of plant retirement data. Since the Company did not conduct a depreciation study, and it may not be able to do so because of the lack of records, we will set the depreciation rates by averaging the ASLs used by other gas utilities in New York. The result of the analysis showed the average service lives of mains and services, and meters of 73 years and 55 years, respectively. Our adjustments to the

⁷ Reserve's office building had a fire in 1979 that destroyed records.

average service lives for all other accounts were done using the same approach and can be seen in Appendix E. The depreciation rates are applied monthly to the entire plant in service balance unlike the Company's method of excluding fully depreciated plant. As a result of our adjustments, the projected annual depreciation expense is \$53,323 (Adjustment Q). We direct Reserve to utilize our ASLs for book keeping purposes going forward.

D. Taxes

1. Temporary State Assessment

The Company projected \$7,272 of Temporary State Assessment ("TSA") costs in the rate year. We have increased the TSA costs by \$13,715 to reflect the most current TSA of \$20,987 for fiscal year 2012-2013 (Adjustment R). We also reflected the cost of the TSA within the rate year operating revenues as a matching adjustment, so it does not impact the revenue requirement.

2. Operating Taxes

We reviewed the Company's operating taxes and found that Erie County sales taxes were not reflected within the rate filing. We increased operating taxes by \$40,181 to reflect the proper levels of Erie County sales taxes in the rate year (Adjustment S).

The Village of Alden's utility revenue taxes were understated in the Company's initial filing. As a result, we increased the Village of Alden utility revenue taxes by \$84,020 to properly reflect a rate year operating tax expense balance of \$87,950 (Adjustment V). Correspondingly, these sales taxes and revenue taxes are also reflected in the rate year operating revenues as a matching adjustment, so they do not impact the revenue requirement.

3. New York State Income Taxes

Reserve did not reflect New York State Income Taxes recorded on its books. For the period 2009 through 2011 the Company has incurred a New York State Income expense of \$1,500 annually. We believe this level of tax expense will continue and, therefore, we made an upward adjustment of \$1,500, utilizing the Company's 2011 New York State Tax Return, in order to reflect State Income Tax expenses in the rate year (Adjustment T).

4. Federal Income Taxes

The Company did not reflect federal income tax expense within the forecasted rate year, due to a significant amount of available net operating loss carryforwards from prior years, which will reduce Reserve's income tax expense to zero. Although Reserve has taken accelerated tax depreciation in calculating its federal income taxes, due to its net operating loss position, it has not recorded the associated deferred federal income tax expense.

We calculated the federal income tax expense for the rate year because the net operating tax loss carryforwards are treated as a stockholder benefit for ratemaking purposes. In addition, a utility using accelerated tax depreciation is required to normalize the federal income tax effect of the difference between tax and book depreciation and recognize the associated deferred income tax expense.

After reflecting various operating revenue and expense adjustments, interest expense and tax depreciation produces a federal income tax expense of negative \$11,187 (Adjustment U) consisting of current tax expense of negative \$15,837 and deferred income tax expense due to accelerated tax depreciation of \$4,650 (See Appendix C page 5 of 8).

E. Rate Base

1. Capital Expenditures and Net Plant

In its filing, the Company did not include a forecast of how much it will spend on capital projects for the rate year. The Company used a historic average as its forecasted plant-in-service and accumulated depreciation balances. We believe the Company's method is incorrect because it does not account for future plant additions or accumulated depreciation in the rate year.

As discussed above, Reserve requested \$107,500 for vehicles and equipment expenditures, as well as a new billing system in operating expenses, which we denied because those purchases should be capitalized. Those expenditures are reviewed here.

We used the Company's historic spending in the most recent five years to set its rate year budget using the following categories: Meters, Building Improvements, Office Equipment, General Equipment, Gathering and Transportation Equipment Accounts, as shown in Appendix F. Our capital expenditures forecast includes amounts for vehicles, equipment expenditures and a new billing system. We set the Company's capital expenditures for Mains by multiplying the average quantity the Company replaced in the past five years by the installation costs. The budget for Services was also determined by multiplying the forecast service replacements by the cost of installation. We project Reserve's rate year capital budget to be \$72,411. Our adjustment to the Company's capital spending budget results in a decrease of \$2,252 to the Company's proposed rate year net plant balance (included in Adjustments W and X).

Our capital spending budget for Reserve includes \$19,555 for a new billing system. We believe the billing system is needed and would increase employee efficiency by greatly

reducing the amount of time spent each month preparing customers' bills. The current billing system is outdated and does not provide the Company the flexibility to include additional surcharges or allow Reserve to charge multiple block rates. Moreover, Reserve's minimum charge is essentially a service charge that the customer pays even if there is no consumption which violates the prohibition of services charges in PSL §65(6). Service charges on a non-consumption related basis are forbidden under the law.⁸

The new billing system will allow the Company to include a minimum usage in the minimum charge to be able to comply with PSL §65(6). We, therefore, direct Reserve to procure a new billing system within 180 days of the issuance of this order. The new billing system shall be able to bill our revised rate structure as shown in Appendix L. The revised rate structure will be discussed in further detail below.

2. Well Plugging Reserve

Reserve maintains a \$25,000 escrow account balance dedicated to plugging wells. The monies in the escrow account represent customer-contributed funds and, accordingly, we will reduce rate base by \$25,000 (included in Adjustment W).

3. Earning Base Capitalization

Reserve has increased its rate year rate base by \$257,300 to reflect that its average historic test year capitalization exceeds its respective earnings base. Our review of the data supporting this calculation revealed that the Company has a significant amount of cash and temporary cash investments of \$433,835 measured on an average daily basis in the historic test year. The Company's cash and temporary cash

⁸ Case 29332, National Fuel Gas Distribution Corporation - Rates, Recommended Decision (issued November 17, 1986).

investments represent an inefficient use of funds and should be considered as an offset to the historic test year average capitalization adjustment. We decreased the rate base by \$257,300 after accounting for a comparable level of cash and temporary cash investments to reflect a zero balance Earnings Base Capitalization adjustment (Adjustment Y).

4. Deferred Federal Income Taxes - Depreciation

We have reflected accumulated deferred federal income taxes associated with the use of accelerated tax depreciation for prior years and the rate year of \$16,139 (Adjustment Z) as a reduction to rate base.

5. Working Capital

We reviewed Reserve's cash working capital calculation and determined that certain adjustments are needed to correct for the omission of various deductible expenses within the calculation and to reflect our ratemaking adjustments. The deductible operating expenses within the calculation were adjusted to reflect ratemaking adjustments to purchased gas expense of \$40,291, depreciation expense of \$10,230, and to add the omitted other operating tax expenses and New York State income tax expense totaling \$80,417. We increased the forecasted rate year Operating Expenses and Operating Taxes by \$176,306 to reflect various ratemaking adjustments, which have been described throughout this order (see Appendix C, page 7 of 7). The cumulative effect of these expense adjustments is to reduce the cash working capital by \$7,451, which decreases the forecasted rate base (Adjustment BB).

F. Rate of Return

Reserve's capital structure consists primarily of debt to its affiliate, Alden Aurora. As of December 31, 2011, approximately 88% of the Company's capital structure is comprised of this type of debt. Typically, a utility is not

capitalized entirely with debt. In order for Reserve's capitalization to be more representative of a typical gas utility in the State of New York, as well as to remain consistent with our actions in Reserve's last rate case in which we determined a 50%/50% capital structure to be appropriate,⁹ we have again determined that a reasonable capitalization for Reserve should include a 50% debt and 50% equity ratio for ratemaking purposes.

Reserve does not pay any interest on the debt due to Alden Aurora. For this reason, we must impute a cost of debt for ratemaking purposes. We have decided to impute a 4.66% cost of debt for Reserve. This number is representative of the January 2013 Public Utility Corporate Bond Yield for Baa-rated utilities and is a reasonable estimate for Reserve's cost of debt.

In estimating Reserve's cost of equity, we followed the same methodology that has been in place for nearly 20 years, an approach we have deemed appropriate in numerous litigated cases.¹⁰ This cost of equity methodology employs a two-thirds weighting of the Discounted Cash Flow Model and a one third weighting of the Capital Asset Pricing Model. The Discounted Cash Flow Model analysis, performed on a proxy group of 33 investment-grade electric and gas combination utilities, coupled with the Capital Asset Pricing Model analysis, resulted in an overall return on equity of approximately 8.8%. We believe that an 8.8% return on equity is reasonable for Reserve. The terms of this order will provide Reserve a reasonable opportunity to

⁹ Case 92-G-0258, *supra*, Untitled Order, p.9.

¹⁰ For example, see Case 10-E-0362, Orange and Rockland Utilities, Inc. - Electric Rates, Order Establishing Rates for Electric Service (issued June 17, 2011).

earn this return. Our capital structure matrix is summarized in Appendix C, page 4 of 8.

G. 90/10 Sharing Mechanism

The Company limited its requested rate increase to \$116,000. We calculate, with our adjustments, a Rate of Return of 1.60%. To reach our calculated target Rate of Return of 6.73%, Reserve would require an additional rate increase of \$41,607 (Adjustment J).

As previously discussed, one of Reserve's larger customers forecast rate year usage is uncertain (customer number 8948). If we assume that this customer's usage will not increase in the rate year, our incremental revenue requirement would exceed the Company's request of \$116,000. However, in the upper range of our forecast for this the customer's usage produces delivery revenue that has the capability to offset Reserve's rate request and potentially put the Company in an over-earning situation.

In order to allow the Company to earn a reasonable return and protect customers from the Company's potential to over-earn, we believe it is reasonable to "impute" a part of this customer's delivery revenue in the income statement. Any excess revenues beyond the imputed amount will be shared 90%/10% between ratepayers and shareholders, respectively.¹¹ This imputation provides Reserve the opportunity to earn a fair

¹¹ This sharing mechanism is designed to specifically address our concern that revenues from this single customer are, at this time, unpredictable and could result in over earning for Reserve. Our proposal here, however, is not an excess earnings sharing mechanism that accumulates and shares Reserve's total earnings. Rather, we propose a limited sharing of the revenues associated with this particular customer in the event these earnings exceed a specified threshold.

return in the rate year, yet mitigates the risk that the Company would over-earn if the forecast were too low.

Under this imputation, Reserve is allowed to retain all delivery revenues associated with service to this customer up to \$41,607, which provides the Company the target rate of return. Any revenues beyond \$41,607 will be shared 90% to firm full service customers (excluding special contract customers) and 10% to shareholders. Special contract and transportation customers are excluded from receiving this refund since these customers are not affected by the delivery rate increase.

The Company shall reconcile to the target in its annual GAC reconciliation. In the next GAC reconciliation, filed in October of 2013, the target will be prorated to \$7,855 for the period May 1, 2013 through and August 31, 2013. An example of the revenue imputation reconciliation is shown in Appendix G. For simplicity and to eliminate the need for reconciling a leftover balance during the following period, we direct Reserve to refund customers' share in equal monthly amounts over a twelve-month period. The rate can be determined by dividing the monthly balance by total monthly firm sales (total sales less special contract sales).

H. Tariff Modifications

1. GAC and Loss and Unaccounted for Incentive Mechanism

Since Reserve's last rate filing, we made several amendments to GAC regulations that were to take effect in a LDC's next rate filing.¹² We modified: the GAC to reflect the restructuring of the industry; the monthly cost of gas to reflected more accurate prices; the recovery of costs to more closely reflect cost causation; and, customers bills to provide

¹² Case 97-G-1178, Gas Cost Adjustment Clause Regulations, Memorandum and Resolution Revising 16 NYCRR Section 270.55 (issued April 13, 1999).

customers with more gas cost information. In Case 21656,¹³ we established the fixed Lost and Unaccounted for ("LAUF") gas factor that provided companies an incentive to reduce system losses and changed the reconciliation methodology from a sales basis to a purchase basis.

Reserve is now required to comply with the revised GAC regulations. However, the GAC reconciliation is done twelve months ending August 31 each year. For ease of implementation, Reserve shall comply with our revised GAC regulations beginning with the cycle starting September 1, 2013. We have included a template for the GAC reconciliation filing in Appendix H.

We set Reserve's fixed LAUF factor at 1.0261 (2.54%) using the most recent two years of data. We believe this target is reasonable because: (1) the Company is undertaking significant main and service replacements which will keep losses low; and, (2) the target is comparable to other small companies such as Fillmore Gas Company, Inc. (1.0231), Bath Electric, Gas and Water System (1.0229) and Woodhull Municipal Gas Company (1.0204). Reserve is required to begin reconciling its fixed LAUF factor with its actual LAUF factor in the GAC reconciliation for the twelve months ending August 31, 2014. The resulting gain or loss from the LAUF incentive shall be applied by the Company to the annual GAC refund/surcharge rate. The actual LAUF factor shall be calculated by dividing the total volume of gas delivered to customers by the total volume of gas delivered to the system. Reserve shall not recover from customers any amount of gas lost beyond the fixed LAUF factor of 1.0261. If the LAUF factor is below the fixed LAUF factor, the

¹³ Case 21656, Schedules and Contracts Relating to Rates and Service of Electric, Gas, Steam, Telegraph, Telephone, and Water-Works Corporations and Municipalities (Circular No. 116), Untitled Order (issued September 18, 1990).

Company shall be allowed to recover the difference between the actual LAUF factor and the fixed LAUF factor at the average commodity cost of gas as an incentive for reducing losses on its distribution system.

2. Service Classifications

The Company serves residential leasehold customers under S.C. No. 1 and, at the same time, serves all other residential customers under S.C. No. 4. The only difference between S.C. No. 1 and S.C. No. 4 is the Special Provision clause under S.C. No. 1 identifying the names of the certain leaseholders with wells on their property and their respective discounted rates. These special leasehold customers no longer receive the special discounted rates and, therefore, S.C. No. 1 is unnecessary. The Company is directed to consolidate its tariffs such that both leasehold and non-leasehold residential customers are served under the same service class (S.C. No. 4).

S.C. No. 3 serves commercial, industrial and public authority customers. Based on our review of the tariff, special contract customers are being served by S.C. No. 3 under a "special provision" clause. However, the terms of the "special provision" service are not explained in the tariff. We believe a separate service class designation is appropriate for these customers and Reserve is directed to file tariff amendments to establish S.C. No. 2 describing the terms of service. The proposed language included in S.C. No. 2 shall clarify that the Company will file the customer contracts with the Commission a minimum of 30 days before their effective dates.¹⁴ Reserve shall

¹⁴ The new service class shall comply with Case 91-M-0927, Administration of Utility Tariffs With Respect to Individually Negotiated Contracts, Order Concerning Tariffs Authorizing Individually Negotiated Contracts (issued May 8, 1992).

provide a justification or analysis with these filings supporting the negotiated contract rates.

I. Revenue Allocation and Rate Design

The Company proposed an increase of \$1.5299 per Mcf for S.C. No. 1, S.C. No. 3 and S.C. No. 4. Reserve also proposed to increase the minimum charges from \$1.50 to \$5.00 for S.C. No. 1 and S.C. No. 4, and from \$1.50 to \$10.00 for S.C. No. 3.

Since the Company did not conduct a cost of service study, which would determine the cost of serving each customer class, we cannot accurately determine the rate of return of each service class. We, therefore, will allocate the incremental delivery revenue requirement of \$116,000, adjusted downwards for taxes and late payment revenues, equally to S.C. No. 3 and S.C. No. 4 (we include all S.C. No. 1 customers in S.C. No. 4 design based upon our requirement to consolidate the tariff) based on our forecast of rate year delivery revenue at current rates. We increased the late fees and customer forfeited discounts by the same percentage increase to delivery rates, which ultimately reduced the incremental revenue requirement.

We are also removing delivery adjustments - "Flex Rate" and "Base Cost of Gas" - currently charged in the GAC and will properly assess these costs in delivery rates. The Company collects approximately \$20,974 through increases in its monthly cost of gas, by using a "Flex Rate Shortfall" surcharge and refunds customers approximately \$28,805 per year through a "Base Cost of Gas" surcharge at a rate of \$0.1540 per Mcf. Beginning May 1, 2013, Reserve is directed to discontinue collection of these charges, since the revenues associated with both of these charges will be collected as part of firm delivery rates. In total, delivery revenues will increase by a total of \$68,880 for

S.C. No. 4 residential customers and \$32,727 for S.C. No. 3, as shown in Appendix K.

As discussed in the "Capital Expenditure and Net Plant" section above, the limitations of the current billing system will not allow the Company to allocate some usage to the minimum charge and, therefore, is not compliant with PSL §65(6). We directed Reserve to procure a new billing system within 180 days of the issuance of this order. Until the new billing system is procured and installed, our delivery rate design will reflect the limitations of the existing billing system. Therefore, delivery rates stated in Appendix L shall be charged to customers using a single volumetric rate as long as the existing billing system is used. To that end, we increased the minimum charge to \$6.00 for residential, or S.C. No. 4, customers and \$15.00 for commercial and public authority, or S.C. No. 3, customers. Increasing the minimum charge will temper the bill impacts during winter months (December, January, and February) to 12.2% on S.C. No. 4 customer's bills, compared to the annual increase of 14.9%. This increase will bring Reserve's minimum charge within the range of other small gas LDCs, without creating a large bill impact on low use customers due to a large increase in minimum charge. Other LDCs' minimum charge for residential customers include: Bath Electric, Gas, and Water Systems at \$6.47, Fillmore Gas Company, Inc. at \$7.29, NEA Cross of New York, Inc. at \$7.10, and National Fuel Gas Distribution Company (NFG) at \$16.61. Other LDCs' minimum charge for commercial customers include: NFG at \$18.93, Rochester Gas and Electric, Inc. at \$17.25, and Corning Natural Gas, Inc. at \$20.25.

The remaining incremental revenue requirement will be recovered through the volumetric rate per service class, increasing from \$3.56 per Mcf to \$4.3758 per Mcf for S.C. No. 4

customers and from \$3.28 per Mcf to \$4.2967 per Mcf for S.C. No. 3 customers. This increase allows for S.C. No. 3 customers to pay a slightly lower rate than that of S.C. No. 4 customers, which is appropriate for larger volume users.

Once the new billing system is in place, we direct Reserve to file amended tariff leaves to charge the delivery rates under the revised rate structure as shown in Appendix L. We find that it is appropriate to modify the Company's rate structure by adding another usage rate. Most gas LDCs have a three block residential rate structure and there are advantages associated with this structure: (1) the new rate structure better reflects the cost of service within a service class and is a more equitable way to assess charges within a service class; (2) monthly bills are less volatile as usage fluctuates from winter to summer months; and, (3) the Company will have more consistent cash flows throughout the year because fixed costs are collected in the first and second volumetric block rates. The declining block rate structure provides a declining average unit cost to the customer, and may provide a greater incentive for customers to use gas by providing a lower marginal cost. We developed the structure by comparing other New York gas LDC rate structures. Our revised structure will include: (1) the minimum charge which includes the delivery of up to 0.4 Mcf; (2) the second block rate will be applied to usage greater than 0.4 Mcf and less than 5.0 Mcf; and, (3) the third block rate will be applied to all usage over 5.0 Mcf.

For residential customers, the minimum charge shall remain at \$6.00, the second block rate shall be \$4.6000 per Mcf, and the third block rate, applicable to all usage over 5.0 Mcf, shall be \$4.5022 per Mcf. For commercial customers, the minimum charge shall be remain at \$15.00, the second block rate shall be

\$4.4000 per Mcf, and the third block rate, applicable to all usages over 5.0 Mcf, shall be charged at \$4.3178 per Mcf.

J. Bill Impacts

As a result of the delivery rate increase from the incremental revenue requirement, the typical annual bill under the current rate structure will be increased by \$139 (14.85%) for residential customers, \$1,035 (13.80%) for commercial customers, and \$850 (14.15%) for public authority customers. Once the new billing system is in place and the multi-volumetric rate structure is adopted, a typical customer will see no difference in its annual payment. However, customers should see lower winter bills and higher summer bills.

Due to the relatively low minimum charge of \$1.50 presently in use, these bills currently vary significantly from winter to summer. By increasing the minimum charge to \$6.00 and \$15.00 for S.C. No. 4 and S.C. No. 3 respectively, the customer bills will be more constant throughout the year. An analysis of customer bill impacts was conducted assuming commodity costs at \$5.8189 per Mcf, with modifications to the GAC for the base cost of gas and flex rate, and are shown in Appendix M.

The three block rate structure will have an impact on customers' bills. Some low use customers may see higher bills because costs of serving these customers will no longer be subsidized by higher use heating customers. We are concerned that customers may not understand these changes as reflected on their bills. Therefore, we direct Reserve to provide customer education and outreach materials to its customers prior to adopting the new three block rate structure. Specifically, sixty days prior to Reserve billing under the new rate structure, Reserve shall file with the Secretary to the Commission information that it proposes to provide its customers about the transition including: (1) the timeline of when the new

bills will be rendered; (2) what the new bill will look like; (3) a description of the new block structure charges; (4) a description of why the changes are being implemented; and, (5) Reserve's contact information. Reserve shall provide the information to all of its customers thirty days prior to billing under the new rate structure.

K. Pipeline Capacity and Gas Supply Procurement

Reserve obtains a portion of its gas supply from its own wells and it purchases additional gas from other local producers. Among these local producers is its affiliate, Alden Aurora. These wells feed directly into the Reserve distribution system. The Company and Alden Aurora are not planning to drill new gas wells at the present time. In the future, if production from its local gas wells decreases substantially, the Company states that it would review the benefits of either drilling new gas wells or purchasing from outside suppliers. The Company purchases the rest of its gas requirements from NFR. This remaining portion of its supply volume must be transported through the National Fuel Gas Distribution Company's (NFG) system under NFG's S.C. No. 13M.

Our review of the current gas supply and associated transportation contracts currently managed by Reserve indicate that the Company has procured enough gas supply and pipeline capacity to serve its customers' demand on a design winter day.¹⁵ We note that Reserve has historically received gas from one city gate interconnected with NFG. In November 2012, a second city gate was established which increased system reliability and allows Reserve to maintain continuous gas flow into its system in case of an emergency interruption at the other city gate.

¹⁵ A design winter day in Reserve's territory is 74 HDDs (Buffalo Weather Data), which equates to an average temperature of -9 degrees Fahrenheit.

Although Reserve has demonstrated its adequacy in gas supply procurement and pipeline capacity, we have concerns regarding its gas supply contracts with both Alden Aurora and NFR.

1. Alden Aurora Contract

Reserve's gas supply contract with Alden Aurora was signed in 2006 and continues until either party cancels the contract. The contract defines a pricing mechanism based on an index, which determines the price to be paid by Reserve to Alden Aurora for natural gas. The contract also has a provision allowing both parties to mutually agree to an alternative pricing formula that does not require a new written contract if the pricing mechanism is not representative of the gas market in the opinion of either party.

Our review of the gas purchase invoices between Reserve and Alden Aurora from January 2008 to September 2012 indicate that Reserve and Alden Aurora have not followed the original pricing methodology specified in the contract, but used at least four different pricing mechanisms for gas purchases, and this practice is of concern. We find that the provision to allow affiliates to mutually agree to an alternative pricing formula that does not require a new written contract is not in the best interest of customers.¹⁶ Such a provision makes it very difficult to audit gas purchase transactions between Reserve and Alden Aurora to determine whether the rate is just and reasonable. The fact that Alden Aurora and Reserve are affiliates requires a higher level of scrutiny regarding any contract. Therefore, effective immediately, if Reserve and Alden Aurora agree to an alternative pricing formula, Reserve shall be required to file the pricing terms with the Secretary to the Commission 30 days prior to the effective date of the new

¹⁶ See Public Service Law §110(4).

pricing terms. We believe this requirement is reasonable because of the nature of the affiliate transaction.

We are also concerned that the pricing index used in Reserve's contract with Alden Aurora may not be reflective of regional market prices and that it is also based on an annual rate. The current contract terms utilize a gulf coast index, and recent northeast U.S. gains in production output have drastically changed the relationship between natural gas northeast regional trading indices and those in the traditional gulf coast production region. In addition, using an annual average price does not properly account for the monthly price signals attributed to increased demand during the heating season and lower demand during the summer. We, therefore, recommend that any future contract with any local production gas supplier, including Alden Aurora, be purchased at a monthly market price, for example, Dominion South Point, to better reflect local competitive market forces. We review purchase gas expense in our GAC annual reconciliation to ensure that gas costs are prudent. Those prices that exceed reasonable market prices may not be recoverable from customers.

2. NFR Contract

On a monthly basis, local production feeding directly into Reserve's distribution system takes priority before any gas is accepted by Reserve from NFR. However, under the existing contract with NFR, Reserve is obligated to purchase a set volume of gas annually at a fixed price. This fixed annual volume is divided unequally into 12 months, and is referred to as the monthly contracted volume. Excess gas consumption over the fixed monthly contracted volume is purchased at a monthly variable market price plus an agreed upon dollar value covering pipeline transportation. Reserve does not contract for storage services, nor does it have any storage facilities of its own.

Based on these contract terms, we are concerned that Reserve has little leeway to adjust monthly contracted volumes if warmer than normal weather occurs. The inability to adjust contract volumes results in the increased risk that Reserve will pay for gas that it cannot use in a particular month. Since Reserve has no storage facility and the current contract does not provide terms for rollover of gas not used, a take-or-pay¹⁷ situation could exist. To protect customers, we direct Reserve to seek, to the full extent available under its NFR contract, revised terms with NFR to reduce its winter months' contracted volumes. Reserve shall report the results to the Secretary within 90 days of the issuance of this order. When the current contract with NFR expires, we expect that the replacement contract with NFR (or any other supplier) will be structured to address our concerns.¹⁸ We, again, remind Reserve that in the GAC reconciliation there is a risk of it not recovering stranded costs.

3. Filing Contracts

Commission rules require that contracts between utilities for the sale, purchase, or interchange of electricity, gas, steam or water, be filed with the Secretary within 30 days after execution.¹⁹ It has come to our attention that Reserve's gas supply contracts may not have been timely filed with us in the past. We would like to take this opportunity to remind Reserve of its ongoing obligation to comply with these requirements as Reserve enters into contracts in the future.

¹⁷ Buyer-seller agreement where the buyer's obligation to pay is not conditional upon the delivery of purchased goods or services or upon the buyer's consent to take delivery. In natural gas contracts, the buyer is contractually obligated to pay for gas even if it is not delivered or received.

¹⁸ Reserve is reminded that it may procure gas supply from any natural gas marketer of its choosing.

¹⁹ 16 NYCRR § 720-1.4.

CONCLUSION

We find that an increase of \$116,000 of additional revenues, which produces a rate of return of 6.73% and an 8.80% return on equity is warranted. Accordingly, Reserve shall cancel its current tariff amendments listed in Appendix A and shall file tariff amendments to increase revenues by \$116,000 using the new delivery rates shown in Appendix L.

The Commission orders:

1. Reserve Gas Company, Inc. ("Reserve" or "the Company") is directed to file a cancellation supplement, effective on not less than one day's notice, on or before April 29, 2013, cancelling the tariff amendments listed in Appendix A to this order.
2. Reserve shall file on not less than one day's notice, to become effective May 1, 2013, tariff amendments to modify its delivery rates consistent with the current rate structure shown in Appendix L. Reserve shall also file on not less than one day's notice, to become effective May 1, 2013, such further tariff revisions as are necessary to effectuate the directives in the body of this order.
3. Reserve shall notify the Secretary to the Commission within 30 days if its employee level is reduced, or the allocation of time is increased to its affiliate Alden Aurora Gas Company, Inc. ("Alden Aurora"), and not replaced within four months.
4. Reserve shall maintain and update its books and records using the average service lives adopted in this order.
5. Reserve is directed to procure a new billing system within 180 days of the issuance of this order. The new billing system shall be able to bill our revised rate structure as shown in Appendix L.

6. Reserve is directed to file on not less than one day's notice and no later than 179 days after this order is issued, tariff amendments to modify its delivery rates consistent with the revised rate structure shown in Appendix L, which shall be charged to customers under the new billing system.

7. Reserve is allowed to retain all annual delivery revenues associated with customer number 8948 up to \$41,607. Any annual delivery revenues beyond \$41,607 will be shared 90% to firm full service customers (excluding special contract customers) and 10% to shareholders. The Company shall reconcile to the target in its annual GAC reconciliation as shown in Appendix G. Reserve shall refund customers' share in equal monthly amounts over a twelve-month period. The rate can be determined by dividing the monthly balance by total monthly firm sales (total sales less special contract sales).

8. Reserve is directed to file the annual gas cost reconciliation for the twelve month period ending August 31, 2013 in compliance with 16 NYCRR §270.55, using the template as shown in Appendix H, on or before October 15, 2013, and subsequent filings until directed otherwise by the Commission.

9. Reserve shall adjust its monthly gas cost by multiplying the fixed LAUF factor of adjustment with the cost of gas for gas delivery beginning September 1, 2013. The Company shall reconcile the target and the actual factor of adjustment as part of the annual gas cost reconciliation filing, following the template shown in Appendix H, for the twelve month period ending August 31, 2014 and subsequent filings until directed otherwise by the Commission.

10. Reserve is directed to file tariff amendments to consolidate service classifications ("S.C.") 1 and 4, on not less than 15 days notice, on or before October 1, 2013, such

that both leasehold and non-leasehold residential customers are served under S.C. No. 4.

11. Reserve is directed to file tariff amendments to establish S.C. No. 2, on not less than 15 days notice, on or before October 1, 2013, which shall describe the terms of service and clarify that Reserve will file customer contracts with the Commission a minimum of 30 days before their effective dates. Reserve shall provide a justification or analysis with these filings supporting the negotiated contract rates.

12. Reserve is directed to discontinue the collection of "Flex Rate shortfall" and "Base Cost of Gas" surcharges from its Gas Adjustment Clause statement beginning May 1, 2013.

13. Sixty days prior to billing under the new rate structure with the new billing system, Reserve shall file with the Secretary to the Commission information it intends to provide all of its customers, including: (1) the timeline of when the new bills will be rendered; (2) what the new bill will look like; (3) a description of the new block structure charges; (4) why the changes are being implemented; and, (5) Reserve's contact information. The Company shall provide all of its customers with the information thirty days prior to billing under the three block rate structure.

14. If Reserve and Alden Aurora mutually agree to an alternative pricing formula, other than described in their contract, Reserve shall file the pricing terms with the Secretary to the Commission 30 days prior to the effective date of the new pricing terms.

15. Reserve is directed to contact National Fuel Resources, Inc. ("NFR") to seek, to the full extent available under its NFR contract, revised terms with NFR to reduce its winter months' contracted volumes. Reserve shall report the results of its investigation detailing the outcome of the effort

to the Secretary to the Commission within 90 days from the issuance of this order.

16. The requirement of Public Service Law §66(12) and 16 NYCRR 720-8.1 regarding newspaper publication of the further revisions directed in Clauses 1, 2 and 6 is waived, provided that Reserve notifies its customers, not later than June 1, 2013, of the Commission's determination in this matter and files a copy of the notification with the Secretary to the Commission by June 1, 2013.

17. The Secretary may extend any deadlines established by this order for good cause shown.

18. Upon compliance with Clauses 1, 2, 5, 6, 10, 11, 13 and 15, this case is closed.

By the Commission,

(SIGNED)

JEFFREY C. COHEN
Acting Secretary

Reserve Gas Company, Inc.

Balance Sheets

For The Years Ended December 31, 2011, 2010, 2009, 2008, 2007 and 2006

ASSETS	2011	2010	2009	2008	2007	2006
CURRENT ASSETS						
Cash & Working Funds	\$ 312,556	\$ 456,635	\$ 379,865	\$ 454,035	\$ 440,235	\$ 507,248
Accounts Receivable	245,166	298,344	310,147	377,740	514,242	306,460
Inventory	70,837	68,964	80,205	83,844	75,510	68,791
Prepaid Expenses	13,204	11,100	11,100	10,828	12,439	8,609
Total Current Assets	<u>641,763</u>	<u>835,043</u>	<u>781,317</u>	<u>926,447</u>	<u>1,042,426</u>	<u>891,108</u>
PLANT, PROPERTY & EQUIPMENT						
In Service Plant	2,745,387	2,662,193	2,611,979	2,594,731	2,623,022	2,557,479
Less: Accumulated Depreciation	(2,189,172)	(2,127,101)	(2,055,097)	(1,983,231)	(1,939,272)	(1,842,642)
Total Plant, Property & Equipment	<u>556,215</u>	<u>535,092</u>	<u>556,882</u>	<u>611,500</u>	<u>683,750</u>	<u>714,837</u>
Total Assets	<u>1,197,979</u>	<u>1,370,134</u>	<u>1,338,199</u>	<u>1,537,947</u>	<u>1,726,176</u>	<u>1,605,945</u>
LIABILITIES & STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts Payable	120,623	163,457	179,338	200,216	355,987	282,331
Accrued Well Plugging	196,761	181,761	166,761	156,923	150,063	130,256
Accrued Taxes	4,339	562	808	-	1,220	1,220
Customer's Deposits	5,523	5,526	5,118	5,071	4,786	5,115
Total Current Liabilities	<u>327,246</u>	<u>351,306</u>	<u>352,025</u>	<u>362,210</u>	<u>512,056</u>	<u>418,922</u>
LONG-TERM LIABILITIES						
Loans Payable - Shareholder	343,253	343,253	343,253	343,253	343,253	343,253
Due to Affiliated Company	462,853	527,014	424,730	522,800	569,315	584,593
Total Long-Term Liabilities	<u>806,106</u>	<u>870,267</u>	<u>767,983</u>	<u>866,053</u>	<u>912,568</u>	<u>927,846</u>
Total Liabilities	<u>1,133,352</u>	<u>1,221,573</u>	<u>1,120,008</u>	<u>1,228,263</u>	<u>1,424,624</u>	<u>1,346,768</u>
STOCKHOLDERS' EQUITY						
Common Stock						
(25,000 shares authorized, 2,999 issued & outstanding)	20,000	20,000	20,000	20,000	20,000	20,000
Paid in Capital	1,165	1,165	1,165	1,165	1,165	1,165
Treasury Stock	(47,227)	(47,227)	(47,227)	(47,227)	(47,227)	(47,227)
Retained Earnings	90,689	174,623	244,253	335,746	327,614	285,239
Total Stockholders' Equity	<u>64,627</u>	<u>148,561</u>	<u>218,191</u>	<u>309,684</u>	<u>301,552</u>	<u>259,177</u>
Total Liabilities & Stockholders' Equity	<u>1,197,979</u>	<u>1,370,134</u>	<u>1,338,199</u>	<u>1,537,947</u>	<u>1,726,176</u>	<u>1,605,945</u>

Reserve Gas Company, Inc.

Statements of Income (Loss)

For The Years Ended December 31, 2011, 2010, 2009, 2008, 2007 and 2006

OPERATING REVENUES	2011	2010	2009	2008	2007	2006
Residential Sales	\$ 484,618	\$ 486,664	\$ 583,410	\$ 660,504	\$ 587,663	\$ 504,580
Commercial & Industrial Sales	480,421	537,077	581,148	775,578	674,686	509,973
Public Authority Sales	459,249	384,094	421,630	798,868	742,472	360,193
Miscellaneous Sales	66,372	33,637	37,862	25,648	15,278	143,561
Total Operating Revenues	<u>1,490,660</u>	<u>1,441,472</u>	<u>1,624,050</u>	<u>2,260,598</u>	<u>2,020,099</u>	<u>1,518,307</u>
COST OF REVENUES						
Production Expense	33,212	34,487	38,819	37,332	41,399	37,972
Well Plugging Expense	15,071	15,014	16,292	15,129	15,143	15,000
Gas Purchased	881,093	830,339	1,000,468	1,571,084	1,294,544	866,390
Total Cost of Revenues	<u>929,376</u>	<u>879,840</u>	<u>1,055,579</u>	<u>1,623,545</u>	<u>1,351,086</u>	<u>919,362</u>
Gross Income	<u>561,284</u>	<u>561,632</u>	<u>568,471</u>	<u>637,053</u>	<u>669,013</u>	<u>598,945</u>
OPERATING EXPENSES						
Transmission & Distribution Expenses	156,715	136,243	134,304	139,038	128,851	90,755
Administrative & General Expenses	356,110	323,343	363,161	371,527	374,295	347,011
Depreciation	62,071	70,187	71,866	79,434	96,630	98,642
Legal & Professional Fees	24,899	25,154	16,398	5,455	5,970	3,368
Operating Taxes	47,935	76,088	74,958	46,394	33,410	37,917
Total Operating Expenses	<u>647,730</u>	<u>631,015</u>	<u>660,687</u>	<u>641,848</u>	<u>639,156</u>	<u>577,693</u>
Net Utility Income (Loss)	<u>(86,446)</u>	<u>(69,383)</u>	<u>(92,216)</u>	<u>(4,795)</u>	<u>29,857</u>	<u>21,252</u>
OTHER INCOME & (EXPENSES)						
Gain on Sales of Assets	3,000	-	-	3,779	-	-
Interest Income	1,012	1,253	2,223	10,648	14,448	12,001
Total Other Income & (Expenses)	<u>4,012</u>	<u>1,253</u>	<u>2,223</u>	<u>14,427</u>	<u>14,448</u>	<u>12,001</u>
Net Income (Loss) Before Taxes & Extraordinary Item	<u>(82,434)</u>	<u>(68,130)</u>	<u>(89,993)</u>	<u>9,632</u>	<u>44,305</u>	<u>33,253</u>
PROVISION FOR INCOME TAX	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>2,720</u>	<u>9,094</u>	<u>7,501</u>
Net Income (Loss) Before Extraordinary Item	<u>(83,934)</u>	<u>(69,630)</u>	<u>(91,493)</u>	<u>6,912</u>	<u>35,211</u>	<u>25,752</u>
EXTRAORDINARY CREDIT - UTILIZATION						
Net Operating Loss Carry Forward	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,220</u>	<u>7,164</u>	<u>6,642</u>
Net Income (Loss)	<u>(83,934)</u>	<u>(69,630)</u>	<u>(91,493)</u>	<u>8,132</u>	<u>42,375</u>	<u>32,394</u>

Reserve Gas Company, Inc.

Pro-Forma Income Statement

Test Year Ended 12/31/11

Account Description	Actual Test Year	Normalized Adjustments	Adj.	Base Period Normalized	Rate Year Adjusted	Adj.	Forecast Rate Year	Proposed Increase	Ref.	Rate Year at Proposed Rates
OPERATING REVENUES										
Residential Sales	\$ 484,618	\$ 1,061	1)	\$ 485,679	\$ (9,121)	1)	\$ 476,558	\$ 134,389	EXHIBIT K	\$ 610,947
Commercial & Industrial Sales	180,240	635	2)	180,875	-		180,875	52,206	EXHIBIT K	233,081
Public Authority Sales	47,997	138	3)	48,135	-		48,135	18,339	EXHIBIT K	66,474
Special Contract Sales	711,433	1,804	4)	713,236	-		713,236	-		713,236
Miscellaneous Sales										
Transportation Sales	20,429	-		20,429	-		20,429	-		20,429
Minimum Meter Charge	1,152	-		1,152	-		1,152	-		1,152
Customer Foreited Discounts	5,577	-		5,577	-		5,577	-		5,577
Miscellaneous Income	39,214	-		39,214	(38,525)	2)	689	-		689
Total Operating Revenues	<u>1,490,660</u>	<u>3,638</u>		<u>1,494,298</u>	<u>(47,646)</u>		<u>1,446,652</u>	<u>204,933</u>		<u>1,651,585</u>
OPERATION & MAINTENANCE										
Production Expenses										
Production Labor	17,366	-		17,366	(372)	3)	16,994	-		16,994
Meter Reading Labor	11,059	-		11,059	(558)	4)	10,501	-		10,501
Production Maintenance & Shop Supplies	3,246	-		3,246	55	5)	3,301	-		3,301
Well Royalty	1,435	-		1,435	-		1,435	-		1,435
Right of Ways & Easements	105	-		105	-		105	-		105
Well Plugging Expense										
Gas Well & Well Plugging	15,071	-		15,071	-		15,071	-		15,071
Gas Purchased										
Alden Aurora Gas Company, Inc.	161,175	-		161,175	-		161,175	-		161,175
New York Gas & Oil	54,566	-		54,566	-		54,566	-		54,566
National Fuel Gas	665,095	-		665,095	-		665,095	-		665,095
David Laben	257	-		257	-		257	-		257
Transportation Charges-NFG	87,856	-		87,856	-		87,856	-		87,856
Transmission & Distribution Expenses										
Maintenance Labor	68,859	-		68,859	1,147	6)	70,006	-		70,006
Administrative & General Expenses										
Officer's Wages & Payroll Taxes	102,784	-		102,784	3,094	7)	105,878	-		105,878
Office Wages & Payroll Taxes	65,554	-		65,554	1,954	8)	67,508	-		67,508
General Expenses										
Education	270	-		270	5	9)	275	-		275
Dues & Subscriptions	4,017	-		4,017	67	10)	4,084	-		4,084
Office Supplies	6,276	-		6,276	105	11)	6,381	-		6,381
Postage & Freight	5,463	-		5,463	92	12)	5,555	-		5,555
Bank Service Charges	434	-		434	-		434	-		434
Utilities	2,910	-		2,910	49	13)	2,959	-		2,959
Telephone	4,531	-		4,531	76	14)	4,607	-		4,607
Travel	2,805	-		2,805	(38)	15)	2,767	-		2,767
Accounting Fees	7,644	-		7,644	(3,115)	16)	4,529	-		4,529
Legal Fees	17,152	-		17,152	(16,648)	17)	504	-		504
Other Professional Services	103	-		103	2	18)	105	-		105
Payroll Service	1,185	-		1,185	-		1,185	-		1,185
Insurance	32,045	-		32,045	538	19)	32,583	-		32,583
Operations & Maintenance	70,345	-		70,345	2,373	20)	72,718	-		72,718
Rental of Building	21,600	-		21,600	363	21)	21,963	-		21,963

CONTINUE

Reserve Gas Company, Inc.

Pro-Forma Income Statement

Test Year Ended 12/31/11

Uniforms	\$ 563	\$ -	\$ 563	\$ 9	22)	\$ 572	\$ -	\$ 572
Gasoline & Oil	6,710	-	6,710	113	23)	6,823	-	6,823
Vehicle Maintenance & Fees	4,359	-	4,359	73	24)	4,432	-	4,432
Equipment Replacement Fund				7,679	25)	7,679	-	7,679
Total Operation & Maintenance	<u>1,442,840</u>	<u>-</u>	<u>1,442,840</u>	<u>(2,938)</u>		<u>1,439,902</u>	<u>-</u>	<u>1,439,902</u>
DEPRECIATION	<u>62,071</u>	<u>-</u>	<u>62,071</u>	<u>(17,684)</u>	26)	<u>44,387</u>	<u>-</u>	<u>44,387</u>
Total Operating Expenses	<u>1,504,911</u>	<u>-</u>	<u>1,504,911</u>	<u>(20,622)</u>		<u>1,484,289</u>	<u>-</u>	<u>1,484,289</u>
OPERATING TAXES								
Equalization & Assessment	7,272	-	7,272	-		7,272	-	7,272
Property	36,324	-	36,324	-		36,324	-	36,324
Corporation (GRT) & FED Corp. Income	409	-	409	-		409	-	409
Village of Alden Utility	3,930	-	3,930	-		3,930	1,132	5,062
Total Operating Taxes	<u>47,935</u>	<u>-</u>	<u>47,935</u>	<u>-</u>		<u>47,935</u>	<u>1,132</u>	<u>49,067</u>
Total Operating Revenues Deductions	<u>1,552,846</u>	<u>-</u>	<u>1,552,846</u>	<u>(20,622)</u>		<u>1,532,224</u>	<u>1,132</u>	<u>1,533,356</u>
Operating Income (Loss)	(62,186)	3,638	(58,548)	(27,023)		(85,572)	203,801	118,229
ADJUSTMENTS (+, -)								
Pension Expense	24,259	-	24,259	(1,720)	27)	22,539	-	22,539
Rate Case Cost	-	-	-	7,237	28)	7,237	-	7,237
Operating Income After Adjustment	<u>(86,445)</u>	<u>3,638</u>	<u>(82,807)</u>	<u>(32,540)</u>		<u>(115,348)</u>	<u>203,801</u>	<u>88,453</u>
OTHER INCOME								
Gain on Sales of Assets	3,000	-	3,000	-		3,000	-	3,000
Interest Income	1,012	-	1,012	-		1,012	-	1,012
Total Other Income	<u>4,012</u>	<u>-</u>	<u>4,012</u>	<u>-</u>		<u>4,012</u>	<u>-</u>	<u>4,012</u>
Net Income (Loss)	<u>(82,433)</u>	<u>3,638</u>	<u>(78,795)</u>	<u>(32,540)</u>		<u>(111,336)</u>	<u>203,801</u>	<u>92,465</u>
Rate Base	972,008		972,008			972,008		972,008
Rate of Return	(0.088934)		(0.085192)			(0.118670)		0.091001

EXHIBIT J

Reserve Gas Company, Inc.

Pro-Forma Income Statement
Explanation of Normalizing Adjustments
Test Year Ended 12/31/11

ADJ. NO.

- | | | |
|----|--|----------|
| 1) | Increase in Residential Sales | |
| | Add: Flow back of over collection resulting
from prior period. (Footnote 1) | \$ 1,061 |
| 2) | Increase in Commercial & Industrial Sales | |
| | Add: Flow back of over collection resulting
from prior period. (Footnote 1) | 635 |
| 3) | Increase in Public Authority Sales | |
| | Add: Flow back of over collection resulting
from prior period. (Footnote 1) | 138 |
| 4) | Increase in Special Contract Sales | |
| | Add: Flow back of over collection resulting
from prior period. (Footnote 1) | 1,804 |

FOOTNOTE TO ADJUSTMENT

Annual Reconciliation and flowed back to our firm customers in January 2011.

Reserve Gas Company, Inc.Pro-Forma Income StatementExplanation of Rate year AdjustmentsTest Year Ended 12/31/11**ADJ. NO.**

1)	<u>Decrease in Residential Sales</u>	
	Less: Adjustment to test years sales for annualized sales to new customers. (Footnote 1)	\$ (9,121)
2)	<u>Decrease in Miscellaneous Income</u>	
	Less: Adjustment to test years sales for Reserve Gas v. Frey Settlement. (Footnote 2)	(38,525)
3)	<u>Decrease in Production Labor</u>	
	Add: Rate year raises. (Footnote 3)	512
	Less: Adj. for employee who resigned. (Footnote 4)	(4,851)
	Add: Employee wages for new hire. (Footnote 5)	3,967
		<u>(372)</u>
4)	<u>Decrease in Meter Reading Labor</u>	
	Add: Rate year raises. (Footnote 3)	326
	Less: Adj. for employee who resigned. (Footnote 4)	(4,851)
	Add: Employee wages for new hire. (Footnote 5)	3,967
		<u>(558)</u>
5)	<u>Increase in Production Maintenance & Shop Supplies</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	55
6)	<u>Increase in Transmission & Distribution Maintenance Labor</u>	
	Add: Rate year raises. (Footnote 3)	2,031
	Less: Adj. for employee who resigned. (Footnote 4)	(4,851)
	Add: Employee wages for new hire. (Footnote 5)	3,967
		<u>1,147</u>
7)	<u>Increase in Salaries of General Officers</u>	
	Add: Rate year raises. (Footnote 3)	3,094

Reserve Gas Company, Inc.

Pro-Forma Income Statement
Explanation of Rate year Adjustments
Test Year Ended 12/31/11

ADJ. NO.

8)	<u>Increase in Salaries of General Office</u>		
	Add: Rate year raises. (Footnote 3)	\$	1,954
9)	<u>Increase in Education</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		5
10)	<u>Increase in Dues & Subscriptions</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		67
11)	<u>Increase in Office Supplies</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		105
12)	<u>Increase in Postage & Freight</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		92
13)	<u>Increase in Utilities</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		49
14)	<u>Increase in Telephone</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		76
15)	<u>Decrease in Travel</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		47
	Less: Reserve Gas v. Frey Settlement. (Footn		(85)
			<u>(38)</u>

Reserve Gas Company, Inc. Page 8 of 10

Pro-Forma Income Statement
Explanation of Rate year Adjustments
Test Year Ended 12/31/11

ADJ. NO.

16)	<u>Decrease in Accounting Fees</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	\$ 128
	Less: Reserve Gas v. Frey Settlement. (Footnote 7)	<u>(3,244)</u>
		(3,115)
17)	<u>Decrease in Legal Fees</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	288
	Less: Reserve Gas v. Frey Settlement. (Footnote 7)	(15,515)
	Less: Stock Redemption Agreement. (Footnote 8)	<u>(1,421)</u>
		(16,648)
18)	<u>Increase in Other Professional Services</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	2
19)	<u>Increase in Insurance Expense</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	538
20)	<u>Increase in Operations & Maintenance</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	1,182
	Add: Rate year raises. (Footnote 3)	2,075
	Less: Adj. for employee who resigned. (Footnote 4)	(4,851)
	Add: Employee wages for new hire. (Footnote 5)	<u>3,967</u>
		2,373
21)	<u>Increase in Rental of Building</u>	
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	363

Reserve Gas Company, Inc. Page 9 of 10

Pro-Forma Income Statement
Explanation of Rate year Adjustments
Test Year Ended 12/31/11

ADJ. NO.

22)	<u>Increase in Uniforms</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		9
23)	<u>Increase in Gasoline & Oil</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)	\$	113
24)	<u>Increase in Vehicle Maintenance & Fees</u>		
	Add: 1.68% Blue Chip Economic escalator. (Footnote 6)		73
25)	Add "Equipment Replacement Fund." (Footnote		7,679
26)	<u>Decrease Depreciation Expense</u>		
	Less: Depreciation on 2011 capital asset deductions. (Footnote 10)		(17,684)
27)	Subtract Pension Expense from Operating Exper (Footnote 11)		(1,720)
28)	Add Estimated Rate Case Cost. (Footnote 12)		7,237

Reserve Gas Company, Inc.

Pro-Forma Income Statement

Footnotes to Adjustments

Test Year Ended 12/31/11

FOOTNOTES TO ADJUSTMENTS

Appendix Pages 6-7-8-9

FOOTNOTE #

1) This adjustment reflects the sales that are projected for 2012 to customers who were not on the Reserve system for the entire

received in a criminal case against a former employee, Mr. Kenneth H. Frey. The amount of \$38,525 represents full restitution and therefore, is not a factor in the Forecast Rate Year.

3) The rate year raises were calculated by multiplying the labor costs by the percentage increase in the related employees'

4) These adjustments reflect the 2012 projected wages of Daniel E. Krawjewski, who left the company on 01/27/12.

salary of \$20,342. Reserve will be responsible for 78% of this expense, or \$15,867, which will be divided equally between Production, Meter Reading, Distribution and General labor costs.

Office of Regulatory Economics, State of New York, Department of Public Service, Albany, New York.

associated with the criminal case against a former employee, Mr. Kenneth H. Frey, which has since been settled upon.

associated with the proposed Stock Redemption Agreement, which has since been postponed.

9) This entry reflects the establishment of an "Equipment Replacement Fund" as detailed in Exhibit L.

Kotas & Kotas, CPA.

employee Daniel E. Krawjewski.

12) This reflects estimated additional expenses for the assistance of Davie Kaplan, CPA, Kotas & Kotas, CPA and Harris Beach

Reserve Gas Company, Inc.
Income Statement and Rate of Return Calculation
 For the Rate Year Ended April 30, 2014

	Test Year Ended 12/31/11	Company Adjustment	Adj #	As adjusted by Company 2011	Adj #	Commission Adjustments	As Adjusted By Commission	Revenue Requirement	As Finally Adjusted
Operating Revenues:									
Residential Sales	\$485,679	(\$9,121)	1	\$476,558	A	(\$8,957)	\$467,601	\$116,000	\$583,601
Commercial & industrial Sales	180,875			180,875	B	936	181,811		181,811
Public Authority Sales	48,135			48,135	C	14,252	62,387		62,387
Special Contract Sales	713,236			713,236	D	(13,661)	699,575		699,575
Miscellaneous Sales	-			-			-		-
Factor Adjustment	-			-	E	87,950	87,950		87,950
Transportation Sales	20,429			20,429	F	(503)	19,926		19,926
Minimum Meter Charge	1,152			1,152	G	8,976	10,128		10,128
Customer Forfeited Discounts	5,577			5,577			5,577		5,577
Erie County Sales Tax Revenue	-			-	H	40,181	40,181		40,181
Uncollectible Accounts	-			-	I	1,923	1,923		1,923
Imputed Revenue	-			-	J	41,607	41,607		41,607
Miscellaneous Income	39,214	(38,525)	2	689	K	59,159	59,848		59,848
Total Operating Revenues	\$1,494,297	(\$47,646)		\$1,446,651		\$231,862	\$1,678,513	\$116,000	\$1,794,513
Operation & Maintenance:									
Production Labor	\$17,366	(\$372)	3	\$16,994		-	\$16,994		\$16,994
Meter Reading Labor	11,059	(558)	4	10,501		-	10,501		10,501
Production Maintenance & Shop Supplies	3,246	55	5	3,301		-	3,301		3,301
Well Royalty	1,435			1,435		-	1,435		1,435
Right of Way & Easements	105			105		-	105		105
Gas & Well Plugging	15,071			15,071		-	15,071		15,071
Alden Aurora Gas Company, Inc.(Affiliate)	161,175			161,175		-	161,175		161,175
New York Gas & Oil	54,566			54,566		-	54,566		54,566
National Fuel Gas	665,095			665,095		-	665,095		665,095
David Laben	257			257		-	257		257
Transportation Charges NFG	87,856			87,856	L	40,291	128,147		128,147
Maintenance Labor	68,859	1,147	6	70,006	M	(11,865)	58,141		58,141
Officer's Wages & Payroll Taxes	102,784	3,094	7	105,878		-	105,878		105,878
Office Wages & Payroll Taxes	65,554	1,954	8	67,508		-	67,508		67,508
Education	270	5	9	275		-	275		275
Dues & Subscriptions	4,017	67	10	4,084		-	4,084		4,084
Office Supplies	6,276	105	11	6,381		-	6,381		6,381
Postage & Freight	5,463	92	12	5,555		-	5,555		5,555
Bank Service Charges	434			434		-	434		434
Utilities	2,910	49	13	2,959		-	2,959		2,959
Telephone	4,531	76	14	4,607		-	4,607		4,607
Travel	2,805	(38)	15	2,767		-	2,767		2,767
Accounting Fees	7,644	(3,115)	16	4,529		-	4,529		4,529
Legal Fees	17,152	(16,648)	17	504		-	504		504
Other Professional Services	103	2	18	105		-	105		105
Payroll Service	1,185			1,185		-	1,185		1,185
Insurance	32,045	538	19	32,583		-	32,583		32,583
Operations & Maintenance	70,345	2,373	20	72,718		-	72,718		72,718
Rental of Building	21,600	363	21	21,963		-	21,963		21,963
Uniforms	563	9	22	572		-	572		572
Gasoline & Oil	6,710	113	23	6,823		-	6,823		6,823
Vehicle Maintenance & Fees	4,359	73	24	4,432		-	4,432		4,432
Equipment Replacement Fund	-	7,679	25	7,679	N	(7,679)	-		-
Uncollectible Accounts	-			-	O	1,923	1,923		1,923
Pension Expense	24,259	(1,720)	27	22,539		-	22,539		22,539
Rate Case Costs	-	7,237	28	7,237		-	7,237		7,237
Inflation	-			-	P	3,990	3,990		3,990
Total Operating and Maintenance	1,467,099	2,580		1,469,679		26,660	1,496,339		1,496,339

Reserve Gas Company, Inc.
Income Statement and Rate of Return Calculation
For the Rate Year Ended March 31, 2014

Depreciation:	62,071	(17,684)	26	44,387	Q	8,936	53,323	53,323
Total Operating Expenses	<u>\$1,529,170</u>	<u>(15,104)</u>		<u>\$1,514,066</u>		<u>\$35,596</u>	<u>\$1,549,662</u>	<u>\$1,549,662</u>
<u>Operating Taxes:</u>								
Equalization & Assessment	\$7,272			\$7,272	R	\$13,715	\$20,987	\$20,987
Property Tax	36,324			36,324		-	36,324	36,324
Gross Receipts tax	409			409		-	409	409
Erie County Sales Tax Expense	-			-	S	40,181	40,181	40,181
NYS Income Tax	-			-	T	1,500	1,500	1,500
Federal Income Tax	-	-		-	U	(11,187)	(11,187)	16,544
Village of Alden Utility Tax	3,930	-		3,930	V	84,020	87,950	5,707
Total Operating Taxes	<u>\$47,935</u>	<u>\$0</u>		<u>\$47,935</u>		<u>\$128,229</u>	<u>\$176,164</u>	<u>22,251</u>
Total Operating Revenues Deductions	<u>\$1,577,105</u>	<u>(15,104)</u>		<u>\$1,562,001</u>		<u>\$163,825</u>	<u>\$1,725,826</u>	<u>\$1,748,077</u>
Net Operating Income (Loss)	<u>(\$82,808)</u>	<u>(32,542)</u>		<u>(\$115,350)</u>		<u>\$68,037</u>	<u>(\$47,313)</u>	<u>\$93,749</u>
Rate Base	<u>\$972,008</u>	<u>\$1</u>		<u>\$972,008</u>		<u>(\$283,023)</u>	<u>\$689,985</u>	<u>\$0</u>
Rate of Return	<u>-8.52%</u>			<u>-11.87%</u>			<u>-9.20%</u>	<u>6.73%</u>

Reserve Gas Company, Inc.
Rate Base including Working Capital Calculation
 For the Rate Year Ended April 30, 2014

	Test Year	Company Adjustments	Per Company	Adj.	Commission	As Adjusted	Revenue	As
	Ending 12/31/11		Rate Year			By		Finally
<u>Rate Base</u>	Ending 12/31/11		Ending	#	Adjustments	Commission	Requirement	Adjusted
Plant in Service	\$2,703,790	\$0	\$2,703,790	W	122,806	\$2,826,596		\$2,826,596
Construction Work In Progress	-	-	-		-	-		-
Accumulated Depreciation	2,158,137	0	2,158,137	X	125,058	2,283,195		2,283,195
Net Plant	545,653	-	545,653		(2,252)	543,401		543,401
Contributions for Extensions					-	-		-
Excess Capitalization Over Earnings	257,300	-	257,300	Y	(257,300)	-		-
Deferred Federal Income Tax - Depreciation	-			Z	(16,139)	(16,139)		(16,139)
Deposits & Prepayments	12,152	-	12,152		-	12,152		12,152
Materials & Supplies	69,901	-	69,901	AA	1,119	71,020		71,020
Cash Working Capital	87,002	-	87,002	BB	(7,451)	79,551		79,551
RATE BASE	\$972,008	\$0	\$972,008		(283,023)	\$689,985	\$0	\$689,985

Reserve Gas Company, Inc.
Calculation of Cash Working Capital
 For the Rate Year Ended April 30, 2014

<u>Cash Working Capital</u>								
Total Operating Expenses and Operating Taxes	\$1,577,105		\$1,562,001		176,306	1,738,307	\$0	\$1,744,014
<u>Deduct:</u>								
Fuel	-		-		-	-	-	-
Purchased Power	881,093		881,093		40,291	921,384		921,384
Depreciation	62,071	(17,684)	44,387		10,230	54,617	-	54,617
Uncollectible Accounts	-		-		1,923	1,923	0	7,630
Rate Case Expenses	-	7,237	7,237		-	7,237	-	7,237
Gross Receipts tax	-		-		409	409		409
Erie County Sales Tax Expense	-		-		40,181	40,181		40,181
Village of Alden Utility Tax	-	-	-		38,327	38,327		38,327
NYS Income Tax	-		-		1,500	1,500		1,500
Property Taxes	36,324		36,324		-	36,324	-	36,324
Total Deductions	\$696,012		\$969,041		132,861	\$1,101,902	\$0	\$1,107,609
Operating Expenses and Operating Taxes Balance	\$696,012		\$592,960		43,445	\$636,405	\$0	\$636,405
Purchased Power	881,093		881,093		-	881,093	-	881,093
Net Expenses for Working Capital	1,577,105		1,474,053		43,445	1,517,498	-	1,517,498
Working Capital-Operating Expenses (1/8)	87,002		87,002		-	79,551	-	79,551
Working Capital-Purchased Power (1/12)	-		-		-	-	-	-
Cash Working Capital Allowance	\$87,002		\$87,002		(7,451)	\$79,551	\$0	\$79,551

Reserve Gas Company, Inc.
Capitalization Matrix and Revenue Requirement Calculation
 For the Rate Year Ended April 30, 2014

<u>Capitalization Matrix</u>	Amount	Percent	Cost Rate	Weighted Cost
Debt	\$345,150	50	4.66%	2.33%
Customer Deposit	-	-	-	-
Surplus	345,151	50	8.80%	4.40%
Total	<u>\$690,301</u>	<u>100</u>		<u>6.73%</u>

Calculation of Revenue Requirement

Rate Base	<u>\$689,985</u>
Rate of Return	<u>6.73%</u>
Required Return	46,436
Operating Income before Revenue Requirement	<u>(47,313)</u>
Deficiency	93,749
Retention Factor	<u>80.818%</u>
	<u>\$116,000</u>

Reserve Gas Company, Inc.
Federal Income Tax Calculation
For the Rate Year Ended April 30, 2014

	<u>Test Year</u> <u>Ending 12/31/11</u>	<u>Company Adjustment</u>	<u>As adjusted by</u> <u>Company 2011</u>	<u>Commission</u> <u>Adjustments</u>	<u>As Adjusted</u> <u>By</u> <u>Commission</u>
Operating Income Before FIT	(82,808)	(32,542)	(115,350)	56,850	(58,500)
Interest Expense	-	-	-	(16,077)	(16,077)
Excess Tax Over Book Depreciation	-	-	-	(31,002)	(31,002)
Taxable Income	(82,808)	(32,542)	(115,350)	9,771	(105,579)
Current FIT @ 15%	-	-	-	1,466	(15,837)
Deferred FIT Depreciation	-	-	-	4,650	4,650
Total FIT	-	-	-	6,116	(11,187)

Reserve Gas Company, Inc.
Explanation of Adjustments
For the Rate Year Ended April 30, 2014

<u>Adjustment No.</u>		<u>Amount</u>
<u>Operating Revenues:</u>		
A.	<u>Residential Sales:</u>	
	Adjusted for normalized winter weather and sales forecast	<u>(\$8,957)</u>
B.	<u>Commercial & Industrial Sales:</u>	
	Adjusted for normalized winter weather and sales forecast	<u>\$936</u>
C.	<u>Public Authority Sales:</u>	
	Adjusted for normalized winter weather and sales forecast	<u>\$14,252</u>
D.	<u>Special Contract Sales:</u>	
	Adjusted for normalized winter weather and sales forecast	<u>(\$13,661)</u>
E.	<u>Factor Adjustment:</u>	
	This amount is separated on Staff's Revenue Breakdown but is included in total sales in Reserve's Breakdown	<u>\$87,950</u>
F.	<u>Transportation Sales:</u>	
	Adjusted for normalized winter weather and sales forecast	<u>(\$503)</u>
G.	<u>Minimum Meter Charge:</u>	
	Reflects the adjustment for collecting the minimum charge from customers, regardless of the amount of gas used	<u>\$8,976</u>
H.	<u>Erie County Sales Tax Revenue</u>	
	To accurately account for sales tax in operating revenues.	<u>\$40,181</u>
I.	<u>Uncollectible Accounts</u>	
	To reflect uncollectible expense recorded on the Company's books.	<u>\$1,923</u>
J.	<u>Imputed Revenue</u>	
	The amount of Revenue necessary to meet the required Rate of Return	<u>\$41,607</u>
K.	<u>Miscellaneous Income</u>	
	Reflects the gas that Reserve sells to Alden Aurora for Customer 8974.15 . This revenue is matched in Commission's adjusted expenses	<u>\$59,159</u>

Reserve Gas Company, Inc.
Explanation of Adjustments
For the Rate Year Ended April 30, 2014

<u>Adjustment No.</u>	<u>Amount</u>
<u>Operation & Maintenance Adjustments:</u>	
L. <u>Purchased Gas:</u>	
Adjusted for normalized winter weather and sales forecast	<u>\$40,291</u>
M. <u>Labor Expense:</u>	
(1) To increase labor, payroll tax and benefits expense to reflect the proper forecasted rate year growth factor	\$24,995
(2) To decrease labor, payroll tax and benefits expense to reflect a 10% capitalization factor.	(36,860)
	<u>(\$11,865)</u>
N. <u>Equipment Replacement Fund:</u>	
To eliminate the amortization expense associated with the equipment replacement fund.	<u>(\$7,679)</u>
O. <u>Uncollectible Account:</u>	
To reflect uncollectible expenses recorded on the Company's books.	<u>\$1,923</u>
P. <u>Inflation:</u>	
To increase inflation expense to reflect the proper rate year level.	<u>\$3,990</u>
<u>Depreciaton Adjustment:</u>	
Q. <u>Depreciation:</u>	
Adjusted depreciable plant balance and different average service lives.	<u>\$8,936</u>
<u>Operating Taxes Adjustments:</u>	
R. <u>Temporary State Assessment:</u>	
To increase Temporary State Assessment (TSA) to reflect the most current TSA charge.	<u>\$13,715</u>
S. <u>Erie County Sales Tax Expense:</u>	
To accurately account for sales tax as an operating tax expense.	<u>\$40,181</u>
T. <u>NYS Income Tax:</u>	
To reflect New York State income taxes recorded on the Company's books.	<u>\$1,500</u>
U. <u>Federal Income Tax:</u>	
(1) To reflect current FIT	(15,837)
(2) To reflect deferred FIT - Depr.	4,650
	<u>(11,187)</u>
V. <u>Village of Alden Utility Tax:</u>	
To increase the utility tax for the additional rate year revenues forecasted by the Commission.	<u>\$84,020</u>

Reserve Gas Company, Inc.
Explanation of Adjustments
For the Rate Year Ended April 30, 2014

<u>Adjustment No.</u>	<u>Amount</u>
<u>Rate Base Adjustments:</u>	
W. <u>Plant in Service:</u>	
Plant adjustment per memo	\$147,806
Well plugging reserve - Escrow Account	<u>(\$25,000)</u>
	<u>\$122,806</u>
X. <u>Accumulated Depreciation:</u>	
Changed in depreciation rates and adjusted to include the accrued depreciation for 2012	<u>\$125,058</u>
Y. <u>Excess Capitalization Over Earnings:</u>	
Cash and Temporary Cash Investment (TCI) levels are approximately equal to the company's excess capitalization adjustment. As a result staff has reduced the Company's adjustment to reflect a zero balance, since cash and TCI represent an inefficient use of funds.	<u>(\$257,300)</u>
Z. <u>Deferred Federal Income Tax -Depr.</u>	
To reflect a accumulated deferred FIT associated with accelerated tax depreciation	<u>(\$16,139)</u>
AA. <u>Materials & Supplies:</u>	
To increase materials and supplies to reflect the proper average balance.	<u>\$1,119</u>
BB. <u>Cash Working Capital:</u>	
To adjust cash working capital to reflect 1/8 of operating expenses and operating taxes excluding purchased power.	<u>(\$7,451)</u>

Reserve Gas Company, Inc.

Sales Forecast

Customer Type	Adjusted			Reserve			Difference		
	Average Customers	Average Use Per Customer (Mcf/Year)	Annual Mcf	Average Customers	Average Use Per Customer (Mcf/Year)	Annual Mcf	Average Customers	Average Use Per Customer (Mcf/Year)	Annual Mcf
Residential	526	94.3	49,616	573	86.8	49,721	47	7.6	(105)
Commercial	24	1,678	40,278	34	568.1	19,315	10	1,110	20,963
Public Authority	10	686.9	6,869	13	521.9	6,785	3	165.0	84
Total	560	172.8	96,762	620	122.3	75,821	60	50.5	20,941

Reserve Gas Company, Inc.Workpaper - ASL Study**Average Service Lives (Years)**

Accounts	KedNY	KEDLI	NFGDC	CHG&E	CON-					Statewide Average	Statewide Salvage Rate	Reserve	Annual Adjusted Rate	Monthly Adjusted Rate
					EDISON	O & R	NMPC	NYSEG	RG&E					
367 - Mains	75	70	60	70	80	75	80	75	75	73	-10%	25	1.50%	0.125%
376 - Services	75	70	70	85	70	75	69	70	75	73	-10%	25	1.50%	0.125%
380 - Meters	52	40	55	70	55	65	60	50	44	55	-20%	10	2.20%	0.183%
390 - Structures	35	40	42	-	50	50	55	40	47	45	0%	5	2.23%	0.186%
391 - Office Furniture	8	11	16	-	8	18	22	NA	NA	14	0%	5	7.23%	0.602%
392 - Trans. Equipment	6	15	5	-	8	19	NA	10	11	11	10%	5	8.51%	0.709%
394 - General Equipment	30	27	25	-	18	23	22	NA	35	26	0%	7	3.90%	0.325%
330 - Production Equipm	NA	NA	40	-	NA	NA	NA	50	NA	45	-10%	5	2.44%	0.204%

Central Hudson Gas & Electric Corporation (CHG&E), Consolidated Edison Company of New York, Inc. (Con Edison), KeySpan Gas East Corporation (KEDLI), National Fuel Gas Distribution Corporation (NFGDC), New York state Electric & Gas Corporation (NYSEG), Niagara Mohawk Power Corporation (NMPC), Orange and Rockland Utilities, Inc. (O&R), Rochester Gas and Electric Corporation (RG&E), and The Brooklyn Union Gas Company dba KeySpan Gas Corporation of NY (KEDNY)

Reserve Gas Company, Inc.Net Plant

		Gross Plant Balance	Construction Work in Progress	Depreciation Reserve Balance
Apr-13	1/2	\$ 1,402,096	\$ -	\$ 1,128,468
May-13		\$ 2,804,379	\$ -	\$ 2,261,223
Jun-13		\$ 2,831,557	\$ -	\$ 2,265,595
Jul-13		\$ 2,838,881	\$ -	\$ 2,269,990
Aug-13		\$ 2,839,321	\$ -	\$ 2,274,386
Sep-13		\$ 2,847,491	\$ -	\$ 2,278,807
Oct-13		\$ 2,864,089	\$ -	\$ 2,283,280
Nov-13		\$ 2,864,089	\$ -	\$ 2,287,753
Dec-13		\$ 2,867,804	\$ -	\$ 2,292,238
Jan-14		\$ 2,872,801	\$ -	\$ 2,296,738
Feb-14		\$ 2,873,786	\$ -	\$ 2,301,242
Mar-14		\$ 2,874,777	\$ -	\$ 2,305,748
Apr-14	1/2	\$ 1,438,075		\$ 1,152,874
Monthly Average		\$ 2,851,596	\$ -	\$ 2,283,195
Net Plant				\$ 568,401
Well Plugging Reserve - Escrow				\$ (25,000) *
Adjusted Net Plant				\$ 543,401
Company's Proposed Net Plant				\$ 545,653
Difference				\$ (2,252)

* See Explanation of Adjustments V.

Reserve Gas Company, Inc.Twelve Month Ending April 2013 Annual Capital Budget

ALLOCATOR %	0%	38%	10%	1%	11%	23%	0%	5%	7%	1%	1%	2%	100%
Account	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	Total
Mains	92	13,377	3,605	216	4,021	8,169	-	1,829	2,459	485	488	676	35,417
Service Lines	2	229	62	4	69	140	-	31	42	8	8	12	605
Meters and Regulators	27	3,901	1,051	63	1,173	2,382	-	533	717	141	142	197	10,328
Structures	0	9	2	0	3	5	-	1	2	0	0	0	24
Furniture & Equipment	51	7,422	2,000	120	2,231	4,533	-	1,015	1,365	269	271	375	19,652
Transportation Eq.	15	2,168	584	35	652	1,324	-	296	399	79	79	110	5,740
General	0	72	20	1	22	44	-	10	13	3	3	4	192
Total	187	27,178	7,324	439	8,170	16,598	-	3,715	4,997	985	991	1,374	71,958

Note: The allocation factor was developed using the test year actual additions.

Reserve Gas Company, Inc.Plant-In-Service Balance

	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
<u>Production:</u>												
Land & Land Rights	29,162	29,162	29,162	29,162	29,162	29,162	29,162	29,162	29,162	29,162	29,162	29,162
Producing wells -Tangible	207,084	207,084	207,084	207,084	207,084	207,084	207,084	207,084	207,084	207,084	207,084	207,084
Producing wells -Intangible	262,874	262,874	262,874	262,874	262,874	262,874	262,874	262,874	262,874	262,874	262,874	262,874
Gathering Lines & Equipment	221,285	221,285	221,285	221,285	221,285	221,285	221,285	221,285	221,285	221,285	221,285	221,285
Drilling & Cleaning Equipment	25,384	25,384	25,384	25,384	25,384	25,384	25,384	25,384	25,384	25,384	25,384	25,384
<u>Distribution:</u>												
Mains	1,054,122	1,067,499	1,071,104	1,071,320	1,075,341	1,083,511	1,083,511	1,085,339	1,087,799	1,088,283	1,088,771	1,089,447
Services	367,751	367,980	368,041	368,045	368,114	368,253	368,253	368,284	368,326	368,335	368,343	368,355
Meters and Regulators	224,724	228,625	229,676	229,739	230,912	233,295	233,295	233,828	234,545	234,686	234,829	235,026
<u>General:</u>												
Buildings	61,216	61,225	61,228	61,228	61,230	61,236	61,236	61,237	61,239	61,239	61,239	61,240
Furniture & Equipment	91,723	99,145	101,146	101,266	103,497	108,030	108,030	109,045	110,409	110,678	110,949	111,324
Transportation Equipment	153,298	155,466	156,050	156,085	156,737	158,061	158,061	158,357	158,756	158,834	158,913	159,023
General Equipment	105,756	105,829	105,848	105,849	105,871	105,915	105,915	105,925	105,939	105,941	105,944	105,947
Total by Month	2,804,379	2,831,557	2,838,881	2,839,321	2,847,491	2,864,089	2,864,089	2,867,804	2,872,801	2,873,786	2,874,777	2,876,150

Reserve Gas Company, Inc
Revenue Sharing

REVENUE SHARING MECHANISM FOR SEPTEMBER 1, 2013 - AUGUST 31, 2014					
TOTAL REVENUES TO BE SHARED					
	PERCENT OF REVENUE SHARED				90.0%
	PERCENT OF REVENUE TO RESERVE				10.0%
	SC3 TARIFF RATE			\$	4.2967
MONTH	MINIMUM CHARGE	VOLUME (MCF)	DELIVERY REVENUE	CUSTOMER	
SEPTEMBER '13	\$ 15.00	698	\$ 3,012.67		
OCTOBER	\$ 15.00	1284	\$ 5,532.77		
NOVEMBER	\$ 15.00	1817	\$ 7,822.44		
DECEMBER	\$ 15.00	2604	\$ 11,204.87		
JANUARY '14	\$ 15.00	3467	\$ 14,910.17		
FEBRUARY	\$ 15.00	2993	\$ 12,875.18		
MARCH	\$ 15.00	2656	\$ 11,425.25		
APRIL	\$ 15.00	1707	\$ 7,349.02		
MAY	\$ 15.00	950	\$ 4,097.56		
JUNE	\$ 15.00	719	\$ 3,102.74		
JULY	\$ 15.00	736	\$ 3,175.44		
AUGUST	\$ 15.00	745	\$ 3,215.19		
	TOTAL DELIVERY REVENUE		\$ 87,723.30		
	IMPUTED REVENUE		\$ 41,607.00		
	NET REVENUE		\$ 46,116.30		
	REVENUE TO BE SHARED		\$ 41,504.67		
	REVENUE TO RESERVE GAS		\$ 4,611.63		

INTEREST CALCULATION FOR SHARED REVENUE					
MONTH	PRINCIPAL BALANCE	MONTHLY INTEREST	INTEREST EARNED	2014 INTEREST RATE	TOTAL BALANCE
	\$	%	\$		\$
SEPTEMBER '14	\$ 41,504.67	0.208%	\$ 86.47	2.50%	\$ 41,591.13
OCTOBER	\$ 41,504.67	0.208%	\$ 86.47		\$ 41,677.60
NOVEMBER	\$ 41,504.67	0.208%	\$ 86.47		\$ 41,764.07
DECEMBER	\$ 41,504.67	0.208%	\$ 86.47		\$ 41,850.54

CALCULATION OF REVENUE SHARING RATE		
TOTAL REVENUE TO BE SHARED	\$ 41,850.54	
TOTAL REVENUE TO BE SHARED EACH MONTH BETWEEN SC3 AND SC4	\$ 3,487.54	PER MONTH
TOTAL MONTHLY SALES SC3 & SC4	12,000	MCF
MONTHLY RATE	\$ 0.2906	PER MCF

Reserve Gas Company, Inc.
Example - Annual Gas Cost Reconciliation
April 1, 2013 - August 31, 2013

PURCHASE GAS EXPENSE (STEP 1)				GAC REVENUE (STEP 2)				
MONTH	ACTUAL DEMAND COST OF GAS \$	ACTUAL COMMODITY COST OF GAS \$	ACTUAL TOTAL COST OF GAS \$	ACTUAL MCF SALES MCF	GSC RATE \$/MCF	ACTUAL GAC REVENUES \$	OTHER REVENUE \$	TOTAL GAC REVENUE \$
SEPTEMBER 12		30,242	30,242	6,227	5.3142	\$ 33,093		\$ 33,093
OCTOBER		44,758	44,758	10,434	4.9921	\$ 52,089		\$ 52,089
NOVEMBER		81,721	81,721	15,662	5.2611	\$ 82,401		\$ 82,401
DECEMBER		118,845	118,845	20,358	6.1374	\$ 124,946		\$ 124,946
JANUARY 13		139,810	139,810	27,124	5.4650	\$ 148,230		\$ 148,230
FEBRUARY		98,920	98,920	15,641	6.6662	\$ 104,267		\$ 104,267
MARCH		88,742	88,742	15,742	5.9538	\$ 93,722		\$ 93,722
APRIL		71,628	71,628	16,630	4.5614	\$ 75,858		\$ 75,858
MAY		34,900	34,900	8,937	4.2351	\$ 37,850		\$ 37,850
JUNE		24,014	24,014	7,039	3.7754	\$ 26,573		\$ 26,573
JULY		27,803	27,803	6,875	4.4383	\$ 30,513		\$ 30,513
AUGUST		24,926	24,926	6,662	4.1258	\$ 27,487		\$ 27,487
ANNUAL TOTAL	\$ -	\$ 786,309	\$ 786,309	157,331		837,028	-	\$ 837,028

DETERMINATION OF THE OVER (UNDER) (STEP 3)	
GAS COSTS	\$ 786,309
RECOVERIES	837,028
(OVER) UNDER	\$ (50,719)
PRIOR PERIOD PRINCIPAL (OVER) UNDER	
GAS SUPPLIER (REFUNDS)	\$ -
NET (OVER) UNDER	\$ (50,719.07)

ESTIMATED INTEREST ON CURRENT PERIOD OVER (UNDER) (STEP 4)								
2012 NET (OVER) UNDER COLLECTION		(50,719)	PRINCIPAL RATE (REFUND) SURCHARGE		\$ (0.2566)	2012 INTEREST RATE		3.40%
ESTIMATED 2013 SALES		197,650	INTEREST BALANCE (OVER) UNDER		\$ -	2013 INTEREST RATE		2.10%
MONTH	PRINCIPAL BALANCE \$	ESTIMATED SALES MCF	RECONCILIATION RATE \$/MCF	RECONCILIATION REVENUE \$	RECONCILIATION BALANCE \$	MONTHLY INTEREST %	INTEREST AMOUNT \$	INTEREST BALANCE \$
SEPTEMBER	(50,719)				(50,719)	0.283%	(144)	(144)
OCTOBER	(50,719)				(50,719)	0.283%	(144)	(287)
NOVEMBER	(50,719)				(50,719)	0.283%	(144)	(431)
DECEMBER	(50,719)				(50,719)	0.283%	(144)	(575)
JANUARY 14		23,518	(0.2566)	\$ (6,035)	(44,684)	0.175%	(83)	(658)
FEBRUARY		29,085	(0.2566)	\$ (7,463)	(37,221)	0.175%	(72)	(730)
MARCH		18,810	(0.2566)	\$ (4,827)	(32,394)	0.175%	(61)	(791)
APRIL		11,448	(0.2566)	\$ (2,938)	(29,456)	0.175%	(54)	(845)
MAY		8,282	(0.2566)	\$ (2,125)	(27,331)	0.175%	(50)	(895)
JUNE		7,376	(0.2566)	\$ (1,893)	(25,438)	0.175%	(46)	(941)
JULY		8,019	(0.2566)	\$ (2,058)	(23,380)	0.175%	(43)	(984)
AUGUST		7,688	(0.2566)	\$ (1,973)	(21,407)	0.175%	(39)	(1,023)
SEPTEMBER		12,195	(0.2566)	\$ (3,129)	(18,278)	0.175%	(35)	(1,057)
OCTOBER		17,679	(0.2566)	\$ (4,537)	(13,741)	0.175%	(28)	(1,085)
NOVEMBER		23,004	(0.2566)	\$ (5,903)	(7,838)	0.175%	(19)	(1,104)
DECEMBER		30,546	(0.2566)	\$ (7,838)	0	0.175%	(7)	(1,111)
ANNUAL TOTAL		197,650		\$ (50,719)			\$ (1,111)	\$ (1,111.23)

Reserve Gas Company, Inc.
Example - Annual Gas Cost Reconciliation
September 1, 2013 - August 31, 2014

PURCHASE GAS EXPENSE (STEP 1)				GAC REVENUE (STEP 2)				
MONTH	ACTUAL DEMAND COST OF GAS \$	ACTUAL COMMODITY COST OF GAS \$	ACTUAL TOTAL COST OF GAS \$	ACTUAL MCF SALES MCF	GSC RATE \$/MCF	ACTUAL GAC REVENUES \$	OTHER REVENUE \$	TOTAL GAC REVENUE \$
SEPTEMBER 13		30,242	30,242	6,227	5.3142	\$ 33,093		\$ 33,093
OCTOBER		44,758	44,758	10,434	4.9921	\$ 52,089		\$ 52,089
NOVEMBER		81,721	81,721	15,662	5.2611	\$ 82,401		\$ 82,401
DECEMBER		118,845	118,845	20,358	6.1374	\$ 124,946		\$ 124,946
JANUARY 14		139,810	139,810	27,124	5.4650	\$ 148,230		\$ 148,230
FEBRUARY		98,920	98,920	15,641	6.6662	\$ 104,267		\$ 104,267
MARCH		88,742	88,742	15,742	5.9538	\$ 93,722		\$ 93,722
APRIL		71,628	71,628	16,630	4.5614	\$ 75,858		\$ 75,858
MAY		34,900	34,900	8,937	4.2351	\$ 37,850		\$ 37,850
JUNE		24,014	24,014	7,039	3.7754	\$ 26,573		\$ 26,573
JULY		27,803	27,803	6,875	4.4383	\$ 30,513		\$ 30,513
AUGUST		24,926	24,926	6,662	4.1258	\$ 27,487		\$ 27,487
ANNUAL TOTAL	\$ -	\$ 786,309	\$ 786,309	157,331		837,028	-	\$ 837,028

DETERMINATION OF THE LAUF INCENTIVE (STEP 3)	
SYSTEM RECIEPTS	160,000
SYSTEM DELIVERIES	157,331
LOSSES	2,669
LOSS PERCENTAGE	1.67%
ACTUAL LAUF FACTOR	1.0170
ALLOWED LAUF FACTOR	1.0261
TOTAL COMMODITY COST OF GAS	\$ 786,309
LAUF INCENTIVE GAIN/(LOSS)	\$ 7,065

DETERMINATION OF THE OVER (UNDER) (STEP 4)	
GAS COSTS	\$ 786,309
LAUF INCENTIVE	\$ 7,065
TOTAL	\$ 793,373
RECOVERIES	837,028
(OVER) UNDER	\$ (43,654)
PRIOR PERIOD PRINCIPAL (OVER) UNDER	\$ -
GAS SUPPLIER (REFUNDS)	\$ -
NET (OVER) UNDER	\$ (43,654.36)

ESTIMATED INTEREST ON CURRENT PERIOD OVER (UNDER) (STEP 5)								
2012 NET (OVER) UNDER COLLECTION		(43,654)	PRINCIPAL RATE (REFUND) SURCHARGE		\$ (0.2209)	2013 INTEREST RATE		2.10%
ESTIMATED 2013 SALES		197,650	INTEREST BALANCE (OVER) UNDER			2014 INTEREST RATE		2.00%
MONTH	PRINCIPAL BALANCE \$	ESTIMATED SALES MCF	RECONCILIATION RATE \$/MCF	RECONCILIATION REVENUE \$	RECONCILIATION BALANCE \$	MONTHLY INTEREST %	INTEREST AMOUNT \$	INTEREST BALANCE \$
SEPTEMBER	(43,654)				(43,654)	0.175%	(76)	(76)
OCTOBER	(43,654)				(43,654)	0.175%	(76)	(153)
NOVEMBER	(43,654)				(43,654)	0.175%	(76)	(229)
DECEMBER	(43,654)				(43,654)	0.175%	(76)	(306)
JANUARY 15		23518	(0.2209)	(5,194)	(38,460)	0.167%	(68)	(374)
FEBRUARY		29085	(0.2209)	(6,424)	(32,036)	0.167%	(59)	(433)
MARCH		18810	(0.2209)	(4,155)	(27,882)	0.167%	(50)	(483)
APRIL		11448	(0.2209)	(2,529)	(25,353)	0.167%	(44)	(527)
MAY		8282	(0.2209)	(1,829)	(23,524)	0.167%	(41)	(568)
JUNE		7376	(0.2209)	(1,629)	(21,895)	0.167%	(38)	(606)
JULY		8019	(0.2209)	(1,771)	(20,124)	0.167%	(35)	(641)
AUGUST		7688	(0.2209)	(1,698)	(18,425)	0.167%	(32)	(673)
SEPTEMBER		12195	(0.2209)	(2,693)	(15,732)	0.167%	(28)	(701)
OCTOBER		17679	(0.2209)	(3,905)	(11,827)	0.167%	(23)	(724)
NOVEMBER		23004	(0.2209)	(5,081)	(6,746)	0.167%	(15)	(740)
DECEMBER		30546	(0.2209)	(6,747)	0	0.167%	(6)	(745)
ANNUAL TOTAL		197,650		\$ (43,654)			\$ (745)	\$ (745.32)

Reserve Gas Company, Inc.
Example - Annual Gas Cost Reconciliation
September 1, 2014 - August 31, 2015

PRIOR PERIOD RECONCILIATION (STEP 1)								
2013 PRINCIPAL (OVER) UNDER		(50,719)	PRINCIPAL RATE: (REFUND) SURCHARGE		\$ (0.2566)	2013 INTEREST RATE		2.10%
ESTIMATED INTEREST (OVER) UNDER		(745)	INTEREST RATE: (REFUND) SURCHARGE		\$ (0.0038)	2014 INTEREST RATE		2.00%
ESTIMATED 2011 SALES		197,650	TOTAL RATE: (REFUND) SURCHARGE		\$ (0.2604)	INTEREST BALANCE: (OVER) UNDER		-
MONTH	PRINCIPAL BALANCE	ACTUAL SALES	PRINCIPAL REVENUE	INTEREST REVENUE	PRINCIPAL BALANCE	MONTHLY INTEREST	ACTUAL INTEREST ON PRINCIPAL	INTEREST BALANCE
	\$	MCF	\$	\$	\$	%	\$	\$
AUGUST '13	(50,719)				(50,719)			-
SEPTEMBER	(50,719)				(50,719)	0.175%	(89)	(89)
OCTOBER	(50,719)				(50,719)	0.175%	(89)	(178)
NOVEMBER	(50,719)				(50,719)	0.175%	(89)	(266)
DECEMBER	-				(50,719)	0.175%	(89)	(355)
JANUARY '14		30264	\$ (7,766)	\$ (114)	(42,953)	0.167%	(78)	(319)
FEBRUARY		19525	\$ (5,010)	\$ (74)	(37,943)	0.167%	(67)	(313)
MARCH		25459	\$ (6,533)	\$ (96)	(31,409)	0.167%	(58)	(275)
APRIL		15960	\$ (4,095)	\$ (60)	(27,314)	0.167%	(49)	(263)
MAY		9364	\$ (2,403)	\$ (35)	(24,911)	0.167%	(44)	(272)
JUNE		6603	\$ (1,694)	\$ (25)	(23,217)	0.167%	(40)	(287)
JULY		6074	\$ (1,559)	\$ (23)	(21,658)	0.167%	(37)	(301)
AUGUST		6693	\$ (1,717)	\$ (25)	(19,941)	0.167%	(35)	(311)
SEPTEMBER		6227	\$ (1,598)	\$ (23)	(18,343)	0.167%	(32)	(319)
OCTOBER		10434	\$ (2,678)	\$ (39)	(15,665)	0.167%	(28)	(308)
NOVEMBER		15662	\$ (4,019)	\$ (59)	(11,646)	0.167%	(23)	(272)
DECEMBER		20358	\$ (5,224)	\$ (77)	(6,422)	0.167%	(15)	(210)
ANNUAL TOTAL		172,624	\$ (44,297)	\$ (651)			\$ (861)	\$ (210)
2013 PRINCIPAL (OVER) UNDER COLLECTION		(50,719)	ESTIMATED INTEREST		(861)	2014 TOTAL ESTIMATED (OVER) UNDER		\$ (51,580)
ACTUAL PRINCIPAL REVENUE		(44,297)	ACTUAL INTEREST BILLED		\$ (651)	ACTUAL (OVER) UNDER		\$ (44,948)
BALANCE DUE (OVER) UNDER		(6,422)	BALANCE DUE (OVER) UNDER		\$ (210)	BALANCE DUE (OVER) UNDER		\$ (6,632)

PURCHASE GAS EXPENSE (STEP 2)				GAS REVENUE (STEP 3)				
MONTH	ACTUAL DEMAND COST OF GAS	ACTUAL COMMODITY COST OF GAS	ACTUAL TOTAL COST OF GAS	ACTUAL MCF SALES	GSC RATE	ACTUAL GAC REVENUES	OTHER REVENUE	TOTAL GAC REVENUE
	\$	\$	\$	MCF	\$/MCF	\$	\$	\$
SEPTEMBER 14		30,242	30,242	6,227	5.3142	33,093		33,093
OCTOBER		44,758	44,758	10,434	4.9921	52,089		52,089
NOVEMBER		81,721	81,721	15,662	5.2611	82,401		82,401
DECEMBER		118,845	118,845	20,358	6.1374	124,946		124,946
JANUARY 15		139,810	139,810	27,124	5.4650	148,230		148,230
FEBRUARY		98,920	98,920	15,641	6.6662	104,267		104,267
MARCH		88,742	88,742	15,742	5.9538	93,722		93,722
APRIL		71,628	71,628	16,630	4.5614	75,858		75,858
MAY		34,900	34,900	8,937	4.2351	37,850		37,850
JUNE		24,014	24,014	7,039	3.7754	26,573		26,573
JULY		27,803	27,803	6,875	4.4383	30,513		30,513
AUGUST		24,926	24,926	6,662	4.1258	27,487		27,487
ANNUAL TOTAL	\$ -	\$ 786,309	\$ 786,309	157,331		837,028	-	\$ 837,028

DETERMINATION OF THE LAUF INCENTIVE (STEP 4)	
SYSTEM RECEIPTS	159,000
SYSTEM DELIVERIES	157,331
LOSSES	1,669
LOSS PERCENTAGE	1.05%
ACTUAL LAUF FACTOR	1.0106
ALLOWED LAUF FACTOR	1.0261
TOTAL COMMODITY COST OF GAS	\$ 786,309
LAUF INCENTIVE GAIN/(LOSS)	\$ 12,054

DETERMINATION OF THE OVER (UNDER) (STEP 5)	
GAS COSTS	\$ 786,309
LAUF INCENTIVE	\$ 12,054
TOTAL	\$ 798,363
RECOVERIES	837,028
(OVER) UNDER	\$ (38,665)
PRIOR PERIOD PRINCIPAL (OVER) UNDER	\$ (6,422)
GAS SUPPLIER (REFUNDS)	\$ -
NET (OVER) UNDER	\$ (45,086.53)

ESTIMATED INTEREST ON CURRENT PERIOD OVER (UNDER) (STEP 6)								
2015 NET (OVER) UNDER COLLECTION		(45,087)	PRINCIPAL RATE (REFUND) SURCHARGE		\$ (0.2281)	2015 INTEREST RATE		2.10%
ESTIMATED 2013 SALES		197,650	INTEREST BALANCE (OVER) UNDER		\$ (210)	2016 INTEREST RATE		2.00%
MONTH	PRINCIPAL BALANCE	ESTIMATED SALES	RECONCILIATION RATE	RECONCILIATION REVENUE	RECONCILIATION BALANCE	MONTHLY INTEREST	INTEREST AMOUNT	INTEREST BALANCE
	\$	MCF	\$/MCF	\$	\$	%	\$	\$
SEPTEMBER 15	(45,087)				(45,087)	0.175%	(79)	(289)
OCTOBER	(45,087)				(45,087)	0.175%	(79)	(368)
NOVEMBER	(45,087)				(45,087)	0.175%	(79)	(447)
DECEMBER	(45,087)				(45,087)	0.175%	(79)	(526)
JANUARY 16		23518	(0.2281)	\$ (5,365)	(39,722)	0.167%	(71)	(596)
FEBRUARY		29085	(0.2281)	\$ (6,635)	(33,087)	0.167%	(61)	(657)
MARCH		18810	(0.2281)	\$ (4,291)	(28,796)	0.167%	(52)	(709)
APRIL		11448	(0.2281)	\$ (2,612)	(26,185)	0.167%	(46)	(754)
MAY		8282	(0.2281)	\$ (1,889)	(24,296)	0.167%	(42)	(796)
JUNE		7376	(0.2281)	\$ (1,683)	(22,613)	0.167%	(39)	(836)
JULY		8019	(0.2281)	\$ (1,829)	(20,784)	0.167%	(36)	(872)
AUGUST		7688	(0.2281)	\$ (1,754)	(19,030)	0.167%	(33)	(905)
SEPTEMBER		12195	(0.2281)	\$ (2,782)	(16,248)	0.167%	(29)	(934)
OCTOBER		17679	(0.2281)	\$ (4,033)	(12,215)	0.167%	(24)	(958)
NOVEMBER		23004	(0.2281)	\$ (5,248)	(6,968)	0.167%	(16)	(974)
DECEMBER		30546	(0.2281)	\$ (6,968)	0	0.167%	(6)	(980)
ANNUAL TOTAL		197,650		\$ (45,087)			\$ (770)	\$ (979.84)

Reserve Gas Company, Inc.
Lost and Unaccounted For (LAUF)

Lost and Unaccounted For Gas - Factor of Adjustment				
	Total Volume of Gas Entering the System (Mcf)	Total Volume of Gas Delivered (Mcf)	Loss %	Factor of Adjustment
Sept 10-Aug :	196,027	191,830	2.14%	1.0219
Sept 11-Aug :	171,126	166,099	2.94%	1.0303
			2 Year Average	1.0261
			Target	<u>1.0261</u>

Reserve Gas Company, Inc.
Lost and Unaccounted For (LAUF)
Workpaper - Deliveries & Receipts

Total Deliveries						
Month	GAC Sales	Residential Leaseholder Free Gas	Total Alden Aurora Sales to Customer 8974.15	Reserve Transportation Sales	Alden Aurora Free Gas to Customer 8974.15	Total Delivered in System
Sep-11	6,227	58	988	426	26	6,874
Oct-11	10,434	58	1,150	409	63	11,297
Nov-11	15,662	58	1,331	744	110	16,418
Dec-11	20,358	58	1,585	1,071	130	21,060
Jan-12	27,124	58	1,910	1,463	191	27,820
Feb-12	15,651	58	1,744	1,257	147	16,344
Mar-12	15,742	58	1,648	1,039	98	16,507
Apr-12	16,630	58	1,535	971	95	17,348
May-12	8,937	58	1,231	575	48	9,700
Jun-12	7,039	58	1,158	542	24	7,737
Jul-12	6,875	58	1,046	359	12	7,632
Aug-12	6,662	58	1,139	508	10	7,362
Total						166,099

Total Receipts								
Month	(Mcf)				Total	Total Purchased from NFR	Total Purchased from NGO + Cole	TOTAL IN
	Reserve Gas	Alden Aurora	Laben					
Sep-11	1,388	4,175	-		5,563	2,137	11	7,710
Oct-11	2,328	5,413	-		7,741	4,309	25	12,075
Nov-11	1,914	4,379	76		6,369	8,228	1,774	16,371
Dec-11	1,673	4,092	42		5,807	14,594	1,716	22,117
Jan-12	1,513	4,615	33		6,160	19,800	1,031	26,992
Feb-12	1,288	4,039	26		5,352	11,107	1,224	17,683
Mar-12	1,224	3,680	35		4,940	11,338	1,722	18,000
Apr-12	1,375	4,021	23		5,418	10,485	1,289	17,193
May-12	1,453	3,615	32		5,100	3,627	1,083	9,810
Jun-12	1,374	3,822	26		5,221	2,238	20	7,479
Jul-12	1,343	4,225	45		5,613	2,472	17	8,102
Aug-12	1,347	3,837	26		5,211	2,368	16	7,595
Total								171,126

Reserve Gas Company, Inc.
Lost and Unaccounted For (LAUF)
Workpaper - LAUF Incentive Calculation

Example 1 - High Actual LAUF	
(August 2011- September 2012)	
Total Receipts (Mcf)	171,126
Total Deliveries (Mcf)	166,099
Losses (Mcf)	5,027
Loss Percentage	2.94%
Actual LAUF Factor	1.0303
Allowed LAUF Factor	1.0261
Total Commodity Cost of Gas	\$786,309
Incentive/(Loss)	(\$3,181)

Example 2 - Low Actual LAUF	
(August 2011- September 2012)	
Total Receipts (Mcf)	196,027
Total Deliveries (Mcf)	191,830
Losses (Mcf)	4,197
Loss Percentage	2.14%
Actual LAUF Factor	1.0219
Allowed LAUF Factor	1.0261
Total Commodity Cost of Gas	\$786,309
Incentive/(Loss)	\$3,248

Reserve Gas Company, Inc.
Tariff Schedule

Current Tariffs	New Tariffs
SC 1 Leaseholds	SC 1 Firm Transportation. Min 5,000 MCF annual
SC 2 NA	SC 2 Special Contract Customers
SC 3 Commercial, Ind., Public Authority and Special Contracts	SC 3 Commercial, Industrial, and Public Authority
SC 4 Residential	SC 4 Residential & Leaseholds
SC 5 Co-Gen	SC 5 Co-Gen
SC 6 Dual Fuel Interruptible. Min 50,000 MCF Annual	SC 6 Dual Fuel Interruptible. Min 50,000 MCF Annual
SC 7 Interruptible Transportation. Min 50,000 MCFs annual	SC 7 Interruptible Transportation. Min 50,000 MCFs

Reserve Gas Company, Inc.Revenue Allocation

Total Revenue Requirement	\$116,000	(A)
Taxes	\$6,165	(B)
Late Payment Revenue	\$397	(C)
Incremental Revenue Requirem	\$109,438	(D) = (A) - (B) - (C)
Percentage on Base Revenue	39.9%	(E) = (D) / (F)

Service Class	Rate Year Sales at Current Rates	Base Revenue Increase	Base Revenue	Flex Rate	Base Cost	Total Base Revenue Increase	Total Revenue	Revenue Percent Increase
	(F)	(G) = (E) *	(H) = (F) +	(H)	(I)	(J) = (G) + (H) + (I)	(K) = (F) + (J)	(L) = (J) / (F)
SC-4 Residential	\$186,100	\$74,189	\$260,288	\$14,218	-\$19,527	\$68,880	\$254,979	37.0%
SC-3 Com & PA	\$88,422	\$35,249	\$123,671	\$6,756	-\$9,278	\$32,727	\$121,149	37.0%
Total	\$274,522	\$109,438	\$383,960	\$20,974	-\$28,805	\$101,607	\$376,128	

Reserve Gas Company, Inc.
Rates with Current Billing System

Service Classification	Average Number of Customers	Rate Year Sales (Mcf)	Rate Block	Current Tariff Rates	Rate Year Revenues at Current Rates	Proposed Rates	Proposed Revenue Increase	Forecasted Revenues
SC 4:			Minimum Charge	\$ 1.50	\$ 9,468	\$ 6.00	\$ 28,404	\$ 37,872
Residential	526	49,616	All MCF	\$3.5600	\$ 176,632	\$4.3758	\$ 40,476	\$ 217,108
					\$ 186,100		\$ 68,880	\$ 254,980
SC 3:			Minimum Charge	\$ 1.50	\$ 612	\$ 15.00	\$ 5,508	\$ 6,120
Commercial, PA & Industrial	34	26,771	All MCF	\$3.2800	\$ 87,810	\$4.2967	\$ 27,217	\$ 115,027
					\$ 88,422		\$ 32,725	\$ 121,147
Total					\$ 274,522		\$ 101,606	\$ 376,127

Rates with New Billing System

Service Classification	Average Number of Customers	Rate Year Sales (Mcf)	Rate Block	Current Tariff Rates	Rate Year Revenues at Current Rates	Proposed Rates	Proposed Revenue Increase	Forecasted Revenues
SC 4:		1,825	0-0.4 Mcf	\$ 1.50	\$ 9,468	\$ 6.00	\$ 28,404	\$ 37,872
Residential	526	19,686	0.4 to 5.0 Mcf	\$3.5600	\$ 176,632	\$4.6000	\$ (86,078)	\$ 90,554
		28,105	Over 5.0 Mcf	\$ -	\$ -	\$4.5022	\$ 126,537	\$ 126,537
		49,616			\$ 186,100		\$ 68,863	\$ 254,963
SC 3:		163	0-0.4 Mcf	\$ 1.50	\$ 612	\$ 15.00	\$ 5,508	\$ 6,120
Commercial, PA & Industrial	34	1,877	0.4 to 5 Mcf	\$3.2800	\$ 87,810	\$4.4000	\$ (79,552)	\$ 8,258
		24,731	Over 5 Mcf	\$ -	\$ -	\$4.3178	\$ 106,785	\$ 106,785
		26,771			\$ 88,422		\$ 32,740	\$ 121,162
Total					\$ 274,522		\$ 101,604	\$ 376,125

Reserve Gas Company, Inc.
Bill Impacts SC-4: Residential

Reserve Gas Company Residential Bill Impacts				
Sales (Ccf)	Monthly Bill at Current Rates	Monthly Bill with Proposed Increase	Difference	
			\$	%
0	\$1.57	\$6.29	\$4.71	300.0%
25	\$26.13	\$33.06	\$6.92	26.5%
30	\$31.04	\$38.41	\$7.37	23.7%
40	\$40.87	\$49.12	\$8.25	20.2%
50	\$50.69	\$59.83	\$9.13	18.0%
60	\$60.52	\$70.54	\$10.02	16.6%
70	\$70.34	\$81.25	\$10.90	15.5%
80	\$80.17	\$91.95	\$11.79	14.7%
90	\$89.99	\$102.66	\$12.67	14.1%
100	\$99.82	\$113.37	\$13.56	13.6%
120	\$119.46	\$134.79	\$15.32	12.8%
150	\$148.94	\$166.91	\$17.98	12.1%
175	\$173.50	\$193.69	\$20.19	11.6%
200	\$198.06	\$220.46	\$22.40	11.3%
225	\$222.62	\$247.23	\$24.61	11.1%
250	\$247.18	\$274.00	\$26.82	10.8%
300	\$296.30	\$327.54	\$31.24	10.5%
400	\$394.55	\$434.63	\$40.08	10.2%
500	\$492.79	\$541.71	\$48.92	9.9%

	Present Rates	Proposed Rates
Minimum Charge	\$1.50	\$6.00
Rate per Mcf	\$3.56	\$4.3758
Tax	4.75%	4.75%
Base Cost	(\$0.154)	\$0.00
Flex Rate	\$0.1257	\$0.00
TSA	\$0.1127	\$0.1127
Adjustment Factor	\$0.5474	\$0.5474
Avg Commodity	\$5.8189	\$5.8472

Reserve Proposed Bill Increase for Residential Customers					
Month	Avg. Sales (Ccf)	Monthly Bill at Current Rates	Monthly Bill with Proposed Increase	Difference	
				\$	%
January	154	\$152.97	\$171.30	\$18.34	11.99%
February	142	\$140.88	\$158.13	\$17.25	12.25%
March	124	\$123.69	\$139.39	\$15.70	12.70%
April	79	\$78.89	\$90.56	\$11.67	14.80%
May	49	\$49.42	\$58.44	\$9.02	18.25%
June	25	\$25.64	\$32.52	\$6.88	26.83%
July	19	\$20.53	\$26.95	\$6.42	31.27%
August	20	\$21.02	\$27.49	\$6.46	30.75%
September	29	\$29.77	\$37.02	\$7.25	24.36%
October	66	\$66.81	\$77.39	\$10.58	15.84%
November	93	\$93.04	\$105.98	\$12.95	13.91%
December	137	\$135.77	\$152.56	\$16.79	12.37%
Total	936	\$938.42	\$1,077.74	\$139.33	14.85%

Reserve Gas Company, Inc.Bill Impacts SC-3: Commercial

Reserve Gas Company Commercial Bill Impacts				
Sales (Ccf)	Monthly Bill at Current Rates	Monthly Bill with Proposed Increase	Difference	
			\$	%
0	\$1.63	\$16.31	\$14.68	900.0%
50	\$51.11	\$71.47	\$20.36	39.8%
100	\$100.58	\$126.63	\$26.05	25.9%
150	\$150.06	\$181.78	\$31.73	21.1%
250	\$249.01	\$292.10	\$43.09	17.3%
300	\$298.48	\$347.26	\$48.77	16.3%
350	\$347.96	\$402.41	\$54.46	15.7%
400	\$397.43	\$457.57	\$60.14	15.1%
450	\$446.91	\$512.73	\$65.82	14.7%
500	\$496.38	\$567.89	\$71.50	14.4%
600	\$595.33	\$678.20	\$82.87	13.9%
700	\$694.29	\$788.52	\$94.23	13.6%
800	\$793.24	\$898.83	\$105.60	13.3%
900	\$892.19	\$1,009.15	\$116.96	13.1%
1000	\$991.14	\$1,119.46	\$128.33	12.9%
1250	\$1,238.51	\$1,395.25	\$156.74	12.7%
1500	\$1,485.89	\$1,671.04	\$185.15	12.5%
2000	\$1,980.64	\$2,222.61	\$241.97	12.2%
2500	\$2,475.39	\$2,774.19	\$298.79	12.1%

	Present Rates	Proposed Rates
Minimum Charge	\$1.50	\$15.00
Rate per Mcf	\$3.56	\$4.2967
Tax	8.75%	8.75%
Base Cost	(\$0.154)	\$0.00
Flex Rate	\$0.1257	\$0.00
TSA	\$0.1127	\$0.1127
Adjustment Factor	\$0.5474	\$0.5474
Avg Commodity	\$5.8189	\$5.8472

Reserve Proposed Bill Increase for Commercial Customers					
Month	Avg. Sales (Ccf)	Monthly Bill at Current Rates	Monthly Bill with Proposed Increase	Difference	
				\$	%
January	1,118	\$1,107.75	\$1,249.46	\$141.72	12.79%
February	1,039	\$1,029.61	\$1,162.36	\$132.74	12.89%
March	927	\$918.93	\$1,038.96	\$120.03	13.06%
April	634	\$629.23	\$715.99	\$86.76	13.79%
May	442	\$439.15	\$504.08	\$64.93	14.79%
June	286	\$285.07	\$332.30	\$47.23	16.57%
July	254	\$252.66	\$296.17	\$43.51	17.22%
August	256	\$255.41	\$299.23	\$43.83	17.16%
September	313	\$311.70	\$361.99	\$50.29	16.13%
October	555	\$551.24	\$629.04	\$77.80	14.11%
November	727	\$720.82	\$818.10	\$97.28	13.50%
December	1,006	\$996.85	\$1,125.83	\$128.98	12.94%
Total	7,558	\$7,498	\$8,534	\$1,035	13.80%

Reserve Gas Company, Inc.
Bill Impacts SC-3: Public Authority

Reserve Public Authority Bill Impacts				
Sales (Ccf)	Monthly Bill at Current Rates	Monthly Bill with Proposed Increase	Difference	
			\$	%
0	\$2	\$15	\$13.50	900.0%
50	\$47	\$66	\$18.73	39.8%
100	\$92	\$116	\$23.95	25.9%
150	\$138	\$167	\$29.18	21.1%
250	\$229	\$269	\$39.63	17.3%
300	\$274	\$319	\$44.85	16.3%
350	\$320	\$370	\$50.08	15.7%
400	\$365	\$421	\$55.30	15.1%
450	\$411	\$471	\$60.53	14.7%
500	\$456	\$522	\$65.75	14.4%
600	\$547	\$624	\$76.20	13.9%
700	\$638	\$725	\$86.65	13.6%
800	\$729	\$827	\$97.10	13.3%
900	\$820	\$928	\$107.55	13.1%
1,000	\$911	\$1,029	\$118.00	12.9%
1,250	\$1,139	\$1,283	\$144.13	12.7%
1,500	\$1,366	\$1,537	\$170.25	12.5%
2,000	\$1,821	\$2,044	\$222.50	12.2%
2,500	\$2,276	\$2,551	\$274.75	12.1%

	Present Rates	Proposed Rates
Minimum Charge	\$1.50	\$15.00
Rate per Mcf	\$3.56	\$4.2967
Tax	0.00%	0.00%
Base Cost	(\$0.154)	\$0.00
Flex Rate	\$0.1257	\$0.00
TSA	\$0.1127	\$0.1127
Adjustment Factor	\$0.5474	\$0.5474
Avg Commodity	\$5.8189	\$5.8472

Reserve Proposed Bill Increase for Public Authority Customers					
Month	Avg. Sales (Ccf)	Monthly Bill at Current Rates	Monthly Bill with Proposed Increase	Difference	
				\$	%
January	967	\$881	\$996	\$114.55	13.00%
February	899	\$820	\$927	\$107.48	13.11%
March	803	\$733	\$830	\$97.46	13.30%
April	553	\$504	\$576	\$71.25	14.13%
May	388	\$355	\$409	\$54.05	15.24%
June	255	\$233	\$273	\$40.11	17.20%
July	227	\$208	\$245	\$37.18	17.90%
August	229	\$210	\$247	\$37.43	17.84%
September	278	\$254	\$297	\$42.52	16.73%
October	485	\$443	\$507	\$64.19	14.49%
November	632	\$576	\$656	\$79.54	13.80%
December	871	\$794	\$898	\$104.51	13.16%
Total	6,586	\$6,011	\$6,861	\$850.28	14.15%