



# VALLEY ENERGY

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STATE OF NEW YORK  
PUBLIC SERVICE  
COMMISSION  
ALBANY

2007 OCT 15 AM 11: 18

October 11, 2007

**VIA FEDEX**

Honorable Jaclyn A. Brilling, Secretary  
State of New York Department of Public Service  
Three Empire State Plaza  
Albany, NY 12223-1350

2007 OCT 15 AM 11: 19

STATE OF NEW YORK  
PUBLIC SERVICE  
COMMISSION  
ALBANY

Dear Secretary Brilling:

Enclosed please find an original and three copies of the Current Over/Under Recoveries schedules from the Gas Adjustment Clause for the year ending August 31, 2007 for Valley Energy of New York.

Subject to approval, we will implement the new rates with the January 2008 billing.

If you have any questions, please contact me at:

Marjorie Johnston, Vice President/Treasurer  
Telephone: 570-888-9664  
Email: [mjohnston@ctenterprises.org](mailto:mjohnston@ctenterprises.org).

Sincerely,

Marjorie M. Johnston  
Vice President/Treasurer

MMJ/ss

Enclosures (4)

<b>SC 1</b>			
<b>VALLEY ENERGY</b>			
<b>COMPUTATION OF CALENDAR YEAR 2005 ANNUAL RECONCILIATION TRUE UP</b>			
<b>JANUARY 1, 2006 - DECEMBER 31, 2006</b>			
<b>MONTH</b>	<b>ACTUAL SALES MCF (1)</b>	<b>SURCHARGE RATE \$/MCF (2)</b>	<b>REFUND REVENUE \$ (3) = (1) X (2)</b>
JANUARY 06	37,482	\$ 0.2882	\$ 10,801
FEBRUARY	38,324	\$ 0.2882	\$ 11,043
MARCH	37,682	\$ 0.2882	\$ 10,858
APRIL	16,362	\$ 0.2882	\$ 4,715
MAY	9,938	\$ 0.2882	\$ 2,864
JUNE	6,001	\$ 0.2882	\$ 1,729
JULY	4,480	\$ 0.2882	\$ 1,291
AUGUST	5,043	\$ 0.2882	\$ 1,453
SEPTEMBER	5,644	\$ 0.2882	\$ 1,626
OCTOBER	12,754	\$ 0.2882	\$ 3,675
NOVEMBER	23,885	\$ 0.2882	\$ 6,883
DECEMBER	27,471	\$ 0.2882	\$ 7,916
<b>ANNUAL TOTAL</b>	<b>225,066</b>		<b>\$ 64,855</b>
2006 APPROVED TARGET		\$ 74,525	
2006 ACTUAL SURCHARGE		\$ 64,855	
<b>TOTAL TO BE SURCHARGED TO THE CUSTOMER</b>		<b>\$ 9,670</b>	

<b>VALLEY ENERGY</b>			
<b>COMPUTATION OF CALENDAR YEAR 2005 ANNUAL RECONCILIATION TRUE UP</b>			
<b>JANUARY 1, 2006 - DECEMBER 31, 2006</b>			
<b>MONTH</b>	<b>ACTUAL SALES MCF (1)</b>	<b>SURCHARGE RATE \$/MCF (2)</b>	<b>SURCHARGE REVENUE \$ (3) = (1) X (2)</b>
JANUARY 06	2,864	\$ 0.7108	\$ 2,036
FEBRUARY	2,215	\$ 0.7108	\$ 1,574
MARCH	2,663	\$ 0.7108	\$ 1,893
APRIL	1,594	\$ 0.7108	\$ 1,133
MAY	1,301	\$ 0.7108	\$ 925
JUNE	1,158	\$ 0.7108	\$ 823
JULY	956	\$ 0.7108	\$ 680
AUGUST	897	\$ 0.7108	\$ 638
SEPTEMBER	1,120	\$ 0.7108	\$ 796
OCTOBER	1,551	\$ 0.7108	\$ 1,102
NOVEMBER	2,166	\$ 0.7108	\$ 1,540
DECEMBER	485	\$ 0.7108	\$ 345
<b>ANNUAL TOTAL</b>	<b>18,970</b>		<b>\$ 13,484</b>
2006 APPROVED TARGET		\$ 15,395	
2006 ACTUAL SURCHARGE		\$ 13,484	
<b>TOTAL TO BE SURCHARGED TO THE CUSTOMER</b>		<b>\$ 1,911</b>	

VALLEY ENERGY  
COMPUTATION OF ANNUAL RECONCILIATION OF GAS COSTS  
SEPTEMBER 1, 2006 - AUGUST 31, 2007

MONTH	COMMODITY COST OF GAS PURCHASED (1)	ACTUAL MCF'S PURCHASED (2)	TRANS ADJUSTMENT (3) - STEP 1	ADJUSTED MCF'S PURCHASED (4) = (2) + (3)	ACTUAL AVERAGE COMMODITY COST OF GAS (5) = (1)/(4)	ACTUAL BASE COST OF GAS (6)	THEORETICAL BASE COST RECOVERIES (7) = (2) X (6)	ACTUAL MCF SALES (8)	APPROVED LOSS FACTOR (9)	CALCULATED PURCHASED VOLUMES (10) = (8) X (9)	CALCULATED COST OF GAS PURCHASED (11) = (10) X (5)	DEMAND COST OF GAS (12)	ALLOWED PURCHASED COST OF GAS (13) = (11) + (12)	RECOVERABLE (13) = (8) X (10)	GAC MONTHLY RATE (14)	ACTUAL GAC REVENUES (15)	UNDER/ (OVER) COLLECTION (16) = (13) - (15)
SEPTEMBER 06S	\$ 57,377	6,915		6,915	8.30	\$ -	\$ -	5,644	1.0149	5,728	\$ 47,530	\$ 4,016	\$ 51,547	\$ -	6.6183	\$ 38,482	\$ 13,064
OCTOBER	\$ 117,355	26,696	\$ 4.40	26,696	6.55	\$ -	\$ -	12,734	1.0149	12,844	\$ 56,682	\$ 6,827	\$ 63,510	\$ -	4.9986	\$ 63,767	\$ (249)
NOVEMBER	\$ 193,069	29,494	\$ 6.53	29,494	35,677	\$ -	\$ -	23,885	1.0149	24,241	\$ 156,679	\$ 9,115	\$ 167,794	\$ -	7.7762	\$ 165,735	\$ (17,940)
DECEMBER	\$ 243,841	35,677	\$ 6.71	35,677	42,527	\$ -	\$ -	27,471	1.0149	27,880	\$ 190,551	\$ 9,780	\$ 200,341	\$ -	8.3079	\$ 228,226	\$ (27,885)
JANUARY 07	\$ 285,537	42,527	\$ 6.71	42,527	53,431	\$ -	\$ -	32,570	1.0149	33,055	\$ 221,941	\$ 9,569	\$ 231,510	\$ -	6.6928	\$ 217,984	\$ 13,525
FEBRUARY	\$ 347,294	53,431	\$ 6.71	53,431	6.50	\$ -	\$ -	49,506	1.0149	50,244	\$ 326,578	\$ 12,117	\$ 338,695	\$ -	7.6187	\$ 377,171	\$ (38,476)
MARCH	\$ 192,871	28,751	\$ 6.71	28,751	26.75	\$ -	\$ -	28,752	1.0149	33,281	\$ 223,269	\$ 8,799	\$ 232,058	\$ -	7.6976	\$ 252,420	\$ (20,361)
APRIL	\$ 154,463	20,212	\$ 6.71	20,212	6.71	\$ -	\$ -	22,947	1.0149	23,269	\$ 177,981	\$ 7,719	\$ 185,700	\$ -	7.4608	\$ 171,203	\$ 14,497
MAY	\$ 63,744	6,525	\$ 6.25	6,525	9.17	\$ -	\$ -	9,089	1.0149	9,224	\$ 90,121	\$ 4,922	\$ 95,043	\$ -	8.3436	\$ 75,035	\$ 19,208
JUNE	\$ (631)	3,760	\$ 5.13	3,760	8.55	\$ -	\$ -	5,266	1.0149	5,344	\$ (897)	\$ 3,849	\$ 3,951	\$ -	8.4276	\$ 44,360	\$ (41,328)
JULY	\$ 44,364	5,132	\$ 7.18	5,132	8.55	\$ -	\$ -	4,510	1.0149	4,577	\$ 39,584	\$ 4,158	\$ 44,158	\$ -	7.6466	\$ 34,486	\$ 9,672
AUGUST	\$ 37,358	5,200	\$ 7.18	5,200	7.18	\$ -	\$ -	4,516	1.0149	4,583	\$ 32,931	\$ 3,911	\$ 36,842	\$ -	6.5504	\$ 29,592	\$ 7,261
ANNUAL TOTAL	\$ 1,736,644	264,320	(1,353)	262,967	6.60	\$ -	\$ -	230,950	1.0149	234,391	\$ 1,547,928	\$ 85,109	\$ 1,633,037	\$ -	\$ 1,719,272	\$ (85,235)	

Sum Plus Previous reconciliation and pipeline refunds \$ 73,517

MCF SALES (JANUARY 1, 2008 - DECEMBER 31, 2008):

PRINCIPAL SURCHARGE (INC. SUPPLIER & PREV. RECON) MCF:

\$ 225,066

INTEREST COMPUTATION ON ANNUAL SURCHARGE (REFUND)

MONTH	FORCAST MCF SALES (1)	PRINCIPAL SURCHARGE PER MCF (2)	PRINCIPAL SURCHARGE (INC. SUPP) (3) = (1) X (2)	UNDER/ (OVER) COLLECTION (4) - (3)	COMMISSION APPLIED ANNUAL INTEREST RATE (5)	EQUIVALENT MONTHLY INTEREST RATE (6) = (5) / 12	INTEREST (7) = (6) X AVG. MTH. BAL. (4)	PRINCIPAL & INTEREST (8)
JANUARY 07				\$ 9,670	5.40%	0.45%	\$ 44	\$ 9,714
FEBRUARY				\$ 9,670	5.40%	0.45%	\$ 65	\$ 9,735
MARCH				\$ 9,670	5.40%	0.45%	\$ 65	\$ 9,770
APRIL				\$ 9,670	5.40%	0.45%	\$ 65	\$ 9,835
MAY				\$ 9,670	5.40%	0.45%	\$ 65	\$ 9,900
JUNE				\$ 9,670	5.40%	0.45%	\$ 65	\$ 9,965
JULY				\$ 9,670	5.40%	0.45%	\$ 65	\$ 10,030
AUGUST				\$ 9,670	5.40%	0.45%	\$ 65	\$ 10,095
SEPTEMBER				\$ 73,517	5.40%	0.45%	\$ 498	\$ 74,215
OCTOBER				\$ 73,517	5.40%	0.45%	\$ 498	\$ 75,213
NOVEMBER				\$ 73,517	5.40%	0.45%	\$ 498	\$ 76,211
DECEMBER				\$ 73,517	5.40%	0.45%	\$ 498	\$ 77,209
JANUARY 08	\$ 37,482	\$ 0.32665	\$ 12,243	\$ 12,243	5.51%	0.46%	\$ 496	\$ 12,739
FEBRUARY	\$ 39,344	\$ 0.32665	\$ 12,819	\$ 12,819	5.51%	0.46%	\$ 496	\$ 13,315
MARCH	\$ 41,206	\$ 0.32665	\$ 13,395	\$ 13,395	5.51%	0.46%	\$ 496	\$ 13,891
APRIL	\$ 43,068	\$ 0.32665	\$ 13,971	\$ 13,971	5.51%	0.46%	\$ 496	\$ 14,467
MAY	\$ 44,930	\$ 0.32665	\$ 14,547	\$ 14,547	5.51%	0.46%	\$ 496	\$ 15,043
JUNE	\$ 46,792	\$ 0.32665	\$ 15,123	\$ 15,123	5.51%	0.46%	\$ 496	\$ 15,619
JULY	\$ 48,654	\$ 0.32665	\$ 15,699	\$ 15,699	5.51%	0.46%	\$ 496	\$ 16,195
AUGUST	\$ 50,516	\$ 0.32665	\$ 16,275	\$ 16,275	5.51%	0.46%	\$ 496	\$ 16,771
SEPTEMBER	\$ 52,378	\$ 0.32665	\$ 16,851	\$ 16,851	5.51%	0.46%	\$ 496	\$ 17,347
OCTOBER	\$ 54,240	\$ 0.32665	\$ 17,427	\$ 17,427	5.51%	0.46%	\$ 496	\$ 17,923
NOVEMBER	\$ 56,102	\$ 0.32665	\$ 18,003	\$ 18,003	5.51%	0.46%	\$ 496	\$ 18,499
DECEMBER	\$ 57,964	\$ 0.32665	\$ 18,579	\$ 18,579	5.51%	0.46%	\$ 496	\$ 19,075
TOTAL	\$ 225,066	\$ 0.32665	\$ 73,517	\$ 73,517			\$ 4,776	\$ 78,293

DETERMINATION OF TRANSPORTATION LAUF VARIANCE (STEP 2)

CALCULATION OF SYSTEM LOSS PERCENTAGE:	
SYSTEM RECEIPTS: (SUM OF)	
ACTUAL PURCHASES	-
TRANSPORTATION RECEIPTS - NY	71,297
TOTAL METERED	3,661,751 MCF
SYSTEM DELIVERIES: (SUM OF)	
ACTUAL SALES	69,558
ACTUAL TRANSPORTATION USAGE - NY	3,589,633 MCF
TOTAL DELIVERIES	3,659,191 MCF
COMPANY USAGE	122,256 MCF
% SYSTEM LOSSES (LOSSES/RECEIPTS)	3.32%
CALCULATION OF TRANSPORTATION RECEIPTS:	
ACTUAL TRANSPORTATION USAGE	69,558 MCF
TARIFF LAUF FACTOR	1.0149
TRANSPORTATION RECEIPTS	70,594 MCF
CALCULATION OF ACTUAL TRANSPORTATION REQUIREMENTS:	
ACTUAL TRANSPORTATION USAGE	69,558 MCF
SYSTEM LOSS FACTOR	1.0342
ACTUAL TRANSPORTATION REQUIREMENTS	71,947 MCF
CALCULATION OF TRANSPORTATION LAUF VARIANCE:	
TRANSPORTATION RECEIPTS	70,594
ACTUAL TRANSPORTATION REQUIREMENTS	71,947
LAUF VARIANCE GAIN/(LOSS)	(1,353) MCF

VALLEY ENERGY OF NEW YORK  
SUMMARY COMPUTATION OF ANNUAL SURCHARGE (REFUND)

(STEP 4)	
CURRENT PERIOD UNDER/ (OVER) COLLECTION INTEREST:	\$ (86,235) / 4,776
AMOUNT OWED TO HESS THE PERIOD - JULY 03 TO APRIL 05	\$ 150,082
AMOUNTS STILL OWED OR OVER REFUNDED FROM PRIOR RECONCILIATION - COMPLETED DURING THE PERIOD:	\$ 9,670 / 78,293
TOTAL UNDER/ (OVER) COLLECTED:	\$ 225,066
MCF SALES (11/06 - 12/31/06):	\$ 225,066
SURCHARGE (REFUND) PER MCF	\$ 0.34787

DETERMINATION OF THE RESULTS FROM THE LAUF INCENTIVE (STEP 5)

ACTUAL PURCHASES	264,320 MCF
CALCULATED PURCHASES	234,351
DIFFERENCE	29,929 MCF
TRANSPORT LAUF VARIANCE	(1,353)
LOSSES (BELOW)/ ABOVE ALLOWED	28,576 MCF
AVERAGE COMMODITY COST OF GAS X	\$ 6.604
GAS COST (GAIN)/ LOSS	\$ 188,716

(\* AMOUNT REFLECTED IN ABOVE RECONCILIATION)

**VALLEY ENERGY**  
**COMPUTATION OF ANNUAL RECONCILIATION OF GAS COSTS**  
 SEPTEMBER 1, 2006 - AUGUST 31, 2007

MONTH	COMMODITY COST OF GAS PURCHASED (1)	ACTUAL MCF'S PURCHASED (2)	TRANS. ADJUSTMENT (3) - STEP 2	ADJUSTED MCF'S PURCHASED (4) = (2) + (3)	ACTUAL AVERAGE COMMODITY COST OF GAS (5) = (1)/(4)	ACTUAL BASE COST OF GAS (6)	THEORETICAL BASE COST RECOVERIES (7) = (2) X (6)	APPROVED LOSS FACTOR (9)	CALCULATED PURCHASED COST OF GAS (10) = (8) X (9)	ALLOWED PURCHASED COST OF GAS (13) = (11) + (12)	RECOVERABLE (13) = (6) X (10)	GAS MONTHLY RATE (14)	ACTUAL GAC REVENUES (15)	UNDER/ (OVER) COLLECTION (19) = (15) - (14)
SEPTEMBER 06	\$ 57,377	6,915	-	6,915	\$ 8.30	\$ -	\$ -	1.0149	\$ 1,137	\$ 9,432	\$ 9,432	\$ 6.4497	\$ 7,224	\$ 2,208
OCTOBER	\$ 117,335	26,696	-	26,696	\$ 4.40	\$ -	\$ -	1.0149	\$ 1,574	\$ 6,919	\$ 6,919	\$ 4.6714	\$ 7,168	\$ (249)
NOVEMBER	\$ 193,069	29,494	-	29,494	\$ 6.55	\$ -	\$ -	1.0149	\$ 2,198	\$ 14,390	\$ 14,390	\$ 7.4170	\$ 16,065	\$ (1,675)
DECEMBER	\$ 243,841	35,677	-	35,677	\$ 6.83	\$ -	\$ -	1.0149	\$ 482	\$ 3,364	\$ 3,364	\$ 7.9824	\$ 3,882	\$ (498)
JANUARY 07	\$ 285,537	42,527	-	42,527	\$ 6.71	\$ -	\$ -	1.0149	\$ 2,125	\$ 14,269	\$ 14,269	\$ 6.3609	\$ 13,289	\$ 970
FEBRUARY	\$ 347,294	53,431	-	53,431	\$ 6.50	\$ -	\$ -	1.0149	\$ 2,981	\$ 19,375	\$ 19,375	\$ 7.2682	\$ 21,347	\$ (1,972)
MARCH	\$ 192,871	28,751	-	28,751	\$ 6.71	\$ -	\$ -	1.0149	\$ 2,643	\$ 17,729	\$ 17,729	\$ 6.9914	\$ 18,206	\$ (477)
APRIL	\$ 154,463	20,212	-	20,212	\$ 7.64	\$ -	\$ -	1.0149	\$ 1,988	\$ 15,194	\$ 15,194	\$ 7.1293	\$ 13,966	\$ 1,228
MAY	\$ 63,744	6,525	-	6,525	\$ 9.77	\$ -	\$ -	1.0149	\$ 1,169	\$ 11,423	\$ 11,423	\$ 8.0376	\$ 9,259	\$ 2,163
JUNE	\$ (6,511)	3,760	-	3,760	\$ (0.17)	\$ -	\$ -	1.0149	\$ 1,183	\$ (199)	\$ (199)	\$ 8.1234	\$ 9,472	\$ (8,671)
JULY	\$ 44,384	5,132	-	5,132	\$ 8.65	\$ -	\$ -	1.0149	\$ 908	\$ 7,864	\$ 7,864	\$ 7.2802	\$ 6,532	\$ 1,332
AUGUST	\$ 37,358	5,200	-	5,200	\$ 7.18	\$ -	\$ -	1.0149	\$ 908	\$ 6,526	\$ 6,526	\$ 6.1001	\$ 5,531	\$ 995
ANNUAL TOTAL	\$ 1,736,644	284,320	-	284,320	\$ 6.37	\$ -	\$ -	1.0149	\$ 19,308	\$ 126,861	\$ 126,861	\$ -	\$ 131,930	\$ (5,069)

Sum Plus Previous reconciliation and pipeline refunds \$ 9,205

MCF SALES (JANUARY 1, 2008 - DECEMBER 31, 2008): 18,970

PRINCIPAL SURCHARGE (INC. SUPPLIER & PREV. RECON)/ MCF: \$ 0.48523

**INTEREST COMPUTATION ON ANNUAL SURCHARGE (REFUND)**

MONTH	FORCAST MCF SALES (1)	PRINCIPAL (INC. SUPRRC) SURCHARGE PER MCF (2)	PRINCIPAL (INC. SUPRRC) SURCHARGE (3) = (1) X (2)	UNDER/(OVER) COLLECTION (4) = PREV. MTH (5) - (3)	COMMISSION APPROVED ANNUAL INTEREST RATE (3)	EQUIVALENT MONTHLY INTEREST RATE (6) = (3)/12	INTEREST (7) = (6) X AVG. MTH. BAL. (4)	PRINCIPAL & INTEREST (8)
JANUARY 07					5.40%	0.45%	\$ 9	\$ 9
FEBRUARY				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
MARCH				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
APRIL				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
MAY				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
JUNE				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
JULY				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
AUGUST				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
SEPTEMBER				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
OCTOBER				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
NOVEMBER				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
DECEMBER				\$ 1,911	5.40%	0.45%	\$ 13	\$ 13
JANUARY 08	2,864	\$ 0.48523	\$ 1,390	\$ -	5.51%	0.46%	\$ 62	\$ 62
FEBRUARY	2,215	\$ 0.48523	\$ 1,075	\$ 7,815	5.51%	0.46%	\$ 60	\$ 60
MARCH	2,663	\$ 0.48523	\$ 1,292	\$ 6,740	5.51%	0.46%	\$ 51	\$ 51
APRIL	1,594	\$ 0.48523	\$ 773	\$ 5,448	5.51%	0.46%	\$ 43	\$ 43
MAY	1,301	\$ 0.48523	\$ 631	\$ 4,675	5.51%	0.46%	\$ 36	\$ 36
JUNE	1,158	\$ 0.48523	\$ 562	\$ 4,043	5.51%	0.46%	\$ 31	\$ 31
JULY	956	\$ 0.48523	\$ 464	\$ 3,482	5.51%	0.46%	\$ 27	\$ 27
AUGUST	897	\$ 0.48523	\$ 435	\$ 2,992	5.51%	0.46%	\$ 23	\$ 23
SEPTEMBER	1,120	\$ 0.48523	\$ 543	\$ 2,039	5.51%	0.46%	\$ 20	\$ 20
OCTOBER	1,551	\$ 0.48523	\$ 753	\$ 1,286	5.51%	0.46%	\$ 17	\$ 17
NOVEMBER	2,166	\$ 0.48523	\$ 1,051	\$ 235	5.51%	0.46%	\$ 12	\$ 12
DECEMBER	485	\$ 0.48523	\$ 235	\$ 0	5.51%	0.46%	\$ 6	\$ 6
TOTAL	18,970	\$ 0.48523	\$ 9,205	\$ -	5.51%	0.46%	\$ 642	\$ 9,847

**VALLEY ENERGY OF NEW YORK**  
**SUMMARY COMPUTATION OF ANNUAL SURCHARGE (REFUND)**

CURRENT PERIOD UNDER/(OVER) COLLECTION \$ (5,069)		INTEREST \$ 642	
AMOUNT OWED TO HESS			
THE PERIOD - JULY 03 TO APRIL 05	\$ 12,363		
AMOUNTS STILL OWED OR OVER REFUNDED FROM PRIOR RECONCILIATION - COMPLETED DURING THE PERIOD.	\$ 1,911		
TOTAL UNDER/(OVER) COLLECTED:	\$ 9,847		
MCF SALES (11/06 - 12/31/06):	18,970		
SURCHARGE(REFUND) PER MCF \$	0.51907		

**VALLEY ENERGY PURCHASED VOLUMES**

<u>MONTH</u>	<u>PURCHASES</u> ( a )	<u>(INJECTIONS)/WITHDRAWS</u> <u>FROM STORAGE</u> ( b )	<u>VOLUMES</u> ( c ) = a + b	<u>ALLOCATION</u> <u>FACTOR</u> ( d )	<u>WAVERLY</u> <u>USAGE</u> ( e ) = c x d	<u>TOTAL SYSTEM</u> <u>DELIVERIES</u>
September-06	93,965	(69,600)	24,365	28.38%	6,915	<b>227,744</b>
October-06	117,559	(45,446)	72,113	37.02%	26,696	<b>298,527</b>
November-06	70,011	24,462	94,473	31.22%	29,494	<b>320,567</b>
December-06	65,249	65,342	130,591	27.32%	35,677	<b>349,524</b>
January-07	41,585	114,535	156,120	27.24%	42,527	<b>429,590</b>
February-07	58,909	132,462	191,371	27.92%	53,431	<b>456,206</b>
March-07	44,557	90,550	135,107	21.28%	28,751	<b>393,048</b>
April-07	141,611	(48,513)	93,098	21.71%	20,212	<b>339,255</b>
May-07	100,620	(63,485)	37,135	17.57%	6,525	<b>247,187</b>
June-07	80,976	(63,931)	17,045	22.06%	3,760	<b>217,985</b>
July-07	82,307	(63,651)	18,656	27.51%	5,132	<b>187,980</b>
August-07	83,211	(64,186)	19,025	27.33%	5,200	<b>214,178</b>
<b>TOTALS</b>	<b>980,560</b>	<b>8,539</b>	<b>989,099</b>	<b>26.38%</b>	<b>264,320</b>	<b>3,681,791</b>

**Valley Energy of PA/ Valley Energy of NY**

**Gas Supply Costs**

**For the GCR Period from September 1, 2006 to August 31, 2007**

MONTH	PA	PA	NY	NY	Total	PA	NY	Total	PA	NY	NY	Total
	Demand Allocation	Commodity Allocation	Demand Allocation	Commodity Allocation	Net Commodity	V. Energy Commodity	V. Energy Commodity	Net Demand	V. Energy Demand	V. Energy Demand	cash out fees	New York Charges
Sep-06	95.29%	71.62%	4.71%	28.38%	\$ 202,175	\$ 144,798	\$ 57,377	\$ 93,710	\$ 89,296	\$ 4,414	\$ (397)	\$ 61,394
Oct-06	92.61%	62.98%	7.39%	37.02%	316,951	199,616	117,335	97,000	89,832	7,168	(542)	123,962
Nov-06	89.69%	68.78%	10.31%	31.22%	618,415	425,346	193,069	97,000	86,999	10,001	(886)	202,184
Dec-06	88.71%	72.68%	11.29%	27.32%	892,537	648,696	243,841	94,343	83,692	10,651	(861)	253,631
Jan-07	89.14%	72.76%	10.86%	27.24%	1,048,227	762,690	285,537	97,000	86,466	10,534	(966)	295,106
Feb-07	86.27%	72.08%	13.73%	27.92%	1,255,635	905,062	347,294	97,000	83,682	13,318	(1,201)	359,412
Mar-07	89.55%	78.72%	10.45%	21.28%	906,350	713,479	192,871	94,635	84,746	9,889	(1,090)	201,671
Apr-07	91.20%	78.29%	8.80%	21.71%	711,483	557,020	154,463	97,000	88,464	8,536	(817)	162,182
May-07	94.29%	82.43%	5.71%	17.57%	356,878	294,174	63,744	97,000	91,461	5,539	(616)	68,667
Jun-07	95.15%	77.94%	4.85%	22.06%	93,846	73,144	(631)	93,365	88,837	4,528	(579)	3,317
Jul-07	94.22%	72.49%	5.78%	27.51%	161,339	116,955	44,384	90,169	84,957	5,212	(638)	48,958
Aug-07	95.05%	72.67%	4.95%	27.33%	136,694	99,336	37,358	89,857	85,409	4,448	(536)	41,270
<b>TOTAL</b>					<b>\$ 6,700,530</b>	<b>\$ 4,940,314</b>	<b>\$ 1,736,644</b>	<b>\$ 1,138,079</b>	<b>\$ 1,043,841</b>	<b>\$ 94,238</b>	<b>\$ (9,129)</b>	<b>\$ 1,821,753</b>

**Total Volumes Sold and Transported (Mcf's)**

	Total Volumes Sold and Transported (Mcf's)						PA % Allocation		NY % Allocation				
	Valley PA Transport mcf	Valley PA Sales mcf	Valley PA Special	Waverly Firm Sales	Waverly Interrupt Sales	Waverly Waverly Transport	Total Volumes Sold & Transp.	Total Volumes Sold	Total Volumes Transported	Demand Allocation (all volumes)	Commodity Allocation sales vol. only	Demand Allocation (all volumes)	Commodity Allocation (sales vol. only)
Sep-06	192,007	17,067	0	5,644	1,120	3,580	219,418	23,831	195,587	95.29%	71.62%	4.71%	28.38%
Oct-06	216,143	24,337	0	12,754	1,551	4,880	259,664	38,641	221,023	92.61%	62.98%	7.39%	37.02%
Nov-06	215,838	57,385	0	23,885	2,166	5,360	304,633	83,436	221,197	89.69%	68.78%	10.31%	31.22%
Dec-06	206,158	74,369	0	27,471	485	7,757	316,240	102,324	213,916	88.71%	72.68%	11.29%	27.32%
Jan-07	249,989	92,596	0	32,570	2,094	7,091	384,340	127,260	257,080	89.14%	72.76%	10.86%	27.24%
Feb-07	247,606	135,407	0	49,506	2,937	8,509	443,964	187,849	256,115	86.27%	72.08%	13.73%	27.92%
Mar-07	238,697	130,913	0	32,792	2,604	7,717	412,723	166,309	246,414	89.55%	78.72%	10.45%	21.28%
Apr-07	229,591	89,830	0	22,947	1,959	5,912	350,239	114,737	235,503	91.20%	78.29%	8.80%	21.71%
May-07	197,709	48,058	0	9,089	1,152	4,636	260,644	58,299	202,345	94.29%	82.43%	5.71%	17.57%
Jun-07	186,620	22,721	0	5,266	1,166	4,247	220,020	29,153	190,867	95.15%	77.94%	4.85%	22.06%
Jul-07	155,589	14,246	0	4,510	896	5,009	180,250	19,652	160,598	94.22%	72.49%	5.78%	27.51%
Aug-07	182,737	14,391	0	4,516	895	4,861	207,400	19,802	187,598	95.05%	72.67%	4.95%	27.33%
<b>TOTALS</b>	<b>2,518,683</b>	<b>721,320</b>	<b>-</b>	<b>230,949</b>	<b>19,024</b>	<b>69,558</b>	<b>3,559,533</b>	<b>971,293</b>	<b>2,588,241</b>	<b>91.76%</b>	<b>73.62%</b>	<b>8.24%</b>	<b>26.38%</b>

**MONTH AND YEAR SUMMARY OWED TO HESS CORPORATION  
FOR CASH OUTS FOR CUSTOMERS UNDER DDQ.**

<b>MONTH &amp; YEAR</b>	<b>DIFFERENT IN DTH</b>	<b>REVISED AMOUNT DUE TO HESS</b>	<b>PA ALLOC. PERCENTAGE (COMMODITY)</b>	<b>NY ALLOC. PERCENTAGE (COMMODITY)</b>	<b>PA ALLOC. DOLLARS (COMMODITY)</b>	<b>NY ALLOC. DOLLARS (COMMODITY)</b>
<b>( a )</b>	<b>( b )</b>	<b>( c )</b>	<b>( d )</b>	<b>( e )</b>	<b>( f ) = ( c x d )</b>	<b>( g ) = ( c x e )</b>
Jul-03	-51	\$ (272.66)	72.29%	27.71%	\$ (197.11)	\$ (75.55)
Aug-03	185	\$ (1,634.56)	76.38%	23.62%	\$ (1,248.48)	\$ (386.08)
Sep-03	401	\$ (186.25)	71.33%	28.68%	\$ (132.83)	\$ (53.42)
Oct-03	4,884	\$ 15,480.42	66.87%	33.13%	\$ 10,351.76	\$ 5,128.66
Nov-03	12,387	\$ 28,374.61	67.05%	32.95%	\$ 19,025.18	\$ 9,349.43
Dec-03	10,745	\$ 46,416.59	67.62%	32.38%	\$ 31,386.90	\$ 15,029.69
Jan-04	5,826	\$ 30,297.47	68.36%	31.64%	\$ 20,711.35	\$ 9,586.12
Feb-04	7,479	\$ 19,116.91	73.45%	26.55%	\$ 14,041.37	\$ 5,075.54
Mar-04	6,618	\$ 17,339.57	75.77%	24.23%	\$ 13,138.19	\$ 4,201.38
Apr-04	2,187	\$ 11,708.88	77.88%	22.12%	\$ 9,118.88	\$ 2,590.00
May-04	3,612	\$ 18,007.97	78.30%	21.70%	\$ 14,100.24	\$ 3,907.73
Jun-04	4,455	\$ 28,396.45	66.84%	33.16%	\$ 18,980.19	\$ 9,416.26
Jul-04	3,103	\$ 18,575.11	72.03%	27.97%	\$ 13,379.65	\$ 5,195.46
Aug-04	4,703	\$ 22,877.84	66.41%	33.59%	\$ 15,193.17	\$ 7,684.67
Sep-04	4,730	\$ 20,962.16	67.64%	32.36%	\$ 14,178.81	\$ 6,783.35
Oct-04	8,066	\$ 41,547.72	62.10%	37.90%	\$ 25,801.13	\$ 15,746.59
Nov-04	7,030	\$ 47,915.52	63.49%	36.51%	\$ 30,421.56	\$ 17,493.96
Dec-04	14,429	\$ 51,536.96	66.13%	33.87%	\$ 34,081.39	\$ 17,455.57
Jan-05	6,622	\$ 39,650.32	73.13%	26.87%	\$ 28,996.28	\$ 10,654.04
Feb-05	5,008	\$ 17,414.67	74.57%	25.43%	\$ 12,986.12	\$ 4,428.55
Mar-05	6,783	\$ 34,682.97	72.36%	27.64%	\$ 25,096.60	\$ 9,586.37
Apr-05	2,326	\$ 18,614.43	80.41%	19.59%	\$ 14,967.86	\$ 3,646.57
<b>TOTAL</b>	<b>121,528</b>	<b>\$ 526,823.10</b>	<b>70.93%</b>	<b>29.07%</b>	<b>\$ 364,378.21</b>	<b>\$ 162,444.89</b>

TOTAL SALES VOLUMES = 249,973  
S/C 1 SALES VOLUMES = 230,949  
S/C 4 SALES VOLUMES = 19,024

PERCENTAGE OF TOTAL SALES = 92.3896%  
PERCENTAGE OF TOTAL SALES = 7.6104%

\$150,082.18  
\$12,362.71

\$162,444.89

## **Background**

On October 4, 2000, NUI Utilities, Inc. (UI) and C&T Enterprises, Inc. (C&T), a public utility holding company, entered into an agreement whereby C&T agreed to purchase UI assets associated with the UI operating division in Pennsylvania, Valley Cities Gas Service. On February 7, 2002, the Pennsylvania Public Utility Commission (PUC) approved the transfer of UI utility assets to C&T and then from C&T to Valley Energy, Inc. (VE), the wholly owned subsidiary of C&T.

## **The PUC Approved Tariff**

The approved tariff of UI and subsequently, of VE (hereafter referred to as the “utilities”) included rate schedule TPS – Third Party Suppliers Service (TPS). The provisions of the TPS rate schedule applied to brokers, marketers and other third party suppliers of natural gas who acted as agents for the utilities’ Transportation Customers to deliver natural gas to the City Gate Station for the utilities’ Transportation Customers. One of the provisions of the TPS rate schedule was balancing.

In general, balancing refers to three separate mechanisms, 1) a charge per Mcf consumed by each TPS customer for balancing provided under Small Customer Balancing (SCB) service for Residential, Commercial and Small Industrial customers and Large Customer Balancing (LCB) for all other customers, 2) daily imbalance charges, and 3) monthly cash settlements of differences between TPS deliveries and their customers’ monthly gas consumption.

The third party suppliers to customers under classifications for LCB were required to submit to the utilities daily nominations for delivery. At month end, the third party suppliers reported to the utilities total daily deliveries and each customer’s allocation of those deliveries.

Under SCB provisions, the utilities were required to determine the Daily Delivery Quantity (DDQ) for each of these customers and notify the appropriate third party supplier of its DDQ obligation for the next day.

## **The Balancing Process**

Prior to the transfer of assets from UI to VE, balancing via cash out was accomplished only for the customers associated with LCB. LCB customers’ meters, fitted with automated meter reading (AMR) devices, were read on a calendar month basis. Balancing for SCB customers was accomplished volumetrically. SCB customers’

meters were read on a cycle-billed basis; however, the balancing process took place on a calendar month basis. Total daily imbalances at the end of the calendar month for SCB customers were resolved by adjusted deliveries in the remaining days of each SCB customer's cycle billing period, eliminating the need for the cash settlement process. The volumetric adjustment process was facilitated by the fact that NUI Energy, Inc. (EI), a subsidiary of UI, was the third party supplier for the customers subject to SCB.

During the transition period between the agreement to transfer assets and the PUC approval of the transfer, an agreement dated December 31, 2001 between UI and VE assigned transportation administration, energy planning and forecasting, measurement and gas control to UI. Among UI's responsibilities was to provide VE with reports and data for monitoring of Transportation Services including daily balancing and monthly cash settlement. After the PUC approval of the transfer of assets, UI used a combination of internet access, and various proprietary and third party software systems to perform its transportation administration services. UI tracked monthly nominations from third party suppliers or customers subject to LCB and notified third party suppliers of daily nominations for gas deliveries to customers subject to SCB. Additionally, UI maintained and operated the computer and software associated with the AMR system.

Another agreement dated December 31, 2001, between NUI Energy Brokers, Inc. (EB) and VE assigned the management of the VE's gas supply to EB. EB was responsible for implementation of the VE's gas procurement strategy and agreements with pipeline transportation service providers.

The balancing process for deliveries to and gas consumption of transportation customers continued after PUC approval for the transfer of assets from UI to VE. Through the UI transportation administration service internet portal, VE obtained reports of the daily nominations and delivery quantities of each third party supplier for the month. VE obtained meter readings for the LCB customers from the UI database of daily AMR records. Meter readings of the SCB customers were obtained from the Customer Management System (CMS) that was licensed to VE by UI. SCB customers' meters were read by VE meter readers with hand held recording devices. The recording devices were downloaded on the day of the read to the CMS. VE emailed to third party suppliers the meter readings of the customers associated with SCB. Monthly invoices for balancing were prepared by VE and sent to the third party suppliers of customers subject to LCB and SCB.

## **The Problem**

Effective August 1, 2003, NUI Energy, Inc. (EI) advised VE that it would no longer be in the business of supplying gas to the VE's transportation customers. EI had assigned all contracts for gas to Amerada Hess (Hess). VE obtained verbal assurances from UI that SCB was taking place volumetrically as before the assignment to Hess. However, cumulative, unsettled imbalances attributable to SCB customers began coincident with the assignment of gas contracts from EI to Hess.

The volumetric adjustments that occurred before the contract assignment to Hess did not occur after the assignment to Hess. Unsettled imbalances between gas delivered to and gas consumption by customers subject to SCB began in July 2003. The TPS rate schedule provision for cash settlement of differences between deliveries and usage by customers subject to SCB did not occur. By the end of April 2004, when the management of VE gas supply was reassigned from EB to Union Energy Services, Inc. (UES), 62,093 dths of gas was delivered to the VE distribution system for SCB customers but was not used by them. The gas supply managers, EB and later, UES managed the extra supply of gas each month by selling off any excess. The gas supply managers were not alerted to the absence of SCB because the monthly volume imbalances were not large enough to trigger pipeline imbalance penalties and normal operating procedures did not involve informing the gas supply managers of the details of imbalance cash settlements.

The monthly imbalances attributed to SCB customers continued through April 2005. Cumulative imbalances not subject to cash settlement for the period July 2003 through April 2005 amounted to 121,528 dths.

## **The Correction**

In April 2005, UI and VE terminated their agreement for the management of VE transportation administration, energy planning and forecasting, measurement and gas control. The agreement with UES was amended to include the responsibilities formerly held by UI.

Beginning in May 2005, third party suppliers' nominations for deliveries and actual deliveries were tracked daily and reported monthly to VE by UES. All imbalances, including the volumes associated with SCB, were subject to monthly cash settlement.

In July 2006, Hess contacted VE concerning over-delivered volumes in the period from August 2003 through April 2005 that were not subject to cash settlement. VE reviewed its billing detail for the monthly cash settlements during that period and determined that it owed Hess for over-deliveries of gas into VE's distribution system that were intended for transportation customers subject to SCB but not used by them.

To make the determination that it owed Hess for its over-deliveries, VE recalculated the monthly cash settlement billing to Hess for the affected period. The recalculated billing took into consideration all volumes over-delivered by Amerada Hess to its customers including those subject to SCB. The recalculated monthly cash settlement billing was netted against the original cash settlement billing to obtain the amount owed to Hess for the period July 2003 through April 2005.