

## ***How does a “Blended Rate” for Purchasing Gas Work?***

**Our current fixed rate per therm is 63.4 cents.**

A “blended rate” is a combination of a locked rate and a market index rate. We utilize the CIG (Rockies) Market Index.

50% of rate is locked at CIG (Market Index) + \$.295

50% of rate is locked at \$0.560

In April, CIG closed at \$0.151

**Market:**  $\$0.151 + \$0.295 = \$0.446 \times 50\% = \$0.223$  per therm

**Fixed:**  $\$0.560 \times 50\% = \$0.28$  per therm

**Our rate for that April would have been \$0.503 per therm instead of a full fixed rate per therm of \$0.560**

**You can’t predict the market. It can give out nice numbers, or it can be fickle.**

CIG in January 2015 closed at \$0.306 (by the way, I had to go all the way back to January 2015 to get a rate that high. The highest it got after that was \$0.261 and that was in March of 2015.)

Market:  $\$0.306 + \$0.295 = \$0.601 \times 50\% = \$0.301$

Fixed:  $\$0.560 \times 50\% = \$0.28$  per therm

**Our rate for that month would have been \$0.581 per therm instead of full market exposure rate of \$0.601. As you can see a blended rate helps to provide protection against fluctuations and keep rates reasonable. With the blended rate, there is the potential for benefit from the market without full exposure to the market.**

**CJUMP is going to be looking to lock in some more gas in May. They are going to set some targets for us so we can have about 75% locked in at a fixed rate per therm. The remaining 25% would be on the market rate (unless something happens in the gas world that makes the committee start thinking it would be a good idea to secure the rest).**

**By August, the CJUMP Program will provide me with a number for budgeting purpose. That ideally will be below any of the competitors’ fixed per therm rates.**