

The Federal Energy Regulatory Commission (FERC) is an independent agency that regulates natural gas and hydropower projects, as well as the interstate transmission of natural gas, oil and electricity in the United States of America. It oversees the US energy industry for the economic, environmental and safety interests of the American public. As such, it requires the reporting and documentation of company practices. This posting is intended to comply with FERC requirements.

Introduction and Summary

This Natural Gas Price Reporting Policy (this “Policy”) establishes guidelines and procedures for natural gas price reporting to index developers (currently, only to Platts for their monthly price survey) for BG Energy Merchants, LLC (“BGEM”) and BG Energy Merchants Canada, Limited (“BGEMC”).

A. What is to be reported?

For each day of bid-week, the following deals are to be reported:

1. All fixed-price physical deals negotiated that day for delivery throughout the next month.
2. All physical basis deals in which the basis value is negotiated on one of the days of bid-week and the price is set by the final closing value of the near-month NYMEX futures contract plus or minus the negotiated basis. Physical basis deals where the basis value is negotiated after the final closing value of the near-month NYMEX futures contract shall be identifiable from the report.
3. All physical index plus or index minus deals in which the index value is indexed by another published index.

(a deal having the above characteristics hereinafter being referred to as “Reportable Deal”)

For the avoidance of doubt, the following are not Reportable Deals: internal deals with affiliates, deals done for unique circumstances such as balancing, swaps

or exchanges, including swing swaps, fixed-for-float swaps, basis swaps, any kind of financial transaction unless specifically requested by price index developer and specifically labeled as such, exchange of futures for physical deals, “trigger” deals where the basis component was negotiated and/or set prior to bidweek, physical basis deals where the “basis” value was set prior to bidweek, any other baseload or monthly deal in which the price is determined prior to bidweek, daily or partial-month deals.

4. Pricing information will be reported subject to an appropriate confidentiality agreement with Platts.

B. What elements of each Reportable Deal are to be reported?

Pricing information for all Reportable Deals at trading locations published by Platts shall be sent to Platts accompanied by the following information:

- Delivery location/receipt location
- Trade date
- Price (includes negotiated basis)
- Volume
- Buy/sell indicator
- Term
- Counterparty name

(Platts also requests daily time stamps for each transaction where possible, but realizes that this may not be possible if deals are entered into trading system in bulk after trading is completed rather than as a transaction occurs.)

C. What does this Policy require of the Middle Office, Front Office, and Back Office?

1. Front Office. Front Office personnel must (i) abide by the rules of BGEM’s and BGEMC’s Code of Conduct and Trading Limits Policy, (ii) make a written record

of all deals, excluding deals reported through IntercontinentalExchange, Inc. (a “Deal Blotter”), (iii) enter trading data for all deals into BGEM/BGEMC’s computer trading platform with the exception of ICE deals which are downloaded directly into the deal capture system, and (iv) confirm the accuracy of and execute the report generated by the deal capture system of all trades, excluding ICE trades, at the end of each trading day.

2. Middle Office. The Middle Office shall assign at least two individuals (the “Price Reporting Contacts”) to prepare and verify the accuracy and completeness of price reports sent to Platts pursuant to this Policy, respond to questions from Platts, and correct errors pursuant to the error resolution process. The Price Reporting Contacts must abide by the rules of BGEM’s and BGEMC’s Code of Ethics for Energy Commodity Trading Activities (“Code of Conduct”). The Middle Office shall maintain its independence from the Front Office by ensuring that the Price Reporting Contacts do not report to the Front Office.
 - a. Price Reporting Process. On the final day of bid week in each month, one of the Price Reporting Contacts (the “First Reporter”) generates from BGEM/BGEMC’s trading management system a report of all deals entered into during bid week (the “Bid Week Report”). The First Reporter then reviews each trade appearing on the Bid Week Report to determine whether or not it is a Reportable Deal. If a deal is determined to not be a Reportable Deal, the reason why it is not a Reportable Deal is noted in BGEM/BGEMC’s records. The First Reporter then places all Reportable Deals into a separate spreadsheet (the “Price Report”) and presents the Price Report and Bid Week Report to a second Price Reporting Contact, usually a supervisor (the “Second Reporter”). The Second Reporter double checks the work of the First Reporter, ensuring that all Reportable Deals appear in the Price Report. Once the Second Reporter agrees that the Price Report is accurate and complete, the First Reporter sends an electronic copy of the Price Report to Platts in an e-mail which shall include a certification to the effect that “I certify that a good faith effort was made to ensure that the attached Price Report is accurate and complete”¹. The First Reporter and Second Reporter then sign the Price Report and place a signed copy of the Price Report into BGEM/BGEMC’s records.
 - b. Next Business Day Data Check. Since the Price Report is sent to Platts on the last day of bid week, which may be prior to Back Office’s “locking”

¹ In certifying that the Price Report is accurate and complete, the Price Reporting Contacts may assume that the Bid Week Report is an accurate and complete record of the company unless they have specific information to the contrary.

of deals which occurred on the same day (see “locking” process described in C.3 below), the First Reporter shall, on the first business day following bid week, generate a deal capture system report of deals transacted on the last day of bid week and compare such report to the Price Report. The First Reporter shall report to Platts, by 6pm Eastern Time on such day, any necessary change to the Price Report resulting from such review. The First Reporter shall not be required to perform the action described in this Section C.1.b if he/she knows that all deals reported to Platts were “locked” by Back Office at the time of reporting.

- c. Error Resolution Process. A member of the Middle Office shall be assigned to approve any changes to the deals in the deal capture system which are made after a deal is “locked” by Back Office. Such person shall provide notice to the Price Reporting Contact designated to receive notices of any such changes, and the relevant Price Reporting Contact shall determine whether any such change notice relates to a previously submitted Price Report. If any such change notice relates to a previously submitted Price Report, the Price Reporting Contact will determine whether or not the Price Report was submitted incorrectly and, if so, report any error to Platts. The Price Reporting Contact designated to receive change notices shall keep copies of all such notices, whether or not such change notice relates to a previously submitted Price Report. BGEM/BGEMC will act in accordance with any error resolution process adopted by Platts, including adhering to the process and timeline for submitting corrections and for responding to inquiries from Platts.
3. Back Office. Back Office personnel ensure that the information entered into the deal capture system is accurate by (i) by comparing the Deal Blotter to the deal capture system and, to the extent considered necessary, confirming that the deal capture system accurately reflects ICE deals, (ii) faxing confirmations to all new deal counterparties the day after a deal is entered into, and (iii) ensuring that the information in the deal capture system matches the fax confirmations, if any, received from each counterparty to a deal. Following the actions taken in (i) above, personnel from Back Office shall “lock” deals in the deal capture system such that any “locked” deals may not be changed without approval of representatives of Front, Middle and Back Office.

D. Miscellaneous Reporting Requirements

- Price Reports must be submitted to Platts electronically in Excel or comma-delimited csv file format.
- Price Reports are to be sent to gasprice_monthly@platts.com
- Price Reports shall be sent to Platts by 2pm Eastern Time on the final day of bidweek². If the reporting deadline can not be met, Platts shall be notified by phone or email of the delay and the estimated length of the delay.
- Price Reports should include a contact name and phone number.
- If there is no trade information to report, BGEM/BGEMC will submit a notification stating that there is no trade information to report.
- BGEM/BGEMC will notify FERC of any change in its price reporting status, such as cessation of price reporting at all locations, within 15 days of any such change.
- Human or computational errors will be reported to Platts as soon as possible following discovery of such error.

E. Auditing

The price reporting procedure and the information reported will be audited on an annual basis by an external or internal auditor independent from trading or reporting departments and personnel. The results of the audit will be made available to BGEM/BGEMC line management and to all index developers to which BGEM/BGEMC submits data. Platts or any other index developer to which BGEM/BGEMC submits pricing data will be permitted to recommend changes to be implemented upon the approval of BGEM/BGEMC line management. Any internal audits will follow the standards proscribed by the Institute of Internal Auditors or other similar generally accepted auditing standards.

F. Records Retention

All data and information upon which BGEM/BGEMC billed the prices it charged for natural gas sold pursuant to its market based sales certificate and the prices it reported

² In some cases, such as e-mail failure, Platts will accept faxed information. Transaction data will not be accepted by phone. Background information such as bids, offers and market comments will be collected through phone interviews.

for use in price indices will be retained for five years in accordance with BGEM's and BGEMC's records retention policies.

G. Responsibilities and Special Procedures

1. Policy Manager. At all times BGEM/BGEMC shall have identified a person who is operating as a "Policy Manager". The Policy Manager shall have primary responsibility for ensuring compliance with this Policy.
2. Notice of Reporting Status. The Policy Manager shall be responsible for notifying FERC of BGEM's and BGEMC's current reporting status (whether it is then reporting to price index publishers or not). If at any time BGEM/BGEMC changes its reporting status, the Policy Manager shall contact BGEM/BGEMC legal representatives to notify them of the change.
3. Audit Scheduling. Three months prior to the end of any annual period requiring an audit pursuant to Part E, the Policy Manager shall arrange for the independent audit of BGEM's and BGEMC's price reporting policy to occur within 30 days from the end of such annual period.