PSC NO: 12 GAS   LEAF: 407.2
COMPANY: THE BROOKLYN UNION GAS COMPANY   REVISION: 0
INITIAL EFFECTIVE DATE: 11/01/12   SUPERSEDING REVISION:
STAMPS:

3.   **Tier 3 – Virtual Storage Service Supply**

The Company will provide a Tier 3 Virtual Storage Service Supply from December through March that is equal to the Seller's Tier 3 Daily Delivery Quantity ("Tier 3 DDQ"). The Tier 3 DDQ will be reset each winter month based on the Seller's incremental load requirements.. Incremental load requirements, in this context, mean the delivery volume that exceeds the sum of the Seller's Tier 1 Capacity Release Volume and Tier 2 DDQ.

The price of the Tier 3 Virtual Storage Service Supply will be computed assuming domestic US gas supply is injected on a pro-rata basis into each of the Company's market area storage services throughout the summer injection season (May 1st to Oct 31st). The Company will compute the weighted average inventory price of gas injected into Tier 3 Virtual Storage Service Supply by taking the sum of 1) the gas commodity price as represented by the NYMEX contract price for the month; 2) the weighted average published basis from the Henry Hub to the liquid trading points in the US that the Company relies on to purchase storage supplies; 3) the weighted average variable transportation costs and fuel losses to transport gas from the receipt points on each of the Company's domestic pipeline transportation contracts to the storage injection points, 4) the weighted average variable injection costs and fuel losses to inject gas into each of the Company's storage services, and 5) the commodity cost of inventory carried over from the prior year.

The Company requires no payment from the Seller prior to the start of the winter season for the gas available as Tier 3 Virtual Storage Service Supply. The Company will compute the per dekatherm price of the Tier 3 Virtual Storage Service Supply billed to the Seller by taking the sum of 1) the weighted average inventory price at the end of the injection season; 2) the weighted average variable withdrawal costs and fuel losses to withdraw gas from each of the Company's storage services; 3) the weighted average variable transportation costs and fuel losses to transport storage gas on each of the Company's storage transportation contracts to the Company city gates; plus 4) the Company's unitized demand cost of its non-swing storage.

Issued by: Kenneth D. Daly, President, Brooklyn, New York