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GENERAL INFORMATION

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.4 Merchant Function Charge (MFC) (Cont'd.)

(B) Fixed MFC Components (Cont'd.)

These fixed MFC components shall remain in effect until changed by an order of the Commission.

(C) Determination of MFCs

The MFCs applicable to Service Classification Nos. 1 and 2 customers shall be the sum of (1) the applicable fixed MFC components set forth; (2) a per Ccf charge, determined in accordance with General Information Section 12.2 (D) of this Rate Schedule, to recover gas in storage working capital costs associated with firm sales customers; and (3) the applicable monthly uncollectibles charge ("UC charge") per Ccf to recover the cost of commodity-related uncollectibles.

The monthly UC charge component of the MFC described in (3) above shall be based on the Gas Supply Charge ("GSC") determined in accordance with General Information Section 12.1 of this Rate Schedule, and the uncollectibles percentage ("UC percentage") applicable to Service Classification No. 1 and the UC percentage applicable to Service Classification No. 2. The UC percentages shall be reset annually effective November 1 based on the Company's actual uncollectibles experience applicable to all electric and gas customers eligible for the Company's Purchase of Receivables Program for the twelve-month period ended the previous May 31 for the twelve-month period commencing November 1, 2009, and ended the previous June 30 for twelve-month periods commencing November 1, thereafter. The UC percentages effective for the twelve-month period commencing November 1, 2009 are 0.596 percent applicable to Service Classification No. 1 and 0.165 percent applicable to Service Classification No. 2. The UC charge component of the MFC shall be determined using the following formula rounding to the nearest 0.001 cents per Ccf:

UC Charge = GSC/(1-applicable UC percentage) - GSC

(D) Reconciliation of Fixed MFC Components

Revenues associated with the fixed MFC components shall be reconciled annually in accordance with the operation of the Transition Adjustment for Competitive Services, as set forth in General Information Section 12.2 (B) of this Rate Schedule.

Issued By: William Longhi, President, Pearl River, New York
(Name of Officer, Title, Address)