

PSC NO. 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 02/28/07

LEAF: 148.8
REVISION: 2
SUPERSEDING REVISION: 1

GENERAL INFORMATION (Cont'd)

II. 46. MERCHANT FUNCTION CHARGE

a. Applicable Service Classifications

Merchant Function Charges shall be included in the Monthly Gas Supply Rates of SC 1, SC 2, SC 2A, SC 3, SC 4, SC 5, SC 6, SC 7, SC 8, SC 9 and SC 22.

b. Calculation of Monthly Merchant Function Charge

For residential service Customers receiving service in the above listed SCs, the Monthly Merchant Function Charge per Ccf shall equal 2.32136% of the Monthly Gas Supply Charge as calculated in General Information Section 19.b.(1)(b).

For non-residential service Customers receiving service in the above listed SCs, the Monthly Merchant Charge shall equal (0.98988%) of the Monthly Gas Supply Charge as calculated in General Information Section 19.b.(1)(b).

47. CONSERVATION INCENTIVE PROGRAM COST RECOVERY MECHANISM

The Conservation Incentive Cost Recovery Mechanism shall be a charge or credit to rates effective March 1 for a 12-month period. The Company shall file in its monthly natural gas supply charge filing a statement to recover Conservation Incentive Program ("CIP") costs. The costs identified in the statement shall be included in the Delivery Adjustment Charge under SC 1, SC 2 and SC 3. The CIP charge or credit shall be calculated to recover CIP costs for the most recent 12 months ended December 31 time period divided by projected weather normalized annual delivery volumes for SC 1, SC 2 and SC 3.

The CIP costs to be recovered or refunded shall be determined as the change in margin associated with changes in weather normalized average consumption of the following Customer classes. The margin per account shall be determined by calculating the decline in SC 1, SC 2 and SC 3 normal usage per account for the 12-month period ending December 31 compared to imputed normal usage per account multiplied by the appropriate category tailblock margin. The 12 months ended December 31 of each Service Classification listed below to determine total lost margin. Imputed normalized usage per account shall be as follows:

Service Classification	Benchmark Annual Imputed Usage per Account	Rate Category Tailblock Margin
Residential SC 1 & SC 2	106.83 Mcf	SC 1
SC 3	414.31 Mcf	SC 3

The benchmark annual usage per account shall be updated in base rate proceedings.

Issued by R. J. Tanski, President, 6363 Main Street, Williamsville, NY 14221
(Name of Officer, Title, Address)