

PSC NO. 3 GAS

St. Lawrence Gas Company, Inc.

Initial Effective Date: 12/01/2006

Issued in Compliance with Commission Order in Case 05-G-1635, et. al., dated November 9, 2006.

Leaf: 181

Revision: 3

Superseding Revision: 1

GENERAL INFORMATION

2. General Rules, Regulations, Terms and Conditions: (Cont'd)

XII. Adjustment of Rates in Accordance With Changes in the Cost of Purchased Gas:

A. Factor of Adjustment:

The factor of adjustment shall be determined in a rate proceeding. At the conclusion of each succeeding rate proceeding, a new factor of adjustment will become effective and continue in effect until a new factor is established in the next rate proceeding.

The effective factor of adjustment is 1.0050 and is applied to the Weighted Average Cost of purchased gas to sales customers under Service Classification Nos. 1, 2, 3, 10 and 11.

B. Risk Management Costs:

Risk Management Costs are costs associated with transactions that are intended to reduce price volatility or reduce overall costs to customers. These costs include transaction costs, and gains and losses associated with transactions made in commodities exchanges and with other risk management entities. Risk Management Costs that are incurred by the company associated with the purchase of gas supplies will be covered by the company through inclusion in the calculation of the Gas Cost Adjustment.

C. Estimated Gas Prices:

Gas prices estimated to be in effect on the effective date of the GAC filing may be used.