

PSC NO: 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 05/17/06
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 03-G-1392 DATED 11/23/05.

LEAF: 288.1
REVISION: 3
SUPERSEDING REVISION: 2

SERVICE CLASSIFICATION No. 21

BASIC GAS-FOR-ELECTRIC-GENERATION-SERVICE TARIFF - Continued

ADJUSTMENT OF RATE: (Continued)

VACREC = VAC Reconciliation. The VAC REC shall be the result of dividing the difference between the actual TYVAC charges collected from the Customer during the test year and the sum of the positive monthly VAC values calculated for the test year by the total consumption of the Customer during the test year. The VACREC may be positive or negative.

The following heat rate tiers will be used for purposes of calculating the VAC. Customers will be assigned the most appropriate heat rate tier based on the operational characteristics of the electric generation equipment of their facility. The four heat rate tiers shall be:

- TIER 1: 17.5 mm BTU/kW-hour for older simple cycle peaking units
- TIER 2: 11.0 mm BTU/kW-hour for Rankine cycle steam units
- TIER 3: 10.0 mm BTU/kW-hour for new, simple cycle peaking units
- TIER 4: 7.4 mm BTU/kW- hour for combined cycle plants

Rate adjustment terms different from the terms shown in this Section may be negotiated with the Company when competitive and operational circumstances warrant.

TERM OF TRANSPORTATION AGREEMENT:

The Company and Customer shall enter into a Transportation Agreement for a term not less than five (5) years. The term of each contract shall be the subject of negotiation between the parties, except that the rate shall not change, but for adjustments, during the five (5) year term.

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