

PSC NO: 1 GAS LEAF: 159.2
COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 1
INITIAL EFFECTIVE DATE: 11/01/06 SUPERSEDING REVISION:
STAMPS:

SERVICE CLASSIFICATION NO. 8
Seller Service (continued)

Marketers may deliver the Tier 2 MDQ volume to the Company's city gates using any available resource, at their discretion. The capacity Marketers use to supply their Tier 2 MDQ is not required to be primary. Marketers must deliver this capacity to the Company's city gates in accordance with the Company's Gas Transportation Operating Procedures Manual.

Alternatively, the Company will provide a bundled winter sales service each winter month (November through March, inclusive) to facilitate Marketers supplying their Tier 2 MDQ.

The Tier 2 winter bundled sales option is available only to those Marketers that have elected to take some volume of Tier 1 capacity release. Marketers may choose to purchase any volume of bundled supply, up to the maximum available Tier 2 MDQ. If a Marketer chooses to take a quantity of Tier 2 winter bundled sales that is less than its maximum available Tier 2 MDQ, then the Marketer's winter bundled sales election, expressed as a percent of its Tier 2 MDQ, will become that Marketer's cap, i.e., its Tier 2 MDQ for the following three years.

The price of the Tier 2 winter bundled sales will be computed each month under a formula that is based on the Selected Pipelines' gas supply and variable transportation costs. Specifically, the Company will compute the Tier 2 winter bundled sales price by taking the sum of 1) the NYMEX contract price for the month; 2) the weighted average of the published basis from the Henry Hub to the Selected Pipeline receipt points, 3) the weighted average variable transportation costs and fuel losses to transport gas from the Selected Pipeline receipt points to the Company's city gate plus 4) the Company's WACOC.

Marketers that elect to purchase Tier 2 winter bundled sales from the Company and do not meet the creditworthiness guidelines set forth in the Uniform Business Practices will be required to prepay for winter bundled sales service. The prepayment must be made via wire transfer or ACH payment by no later than two (2) business days prior to the last day of the month preceding the month in which the bundled sales are to be made. The prepayment will be calculated by taking the product of 0.9 times the estimated price of Tier 2 winter bundled sales for that month. The prepayment amount will be true up when actual costs of the bundled sales are available and any adjustment will be made in the succeeding bill period. Marketers may elect to make alternative security arrangements consistent with the Uniform Business Practice to secure credit for the purchase of bundled sales, provided that any such alternative security must be in place no less than 60 days before the November 1st start date of the bundled sales service period.

Issued by: Joseph F. Bodanza, Senior Vice President, Hicksville, NY