PSC NO: 1 GAS   LEAF: 159.3
COMPANY: KEYSPAN GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 1
INITIAL EFFECTIVE DATE: 11/01/07   SUPERSEDING REVISION: 0
STAMPS: Issued in compliance with Order of PSC in C. 07-G-0299 dated 08/30/07

<div align="center">

SERVICE CLASSIFICATION NO. 8
Seller Service (continued)

</div>

Tier 3 – Virtual Storage

The Company will provide a Tier 3 virtual storage service from December through March that is equal to the Marketer's Tier 3 Maximum Daily Quantity ("Tier 3 MDQ"). The Tier 3 MDQ will be reset each winter month based on the Marketer's incremental load requirements.. Incremental load requirements, in this context, mean the delivery volume that exceeds the sum of the Marketer's Tier 1 Maximum Capacity Release Volume and Tier 2 MDQ.

The price of the Tier 3 virtual storage will be computed assuming domestic US gas supply is injected on a pro-rata basis into each of the Company's market area storage services throughout the summer injection season (May 1st to Oct 31st). The Company will compute the weighted average inventory price of gas injected into Tier 3 virtual storage by taking the sum of 1) the gas commodity price as represented by the NYMEX contract price for the month; 2) the weighted average published basis from the Henry Hub to the liquid trading points in the US that the Company relies on to purchase storage supplies; 3) the weighted average variable transportation costs and fuel losses to transport gas from the receipt points on each of the Company's domestic pipeline transportation contracts to the storage injection points, and 4) the weighted average variable injection costs and fuel losses to inject gas into each of the Company's storage services, including the commodity cost of inventory carried over from the prior year.

The Company requires no payment from the Marketers prior to the start of the winter season for the gas injected into Tier 3 virtual storage. The Company will compute the delivered cost of the virtual storage service billed the Marketers by taking the sum of 1) the weighted average inventory price as of the end of the injection season; 2) the weighted average variable withdrawal costs and fuel losses to withdraw gas from each of the Company's storage services; 3) the weighted average variable transportation costs and fuel losses to transport storage gas on each of the Company's storage transportation contracts to the Company city gates; plus 4) the Company's unitized demand cost of its non-swing storage.

Marketers that do not meet the creditworthiness guidelines (as defined in the Uniform Business Practices) will be required to prepay for the virtual storage service prior to the month of the sale. The prepayment must be made by wire transfer or ACH payment no later than three (3) business days prior to the last day of the month proceeding the month for which the virtual storage service is to be purchased. The prepayment will be calculated by taking the produce of 0.9 times the estimated delivered cost of the virtual storage as described above. The prepayment amount will be trued up when actual costs are available and any adjustment will be made in the succeeding bill period.

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