

PSC NO: 1 GAS LEAF: 73
 COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 1
 INITIAL EFFECTIVE DATE: 11/01/03 SUPERSEDING REVISION: 0
 STAMPS: Issued in compliance with order in Case No. 02-M-0515 dated 4/24/03

GENERAL INFORMATION**III. Adjustments of Rates and Charges (continued):**

1--Adjustment of Rates in Accordance with Changes in the Cost of Gas and Pipeline Costs (continued):

J. Adjustments for Gas Costs

- 1) Monthly Adjustment: A monthly adjustment to the cost of gas, if needed, is intended to equate the cost of gas to the Company with its recovery from Service Classification Nos. 1, 2, 3, 5, 15, 16, and 17 Customers during the 12-month period ending August 31.
 - a) The computation of the monthly adjustment will consider:
 - i) Actual and projected gas costs and gas costs recoveries, and
 - ii) The difference between gas cost and gas cost recovery from the previous 12-month period projected to still remain unrecovered or unrefunded at the end of the current 12-month period.
 - iii) The difference will be divided by the projected sales from Service Classification Nos. 1, 2, 3, 5, 15, 16, and 17 for the remaining months in the 12-month period and included on the Statement of Gas and Pipeline Costs and Adjustments.
 - iv) The difference will not exceed twenty (20) cents per DTH.
- 2) Annual Adjustment: An annual adjustment to the cost of gas is intended to equate the cost of gas to the Company with its recovery from Service Classification Nos. 1, 2, 3, 15, 16, and 17 Customers for the 12-month period ending August 31.
 - a) The total difference for the annual adjustment is:
 - i) The actual booked cost of gas for Firm Customers for the 12-months ending August 31, less
 - ii) Cost recovered from Service Classification No. 5, Firm Transportation Service, less
 - iii) Total gas cost recoveries from Firm Customers noted in i) above, plus
 - iv) Reconciled supplier refunds, plus
 - v) Prior annual period's reconciled difference, plus
 - vi) The estimated interest on the difference to be surcharged or refunded.
 - b) The annual differences between gas cost and its recovery will be divided by the projected sales from Service Classification Nos. 1, 2, 3, 15, 16, and 17 for the next 12-month period and included on Statement of Gas and Pipeline Costs and Adjustments.
 - c) The annual adjustment computation shall be filed with the Commission on or before October 15, and the surcharge or refund will take effect on the first billing cycle in December.
- 3) Annual Adjustment - Transportation Service: An annual adjustment to the cost of gas if intended to equate the cost of gas, excluding commodity costs, to the Company with its recovery from Service Classification No. 5 Customers for the 12-month period ending August 31.
 - a) The total difference for the annual adjustment is:
 - i) The actual booked cost of gas, excluding commodity costs, for the 12-month period ending August 31 allocated to Service Classification No. 5, Firm Transportation Service, less

Issued by Alfred C. Bereche, Asst. General Counsel and Secretary, Hicksville, NY