

PSC NO: 1 GAS LEAF: 74
 COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 2
 INITIAL EFFECTIVE DATE: 08/22/03 SUPERSEDING REVISION: 1

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):

- ii) Costs recovered from Service Classification No. 5, plus
- iii) Reconciled supplier refunds, plus
- iv) Prior annual period's reconciled differences, plus
- v) The estimated interest on the differences to be surcharged or refunded.
- b) The annual difference between gas cost and its recovery will be divided by the projected sales from Service Classification No.5 for the 12-month period and included on the 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.

K. Replacement Cost of Fuel

The replacement cost of fuel in the event gas is diverted from Interruptible Service Customers to Firm Service Customers is computed as follows:

- (I) if the Interruptible Service Customer switches to an alternate fuel, the replacement cost is the market value of the equivalent volume of the alternate fuel; or
- (ii) if the Interruptible Service Customer does not use an alternate fuel, the replacement is the market value of the displaced gas.

L. Temperature-Controlled Gas Cost Credit

Gas costs to provide service to temperature-controlled customers under Service Classification No. 12 will be credited monthly to the Company's total cost of gas. Monthly gas cost credits are developed by multiplying monthly sales from Service Classification No. 12 to the sum of:

- 1) The average commodity cost of gas from III.1.E above, and
- 2) A capacity cost of \$0.01 per therm.

M. Transition Surcharge

Any stranded capacity costs resulting from firm sales customers converting to firm transportation service on and after April 1, 1999 and not taking an assignment of the Company's capacity, will be collected from firm sales and firm transportation customers as a separate surcharge assessed through the gas adjustment and the transportation adjustment, respectively.

Each new dekatherm (dt) of capacity brought to the citygate by a marketer after April 1, 1999 is assumed for purposes of the following formula to generate stranded cost.

Issued by Robert J. Fani, Senior Vice President, Hicksville, NY