

PSC NO. 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 11/02/04
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 02-M-0515 DATED 8/04/04.

LEAF: 148.2
REVISION: 4
SUPERSEDING REVISION: 3

GENERAL INFORMATION (Cont'd)

II. CONTINUED

c. Recovery of Upstream Pipeline Stranded Capacity Surcharge

The Company shall calculate a surcharge each month to be billed under the rates and charges of the following Service Classification Nos.: 1, 2, 3, 4, 5, 6, 7, 8, 9, 20, 22, 23, 24 and 13M Customers receiving service from Suppliers under Service Classification No. 19.

$$\begin{array}{lcl} \text{Upstream} & & \text{Stranded} \\ \text{Transition} & = & \text{Upstream} \\ \text{Surcharge} & & \text{Capacity Costs} \end{array} \quad / \text{ Total Throughput}$$

Where:

Upstream Transition Surcharge = Unit rate per Mcf of surcharge

Stranded Upstream Capacity Costs = Amount of Upstream Stranded
Capacity Cost calculated in
Section 42.b. above.

Total Throughput = Historical normalized consumption for
sales and aggregation Customers
(SCs 1, 2, 3, 4, 5, 6, 7, 8, 9, 20, 22, 23,
24 and 13M Customers receiving service
from Suppliers under SC 19)

The rate shall be calculated monthly and filed with the Company's monthly Statement of Distribution Adjustment Charge. All revenues collected through this surcharge shall be included as purchase gas commodity revenue for determining the Annual Surcharge or Refund under General Information Section 19.f.

42A. INTERMEDIATE PIPELINE STRANDED CAPACITY SURCHARGE

a. Determination of Intermediate Pipeline Stranded Capacity Surcharge

Intermediate Pipeline Stranded Capacity shall be determined as the Total Intermediate Pipeline Transmission Capacity (currently EFT capacity on NFGSC) contracted by the Company ("Total Intermediate Contracted Capacity") in excess of Company peak day capacity requirements that results from customers migrating from Company sales service to transportation service or is displaced by local production, gathering facilities, inter- or intrastate pipelines, which displace EFT capacity on NFGSC. The associated Intermediate Stranded Capacity Costs shall be recovered through an Intermediate Pipeline Transition Surcharge from sales and aggregation transportation Customers. Such surcharge, if any, shall be determined monthly and included in the Company's monthly Gas Supply Charge filing.

Issued by D. F. Smith, President, 6363 Main Street, Williamsville, NY 14221
(Name of Officer, Title, Address)