

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: 148.4  
 REVISION: 2  
 SUPERSEDING REVISION: 1

GENERAL INFORMATION (Cont'd)

II. 42A. CONTINUED

Where

Intermediate Transition Surcharge	=	Unit rate per Mcf of surcharge
Stranded Intermediate Capacity Costs	=	Amount of Upstream Stranded Capacity Cost calculated in 42A. 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.

43. RESEARCH AND DEVELOPMENT SURCHARGE

Pursuant to the Commission's Order in Case 99-G-1369 issued and effective February 14, 2000, the Company shall recover a research and development cost surcharge ("R&D Surcharge") from sales and transportation Customers as follows:

a. The rates for service rendered pursuant to Service Classifications Nos. 1, 2, 2A, 3, 4, 5, 6, 7, 8, 9, 13D, 13M, 20, 23 and 24 on and after May 1, 2000 shall be subject to a monthly R & D Surcharge computed as follows:

- (1) Surcharge factor - Each January 1, a surcharge will be calculated based upon the projected cumulative decrement (1998 base year) in Gas Research Institute funding ("GRI") as billed by demand and commodity charges from NFGSC. THE R & D Surcharge factor will be the projected R&D cost based on the GRI cumulative decrement divided by the Company's annual sales forecast exclusive of interruptible sales, interruptible transportation and sales and transportation services in competitive situations.

b. Annual R & D Reconciliation

The R & D Surcharge shall be computed as follows:

- (1) By taking the actual GRI decrement each year during the determination period plus the sum of all previous decrements, measured against the base year, and subtracting corresponding revenues collected from sales and transportation customers.

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