

PSC NO: 1 GAS LEAF: 71  
COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 2  
INITIAL EFFECTIVE DATE: 01/01/04 SUPERSEDING REVISION: 1  
STAMPS: Issued in compliance with order in Case No. 02-M-0515 dated 12/03/03

### 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):

- 3) Transportation Customers: The Monthly Demand Cost Component for Service Classification No. 5 is computed by dividing the Monthly Demand Cost by the projected quantity of gas purchased and transported for Service Classification Nos. 1, 2, 3, 5, 15, 16 and 17 multiplying the result by the Factor of Adjustment, to adjust for lost and unaccounted-for gas. The component will be calculated in August for service starting September 1.
  - a) Monthly Demand Costs, expressed in dollars, are calculated by adding:
    - i) The monthly pipelines' capacity and storage demand charges,
    - ii) The Company's Storage Providers' capacity, and storage demand charges,
    - iii) The projected load factor credits to Transportation Customers under Service Classification No. 5, and
    - iv) Any other fixed charges associated with obtaining gas supply.

#### E. Computation of the Monthly Commodity Cost of Gas

- 1) The Monthly Commodity Cost of Gas for Service Classification Nos. 1, 2, 3, 15, 16, and 17 is computed by dividing the estimated total Commodity Cost of Gas purchased for that month, by the Company's forecast of monthly firm gas sendout for Customers on those Service Classifications, and multiplying the result by the Factor of Adjustment, to adjust for lost and unaccounted-for gas.
  - a) The Monthly Commodity Cost of Gas, expressed in dollars, is calculated by adding:
    - i) The Suppliers' charges for gas procured to meet the Company's monthly firm gas sendout forecast,
    - ii) The cost of gas withdrawn from storage, calculated at the average cost of stored gas, and
  - b) All other allowable charges associated with the purchase of gas supply, including risk management costs and amounts for replacement cost of fuel, if Customer-owned gas is diverted from Interruptible Service Customers. (See Section J below)

#### F. Adjustments for Refunds from Pipelines

- 1) Refunds received from pipelines will be:
  - a) Credited over a 12-month period to Service Classification Nos. 1, 2, 3, 5, 15, 16 and 17 with interest set by the Commission, through adjustments to the cost of gas or pipeline charges shown on Statement of Gas and Pipeline Costs and Adjustments, and
  - b) Allocated to Service Classifications on the basis of forecasted sales or transported quantities for the next 12-month period, and
  - c) Reconciled, when concluded, on or before August 31 of each year, with differences applied to the Annual Adjustment computation described in I.2 and 3 below.

Issued by Joseph F. Bodanza, Senior Vice President and Chief Accounting Officer, Hicksville, NY