

PSC NO: 1 GAS LEAF: 159.2
COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 0
INITIAL EFFECTIVE DATE: 08/05/05 SUPERSEDING REVISION:
STAMPS:

SERVICE CLASSIFICATION NO. 8
Seller Service (continued)

Capacity Release Surcharge

For any ESCO/Direct Customer participating in the Company's Winter Capacity Program under 1. Capacity Release Option - Tier 1, the Company will release a quantity of capacity determined pursuant to the Gas Transportation Operating Manual. The following surcharge will apply to all released capacity:

The Tier 1 capacity will be released under the Company's firm transportation contracts with "Selected Pipelines." While the Selected Pipelines and the specific contracts may change from time to time, the capacity released will be an appropriately sized subset of the Company's upstream capacity portfolio, as determined by the Company. Tier 1 capacity will be released at each of the Selected Pipelines' maximum rates, and trued up each month for the benefit of the Customer to the Company's weighted average cost of capacity (WACOC). The Selected Pipelines will bill the ESCOs/Direct Customers each month for the released capacity at their respective maximum rates. The Company will subsequently bill the ESCO either a surcharge or a credit for the difference between the weighted average cost per dekatherm of the Selected Pipelines' maximum rates and the Company's per dekatherm WACOC. If the weighted average of the maximum rates of the released capacity is higher than the WACOC, the ESCO will receive a credit on the Customer's behalf. If the weighted average of the maximum rates of the released capacity is less than the WACOC, the ESCO will pay the difference on the Customer's behalf. The ESCO/Direct Customer is responsible for all variable costs it incurs on the releasing pipelines. The Company's WACOC will be based on the fixed costs associated with 1) all of the Company's firm domestic pipeline transportation capacity contracts, excluding those used to transport gas withdrawn from storage; and 2) the fixed costs associated with purchases of incremental city gate supply. The WACOC will be updated periodically to reflect the Company's current costs.

Issued by Joseph F. Bodanza, Senior Vice President, Hicksville, NY