

PSC NO: 1 GAS

LEAF: 72

COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 7

INITIAL EFFECTIVE DATE: 06/01/05

SUPERSEDING REVISION: 6

STAMPS:

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):

G. Interdepartmental Economy Credit

The Interdepartmental Economy Credit is credited monthly to Service Classification Nos. 1, 2, 3, and 5 on the Statement of Gas and Pipeline Costs and Adjustments, for amounts realized the use of gas for boiler fuel by the Company's electric operations.

1) The Credit is:

- a) Based on revenues derived from transporting gas for electric operations at \$0.19 per dekatherm under a special arrangement, and
- b) Returned, with interest, by dividing the unrefunded balance by forecasted sales and transported quantities for the 12-month refund period.

H. Interruptible Sales Credit

The Interruptible Sales Credit is credited monthly to Service Classification Nos. 1, 2, 3, 5, 15, 16 and 17 on the Statement of Gas and Pipeline Costs and Adjustments, for margins from Interruptible Service transactions.

1) The Credit is equal to the sum of the following:

- a) Margins realized from customers served under Service Classification Nos. 4 (Interruptible Sales Service) and 7 (Interruptible Transportation Service), and
- b) the result of multiplying the throughput of customers formerly served under Service Classification Nos. 4 and 7 who are currently served under Service Classification Nos. 12 (Temperature Controlled Sales) and 13 (Temperature Controlled Transportation Service) by the average unitized margin that would have been realized under Service Classification Nos. 4 and 7, and
- c) total ratepayer allocation of annual offsystem sales; less
- d) Operating expenses equal to 0.1 cents per therm multiplied by the sum of the volumes used to compute (a) and (b) above.

2) The credit is returned, with interest, by dividing the unrefunded balance by forecasted sales and transported quantities for the 12-month period.

I. Merchant Function Backout Credit

Effective June 1, 2005 and continuing through November 1, 2006, a credit of \$.19/dth will be applied to any firm transportation service customers' bill except customers taking service under Service Classification No. 17. This credit will consist of reduced or avoided costs regarding uncollectible expenses associated with the cost of gas, working capital costs associated with storage gas used for firm sales service customers and certain gas supply procurement functions. This credit will appear on the Statement of Gas and Pipeline Costs and Adjustments. The Company may recover lost revenue arising from the Merchant Function Back-out Credit from the Transition Balancing Account, which Account is referenced in and will survive the expiration of the Gas Restructuring Joint Proposal approved by the Commission on May 23, 2002 in Case 99-G-1469. On a quarterly and annual basis, the Company will provide to Commission Staff a report of the balance of the TBA, showing funds added to and costs recovered from the TBA.

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