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GENERAL INFORMATION - Continued

39. B. Transition Surcharge

Any stranded capacity costs resulting from firm sales customers converting to firm transportation service on and after April 1, 1999 and not taking an assignment of the Company's capacity, will be collected from firm sales and firm transportation customers as a separate surcharge assessed through the Gas Adjustment and the Transportation Adjustment, respectively.

Each new dekatherm (dt) of capacity brought to the citygate by a marketer after April 1, 1999 is assumed for purposes of the following formula to generate stranded cost.

The portion of capacity costs (\$cap) associated with customers that have switched from sales to transportation service after April 1, 1999 or who have had capacity assigned but are no longer taking such assignment, is calculated as follows:

$$\text{\$cap} = (\text{tcap} / \text{ucap}) \times \text{ucap}\$$$

where

tcap = amount of capacity associated with customers using their own capacity to bring gas to the citygate (dt)

ucap = total utility upstream pipeline capacity (dt)

ucap\$ = utility upstream capacity costs (\$)

This surcharge will become effective on the first day of the month in which strandable costs are incurred. Surcharge collections will be subject to periodic reconciliation.

Issued by: Steven L. Zelkowitz, Sr. Vice President and General Counsel, Brooklyn, NY