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COMPANY: THE BROOKLYN UNION GAS COMPANY

REVISION: 3

INITIAL EFFECTIVE DATE: 05/05/01

SUPERSEDING REVISION: 2

STAMPS:

RECEIVED: 04/05/01 STATUS: Effective EFFECTIVE: 05/05/01

GENERAL INFORMATION - Continued

40. Delivery Penalty Refund

Delivery Penalty Charges collected by the Company from customers taking service under S.C. Nos. 16, 17, or 18 and Sellers under S.C. No. 19 will be refunded to customers taking sales service under S.C. Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7 and 14, and to customers taking transportation service under S.C. 11, TS-2, TS-4A, TS-4B, S.C. 16, CTBS-1A, CTBS-1AR, CTBS-1B, CTBS-1BI, CTBS-1BR, CTBS-2, CTBS-3, CTBS-4A, CTBS-4B, CTBS-7, and S.C. 17, CTS-1A, CTS-1AR, CTS-1B, CTS-1BI, CTS-1BR, CTS-2, CTS-3, CTS-4A, CTS-4B, and CTS-7. The per therm refund shall be calculated by dividing the total delivery penalties collected during the 12 months preceding the computation date by the sum of quantity of sales rendered under S.C. Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7 and 14 for the 12 months preceding the computation date plus the quantity of transportation gas delivered under S.C. 11, TS-2, TS-4A, TS-4B, S.C. 16, CTBS-1A, CTBS-1AR, CTBS-1B, CTBS-1BI, CTBS-1BR, CTBS-2, CTBS-3, CTBS-4A, CTBS-4B, CTBS-7, and S.C. 17, CTS-1A, CTS-1AR, CTS-1B, CTS-1BI, CTS-1BR, CTS-2, CTS-3, CTS-4A, CTS-4B, and CTS-7 for the 12 months preceding the computation date. The resultant per therm charge shall be shown on the Statement of Monthly Cost of Gas and Adjustments, the Statement of Transportation Service and the Statement of Unbundled Transportation Service filed with the Commission.

40A. Research and Development Surcharge

The Research and Development Surcharge will be applicable to Service Classification Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7, 14, 16 and 17. This surcharge is a funding mechanism to support medium and long term research and development projects previously funded by a Federal Energy Regulatory Commission (FERC) surcharge which is being phased out over the next several years. The amount collected under this mechanism will mirror the decrement in the FERC surcharge each year until 2004 and will be capped at \$0.0174/dekatherm, thereafter. This surcharge will appear on the Statement of Monthly Cost of Gas and Adjustments and the Statement of Unbundled Transportation Service.

41. Revenue Tax Surcharge

- (a) The rates and charges under all service classifications, including the gas adjustment and minimum charges, payable in the municipality where service is supplied, shall be increased to reflect the aggregate percentage rate of taxes imposed on the Company's revenues within such municipality pursuant to the following statutes:

Issued by Richard A. Rapp, Jr., Vice President, Deputy General Counsel and Secretary, Brooklyn, NY