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GENERAL INFORMATION

12. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF GAS (Cont'd.)

12.2 MONTHLY GAS ADJUSTMENT (Cont'd.)

(B) Transition Adjustment for Competitive Services

(1) Applicability

A Transition Adjustment for Competitive Services ("TACS")is applicable to customers taking service under Service Classification Nos. 1, 2, and 6 of this Rate Schedule. Such customers will be assessed the TACS on a per Ccf basis as set forth in the Statement of Monthly Gas Adjustment. The TACS shall be reset annually effective November 1 of each year.

(2) Definitions for Purposes of the TACS

"Merchant Function Charge Fixed Component Lost Revenue" shall be equal to a target of $1,565,606 attributable to the Merchant Function Charge ("MFC") Fixed Components consisting of a) commodity procurement costs (including commodity revenue based allocation of information resources and education and outreach costs); and b) credit and collections costs portions of the MFC, minus the revenues received through the MFC relating to such MFC Fixed Components.

"Billing and Payment Processing Lost Revenue" shall be equal to the total of billing and payment processing charges avoided by retail access customers less billing service charges assessed on Marketers participating in the Company's Gas Transportation Service program and electing the Utility Single Bill Option, less the Company's avoided costs associated with Marketers participating in the Company's Gas Transportation Service Program and electing the Marketer Single Bill Option.

"Credit and Collections Lost Revenue Associated with Retail Access" shall be equal to a target of $471,306 attributable to credit and collections costs reflected in the POR discount minus revenues received through the credits and collections component of the POR discount.

Issued By: William Longhi, President, Pearl River, New York
(Name of Officer, Title, Address)