"Issued in Compliance with Commission Order "11-G-0280" Issued and Effective April 20, 2012"

V. Adjustment of Rates in Accordance with Changes in the Cost of Purchased Gas: (Cont'd.)

2. Gas Supply Charge

The GSC will be the sum of the Total Average Cost of Gas, the Supplier Refund Adjustment, the Annual Reconciliation Adjustment and other PSC approved adjustments. The Total Average Cost of Gas is the sum of the Demand Cost Component and the Commodity Cost Component multiplied by the Factor of Adjustment. The Demand Cost Component shall be determined by dividing the Company's Pipeline Capacity Cost by the forecasted normalized annual gas purchases. The Commodity Cost Component shall be determined by dividing the Company's gas supply cost for the month is which the GSC will be in effect by the forecasted normalized quantities of gas purchased for the month that the GSC will be in effect. Should the Company once again be responsible for its own gas storage fill, the GSC will also include a component to recover the carrying cost of the gas storage inventory. This component will remain as an available option until new delivery rates are approved by the commission.

3. Statement of Gas Supply Charge:

The Monthly GSC statement will be filed not less than three (3) days prior to the date it is proposed to be effective. The GSC will be effective on the date stated on the statement and will remain in effect until changed by the filing of a subsequent statement. The Company will file supporting data and work papers underlying the GSC statement, consistent with 16 NYCRR, Part 720

4. Delivery Rate Adjustment (DRA):

The DRA will be derived from the net combination of the per unit credit or surcharge related to the reconciliation of the revenue imputation for , local production above and beyond the first $545,284 which were imputed in base rates. Any amounts above or below the $545,284 will be shared between the customer and company on an 80/20 basis (Rate Order Case 11-G-0280). Once the annual shareholders' 20% local production share from access, transportation and reimbursement revenues provides a combined total of $200,000 the sharing mechanism between customers and shareholders for all local production revenues shall be reset to 90% for customers and 10% for shareholders for all revenues above $200,000, annually. The customer portion if any will be refunded via this mechanism. (See Page 44 and 46 of the JP in Case# 11-G-0280). The DRA will also include 20% carrying costs related to gas storage balances as explained in the Merchant Function Charge section on leaf 75-2. In addition pipeline refunds, customer share of any transportation revenue mechanisms approved by the Commission and Second Stage Rate Adjustment approved in Case 08-G-1137 shall be included. In addition, beginning with Rate Year 1, all existing and future
contract revenues (*i.e.*, revenues from dual-fuel and interruptible customers, as well as from customers served under negotiated contracts, but excluding revenues from access for and transportation of local