

PSC NO: 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 08/24/06

LEAF: 86
REVISION: 7
SUPERSEDING REVISION: 6

GENERAL INFORMATION (Cont'd)

II. 19.j. CONTINUED

- (b) The determination period to be used in the computation of this annual Transition Cost Reconciliation shall be the twelve-month period beginning on the first day of May and ending on the following April 30.
- (c) The reconciliation surcharge/refund period shall refer to the twelve-month period beginning three months following a given determination period (August 1st through July 31st).
- (d) The rate of reconciliation surcharge/refund shall be determined by dividing determination period amount by the service classification volumes subject to transportation transition cost recovery during the reconciliation surcharge/refund period. Any balance remaining at the end of such period shall be reconciled in the next transition cost expense annual filing or the Annual Surcharge or Refund Computation pursuant to Section II.19.f.

k. Pilot Marketer Hedge Program ("MHP")

In connection with the Company's gas cost volatility mitigation plan ("Plan"), the Company will conduct a Fixed Price Option ("FPO") open season ("Determination Period") prior to April 1, or at such other time as may be established by the Company. During the Determination Period, the Company will permit Marketers the opportunity to displace Company hedges with a marketer-offered FPO for retail Customers. If any participating marketer is unable to fully enroll its hedged offerings, the Company will financially "settle" the marketer's unsubscribed hedge, subject to the limitations set forth below. Such MHP settlement costs shall be charged to the Company's monthly gas sales Customers (see *supra*, §II.19.c.). Procedures for conduct of the MHP shall be posted on the Company's web site and will include the following general requirements:

- i. The Company will be authorized to settle no more than 25% of a participating marketer's total allocated volume.
- ii. MHP will be limited to the winter season (November through March).
- iii. Program total daily volume will be limited to 10,000 Dth/day.
 - a. Minimum Marketer allocation shall be 1,000 Dth/day.
 - 1. During the Determination Period, the Company will reduce its forward-priced gas purchases by 2,500 Dth/day (25% of Program total daily volume), depending on Program participation levels. For purposes of the MHP, the Company will establish an Average Price Cap ("APC") equal to the average of the NYMEX daily settle for the winter strip during the Determination Period.

Issued by R. J. Tanski, President, 6363 Main Street, Williamsville NY 14221
(Name of Officer, Title, Address)