

PSC NO. 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 12/28/07
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 07-G-0141 DATED 12/21/07.

LEAF: 148.9
REVISION: 3
SUPERSEDING REVISION: 1

GENERAL INFORMATION (Cont'd)

II. 47. CONSERVATION INCENTIVE PROGRAM ("CIP") COST RECOVERY MECHANISM

a. Recovery of CIP Costs

The Company shall recover annually \$10.8 million of CIP costs through a monthly surcharge to the Delivery Adjustment Change of SC 1, SC 2, SC 2A and SC 3 Customers of \$0.016566/Ccf.

b. CIP Cost Reconciliation

The Company shall reconcile actual CIP costs recovered through the CIP cost rate for the 12-month period ended December 31 with the actual CIP costs incurred for the 12 months ended December 31. Any over or under recovery of CIP costs shall be refunded or surcharged to the applicable Service Classification Customers for a 12-month period beginning March 1.

c. Revenue Decoupling Mechanism ("RDM")

Included in the annual CIP Cost Reconciliation shall be a credit or surcharge associated with the RDM approved in Case 07-G-0141. The RDM costs to be recovered or refunded shall be determined as the change in margin associated with changes in weather normalized average consumption of the following Customer classes. The margin per account shall be determined by calculating the change in SC 1, SC 2, SC 2A and SC 3 normal usage per account for the 12-month period ending December 31 compared to imputed normal usage per account multiplied by the appropriate rate category margin. This change in margin per account will then be multiplied by the number of accounts in each rate category to determine total change in margin. Imputed normalized usage per account and rate category margin shall be as follows:

Service Classification	Benchmark Annual Imputed Usage per Account	Rate Category Margin
Residential SC 1 & SC 2	106.91/Mcf	\$0.82083/Mcf
SC 3	414.31/Mcf	\$1.99718/Mcf

The RDM charge or credit shall be calculated to recover total margin for the most recent 12 months ended December 31 time period divided by projected weather normalized annual delivery volumes for SC 1, SC 2, SC 2A and SC 3.

The benchmark annual usage per account shall be updated in base rate proceedings.

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