

PSC NO: 1 GAS LEAF: 72
 COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 11
 INITIAL EFFECTIVE DATE: 01/01/08 SUPERSEDING REVISION: 9
 STAMPS: Issued in compliance with order in Case 06-G-1186 dated 12/21/07

GENERAL INFORMATION - Continued

III. Adjustments of Rates and Charges (continued):

1--Adjustment of Rates in Accordance with Changes in the Cost of Gas and Pipeline Costs (continued):

F. Merchant Function Charge

The rates for gas service under Service Classification Nos 1, 2, 3, 15, 16, and 17 shall include each month the Merchant Function Unitized Charge per therm which is equal to the sum of the following gas supply related unit costs: (1) Gas Procurement and Commodity-Related Sales Promotion Expenses, (2) Commodity-Related Credit and Collection Expenses, (3) Uncollectible Expenses Associated with Gas Costs, (4) Return Requirement on Gas Purchase-Related Working Capital, and (5) Return Requirement on Gas in Storage.

The rates for gas service under Service Classification No 5 shall include each month the Return Requirement on Gas in Storage unitized charge per therm.

1. Gas Procurement and Commodity-Related Sales Promotion Expenses

The Gas Procurement and Commodity-Related Sales Promotion Expenses Unitized Charge per therm to be recovered each Gas Cost Year shall be computed as follows:

- a) Divide the Total Annual Gas Procurement and Commodity-Related Sales Promotion Expenses for each year as shown on the schedule below

| | |
|------|-------------|
| 2008 | \$1,344,000 |
| 2009 | \$1,372,224 |
| 2010 | \$1,401,041 |
| 2011 | \$1,430,463 |
| 2012 | \$1,460,502 |

Beyond 2012, the Total Annual Gas Procurement and Commodity-Related Sales Promotion Expenses will be held at \$1,460,502 unless changed by the Commission.

- b) **BY**, the estimated annual sales for customers served under Service Classification Nos. 1, 2, 3, 15, 16, and 17 for the corresponding time period.

Issued by: Nick Stavropoulos, Executive Vice President, Hicksville, NY