

PSC NO. 3 GAS

St. Lawrence Gas Company, Inc.

Initial Effective Date: 10/1/2008

Issues in Compliance with Commission Order in Case 07-M-0548, dated June 23, 2008.

Leaf: 182

Revision: 5

Superseding Revision: 4

GENERAL INFORMATION

2. General Rules, Regulations, Terms and Conditions: (Cont'd)

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

D. Gas Adjustments Based on Load Characteristics:

The company is permitted to calculate gas adjustments for various service classifications, sub-classes, customer groups, or customers based on load characteristics. Implementation of such gas adjustments must be approved by the Commission.

E. Alternative Gas Cost Pricing:

The company is permitted to offer customers alternative pricing mechanisms. Risk management costs and other costs associated with alternative pricing mechanisms shall be excluded from the gas adjustment. Implementation of such alternative pricing mechanisms must be approved by the Commission.

F. Merchant Function Charge (MFC):

The costs of natural gas procurement (gas supply portion of uncollectibles, the carrying charges on gas stored underground, and the labor and overheads dedicated to the purchase of natural gas) are allocated solely to those customers who purchase their natural gas supply from the company. The MFC rate will be set once per year in December to become effective January 1. The company will calculate under or over collections and reflect the new rate in the MFC Statement each year.

G. System Benefits Charge (SBC)

A System Benefits Charge ("SBC") to fund a Residential Energy Efficiency Program (EEP) will be applied to bills of all sales and transportation customers taking service under Service Classification No. 1. The SBC will be determined annually and will be reflected in the SBC Statement to become effective January 1 each year.

Pursuant to the Commission's Order in Case 07-M-0548 dated June 23, 2008, the SBC will be established to become effective October 1, 2008.

The company will calculate over or under collections, including lost revenue recovery, for the twelve months ending December 31 each year (eleven months actual and one month forecast), on or before December 15 each year. The first reconciliation will be performed for calendar year 2009 and will include a reconciliation for the three months ended December 2008. Any over or under collections will be included in the development of the following year's SBC rate.

Not less than fifteen days prior to the proposed change in the SBC rate, a statement showing the SBC rate and the effective date will be filed with the Public Service Commission.

Issued by: Richard J. Campbell, President and General Manager, 33 Stearns Street, Massena, NY