

PSC NO: 1 GAS LEAF: 190
COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 3
INITIAL EFFECTIVE DATE: 01/01/06 SUPERSEDING REVISION: 2
STAMPS: Issued in compliance with Order in C. 03-G-1395 dated November 23, 2005

SERVICE CLASSIFICATION NO. 14 (Continued)

Value Added Charge

The Value Added Charge is a unitized per decatherm rate, derived from the increase in the Spark Spread from the Base Year to the Test Year. The Value Added Charge is applied to every decatherm delivered by the Company to the Customer or the Customer's Annual Minimum Bill Obligation, whichever is greater, during the Effective Period.

The Value Added Charge for the Effective Period January 1, 2006 through April 30, 2007 equals the Annual Total Value Added Charge for the Test Year ending November 30, 2005 divided by the number of decatherms the Company delivered to the Customer during the Test Year. If the Customer does not have twelve months of consumption data for the Test Year, that Customer will be assigned a Value Added Charge equal to the average of all the customers' Value Added Charge within the applicable heat rate tier level.

The Value Added Charge for all Effective Periods beginning May 1, 2007 will be calculated as follows: The Reconciliation Charge will be subtracted from the Total Value Added Charge for the Test Year. The resulting difference will be divided by the number of decatherms the Company delivered to the Customer during the Test Year.

Each March 1, beginning March 1, 2007, the Company will make an annual filing that will include the Value Added Charge to become effective May 1 and the Reconciliation Charge for the Calendar Year.

Monthly Total Value Added Charge: The Base Year Spark Spread is subtracted from the Spark Spread for each hour of the Test Year. Five percent (5%) of this difference is multiplied by the Customer's Mwh Generated Output during the same Test Year hour. The resulting products are summed for each month of the Test Year. If such monthly value is less than or equal to zero, the Monthly Total Value Added Charge for that month will equal zero. If such monthly value is greater than zero, such monthly value is the Monthly Total Value Added Charge for that month.

Annual Total Value Added Charge: The addition of the Monthly Total Value Added Charges for the twelve months in the Test Year.

Reconciliation Charge: The total of the Value Added Charges collected from the Customer during the Calendar Year subtracted from the total of the Value Added Charges that would have been collected had the Value Added Charge been calculated based on the actual Spark Spreads during the Calendar Year.

Issued by Joseph F. Bodanza, Senior Vice President, Hicksville, NY