

PSC NO. 8 GAS
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
INITIAL EFFECTIVE DATE: 11/01/03
ISSUED IN COMPLIANCE WITH ORDER IN CASE NO. 02-M-0515 DATED 4/24/03.

LEAF: 74.1
REVISION: 1
SUPERSEDING REVISION: 0

GENERAL INFORMATION (Cont'd)

II. CONTINUED

i. Calculation of the Average Monthly Commodity Cost of Gas

The Average Monthly Commodity Cost of Gas shall be calculated by dividing the Total Average Monthly Commodity Cost of Gas by 1 less the factor of adjustment.

The Total Average Monthly Commodity Cost of Gas shall equal the Total Monthly Commodity Cost of Gas divided by Total Monthly Purchases for the applicable Service Classifications.

The Total Monthly Commodity Cost of Gas shall equal the Total Commodity Charges from the Company's gas Suppliers and transporters which are projected to be incurred during the month the Monthly Gas Supply Charge will be in effect exclusive of gas purchases for off-system sales and exclusive of gas purchases for sale under Service Classification Nos. 4, 10, 11, 12 and 14. During months of projected storage gas injections the Total Monthly Commodity Cost of Gas shall exclude the Commodity Cost of Gas injected into storage. During months of projected storage gas cost withdrawals the Total Commodity Cost of Gas shall include the Commodity Cost of Gas withdrawn from storage. The Commodity Cost of Gas withdrawn from storage shall equal the average unit cost of gas injected into storage for the preceding April through October injection period.

The Total Monthly Purchases for the applicable Service Classifications shall be the projected purchases for Service Classification Nos. 1, 2, 3, 5, 7, 8, 9 and 23.

ii. Calculation of the Average Demand Cost of Gas

The Average Demand Cost of Gas shall be calculated by dividing the Total Average Demand Cost of Gas by 1 less the factor of adjustment.

The Total Average Demand Cost of Gas should equal the Total Annual Demand Cost of Gas divided by Normalized Annual Purchases for the applicable Service Classifications.

The Total Monthly Demand Cost of Gas shall equal the Total Demand Charges from the Company's gas Suppliers and transporters which are projected to be incurred during the month exclusive of demand charges for Service Classification Nos. 4, 10, 11, 12 and 14. The Total Annual Demand Cost will be calculated by multiplying the Total Monthly Demand Cost of Gas by 12.

Issued by D. F. Smith, President, 10 Lafayette Square, Buffalo NY 14203
(Name of Officer, Title, Address)