

PSC NO: 12 GAS
COMPANY: THE BROOKLYN UNION GAS COMPANY
INITIAL EFFECTIVE DATE: 01/01/04
STAMPS: Issued in compliance with order in Case 02-M-0515 dated December 3, 2003

LEAF: 334
REVISION: 7
SUPERSEDING REVISION: 6

SERVICE CLASSIFICATION No. 17 - Continued

Actual Monthly ICOG - The actual monthly incremental cost of gas including demand charges incurred by the Company. The Actual Monthly ICOG will be included on the Statement of Unbundled Transportation Service Cash Out Charges with the Commission by the fourth business day of the following month.

Monthly Cash Out Price - The Market Center Spot-gas Price, Northeast, Transco Zone 6 Index. This price is posted as set forth in the publication entitled *Inside FERC's Gas Market Report*, for the applicable month.

Monthly Average Commodity Cost of Gas - The Company's weighted average commodity cost per therm of gas delivered to the city gate facilities from the Company's suppliers for the month. This cost will be determined by the Company and included on the Statement of Unbundled Transportation Service Cash Out Charges filed with the Commission by the fourth business day following the effective month.

Daily Commodity Cost of Gas - The Company's daily commodity cost per therm of gas delivered to the city gate facilities from the Company's suppliers on such day. This cost will be determined by the Company and included on the Statement of Unbundled Transportation Service Cash Out Charges filed with the Commission by the fourth business day following the effective month.

Daily ICOG - The daily incremental cost of gas, including demand charges. This cost will be determined by the Company and included on the Statement of Unbundled Transportation Service Cash Out Charges filed with the Commission by the fourth business day following the effective month.

CTS Service Agreement - The agreement between the Company and Customer to provide service under this Service Classification, the form of which is included in this Schedule for Gas Service, and the term of which shall be for a period of no less than twelve months.

Merchant Function Backout Credit - Effective December 1, 2003 and continuing through May 31, 2005, a credit of \$.21/dth will be applied to any firm transportation service customer's bill except for customers taking service under CTS-21. This credit will consist of reduced or avoided costs regarding uncollectible expenses associated with the cost of gas, working capital costs associated with storage gas used for firm sales service customers and certain gas supply procurement functions. This credit will appear on the Statement of Gas and Pipeline Costs and Adjustments. The Company may recover lost revenue arising from the Merchant Function Back-out Credit from the Transition Balancing Account, which Account is referenced in and will survive the expiration of the Gas Restructuring Joint Proposal approved by the Commission on May 23, 2002 in Case 99-G-1469. On a quarterly and annual basis, the Company will provide to Commission Staff a report of the balance of the TBA, showing funds added to and costs recovered from the TBA.

Issued by: John J. Bishar, Jr., Senior Vice President, General Counsel and Secretary, Brooklyn, NY