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COMPANY: KEYSPAN GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 2
INITIAL EFFECTIVE DATE: 01/01/01 SUPERSEDING REVISION: 1
STAMPS: Issued in compliance with order in Case No. 99-G-1469 dated 12/26/00
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GENERAL INFORMATION

III. Adjustments of Rates and Charges (continued):

L. Transition Surcharge

Any stranded capacity costs resulting from firm sales customers converting to firm transportation service on and after April 1, 1999 and not taking an assignment of the Company's capacity, will be collected from firm sales and firm transportation customers as a separate surcharge assessed through the gas adjustment and the transportation adjustment, respectively.

Each new dekatherm (dt) of capacity brought to the citygate by a marketer after April 1, 1999 is assumed for purposes of the following formula to generate stranded cost.

The portion of capacity costs ($cap) associated with customers that have switched from sales to transportation service after April 1, 1999 or who have had capacity assigned but are no longer taking such assignment, is calculated as follows:

$cap = [(tcap - ucapD - fgrow) / (ucap - ucapD)] X (ucap$ - ucapD$)

where

tcap = amount of capacity associated with customers using their own capacity to bring gas to the citygate (dt)

ucapd = utility upstream pipeline cpacity that hs been decontracted (dt)

ucap = total utility upstream pipeline capacity (dt)

ucap$ = utility upstream capacity costs ($)

ucapD$= utility upstream capacity costs that have been decontracted ($)

This surcharge will become effective on the first day of the month in which strandable costs are incurred. Surcharge collections will be subject to periodic reconciliation.

Issued by Robert J. Fani, Senior Vice President, Hicksville, NY

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