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COMPANY: NATIONAL FUEL GAS DISTRIBUTION CORPORATION REVISION: 1
INITIAL EFFECTIVE DATE: 10/29/98 SUPERSEDING REVISION: 0
STAMPS: ISSUED IN COMPLIANCE WITH ORDER IN C. 98-G-1291 DATED 10/21/98.
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GENERAL INFORMATION (Cont*d)

II. 19.g. CONTINUED

- (3) One hundred percent of Capacity Release Credits obtained for release of upstream capacity to converting sales customers required to take such capacity shall be credited to the gas adjustment.
- (4) All refunds and surcharges applied to customer bills for the difference in actual capacity release costs for converting sales customers required to take such capacity and the weighted average cost of upstream pipeline transmission capacity shall be credited to the gas adjustment.

h. Off-System Sales

- (1) For each year of the two-year period beginning October 1, 1998, the first \$1.0 million of the gross profit from off-system sales and all capacity release credits obtained under Section II.19.g. shall be applied to the Cost Mitigation Reserve (CMR) to defray unanticipated expense increases described in Case 98-G-1291. Eighty-five percent (85%) of any such credits and/or net revenues above \$1.0 million plus eighty-five percent (85%) of non-gas revenues from sales under S.C. 11 - Deficiency Imbalance Sales shall be accumulated and credited to the Company's customers during each subsequent five-month period beginning in November and ending in March through the Gas Adjustment. The remaining fifteen percent (15%) of any such credits and/or net revenues above \$1.0 million plus fifteen percent (15%) of non-gas revenues from sales under S.C. 11 shall be retained by the Company. The gross profit will be the difference between the effective weighted average commodity cost of gas, plus variable transportation costs to deliver the gas to the off-system customer, and the sale price. The monthly average commodity cost of gas shall be defined as the monthly average commodity cost of gas purchases for all supplies scheduled at the beginning of the month; provided, however, that, if an additional unscheduled purchase is made during the month specifically for an off-system sale, such purchase shall be considered to be the gas used to make the off-system sale and the commodity cost of such purchase will be assigned to off-system sales up to the volume of the purchase. The prices charged for off-system sales will not reflect the price attributable to gas withdrawn from storage. Any difference between the amount of gross profit to be credited and the amount actually credited will be applied as an adjustment after the difference is known.

Issued by P.C. Ackerman, President, 10 Lafayette Square, Buffalo NY 14203
(Name of Officer, Title, Address)