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 COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 3
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GENERAL INFORMATION

III. Adjustments of Rates and Charges (continued):

1--Adjustment of Rates in Accordance with Changes in the Cost of Gas and Pipeline Costs (continued):

H. Interruptible Sales Credit

The Interruptible Sales Credit is credited monthly to Service Classification Nos. 1, 2, 3, and 5 on the Statement of Gas and Pipeline Costs and Adjustments, for margins from Interruptible Service transactions.

1) The Credit is equal to the sum of the following:

- a) Margins realized from customers served under Service Classification Nos. 4 (Interruptible Sales Service) and 7 (Interruptible Transportation Service), and
- b) the result of multiplying the throughput of customers formerly served under Service Classification Nos. 4 and 7 who are currently served under Service Classification Nos. 12 (Temperature Controlled Sales) and 13 (Temperature Controlled Transportation Service) by the average unitized margin that would have been realized under Service Classification Nos. 4 and 7, and
- c) Total ratepayer allocation of annual offsystem sales; less
- d) Operating expenses equal to 0.1 cents per therm multiplied by the sum of the volumes used to compute (a) and (b) above.

2) The credit is returned, with interest, by dividing the unrefunded balance by forecasted sales and transported quantities for the 12-month period.

I. Merchant Function Backout Credit

Effective June 1, 2002 and continuing through November 30, 2003 a credit of \$.19/dth will be applied to any firm transportation service customer's bill. 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.

J. Adjustments for Gas Costs

1) Monthly Adjustment: A monthly adjustment to the cost of gas, if needed, is intended to equate the cost of gas to the Company with its recovery from Service Classification Nos. 1, 2, 3, and 5 Customers during the 12-month period ending August 31.

a) The computation of the monthly adjustment will consider:

- i) Actual and projected gas costs and gas costs recoveries, and
- ii) The difference between gas cost and gas cost recovery from the previous 12-month period projected to still remain unrecovered or unrefunded at the end of the current 12-month period.
- iii) The difference will be divided by the projected sales from Service Classification Nos. 1, 2, 3, and 5 for the remaining months in the 12-month period and included on the Statement of Gas and Pipeline Costs and Adjustments.

Issued by Robert D. Ekholm, Manager, Corporate Secretary's Office, Hicksville,

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