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GENERAL INFORMATION**III. Adjustments of Rates and Charges (continued):**

L. Strandable Cost Surcharge

Any strandable 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 through the Gas Adjustment and the Transportation Adjustment, respectively. The surcharge will be as follows:

Strandable Cost Surcharge ("SCS") = $\frac{\$cap}{\text{Projected therms}}$ where

$\$cap$ = $[\text{tcap}] / [\text{ucap}] * ([\text{ucap}\$] - \text{Capacity Release Credits ("CRC")})$

$\text{ucap}\$$ = total Company capacity costs less capacity costs subject to recovery through the Company's rates and charges for offsystem sales.

tcap = volume of Strand able capacity resulting form firm transportation customers converting to transportation and not taking assignment of the Company's capacity (dth).

ucap = total Company capacity (dth) less capacity used by the Company for offsystem sales.

CRC = capacity release credits associated with tcap .

Projected therms = annual projected firm sales and firm transportation volumes

The 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.

2--Increase in Rates and Charges Applicable in Municipality Where Service is Supplied

- A. Statutes: The rates and charges under all service classifications, payable in the municipality where service is supplied, are increased by a percentage equal in amount to the aggregate percentage rate of the taxes imposed on the Company's revenues in respect to such municipality pursuant to the following statutes:

- .1 Tax Law, Section 186, 186-a and 1201 (a);
- .2 General City Law Section 20-b; and
- .3 Village Law Section 5-530.

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