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SERVICE CLASSIFICATION NO. 5B - Continued

Rate

The rate for service under this service classification will be set forth in the service agreement negotiated between the Company and the customer and filed with the Public Service Commission. Negotiated contracts at similar overall terms shall be available to all similarly situated customers. The minimum rate charged must be sufficient to recover all incremental costs incurred to serve the customer and provide a reasonable contribution to fixed costs. Deliveries under this Rate Schedule will be made at a delivery point outside the Company's service territory, agreed to by the Company and customer (see Special Provision B). Depending upon the character of service provided, the rate shall include one or more of the following components:

A. Minimum Commodity Charge:

All customers receiving firm service will be required to pay a minimum commodity charge commensurate with the level of service provided and guaranteed by the Company. Customers receiving interruptible service also may be required to pay a minimum commodity charge commensurate with the level of service provided by the Company. The minimum commodity charge, minimum quantity of consumption associated with the minimum commodity charge, and the level of service guaranteed, if any, will be specified in the customer's service agreement. Minimum commodity charges will be computed to recover, in addition to gas costs associated with the minimum quantity, all or a portion of the Company's carrying costs associated with incremental facilities, gas costs and other expenses required to provide service to the customer, and a contribution to fixed costs. Such incremental costs may include, but are not limited to, producer demand or reservation charges, pipeline transmission costs and storage costs. In determining the cost of incremental facilities related to serving customers under this service classification, the Company will consider costs incurred to install new facilities, costs related to upgrading existing facilities and future costs that are expected to be incurred due to the customer's absorption of existing system capacity.

Issued by: Steven L. Zelkowitz, Sr. Vice President and General Counsel, Brooklyn, NY