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COMPANY: THE BROOKLYN UNION GAS COMPANY REVISION: 1

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GENERAL INFORMATION - Continued

This methodology will be applied to transition costs incurred as of April 1, 1996 and therefore will appear in the Company's Statement of Monthly Cost of Gas and Adjustments.

II. The annual transition cost surcharge (refund) for the period beginning October 1st and ending September 30th shall be derived as follows:

For Service Classification Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7 and 14 - The Company will:

- (a) calculate the estimated allocable portion of transition costs for Service Classification Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7 and 14 (Rate 1) (as defined in paragraphs 1, 2 and 3) for the projected twelve month period ending September 30th each year; and then
- (b) add or subtract (as the case may be) any undercollection or overcollection of transition costs attributable to Service Classification Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7 and 14 (Rate 1) from the preceding 12 month period; and then
- (c) divide the result of (a) and (b) by the forecasted aggregate quantity of sales to Service Classification Nos. 1A, 1AR, 1B, 1BI, 1BR, 2, 3, 4A, 4B, 7 and 14 (Rate 1) for the projected twelve month period ended September 30th each year.

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