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COMPANY: NATIONAL FUEL GAS DISTRIBUTION CORPORATION REVISION: 0
INITIAL EFFECTIVE DATE: 04/01/98 SUPERSEDING REVISION:
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RECEIVED: 01/05/98 STATUS: Effective EFFECTIVE: 04/01/98
SERVICE CLASSIFICATION No. 10 (Cont*d)

SALES SERVICE FOR
CUSTOMERS OPERATING COGENERATION FACILITIES - Continued

E = Electric Energy Cost Adjustment Factor

T = Thermal Energy Cost Adjustment Factor

The Electric Energy Cost Adjustment Factor (E) is the annual increase or decrease (over the base year amount) of the value of electricity (per unit) which the Customer would otherwise purchase, together with the increase or decrease (over the base year amount) of the amount (per unit) received by the Customer for the sale of electricity to the electric utility.

The Thermal Energy Cost Adjustment Factor (T) is the annual increase or decrease (over the base year amount) of the price (per unit) for the Customer's displaced thermal energy fuels. The Customer shall have the option of using either: (i) the price per unit of the least expensive alternate for displaced thermal energy fuel of (ii) a composite of the fuel prices (per unit) of #2 oil, #6 oil, natural gas and coal.

If the Customer elects to use Method 1, the margin shall not fall below the Base Year Margin and the Winter Requirements charge shall not fall below the Base Year Winter Requirements Charge.

Method 2: Consumer Price Index Adjustment

R = $\text{CPI (2)} / \text{CPI (1)}$

R = Annual Rate Adjustment Factor

CPI = Consumer Price Index, "CPI", published by the U.S. Department of Labor, Bureau of Labor Statistics, Monthly Labor Review for the Buffalo, New York area, semiannually currently in June and December of each year.

On each Anniversary Date of commencement of service under this Service Classification, the Annual Rate Adjustment Factor shall be established to reflect the percentage change in the CPI from the CPI as of the immediately preceding year. The CPI used in the first adjustment shall be the most recent CPI first published as final as of the first anniversary date of service. For each subsequent adjustment, the CPI shall be the CPI first published as final in the same month of that subsequent year as that used in the first adjustment.

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