

PSC NO: 1 GAS LEAF: 119.52  
COMPANY: KEYSpan GAS EAST CORP. DBA BROOKLYN UNION OF L.I. REVISION: 3  
INITIAL EFFECTIVE DATE: 04/01/15 SUPERSEDING REVISION: 2  
STAMPS: Issued in compliance with order in Case 14-G-0214 dated 12/15/14

### GENERAL INFORMATION - Continued

#### Revenue Decoupling Mechanism

Effective January 1, 2010 and in accordance with the Commission's Order in C. 06-G-1186 dated December 22, 2009, Service Classification Nos. 1B, 1BR, 5-1B, and 5-1BR will be subject to a Revenue Decoupling Mechanism ("RDM") to reconcile Actual Billed Delivery Service Revenues to Allowed Billed Delivery Service Revenues. Allowed Billed Delivery Service Revenues will be equal to the Margin Per Customer targets as set forth in the Company's September 25, 2009 Joint Proposal and approved in the aforementioned order for the applicable rate year ending December 31, times the Average Annual Number of Customers in the applicable rate year ending December 31. Actual Billed Delivery Service Revenues will be developed using billed sales and transportation volumes for the service classes listed above multiplied by the effective Service Classification No. 1B delivery service rates.

The Company will file an annual RDM reconciliation and RDM Statement each March 15<sup>th</sup> following each rate year ending December 31. The RDM reconciliation will include the total surcharge/refund amount and unitized surcharge/refund rates. The unit rates will be calculated by dividing the total surcharge/refund by the current sales and transportation forecast for Service Classification Nos. 1B, 1BR, 5-1B, and 5-1BR. This surcharge/refund factor will be shown on the Revenue Decoupling Mechanism Statement and become effective each May 1st. All refunds or surcharges will be subject to reconciliation at the end of the twelve month period.

#### Leak Prone Pipe ("LPP") Surcharge

In accordance with the Public Service Commission's "Order Directing Investments and Allowing, In Part, Deferral Authority for Costs Associated with Incremental Capital Expenditures and Establishing a Surcharge" (Issued and Effective December 15, 2014) in Case 14-G-0214, SC 1, 2, 3, 15, 16 and 17 firm sales, and SC 5 firm transportation, will be subject to an LPP surcharge effective April 1, 2015 to recover \$23,400,000.00 of carrying costs associated with the removal of LPP ("LPP Carrying Costs").

The Company will initially calculate the surcharge by dividing the LPP Carrying Costs by the projected SC 1, 2, 3, 5, 15, 16 and 17 volumes for the 21-month period from April 1, 2015 to December 31, 2016.

The LPP surcharge reconciliation between actual surcharge collections and the actual deferral will be performed annually for each calendar year and filed with the Commission within sixty (60) days of the end of each calendar year. Any overcollection or undercollection will accrue interest at the pre-tax return of 10.27% for 2015 and 10.23% for 2016.

The LPP surcharge will appear on the Statement of Leak Prone Pipe Surcharge.

Issued by: David B. Doxsee, Vice President, Hicksville, NY