

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 08/26/10
STAMPS:

LEAF: 122.4
REVISION: 3
SUPERSEDING REVISION: 2

GENERAL INFORMATION

33. MERCHANT FUNCTION CHARGE:

The rates for Gas Service under Service Classification Nos. 1, 2, 12 and 13 shall include each month the Merchant Function unitized rate per therm which is equal to the sum of the following gas supply unit costs:

- 1) Gas Supply Procurement Expenses
- 2) Commodity Related Credit and Collection Expenses
- 3) Commodity Related Uncollectible Expenses
- 4) Return Requirement on Gas Storage Inventory

33.1 Calculation of Merchant Function Rate per Therm

33.1.1 Gas Supply Procurement Expenses

33.1.1.1 The Gas Supply Procurement Expenses rate per therm shall initially become effective May 20, 2009 and shall equal \$0.00196 per therm.

33.1.1.2 The Gas Supply Procurement Rate will be reset June 1, 2010 and each June 1st thereafter by dividing the revenue requirement of \$1,064,825 by the projected throughput for SC1, 2, 12 and 13 customers purchasing commodity from the Company for the period.

33.1.1.3 The Gas Supply Procurement Expenses recovered for the period May 20, 2009 – May 31, 2010 and for each subsequent Earnings Year shall be reconciled to the target of \$1,064,825.

33.1.1.3.1 The resulting over/under collection shall be divided by estimated throughput for customers served under SC1, 2, 12 and 13 purchasing commodity from the Company and added to the Gas Supply Procurement Expenses component of the Merchant Function Charge effective the next June 1st rate calculation. (For example, the over/under collection for the period May 20, 2009 through May 31, 2010 shall be added to the calculation of the rate effective June 1, 2011.)

33.1.1.4 The resulting rate shall be filed on the Statement of Merchant Function Charge two business days prior to the date on which the statement is proposed to be effective.

33.1.2 Commodity Related Credit and Collection Expenses

33.1.2.1 The Commodity Related Credit and Collection Expense rate of 1) \$0.00419 per therm is included in the Company's Merchant Function Charge Component and 2) \$0.00419 per therm is applicable to the deliveries of Marketers participating in the Company's Purchase of Receivables program.

Issued By: Thomas B. King, President, Syracuse, New York