

PSC NO: 219 GAS

LEAF: 122.3

NIAGARA MOHAWK POWER CORPORATION

REVISION: 3

INITIAL EFFECTIVE DATE: 01/01/11

SUPERSEDING REVISION: 2

STAMPS: Issued in Compliance with Order of PSC in Case 08-G-0609 dated 12/21/10.

GENERAL INFORMATION**32. REVENUE DECOUPLING MECHANISM: (continued)**

32.1.2 Allowed Delivery Service Revenues will be developed using revenue per customer ("RPC") targets, which are based upon the annual customer and volume forecast underlying the rates adopted in Case 08-G-0609. The Revenue Decoupling Mechanism shall contain RPC Targets for 6 Groupings:

1. SC1 Residential Non-Heat
2. SC1 Residential Heat
3. SC2 Residential Heat and Non-Heat
4. SC2 Commercial Heat and Non-Heat
5. SC2 Industrial
6. SC7 Low Volume Delivery Only Service.

32.2 Under the RDM, actual delivery service revenues, from each Earnings Year commencing June 1, 2009 will be reconciled by comparing actual annual delivery service revenues per group with the allowed delivery service revenues per group.

32.2.1 Allowed delivery service revenue per group will be calculated using the Revenue per Customer Targets set forth on the effective Statement of Revenue Decoupling multiplied by the actual average number of customers in the group.

32.2.2 The Revenue per Customer Targets, set forth in Rule 32.2.1 will be further adjusted to reflect the authorized change in base rates for Rate Plan Year Two and will be effective for the twelve months beginning June 1, 2010 and will continue in effect for each twelve month period thereafter.

32.2.3 The shortfall or excess will be surcharged or refunded to customers in each of the following groupings on a volumetric basis over the twelve month period commencing the following January 1st:

1. SC 1 Residential Non-Heat and SC 1 Residential Heat
2. SC 2 Residential Heat and Non-Heat
3. SC 2 Commercial Heat and Non-Heat
4. SC 2 Industrial
5. SC 7 Low Volume Delivery Only Service

32.2.3.1 The RPC targets and effective rates shall be set forth on a statement and filed with the Public Service Commission apart from this rate schedule not later than 90 days after the end of the Rate Plan Year in Case 08-G-0609.

32.2.4 Any over/under collections at the end of the reconciliation period will include simple interest at the prevailing other customer capital rate issued by the Commission. All refunds or surcharges will be subject to reconciliation and included in the subsequent RDM reconciliation.

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