

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 08/01/03

LEAF: 98
REVISION: 0
SUPERSEDING REVISION:

GENERAL INFORMATION

17. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF PURCHASED GAS: (continued)

17.10 Stranded Capacity Costs:

17.10.1 During the period November 1, 1999 through August 31, 2003, plus any stayout period as defined in the Company's Gas Rate and Restructuring Settlement Agreement in Case 99-G-0336, the Company shall receive full recovery of all Stranded Capacity Costs.

17.10.2 Stranded Capacity Costs are costs to the Company of pipeline and storage capacity, including costs of CNG Capacity (also known as Dominion Gas Capacity) that is not assigned, that are not offset by capacity release revenues or off-system sales and that are no longer necessary for sales customers (including standby service transportation customers) due to migration and that, prior to the migration, were recovered from such customers.

17.10.3 The Company's recovery of such costs will be funded through the Contingency Reserve Account. If the Contingency Reserve Account becomes depleted, Stranded Capacity Costs will be recovered through a volumetric surcharge to the Gas Delivery Service Rates of Service Classification Nos. 1, 2, 3, 5 and 7 and through an adjustment to the Service Classification No. 8 D1 Demand Charge. The cost assigned to the Service Classification No. 8 customers will be a ratio of their elected D1 Demand for Standby Service to the forecasted system peak day demand multiplied by the total stranded cost. There will be no gap in the Company's recovery of Stranded Capacity Costs during the Settlement period.

18. GAS FIRED EMERGENCY ELECTRIC GENERATION:

18.1 Company will allow the attachment of gas-fired emergency electric generators under the following conditions:

18.1.1 Only sufficient emergency electric generation may be installed to provide minimum requirements for safety and health.

18.1.2 The customer shall pay all costs associated with meter installation and, if necessary, system reinforcement, mains and service laterals.

18.1.3 When the Company has sales restrictions, the emergency electric generation customer will be penalized for excessive usage.

18.1.3.1 Excessive usage will occur when the customer exceeds his existing annual limitation for other uses plus an annual emergency electric generation allotment allowing one-half (1/2) hour testing each week and estimated use during verifiable power outages.

Issued By: William F. Edwards, President, Syracuse, New York