

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 04/18/05

LEAF: 91
REVISION: 1
SUPERSEDING REVISION: 0

GENERAL INFORMATION

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

17.3 Monthly Cost of Gas:

- 17.3.1 The Monthly Cost of Gas shall be the sum of the Average Cost of Gas as computed herein multiplied by the Factor of Adjustment stated in Rule 17.1 as adjusted for Supplier Refunds as stated in Rule 17.6, the Annual Surcharge Refund as stated in Rule 17.7 and any other adjustments approved by the Public Service Commission. This Monthly Cost of Gas shall be adjusted for Load Factors.
- 17.3.2 The Average Cost of Gas shall be equal to the sum of the Average Commodity Cost of Gas and the Average Demand Cost of Gas per therm.
- 17.3.3 The Average Commodity Cost of Gas shall be computed monthly by determining the total commodity cost of gas as defined in Rule 17.3.5, less the cost of gas for customers taking service under Service Classification No. 4 as defined in Rule 17.3.8 less the cost of gas for customers taking standby sales service under Service Classification No. 8, less supplemental service under Service Classification No. 9 dividing such cost by the forecasted Weather Normalization quantities of gas for delivery to the Company's own customers during the month in which the Monthly Cost of Gas will be in effect. Such quantity will exclude gas purchased for sale to Service Classification No. 4 customers, and Service Classification No. 8 standby sales, and Service Classification No. 9 supplemental service customers.
- 17.3.4 The Average Demand Cost of Gas shall be computed monthly by determining the Total Demand Cost of Gas as defined in Rule 17.3.6 less D1 demand charges applicable to Service Classification No. 8 customers, less 85% of capacity release credits received for releasing or reassigning capacity reserved on interstate pipelines, less 85% of margins related to the Company's FERC Sale for Resale Certificate, less capacity release revenues resulting from the migration of Post-Aggregation Customers as defined in the Company's Gas Rate and Restructuring Agreement dated June 12, 2000, less the Optimization Credit defined in Paragraph 17.3.4.1 below.
 - 17.3.4.1 The Optimization Credit shall be a specified share of the proceeds that the Company receives from its third party manager of the Company's gas portfolio under its portfolio management contract. Commencing on November 1, 2004, the specified share shall be equal to the first \$500,000 of proceeds received by the Company from the third party manager under the contract during the year. After the first \$500,000 of proceeds are credited during the year, 85% of any remaining proceeds provided to the Company from the third party gas portfolio manager during the year shall be credited to the Total Demand Cost. For purposes of this paragraph, the "year" shall be measured from November 1 to October 31.

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