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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 1  
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GENERAL INFORMATION

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

17.3.3 The total commodity cost of purchased gas, used in the determination of the average commodity cost of purchased gas as defined in Rule 17.3.1, is determined by applying the rates and charges of the Company's gas suppliers, which are or will be in effect as of the date the Gas Adjustment Clause becomes effective, to the respective quantities of gas taken from the suppliers by the Company for delivery to the Company's tariff customers during the twelve calendar months immediately preceding the computation date, except as may be modified in 17.3.3.1 below.

17.3.3.1 For new or substantially amended gas supply contracts under which gas has not been purchased during all the twelve calendar months immediately preceding the computation of the Gas Adjustment Clause, by applying the rates and charges of the Company's supplier or suppliers which are or will be in effect as of the date the Gas Adjustment Clause becomes effective to quantities estimated to be taken under each such contract for delivery to the Company's tariff customers.

17.3.3.2 Whenever any of the supply contracts with a term of twelve months or more terminates and such supply has been used in the above computation in 17.3.3.1 above, the supply will be excluded from the computation of the first month after deliveries until such contracts cease. If the term of the contract was for less than twelve months, the supply will be excluded from the computation beginning with the month following the twelfth month of its inclusion.

Issued By: Darlene D. Kerr, Executive Vice President, Syracuse, New York