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GENERAL INFORMATION

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

17.1 Factor of Adjustment

The rates for gas service under Service Classification Nos. 1, 2 and 3 shall be subject each month to an addition or a deduction when the average commodity cost of gas increases or decreases from the specified base cost of gas. Such addition or deduction will be determined by multiplying such increase or decrease by the 1.0191 factor of adjustment ratio, with the resulting rate truncated to five decimal places.

17.2 Base Cost of Purchased Gas

For determination of the Gas Adjustment Clause Rate for gas service taken under Service Classification Nos. 1, 2 and 3, the base cost of purchased gas is 35.562 cents per therm.

17.3 Average Cost of Gas

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.

17.3.1 The Average Commodity Cost of gas shall be computed monthly by determining the total commodity cost of gas as defined in Rule 17.3.3, less the cost of gas for customers taking service under Service Classification No. 4 as defined in Rule 17.3.4 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 quantity of gas used in the determination of such cost during such twelve month period to tariff customers, excluding 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.

17.3.2 The Average Demand Cost of Gas shall be computed monthly by determining the Total demand cost of gas as defined in Rule 17.3.5 less D1 demand charges applicable to Service Classification No. 8 customers, less Demand Cost Adjustment Revenues applicable to stand-alone transportation customers, less demand charges applicable to Balanced and Basic Aggregation Customers as defined in Rule 17.3.7 less 100% of capacity release credits received for releasing or reassigning capacity reserved on interstate pipelines for the first 40,930 Dth of Upstream Maximum Daily Quantities (UMDQ) released and 85% of all remaining capacity release credits, less 85% of margins related to the Company's FERC Sale for Resale Certificate. The resulting demand charges shall be divided by the respective quantities of gas taken from the suppliers by the Company for delivery to the Company's sales customers under Service Classification Nos. 1, 2, & 3.

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