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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 2
INITIAL EFFECTIVE DATE: 11/01/99 SUPERSEDING REVISION: 1
STAMPS: Issued in Compliance with order in C. 99-G-0170 et.al. dated 10/15/99.
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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 Monthly Cost of Gas will reflect an unaccounted for gas factor of adjustment ratio of 1.0191.

17.2 Risk Management Costs

Risk Management Costs are costs associated with transactions that are intended to reduce price volatility or reduce overall costs to customers. These costs include transaction costs, and gains and losses associated with transactions made in commodities exchanges or with other risk management entities.

17.3 Monthly Cost of Gas

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.

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 17.3.6 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.

17.3.2 The Average Demand Cost of Gas shall be computed monthly by determining the total Demand Cost of Gas as defined in Rule 17.3.4 less D1 demand charges applicable to Service Classification No. 8 customers, less Demand Cost Adjustment Revenues applicable to stand-alone transportation 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. The resulting demand charges shall be divided by the Weather Normalization quantities of gas taken for delivery to the Company's sales customers during the twelve calendar months immediately preceding the computation date.

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