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 COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 2
 INITIAL EFFECTIVE DATE: 07/01/98 SUPERSEDING REVISION: 1
 STAMPS: Issued in Compliance with Order in Case 97-G-0600 dated 06/05/98.
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GENERAL INFORMATION

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

17.9.2 (continued)

Tier 3: For Tier 3 limits, one hundred percent (100%) of any costs or savings, in excess of the \$2,250,000 limit shall either be flowed-back to or surcharged from firm sales customers by the Company.

17.9.2.a Any resulting net revenue reward or penalty shall be implemented as a Commodity Cost Index Rate, calculated by dividing the difference between target annual total commodity cost and actual total commodity cost, up to \$2,250,000, calculated pursuant to Rule 17.9.1 by forecasted sales from firm customers subject to the Commodity Cost Adjustment Clause for the assessment period. The CCI Rate shall be shown separately on the Statements of Commodity Cost Adjustment and Fixed Commodity Cost Adjustment. The initial assessment period for this rate shall commence on the effective date of this tariff leaf and terminate the subsequent August 31. Each ensuing assessment period shall be the twelve months ended August 31. The resultant refund/surcharge, as reflected in the CCI Rate, shall be amortized commencing the ensuing December 1 for a period terminating twelve months ended November 30. The last amortization period shall be the period of time that extends beyond the settlement period. By October 15, of each year, the Company will submit for review and approval by the Public Service Commission, its calculation of the Commodity Cost Index Rate as set forth in this rule.

17.10 Average Commodity Cost of Gas

17.10.1 The average commodity cost of purchased gas shall be computed monthly by determining the total commodity cost of purchased gas as defined in Rule 17.10.2, less the cost of gas for customers taking service under Service Classification No. 4 as defined in Rule 17.10.3, less the commodity cost of gas for customers taking standby sales service under Service Classification No. 8, less supplemental service under Service Classification No. 9, and 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.

Issued By: Albert J. Budney, Jr., President, Syracuse, New York