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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 0
INITIAL EFFECTIVE DATE: 05/16/99 SUPERSEDING REVISION:
STAMPS: Issued in Compliance with order of PSC in C. 98-G-0122 dated 03/17/99.
RECEIVED: 05/15/99 STATUS: Effective EFFECTIVE: 05/16/99
SERVICE CLASSIFICATION NO. 14
GAS TRANSPORTATION SERVICE FOR DUAL FUEL ELECTRIC GENERATORS

Special Provisions (continued)

H. Price and Payment (continued)

1.3.1 The cost of gas shall be determined as the average daily market price for city gate delivery in its service territory, in dollars per therm.

1.3.2 Resulting Fuel Cost of Generation per MWh shall equal the product of (1.3.1) multiplied by the heat rate at 75% of full load, based on manufacturer certified test reports at HHV (Higher Heating Value) from the initial startup of the Customer*s facilities in BTU per MWh. Heat rate which shall be guaranteed by the customer in the Service Agreement.

1.3.3 Wholesale Market Price of Electricity per MWh shall be calculated daily based on the Zonal Independent System Operator Location Based Marginal Prices for the zone in which the customer*s facility is located. Prior to the establishment of the Independent System Operator, the Company shall determine the cost of Electricity Supply Service (as defined in PSC 207 - Electricity) in accordance with the Technical and Administrative Rules and Procedures as filed with the New York State Public Service Commission under Rule 46 of PSC 207 Electricity. In the event that locational prices do not exist for the applicable period the system average will be used for periods of history prior to September 1, 1998.

1.3.4 Spark Spread shall equal the result of (1.3.3) minus (1.3.2). This is a measure of the competitive relationship between natural gas and electricity. It compares the busbar (output of generator) of gas-fired generation, at the guaranteed heat rate determined in Section 1.3.2, with the current market price for electricity.

1.3.5 Initial Spark Spread shall equal the result of (1.3.3) minus (1.3.2), where the Wholesale Market Price of Electricity is the prior 12 month average price per MWh and the prior 12 month average cost of gas per therm at the date of commencement of service under this rate schedule.

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