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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 2
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SERVICE CLASSIFICATION NO. 11
LOAD AGGREGATION (continued)

Balanced Aggregation Service (continued)

c. Termination of Sales Service. Upon commencement of Balanced Aggregation Service to a customer, sales service by Niagara Mohawk will terminate and Niagara Mohawk will have no further obligation to maintain the availability of gas supplies for the non-residential Customer. The Company will maintain availability of gas supplies for residential customers. Costs for maintaining such supplies will be recovered as a standby charge per MPDQ.

d. Allocation of Upstream Capacity. All customers electing Balanced Aggregation Service will be allocated firm transportation capacity on CNG Transmission Corp. and one upstream pipeline that delivers into CNG to be determined by the Company unless the terms of paragraph b are met. The amount of capacity allocated, called the Customer's "Upstream MDQ" will be determined in accordance with Special Condition A at the end of this Service Classification.

e. Release of Capacity. All transmission capacity allocated to the Balanced Aggregation Service customers of a single aggregator will be released by Niagara Mohawk to the aggregator in a prearranged capacity release transaction at maximum demand rates in accordance with the capacity release provisions of the tariffs of the applicable pipelines. The term of each such release will be up to one year. All releases will be made subject to the following conditions: (1) the capacity is recallable by Niagara Mohawk when a customer elects to change aggregators; (2) the capacity is recallable by Niagara Mohawk when an aggregator fails to perform its obligations under this tariff; (3) the capacity is recallable by Niagara Mohawk when an aggregator ceases to meet the credit or security requirements of this service classification; and (4) the capacity is recallable by Niagara Mohawk if the Customer discontinues service under this Service Classification.

f. Capacity Release Surcharge/(Credit). A Capacity Release Surcharge/(Credit) will be applied each month to the total monthly quantity of capacity released by the Company to the Aggregator. The per therm charge is calculated by subtracting the Aggregator's actual cost per therm of released pipeline capacity from the Company's weighted average cost of capacity. The Company's weighted average cost of capacity will be determined monthly and will be filed with the New York State Public Service Commission. This calculation results in a per therm surcharge when the difference yields a positive result; and a per therm credit when the difference is negative. The Capacity Release Surcharge/(Credit) will be billed to the Aggregator monthly.

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