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GENERAL INFORMATION

3. PRIORITY OF SERVICE: (continued)

3.2 Company's Obligations for Transportation and Aggregation Options (continued)

3.2.2 (continued)

Niagara Mohawk will curtail deliveries to that customer or pool of customers in accordance with the curtailment plan provided by their supplier. To the extent that supplier's customers take volumes in excess of nominated and delivered volumes, balancing and penalty charges of rule 3.4.1 will be applicable. If the supplier does not provide a curtailment plan, Niagara Mohawk will use its discretion to curtail customers of that supplier.

3.3 Short Term Curtailment

Short Term curtailment is defined as those situations where the Company must essentially respond to protect system integrity in short time frames to protect core customers - those without alternatives in emergency situations and those situations that do not arise from inadequate deliveries.

In the event the Company is required to implement a short term curtailment interruption, the needs of core customers will be met first, regardless of whether the core customers are sales or transportation customers. In the event it is necessary to divert gas from non-core customers to supply the needs of core customers, except as otherwise provided pursuant to prior agreement with affected customer(s) or any pre-existing individually negotiated contract or service agreement, compensation to non-core customers will be at the replacement cost of fuel. If gas is diverted from a customer who must switch to an alternate fuel, the replacement cost of fuel shall be the market value of the equivalent quantity of such alternate fuel on the day(s) of such diversion. If gas is diverted from a customer who does not utilize an alternate fuel, the replacement cost of fuel shall be the market value of the diverted gas on the day(s) of such diversion. When gas is diverted to serve firm sales service classifications, payments made by the Company will be recovered through the Commodity Cost Adjustment Clause in accordance with Rule 17.13.

3.3.1 Definition of core customers.

Core market customers lack alternatives. They take either (a) firm sales service, and lack installed equipment capable of burning fuels other than gas; or (b) firm transportation service. Back-up and standby services provided to firm transportation customers are core market services.

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