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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 1
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GENERAL INFORMATION

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

by the quantities of gas sold, adjusted by the factor of adjustment ratio; (b) the gross CCAC and FCCAC revenues, exclusive of gross revenue taxes; (c) the previous year's over or under collection with interest to the extent not refunded or collected; (d) the gas commodity cost related to sales to Service Classification No. 4 and Service Classification No. 10 customers, the gas commodity cost for customers taking standby sales service under Service Classification No. 8 and supplemental service under Service Classification No. 9 (e) all revenues collected as a result of Rollover Balances from Service Classification No. 9 customers, cashout revenues collected from Service Classification Nos. 5, 7, 8, 9, 12 and 13 and imbalance scheduling penalties collected from customers participating in Balanced Aggregation under Service Classification No. 11. (f) The resulting net revenue reward or penalty, as computed in 17.9.2a; g) Any differences between the market value of storage gas and the Company's average inventory gas cost plus unrecovered fixed costs for gas transferred to aggregators under the Company's Basic Aggregation Service set forth in Service Classification No. 11. The previous year referred to in (c) is the twelve month period ended August 31 of the second preceding year prior to the year for which the calculation is made. The commodity cost of purchased gas is reflected herein shall be further adjusted to include any incremental cost due to curtailment in accordance with Rule 3.2.

17.13.2 The amounts derived in 17.13.1 shall be divided by the quantities of gas purchased for Customers taking service under Service Classification Nos. 1, 2 and 3 during the determination period to determine the surcharge or refund rates. Any refund or surcharge under this paragraph shall include simple interest at a rate to be determined from time to time by the Commission. The factor of adjustment as defined in Rule 17.1 will be applied to these amounts.

17.13.3 The determination period to be used in the computation of the surcharge or refund will be the twelve months ended August 31 of each year. The surcharge or refund computation will be filed with the Public Service Commission on or before October 15 of the calendar year in which it is to become effective.

17.13.4 The surcharge or refund will be effective with the December 1 Statement of Commodity Cost Adjustment (CCAC) and the Statement of Fixed Commodity Cost Adjustment (FCCAC).

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