

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 06/01/12
STAMPS:

LEAF: 122.4
REVISION: 5
SUPERSEDING REVISION: 4

GENERAL INFORMATION

33. MERCHANT FUNCTION CHARGE:

The Merchant Function Charge consists of the following gas commodity related cost components:

- 1) Gas Supply Procurement Expenses
- 2) Commodity Related Credit and Collection Expenses
- 3) Commodity Related Uncollectible Expenses
- 4) Return Requirement on Gas Storage Inventory
- 5) Return Requirement on Working Capital for Purchased Gas

33.1 Calculation of Merchant Function Rate per Therm

33.1.1 Gas Supply Procurement Expenses

33.1.1.1 Until March 31, 2013, the Gas Supply Procurement Expenses annual target will equal \$1,064,825 and the associated Gas Supply Procurement Expenses per therm rate will be charged to SC1, 2, 12 and 13 sales customers.

33.1.1.1.1 The Gas Supply Procurement Expenses recovered for the 10-month period June 1, 2012 to March 31, 2013 will be reconciled to a 10-month pro-rata share of the \$1,064,825 annual target in effect until March 31, 2013.

33.1.1.1.2 The resulting over/under collection will be divided by the projected sales of the SC1, 2, 12 and 13 sales customers to determine a per therm credit or surcharge to be refunded or recovered over the 12-month period starting June 1, 2013. The per therm credit or surcharge will be added to the Gas Supply Procurement Expenses per therm rate in effect at that time for the SC1, 2, 12 and 13 sales customers.

33.1.1.2 Effective April 1, 2013, the Gas Supply Procurement Expenses annual target will equal \$2,668,866 and the associated Gas Supply Procurement Expenses per therm rate will be charged to SC1, 2, 3, 12 and 13 sales customers.

33.1.1.2.1 The Gas Supply Procurement Expenses per therm rate will be determined each April 1st by dividing the \$2,668,866 annual target by the projected sales of the SC1, 2, 3, 12 and 13 sales customers.

33.1.1.2.2 The Gas Supply Procurement Expenses recovered for the period April 1, 2013 - March 31, 2014 and for each subsequent 12-month period ending March 31st thereafter will be reconciled to the \$2,668,866 annual target.

Issued By: Kenneth D. Daly, President, Syracuse, New York