PSC NO: 220 ELECTRICITY
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: AUGUST 1, 2010

LEAF: 263.5
REVISION: 0
SUPERSEDING REVISION:

GENERAL INFORMATION

59.3   An annual revenue requirement shall be filed with the Commission associated with the incremental capital investment in programs approved by the Commission. Annual revenue requirement shall mean the return on rate base and associated income taxes relating to the investment, along with accumulated depreciation and accumulated deferred income taxes, depreciation expense, incremental operation and maintenance expense, property taxes, and amortization of investment tax credits.

59.3.1 "Rate base" shall include, but is not limited to, gross plant, depreciation reserve, accumulated deferred income taxes, and a working capital allowance as determined in the Company's most recent distribution rate case. Rate base will be determined on a monthly basis during the initial year following the in-service date of the projects and on a quarterly basis during subsequent years. Should certain actual monthly or quarterly rate base balances be unavailable at the time the SPAS is calculated, the Company may use an estimate and reconcile such balance through the reconciliation process described below. Return on rate base for purposes of determining the revenue requirement shall be based on the rate base, as defined above, multiplied by the Company's after tax weighted average cost of capital as determined in the Company's most recent distribution rate case order.

59.3.2 "Incremental operation and maintenance expense" is defined as the actual monthly incremental operation and maintenance cost incurred throughout the prior twelve month period caused by the project facilities, including but not limited to such expenses as payroll and associated employee costs, contractor costs, material and supplies, and lease payments approved by the Commission (if any). If actual monthly expenses are unavailable at the time the SPAS is calculated, the Company may use an estimate and reconcile such amount in the next adjustment. Employee costs will exclude pension/OPEB costs recovered through any Pension/OPEB reconciliation mechanism. Incremental operation and maintenance costs shall include only those costs that are directly charged to the project facilities and are necessary for the operation and maintenance of the project facilities and shall exclude those direct or allocated costs recovered by any other rate, charge or tariff. Incremental operation and maintenance cost shall be an annual amount, except for the first year in which a Commission-approved project facility is put into service as described above.

59.4   During each year in which a Commission-approved project facility is placed into service, a partial year revenue requirement for such project facility shall be filed with the Commission within 60 days of the in-service date along with an adjustment to the then-effective SPAS. The adjustment to the SPAS shall recover the partial year revenue requirement over the period beginning with the effective date of such new SPAS.

59.5   A reconciliation between the estimated revenue requirement, as described above, the actual revenue requirement, and actual SPAS billings shall be submitted annually to the Commission. Authorized SPAS revenue requirements will take into account the information provided in the quarterly reports concerning project costs, benefits, grants, taxes and any other relevant information submitted to the Commission. Any over or under-collections shall accrue interest at the Company's currently approved weighted average cost of capital and after Commission review and approval be included in the next year's SPAS.

59.6   The SPAS rate shall be shown on statements filed annually with the Commission apart from this rate schedule and not less than fifteen (15) days before its effective date. Such statements will be available to the public by contacting the Company's Customer Service Center where applications for service may be made.

Issued by Thomas B. King, President, Syracuse, New York