

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 05/11/06
STAMPS: Issued in Compliance with Order of PSC in Case 03-G-1392 dated 11/23/05.

LEAF: 219.1
REVISION: 1
SUPERSEDING REVISION: 0

SERVICE CLASSIFICATION NO. 14
GAS TRANSPORTATION SERVICE FOR DUAL FUEL ELECTRIC GENERATORS (CONTINUED)

DEFINITIONS: (continued)

“Service Agreement” - A gas transportation agreement between the Company and the customer stating terms and conditions for service under Service Classification No. 14.

“Spark Spread” - The difference between the Wholesale Market Price of Electricity per MWH and the Fuel Cost of Generation expressed in \$/MWH.

“Test Year” - The Test Year will be the Calendar Year immediately preceding the Effective Period.

“Transportation Quantity” - The quantity of customer-owned gas received by the Company in a given period.

“Wholesale Market Price of Electricity” - The respective zonal average of the Real Time Electric Market Locational Based Marginal Pricing (LBMP) for the applicable hour and zone as reported on the NYISO website expressed in \$/MWH.

DEFINITION OF RATES:

- A. The cost per DTH of transportation service shall consist of four components. The sum of components 1, 2 and 3 shall not be less than \$.010 per therm.
1. **Contribution to overall system cost**, established at \$0.010 per therm of gas transportation service.
 2. **Marginal system costs**, which should reflect the unitized long run incremental costs of building transmission and high capacity distribution plant, which may be updated from time to time. The current value is \$.017 per therm of gas transportation service.
 3. **Value Added Charge**, is a unitized per therm rate established for each Effective Period which is applied to every therm delivered by the Company to the Customer or the Customer's Annual Minimum Bill Obligation whichever is greater. The Value Added Charge reflects the increase in the Spark Spread from the Base Year to the Test Year. The Value Added Charge for the Effective Period March 15, 2006 through April 30, 2007 equals the Annual Total Value Added Charge for the Test Year ending December 31, 2005 divided by the number of therms the Company delivered to the Customer during the Test Year. If the Customer does not have twelve months of consumption data for the Test Year that Customer will be assigned a Value Added Charge equal to the average of all the customers Value Added Charge within the applicable heat rate tier level. The Value Added Charge for all Effective Periods beginning May 1, 2007 will be calculated as follows: Annual Total Value Added Charge net of the Reconciliation Charge divided by the number of therms the Company delivered to the customer during the Test Year where:
 - a) **Annual Total Value Added Charge** - The sum of the Monthly Total Value Added Charges for the twelve months in the Test Year.

Issued By: William F. Edwards, President, Syracuse, New York