

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 06/23/08

LEAF: 122.1
REVISION: 0
SUPERSEDING REVISION:

GENERAL INFORMATION

31. INCOME ELIGIBLE DISCOUNT CHARGE:

The Company will reconcile Gas Income Eligible expenditures, as defined in this Rule 31, with Income Eligible revenues on an annual basis.

The reconciliation period will be for the twelve months ended December. The surcharge period shall be March 1st through February 28th/29th and shall apply to all Service Classification Nos. 1, 2, 3, 5, 7, 8, 12 and 13 customers as an adjustment to base delivery rates. For each twelve-month period, the Income Eligible expenditures shall include:

- (1) Income Eligible Discounts provided to customers
- (2) Administrative costs of the program

For the initial twelve-month period April 1, 2009 through March 31, 2010, Income Eligible Revenues shall include \$3,000,000 of Income Eligible Discounts. For each subsequent twelve-month period, the Income Eligible Revenues shall include:

- a. an estimate of Income Eligible Discounts used in the previous twelve months ending March and
- b. any over/under recovery of previous years Income Eligible Discount Charge plus interest calculated at the Other Customer Capital Rate as published by the Public Service Commission.

32. REVENUE DECOUPLING MECHANISM:

32.1 For the Rate Year commencing April 1, 2009 and ending March 31, 2010, Delivery Service Revenues from customers taking service under Service Classification Nos. 1, 2 and 7 will be subject to a Revenue Decoupling Mechanism Adjustment ("RDM") using a revenue per customer ("RPC") measurement. For purposes of the RDM Adjustment, Delivery Service Revenues are defined as revenues from delivery rates excluding gross receipts taxes, Merchant Function Charges, Net Revenue Sharing Surcharge/Credits, Research and Development Surcharges and all other applicable credits and surcharges, but including WNA credits or surcharges.

32.2 The Revenue Decoupling Mechanism shall contain RPC Targets for 6 groupings:

1. SC 1 Residential Non Heat
2. SC 1 Residential Heat
3. SC 2 Residential Heat and Non Heat
4. SC 2 Commercial Non Heat and Heat
5. SC 2 Industrial
6. SC 7 Low Volume Delivery Only Service

32.3 The RDM Adjustment shall be a credit or surcharge determined for each rate class separately as of the March 31, 2010 ending balance divided by the forecasted annual throughput for the respective rate class. The March 31st RDM rate class ending balance shall result from the monthly calculation of the variance between a target revenue per customer and the actual revenue per customer based on the following formula:

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