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GENERAL INFORMATION

26. GAS NET REVENUE SHARING MECHANISM: (continued)

26.2 S.C. 4 and S.C. 6 Delivery Service Revenue Sharing:

26.2.1 Eighty percent (80%) of the difference between the Delivery Service Target for S.C. Nos. 4 and 6 as defined in Rule 26.1 and the actual S.C. 4 and 6 delivery service revenues will be flowed through as an increase or decrease to the Gas Delivery Service Rates of S.C. 1, 2, and 3.

26.3 S.C. 9 Delivery Service Revenue Sharing:

26.3.1 One hundred percent (100%) of the difference between the Delivery Service Target for S.C. 9 as defined in Rule 26.1 and the actual S.C. 9 delivery service revenues, as adjusted in paragraphs 26.3.2, 26.3.3, 26.3.4, and 26.3.5 below, will be flowed through as an increase or decrease to the Gas Delivery Service Rates of S.C. 1, 2 and 3.

26.3.2 The actual S.C. 9 delivery service revenues shall exclude the delivery service revenues associated with S.C. 8 customers who may transfer to S. C. No. 9. The amount of delivery service revenue to be excluded shall not exceed the highest annual amount for the transferring customer in the three years immediately preceding August 1, 2000. If the terms of the negotiated contract under S.C. 9 for the transferring customer results in delivery service revenues generated exceeding the highest annual amount in the last three years preceding August 1, 2000, such excess delivery service revenues, net of any return on new investment incurred by the Company, will be passed through to ratepayers subject to the terms in Rule 26.1.

26.3.3 If a S.C. 9 customer should transfer to S.C. 8, imputed delivery service revenue for the entire twelve-month period associated with the customer will be credited to S.C. 9 delivery service revenues as if there were no transfer.

26.3.4 Commencing August 1, 2000, Niagara Mohawk will be entitled to retain delivery service revenues from S.C. 9 contracts at locations which have no preexisting facilities or whose facilities are not adequately sized to accommodate the new demand. Delivery service revenues retained by the Company must be incremental to those which may be obtained from existing gas equipment, provided that service to such new locations require investments by the Company in excess of those required for service lines, regulation and metering. If construction of a main extension is required, and such extension is off a main installed to serve an existing or past S.C. 9 customer, a portion of the delivery service revenues generated by the new contract will be shared with ratepayers. The allocation between Niagara Mohawk and ratepayers shall be established using principles associated with the Commission's gas main extension policy.