

PSC NO: 218 GAS
 NIAGARA MOHAWK POWER CORPORATION
 INITIAL EFFECTIVE DATE: 09/01/03
 STAMPS: Issued in compliance with order in Case 01-M-0075 dated 12/03/2001

LEAF: 124
 REVISION: 2
 SUPERSEDING REVISION: 1

GENERAL INFORMATION

26. GAS NET REVENUE SHARING MECHANISM:

- 26.1 By November 30 of each year, the Company will submit for review and approval by the Public Service Commission, its calculation of any net revenue refund or recovery as set forth in Rule 26.2. The Gas Net Revenue Sharing Rate will be based on Delivery Service Revenue Targets approved by the Public Service Commission for Service Classification Nos. 4, 6, 9 in the most recently concluded rate proceeding for the September through August period. The Annual Delivery Service Revenue targets set forth below are applicable to the twelve month period ending August 31, 2004, and the four month period ending December 31, 2004. The annual targets will be allocated to the months based on monthly interruptible margins. The resulting factors to be applied to determine the prorated monthly interruptible margins are set forth in Appendix C to the Gas Rate and Restructuring Settlement Agreement, Case No. 99-G-0336, dated June 12, 2000.

| | |
|---------------|--------------|
| S.C. No. 4 -- | \$419,000 |
| S.C. No. 6 -- | \$4,181,000 |
| S.C. No. 9 -- | \$20,000,000 |
| | |
| Total | \$24,600,000 |

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

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.

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