

PSC NO: 219 GAS
 NIAGARA MOHAWK POWER CORPORATION
 INITIAL EFFECTIVE DATE: 11/03/04
 STAMPS: Issued in Compliance with Order of PSC in Case 02-M-0515 dated 08/04/04.

LEAF: 122
 REVISION: 2
 SUPERSEDING REVISION: 1

GENERAL INFORMATION

29. CASHOUT OF IMBALANCES: (continued)

29.3.1.3.3 For Over Deliveries:

Monthly Imbalance Level	All Pools < 2% Imbalance	All Pools > 2% Imbalance
0 to 2%	Gas Daily CNG North Point Mid Point Average	Gas Daily CNG North Point Mid Point Average
> 2%	Gas Daily CNG North Point Mid Point Average	80% of Gas Daily CNG North Point Mid Point Average

29.4 Monthly Imbalance Trading:

29.4.1 Marketers operating under S.C. 11 may avoid monthly cashout charges by arranging with each other to trade offsetting monthly imbalances with other Marketers on the Niagara Mohawk system. All imbalance trading will be subject to final approval by the Company. Niagara Mohawk will endeavor to make imbalance information available to Marketers by 5:00 P.M. on the fourth business day following the close of the month. An imbalance trade may be effectuated by written/electronic notice by all affected parties to Niagara Mohawk delivered prior to 5:00 P.M. on the seventh business day following the close of the month. The notice must include the names and authorized signatures of the trading parties, and must specifically state which party is to be assessed cashout charges for any remaining net imbalance.

30. RESEARCH AND DEVELOPMENT SURCHARGE:

- 30.1 All Firm Sales and Firm Transportation Service Classifications (1, 2, 3, 5, 7, 8, 12 and 13) will be subject to a Research and Development Surcharge in order to fund Research and Development Programs as provided for by the Commission's Order issued and effective February 14, 2000 in Case 99-G-1369. The Research and Development Surcharge will not be greater than the decrement in the Federal Energy Regulatory Commission Surcharge used to support Research and Development by the Gas Research Institute (GRI). The Research and Development Surcharge shall be effective on the first day of January of each year and shall be collected over the following twelve-month period. The Research and Development Surcharge effective after January 1, 2004 will not be greater than \$.0174 per therm.
- 30.2 The effective rate shall be set forth on a statement and filed with the Public Service Commission apart from this rate schedule not less than three (3) days prior to the date on which the statement is proposed to be effective. The Research and Development Surcharge will include the cost of creating a web site for technical and financial reporting on funds collected and other administrative costs necessary to effectively manage the surcharge funded program. Any funds collected through the surcharge mechanism which are not actually spent on Research and Development Programs, within twenty-four months after the end of each collection period, will be refunded to Firm Sales and Firm Transportation Customers.

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