

PSC NO. 3 GAS
St. Lawrence Gas Company, Inc.
Initial Effective Date: 06/04/2004

Leaf: 299
Revision: 0
Superseding Revision:

SERVICE CLASSIFICATION NO. 9

INTERRUPTIBLE TRANSPORTATION SERVICE FOR GENERATORS OF ELECTRICITY (Cont'd)

APPENDIX I

Value Component:

Based On:
Spark Spread

Definition of Spark Spread:

The spark spread is a measure of the competitive relationship between natural gas and electric power. The spark spread compares the busbar (output of generator) of gas-fired generation, at an assumed heat rate (measure of generator efficiency), with the current market price for electricity. This comparison helps measure the value of gas in power generation versus other potential markets.

Rate Component:

Value component based on 5% of the Change in the Spark Spread

Example of Value Adder:

Initial Gas Cost	Resulting Fuel Cost of Generation	Wholesale Electric Prices	Spark Spread (SS)	SS Less the Initial or Baseline Amount per	Percent of SS Per Value Adder	Value Component
<u>\$ per Dt</u>	<u>per Mwh</u>	<u>Per Mwh</u>	<u>Per Mw</u>	<u>Mwh</u>	<u>Adder</u>	<u>\$ per Dt</u>
\$2.00	\$20.00	\$25.00	\$5.00	\$-5.00	5%	\$-0.025
\$2.00	\$20.00	\$30.00	\$10.00	\$0.00	5%	\$0.000
\$2.00	\$20.00	\$35.00	\$15.00	\$5.00	5%	\$0.025
\$2.00	\$20.00	\$40.00	\$20.00	\$10.00	5%	\$0.050

As illustrated, if the market price of gas is \$2.00/Dt and a power plant has a 10,000 Btu/kwh heat rate, the output value of that gas is \$20.00/mwh (i.e., the cost of gas per unit of output is \$20.00/mwh). If initially the wholesale market price of electricity is \$30.00/mwh, the initial, or baseline, spark spread, is \$10.00/mwh. If, over time the price of gas were to remain constant and the wholesale price of electricity were to increase to \$40.00/mwh, the spark spread would increase by \$10.00/mwh, to \$20.00/mwh, or \$10.00/mwh above the initial or baseline level. This means that the value of gas used for electric generation has increased by \$2.00/Dt relative to the market price of electricity. The value adder illustrated above is 5% of this change or \$0.05/Dt.