

PSC NO: 219 GAS
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: 02/01/04

LEAF: 97
REVISION: 1
SUPERSEDING REVISION: 0

GENERAL INFORMATION

17. ADJUSTMENT OF RATES IN ACCORDANCE WITH CHANGES IN THE COST OF PURCHASED GAS: (continued)

- 17.7.2 The amounts derived in 17.7.1 shall be divided by the quantities of gas purchased for customers taking service under Service Classification Nos. 1, 2 and 3 during the determination period to determine the surcharge or refund rates. Any refund or surcharge under this paragraph shall include simple interest at a rate to be determined from time to time by the Commission. The factor of adjustment as defined in Rule 17.1 will be applied to these amounts.
- 17.7.3 The determination period to be used in the computation of the surcharge or refund will be the twelve months ended August 31 of each year. The surcharge or refund computation will be filed with the Public Service Commission on or before October 15 of the calendar year in which it is to become effective.
- 17.7.4 The surcharge or refund will be effective with the January 1 Statement of Monthly Cost of Gas.
- 17.8 Cashout/Rollover/Penalty Revenues:
 - 17.8.1 All revenues billed and collected as a result of Rollover Balances from Service Classification No. 9 customers, cashouts collected from Marketers/Direct Customers participating in Daily Balancing and Minimum Storage Requirement revenues collected from customers participating in Monthly Balancing under Service Classification No. 11, Monthly Balancing Charge Revenues collected from Marketers under S.C. No. 11 and Operational Flow Order Revenues received from Marketers/Direct Customers participating in Daily Balancing under S.C. 11, shall be refunded to customers served under S.C. Nos. 1, 2 and 3 taking Gas Supply Service through the Monthly Cost of Gas Rate as stated in Rule 17.3.
- 17.9 Capacity Incentive Program:
 - 17.9.1 The Capacity Incentive Program as further set forth in Appendix D of the Company's Gas Rate and Restructuring Settlement Agreement dated June 12, 2000 in Case 99-G-0336 ("Settlement") is effective commencing November 1, 1999 and continues through August 31, 2003 and any stayout period as defined in the Settlement. The mechanism provides indirect and direct incentives to the Company to mitigate Stranded Capacity Costs as set forth in Rule 17.10 below. The reward/penalty will be calculated in accordance with Appendix D of the Settlement and will have an annual cap of \$2,000,000. Any resulting reward or penalty will be flowed through to Service Classification Nos. 1, 2 and 3 customers taking Gas Supply Service from the Company as an offset to Demand Costs as defined in Rule 17.3.6.

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