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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 1
INITIAL EFFECTIVE DATE: 11/01/99 SUPERSEDING REVISION: 0
STAMPS:
Cancelled by 2 Rev. Leaf No. 98 Effective 11/01/1999
RECEIVED: 01/29/99 STATUS: Cancelled EFFECTIVE: 11/01/99
GENERAL INFORMATION

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

17.3.6 Demand Charges applicable to Balanced and Basic aggregation Customers used in the determination of the Average Demand Cost of Purchase Gas as defined in Rule 17.3.2, is determined by multiplying the Demand Charge Rate Per Therm, as calculated in Rule 17.3.6.1 below, by the usage of Balanced and Basic aggregation customers during the twelve calendar months preceding the computation date.

17.3.6.1 The Demand Charge Rate Per Therm is computed by dividing the total demand cost of purchased gas, as defined in Rule 17.3.5, as further reduced as set forth in this paragraph, by the respective quantities of gas taken from the suppliers by the Company for delivery to the Company's tariff customers (excluding SC4, SC5I, SC9 and pooled aggregation customers prior to 11/01/99) during the twelve calendar months immediately preceding the computation date. The total demand cost of purchased gas as defined in Rule 17.3.5 shall be further reduced by 100% of capacity release credits received for releasing or reassigning capacity reserved on interstate pipelines for the first 40,930 Dth of Upstream Maximum Daily Quantity (UMDQ), and 85% of all remaining capacity release credits and 85% of margins related to the Company's FERC Sale for Resale Certificate.

The resulting rate will be multiplied times the usage of Balanced and Basic Aggregation Customers and Pooled Aggregation Customers taking service after November 1, 1999 for the twelve calendar months immediately preceding the computation date. The resulting dollar amount will then be divided by total throughput for SC 1, 2, & 3 Sales Service Customers and Transportation usage for Balanced and Basic Aggregation Customers for the twelve calendar months immediately preceding the computation date.

Issued By: Darlene D. Kerr, Executive Vice President, Syracuse, New York