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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 2
INITIAL EFFECTIVE DATE: 11/01/99 SUPERSEDING REVISION: 1
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GENERAL INFORMATION

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

17.3.4 The total Demand Cost of Purchased Gas used in the
determination of the Average Demand Cost of Gas as defined in Rule 17.3.2
is determined by:

17.3.4.1 applying the fixed rates and charges to the
transporter*s storage providers, and suppliers to the billing
determinants associated with pipeline capacity, storage
capacity and producer reservation charges.

17.3.5 Risk Management Costs, as defined in Rule 17.2, may be included in
Paragraphs 17.3.3 and 17.3.4.

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