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GENERAL INFORMATION

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

17.16 Capacity Release Cost Credit

17.16.1 Capacity Release Cost Credit described in Rule 17.15.2 will be the sum of two components. The first component will be calculated by multiplying the Program Participation Percentage (PPP) by the Capacity Release Credits received from interstate pipelines. The Capacity Release Credits will be exclusive of Capacity Release Credits released to NYSEG and those credits with offsetting charges from producers. The Program Participation Percentage will be calculated monthly and will be equal to the lesser of; 1) a percentage derived by the division of the Dth of firm transportation capacity released on CNG divided by 840,000 Dth or 2) ten percent.

17.16.2 The second component of Capacity Release Cost Credit will be equal to eighty-five percent of the difference between 1) Total Capacity Release Credits less CNG Capacity Costs further defined in Rule 17.15.2 and 2) the first component calculated in 17.16.1 above.

17.16.3 When the sum of 1) one hundred percent of Capacity Release Revenues as defined in Rule 17.16.1 and 2) FERC Sales for Resale exceeds \$3 million dollars in net revenue per year of the term of the stipulation agreement approved by the Commission on December 19, 1996 in Case 95-G-1095, the sharing percentage applicable to ratepayers for the second component shall be revised to 60 percent.

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