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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 0
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GENERAL INFORMATION

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

17.7.1.(continued)

gas sold, adjusted by the factor of adjustment ratio; (b) the gross gas adjustment revenues, exclusive of gross revenue taxes; (c) the previous year's over or under collection with interest to the extent not refunded or collected; (d) the cost of gas related to sales to Service Classification No. 4 and Service Classification No. 10 customers, the cost of gas for customers taking standby sales service under Service Classification No. 8 and supplemental service under Service Classification No. 9; (e) the Demand Gas Cost Adjustment revenues received from sales to Service Classifications Nos. 5, 7 and 13 customers; (f) eighty percent of the shortfall or overcollection of gas storage carrying costs forecasted for rate setting purposes as compared to actual carrying costs; and (g) all revenues collected as a result of Rollover Balances from Service Classification No. 9 customers, cashout revenues collected from Service Classification Nos. 5, 7, 8, 9, 12 and 13 and imbalance scheduling penalties collected from customers participating in Balanced Aggregation under Service Classification No. 11. The previous year referred to in (c) is the twelve month period ended August 31 of the second preceding year prior to the year for which the calculation is made.

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 December 1 Statement of Gas Adjustment Clause.

Issued By: Albert J. Budney, Jr., President, Syracuse, New York