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COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 4
INITIAL EFFECTIVE DATE: 04/01/99 SUPERSEDING REVISION: 2
STAMPS: Issued in Compliance with order of PSC in C. 97-G-1380 dated 03/24/99.
Cancelled by 5 Rev. Leaf No. 108 Effective 11/01/1999
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GENERAL INFORMATION

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

17.14 Cashout/Rollover/Penalty Revenues

All revenues collected as a result of Rollover Balances from Service Classification No. 9 customers, cashout revenues (exclusive of fixed cost recovery) collected from Service Classification Nos. 5, 7, 8, 9, 12 and 13, imbalance scheduling penalties collected from customers participating in Balanced Aggregation under Service Classification No. 11, shall be refunded to customers served under S.C. Nos. 1, 2 and 3 through the Commodity Cost Adjustment Clause.

17.15 Transition Cost Surcharge Calculation

17.15.1 Service Classification Nos. 1, 2, 3, and 5 Balanced and Basic Aggregation customers, SC 7 Balanced and Basic Aggregation customers, SC 12 and SC 13 customers will be assessed a surcharge to recover the upstream pipeline transportation costs associated with limited discontinuance of the mandatory release of capacity by the Company upstream of CNG pursuant to Case 93-G-0932. The Upstream Capacity Cost Surcharge Rate will be calculated annually and will be equal to the estimated Upstream Capacity Cost to be recovered, divided by the sales and transportation volumes estimated to be sold/delivered during the period to Service Classification Nos. 1, 2, 3, and 5 Balanced and Basic Aggregation, 7 Balanced and Basic Aggregation, SC 12 and SC 13. The Transition Cost Surcharge Rate applicable to SC Nos. 1, 2, and 3 will be included in the Statement of Commodity Cost Adjustment Clause (CCAC) effective December 1, 1998. The Company will defer the recovery of costs applicable to transportation customers for the period December 1, 1998 through March 31, 1999. The Transition Cost Surcharge Rate for transportation customers will be implemented effective April 1, 1999. The Upstream Capacity Cost deferred plus carrying charges for transportation customers will be collected over the twelve month period effective April 1, 1999.

17.15.2 The estimated Upstream Capacity Cost to be recovered will be equal to the sum of 1) the Upstream Capacity Cost Rate per therm which would have been recovered under sales rates times the estimated consumption of Balanced and Basic Aggregation customers migrating to delivery service and 2) the Company's weighted average cost of capacity times the Upstream Maximum Daily Quantity (UMDQ) of existing Balanced and Basic Aggregation customers. This amount will then be reduced by the sum of 1) Capacity Release Credit for the forecast period and 2) the product of the Dth of capacity released for the forecast period times the cost per Dth of CNG capacity.

17.15.3 A reconciliation of the actual Upstream Capacity Cost recovered to the actual Upstream Capacity Costs incurred will be performed. The resulting adjustment will be added to the estimated Upstream Capacity Cost in the subsequent period. The Company may also revise the upstream capacity surcharge in the event of substantial under/over collections from actual stranded costs as defined herein for any month.

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