Received: 10/28/1997 Status: CANCELLED
Effective Date: 12/01/1997

..DID: 1552
..TXT: PSC NO: 218 GAS LEAF: 101
COMPANY: NIAGARA MOHAWK POWER CORPORATION REVISION: 1
INITIAL EFFECTIVE DATE: 12/01/97 SUPERSEDING REVISION: 0
STAMPS: Issued in Compliance with PSC Order in Case 97-G-0600 dated 10/07/97.
Cancelled by 2 Rev. Leaf No. 101 Effective 11/01/1999
RECEIVED: 10/28/97 STATUS: Cancelled EFFECTIVE: 12/01/97

GENERAL INFORMATION

17.9.1 Commodity Cost Index (CCI) (continued)

by using the Company's receipt point entitlements on a prorata basis for the volumes purchased during the month, then applying both the NYMEX average and Inside FERC prices, including pipeline variable costs and fuel. This methodology shall result in the derivation of a total commodity purchase cost based on the NYMEX average and a total commodity purchase cost based upon the Inside FERC prices. The mathematical average of these two total commodity costs shall then be multiplied by ninety-seven percent to determine the monthly target total commodity purchase cost. The actual monthly total commodity cost for the Company, including pipeline variable costs and fuel, shall then be determined and compared to the monthly target. Both the target and actual costs will include Canadian variable supply costs, cogeneration peak shaving, storage withdrawal fees and transportation, the cost of gas supplies purchased at a fixed price to implement the Fixed Price Option per Order in Case No. 97-G-0600, and incremental costs due to supplier or pipeline force-majeure events and daily purchases made in excess of the Company's contracted supply capability at their actual cost. The Company's performance shall be monitored on a monthly basis utilizing this methodology. However, rewards or penalties shall be determined by comparing actual annual total commodity cost to the resultant target annual total commodity cost. The resultant total rewards, or penalties, shall then be applied to the limits established in a three-tiered structure in order to determine the sharing that shall occur.

17.9.2 The rewards or penalties shall be based upon the three-tiered structure provided as follows:

Tier 1: For Tier 1 limits, a one-percent (1%) deadband shall be established around the ninety-seven percent target. Within this band, from ninety-six percent to ninety-eight percent of the target annual total commodity cost, no refund or surcharge shall occur.

Tier 2: For Tier 2 limits, fifty percent (50%) of the difference between target and actual total commodity purchase costs beyond the limits of Tier 1, up to a maximum $4,500,000 difference, shall be refunded to, or surcharged from, firm sales customers by the Company, utilizing the CCI Rate provided in Rule 17.9.2.a. Whereby the refund or surcharge will result in a maximum refund or a maximum collection of $2,250,000. The remaining fifty percent (50%) of this difference shall be retained by, or incurred by, the Company as the performance incentive.

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

Issued in Compliance with PSC Order in Case 97-G-0600 dated 10/07/97.
Cancelled by 2 Rev. Leaf No. 101 Effective 11/01/1999