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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. 105 Effective 07/01/1998
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GENERAL INFORMATION

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

17.11.2 (continued) The gas supply for the Fixed Price customers will be provided from a combination of flowing gas supply with prices derived from the forward natural gas prices quoted on the New York Mercantile Exchange (NYMEX) for the months during which the fixed price is effective and storage withdrawals at the average price of gas held in Niagara Mohawk contract storage. The fixed price will be weighted on volumes of gas from each supply source for the effective period of the fixed price.

17.12 Balancing Charge

17.12.1 Customers who do not purchase all of their gas requirements from Niagara Mohawk under Sales Service and do not participate in a Balanced Aggregation Service or Basic Aggregation Service Pool under S.C. 11 will pay a monthly Balancing Charge of \$0.02838 per therm of Maximum Peak Day Quantity. This rate will remain in effect through October 31, 1999, the end of the settlement term in the Company's Rate Proceeding Case No. 95-G-1095. This Balancing Charge recovers the cost of storage used by transportation customers for daily balancing.

17.12.2 Balanced Aggregation Service customers will be charged a Storage Utilization Rate of \$0.49493 per therm of Maximum Balancing Quantity. This rate will remain in effect through October 31, 1999, the end of the settlement term in the Company's Rate Proceeding Case No. 95-G-1095.

17.13 Annual Surcharge or Refund

17.13.1 A surcharge or refund to recover CCAC/FCCAC under-collections or to refund CCAC/FCCAC overcollections will be computed for customers taking service under Service Classification Nos. 1, 2 and 3 by taking the total commodity cost of purchased gas as recorded on the books of the Company, as reduced during the determination period as adjusted to reflect a level of gas commodity cost commensurate with actual sales and the fixed factor of adjustment defined in Rule 17.1 and subtracting therefrom amounts equal to: (a) the base gas costs as defined in Rule 17.2 multiplied

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