Filed Session of March 18, 1998
Approved as Recommended
and so Ordered
By the Commission

JOHN C. CRARY
Secretary

Issued & Effective March 24, 1998

STATE OF NEW YORK
DEPARTMENT OF PUBLIC SERVICE

March 6, 1998

TO: THE COMMISSION

FROM: GAS AND WATER DIVISION

SUBJECT: CASE 97-G-0600 - In the Matter of the Commission's Request for Gas Distribution Companies to Reduce Gas Cost Volatility and Provide for Alternative Gas Purchasing Mechanisms.

Filings by gas utilities, listed below, in compliance with Commission Order issued October 7, 1997 in Case 97-G-0600 requiring the filing of Fixed Price Option tariffs.

THE BROOKLYN UNION GAS COMPANY
CENTRAL HUDSON GAS AND ELECTRIC CORPORATION
CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.
CORNING NATURAL GAS CORPORATION
LONG ISLAND LIGHTING COMPANY
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
NIAGARA MOHAWK POWER CORPORATION
ORANGE AND ROCKLAND UTILITIES, INC.
ROCHESTER GAS AND ELECTRIC CORPORATION

SUMMARY OF RECOMMENDATION: Staff recommends that the filings be allowed to become effective on April 1, 1998, on a permanent basis, subject to modifications described within this memorandum.

Summary

The above listed gas utilities have filed amendments to their gas tariff schedules to offer firm sales customers the option of choosing a fixed price for gas consumption, rather than the variable monthly gas cost adjustment to which the customers are otherwise subject. The amendments were allowed to go into effect on a temporary basis, subject to refund, so that customers could elect the fixed price option (FPO) during the 1997-98 heating season. The filings are made in compliance with the Commission’s October 7, 1997 Order in Case 97-G-0600.

Staff has reviewed the filings and recommends that the amendments be allowed to become effective on a permanent basis subject to modifications described within this memorandum.

Background

As a result of the federal deregulation of upstream pipelines and the on-going deregulation of the natural gas industry, local gas distribution companies (LDC’s) have significantly changed their supply purchase practices. Instead of long-term supply contracts with the pipelines, the LDC’s are purchasing supply on the open market. In recent years, without the stability of long-term contracts, the commodity cost of gas has shown high volatility in price. During the winter season of 1996-97, the price of natural gas rose significantly. Commission staff found that independent gas marketers seemed able to offer service at fixed unit prices for customers who wish to lock into a price for a specific period of time (as do many oil dealers). The Commission undertook an investigation of its jurisdictional regulated natural gas utilities in Case 97-G-0600, as to gas supply procurement practices in order to examine ways to mitigate the gas price volatility of natural gas resulting in significant fluctuations in gas customer bills. By order issued June 5, 1997 in Case 97-G-0600, the Commission required each of the large gas distribution companies[1/] to submit a proposal for providing gas at a fixed price during the 1997-1998 heating season to customers

[1/] The Brooklyn Union Gas Company, Central Hudson Gas and Electric Corporation, Consolidated Edison Company of New York, Inc., Corning Natural Gas Corporation, Long Island Lighting Company, National Fuel Gas Distribution Corporation, Niagara Mohawk Power Corporation, Orange and Rockland Utilities, Inc., Rochester Gas and Electric Corporation and St. Lawrence Gas Company, Inc.

desirous of such an option.[1/] After review of the filed proposals, by order issued October 7, 1997, the Commission directed the LDC’s to establish FPO provisions to firm sales classes in their tariff schedules in accordance with the minimum requirements contained in the order.[2/] The FPO provisions were required to be filed within thirty days after the effective date of the order to become effective on not less than one day’s notice. The filed provisions are effective on a temporary basis, subject to refund if any showing is made that the amendments are not in full compliance with the requirements of the Commission’s October 7 order. All of the larger gas utilities (LDC’s), except NYSEG and St. Lawrence, were required to file a FPO provision in their tariffs to become effective December 1, 1997, to offer their firm gas customers an option to elect to take a fixed unit price for gas for at least the remainder of the 1997-98 heating season, but for not more than one year.

The minimum requirements for the FPO filing set forth by staff are as follows:

> Limitations: LDC may limit a) participation in FPO program to 10% of its customers by Service Class; b) applicability of FPO to 25% volumes sold in Service Class; and LDC may exclude exceedingly low usage customers from the FPO participation.
>
> Fixed Price: At a minimum, the commodity cost of gas must be fixed for the duration of the term. The FPO may include other costs, i.e. pipeline demand, transportation costs.

[1/] New York State Electric & Gas Corporation was exempt from this requirement since the gas company currently has a hard price cap in place for residential customers and offers a fixed price option to commercial and industrial customers.

[2/] St. Lawrence Gas Company, Inc. was exempted from the requirements of the order. The Commission found that, since the company relies entirely on Canadian supply that has historically been less expensive and less volatile than its domestic equivalent, the cost of establishing a fixed price option may outweigh any benefits.

Reconciliation of FPO costs: LDC's may include costs associated with FPO, i.e. weather variations in its Annual Gas Cost Reconciliation operation. Also, those LDC's with GAC incentive mechanisms currently in their tariffs may exclude FPO related factors from the incentive GAC mechanisms for first year.

Waiver of Publication Requirements

The Commission's October 7 order waived the requirements of 16NYCRR 270.13 as to advance newspaper publication of the proposed amendments. The order further waived the requirements of all newspaper publication for those companies that use direct mailings to notify all affected customers of the availability of the fixed price option.

Compliance Filings

All of the affected gas utilities filed FPO provisions as required by the Commission's October 7 order. The filings fall into two distinct categories: one-time provisions effective only for the current 1997/1998 heating season; and those filed to be effective on an ongoing basis. A description of the LDC filings and a discussion of areas where the filings do not comply with the Commission's Order is contained in Appendix B.

Most filings are in compliance with the Commission's Order, a few require minor revisions, and two, Central Hudson and Orange and Rockland, require significant action. Specifically, Central Hudson introduced numerous changes to its gas adjustment not provided for by the Order and not necessary to implement its FPO and Orange and Rockland extended its FPO offering to non-core customers specifically prohibited by the Order.

Customer Notification

As directed in the Commission's Order, all local distribution companies submitted communications plans and related materials to Consumer Services Division Staff prior to public release to ensure consistent presentation of the FPO statewide.

Brooklyn Union Gas conducted a series of focus groups in advance of promoting FPO to identify customer informational needs as a basis for its communications plan. All utilities will provide customer perception assessments to Staff after the conclusion of the initial offering.

All LDC's except National Fuel used direct mailings to customers as the primary communications vehicle to convey information about the FPO. Each utility provided direct links through their call center to Staff for customer inquiries.

Conclusion and Recommendation

Staff has reviewed the above listed companies' FPO filings for compliance with the Commission's October 7, 1997 order in Case No. 97-G-0600. With exceptions noted within this memorandum, the filed provisions are generally in accordance with the Commission's order. The one-time provisions will expire of their own accord at the end of the 1997/1998 heating season, thus staff believes these filings may be allowed to become effective on a permanent basis without further revisions. The filed on-going provisions should be allowed to become effective on a permanent basis with certain modifications as described within this memorandum.

This memorandum has been reviewed by Peter Catalano of the Office of General Counsel.

It is recommended that:

1. the amendments filed by The Brooklyn Union Gas Company, Consolidated Edison Company of New York, Inc., Long Island Lighting Company, National Fuel Gas Distribution Corporation, Orange and Rockland Utilities, Inc. and Rochester Gas and Electric Corporation, listed in Appendix A, be allowed to become effective on a permanent basis, on April 1, 1998;

2. Orange and Rockland be directed to recompute the gas adjustment charges applicable to any Dual Fuel sales customers who elected and were billed under the Fixed Price Option and to refund any overcharges to the those customers. Such refunds shall not be included in any Gas Adjustment Clause calculations;

3. the amendments filed by Central Hudson Gas and Electric Corporation, listed in Appendix A be allowed to become effective on a permanent basis on April 1, 1998 and the company be directed to file further revisions to:

   a) restore its Gas Adjustment Clause provisions as they were prior to its fixed factor filing, in conformance with 16NYCRR 270.55. The company may make modifications necessary to implement its fixed factor option, and

   b) file a Form of Application for Fixed Price Service in its tariff schedules as required by 16NYCRR 270.24;

4. the amendments filed by Corning Natural Gas Corporation, listed in Appendix A be allowed to become effective on a permanent basis on April 1, 1998, and the company:

   a) be authorized to file further revisions to modify its Annual Refund or surcharge provisions to include the costs of the fixed price option, and

   b) be directed to file a Form of Application for Fixed Price Service in their tariff schedules as required by 16NYCRR 270.24;

5. the amendments filed by Niagara Mohawk Power Corporation, listed in Appendix A, be allowed to become effective on a permanent basis on April 1, 1998, and the company be directed to file a Form of Application for Fixed Price Service in their tariff schedules as required by 16NYCRR 270.24;

6. the further revisions directed in clauses 3 through 5 above be required to be filed on not less than one day's notice, to become effective on April 1, 1998; and

7. the requirement of newspaper publication of the changes proposed by the further revisions required to be filed in order clauses 3 through 5 above be waived.

Respectfully Submitted,

Lois R. Parisella
Rates Analyst

Robert W. Krieger
Principal Valuation Engineer

Approved by:

Frank Berak
Chief, Gas Rates

SUBJECT: Filing by THE BROOKLYN UNION GAS COMPANY
Amendments to Schedule P.S.C. No. 11 - Gas
Third Revised Leaves Nos. 20G and 20H
Fourth Revised Leaves Nos. 20F and 23B
Fifth Revise Leaf No. 12C-3
Eighth Revised Leaf No. 20E
Tenth Revised Leaf No. 20B
Sixteenth Revised Leaves Nos. 20A and 23A
Eighteenth Revised Leaves Nos. 21A and 23
Twentieth Revised Leaf No. 25
Sixty-Eighth Revised Leaf No. 24
Seventy-Third Revised Leaf No. 22
Seventy-Fifth Revised Leaf No.21

Issued: November 5, 1997   Effective: November 6, 1997

Newspaper Publication: Waived

SUBJECT: Filing by CENTRAL HUDSON GAS AND ELECTRIC CORPORATION

Amendments to Schedule P.S.C. No. 11 - Gas

First Revised Leaf No. 11F-2(a)
Thirteenth Revised Leaf No. 11F-1
Sixteenth Revised Leaves Nos. 11E-1 and 11F-2
Twentieth Revised Leaf No. 11F

Issued: October 20, 1997 Effective: October 21, 1997

Newspaper Publication: Waived

SUBJECT: Filing by CONSOLIDATED EDISON COMPANY OF NEW YORK, INC.

Amendments to Schedule P.S.C. No. 8 - Gas

Seventeenth Revised Leaf No. 17-B

Issued: November 6, 1997 Effective: December 1, 1997

Newspaper Publication: Waived

SUBJECT: Filing by CORNING NATURAL GAS CORPORATION

Amendments to Schedule P.S.C. No. 1 - Gas

Original Leaves Nos. 20-Y-15 and 20-Y-16

Amendments to Schedule P.S.C. No. 3 - Gas

Original Leaves Nos. 77A and 77B

Issued: October 28, 1997 Effective: October 31, 1997

Newspaper Publication: Waived

SUBJECT: Filing by LONG ISLAND LIGHTING COMPANY

Amendments to Schedule P.S.C. No. 4 - Gas

Original Leaves Nos. 2A-1 and 23S
Second Revised Leaf No. 26
Third Revised Leaf No. 23F-2
Fourth revised Leaf No. 27A
Fifth Revised Leaf No. 34B-1
Tenth Revised Leaf No. 34A
Seventeenth Revised Leaf No. 34B
Twenty-Seventh Revised Leaf No. 2A
Fiftieth Revised Leaf No. 34
Fifty-Fourth Revised Leaf No. 27
Fifty-Sixth Revised Leaf No. 25

Issued: October 31, 1997 Effective: November 6, 1997

Newspaper Publication: Waived

SAPA 97-G-0600SA3 State Register Adoption Published
January 21, 1998

SUBJECT: Filing by NATIONAL FUEL GAS DISTRIBUTION CORPORATION

Amendments to Schedule P.S.C. No. 7 - Gas

Original Leaves Nos. 45V, 49B-1 and 56A
First Revised Leaves Nos. 7C-1, 39B-3, 39B-4 and 49B
Third Revised Leaf No. 49
Sixth revised Leaf No. 35
Fourteenth Revised Leaf No. 34A
Fortieth Revised Leaf No. 39A
Forty-Second Revised Leaf No. 34
Forty-Seventh Revised Leaf No. 48
Fifty-Third Revised Leaf No. 47
Fifty-Fourth Revised Leaf No. 56

Statement of Fixed Price Option No. 1

Issued: October 9, 1997 Effective: October 10, 1997

Newspaper Publication: October 14, 20, 27, November 3, 1997

SUBJECT: Filing by NIAGARA MOHAWK POWER CORPORATION

Amendments to Schedule P.S.C. No. 218 - Gas

First Revised Leaves Nos. 15, 93, 101, 102, 104, 105, 107, 135, 137 and 140

Statement of Fixed Commodity Cost Adjustment No. 1

Issued: October 28, 1997 Effective: December 1, 1997

Newspaper Publication: Waived

SAPA 97-G-0600SA3 State Register Adoption Published January 21, 1998

SUBJECT: Filing by ORANGE AND ROCKLAND UTILITIES, INC.

Amendments to Schedule P.S.C. No. 4 - Gas

Original Leaves Nos. 81.1 and 128.1
First Revised Leaves Nos. 73, 74, 79, 80, 81, 115 and 117
Second Revised Leaf No. 128

Issued: November 5, 1997 Effective: November 7, 1997

Newspaper Publication: Waived

SUBJECT: Filing by ROCHESTER GAS AND ELECTRIC CORPORATION

Amendments to Schedule P.S.C. No. 11 - Gas

Third Revised Leaf No. 89

Issued: November 6, 1997   Effective: December 1, 1997

Fourth Revised Leaf No. 89

Issued: November 20, 1997 Effective: December 1, 1997

Newspaper Publication: Waived

SAPA 97-G-0600SA3   State Register   Adoption Published January 21, 1998

FPO Provisions Filed in Response to Commission Order
Issued October 7, 1997 in Case 96-G-0600

One-Time Provisions

The Brooklyn Union Gas Company (Brooklyn Union), Consolidated Edison Company of New York, Inc. (Con Edison), Long Island Lighting Company (LILCO) Orange and Rockland Utilities, Inc. (O&R) and Rochester Gas and Electric Corporation (RG&E) have all filed FPO provisions to their tariff schedules to be effective only for the current heating season (December 1, 1997 through April 30, 1998).[1/] Except for O&R's proposal to offer the FPO to an interruptible class and a mis-directed cost deferral proposal by Con Edison which are discussed below, the provisions filed are in accordance with the minimum standards required by the Commission. The terms of the provisions are in general compliance with the Commission Order and will end as of April 30, 1998. A table showing the terms of the above listed utilities' one-time FPO provisions is shown in the Attachment.

Consolidated Edison Deferral Proposal

On November 6, 1997 Con Edison submitted its FPO filing. In its letter of transmittal Con Edison states that costs associated with its program "not currently in base rates will be deferred for future recovery in rates."

The Commission's Order stated that recovery of these costs will be subject to the terms of any multiyear rate proposal for LDC's that have a multiyear agreement; otherwise the utility needs to request deferral.

After discussion with staff on this matter, Con Edison has stated that upon further consideration, the expenses are not material enough to trigger a deferral request.

[1/] With certain variations due to circumstances, i.e. Con Edison requested and received permission to use January 1 through May 31, 1998.

O&R’s Extension of FPO Offering to Dual Fuel Class

By letter dated November 5, 1997 Orange and Rockland Utilities Inc. (Orange & Rockland) filed its compliance filing implementing the FPO applicable to its firm gas sales customers in SC’s 1, 2 and 5, the Residential, General and Dual Fuel classes.

While the company’s filing is in compliance with regard to the Residential and General classes, the company has extended the FPO to its Dual Fuel Class, S.C. No.5. Since these customers have alternative fuel backup, they are considered non-core and such offering is explicitly prohibited by the Commission’s FPO Order. The Order states: "FPO’s to non-core and interruptible customers should not be implemented at this time as these customers have other options to stabilize prices (e.g., switching to oil or purchasing gas supplies from non-utility suppliers)." (p.5)

In discussions with the company, it indicates that one dual-fuel customer has enrolled in the FPO which applies through the period ending April 30, 1998. Since the customer committed to a fixed price that is above market prices, the customer is entitled to a refund. O&R should recompute the customers charges and issue a refund. The refund should not be charged to other customers.

Ongoing Provisions

Central Hudson Gas and Electric Corporation (Central Hudson), Corning Natural Gas Corporation (Corning), National Fuel Gas Distribution Corporation (National Fuel) and Niagara Mohawk Power Corporation (Niagara Mohawk) filed FPO to their Gas Adjustment Clauses as permanent rules, with the initial term commencing in December, 1997.

Central Hudson

Central Hudson filed a new Fixed Gas Cost Adjustment Factor (fixed factor) provision in its Gas Adjustment Clause in which it offers an optional fixed gas adjustment to firm residential and commercial sales customers whose annual consumption is greater than 500 Ccf. The fixed factor will be in effect for the twelve month period beginning November of each year[1]. The optional pricing service will be available to customers on a first come first served basis until a predetermined volume of annual gas supplies are allocated. Customers who elect to take the fixed factor must remain on that service through October 31 of each year.

The fixed factor will be computed annually and will reflect:

(a) the commodity rates and charges of a predetermined winter supply contracts, a proportionate share of the company's storage supply, and the applicable summer supply requirements;

(b) the weighted average cost of the pipeline demand charges currently in effect;

(c) other credits/surcharges normally included in the monthly GAC calculations.

The gas expense incurred and recovered from customers taking the fixed factor option will be included in the company's annual surcharge/refund calculations.

Central Hudson's filing significantly modified other provisions contained in its Gas Adjustment Clause that were not directed or authorized in the Commission's October 7, 1997 order in Case 97-G-0600. The company revised its Supplier Refund provision to permit it to hold all supplier refund amounts received and allocated to firm sales customers during the twelve month period and to include the amounts in the company's annual gas cost reconciliation computation. 16NYCRR Section 270.55 requires that supplier refunds received each month be flowed back to the firm sales customers as a credit to the gas cost adjustments over a succeeding twelve month period.

In addition, Central Hudson made numerous other changes in its gas adjustment clause provisions not provided for in the Order. The company modified its Average Cost of Gas computation

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[1] The initial fixed price period is December 2, 1997 through October 31, 1998.

rules to permit the company to use estimated revenues expected to be received rather than the actual revenues received. Central Hudson made several changes to its Annual Surcharge or Refund provision. The revisions include changing the date of commencement of the annual surcharge/refund from December to November billing cycle. Commission rules specify the December commencement. The company included a new component "any miscellaneous charges or credits" in its description of adjustments to the gas cost adjustment revenues for the period. All supplier refunds received during the period are to be included in the annual reconciliation computation. Also, any variation between the "estimated" and "actual" revenues and credits used in monthly average cost of gas computation are to be reconciled in this annual computation.

None of these changes are explained in the letter of transmittal and are not related to the implementation of the FPO, and some require waiver of Commission rules. Central Hudson should be ordered to refile its gas adjustment provisions to restore them as they were prior to its fixed factor filing except charges necessary to implement its fixed factor option.

If Central Hudson wishes to pursue these revisions to its gas adjustment it shall make a separate filing explaining the necessity for the changes.

Corning

Corning has filed a new FPO provision to the gas tariffs applicable to both its own customers served under P.S.C. No. 1 and to customers in its Hammondspot area, served under P.S.C. No. 3. The provision states that the company will provide a written notice offering a FPO designed to reduce gas cost fluctuations. The optional fixed price applies to bills rendered beginning in December and ending in May. The FPO is available to all sales customers, except that participation shall be limited to subscribers who represent no more than 33% of the estimated normalized consumption in each particular customer classification. The company may, at its discretion, shift volume eligibility from one customer classification to another within the same service classification to compensate for over subscription.

The FPO will be computed on an annual basis in a manner modeled after the monthly gas cost calculations, using volumetric data for the twelve months ending August 31. The cost of gas will be computed on the basis of a combination of known and estimated costs. The weather normalization factor will not apply to the fixed price. The FPO will be applied to the base cost of gas in each rate block. Reconciliation of the over/under collection of gas costs will be computed in the annual gas cost reconciliation operation.[1/]

Customers who elect to take the FPO are bound by the agreement for the duration of the term. The customers will be required to provide the company with a meter reading for the first and last month of the period.[2/] Customers whose meter reads must be estimated shall be required to abide by the company's estimate.

The fixed gas adjustment includes all adjustments included in the standard GAC adjustments, except the weather normalization factor. Corning filed a Statement of Fixed Price Option No. 1 to P.S.C. Nos 1 and 3 effective February 1, 1998 through May 31, 1998, stating the FPO rates in effect. The rates were stated in the notice sent to its customers announcing the availability of the FPO and have been applied to the participating customer bills.

[1/] Corning will need to modify its annual gas cost reconciliation language in order to provide for recovery or refund of FPO related imbalances.

[2/] Corning's meter reading procedure has been to alternate actual readings with estimated ones. The company's emphasis on customer reads at the beginning and ending months of the FPO operation is to try to ensure an actual read of the affected meters at the time of the change in rate.

National Fuel

National Fuel implemented a FPO provision in the rates section of its residential (S.C. Nos. 1 and 1A) and general service classifications (S.C. No. 3). For customers electing the FPO, the fixed rate will be applied to all usage in bills rendered beginning in December and ending in April of each year. Customers were notified by newspaper and/or bill insert of the fixed rate during an enrollment period during the month of October. Enrollment is limited to the total number of customers that can be served from the pool of supply secured under dedicated fixed price contracts included in the company’s gas portfolio for the winter period, but in no case no less than 10% of customers in each service classification. Customers who elect the FPO will be required to execute an election form (a copy of which is set forth in the tariff) that shall be a binding agreement for the term of the FPO.

National Fuel has modified its Gas Adjustment Clause to include a separate annual average cost of gas computation for the FPO and to exclude the FPO purchases and cost from the standard average cost computation. The average cost of gas for the FPO will be computed in generally the same manner as the standard GCA, except the company will use the weighted average cost under the fixed price producer contracts for the calendar period November through March plus other rates and charges of the company’s suppliers or transporters. The weighted average cost will be applied to annual quantities of purchased gas assumed to be taken for the normalized twelve month period as allowed in case 95-G-1009. The cost so computed will be divided by the quantity of purchased gas assumed to be taken from each source during such twelve month period. The company also revised its Transportation and Sales Benefits provision to change the refund/surcharge period commencement from three months following the determination period to be effective January through December to seven months following determination period to be effective May through April. As authorized by the Commission’s

October 7 order, National Fuel modified its Gas Procurement Incentive Mechanism to exclude FPO costs and sales from the computations.

The fixed gas price includes all standard GAC adjustments and is subject to the weather normalization factor. National fuel filed Statement of Fixed Price Option No. 1 to P.S.C. No. 7, effective for bills rendered on and after December 4, 1997 through April 30, 1998. The company's FPO provision states that the FPO will be effective for all usage on or after the effective date of the FPO Statement. In accordance with Commission rules in 16NYCRR 270.55 and its own tariff, National Fuel should be pro-rating bills for usage before and after the December 4, 1997 effective date of the FPO rate. In this instance, since the standard gas adjustment effective in November was higher than the FPO rate, the customers who elected the FPO benefitted from not having their bills prorated on their November/December usage. National Fuel should be put on notice that the bills rendered to FPO customers in any future FPO offerings should be pro-rated.

Niagara Mohawk

Niagara Mohawk expanded the Commodity Cost Adjustment clause contained in the rate section of its firm gas sales service classes; S.C. No. 1 - Residential, S.C. No. 2 - General Service and S.C. No. 3 - Large General Service, to include the availability of a Fixed Commodity Cost Adjustment Clause (fixed cost option). The fixed cost option offers residential or commercial heating customers and industrial customers the option to apply for a fixed commodity gas adjustment rather than the current variable commodity gas cost adjustment. The initial term for customers who choose the fixed cost option is December 1, 1997 through April 30, 1998. Availability is limited to 10% of the customers in each class.

Niagara Mohawk's tariff states that the gas supply for the Fixed Price customers will be provided from a combination of flowing gas supply (with prices derived from the New York

Mercantile Exchange futures for the months during which the fixed price is in effect) and storage withdrawals at the average inventory cost of gas in storage. The fixed price will be weighted on volumes of gas from each supply source for the effective period of the fixed price. The fixed price rate is set forth on a separate statement. The fixed cost option rate includes all of the adjustments applicable to the standard gas adjustment.

Niagara Mohawk has modified its Gas Adjustment Clause to accommodate the new FPO. The company is including the FPO gas in both the target and actual cost of gas in its Commodity Cost Index incentive mechanism and will include the reconciliation of over/under collection FPO gas costs in its Annual Surcharge or Refund operation. The company is excluding the supply and cost of the FPO gas supply from the standard monthly average cost of gas calculation.