

PSC NO: 220 ELECTRICITY
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: MARCH 1, 2010

LEAF: 222
REVISION: 1
SUPERSEDING REVISION: 0

GENERAL INFORMATION

42. MERCHANT FUNCTION CHARGE

42.1 The Merchant Function Charge ("MFC") is a mechanism that permits the Company to recover from full service customers costs associated with the following components:

- (a) Electricity Supply Procurement
- (b) Electricity Supply Credit and Collection Expenses
- (c) Electricity Supply Uncollectible Expenses
- (d) Return on Working Capital for Purchased Power

42.2 Bills rendered to full service customers taking service under PSC Nos. 220 and 214 Electricity are subject to the MFC, except:

- (i) load served by NYPA
- (ii) customers served under SC No. 11 and SC No. 12 in accordance with the terms of their individual contracts.

42.3 Calculation of the Merchant Function Charge per kWh:

42.3.1 Electricity Supply Procurement

42.3.1.1 The Electricity Supply Procurement rate per kWh shall initially become effective January 1, 2011 and shall equal \$0.00016 per kWh.

42.3.1.2 The Electricity Supply Procurement Rate will be reset January 1, 2012 and each January 1st thereafter by dividing the revenue requirement of \$2,240,057 by the forecasted sales of customers purchasing electricity supply from the Company for that period.

42.3.1.3 For the period January 1, 2011- December 31, 2011 and for each subsequent year will be reconciled to the target of \$2,240,057.

42.3.1.3.1 The resulting over/under collection shall be divided by the forecast sales of customers purchasing commodity from the Company for the next calendar year and added to the Electricity Supply Procurement Expense component of the Merchant Function charge effective for the next January 1 rate calculation.

42.3.1.4 The resulting rate shall be filed on the Statement of Merchant Function Charge not less than three (3) days prior to its effective date.