

PSC No: 87 - Gas
New York State Electric & Gas Corporation
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GENERAL INFORMATION

8. Surcharge to Collect Advanced Metering Infrastructure (AMI) Costs:

Effective January 1, 2008, and each January 1st thereafter, customer bills for service under Service Classification Nos. 1, 2, 3, 5, 8, 9, 10, and 11 will be adjusted by a surcharge to the monthly Basic Service Charge or Minimum Charge for the cost of the AMI program, net of savings resulting from the program. An AMI Surcharge Statement setting forth the monthly AMI surcharge amounts by Service Classification will be filed annually with the Public Service Commission on not less than three (3) days' notice from the January 1 effective date of the revised charge.

The AMI Surcharge rates will be determined annually in accordance with the formula set forth below and will be based on projected costs and savings for the year that the rates will be in effect. The Surcharge rates will be adjusted, up or down, for any difference between the actual amount of surcharge revenue received and the actual costs including return, net of savings resulting from the program, for the 12 months ended September 30 of the prior year. The surcharge rates effective 1/1/08 will include actual costs incurred through September 30, 2007.

AMI Surcharge = (Revenue Requirement + Reconciliation) / Meters

Revenue Requirement = Annual revenue requirement needed to recover AMI costs for each service classification, net of identifiable savings realized as a result of the AMI investment. (Expenses + Return - Savings)

Expenses	=	O&M Expenses, Book Depreciation and Operating Taxes
Return	=	Rate Base x Before Tax Cost of Capital
Rate Base	=	AMI Capital Investments, net of Accumulated Book Depreciation, plus associated Materials & Supplies, Prepayments, Cash Working Capital and Accumulated Deferred Income Taxes.
Before Tax Cost of Capital	=	Weighted average after-tax cost of capital as determined in the Company's most recent rate case/settlement, with the equity component grossed-up for the level of federal and state income taxes applicable to the period for which the AMI surcharge will be effective.
Savings	=	Identifiable capital and operating cost savings realized as a result of the AMI investment. The return on the capital cost savings will be calculated using the same cost of capital listed above.
Reconciliation	=	Difference between the actual amount of AMI surcharge revenue received and the actual costs including return, net of savings resulting from the program, for the 12 months ended September 30 of the prior year.
Meters	=	Number of meters per service classification.

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