Received: 09/15/2006
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Effective Date: 11/01/2006

GENERAL INFORMATION

25. Pricing Options effective January 1, 2007: (cont'd.)

A. Pricing Options: (cont'd.)

If the Company offers the FPO for the 2008 Commodity Option Period, a fixed total of the commodity and transition charges will be calculated on November 1, 2007, as set forth below in Sections 25.B.ii and 25.C.3, to become effective January 1, 2008.

B. Calculation of the Fluctuating Transition Charge (Non-Bypassable Charge [NBC])

This charge will sum together the market value of NYSEG's owned hydro plant output at the generation source; the net market value of the purchased power contracts of the NUG, NYPA and NMP2 resources (market value of the purchased power contract costs determined at the generation source less the contract costs); certain actual wholesale transmission-related revenues minus $1.66 million per month ($20 million per year); the difference in cost between serving actual load for customers electrically connected east of the Total East NYISO interface at Area'G' prices and Area'C' prices to recover the cost of providing power to customers in the eastern part of the Company's service territory at the same price as customers in the west; NYISO ancillary services (Schedules 1-6, excluding Schedule 4); NYPA Transmission Adjustment Charge (NTAC). The NBC will be calculated on a monthly basis, subject to true-ups for actual after-the-fact costs and load paying the NBC.

(i) The NBC will include the Lost Revenue Recovery Mechanism (LRRM) as described in Section 25.E.

(ii) The calculation of the NBC used to set the FPO on November 1st includes each of the NBC components listed in the fluctuating NBC as described in Section 25.B.(i) using an annual commodity period forecast of the quantity, cost and market value of the components. The quantity of output for the NYSEG owned hydros, NUG, NYPA and NMP2 will be based on the actual output from those resources over the previous 12 months adjusted for changes anticipated in the reasonable judgment of the Company. The net market value for these resources will be determined using the same wholesale market prices used to estimate the Fixed Commodity, adjusted by historical basis to capture the value at the generation source, and applicable contract costs. The cost to serve load east of Total East NYISO interface will be determined using the company's forecast of gross load in the eastern part of the Company's service territory multiplied by the price difference of the Area "G" and Area "A" (adjusted to Area "C" using historical basis) wholesale market price collected over the same time period as those prices used to estimate the Fixed Commodity. The forecast of NTAC and ancillary service charges, and transmission revenues will be based on the previous 12 months adjusted for changes anticipated in the reasonable judgment of the Company. The transmission revenue total will be reduced by $20 million annually. It will include the forecasted benefit of NYPA purchased power, if any, consistent with NYSEG's contract with NYPA. It will include a forecast of dollars associated with the Lost Revenue Recovery Mechanism.

Issued in compliance with order in Case No. 05-E-1222 dated 08/23/06.

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Binghamton, New York

Cancelled by 1 Rev. Leaf No. 117.8 Effective 11/01/2006