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

GENERAL INFORMATION

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

C. Calculation of the Commodity Component: (cont'd.)

3. NYSEG Fixed Price Option (FPO): (cont'd.)

Unforced Capacity Component:
The unforced capacity price will be developed using the forward price information for the 12-month Commodity Option Period for capacity that is collected during the 20 trading days prior to the beginning of the Enrollment Period. If such data is unavailable, the Company will issue a Request for Proposals for unforced capacity that will be used to set the price.

The unforced capacity price in $/kW-yr will be divided by 8.76 and also divided by 65% to convert this capacity price to $/MWh.

Retail Conversion:
The wholesale energy price and the capacity price, both in $/MWh, will be added together. This rate will then be differentiated by rate class based on class contribution to peak for installed capacity, relative differences in load shape for energy, and losses. The resulting rates will be then multiplied by 117.5% and then $0.004 per kWh will be added to that amount to determine the fixed commodity price component of the FPO rate by service classification.

(ii) Earnings Sharing
The Company will annually determine the earnings or losses related to fixed price supply service, which will be the combined total of commodity plus NBC. Any such earnings after income taxes, of more than $5 million in a calendar year will be shared 80% to the customers and 20% to the Company. Any such losses after income taxes, of more than $5 million in a calendar year will be shared 80% to the customers and 20% to the Company. Any customer share of such after-tax earnings or losses will be grossed-up and added to, or subtracted from, the Asset Sale Gain Account.

D. Merchant Function Charge (MFC):

The MFC will be phased in over a twelve month period. Effective January 1, 2008, the MFC includes the following: 1) electric commodity related uncollectibles; 2) Administrative and General Expenses related to commodity; 3) customer care costs related to commodity; 4) supply procurement expenses; and 5) cash working capital on purchased power.

The MFC will be applicable to only those customers taking supply service from the Company (*i.e.*, VPO, DSO, and FPO).

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

Cancelled by 1 Rev. Leaf No. 117.11 Effective 03/01/2007