

PSC No: 120 - Electricity  
New York State Electric & Gas Corporation  
Initial Effective Date: November 1, 2006

Leaf No. 117.12  
Revision: 1  
Superseding Revision: 0

#### GENERAL INFORMATION

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

**D. Merchant Function Charge (MFC): (cont'd.)**

Phase-In of the MFC:

The Merchant Function Charge will be phased in as set forth below:

**Effective January 1, 2007:**

\$0.0034 per kwh for Service Classification Nos. 1, 2, 5, 6, 7-1, 8, 9, 12 within PSC No. 120, and all service classifications within PSC No.121 Street Lighting.

\$0.0016 per kwh for Service Classification Nos. 3, 7-2, 7-3 and 7-4.

**Effective July 1, 2007:**

\$0.0028 per kwh for Service Classification Nos. 1, 2, 5, 6, 7-1, 8, 9, 12 within PSC No. 120, and all service classifications within PSC No.121 Street Lighting.

\$0.0012 per kwh for Service Classification Nos. 3, 7-2, 7-3 and 7-4.

**Effective January 1, 2008:**

\$0.0022 per kwh for Service Classification Nos. 1, 2, 5, 6, 7-1, 8, 9, 12 within PSC No. 120, and all service classifications within PSC No.121 Street Lighting.

\$0.0008 per kwh for Service Classification Nos. 3, 7-2, 7-3 and 7-4.

For Service Classification Nos. 11, 13, and 14, the customer's otherwise applicable service classification will determine the applicable MFC.

Beginning January 1, 2009, the MFC will be reset annually to reflect recent migration levels and to update uncollectibles.

**E. Lost Revenue Recovery Mechanism (LRRM)**

The LRRM will be a component of the NBC. The LRRM will consist of the following:

1. The difference between the applicable phase-in MFC's set forth in Section 25.D. and the applicable MFC that will be effective on January 1, 2008.
2. The collection/return of the under- or over-recovered unavoidable costs embedded in the MFC. Unavoidable costs consist of the following components: Credit and collection costs (amounts not recovered in the Purchase Of Receivables (POR) discount rate), customer care costs (FERC accounts 901, 903 and 905), customer service costs (FERC accounts 908-916), administrative and general costs (FERC accounts 920-935), depreciation expenses and taxes.
3. Actual versus forecast meter function charge revenues less avoided costs.

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

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