

PSC No: 120 - Electricity
New York State Electric & Gas Corporation
Initial Effective Date: November 1, 2007

Leaf No. 117.10
Revision: 2
Superseding Revision: 0

GENERAL INFORMATION

25. Supply Service Options: (cont'd.)

I. Supply Service Options effective January 1, 2008 (cont'd.)

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

2. NYSEG Variable Price Option (VPO) (cont'd.)

Energy Component: For each day of the customer's billing cycle, a daily average value of market supply is derived from the day ahead NYISO posted Locational Based Marginal Prices (LBMP) of electricity for the region (East or West of the NYISO Total East Interface) in which the Customer is located, weighted to reflect hourly usage based on load studies for the calendar month and day-type (Weekday, Saturday or Sunday/Holiday). Separate calculations will be made for each metered time period for the Customer's individual Service Classification. LBMP in Zone C will be used for customers electrically connected West of the Total East NYISO Interface. LBMP in Zone G will be used for customers electrically connected East of the NYISO Total East Interface.

The daily load weighted market price of energy will be adjusted to reflect losses and Unaccounted For Energy. These daily average market supply values are used in conjunction with the service classification daily load study usage data to develop a weighted average value of market supply for each metered time period within the Customer's specific billing period. The weighted average value of market supply is multiplied by the Customer's metered kWh usage for each metered time period to determine the value of market supply to be credited to the Customer's bill.

Capacity Component: The Unforced Capacity (UCAP) component is defined as the market-clearing price of capacity in \$/kWh as determined from the NYISO's monthly capacity auction price. The Capacity Component will be revised in accordance with each monthly UCAP auction held by the NYISO. The capacity price will also include UCAP Reserves, and will then be adjusted for UCAP Losses.

3. NYSEG Fixed Price Option (FPO)

- (i) The commodity charge of the Company's FPO includes the following: (1) the wholesale energy price; (2) the unforced capacity price; and (3) a retail conversion factor that converts wholesale prices into retail prices. The system average FPO is derived by adding the wholesale energy price to the unforced capacity price and adjusting that total by the retail conversion factor.

Wholesale Energy Price Component:

For each of the 20 trading days prior to the final trading day in October, the Company will collect information regarding the forward wholesale price of on- and off-peak power in Area 'A' of the NYISO Control Area over the 12-months of the Commodity Rate Period. In some instances, there may be monthly quotes, and in other cases there may be quarterly or annual quotes. All of the information gathered over this 20-day period will be used to develop an average on-peak and an average off-peak forward wholesale energy price for the 12-month period. The data will be gathered from all available energy brokers and on-line exchanges that provide permission to use their data for this purpose.

The average around-the-clock wholesale energy price will equal the on-peak price multiplied by 48% plus the off-peak price multiplied by 52%, which recognizes that there are slightly more off-peak hours than on-peak hours in a year. The derived average around-the-clock wholesale energy price will then be adjusted to recognize the difference between Area 'A' and Area 'C' of the NYISO Control Area. That adjustment will equal the historical percentage difference in price between these areas recorded in the day-ahead market for the most recently available 12-month period.

Issued in compliance with order in Case No. 07-E-0479 dated 08/29/07.

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