

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

Leaf No. 117.11
Revision: 3
Superseding Revision: 1

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.)

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 116.9% and then \$0.006 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 total supply service income, which will be the combined total of commodity plus NBC. Any such earnings before income taxes, of more than \$10 million in a calendar year will be shared 85% to the customers and 15% to the Company. The Company will absorb 100% of losses, if any, incurred as a result of the NYSEG Supply Service Plan.

D. Merchant Function Charge (MFC):

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, FPO, and Hourly Pricing) and is set forth in the customer's Service Classification..

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

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