

**PSC NO: 88 GAS**  
**COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION**  
**INITIAL EFFECTIVE DATE: 03/15/06**

**LEAF: 109**  
**REVISION: 3**  
**SUPERSEDING REVISION: 2**

**SERVICE CLASSIFICATION NO. 15 (CONT'D)**

**BASIC ELECTRIC GENERATION TRANSPORTATION SERVICE**

**PRICE: (CONT'D)**

**C. Value Added Charge**

**1. Definitions**

**Market Electric Price** – The respective zonal average of the Real Time Electric Market Locational Based Marginal Pricing (LBMP) for the applicable hour and zone as reported on the NYISO website expressed in \$/Mwh.

**Base Year** – The first full year of the operation of NYISO starting December 1, 1999.

**Base Year Spark Spread** – The simple average of the Spark Spread for all 8,784 hours of the Base Year.

**Calendar Year** – January 1<sup>st</sup> – December 31<sup>st</sup> of the year prior to the first day of the Effective Period.

**Customer's Heat Rate Tier Level** – Depending on what technology the Customer's unit employs, there will be four different proxy heat rates:

**Tier 1** – 17.5 mmBTU/Mwh-hour for older, simple cycle peaking units (i.e. those units that commenced operation prior to December 31, 1998)

**Tier 2** – 11.0 mmBTU/Mwh-hour for Rankine Cycle steam units

**Tier 3** – 10.0 mmBTU/Mwh-hour for new, simple cycle peaking units

**Tier 4** – 7.4 mmBTU/Mwh-hour for combination cycle plants

**Customer's Mwh Generated Output** – The hourly dth consumption divided by the Customer's heat rate expressed in Mwh/hours

**Daily Market Gas Cost** – The average per dth market cost of gas reported in Gas Daily for the average daily price for city gate deliveries at the location of the customer based on an average of the high and midpoint prices.

**Effective Period** – The Effective Period for the initial Value Added Charge is March 15, 2006 through April 30, 2007. Beginning 2007, the Effective Period is May 1<sup>st</sup> of each year through April 30<sup>th</sup> of the following year.

**Fuel Cost of Generation** – The applicable Daily Market Gas Cost multiplied by the Customer's Heat Rate Tier Level expressed in \$/Mwh.

**NYISO** – The New York Independent System Operator.

**Spark Spread** – The difference between the Market Electric Price and the Fuel Cost of Generation expressed in \$/Mwh based on the location of the customer.

**Test Year** – The Test Year will be the previous Calendar Year to the Effective Period.

- 2.** The Value Added Charge is a unitized per decatherm rate, derived from the increase in the Spark Spread from the Base Year to the Test Year. The Value Added Charge is applied to every decatherm delivered by the Company to the Customer [or the Customer's Annual Minimum Bill Obligation, whichever is greater,] during the Effective Period.

The Value Added Charge for the first year of operation for any customer will equal the Annual Total Value Added Charge for the Test Year divided by the number of decatherms the Company estimates it will deliver to the Customer during the Effective Period.

The Value Added Charge for all Effective Periods after the initial year of operation will be calculated as follows: The Reconciliation Charge will be subtracted from the Total Value Added Charge for the Test Year. The resulting difference will be divided by the number of decatherms the Company delivered to the Customer during the Effective Period.

Issued by: James A. Lahtinen, Vice President – Rates & Regulatory Economics, Binghamton, NY