

PSC NO: 121 ELECTRICITY
NEW YORK STATE ELECTRIC & GAS CORPORATION
Initial Effective Date: 03/01/06

Leaf: 23
Revision: 2
Superseding Revision: 0

SERVICE CLASSIFICATION NO. 1 (Cont'd.)

RATE CHOICES AVAILABLE TO CUSTOMERS: (CONT'D.)

4. NYSEG Variable Price Option (VPO) (Cont'd.)

Transition Charge (Non-Bypassable Charge ["NBC"]):

All customers served under this Service Classification, taking service under the NYSEG Variable Price Option (VPO) rate will be required to pay a Transition Charge (NBC), as further described under Rate Choice No. 1, ESCO Price Option (EPO), and PSC 120 General Information Section 12.B.

Commodity Service

The charge for Electric Power Supply provided by NYSEG will fluctuate with the market price of electricity and will include the following components: energy, Energy Losses (which include Unaccounted For Energy), Unforced Capacity (UCAP), UCAP Reserves, and UCAP Losses. This charge is determined using the same methodology as described above in this Service Classification under the detailed explanation of the Retail Access Credit (applied to the ESCO Option with Supply Adjustment, Rate Choice No. 2); items "a" (Energy) and "b" (Capacity).

In the event that NYSEG determines that it will incur an estimated gain or loss because purchases for VPO customers were made in the real-time market at prices differing from those in the day-ahead market, NYSEG will credit or recover the full amount of the estimated gain or loss through the non-bypassable charge from VPO customers.

Merchant Function Charge:

The Merchant Function Charge reflects the administrative costs of obtaining electricity supply. Customers whose electricity is supplied by an ESCO are not charged for this service. The Merchant Function Charge will be reset annually, to be effective February 1, using the methodology approved by the Commission in Case 05-E-1222.

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