

PSC No: 120 - Electricity  
New York State Electric and Gas Corporation  
Initial Effective Date: October 30, 2005

Leaf No. 186  
Revision: 1  
Superseding Revision: 0

SERVICE CLASSIFICATION NO. 5 (Continued)

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

**1. ESCO Price Option (EPO) (Cont'd.)**

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

All customers served under this Service Classification, taking service under the ESCO Price (EPO) rate or the NYSEG Variable Price Option (VPO) rate (see Rate Choice No. 4) will be required to pay a Transition Charge, also known as the Non-Bypassable Charge [NBC] in the Electric Rate Plan.

The Transition Charge (NBC) is a per kilowatt-hour charge calculated by summing the above-market costs and below-market benefits of the Company's existing power purchase obligations. The charge includes the difference between (a) the market value of electricity from NYSEG-owned hydroelectric plants, Non-Utility Generators ("NUGs"), and Nine Mile Point 2, and (b) contract payments for that electricity. The Transition Charge (NBC) also includes costs associated with moving electricity through the transmission and distribution systems and the benefits of existing transmission contracts. Additionally, the Transition Charge (NBC) includes ancillary service costs as well as NYPA Transmission Access Charges ("NTAC"). Effective September 1, 2006 through December 31, 2006, the Transition Charge (NBC) will include a credit ("Sur-Credit") of \$0.0050 to the above calculation for all customers.

For customers taking service under the ESCO Price Option (EPO) rate or the NYSEG Variable Price Option (VPO) rate, the Transition Charge (NBC) may vary monthly, depending on the market prices of electricity. For such customers whose service is electrically connected East of the NYISO Total East Interface, the Transition Charge (NBC) will include a credit to reflect the higher cost to serve load in that area.

A Transition Charge (NBC) Statement setting forth the monthly Transition Charge (NBC) will be filed with the Public Service Commission on not less than three (3) days' notice from the effective date of the revised charge for the first day of the billing cycle each month. Such statement can be found at the end of this Schedule (PSC 120 - Electricity).

**2. ESCO Option with Supply Adjustment (EOSA)**

This Retail Access choice provides a Retail Access Credit ("RAC") applied to the NYSEG Fixed Price Option ("FPO"). This FPO rate can be found in the description for Rate Choice No. 3, the NYSEG Fixed Price Option, in this service classification. The RAC, further described below, fluctuates with the market price of electricity, and consists of energy, Energy Losses (which include Unaccounted For Energy); Unforced Capacity ("UCAP"), UCAP Losses, UCAP Reserves, and an Additional Component of \$0.005 per kWh.

Retail Access Credit (RAC)

The RAC consists of three components:

a) 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 appropriate for such lighting customer's load shape, luminaire usage, and the region (East or West of the NYISO Total East Interface) in which the customer is located. 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.

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Binghamton, New York