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 COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION REVISION: 3
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GENERAL INFORMATION

5. CONDITIONS OF GAS SERVICE: (CONT'D)

H. Unbundling of Upstream Capacity (Cont'd)

Aggregated Transportation Service:

Customers migrating from residential or non-residential firm sales service into firm aggregation transportation service under Service Classification Nos. 13 and 14 of this Schedule shall take an assignment of upstream pipeline transportation capacity. The Company will assign the upstream pipeline transportation capacity to the Customer's designated agent. The quantity of upstream pipeline transportation capacity assigned will be based on the Customer's load factor. The cost of assigned capacity shall be the Company's weighted average cost of capacity.

For customers in the Lockport, Elmira and Combined Areas, such assignment shall be made, in conjunction with Managed Storage Service (as more fully described in Section 5.I. of this Schedule), to sufficiently meet the Customer's MDTQ. For customers in the Owego or Binghamton Areas, such assignment shall be made in conjunction with Managed Storage Service (as described more fully in Section 5.I. of this Schedule) to meet the Customer's expected load on a day experiencing 64 Heating Degree Days.

Customers not eligible for Managed Storage Service shall be required to take an assignment of upstream pipeline transportation capacity equal to the Customer's MDTQ.

If the Customer is assigned capacity which has a lower (higher) cost than the weighted average cost of capacity for the rate district applicable to the Customer, as calculated and filed with the PSC on a monthly basis, the Customer's designated agent shall receive a surcharge (credit) for the difference between the assigned capacity cost and the Company's weighted average cost of capacity.

Capacity shall be assigned to the Customer's designated agent to achieve minimal impact on remaining sales customers. Such assignments shall be for successive one (1) year terms until the expiration of the Company's upstream contracts that correspond to the assignment. The capacity assignment shall be recallable under any of the following four conditions: (1) the Customer requests firm sales service from the Company; (2) the Customer ceases to be a customer of the Company; (3) the Customer switches to a new designated agent; or (4) the Customer's designated agent fails to perform.

Issued By: George E. Bonner, Vice President - Gas Operations & Marketing, Binghamton, NY

(Name of Officer, Title, Address)