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NEW YORK STATE ELECTRIC & GAS CORPORATION

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GENERAL INFORMATION

34. ECONOMIC DEVELOPMENT ZONE INCENTIVE (EDZI):

Upon application, a prospective or existing non-residential customer located in an approved Economic Development Zone ("Empire Zone"), that is eligible for service under Service Classification Nos. 1, 5, or 14 of this Schedule, may qualify for the Economic Development Zone Incentive ("EDZI"), as stated in the applicable Special Provision for Economic Incentives of the respective service classifications for qualified gas usage. Such eligible customer may qualify for the EDZI by installing and operating gas-utilizing equipment at the premises as follows: for a "process" customer, qualification is achieved by the installation of new or additional gas-utilizing equipment rated at one Therm or more per hour; for a "space conditioning" customer or a "space conditioning and process" customer, qualification is achieved by the installation of new or additional gas-utilizing equipment rated at 2.5 Therms or more per hour.

An eligible "prospective customer" is hereby defined as a business entity which demonstrates that: a) its activities are largely or entirely different in nature from that of the previous customer or b) if the activities are not different, the owner(s) is different; or c) business has not been conducted at the premises for at least six months prior to the application for EDZI benefits; or (d) the predecessor customer is in bankruptcy and the applicant has obtained the business in a liquidation sale.

An eligible "existing customer" is hereby defined as a business entity that does not qualify as a prospective customer and is presently taking gas service from the Company's system, thus establishing a base load. Such customer, upon application and qualification, must add gas-utilizing equipment to increase its facility's existing usage, as stated above, to qualify for this incentive, which is solely applicable to such increased usage.

To qualify for the EDZI, an eligible customer, upon application, must present the Company with the appropriate certification from the approved Economic Development Zone Administrator. An eligible customer for EDZI must also provide to the Company a Certificate with an initial date of eligibility that precedes the installation and operation of the qualifying equipment.

For customer usage that qualifies on or after 10/01/04, the EDZI shall be applied for a period of 10 years following initial zone certification, beginning with the eligibility date on the certificate, unless the customer's initial zone certification(s) becomes invalid, notwithstanding the expiration of the designation of an Economic Development Zone in the area where the customer is located.

New service under this provision shall no longer be available to customers, except for those under Service Classification No. 1. All other customers shall pay a monthly service bill at the rates and charges under the standard service classification rate.

A qualified customer shall have its monthly service bills, excluding the Transportation Administration Charge, reduced by the percentage discount stated in the applicable Special Provision for Economic Incentives of each eligible service classification, for all usage in excess of a base amount established for each monthly billing period. For an existing customer, the base amount shall be based on a one-year historical period, actual or estimated, as determined by the Company prior to qualification for the incentive. For a prospective customer, the base amount shall be zero.

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