

PSC NO: 220 ELECTRICITY
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: APRIL 1, 2013
STAMPS: Issued in Compliance with Order of PSC in Case 12-E-0201 issued March 15, 2013

LEAF: 222
REVISION: 7
SUPERSEDING REVISION: 5

GENERAL INFORMATION

42. MERCHANT FUNCTION CHARGE

42.1 The Merchant Function Charge ("MFC") is a mechanism that permits the Company to recover from customers receiving electric commodity service from the Company ("full service customers") the following costs associated with the providing the service:

- (a) Electricity Supply Procurement
- (b) Electricity Supply Credit and Collection
- (c) Electricity Supply Uncollectible Expenses
- (d) Working Capital on Purchased Power Costs

42.2 Full service customers receiving service under PSC Nos. 220 and 214 Electricity are subject to the MFC, except on load served by NYPA

42.2.1 Customers served under SC-12 will not be subject to Rule 42.3.2 and 42.3.3 below but will be subject to Rule 42.3.1 and Rule 42.3.4. of this Rule.

42.3 Calculation of the Merchant Function Charge per kWh:

42.3.1 Electricity Supply Procurement

42.3.1.1 The Electricity Supply Procurement Rate will be reset April 1, 2013 and each April 1 thereafter by dividing the revenue requirement of \$1,307,867 by the forecasted sales of full service customers for that period.

42.3.1.1.1 Any over/under collection, including carrying charges using the pretax weighted average cost of capital, related to Electricity Supply Procurement for the year shall be divided by the forecast sales of full service customers for the following year and added to the Electricity Supply Procurement rate effective April 1 of that following calendar year.

42.3.1.1.2 However, the rate effective April 1, 2013 will contain the remaining reconciliation for calendar year 2012, plus the reconciliation for January 1, 2013 through March 31, 2013.

42.3.1.2 The total per kWh Electricity Supply Procurement rate, which equals the over/under collection related to Electricity Supply Procurement for the previous period(s) added to the current year Electricity Supply Procurement rate, shall be filed on the Statement of Merchant Function Charge not less than three (3) days prior to its effective date.

Issued by Kenneth D. Daly, President, Syracuse, NY