

PSC NO: 220 ELECTRICITY
 NIAGARA MOHAWK POWER CORPORATION
 INITIAL EFFECTIVE DATE: DECEMBER 1, 2016
 STAMPS: Issued in Compliance with Order issued November 21, 2016 in Case No. 12-E-0201

LEAF: 229.2
 REVISION: 5
 SUPERSEDING REVISION: 4

GENERAL INFORMATION

46. SUPPLY SERVICE CHARGES (Continued)

46.3.1.3 The New Hedge Adjustment factor shall be calculated monthly and shall be based upon the sum of the monthly forecasted contract costs and monthly forecasted market values of New Hedges, plus any applicable reconciliation balance from prior periods determined pursuant to Rule 46.3.1.4. The market value of the New Hedges will be determined based on the forecasted monthly market prices as set forth in 46.1.1. In addition, the New Hedge Adjustment shall include costs incurred by the Company in performing hedging activities, and such costs may take the form of costs of premiums for options, insurance premiums, letters of credit fees, and margining financial transaction costs. The New Hedge Adjustment shall be calculated as the amount so determined applicable for the zone(s) divided by the forecasted zonal kWh sales of customers on Service Classification Nos. 1 and 2 (Non Demand) receiving Electricity Supply Service from the Company.

46.3.1.4 The New Hedge Adjustment shall be subject to reconciliation in which the actual net market value for the zone(s) shall be calculated and compared to the actual revenue billed for the zone(s) for the applicable month. Any reconciliation balance, whether positive or negative, shall be included in the adjustment of subsequent periods pursuant to Rule 46.3.4.

46.3.2 Mass Market Adjustment – The variance in the forecasted monthly market prices upon which Mass Market customers are billed for a month and the actual monthly market prices for the same month and applicable to SC-1, [with the exception of Special Provision L](#), and SC-2 (Non-Demand) customers taking Electricity Supply Service from the Company.

46.3.2.1 The Mass Market Adjustment shall be calculated monthly as the difference between the forecasted zonal monthly market prices determined pursuant to Rule 46.1.1 and the actual zonal monthly market prices for the same month, multiplied by the kWh sales billed to Mass Market customers during the applicable billing month.

46.3.2.2 The Mass Market Adjustment factor shall be calculated monthly as the amount determined pursuant to Rule 46.3.2.1 divided by the forecasted zonal kWh sales for the applicable month of customers on Service Classification Nos. 1 and 2 (Non Demand) receiving Electricity Supply Service from the Company. Any reconciliation balance, whether positive or negative, shall be included in the adjustment of subsequent periods pursuant to Rule 46.3.4.

46.3.3 Supply Service Adjustment – The reconciliation amount represented by the difference between actual monthly Electric Supply Costs and actual revenue billed through the ESCost pursuant to Rule 46.1 not otherwise recovered from customers through the LTC, NYPA Benefit, New Hedge Adjustment, and Mass Market Adjustment and is applicable to all customers taking Electricity Supply Service from the Company.

46.3.3.1 Actual monthly Electricity Supply Costs shall be all costs incurred by the Company in providing electric supply to its customers for an applicable service month. Electricity Supply Costs shall include the cost incurred under Legacy Contracts, New Hedges, NYPA R&D Contracts, and for electricity purchased from NYISO in the Day Ahead and Real Time market, and shall include the cost of capacity and ancillary services assessed to the Company; adjusted by

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46. SUPPLY SERVICE CHARGES (Continued)

46.2.6.6 The portion of the NYPA Benefit associated with the RCD payment shall be subject to reconciliation in which the RCD payment value shall be compared to the actual revenue billed by the factor in Rule 46.2.6.5 for the applicable month. Any reconciliation balance, whether positive or negative, shall be included in the Rule 46.2.6.5 factor in effect in subsequent periods.

The monthly RCD payment provided to customers shall not exceed the total monthly electric utility bill for each customer, and shall be shown as a separate factor on the Supply Service Charge Statement.

46.2.6.7 The RAD Program is applicable to agricultural customers who receive their electric service at the Company's residential rates, SC 1 and SC 1-C, of this schedule. The RAD Program is administered on an annual basis from September 1 to August 31 of each year.

46.2.6.7.1 Customers must initially apply for the RAD Program by filling out the Company's Application for Residential Agricultural Discount ("RAD") Program Form and by providing the Company with either:

- 1) A copy of Internal Revenue Service Form ("IRS") - Schedule F (Form 1040) - Profit or Loss From Farming as filed with the customer's most recent federal income tax return; or,
- 2) A Form 1120, 1120S, or 1065 as filed with the customer's most recent federal income tax return. The Business Activity indicated on the form must be one of the Business Activity codes listed below:

Agriculture, Forestry, Fishing and Hunting

Crop Production

- 111100 - Oilseed & Grain Farming
- 111210 - Vegetable & Melon Farming (including potatoes & yams)
- 111300 - Fruit & Tree Nut Farming
- 111400 - Greenhouse, Nursery, & Floriculture Production
- 111900 - Other Crop Farming (including tobacco, cotton, sugarcane, hay, peanut, sugar beet & all other crop farming)

Animal Production

- 112111 - Beef Cattle Ranching & Farming
- 112112 - Cattle Feedlots
- 112120 - Dairy Cattle & Milk Production
- 112210 - Hog & Pig Farming
- 112300 - Poultry & Egg Production
- 112400 - Sheep & Goat Farming
- 112510 - Aquaculture (including shellfish & finfish farms & hatcheries)
- 112900 - Other Animal Production

Forestry and Logging

- 113110 - Timber Tract Operations
- 113210 - Forest Nurseries & Gathering of Forest Products
- 113310 - Logging

Fishing, Hunting and Trapping

- 114110 - Fishing
- 114210 - Hunting & Trapping

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GENERAL INFORMATION

46. SUPPLY SERVICE CHARGES (Continued)

46.2.7 The Nine Mile Unit #2 PPA converted to a Revenue Sharing Agreement (RSA), effective December 1, 2011. The RSA will provide the Company with a quarterly credit of eighty percent of the amount by which actual market prices exceed a specific schedule of floor prices as identified in the RSA. Any applicable payments received under the RSA for a contract quarter will be refunded to customers beginning in the calendar month following the month in which the payment is received. Such payments will be refunded to customers over three consecutive months. An allowance for carrying charges at the currently approved customer deposit rate in effect at the time of the payment will also be included. The monthly credits will be added to the net market value forecast of the other Legacy Contracts in Rule 46.2.2

46.3 All customers receiving commodity service in accordance with Rule 46.1 will also be subject to the Electricity Supply Reconciliation Mechanism ("ESRM"). The ESRM will consist of:

46.3.1 New Hedge Adjustment – The costs and benefits associated with the net market value of New Hedges and applicable to Service Classification Nos. 1, [with the exception of Special Provision L](#), and 2 (Non-Demand).

46.3.1.1 New Hedges are defined as all power purchase contracts executed on or after June 1, 2001, excluding NYPA contracts which are subject to Rule 46.2.6.

46.3.1.2 The net market value of each New Hedge contract is defined as the monthly contract cost less the market value.