

PSC NO: 220 ELECTRICITY
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: JUNE 1AUGUST 19, 2019
STAMPS: Issued in Compliance with Order in Case 18-E-0130 issued December 13, 2018.

LEAF: 263.1
REVISION: 4011
SUPERSEDING REVISION: 910

GENERAL INFORMATION

56. ENERGY STORAGE SURCHARGE

56.1 The Energy Storage (~~“ES”~~) Surcharge (“ES Surcharge”) collects the costs associated with the Company’s procurement of energy storage in accordance with PSC order dated December 13, 2018 in Case 18-E-0130.

56.2 ~~Costs to be recovered by the ES Surcharge include~~ The ES Surcharge will be calculated in accordance with the following:

~~the Company’s cost to procure the dispatch rights of energy storage projects for the term of the contract, less any amounts received from NYSERDA.~~

56.2.1 Energy Storage Costs (“ES Costs”) include, but include but are not limited to the following costs if paid by the Company: i) contract costs to procure the dispatch rights of the energy storage project for the term of the contract less any amounts received from NYSERDA for the same energy storage project, capacity contract costs, ii) distribution charging costs, iii) energy charging costs, iv) NYISO participation fees, v) third-party bid fees, and vi) any incremental costs related to procuring or implementing any energy storage procurement contracts or bidding energy storage resources into the NYISO markets.

56.2.2 Energy Storage Revenue (“ES Revenue”) includes but is not limited to the following revenue, if received by the Company, related to the procured energy storage dispatch rights during the term of the contract: Annual NYISO wholesale market revenues (avoided wholesale electric market costs such as i) energy; ii) installed capacity and ancillary services; iii) and any other revenue-generating activity of the energy storage asset or direct revenue from the NYISO (“ES Revenues”) from the energy storage asset, that are greater than the ES Costs on an annual basis will be “Annual Net ES Revenues.”

56.2.3 Energy Storage Benefits (“ES Benefits”) include but are not limited to the following benefits from the procurement of the energy storage dispatch rights during the term of the contract: i) distribution system benefits such as avoided capital costs or improved reliability metrics, ii) avoided energy, avoided capacity, or other avoided market costs, and iii) environmental benefits.

56.2.4 Annually, the ES Benefits will be compared to the ES Costs less the ES Revenue. Any ES Costs or ES Benefits that cover more than one year of the contract will be amortized over the term of the contract. If the ES Benefits are greater than the ES Costs less the ES Revenue, thirty percent (30%) of the difference will be included in the ES Surcharge for the Company’s recovery as an earnings incentive. Seventy (70) percent of the Annual Net ES Revenues will be deferred and returned to customers in the Company’s subsequent rate case. The remaining thirty (30) percent of the Annual Net ES Revenues will be retained by the Company as a performance incentive, to the benefit of Company’s shareholders.

56.3 The ES Surcharge will recover the ES Costs less the ES Revenue, plus the incentive specified in Rule 56.2.4 (collectively, the “ES Recovery”) over the term of the energy storage procurement contract. Annual ES Costs Recovery will be recovered from customers in the subsequent annual period, on a two-month lag basis following the annual period when the project costs are incurred by the Company, inclusive of interest at the applicable customer deposit rate. The ES Surcharge will be reconciled for any over/under collections annually, inclusive of interest at the applicable customer deposit rate.

56.4 The ES Costs Recovery will be allocated to service classifications based on the Company’s single coincident peak transmission demand allocator (“1CP”) per Rule 43.6.

56.5 After the ES Costs Recovery is ~~are~~ allocated in accordance with Rule 56.4 above for each project, the ES

| Costs Recovery will be collectively recovered through the ES Surcharge, which will be provided in a rate statement filed with the PSC on not less than three days' notice before the effective date.

56.6 The ES Surcharge will be applicable to all delivery customers in SC1, SC1C, SC2ND, SC2D, SC3, SC3A, SC4, SC7 and SC12 (in accordance with their individual contracts), all NYPA deliveries (including ReCharge NY Load), and to all service classifications of P.S.C. No. 214 – Electricity.

56.6.1 The ES Surcharge is not applicable to Empire Zone and Excelsior Jobs Program qualifying load.

| 56.6.2 -Once implemented, the ES Surcharge will be included in the delivery line item on customers' bills, either on a per kWh basis for non-demand classes or on a per kW basis for demand classes.