

PSC NO: 220 ELECTRICITY
NIAGARA MOHAWK POWER CORPORATION
INITIAL EFFECTIVE DATE: MARCH 19, 2012

LEAF: 222
REVISION: 5
SUPERSEDING REVISION: 4

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:

- (i) load served by NYPA
- (ii) customers served under SC-11 and SC-12 in accordance with the terms of their individual contracts.

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 per kWh shall initially become effective February 1, 2011 and shall be adjusted pursuant to Rules 42.3.1.2 and 42.3.1.3.1 below.

42.3.1.2 The Electricity Supply Procurement Rate will be reset January 1, 2012 and each January 1 thereafter by dividing the revenue requirement of \$2,142,747 by the forecasted sales of full service customers for that period.

42.3.1.3 As a result of the MFC's February 1, 2011 effective date, for the period February 1, 2011 through December 31, 2011, the billed revenue generated from the Electric Supply Procurement rate will be reconciled to \$1,964,185 (11/12 of the annual amount).

42.3.1.3.1 Any over/under collection related to Electricity Supply Procurement for a calendar year shall be divided by the forecast sales of full service customers for the following calendar year and added to the Electricity Supply Procurement rate effective January 1 of that following calendar year.

42.3.1.4 The total Electricity Supply Procurement rate, which equals the over/under collection related to Electricity Supply Procurement for the previous calendar year 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