

PSC NO: 220 ELECTRICITY  
NIAGARA MOHAWK POWER CORPORATION  
INITIAL EFFECTIVE DATE: JANUARY 1, 2012

LEAF: 229.2  
REVISION: 0  
SUPERSEDING REVISION:

#### 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 all New Hedges, plus any reconciliation balance from two months prior 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 divided by the forecasted 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 shall be calculated and compared to the actual revenue billed by the New Hedge Adjustment factor for the applicable month. Any reconciliation balance, whether positive or negative, shall be included in the adjustment that is two months later.

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 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 monthly market prices determined pursuant to Rule 46.1.1 and the actual 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 kWh sales for the applicable month of customers on Service Classification Nos. 1 and 2 (Non Demand) receiving Electricity Supply Service from the Company.

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

Issued by Thomas B. King, President, Syracuse, NY