

PSC No: 120 - Electricity
New York State Electric & Gas Corporation
Initial Effective Date: January 1, 2008

Leaf No. 117.9
Revision: 2
Superseding Revision: 1

GENERAL INFORMATION

25. Pricing Options Effective January 1, 2008 (Cont'd.)

C. Calculation of the Commodity Component of the Fixed Price Option (Cont'd.)

The FPO price for SC 1 residential customers for 2008 will equal $\$90.93 * ((\text{November Forward Price}) / (\text{Base Forward Price}))$. This rate will be differentiated for other rate classes based on class contribution to peak for installed capacity and relative differences in load shape for energy and losses.

FPO prices to become effective January 1, 2008 for each Service Classification based on the Base Forward Price are set forth on the Supply Charge (SC) Statement. FPO prices based on the change, if any, in the November Forward Price, in accordance with the above described Market Price Index, will be filed on November 1 on the Supply Charge Statement.

(ii) Earnings Sharing

The Company will annually determine the commodity earnings or losses related to fixed price supply service. Commodity earnings will be based on the total of commodity plus NBC revenues. The first \$20 million of any such pre-tax commodity earnings will be guaranteed to customers and will flow through the annually set NBC. Any amounts in excess of \$20 million pre-tax commodity earnings will be shared on a 50/50 basis between NYSEG and all delivery customers that are subject to the NBC. The customer share of commodity earnings beyond the first \$20 million guaranteed to customers will be flowed through the NBC in the subsequent year's NBC calculation.

D. Merchant Function Charge (MFC):

The MFC, as set forth within each Service Classification, will include the following: 1) electric commodity related uncollectibles; 2) Administrative and General Expenses related to commodity; 3) customer care costs related to commodity; 4) supply procurement expenses; and 5) cash working capital on purchased power.

The MFC will be applicable to only those customers taking supply service from NYSEG.

Beginning January 1, 2009, the MFC will be reset annually to reflect recent migration levels and to update uncollectibles.

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