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COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION REVISION: 0
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SERVICE CLASSIFICATION NO. 8 (CONT'D)

FIRM OR RECALLABLE CAPACITY ASSIGNMENT (CONT'D)

SPECIAL PROVISIONS:

- A. The Company will assign capacity to customers or other parties offering the bid that provides the greatest revenue stream. Such bids shall be subject to the maximum and minimum prices as set forth in the Posting section above, and to the capacity release requirements of the upstream pipeline, as set out more fully in Special Provision B below. The Company shall assign capacity such that the net present value of the aggregate revenue stream generated by all capacity assignments, including revenues from the transportation service classifications in this Schedule, is maximized. All bids received on a one-part blended basis will be restated as a two-part price based on the upstream pipeline's system load factor.
- B. If the upstream pipeline has a capacity release or reassignment program which requires all releases of its capacity to be made through the upstream pipeline's program, then all capacity assignments under this service classification will ultimately be subject to the Posting, and other applicable provisions of the upstream pipeline's capacity release program.
- C. The Company shall have no obligation to allocate capacity to customers or other parties who are not willing to pay the maximum price, unless all requests for assignment at the maximum price have been satisfied. In the event that insufficient capacity is available to meet all the maximum bids as evaluated in Special Provision A above, the available capacity shall be prorated among all bidders with the applicable maximum bid. In the event that capacity is available after all nominations at the maximum bid have been satisfied, capacity shall be allocated to customers and other parties providing the next highest bid.
- D. Assignor may allocate capacity on either a firm or recallable basis as stated in the Service Classification No. 8 Upstream Capacity Assignment Application Form. In the event a customer elects to pay a one-part price, the assignment may be limited at Assignor's discretion, to the customers' anticipated monthly use, adjusted for losses, divided by the number of days in the month. Nothing herein shall prohibit First Assignee from reassigning the assigned services to a subsequent Assignee, or any subsequent assignments thereafter.

Issued By: Michael I. German, Senior Vice President, Binghamton, New York
(Name of Officer, Title, Address)