GENERAL INFORMATION

25. ENERGY COST ADJUSTMENT ("ECA") (Continued)

(F) Earnings Adjustment Mechanism ("EAM") Cost Recovery

For the purpose of EAM cost recovery, the Company will establish the following service classification groups:

Group 1: SC Nos. 1 and 19
Group 2: SC No. 2 Secondary Non-Demand Billed
Group 3: SC Nos. 2 Secondary Demand Billed, 20, and 25 – Rate I
Group 4: SC Nos. 2 Primary, 3, 21, and 25 – Rate II
Group 5: SC Nos. 9, 22, and 25 – Rates III and IV
Group 6: SC Nos. 4, 5, 6, and 16

The EAM Cost Recovery component of the ECA is designed to recover incentives associated with electric EAMs. Recovery will be over twelve-month periods commencing each July 1. Recovery will be on a per kWh basis for non-demand billed service classification groups and on a kW basis for demand-billed service classification groups. For customers billed under Standby Service rates, the costs will be recovered on a per kW of Contract Demand basis. Recoveries (eleven months actual, one month forecast) will be reconciled to allocable costs for each twelve-month recovery period ending June 30, with any over or under recoveries included in the development of the succeeding EAM Cost Recovery component of the ECA. Reconciliation amounts related to the one month forecast will be included in the next subsequent rates determination.

The allocation of recoverable costs for EAM to service classification groups is set forth in the Joint Proposal adopted by the Commission in its Order Adopting Terms of Joint Proposal and Establishing Electric and Gas Rate Plans, issued March 14, 2019 in Case No. 18-E-0067.

(G) Energy Storage Cost Recovery

As described in the Company's Implementation Plan filed in Case 18-E-0130, the Energy Storage Cost Recovery component of the ECA shall recover all costs, including implementation costs, incremental costs and carrying charges associated with the procurement of scheduling and dispatch rights of at least 10 MW from qualified energy storage systems, amortized over the life of the contract with each developer or seven years for costs not associated with a specific developer contract, less any amounts received from NYSERDA. To the extent that net annual wholesale market revenues exceed the contract costs on an annual basis, the excess will be split on a 70/30 basis between customers and shareholders.