

PSC No: 19 - Electricity  
Rochester Gas and Electric Corporation  
Initial Effective Date: August 29, 2005  
Issued in compliance with order in Case 03-E-1761 issued and effective April 14, 2005

Leaf No. 215  
Revision: 2  
Superseding Revision: 1

**SERVICE CLASSIFICATION NO. 10**  
**GENERAL SERVICE - INDIVIDUALLY NEGOTIATED CONTRACTS**

**PURPOSE:**

The purpose is to provide a competitive response that balances the interests of the participating Customer, the non-participating Customers, and the utility shareholders. The pricing and terms of this Service Classification shall be set to maximize the contribution to Corporation fixed costs through retention of eligible Customers.

**APPLICABLE TO THE USE OF SERVICE FOR:**

Electric service to retain an existing non-residential Customer taking service under the Non-Retail Access Rate or the Retail Access Rate. The Customer will be, or continue to be, eligible to receive Energy Services as provided by the Corporation.

**CHARACTER OF SERVICE:**

Continuous, Alternating Current - 60 cycle, voltage and phase at the Corporation's option, as available and appropriate for the Customer's requirements.

**SERVICE CLASSIFICATION NO. 10 (Cont'd)**  
**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**INDIVIDUAL ELECTRIC SERVICE AGREEMENT:**

Determination as to whether or not the Company shall enter into an Individual Electric Service Agreement shall be based on an assessment of the need to retain or expand a Customer's load and the demonstration of economic benefits to non-participating Customers.

Upon 30 days' notice to the Company, and upon acceptance of the application by the Company, a Customer may qualify for an Individual Electric Service Agreement pursuant to this Service Classification.

The Individual Electric Service Agreement shall contain and specify all terms and conditions necessary for the Company to provide service to the Customer, including but not limited to:

- (A) The term of service.
- (B) The characteristics of service in addition to Character of Service listed above.
- (C) A listing of the rates and charges to be paid for services rendered.
- (D) A statement that the Customer has met all of the requirements of this Service Classification including the following requirements:
  - (1) If relocation is Customer's competitive viable alternative:
    - (a) Customer must provide historic financial documentation as the basis for future financial projections presented for the period for which an Individual Electric Service Agreement is being requested.

The historic financial data and the financial projections should support the need for rate relief to operate in a manner consistent with past practices within the service territory of the Company.

- (b) Customer must submit a strategic operating plan for the Customer to continue to operate in a manner consistent with past practices at the existing facility, or to expand at the existing facility, within the Company's service territory.
      - b.1. The plan shall include an appropriate showing to the Company of the favorable economics and the viability of alternative electricity options. In so doing, the plan shall include an assessment of competitive factors including cost factors within the Customer's market.

**SERVICE CLASSIFICATION NO. 10 (Cont'd)**  
**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**INDIVIDUAL ELECTRIC SERVICE AGREEMENT (Cont'd):**  
**(D)(1)(b) (Cont'd)**

These cost factors may include, but are not limited to, the following:

- b.1.a. Costs of shipping raw materials (industrial), or service resources (public authorities) to the production site.
  - b.1.b. Costs of shipping product to the Customer delivery points.
  - b.1.c. Material costs.
  - b.1.d. Property and other applicable local and state taxes.
  - b.1.e. Employee costs.
  - b.1.f. Electricity costs.
  - b.1.g. The potential cost to the Customer of complying with environmental regulations sufficient to meet minimum environmental permitting requirements.
  - b.1.h. Other energy costs.
- b.2. The Customer agrees to evaluate and assess in good faith the implementation of energy efficiency improvements in the Customer's facility. This assessment may be accomplished through recommendations from a comprehensive production analysis or energy audit performed for the facility.

(2) If Self Generation or Co-Generation is the Customer's competitive viable alternative:

(a) Customer must submit a strategic operating plan.

a.1. The plan shall provide an appropriate justification to the Corporation of the favorable economics and the viability of the self-generation or co-generation alternative. This plan shall include, but not be limited to, the following:

- a.1.a. If on-site generation exists:
  - i. A description of existing thermal and electric generation equipment, including all thermal and electric loads;
  - ii. A description of the electric generating equipment, including size, annual and hourly electric output, and annual and hourly fuel consumption and costs;
  - iii. A listing of annual non-fuel operating expenses for the energy facility, including, but not limited to, operating labor, maintenance, consumables, and O&M contract services;
  - iv. A detail of other costs for energy facility, including, but not limited to, labor overheads, taxes, insurance, capital improvements, permit fees, and financing on existing equipment; and
  - v. A description of areas of concern or difficulty which are adversely impacting current operations of the energy facility.

**SERVICE CLASSIFICATION NO. 10 (Cont'd)**  
**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**INDIVIDUAL ELECTRIC SERVICE AGREEMENT (Cont'd):**  
**(D)(2)(a) (Cont'd)**

- a.1.b. If on-site generation is being favorably considered:
  - i. A description of the proposed self generation/co-generation facility, including the facility's electric output, heat rate, and fuel consumption;
  - ii. A breakdown of the estimated cost of the proposed facility;
  - iii. A description of the intended operation of the proposed facility;
  - iv. A detail of non-fuel operating costs, including, but not limited to, operating labor, general maintenance, overhaul maintenance, consumables and O&M contract services;
  - v. A projection of annual electricity requirements and costs for Standby Service;
  - vi. A description of the environmental impacts of the proposed facility; and
  - vii. A Projected Cash Flow Analysis, detailing the financial data for the project life.
  
- a.1.c. The Customer agrees to evaluate and assess in good faith the implementation of energy efficiency improvements in the Customer's facility. This assessment may be accomplished through recommendations from a comprehensive production analysis or energy audit performed for the facility.

- (E) The documentation, including the historic and projected future financial information, shall demonstrate, in a form acceptable to the Corporation, the competitive alternatives and the pricing objective needed to retain the Customer. The pricing objective shall specify the relief from the otherwise applicable standard tariff rate that is necessary to retain the Customer's load, recognizing contributions towards achieving that objective from other economic development entities.
  
- (F) The documentation shall also demonstrate the Customer's participation in or efforts to participate in available State and/or local economic development programs as reviewed and attested to by the appropriate agency(ies) and Economic Development staff employed by the Corporation. To that end, the Corporation shall coordinate a comprehensive program of development initiatives that are available and applicable from the private and/or public sector(s). Each Individual Electric Service Agreement shall identify billing procedures provided under the Corporation's economic development tariff, contracts, and programs (including NYPA economic development programs) as appropriate.

**SERVICE CLASSIFICATION NO. 10 (Cont'd)**

**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**INDIVIDUAL ELECTRIC SERVICE AGREEMENT (Cont'd):**

- (G) The strategic operating plan must be accompanied by a sworn affidavit of the senior manager or officer at the Customer's facility, representing that the information submitted is true and that absent the Individual Electric Service Agreement, the Customer could no longer continue to operate its existing facility in a manner consistent with recent historical practices in the Company's service territory. The affidavit submitted by the Customer shall also include a commitment to continue to assess in good faith the resulting recommendations from any comprehensive production analysis and energy audit for inclusion in the Customer's facility, throughout the term of the **Individual Electric Service Agreement**.

Terms and conditions of service included in each Individual Electric Service Agreement required for service hereunder shall be established in a manner which does not unduly discriminate between similarly situated Customers.

Each Individual Electric Service Agreement shall be jointly filed with the Public Service Commission ("PSC" or "Commission") by the Company and the Customer pursuant to the PSC's Order Approving Guidelines For Flexible Rate Service Contracts, issued and effective April 14, 2005 in PSC Case 03-E-1761 (the "April 2005 Order"). The filing and any subsequent information requested by the PSC or its Staff regarding the Individual Electric Service Agreement shall be subject to full confidentiality protection as a trade secret.

A quarterly report shall be filed with the PSC pursuant the April 2005 Order. The report shall be subject to full confidentiality protection as a trade secret.

## **SERVICE CLASSIFICATION NO. 10 (Cont'd)**

### **GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

#### **RATES:**

The specific charges for service under this Service Classification shall be stated in the Individual Electric Service Agreement executed for each Customer served hereunder.

#### **DELIVERY RATE**

The rate contained in an Individual Electric Service Agreement shall, at a minimum, recover the Company's marginal costs plus a contribution toward system costs ("Marginal Cost Floor"). The Marginal Cost Floor is defined as:

$MC_{trans} + MC_{dist} + MC_{ancillary} + NTAC + \text{contribution toward system costs}$

Where:

$MC_{trans}$  is the Company's FERC-approved Transmission Service Charge

$MC_{dist}$  is the Company's marginal distribution costs

$MC_{ancillary}$  is the Company's system load weighted average of the NYISO ancillary services charges for Schedules 1 (fixed and variable), 2, 3, 5, and 6,

$NTAC$  is the NYPA Transmission Access Charge

Unless an updated marginal cost study is attached to the Individual Electric Service Agreement, the marginal costs that are approved by the PSC for use in the development of the Company's Excelsior Jobs rates shall be used for determining the Marginal Cost Floor.

#### **COMMODITY RATE**

Customer Options:

- The Company may provide electric commodity service at the rate for commodity available in the otherwise applicable Service Classification, as amended or superseded; or
- The Company shall facilitate a Customer's access to market commodity options available from ESCOs by offering the Customer assistance with linking the Customer with an ESCO that shall offer, at a minimum, fixed price commodity for a period of at least six months.

If the Customer's pricing objective, as demonstrated by the Customer, cannot be met by a combination of the above delivery and commodity offerings and other economic development offers, the Company shall evaluate innovative solutions and pursue alternatives in an effort to achieve the Customer's pricing objective, provided that if the Company is the provider of the commodity, then the Company shall not be required to supply that commodity below cost, the commodity shall not be drawn from the Company's existing supply portfolio, and the pursuit of commodity service shall not result in an economic detriment to other Customers.

ISSUED BY: Joseph J. Syta, Vice President, Controller and Treasurer, Rochester, New York

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Rochester Gas and Electric Corporation  
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**SERVICE CLASSIFICATION NO. 10 (Cont'd)**

**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**TERM:**

The term of delivery service shall be limited to no more than five years, unless a longer term is approved by the PSC. Prospective adjustments may be negotiated by the Company and the Customer, as defined within the Individual Electric Service Agreement.

The term of standard Company-offered commodity service supplied by the Company shall be reflected in the Individual Electric Service Agreement and shall remain in effect for the time periods established in the otherwise applicable Service Classification.

Other commodity options may provide for prospective price changes and term limitations, as defined within the Individual Electric Service Agreement.

If a Customer terminates or breaches an Individual Electric Service Agreement with the Company prior to the expiration of the term in which the price for a non-tariffed commodity option was to remain in effect, the Customer shall be responsible for compensating the Company for any obligations the Company has, or any damages the Company incurs, to a supplier relating to that price.

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### **SERVICE CLASSIFICATION NO. 10 (Cont'd)**

#### **GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**MERCHANT FUNCTION CHARGE (MFC):**

Per MFC Statement, as described in Rule 12. All kWh, per kWh.

**SYSTEM BENEFITS CHARGE:**

Per SBC Statement, as described in Rule 4. All kWh, per kWh.

**MERCHANT FUNCTION CHARGE (“MFC”):**

The Merchant Function Charge reflects the administrative costs of obtaining electricity supply. All customers taking supply service under this Service Classification with the Company shall be subject to a MFC charge (as explained in this Schedule, General Information Section 12.). See MFC Statement.

**RATE ADJUSTMENT MECHANISM (“RAM”):**

The RAM shall be applied per kW to all kW delivered under this Service Classification, (as explained in this Schedule, General Information Rule 24). See RAM Statement.

**EARNINGS ADJUSTMENT MECHANISM (“EAM”):**

The EAM shall be applied per kWh delivered under this Service Classification, (as explained in this Schedule General Information Rule 4.K). The rate shall be set forth on the EAM Statement.

**NON-WIRES ALTERNATIVE (“NWA”) SURCHARGE:**

The NWA Surcharge shall be applied per kWh delivered under this Service Classification, (as explained in this Schedule General Information Rule 32). The rate shall be set forth on the NWA Statement.

**ELECTRIC VEHICLE (“EV”) MAKE-READY SURCHARGE (“EV SURCHARGE”)**

The EV Surcharge shall be applied per kWh delivered under this Service Classification, (as explained in this Schedule General Information Rule 33). The rate shall be set forth on the EVMR Statement.

**RECOVERY CHARGE**

The Recovery Charge shall be applied per kWh delivered under this Service Classification, (as explained in this Schedule General Information Rule 41). The rate shall be set forth on the Recovery Charge Statement.

**INCREASE IN RATES AND CHARGES:**

The rates and charges under this Service Classification shall be increased by the applicable effective aggregate percentage shown in Rule 4.J. for service supplied within the municipality where the Customer is taking service.

**TERMS OF PAYMENT:**

All bills are rendered at the above rates as stated on each Individual Electric Service Agreement. A late payment charge of 1½% per month shall become due and payable if payment is not made on or before the “last day to pay” date specified on the bill in accordance with the provisions of Rule 4.C.(2). The late payment charge shall be stated in the Individual Electric Service Agreement but shall not exceed the rate stated in Rule 4.C.(2).



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Rochester Gas and Electric Corporation  
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**SERVICE CLASSIFICATION NO. 10**

**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

Reserved for Future Use

**SERVICE CLASSIFICATION NO. 10**

**GENERAL SERVICE - INDIVIDUALLY NEGOTIATED CONTRACTS**

NYISO Incentivized Day-Ahead Economic Load Curtailment Program Rider

Any Customer that is taking service under this service classification and is participating in the NYISO's Incentivized Day-Ahead Economic Load Curtailment Program is eligible for service under this rider.

- a) Term  
The Demand Reduction Incentive Payments offered under this rider will expire on October 31, 2003.
- b) Demand Reduction Provider  
Customers taking service under this rider are responsible for enrolling with a NYISO approved Demand Reduction Provider ("DRP"). A DRP is an entity qualified pursuant to NYISO procedures that bids Demand Side Resources of at least 1 MW. The DRP shall aggregate the loads received from Demand Side Resources. The DRP shall, if necessary, pro-rate the demand reduction bids in order to submit bids in the whole MWs required by the NYISO.  
  
RG&E will function as a DRP. Customers taking service under this rider will sign an agreement with RG&E.
- c) Demand Side Resources  
Demand Side Resources ("DSR") are customers that are capable of reducing demand in a responsive, measurable and verifiable manner within time limits, are qualified to participate in the program, and have signed an agreement with RG&E.
- d) Registration Procedures  
The DSR will enter into a signed agreement with RG&E specifying the terms under which the DSR will participate in the program. This agreement will include information needed by the NYISO for program administration. The data required will include at least the organization name, an administrative contact, 7x24 operations contacts, the LBMP zone and/or sub-zone, and billing meter number. RG&E will provide the DSR with the appropriate zonal designation.
- e) Metering and Meter Data Provision  
DSRs taking service under the Demand Reduction Program will be required to have an interval-billing meter. If the DSR does not already have an interval meter, it must acquire one per general information section 3.E of this tariff. Customers will bear the cost of such metering equipment only to the extent that it is not covered by NYSERDA.

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**SERVICE CLASSIFICATION NO. 10 (Cont'd)**

**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

NYISO Incentivized Day-Ahead Economic Load Curtailment Program Rider (continued)

f) Bidding by the DSR

- 1.) The DSR shall submit its demand reduction bids to the DRP in accordance with the agreement.
- 2.) Bids must be submitted to the DRP by 11:00 a.m. two days ahead of the curtailment day, (e.g. by 11:00 a.m. on Monday for Wednesday). However, bids for Saturday and Sunday must be submitted by 11:00 a.m. on Thursday, and bids for Monday and Tuesday must be submitted by 11:00 a.m. on Friday.
- 3.) Bids must be submitted in blocks in accordance with the agreement between the DSR and the DRP.
- 4.) Bids must be submitted in dollar and/or cents increments per KW for the desired block(s) of time in accordance with the agreement between the DSR and the DRP.
- 5.) The DSR could include a curtailment initiation cost as an integral part of their bid.
- 6.) The DSR shall submit bids that the DRP shall aggregate into whole MW increments.
  - i) DSRs must bid in 0.10 MW (100 KW) increments.
  - ii) The 0.10 MW (100KW) units shall be inclusive of the appropriate loss factor.
  - iii) The 0.10 MW (100KW) units may include the curtailment initiation factor.
- 7.) A bid can not be recalled or changed once it has been accepted by the DPR.

g) Bidding by the DRP

The DRP must submit its demand reduction bid to the NYISO in whole MW units. The DRP shall aggregate the DSR bids, at each price level bid by the DSRs, into whole MW units. In the event that the total aggregated demand reduction bid by the DSRs does not total to a whole MW unit, the individual DSR demand reduction bids shall be pro-rated downward so that the total DRP bid shall total to the next lowest whole MW (e.g. DSR bids that totaled 2.3 MW would be pro-rated so that the total DRP bid was 2.0 MW). The DRP shall aggregate bids from all of the service classifications at each price level. The DRP shall be notified of the acceptance of the bid by the NYISO one day ahead. The DRP shall notify the DSR upon receipt of notification of the acceptance of a bid by the NYISO on the day prior to the day of the curtailment.

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**SERVICE CLASSIFICATION NO. 10 (Cont'd)**

**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

NYISO Incentivized Day-Ahead Economic Load Curtailment Program Rider (continued)

h) DSR Customer Baseline Load and Actual Consumption

The DSR Customer Baseline Load ("CBL") is an average hourly energy consumption that is used to determine the level of curtailment for each individual DSR. The CBL shall be calculated according to the NYISO Day-Ahead Response Program Manual that is posted on the NYISO's web-site.

The DRP shall submit demand reduction bids to the NYISO. All DSRs whose bids are included, in whole or in part, in the DRP's demand reduction bid that is scheduled and accepted by the NYISO, are expected to reduce their real-time energy consumption by the amount of the bid accepted by the DRP. The amount of actual real-time curtailment determined for a DSR shall be equal to its CBL less its actual real-time consumption during the specified curtailment.

i) Payment by DSR

DSRs taking service under this rider shall pay the rates and charges that would otherwise be applicable under this service classification and shall be subject to all other terms and conditions of this service classification. Failure to pay any charges associated with service under this service classification, including any penalties charged per section (k) of this rider, shall result in the rescinding the DSR's right to participate in this program.

j) Payment to DSR

The DRP shall be paid by the NYISO in accordance with the NYISO Day-Ahead Demand Response Program Manual. The DSR shall receive a rebate equal to 90% of the rate paid to the DRP by the NYISO for the amount of its demand reduction bid that was accepted by the DRP.

k) Non-Performance Penalties

For DSRs who fail to comply with a scheduled NYISO curtailment, non-conformance penalties, as described in the NYISO Day-Ahead Demand Response Program Manual, shall apply. These penalties shall initially be charged to the DRP by the NYISO, and shall be passed along, in their entirety to the non-complying DSRs.

**SERVICE CLASSIFICATION NO. 10 (Cont'd)**

**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**SPECIAL PROVISIONS:**

**1. Previous S.C. No. 10 Tariff**

This provision is applicable to Individual Electric Service Agreements in effect prior to August 29, 2005.

**ELIGIBILITY:**

- A. To receive service under this Service Classification, the Customer must:
  - 1. Be an existing or potential non-residential Customer taking service under the Non-Retail Access Rate or the Retail Access Rate; and
  - 2. Provide reasonable documentation demonstrating to the Company's satisfaction evidence of a viable competitive alternative (excluding competitive alternatives in which the Company has an ownership interest) to the Company's present service subject to an agreed-upon confidentiality agreement; and
  - 3. Execute a Customer Service Agreement for Service Classification No. 10, including the pricing offered by the Company, and to be subject to the restrictions and provisions of this Service Classification.
- B. The Customer shall be, or continue to be, eligible to receive Energy Services as provided by the Company.

**SERVICE AGREEMENT:**

Upon 30 days' notice to the Company, and upon acceptance of the application by the Company, a Customer may qualify for an Individual Service Agreement pursuant to this Service Classification.

The Service Agreement shall contain all terms and conditions necessary for the Company to provide service to the Customer, including, but not limited to:

- A. The Term of service. The negotiated term of the Individual Electric Service Agreement shall be at least 12 months. Individual Electric Service Agreements offering fixed prices are generally limited to a term of seven years, unless a longer term is approved by the Commission. Individual Electric Service Agreements offering prices linked to a particular price or cost index may have longer terms, at the option of the Company and its Customer.
- B. The Character of Service terms.
- C. The Rates and Charges to be paid for service rendered.

Service under this Service Classification may be terminated immediately at the Company's option for material breach of the provisions of their Individual Electric Service Agreement. Such Customers shall be eligible for service under the otherwise appropriate Service Classification.

The first negotiated Individual Electric Service Agreement between the Company and a Customer shall be submitted to the Commission for review. For the initial and subsequent Individual Electric Service Agreement, the Company shall file addenda pursuant to Commission Order Concerning Tariffs Authorizing Individually Contracts, issued and effective May 8, 1992 in P.S.C. Case 91-M-0927.

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## **SERVICE CLASSIFICATION NO. 10 (Cont'd)**

### **GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

#### **PRICING:**

The specific pricing for any Individual Electric Service Agreement shall reflect the Corporation's assessment of the pricing and terms required to respond to the Customer's competitive options and shall be determined to maximize the contribution to total Corporation margins provided by service under that specific contract. The specific charges for service under this Service Classification shall be shown in the Individual Electric Service Agreement as stated above.

In accordance with the Commission's Order, issued and effective September 7, 2001 in Case 00-E-1463, Individual Electric Service Agreements executed on or after November 5, 2001 shall include a provision for the calculation of a minimum monthly bill. This minimum monthly bill provision ensures that the Customer makes a contribution to common costs by establishing a floor price equal to marginal cost plus \$0.01/kWh. Each month, the amount that the Customer must pay shall be the greater of the base Individual Electric Service Agreement amount, or the base Individual Electric Service Agreement amount plus the adjustment factor defined below. However, in no case shall the Customer pay more in any month than it would have paid under the standard Service Classification rates that would otherwise apply to that Customer were it not served under this Service Classification.

For Individual Electric Service Agreements negotiated on or after the issuance of an order approving the Joint Proposal on Electric and Natural Gas Economic Development Incentive Programs in Cases 02-E-0198 and 02-G-0199, the minimum contribution to common costs shall be equal to 15% of the Customer's standard delivery rate, inclusive of the applicable standard Transition Charge. The charges contained in any negotiated Individual Electric Service Agreement shall be set at a level no lower than the marginal costs the Corporation incurs plus this minimum contribution.

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**SERVICE CLASSIFICATION NO. 10**  
**GENERAL SERVICE – INDIVIDUALLY NEGOTIATED CONTRACTS (Cont'd)**

**PRICING (Cont'd):**

The monthly adjustment factor is defined as:

$$\text{kWh}_{\text{current}} * (\text{MR}_{\text{total}} - \text{AR}_{\text{total}}) / \text{kWh}_{\text{total}}$$

Where:  $\text{kWh}_{\text{current}}$  = The Customer's kWh usage in the current billing month.

$\text{MR}_{\text{total}}$  = The monthly marginal cost revenues, as defined below, for the Customer, summed over the 12 calendar months immediately preceding the month in which the bill is rendered.

$\text{AR}_{\text{total}}$  = The monthly actual revenues for the Customer, summed over the previous 12 billing months, where the actual revenues are the base revenues received in that month from the Customer under the Service Agreement. The monthly actual revenues do not include any revenues paid through this adjustment mechanism.

$\text{kWh}_{\text{total}}$  = The Customer's monthly kWh usage summed over the previous 12 billing months.

The monthly marginal cost revenues referred to above are defined as:

$$\text{MR}_{\text{trans}} + \text{MR}_{\text{dist}} + \text{MR}_{\text{energy}} + \text{MR}_{\text{ICAP}} + \text{MR}_{\text{ancillary}} + \text{MR}_{\text{adder}}$$

Where:  $\text{MR}_{\text{trans}}$  = The Company's FEREC-approved Transmission Service Charge (TSC) for the month multiplied by the Customer's total usage for the month.

$\text{MR}_{\text{dist}}$  = The Company's marginal distribution costs

$\text{MR}_{\text{energy}}$  = The Company system load weighted average day-ahead market (DAM) location-based marginal price (LBMP) for the month, multiplied by the Customer's total usage for the month.

$\text{MR}_{\text{ICAP}}$  = The New York Independent System Operator (NYISO) six-month strip auction price per kW-month for installed capacity (ICAP), multiplied by Customer's billing demand in the month.

$\text{MR}_{\text{ancillary}}$  = The Company system load weighted average of the NYISO ancillary services charges for Schedule 1 (fixed and variable), 2, 3, 5, and 6, and NTAC, multiplied by the Customer's total usage for the month.

$\text{MR}_{\text{adder}}$  = \$0.01/kWh multiplied by the Customer's total usage for the month.

The application of the adjustment factor shall commence in the first month following the end of the first 12-month period during which the Service Agreement was in effect, and continue until the termination of the service agreement. In the event that, after the termination of the Service Agreement, the Company and the Customer enter into a subsequent Service Agreement, the application of the adjustment factor shall begin immediately upon commencement of the new agreement.