

PSC NO. 90 Gas

NEW YORK STATE ELECTRIC & GAS CORPORATION

Initial Effective Date: 07/01/16

Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016

Leaf No: 90

Revision: 13

Superseding Revision: 11

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC):

A. Applicability

- (1) The GSC shall be applicable to all customers taking service pursuant to Service Classification Nos. 1, 2, 5, 9 and 10 of P.S.C. No. 87 Gas, or superseding issues thereof.
- (2) The applicable GSC, per Therm of usage, shall be charged to customers by prorating the GSCs in effect for heating load during the billing period based on the number of degree days each GSC was in effect during the billing period. For non-heating load, the applicable GSC, per Therm of usage shall be charged by prorating the GSCs in effect during the billing period based on the number of calendar days each GSC was in effect during the billing period.

B. Monthly GSC Calculation

- (1) A monthly GSC shall be calculated for each applicable service classification.

Issued by: James A. Lahtinen, Vice President - Rates & Regulatory Economics, Binghamton, NY

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

B. Monthly GSC Calculation: (Cont'd)

- (2) Each monthly GSC shall be the sum of the Total Average Cost of Gas, the Pipeline Refund, the Annual Reconciliation Adjustment, the Interim Reconciliation Adjustment and other PSC approved adjustments.

- C. The Total Average Cost of Gas is: (1) the sum of: (a) the Average Demand Cost of Gas and the Gas Cost Savings Adjustments attributable to demand costs multiplied by the Load Factor Adjustment (LFA), (b) the Average Commodity Cost of gas, and (c) the Gas Cost Savings Adjustments attributable to commodity costs; multiplied by the Factor of Adjustment (FOA); plus (2) the Merchant Function Charge (MFC).

- (1) The Average Demand Cost of Gas shall be determined by applying the expected rates and charges of transporters, storage providers, and suppliers to the associated annualized billing determinants associated with transportation capacity, storage capacity and supply reservation for the period during which the GSC is to be effective;

- (a) Plus other supplier charges;
- (b) Less Standby Demand Charges received pursuant to Service Classification No. 6 of P.S.C. No. 87 - Gas, or superseding issues thereof;
- (c) Less Monthly Charges pursuant to Service Classification No. 17 of P.S.C. No. 88 - Gas, or superseding issues thereof;
- (d) Less Monthly Charges pursuant to Service Classification No. 11 of P.S.C. No. 88 - Gas, or superseding issues thereof;
- (e) Less demand charges associated with customers reserving sales status;
- (f) Plus/minus applicable fixed risk management costs;
- (g) Less revenue associated with the Capacity Component and the Reliability Surcharge Component of the TS, as set forth in General Information Section 16 of this Schedule; and then
- (h) Plus/minus applicable revenues associated with the Contribution to Storage Capacity Costs pursuant to Service Classification No. 18 of P.S.C. No. 88-Gas, or superseding issues thereof.
- (i) Plus the market price compensation that the Company paid to ESCO Direct Customers for gas diverted during a curtailment situation, as defined in Section 8.A.6 Compensation for Diverted Gas, of P.S.C. No. 88 - Gas.

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NEW YORK STATE ELECTRIC & GAS CORPORATION
Initial Effective Date: 07/01/16
Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016

Leaf: 90.1.1
Revision: 3
Superseding Revision: 1

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(1) The Average Demand Cost of Gas: (Cont'd)

(j) The forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the 12 calendar months ending the following August 31.

(2) The Average Commodity Cost of Gas shall be the commodity cost determined by applying the variable rates and charges of the transporters, storage providers and suppliers to the billing determinants associated with transportation, storage and gas supply for the forecasted weather normalized quantities of gas to be taken for delivery to the Company's sales customers during the month in which the GSC shall be in effect;

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Binghamton, New York

..DID: 21492
..TXT: PSC NO: 90 GAS LEAF: 90.2
COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION REVISION: 2
INITIAL EFFECTIVE DATE: 02/01/03 SUPERSEDING REVISION: 1
STAMPS: Issued in compliance with Commission order in Case 01-G-1668 dated 11/
RECEIVED: 01/30/03 STATUS: Effective EFFECTIVE: 02/01/03

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(2) The Average Commodity Cost of Gas: (Cont'd)

- (a) Plus the product of the average unit cost of gas in storage at the date of computation and the quantities of gas forecasted to be withdrawn from storage for the Company's customers during the month in which the GSC will be in effect;
- (b) Less the cost of gas attributable to Service Classification No. 3 of PSC No. 87 Gas, or superseding issues thereof;
- (c) Less cash-out charges received pursuant to General Information Section 4.F. through 4.I. of PSC No. 88 Gas, or superseding issues thereof;
- (d) Plus cash-out charges paid pursuant to General Information Section 4.F. through 4.I. of PSC No. 88 Gas, or superseding issues thereof;
- (e) Less standby commodity charges received pursuant to Service Classification No. 6 of PSC No. 87 Gas, or superseding issues thereof;
- (f) Less the cost of gas attributable to Service Classification No. 12 of PSC No. 88 Gas, or superseding issues thereof;
- (g) Less the cost of gas attributable to Service Classification No 4 of PSC No. 87 Gas, or superseding issues thereof.
- (h) Plus/minus applicable variable risk management costs;
- (i) Plus other supplier charges; and then
Divided by,
- (j) The forecasted weather normalized quantities of gas to be taken for delivery to the Company's sales customers during the month in which the GSC will be in effect.

Issued By: James A. Lahtinen, Vice President-Rates & Regulatory Economics, Binghamton, NY
(Name of Officer, Title, Address)

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

- (3) Gas Cost Savings Adjustments: Consistent with the provisions pursuant to the Company's September 12, 2002 Joint Proposal, as approved by the PSC in its November 20, 2002 order in Cases 01-G-1668 and 01-G-1683, the Gas Cost Savings Adjustments represent three distinct provisions for the sharing of gas supply cost savings. The Gas Cost Savings Adjustments shall include the Merger Saving Adjustment set forth in 14.C.(3)(a), the Gas Cost Incentive Mechanisms (GCIMs) set forth in 14.C.(3)(b).

(a) Merger Savings Adjustment:

- (i) The Merger Savings Adjustment provides for the sharing of net supply savings arising from the merger of Energy East and RGS. Net supply savings attributable to the merger of Energy East and RGS shall be shared 50% customers and 50% Company for the first five 12-month periods after the merger (i.e., through June 30, 2007). Thereafter, the Company's gas customers shall receive 100% of the net synergy savings attributable to gas supply.
- (ii) The Mergers Savings Adjustment is a charge that shall be calculated and recovered on a quarterly basis. The Merger Savings Adjustment is calculated by dividing the Company share of the savings determined in C.(3)(a)(i) by the forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the applicable three month period. The claimed recovery shall be supported by a compliance filing, as part of the monthly GSC filing, that demonstrates the total supply savings achieved for the applicable quarter, including all documentation and workpapers supporting the claimed savings.

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NEW YORK STATE ELECTRIC & GAS CORPORATION
INITIAL EFFECTIVE DATE: 07/01/16
Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016

LEAF: 90.4
REVISION: 6
SUPERSEDING REVISION: 4

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(3) Gas Cost Savings Adjustments: (Cont'd)

(b) Gas Cost Incentive Mechanism:

- (i) 100% of the savings attributable to migration capacity release shall be for the benefit of customers.
- (ii) There shall be an 85%/15% sharing between customers and shareholders of:
 - 1. Company non-migration capacity release; and
 - 2. Company off-system sales net of gas cost;
- (iii) There shall be an 80%/20% sharing between customers and shareholders of savings from local production.

Issued By: James A. Lahtinen, Vice President-Rates & Regulatory Economics, Binghamton, NY

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(3) Gas Cost Savings Adjustments: (Cont'd)

(b) Gas Cost Incentive Mechanism: (Cont'd)

- (iv) The GCIM Adjustment is a credit that is calculated by dividing the customer share of the savings determined in (i), (ii) and (iii) by the forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the 12 calendar months ending the following August 31.

PSC No: 90 - Gas
NEW YORK STATE ELECTRIC & GAS CORPORATION
Initial Effective Date: 07/01/16
Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016

Leaf No. 90.5.1
Revision: 5
Superseding Revision: 3

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

- C. The Total Average Cost of Gas is: (Cont'd)
 - (3) Gas Cost Savings Adjustments: (Cont'd)
 - (c) Reserved for Future Use

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Binghamton, New York

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(4) Load Factor Adjustment (LFA):

- (a) A LFA shall be applicable to each service classification of each GSA.
- (b) At a minimum, the LFAs shall be updated by the Company annually such that the weighted average LFA for each GSA shall total one. The weighted average LFA is calculated by multiplying the LFA of each service classification by the ratio of sales for each service classification to total sales.

(5) Factor of Adjustment (FOA):

- (a) The Company incorporated recommendations provided for in the NYPSC Staff White Paper on Lost and Unaccounted for Gas issued on January 27, 2012 with the following clarifications:
 - (i) Adjustments to the fixed FOA are allowed for exogenous events. Exogenous events would include, but are not limited to, events such as flooding and significant theft of service that are outside the Company's control.
 - (ii) Adjustments to the fixed FOA are allowed for significant and unanticipated impacts due to the restructuring of the natural gas industry in New York State. Any adjustment shall apply to the calculation of the actual FOA in any given year for incentive purposes.
- (b) Effective January 1, 2024:
 - The Company shall update the 10-year average LAUF to 10 years ending August 31, 2023.
 - (i) The FOA is set at 1.00022;
 - (ii) The Lost and Unaccounted for Gas (LAUF) Target is set at 0.0216%;
 - (iii) The dead band upper limit is set at 0.2089%;
 - (iv) The dead band lower limit is set at 0.000%.

PSC NO: 90 GAS
NEW YORK STATE ELECTRIC & GAS CORPORATION
Initial Effective Date: 07/1/2016
Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016

Leaf: 90.6.1
Revision: 3
Superseding Revision: 2

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(5) Factor of Adjustment (FOA): (Cont'd)

(f) System Performance Adjustment (SPA):

- (i) The SPA adjustment mechanism shall recover or refund gas costs for actual LAUF greater or lesser than the Target LAUF within the dead band as defined in Rule 14.C.(5)(e) above for all firm sales and transportation customers;
- (ii) Effective January 1, 2018 and each subsequent 12-month period starting January 1st and thereafter, a SPA per therm rate shall be applicable to Service Classification Nos. 1, 2, 5, 9, 10 and 11 sales customers and Service Classification Nos. 1T, 5T, 13T, 14T, 16T and 19T transportation customers. The SPA per therm rate shall be a credit if the actual system LAUF percentage is less than the LAUF Target or surcharge if the actual system LAUF percentage exceeds the LAUF Target during the 12-month period ending the previous August.
- (iii) The SPA per therm rate is set forth on the Gas Supply Charge Statement and the Statement of Transition Surcharge in P.S.C. 88 – Gas.

(6) Merchant Function Charge (MFC):

The MFC will be applicable to only those customers taking gas supply service from the Company. A separate MFC will be calculated for residential and non residential customers

i) The MFC shall include the following rate components as described in the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718, and as further amended by the Joint Proposal dated February 19, 2016, in Cases 15-E-0283, 15-G-0284, 15-E-0285, and 15-G-0286.

- a) Commodity-related Uncollectible Costs;
- b) Commodity-related Credit and Collections and Call Center costs;
- c) Commodity-related Administrative costs;
- d) Cash Working Capital on Commodity Hedge Margin costs;
- e) Cash Working Capital on Storage Inventory Carrying Costs; and
- f) Prior Period Reconciliation.

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Binghamton, New York

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

(6) Merchant Function Charge (MFC): (Cont'd)

- ii.) The MFC components shall be updated and reconciled as stated below in accordance with the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718, and as further amended by the Joint Proposal dated February 19, 2016, in Cases 15-E-0283, 15-G-0284, 15-E-0285, and 15-G-0286.
 - a)Commodity-related Uncollectible Costs
 - The commodity related uncollectible percentage rate shall be reset annually based on the most recent available 12-month period of actual uncollectibles. The commodity-related uncollectible component of the MFC shall be calculated each month by multiplying the uncollectible percentage rate for each of the groups described above by the associated monthly gas supply cost.
 - b)Commodity-related Credit and Collections and Call Center costs
 - The Credit and Collections and Call Center Cost Component shall be reconciled annually for differences in actual versus design sales only. The unit rate shall be reset annually based on recent sales forecasts.
 - c)Commodity-related Administrative costs
 - The Administrative Component shall be reconciled annually for differences in actual versus design sales only. The unit rate shall be reset annually based on recent sales forecasts.
 - d)Cash Working Capital on Commodity Hedge Margin costs
 - The cash working capital on Commodity Hedge cost component shall be based on the Companies' pre-tax rate of return and shall be reconciled to actual costs annually. Additionally, this component shall be updated annually to reflect actual costs from the most recent available 12-month period and the most recent sales forecast.
 - e)Cash Working Capital on Storage Inventory Carrying Costs.
 - The carrying charge used in the determination of monthly storage working capital costs shall be the Company's authorized pre-tax rate of return on the base storage level and the Commission's currently-effective Other Customer Capital rate on monthly amounts above the base storage level. The base storage level is defined as the lowest monthly balance.
 - This component shall be reconciled annually to actual applicable costs for the period.
 - Additionally, this component shall be updated annually to reflect actual costs from the most recent available twelve month period and the most recent sales forecast. .

PSC NO: 90 GAS

NEW YORK STATE ELECTRIC & GAS CORPORATION

Initial Effective Date: 11/01/2023

Issued in compliance with Order in Case No. 22-G-0318, dated October 12, 2023.

Leaf: 90.7.1

Revision: 5

Superseding Revision: 3

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

D. Pipeline Refund:

The Company shall return pipeline refunds to customers in accordance with Section 21 of this Schedule.

E. Heater Charge

The costs of gas used to pre-heat city gate natural gas throughput at the Company's Gate Station shall be recovered as part of the Company's overall purchased gas costs and shall be recovered through the Gas Supply Charge for all applicable customers and Transition Surcharge for Service Classification Nos. 13, 14, and 19.

ISSUED BY: Jeremy Euto, Vice President – Regulatory, Binghamton, New York

PSC NO: 90 GAS
NEW YORK STATE ELECTRIC & GAS CORPORATION
INITIAL EFFECTIVE DATE: 11/24/16
Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016.

LEAF: 90.8
REVISION: 4
SUPERSEDING REVISION: 3

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

F. Annual Reconciliation Adjustment:

- (1) GSC recoveries shall be reconciled with actual gas supply expenses on an annual basis. The Annual Reconciliation Adjustment shall be determined by comparing gas supply expenses to GSC recoveries. The Annual Reconciliation shall reflect the applicable fixed FOA. The Annual Reconciliation Adjustment will be positive (a surcharge) when gas supply expense exceeds GSC recoveries. The Annual Reconciliation Adjustment will be negative (a refund) when GSC recoveries exceed gas supply expenses. The adjustment shall be determined as follows:
 - (a) The gas supply expense is the actual cost of gas incurred during the applicable period as described in General Information Section 14.C. through 14.E. of this schedule;
 - (i) Less the previous year's overcollection including interest, to the extent not refunded;
 - (ii) Plus the previous year's undercollection including interest, to the extent not recovered.
 - (b) The annual reconciliation shall exclude the shareholder portion of Gas Cost Savings described in Section 14.C.
 - (c) The annual reconciliation shall exclude the non-customer portion of GCIM.
 - (d) The Annual Reconciliation Adjustment is then calculated by dividing the gas supply expense, less GSC recoveries, by the forecasted firm sales quantities for the surcharge/refund period.
- (2) The Annual Reconciliation Adjustment shall include simple interest, as prescribed from time to time by the PSC, on any unamortized surcharge or refund balance.
- (3) The annual reconciliation period shall be the 12 months ended August 31 of each year. The annual reconciliation shall be filed with the PSC on or before October 15 of each year. The GSC annual surcharge/refund shall be effective with the GSC statement effective on January 1.

Issued By: James A. Lahtinen, Vice President-Rates & Regulatory Economics, Binghamton, NY

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

G. Interim Reconciliation Adjustment:

- (1) An Interim Reconciliation Adjustment may be applied during the 12-month period ending August 31 to provide for interim refunds or surcharges. Interim refunds or surcharges shall be permitted for the purpose of preventing a large over-collection or under-collection balance from accruing at August 31. Any Interim Reconciliation Adjustment shall be determined by the Company and filed with the PSC.

H. Monthly GSC Statement:

- (1) The GSC statement shall be filed not less than three days prior to the date on which it is proposed to be effective. Such statement shall be available to the public at Company offices at which applications for service may be made.
- (2) A new GSC statement, not subject to G.(1), may be filed on one day's notice to become effective not more than five days after the effective date of the initial statement if the replacement of cost estimates in the initial statement with actual costs results in a change in the average cost of gas of more than 5%.
- (3) Each GSC statement shall contain:
 - (a) An identification of the applicable schedule and service classifications;
 - (b) The effective period of the GSC. The GSC shall be effective on the date provided on the statement and shall remain in effect until changed by the filing of a subsequent statement;
 - (c) The date at which, and the period for which, the GSC was determined;
 - (d) The cost on a per Therm basis, before adjustments;

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

H. Monthly GSC Statement: (Cont'd)

- (3) Each GSC statement shall contain: (Cont'd)
 - (e) A summary of adjustments, including the LFA, FOA, Pipeline Refund, Research and Development Adjustment, Annual Reconciliation Adjustment, Interim Reconciliation Adjustment and other adjustments as approved by the PSC;
 - (f) The net amount, or GSC without the MFC, on a per Therm basis; and
 - (g) The MFC.
- (4) The Company shall file supporting data and workpapers underlying the GSC statement, consistent with 16 NYCRR, Chapter VII Provisions Affecting Public Service, Subchapter C, Rates and Charges, Part 720, Construction and Filing of Tariff Schedules, or superseding issues thereof.

I. Alternative Gas Cost:

- (1) The Company may seek to offer customers alternative pricing mechanisms to that provided above.
- (2) Any such alternative pricing mechanism shall be filed with, and approved by, the PSC prior to implementation.

15. INCREMENTAL GAS SUPPLY CHARGE (IGSC):

A. Applicability of the IGSC:

In lieu of the GSC, the IGSC shall be applicable to daily metered transportation customers requesting to return to sales service under P.S.C. No. 87 Gas, Service Classification Nos. 2, 9, or 10 when the Company has or can obtain capacity and gas supply to provide such service without jeopardizing the reliability of service to the Company's existing customers receiving firm gas sales service. The IGSC shall not be applicable to transportation customers that pay to reserve their "Sales Customer" status. The IGSC shall also be applicable to customers taking service under P.S.C. No. 87 Gas, Service Classification No. 3 and P.S.C. No. 88 Gas, Service Classification No. 2 requesting to return to firm sales service.

If the Company is unable to obtain capacity to serve the IGSC customers, then such customers shall be placed on a curtailment list after dual fuel customers.

Transportation customers returning to gas sales service where the only remaining load is heating load to prevent freezing of an empty building shall be subject to the GSC in lieu of the IGSC.