

..DID: 20988
..TXT: PSC NO: 90 GAS LEAF: 90.3
COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION REVISION: 1
INITIAL EFFECTIVE DATE: 12/01/02 SUPERSEDING REVISION:
STAMPS: Issued in compliance with Commission order in Case 01-G-1668 dated 11/
Cancelled by 2 Rev. Leaf No. 90.3 Effective 02/01/2003
RECEIVED: 11/26/02 STATUS: Cancelled EFFECTIVE: 12/01/02

GENERAL INFORMATION

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

C. (3) (Cont'd)

(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 will be shared fifty percent (50%) customers and fifty percent (50%) Company for the first five twelve-month periods after the merger (i.e., through June 30, 2007). Thereafter, NYSEG gas customers will receive one hundred percent (100%) of the net synergy savings attributable to gas supply.
- (ii) The Merger Savings Adjustment is a charge that 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 (3) month period.
- (iii) The Mergers Savings Adjustment will be calculated and recovered on a quarterly basis. The claimed recovery will 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.

(b) Gas Cost Incentive Mechanisms:

- (i) The Gas Rate Plan sets forth three distinct provisions for the sharing of gas supply cost savings. The first provision is the IRM set forth in 14.C.(3)(e). The second provision relates to merger-related savings set forth in 14.C.(3)(a). The third provision is the GCIMs.

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(Name of Officer, Title, Address)