

December 23, 2008

VIA ELECTRONIC FILING

Honorable Jaclyn A. Brillling, Secretary
State of New York Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 05-E-1222 – Proceeding on Motion of the Commission as to the Rates, Charges,
Rules and Regulations of New York State Electric & Gas
Corporation for Electric Service

Dear Secretary Brillling:

New York State Electric & Gas Corporation (“NYSEG” or the “Company”) hereby submits for filing the following enclosed Statements in compliance with the New York Public Service Commission’s (“PSC” or “Commission’s”) Order Adopting Recommended Decision with Modifications, in Case 05-E-1222, issued and effective August 23, 2006 (the “Order”).

MFC Statement No. 2 to PSC 120 – Electricity
MFC Statement No. 2 to PSC 121 – Electricity

The above Merchant Function Charge (MFC) statements are being filed pursuant to General Information Section 25.I.D of Schedule PSC No. 120 - Electricity entitled, “Merchant Function Charge,” allowing for updating the MFC to reflect recent migration levels and uncollectibles. In order to update the rates, NYSEG:

- 1) Subtracted out the portion of the 2008 MFC, the amount related to commodity uncollectibles (excluding reserve adjustments)
- 2) Added in the commodity related uncollectibles (excluding reserve adjustments) based on the most current 12 months. (TME Nov of current year)
- 3) Divided the updated MFC amount by the most current 12 month kilowatt-hour units from NYSEG’s commodity rate options. (TME Nov of current year)

The MFC will continue to be reset annually at the first of each year using the same approach.

Honorable Jaclyn A. Brillong, Secretary

Page 2

December 23, 2008

The MFC will be applicable to only those customers taking supply service from the Company (*i.e.*, VPO, DSO, FPO, and Hourly Pricing) and is set forth in the customer's Service Classification.

The revised statements reflect the MFCs that will be effective on January 1, 2009. Please direct any questions pertaining to this filing to Patti Beaudoin at (607) 762-7728.

Very truly yours,

Christine M. Stratakos
Manager, Pricing & Analysis
Rates & Regulatory Economics

Enclosures