

January 23, 2007

VIA ELECTRONIC FILING

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

**Re: Case Nos. 05-E-1222 -- New York State Electric & Gas Corporation's Economic Incentive Rate Statement**

Dear Secretary Brilling:

In accordance with the November 9, 2006 tariff filing submitted by New York State Electric & Gas Corporation ("the Company") in compliance with the Public Service Commission's Order Adopting Recommended Decision with Modifications, issued and effective August 23, 2006 in Case No. 05-E-1222, the Company hereby files the following Economic Incentive Rate Statement to be effective February 1, 2007.

EIR Statement No. 40 to PSC 120 – Electricity

The attached statement contains the Economic Development Incentive (EDI), Economic Development Zone Incentive (EDZI) and Incremental Load Incentive (ILI) discount rates for the applicable electric rate options. The monthly filing of changes to the ED, EDZI and ILI discount rates is in accordance with NYSEG's filed tariffs. This statement will be filed on a monthly basis at least three days prior to the effective date.

Please direct any questions to Susan Glann at (607) 762-7265.

Very truly yours,

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

Enclosure