

November 9, 2006

VIA ELECTRONIC FILING

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

Re: Case No. 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 - Compliance Filing of January 1, 2007 Tariffs

Dear Secretary Brillling:

The enclosed tariff leaves, issued by New York State Electric & Gas Corporation ("NYSEG" or "the Company"), are filed in compliance with the New York State Public Service Commission's ("Commission") Order Adopting Recommended Decision with Modifications, issued and effective August 23, 2006, in Case 05-E-1222 ("the August 2006 Order"). These tariff leaves are transmitted for filing in compliance as identified herein and in accordance with the requirements of Appendix 7-H (electronic tariff filing system) to the Commission's Codes, Rules and Regulations (16 NYCRR Appendix 7-H). The leaves are proposed to become effective on November 1, 2006. A listing of the proposed revised tariff leaves is enclosed as Attachment A.

Purpose of the Filing

The purpose of this filing, in further compliance with the August 2006 Order, is to set forth proposed revisions to delivery rates, commodity and transition charges for NYSEG's Fixed Price Option, economic development rate programs, and to complete the unbundling of electricity prices.

Overview of the Filing

The proposed commodity and transition charge components of the Fixed Price Option are used to set the "Fixed Total", which is the sum of the commodity and transition charge established on November 1, 2006. In accordance with the August 2006 Order, the transition charge and commodity charge that appear on customers' bills will vary each month, but the total of those two billed charges will always sum to the "Fixed Total" established on November 1, 2006. The Fixed Total for residential customers, which includes the transition charge in the tariff leaves provided herein, reflects the fact that the New York Power Authority ("NYPA") hydro contracts are scheduled to end August 2007. If the contracts are extended, the residential transition charge will be lowered to reflect the value of the revised NYPA benefits. The value of

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the reduction to customers of any additional power will be based on the forward market prices for the balance of the year at the time any reset is calculated. Any reset of the transition charge would occur upon receipt of the NYPA power, but not before September 2007.

Consistent with past practice, NYSEG provided the work papers supporting the calculation of the fixed transition charge to Staff for review prior to November 1, 2006. During that review, Staff and the Company were unable to reach consensus on the level of transmission revenues that should be included in setting the fixed transition charge. Consequently, NYSEG set the fixed transition charge to include \$8.2 million of transmission revenues (\$20 million was included as a reduction to delivery revenue requirement), based on the twelve months ended September 2006, consistent with the methodology described in Section IX.3.G.2 of the current NYSEG Electric Rate Plan and with that used to set the fixed transition charge for the 2005-06 commodity pricing period. The Company proposes to track the difference between the forecast level of transmission revenues, \$8.2 million included in the fixed NBC and \$20 million included in the delivery revenue requirement for a total of \$28.2 million, and the actual transmission revenues and to reconcile the difference applicable to customers taking service under the Fixed Price Option or ESCO Option with Supply Adjustment through an addition or deduction to the Asset Sale Gain Account. A reconciliation approach is consistent with the August 2006 Order per the Recommended Decision, which states on page 10, "Any difference between the actual amount of transmission revenues and the \$20 million estimate will be captured by the non-bypassable charge." A reconciliation is the appropriate resolution of the issue because the Company has no control over the level of transmission revenues it receives and this reconciliation methodology will ensure that customers receive the benefits of the transmission revenues realized by the Company.

The filed revisions to delivery prices reflect the revenue requirement and allocation methodology approved by the August 2006 Order. Additionally, prices have been unbundled to display Bill Issuance, Merchant Function and three Meter Charges on customer bills, as applicable. Effective January 1, 2007, customers who obtain their supply from an energy services company ("ESCO") under consolidated billing will no longer receive a Consolidated Billing Credit on their NYSEG delivery bill. Instead, customers who do not participate in retail access under consolidated billing will pay a Bill Issuance Charge. Concurrent with this filing, NYSEG is also filing revisions to its gas tariffs to separately state the Gas Bill Issuance Charge. Additionally, eligible customers that participate in Competitive Metering will not pay any of the three Meter Charges for metering services that are supplied by an alternative provider. Further, customers that are participating in retail access will not be charged the newly unbundled electric Merchant Function Charge. Instead, customers that are taking supply service from the Company will be charged the Merchant Function Charge to cover the administrative costs of obtaining the supply on behalf of those customers. In accordance with the August 2006 Order, the Merchant Function Charge will be phased-in over a one-year period.

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In its presentation in this proceeding, NYSEG proposed, and Staff agreed (Exhibit 95), that various modifications should be made to NYSEG's economic development programs.<sup>1</sup> Accordingly, the Company is filing the enclosed tariff revisions to its economic development rate provisions. The tariff revisions include the grandfathering of: Economic Development Incentive (EDI), Economic Revitalization Incentive (ERI), Self Generation Deferral Incentive (SGDI) and Incubator Development Incentive (IDI). Customers with an EDI, ERI or SGDI allocation will be allowed to complete the remainder of their incentive term. Customers with an IDI allocation will be able to transition to the new Incremental Load Incentive (ILI). The Small Business Growth Incentive will expire on December 31, 2006.

#### Additional Filings

In accordance with the August 2006 Order, the Company also will be filing revisions to its Service Classification No. 11, Standby Service rates. Prior to submission of those revised tariffs, the Company will circulate the proposed tariff leaves to the parties and will conduct a technical conference to discuss the filing. The Company will then submit the compliance filing fifteen days after the technical conference.

As previously noted in NYSEG's September 15, 2006, compliance filing in this proceeding, the Company will file tariff revisions affecting customers subject to Mandatory Hourly Pricing not later than December 1, 2006<sup>2</sup>.

#### Newspaper Publication

In accordance with Ordering Clause 3 of the August 2006 Order, the requirement of Section 66(12) (b) of the Public Service Law that newspaper publication be completed prior to the effective date of the proposed amendments is waived. In compliance with Ordering Clause 3, NYSEG will file proof that a notice to the public of the proposed tariff changes has been published once per week for four successive weeks in newspapers having general circulation in NYSEG's electric service areas. Such proof will be filed by no later than six weeks following the tariff amendments' effective date of January 1, 2007. In addition to the newspaper publication, NYSEG will be notifying customers directly with information pertaining to the Company's commodity option program through outreach relative to the two-month Voice Your Choice enrollment period.

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<sup>1</sup> The Commission did not address these programs in the August 2006 Order.

<sup>2</sup> The Commission's Order Denying Petitions for Rehearing and Clarification in Part and Adopting Mandatory Hourly Pricing Requirements, issued and effective April 24, 2006 in Case 03-E-0641 required NYSEG to file tariff revisions on not less than 30 days notice to be effective January 1, 2007.

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NYSEG indicated in its September 15, 2006 compliance filing that newspaper publication of the tariff revisions to be effective November 1, 2006 would be published in newspapers. Subsequent to the September filing, PSC Staff clarified that newspaper publication is only required for the tariff revisions that are proposed to become effective January 1, 2007.

Company Contacts

Based on conversations with the Secretary's office on September 14, 2006 and October 20, 2006, NYSEG is serving parties electronically. If any party desires a hard copy of this filing, or has any questions concerning this filing, please call Lori Cole at (607) 762-8710 or Susan Glann at (607) 762-7265.

Very truly yours,

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

Enclosures  
cc: All Active Parties (Via Electronic Mail)

**New York State Electric & Gas Corporation  
Compliance Tariff Filing for Case 05-E-1222**

**List of Proposed Tariff Leaves filed November 9, 2006**

PSC No. 119 – Electricity, Schedule for Electric Service

Leaf No. 52, Revision 3

Addendum – MET 4

PSC No. 120 – Electricity, Schedule for Electric Service

Leaf No. 2, Revision 3

Leaf No. 2.1, Revision 3

Leaf No. 21, Revision 2

Leaf No. 22, Revision 3

Leaf No. 23, Revision 2

Leaf No. 24, Revision 2

Leaf No. 25, Revision 2

Leaf No. 26, Revision 3

Leaf No. 27, Revision 2

Leaf No. 28, Revision 5

Leaf No. 29, Revision 5

Leaf No. 30, Revision 3

Leaf No. 30.1, Revision 2

Leaf No. 31, Revision 3

Leaf No. 32, Revision 5

Leaf No. 33, Revision 3

Leaf No. 33.1, Revision 2

Leaf No. 34, Revision 3

Leaf No. 35, Revision 3

Leaf No. 36, Revision 3

Leaf No. 37, Revision 4

Leaf No. 38, Revision 4

Leaf No. 39, Revision 2

Leaf No. 40, Revision 2

Leaf No. 42, Revision 2

Leaf No. 49, Revision 1

Leaf No. 50, Revision 1

Leaf No. 57, Revision 2

Leaf No. 58, Revision 1

Leaf No. 59, Revision 3

Leaf No. 74, Revision 2

Leaf No. 75, Revision 2

Leaf No. 108, Revision 3

Leaf No. 111, Revision 3

Leaf No. 111.1, Revision 0

Leaf No. 118, Revision 2  
Leaf No. 119, Revision 5  
Leaf No. 120, Revision 4  
Leaf No. 121, Revision 12  
Leaf No. 121.1, Revision 0  
Leaf No. 122, Revision 4  
Leaf No. 123, Revision 11  
Leaf No. 124, Revision 12  
Leaf No. 125, Revision 4  
Leaf No. 125.1, Revision 2  
Leaf No. 128, Revision 4  
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Leaf No. 132, Revision 4  
Leaf No. 132.1, Revision 1  
Leaf No. 133, Revision 13  
Leaf No. 135, Revision 12  
Leaf No. 136, Revision 4  
Leaf No. 137, Revision 2  
Leaf No. 138, Revision 2  
Leaf No. 139, Revision 12  
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Leaf No. 141, Revision 4  
Leaf No. 142, Revision 4  
Leaf No. 143, Revision 2  
Leaf No. 144, Revision 3  
Leaf No. 144.1, Revision 2  
Leaf No. 147, Revision 4  
Leaf No. 148, Revision 12  
Leaf No. 148.1, Revision 0  
Leaf No. 149, Revision 3  
Leaf No. 154, Revision 3  
Leaf No. 155, Revision 4  
Leaf No. 156, Revision 3  
Leaf No. 157, Revision 12  
Leaf No. 158, Revision 12  
Leaf No. 158.1, Revision 0  
Leaf No. 159, Revision 3  
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Leaf No. 311.5, Revision 1  
Leaf No. 324, Revision 0

PSC No. 121 – Electricity, Schedule for Electric Service

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