

December 24, 2007

VIA ELECTRONIC FILING

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

Re: Case No. 01-G-1668      New York State Electric & Gas Corporation Joint Proposal,  
Factor of Adjustment (FA)  
Re: Case No. 07-G-1101      In the Matter of Filing of Annual Reconciliations of Gas  
Expenses and Gas Cost Recoveries, filed in C 21656

Dear Secretary Brilling:

The enclosed tariff leaves, issued by New York State Electric & Gas Corporation ("NYSEG" or the "Company"), are filed 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 shall become effective on January 1, 2008.

PSC No. 90 – Gas, Schedule for Gas Service  
Leaf No. 90.6, Revision 5

PSC No. 88 – Gas, Schedule for Gas Service  
Leaf No. 8.2, Revision 6  
Leaf No. 14, Revision 8  
Leaf No. 41, Revision 3

**Purpose**

These tariff leaves are being filed in compliance with Ordering Clause 6 of the New York State Public Service Commission's ("Commission") Order Concerning Annual Reconciliation of Gas Costs, in Case 07-G-1101, issued and effective December 21, 2007, and with NYSEG's September 12, 2002 Joint Proposal, as approved by the Commission in its November 20, 2002 Order Establishing Rates, issued in Case 01-G-1668.

**Overview**

By letter dated December 28, 2006, NYSEG proposed to maintain the existing Factor of Adjustment ("FA") (effective January 1, 2005) on a temporary basis, pending the analysis of the apparent overstatement of reported billed sales volumes.

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Because of the anomalous results for the 2006 gas year, in the annual reconciliation of gas costs for the period ended August 2007, NYSEG proposed to exclude that period from the calculation of the FA<sup>1</sup>. Rather, the Company proposed to calculate the FA based on the average of the periods September 2004 through August 2005 and September 2006 through August 2007 and apply that FA beginning January 1, 2008. To return to the two-year schedule outlined on Leaf 90.6 of PSC No. 90 – Gas and in Appendix C, Section 3.g.(ii) of the Joint Proposal, the Company further proposed to recalculate the FA based on September 2006 through August 2008, to be effective January 1, 2009. The FA will be reset every two years thereafter, based on the average of the immediately preceding two (2) twelve-month periods ending August 31.

Please direct any questions pertaining to this filing to Shari Wells at (607) 762-8070.

Very truly yours,

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

Enclosures

cc: All Active Parties (via first class mail)

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<sup>1</sup> NYSEG filed its annual reconciliation of the gas supply charge with the Commission on October 15, 2007.