

May 28, 2004

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

RE: Compliance Filing – Reconciliation of refund pursuant to the Energy Tax Reform Act of 2000 and New York State Electric & Gas Corporation's Gas Joint Proposal

Case 00-M-1556 – In the Matter of the Proposed Accounting and Ratemaking for the Tax Law Changes Included in the 2000-2001 New York State Budget;

Case No. 01-G-1668 – Proceeding on the Motion of the Commission as to the Rate, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Gas Service

Dear Secretary Brillling:

The enclosed revised Statements issued by New York State Electric & Gas Corporation ("NYSEG" or the "Company"), are transmitted for filing in compliance with the requirements of the Public Service Commission ("Commission"), State of New York.

TSF Statement No. 14	to PSC No. 87 – Gas
TSF Statement No. 14	to PSC No. 88 - Gas

Effective July 1, 2004

Background

On September 26, 2002, NYSEG filed revised Tax Surcharge Factor Statements to initiate a \$1,223,027 refund of over-collected gas business-related New York State taxes for the year ending December 31, 2000. Including interest, the targeted refund amount totaled \$1,430,544. The 12-month refund was filed in compliance with the provisions of the Commissions' Order implementing Tax Law Changes on a Permanent Basis, issued and effective June 28, 2001, in Case No. 00-M-1556, and pursuant to NYSEG's Gas Joint Proposal dated September 12, 2002, in Case 01-G-1668.

Honorable Jaclyn A. Brillling

Page 2

May 28, 2004

On September 10, 2003, NYSEG filed revised Tax Surcharge Factor Statements to eliminate the refund factor, having completed the 12-month refund period.

Purpose of the Filing

The purpose of this filing is to initiate the collection of amounts that were over-refunded in the process of refunding to customers the above described gas business-related New York State tax refund.

Details of the Filed Tariff Revisions

A reconciliation of amounts actually refunded vs. the targeted \$1,430,544 refund revealed an over-refund of \$463,747. The over-refund was due to two factors: 1) Forecasted Sales and Transportation revenues on which the refund factor was originally calculated were lower than the actual revenues that occurred during the 12 month refund period, and 2) The refund rate was inadvertently not removed from the Company's Customer Information System ("CIS") at the end of September 2003. The refund improperly continued until December 18, 2003 when the error was discovered and the correct tax factors placed in the CIS billing system. The refund rate was correctly removed, however, at the end of September 2003 from tax factors used to bill customers Off-System and within the Gas Transportation Billing Management ("GTBM") system.

The enclosed revised Tax Surcharge Factor Statements reflect separate sets of factors for customers billed within the CIS billing system and those billed within the non-CIS billing systems. The reconciliation of refund amounts and resulting calculation of these factors was performed separately for GTBM and Off-System billed customers ("non-CIS") than for CIS billed customers, recognizing the significant over-refund that occurred during the period of October through December 2003 attributable only to CIS billed customers.

The revised statements reflect a proposed six-month collection period of July 1, 2004 through December 31, 2004. The six-month collection period minimizes bill impacts. Customers billed within the CIS billing system will experience bill increases of less than one half of a percent, while customers billed Off-System or within the GTBM system will experience bill increases of approximately fifteen one-hundredths of a percent. Customers who are billed within the CIS billing system will receive the more significant bill impacts because they received the more significant over-refunds.

Upon completion of the collection of over-refunded amounts, the Company will file revised Tax Surcharge Factor Statements to reflect elimination of the collection surcharge.

Honorable Jaclyn A. Brilling

Page 3

May 28, 2004

Company Contact

Questions regarding this filing should be directed to Susan Gallia at (607) 762-7265.

Very truly yours,

Christine M. Stratakos
Manager – Pricing & Analysis