

May 3, 2010

VIA ELECTRONIC FILING

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

Re: Case 09-E-0301; In the Matter of the American Recovery and Reinvestment Act of 2009 – Utility Filings for New York Economic Stimulus Compliance Filing by New York State Electric & Gas Corporation

Dear Secretary Brillling:

The enclosed tariff leaves, issued by New York State Electric & Gas Corporation (“NYSEG” or “the Company”), are being transmitted for filing in compliance with the New York State Public Service Commission’s (“PSC” or “Commission”) Order Authorizing Recovery of Costs Associated with Stimulus Projects, issued and effective July 27, 2009, in Case No. 09-E-0310 (the “Order”), and in accordance with Appendix 7-H (electronic tariff filing system) of the Commission’s Codes, Rules and Regulations (16 NYCRR Appendix 7-H)<sup>1</sup>. The tariffs are filed to become effective on September 1, 2010. A listing of the proposed revised tariff leaves is enclosed as Attachment A.

Purpose of the Filing

NYSEG is proposing to modify its tariff to allow for the imposition of a surcharge to recover costs associated with projects that are approved by the U.S. Department of Energy (“DOE”) to receive funds under the American Recovery and Reinvestment Act of 2009 and the Commission.

The Company received notification of two projects that were recipients of DOE funding and approved by the Commission that will become subject to recovery via such surcharge. Partnering with the New York Independent System Operator (“NYISO”) and other New York Transmission Owners, NYSEG proposed installation of capacitors (320 MVARs) at 6 locations. Additionally, the NYISO, NYSEG and other Transmission Owners proposed to deploy Phasor Measurement Units (“PMU”) to improve monitoring of the transmission network, five of which will be located in NYSEG’s service territory.

Details of Tariff Revisions

NYSEG is proposing to implement an Electric Delivery and Reliability (“EDR”) Surcharge to recover incremental costs associated with the projects identified above. Using

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<sup>1</sup> Extensions of the compliance filing date were granted January 21, 2010, February 26, 2010 and April 1, 2010; ultimately requiring NYSEG and Rochester Gas and Electric Corporation to file May 3, 2010.

Honorable Jaclyn A. Brillong, Secretary

Page 2

May 3, 2010

the estimated costs that were filed by the Company, and included in the Appendix C of the Order, the attached exhibit (Attachment B) represents the Company's calculation for developing the surcharge. The calculation of the surcharge assumes that the projects are fully complete and in-service. The surcharge will be applied to all kilowatt-hours delivered by NYSEG. NYSEG determined that applying the surcharge in this manner would minimize its impacts on all ratepayers. For example, a residential customer using 600 kilowatt-hours per month would experience an increase of approximately \$0.04 per month or \$0.48 per year.

To date, agreements between the NYISO and the Transmission Owners have not yet been finalized. The Company will file a statement setting forth the identification of the project, including capital and operating costs, and estimated in-service dates. In accordance with the Order, the surcharge will become effective when the project, or significant portion of the project, is placed in-service, and will continue until all associated project costs are reflected in base rates. Furthermore, to the extent the information is available, the Company will include in its filing the additional information required by the Order regarding the total number of jobs created or retained, and if New York State businesses were utilized for each project.

Each year, NYSEG will reconcile the amounts that the Company actually collected against the amounts the Company was authorized to collect.

#### Newspaper Publication

The Company requests that the requirement of Section 66(12)(b) of the Public Service Law and 16 NYCRR Section 720-8.1 as to newspaper publication be waived because it is unknown when the EDR Surcharge will be implemented. Furthermore, based on estimated project costs and resulting surcharge related to the above capacitor and PMU projects, typical bill impacts for a customer are minimal. Alternatively, the Company can notify customers directly through bill messages when the EDR Surcharge is implemented.

A State Administrative Procedures Act Notice is enclosed for publication in the State Bulletin.

#### Company Contacts

Questions concerning this filing should be directed to Lori Cole at (607) 762-8710 or me at (585) 771-4692.

Very truly yours,

Mark O. Marini  
Manager, Regulatory & Tariffs  
Rates & Regulatory Economics

Enclosures

**New York State Electric & Gas Corporation**  
**List of Proposed Tariff Leaves**

PSC No. 120 – Electricity, Schedule for Electric Service

Leaf No. 2, Revision 8  
Leaf No. 27, Revision 4  
Leaf No. 123, Revision 20  
Leaf No. 133, Revision 21  
Leaf No. 161, Revision 11  
Leaf No. 197, Revision 19  
Leaf No. 208, Revision 21  
Leaf No. 221, Revision 21  
Leaf No. 261, Revision 20  
Leaf No. 272, Revision 22  
Leaf No. 289, Revision 36  
Leaf No. 300, Revision 20  
Leaf No. 310, Revision 18  
Leaf No. 318, Revision 19

PSC No. 121 – Electricity, Schedule for Electric Service

Leaf No. 2, Revision 7  
Leaf No. 14.1, Revision 3  
Leaf No. 24, Revision 17  
Leaf No. 37, Revision 18  
Leaf No. 59, Revision 17

Stimulus Surcharge Mechanism  
Revenue Requirement - ESTIMATED

	<u>Capacitor</u>	<u>PMU's</u>	<u>Total</u>
1 Gross Utility Plant Investment	\$ 8,960,000	\$ 2,076,000	11,036,000
2 Cumulative ARRA Funding	(4,480,000)	(1,038,000)	(5,518,000)
3 Accumulated Book Depreciation	(53,000)	(9,000)	(62,000)
4 Accumulated Deferred Income Taxes	(12,000)	(4,000)	(16,000)
5 Average Rate Base	<u>4,415,000</u>	<u>1,025,000</u>	<u>5,440,000</u>
6 Pre-tax Rate of Return @ 9.82% (Allowed ROR)	434,000	101,000	535,000
7 Incremental Operating Expenses	-	100,000	100,000
8 Book Depreciation	107,000	17,000	124,000
9 Property Taxes @ 4.62% of Net Utility Plant in Service	<u>205,000</u>	<u>48,000</u>	<u>253,000</u>
10 Total Revenue Requirement - Statewide Capacitor	\$ 746,000	\$ 266,000	\$ 1,012,000
11 Forecast Sales (kWh)			15,004,951,466
12 Electric Delivery & Reliability Surcharge per kWh			\$ 0.000067