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 ..TXT: PSC NO: 90 GAS LEAF: 90.3
 COMPANY: NEW YORK STATE ELECTRIC & GAS CORPORATION REVISION: 3
 INITIAL EFFECTIVE DATE: 03/05/03 SUPERSEDING REVISION: 2
 STAMPS: Issued in compliance with Commission order in Case 01-G-1668 dated 11/
 RECEIVED: 03/04/03 STATUS: Effective EFFECTIVE: 03/05/03

GENERAL INFORMATION

14. GAS SUPPLY CHARGE (GSC): (CONT'D)

C. The Total Average Cost of Gas is: (Cont'd)

- (3) Gas Cost Savings Adjustments: Consistent with the provisions pursuant to the Company's September 12, 2002 Joint Proposal, as approved by the PSC in its November 20, 2002 order in Cases 01-G-1668 and 01-G-1683, the Gas Cost Savings Adjustments represent three distinct provisions for the sharing of gas supply cost savings. The Gas Cost Savings Adjustments shall include the Merger Saving Adjustment set forth in 14.C.(3)(a), the Gas Cost Incentive Mechanisms (GCIMs) set forth in 14.C.(3)(b) through 14.C.(3)(d) and the Gas Cost Savings Investment Recovery Mechanism (IRM) set forth in 14.C.(3)(e).

(a) Merger Savings Adjustment:

- (i) The Merger Savings Adjustment provides for the sharing of net supply savings arising from the merger of Energy East and RGS. Net supply savings attributable to the merger of Energy East and RGS will be shared fifty percent (50%) customers and fifty percent (50%) Company for the first five twelve-month periods after the merger (i.e., through June 30, 2007). Thereafter, NYSEG gas customers will receive one hundred percent (100%) of the net synergy savings attributable to gas supply.
- (ii) The Mergers Savings Adjustment is a charge that will be calculated and recovered on a quarterly basis. The Merger Savings Adjustment is calculated by dividing the Company share of the savings determined in C.(3)(a)(i) by the forecasted weather normalized quantities of gas to be taken for delivery to the Company's firm sales customers during the applicable three (3) month period. The claimed recovery will be supported by a compliance filing, as part of the monthly GSC filing, that demonstrates the total supply savings achieved for the applicable quarter, including all documentation and workpapers supporting the claimed savings.

Issued By: James A. Lahtinen, Vice President-Rates & Regulatory Economics, Binghamton, NY

(Name of Officer, Title, Address)