



May 31, 2006

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

RE: Massena Electric Department

Dear Secretary Brilling:

Attached for filing with the Commission is Original Tariff Leaf No. 36 and Revised Leaves 2, 5, 7, 9, 12, 18, 23 to the Schedule for Electric Service P.S.C. No. 2 ELECTRICITY issued by Massena Electric Department ("Massena") to become effective September 1, 2006. The purpose of this filing is to change the method Massena uses in calculating its Purchase Power Adjustment and to update their Factor of Adjustment.

The Town of Massena Electric Department is a municipal electric utility owned by the Town of Massena which is located on the St. Lawrence River in northernmost New York State. The Town purchased the electric distribution system from Niagara Mohawk Power Corporation in 1981. The system now serves more than 9,000 customers providing businesses and residents with energy at rates that are among the lowest in the country.

Massena currently utilizes a rolling twelve month recovery method for calculating its Purchase Power Adjustment. Because of this, it takes Massena a full twelve months to recover increases in power costs. As purchase power costs are expected to increase each year for the foreseeable future, the current method is expected to result in a cash loss that will occur year after year. Massena also believes the current method does not accurately charge customers for the power they use. Price increases or decreases are not fully incorporated into a customer's bill until twelve months after they have been implemented.

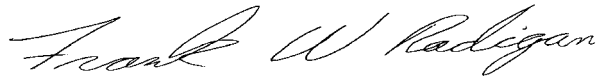
Massena would like to recover its out of pocket expenses and send the correct price signal to customers, but it also believes the rolling twelve month method for cost recovery is seen as beneficial by its customers as it mitigates fluctuations in their bills. To balance the conflict of smoothing out cost recovery while at the same time properly charging customers for the power they use and providing a full recovery of costs, Massena would like permission to amortize the forecasted cash loss over a twelve month period and begin recovering the expenses in the current month that increases are implemented using a PPA Surcharge/Refund. A reconciliation of forecasted cost recovery with actual cost recovery will be made and any shortfall (or over recovery) of cost will be charged (or given back) to customers so that the purchase power adjustment just recovers cost. If Massena experiences a reduction in power costs in the future, any forecasted cash over collection will be given back to customers over a twelve month period using the same formula. Workpapers have been e-mailed to Staff detailing what the effect of this change would have been if implemented in January 2004, including an estimated reconciliation for 2005 and an estimate of the impact the surcharge/refund would have on a typical residential bill.

In preparing this filing, it was realized that the terms of the rolling twelve month recovery mechanism were never reflected in Massena's tariff after they were approved by the Commission nor was the factor of adjustment ever updated. To correct this deficiency, Massena has corrected this tariff and removed references to purchase power cost recovery from Generic Tariff of the New York Municipal Power Agency.

Massena asks that questions regarding this filing be directed to:

Frank W. Radigan
Hudson River Energy Group
120 Washington Ave., 2nd floor
Albany, NY 12210
Tel: (518) 436-1628

Respectfully submitted,
For the Massena Electric Department

A handwritten signature in cursive script that reads "Frank W. Radigan". The signature is written in dark ink and is positioned above the printed name.

Frank W. Radigan