



September 14, 2007

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

RE: Massena Electric Department – Case #07-E-1097

Dear Secretary Brilling:

Attached for filing with the Commission is Second Revised Tariff Leaf No. 36 to the Schedule for Electric Service P.S.C. No. 2 ELECTRICITY issued by Massena Electric Department (“Massena”) to become effective January 1, 2008. The purpose of this filing is to change the method Massena uses in calculating its Purchase Power Adjustment.

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 cash loss over a twelve month using a PPA Surcharge/Refund. A reconciliation of costs recovered with actual cost will be made to ensure that the adjustment just recovers actual expenses. If Massena experiences a reduction in power costs in the future, any cash over collection will be given back to customers over a twelve month period using the same formula.

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

Frank W. Radigan