

August 29, 2007

VIA ELECTRONIC FILING

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

Re: Case No. 05-E-1222 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service – Additional Compliance Filing

Dear Secretary Brillling:

The enclosed tariff leaves, issued by New York State Electric & Gas Corporation (“NYSEG” or “the Company”), are filed in compliance with the New York State Public Service Commission’s (“Commission”) Order Adopting Recommended Decision with Modifications, issued and effective August 23, 2006, in Case 05-E-1222 (“the August 2006 Order”). These tariff leaves are transmitted for filing in compliance with the August 2006 Order, as discussed below and in accordance with the requirements of Appendix 7-H (electronic tariff filing system) to the Commission’s Codes, Rules and Regulations (16 NYCRR Appendix 7-H). The leaves are proposed to become effective on September 1, 2007.

PSC No. 120 – Electricity, Schedule for Electric Service

Leaf No. 121, Revision 14  
Leaf No. 124, Revision 14  
Leaf No. 259, Revision 14  
Leaf No. 262, Revision 14  
Leaf No. 298.1, Revision 3

Purpose of the Filing

The purpose of this filing, in further compliance with the August 2006 Order, is to set forth proposed revisions to reflect a continuation of the NYPA Hydrocredit benefit in the calculation of the Fixed Price Option (“FPO”), for NYSEG’s residential service classifications.

Overview of the Filing

The FPO rates for residential customers became effective on January 1, 2007 and reflected the expiration of the Company’s hydropower contracts with New York Power Authority (“NYPA”) on August 31, 2007. The NYPA and Company recently agreed to an extension of hydropower deliveries through June 30<sup>th</sup>, 2008. However, this extension

Honorable Jaclyn A. Brillling, Secretary

Page 2

August 29, 2007

provides for a somewhat lower level of capacity and energy than the original contracts and the contract is subject to cancellation upon 30 days notice by NYPA. Therefore, the Company reserves the right to make a further update to the FPO rates during 2007 if the contracts are changed prior to the end of the year.

As provided in the November 9, 2006 compliance filing implementing rates effective January 1, 2007, the residential transition charge would be adjusted to reflect the increased value associated with continued deliveries of NYPA hydropower beyond August 31<sup>st</sup>, 2007. The benefits of the lower cost hydropower are reflected in the calculation of the transition charges for residential customers, effective with bills issued after September 1<sup>st</sup>, 2007. The reduction in the currently effective FPO transition rates from continued deliveries of low cost hydropower power is based on the forward market prices for the balance of the year. The value of this benefit is \$0.0110 for all residential customers. For example, a residential customer using 600 kilowatt-hours monthly will receive a 7.3% reduction on their monthly bill.

The variable transition charge will continue to incorporate the benefit of the NYPA hydropower contracts on a monthly basis.

#### Newspaper Publication

The Company requests that the requirement of § 66(12)(b) of the Public Service Law and 16 NYCRR §720-8.1 as to newspaper publication and Ordering Clause 3 of the August 2006 Order be waived because customers will be directly notified of the changes to the FPO through bill print messages and Energy Services Companies will be directly notified via email.

#### Company Contacts

NYSEG is serving a copy of this filing to parties electronically. If any party desires a hard copy of this filing, or has any questions concerning this filing, please call Lori Cole at (607) 762-8710 or me at (607) 762-7341.

Very truly yours,

Christine M. Stratakos  
Manager – Pricing & Analysis  
Rates & Regulatory Economics

Enclosures

cc: All Active Parties (Via Electronic Mail)