

June 30, 2009

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. 09-M-0311 – Implementation of Chapter 59 of the Laws of 2009
Establishing a Temporary Annual Assessment Pursuant to Public Service
Law §18-a(6)

Dear Secretary Brillling:

New York State Electric & Gas Corporation ("NYSEG" or the "Company") hereby submits for filing the revised tariff leaves, enclosed as Attachment A, and the Temporary State Assessment Statements (TSAS), listed below, to become effective July 1, 2009 in compliance with Ordering Paragraph 1 of the New York Public Service Commission's (the "Commission") Order Implementing Temporary State Assessment in the above-referenced proceeding, issued and effective June 19, 2009 (the "Order") and Appendix 7-H (electronic tariff filing system) to the Commission's Codes, Rules and Regulations (16 NYCRR Appendix 7-H).

PSC No. 87 - Gas, Schedule for Gas Service – TSAS No. 1
PSC No. 88 – Gas, Schedule for Gas Service, Transportation – TSAS No. 1
PSC No. 120 - Electricity, Schedule for Electric Service - TSAS No. 1
PSC No. 121 - Electricity, Schedule for Electric Service, Street Lighting - TSAS No. 1

Background

On April 7, 2009, New York State enacted the New York State Budget for 2009-2010, which, in part, requires the Department of Public Service to collect a Temporary State Energy and Utility Service Conservation Assessment (Temporary State Assessment) (Public Service Law §18-a(6)), effective from April 1, 2009 to March 31, 2014. The Order authorizes regulated entities to recover the necessary revenues required for payment of the Temporary State Assessment, including carrying charges, subject to reconciliation over five years, July 1, 2009 through June 30, 2014. The Company's methodologies regarding the revenue collection and rate design associated with the Temporary State Assessment are described below.

The Company is also submitting herewith, Attachment B – Temporary State Assessment Surcharge Calculation, as required by the Order. Attachment B includes the estimates of Energy Service Company (ESCO) revenues.

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Description

Temporary State Assessment Surcharge Amounts

The estimated annual Temporary State Assessment Surcharge amounts including uncollectible expenses, to be collected over the 12-month period July 1, 2009 through June 30, 2010, are provided in Attachment B.¹ The amount to be recovered through electric rates is \$30,740,059 and the amount to be collected through gas rates is \$13,139,573.

Recovery Mechanism

The Commission prefers a separately stated surcharge for collection of the Temporary State Assessment Surcharge amounts. However, the Commission recognized that establishing a separate line item surcharge may require time, when urgency for recovery of the revenues is intensified due to the immediate requirement for payment of the 2009-2010 Temporary State Assessment. To expedite recovery, the Commission authorized recovery through a delivery rate adjustment if sufficient impediments cause a delay in establishing a line item surcharge or impose significant costs that should be avoided.

As indicated in its May 15, 2009 comments submitted in this proceeding, NYSEG is not able to implement separate line item surcharges to begin collection of the Temporary State Assessment Surcharge amounts on July 1, 2009. In the alternative, NYSEG has established delivery rate adjustments, which are presented in the TSAS, to be added to its electric delivery rates and gas delivery rates beginning July 1, 2009. The Company will be able to move to separate line item surcharges on January 1, 2010², which will coincide with other electric supply rate changes occurring at that time.

Rate Design

The Commission required that the Temporary State Assessment Surcharge amounts be allocated to each customer class based on the class contribution (total delivery and supply charges of the class) to the entity's total revenues including delivery and supply charges. Collection of the amount allocated to each class would be achieved by applying a cent/kWh or \$/kW (depending on the specific class) charge to the delivery rates of electric customers, and a per therm charge to the delivery rates of gas customers. The surcharges must also be class and voltage-level specific.

¹ Due to the delayed recovery of these expenses, the Order provides the use of deferral accounting, including carrying charges, that will allow the full recovery of the additional revenue requirement caused by the imposition of the Temporary State Assessment.

² The rates in the TSAS statements are also the rates that would be used for the line item surcharge calculation.

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For both electric and gas service, NYSEG has allocated the Temporary State Assessment Surcharge amounts to the respective service classes based on the Company's 2008 delivery and supply revenues and the estimated 2008 ESCO supply revenues. Electric and gas surcharge rates were then derived based on the resulting allocated Temporary State Assessment amount for each service class. For electric, the resulting surcharge rates are a cent/kWh charge, and a \$/kW charge if applicable. For gas, the resulting surcharge rate is a cent/therm charge. The resulting surcharge rates are presented in the TSAS.

Certain revenue allocation and rate design results require further explanation. First, the delivery rates for certain gas transportation and sales service classes are identical. To maintain delivery rate equivalency for these classes, the service class revenues were combined for revenue allocation purposes, thereby allowing the same surcharge rate to be created for both classes. Second, since Industrial and High Load Factor rate provision customers are within the same voltage level subclass of electric Service Class No. 7, the revenues for these customers were combined for revenue allocation purposes. This allows the same surcharge rate to be created for both groups of customers, maintaining the current delivery rate differential. Third, for service classes in which the Company currently has no customers (e.g., some of the gas distribution service classes), an overall average delivery increase percentage was applied to the volumetric delivery rates of that particular service class. This will ensure that any customer taking service after the rates are set will not avoid paying the Temporary State Assessment surcharge. Finally, surcharges for electric standby rates are based on the volumetric delivery charge percent increase of the respective parent service classes.

Newspaper Publication

In accordance with Ordering Paragraph 3, the requirement of § 66(12)(b) of the Public Service Law regarding newspaper publication is waived.

Company Contacts

Please direct any questions pertaining to this filing to Lori Cole at (607) 762-8710 or me at (607) 762-7341.

Very truly yours,

Christine M. Stratakos
Manager, Pricing and Analysis
Rates and Regulatory Economics Department

Enclosures

New York State Electric & Gas Corporation

**List of Proposed Tariff Leaves
Case 09-M-0311**

PSC No. 120 – Electricity, Schedule for Electric Service

Leaf No. 2.1, Revision 9
Leaf No. 117.34, Revision 0
Leaf No. 123, Revision 17
Leaf No. 133, Revision 19
Leaf No. 161, Revision 9
Leaf No. 197, Revision 16
Leaf No. 208, Revision 18
Leaf No. 221, Revision 19
Leaf No. 261, Revision 17
Leaf No. 272, Revision 19
Leaf No. 289, Revision 32
Leaf No. 289.1, Revision 1
Leaf No. 300, Revision 17
Leaf No. 310, Revision 17
Leaf No. 318, Revision 18
TSAS Statement No. 01 to PSC 120 - Electricity

PSC No. 121 – Electricity, Schedule for Electric Service Street Lighting

Leaf No. 2, Revision 5
Leaf No. 14.1, Revision 0
Leaf No. 24, Revision 14
Leaf No. 37, Revision 15
Leaf No. 59, Revision 14
TSAS Statement No. 01 to PSC 121 - Electricity

PSC No. 87 – Gas, Schedule for Gas Service

Leaf No. 13.1, Revision 8
Leaf No. 17, Revision 13
Leaf No. 34.1, Revision 9
Leaf No. 44, Revision 10
Leaf No. 48, Revision 11
Leaf No. 53, Revision 8
Leaf No. 56, Revision 5
TSAS Statement No. 01 to PSC 87 - Gas

PSC No. 88, Gas, Schedule for Gas Service Transportation

Leaf No. 53.1, Revision 11
Leaf No. 69.1.1, Revision 2

Leaf No. 98.1, Revision 12
Leaf No. 105, Revision 17
Leaf No. 113.1, Revision 6
Leaf No. 127, Revision 6
TSAS Statement No. 01 to PSC 88 - Gas

PSC No. 90, Gas – Schedule for Gas Service

Leaf No. 3.1, Revision 7
Leaf No. 105.1, Revision 0
Leaf No. 106, Revision 3
Leaf No. 107, Revision 3
Leaf No. 108, Revision 3
Leaf No. 109, Revision 3
Leaf No. 110, Revision 3

New York State Electric & Gas Corporation
Temporary State Assessment Surcharge Calculation

Electric Operations - Based on Calendar Year 2008 Revenues

Total NYSEG Electric Operating Revenues	\$	1,428,225,324
Less: (447) Sales for Resale	\$	68,539,398
Less: (456) Transmission of Electricity for Others	\$	<u>80,180,849</u>
Assessable NYSEG Electric Revenues	\$	1,279,505,077
ESCO Revenue Calculation:		
kWh Delivered for ESCOs		5,791,202,321
Average NYSEG Full Service Customer Commodity \$/kWh	\$	0.07920 (1)
Estimated ESCO Supply Revenues	\$	458,680,000
Total Electric Assessable Revenue Estimate	\$	1,738,185,077
Temporary State Assessment Rate		2.0%
Estimated Combined General Assessment and Temporary State Assessment Amount	\$	34,763,702
DPS Assessment Costs Currently in Base Rates	\$	4,328,000 (2)
Estimated Temporary State Assessment Surcharge Amount, prior to Uncollectible Allowance	\$	30,435,702
Allowed Uncollectible % in Base Rates		1.0%
Uncollectible Allowance	\$	304,357
Estimated Temporary State Assessment Surcharge Amount	\$	30,740,059

Notes:

(1): Overall average Company rate. Estimated ESCO Revenues calculated by service class utilizing class-specific monthly supply charges.

(2): Per NYSEG Case 05-E-1222, Ex. RRP-3, Schedule A

New York State Electric & Gas Corporation
Temporary State Assessment Surcharge Calculation

Gas Operations - Based on Calendar Year 2008 Revenues

Total NYSEG Gas Operating Revenues	\$	467,498,638
Less: (483) Sales for Resale	\$	11,321,286
Less: (489.3) Distribution Facilities	\$	37,287,499
Less: (489.4) Storing Gas of Others	\$	2,933,545
Less: Adjustment per discussion with DPS Staff	\$	<u>500,000</u>
Assessable NYSEG Gas Revenues	\$	415,456,308
ESCO Revenue Calculation:		
Therm Delivered for ESCOs		275,406,980
Average NYSEG Full Service Customer Commodity \$/therm	\$	1.0024
Estimated ESCO Supply Revenues	\$	276,067,534
Total Gas Assessable Revenue Estimate	\$	691,523,842
Temporary State Assessment Rate		2.0%
Estimated Combined General Assessment and Temporary State Assessment Amount	\$	13,830,477
DPS Assessment Costs Currently in Base Rates	\$	782,241 (1)
Estimated Temporary State Assessment Surcharge Amount, prior to Uncollectible Allowance	\$	13,048,236
Allowed Uncollectible % in Base Rates		0.70%
Uncollectible Allowance	\$	91,338
Estimated Temporary State Assessment Surcharge Amount	\$	13,139,573

Notes:

(1): Per January 31, 2003 Statement of Estimated Assessment, not including ERDA component