



RECEIVED  
PUBLIC SERVICE  
COMMISSION  
EXEC-FILES-ALBANY

2007 APR -2 PM 3: 57

Joseph J. Syta  
Vice President  
Controller and Treasurer

01-E-0359  
OEE  
OGC  
A+F

March 30, 2007

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

**Re: Cases 01-E-0359 – Petition of New York State Electric & Gas Corporation for Approval of its Electric Price Protection Plan, and 01-M-0404 – Joint Petition of Energy East Corporation, RGS Energy Group, Inc., New York State Electric & Gas Corporation, Rochester Gas & Electric Corporation and Eagle Merger Corp. for Approval of Merger and Stock Acquisition.**

Dear Secretary Brillling,

New York State Electric & Gas Corporation (“NYSEG”) hereby submits its annual compliance filing for Rate Year Five, pursuant to Section XIII (B) of the Joint Proposal approved by the Commission in the above-referenced proceeding. The attachments to this letter set forth required information and associated calculations.

Sincerely,

Joseph J. Syta  
Vice President, Controller and Treasurer

Attachments

xc: Charles M. Dickson

An equal opportunity employer

**NYSEG** | 89 East Avenue | Rochester, NY 14649-0001  
tel (585) 724-8003 | fax (585) 724-8285  
www.nyseg.com



**New York State Electric & Gas Corporation**  
**Annual Compliance Filing - ELECTRIC**  
**Year Five - 2006**  
**INDEX**

| <u>Schedule</u> | <u>Description</u>  |
|-----------------|---|
| A               | Electricity business income statement                       |
| B               | Electric earnings sharing calculation                       |
| C               | Service quality performance mechanism                       |
| D               | Deferrals to be added to the Asset Sale Gain Account (ASGA) |
| D-1             | Net uncontrollable costs to be recovered through the ASGA   |
| D-2             | Other items to be recovered through the ASGA                |
| E               | ASGA balance  |
| F               | Actual electric capital expenditures                        |
| G               | Affiliate transactions                                      |
| H               | Annual financing information                                |

New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Five - 2006  
Electric Income Statement  
( \$ 000 )

|                                     | Delivery         | Commodity        | Total             |
|-------------------------------------|------------------|------------------|-------------------|
| Revenue                             | \$ 623,416       | \$ 1,079,437     | \$ 1,702,853      |
| Less: Supply Costs                  | <u>-</u>         | <u>946,121</u>   | <u>946,121</u>    |
| Net Revenues                        | 623,416          | 133,316          | 756,732           |
| Less: O&M Expenses                  | 323,256          | -                | 323,256           |
| Less: Depreciation                  | 93,730           | -                | 93,730            |
| Less: Taxes Other than Income Taxes | <u>85,025</u>    | <u>1,588</u>     | <u>86,613</u>     |
| Operating Income                    | 121,405          | 131,728          | 253,133           |
| Plus: Other Income & (Deductions)   | 4,340            | (3,701)          | 639               |
| Less: Interest Expense              | <u>67,134</u>    | <u>2,657</u>     | <u>69,791</u>     |
| Operating Income Less Interest      | 58,611           | 125,370          | 183,982           |
| Less: Federal & State Income Taxes  | 23,134           | 49,991           | 73,125            |
| Less: Preferred Dividend            | <u>297</u>       | <u>-</u>         | <u>297</u>        |
| Balance for Common                  | <u>\$ 35,180</u> | <u>\$ 75,379</u> | <u>\$ 110,559</u> |

New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Five - 2006  
Electric Earnings Sharing Calculation  
(\$ 000)

|   | Delivery       | Total Electric  |
|---|----------------|-----------------|
| <b>Electric Earnings as Recorded (from Schedule A)</b>  | \$ 35,180      | \$ 110,559      |
| <b>Synchronize Interest With Rate Base</b>  |                |                 |
| Interest per Books  | \$ 67,134      | \$ 69,791       |
| Interest Synchronized with Rate Base  | <u>55,619</u>  | <u>55,619</u>   |
| Before-Tax Adjustment   | 11,515         | 14,172          |
| Taxes @ 39.875%   | <u>(4,592)</u> | <u>(5,651)</u>  |
| After-Tax Adjustment  | 6,924          | 8,521           |
| <b>Synchronize Preferred Dividends With Rate Base</b>   |                |                 |
| Dividends per Books   | \$ 297         |                 |
| Dividends Synchronized with Rate Base   | <u>318</u>     |                 |
| After-Tax Adjustment  | (21)           | (21)            |
| <b>Exclude Other Income and Deductions ("OID") - With Specific Exceptions per the Joint Proposal</b>                      |                |                 |
| Exclude All OID per Books   |                |                 |
| Other Income and Deductions per Books   | \$ (4,340)     | \$ (639)        |
| Income Taxes on OID per Books   | <u>(863)</u>   | <u>(863)</u>    |
| Net   | (5,203)        | (1,502)         |
| Included OID Items per the Joint Proposal   |                |                 |
| Gain on Sale of Property  | \$ -           | \$ -            |
| Loss on Sale of Property  | -              | -               |
| Interest on Temporary Cash Investments  | <u>1,969</u>   | <u>1,969</u>    |
| Before-Tax Adjustment   | 1,969          | 1,969           |
| Taxes @ 39.875%   | <u>(785)</u>   | <u>(785)</u>    |
| Net OID Included in the Earnings Sharing Calculation  | 1,184          | 1,184           |
| <b>Exclude Amortization of Investment Tax Credits</b>   | (538)          | (538)           |
| <b>Other Adjustments to 2006 Regulated Earnings</b>   |                |                 |
| Exclude:  |                |                 |
| Net Deferral of the Customers' Share of Estimated Excess Earnings Recorded During 2006                                    | \$ -           | \$ (139)        |
| Recovery of Prior Years' Under-collection through the Non-Bypassable Wires Charge ("NBWC") of NUG Burden                  | -              | (5,400)         |
| Refund of Prior Years' Over-collection through the NBWC of Niagara Capacity Costs   | -              | 1,047           |
| Refund of Prior Years' Over-collection through the NBWC Related to the Load of Customers Served in the East               | -              | 3,615           |
| Contribution to ASGA for Property Taxes per Case 03-M-0084  | 1,950          | 1,950           |
| Service Quality Revenue Adjustment  | 1,000          | 1,000           |
| Adjustment to Prior Years' Deferral of Environmental Costs  | (992)          | (992)           |
| Write-off of the IBO & WMS Net Plant Investment per the Commission Order in Case 05-E-1222                                | 9,449          | 9,449           |
| Depreciation on the IBO & WMS Plant that was Written Off per the Commission Order in Case 05-E-1222                       | 1,193          | 1,193           |
| Include:  |                |                 |
| Cash Expenditures on IBO and WMS Projects Initially Capitalized and Subsequently Reversed per PSC Order in Case 05-E-1222 | <u>(175)</u>   | <u>(175)</u>    |
| Before-Tax Adjustment   | 12,425         | 11,548          |
| Taxes @ 39.875%   | <u>(4,954)</u> | <u>(4,605)</u>  |
| After-Tax Adjustment  | 7,471          | 6,944           |
| Adjustments to Prior Year Income Taxes  | <u>1,851</u>   | <u>1,851</u>    |
| Total After-Tax Adjustment  | 9,321          | 8,794           |
| <b>Regulated Electric Earnings</b>  | \$ 46,847      | \$ 126,998      |
| <b>Regulated Electric Earnings Threshold</b>  |                |                 |
| Electric Rate Base  | \$ 1,748,166   |                 |
| Exclude the Rate Base Associated with the IBO & WMS Plant that was Written Off per the Commission Order in Case 05-E-1222 | <u>(6,060)</u> |                 |
| Adjusted Electric Rate Base   | \$ 1,742,106   | \$ 1,742,106    |
| Equity Ratio  |                |                 |
| Actual Equity Ratio   | (a) 50.89%     |                 |
| Cap on Regulatory Equity Ratio per the Joint Proposal   | (b) 45.00%     |                 |
| Regulated Equity Ratio (lesser of "a" or "b")   | 45.00%         | 45.00%          |
| Regulatory Electric Common Equity   | 783,948        | 783,948         |
| Regulated Electric Earnings Threshold - %   | 12.5%          | 15.5%           |
| Regulated Electric Earnings Threshold - \$  | <u>97,993</u>  | <u>121,512</u>  |
| <b>Electric Earnings that Exceed the Threshold</b>  | \$ (51,146)    | \$ 5,486        |
| <b>Customers' Share of Earnings Above the Threshold *</b>   |                | 2,743           |
| Taxes @ 39.875%   |                | <u>1,819</u>    |
| <b>Customers' Pre-Tax Share of Earnings Above the Threshold</b>   |                | <u>\$ 4,562</u> |

\* The customers' share is 50% of the earnings above the delivery or total electric sharing threshold, whichever is greater.

New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Four - 2005  
REVISED 03/31/06, 03/31/07  
Electric Earnings Sharing Calculation  
(\$ 000)

|  | Delivery           | Total Electric                       |
|--|--------------------|--------------------------------------|
| Electric Earnings as Recorded  | \$ 70,832          | \$ 134,969                           |
| <b>Add Back Estimate Customers' Share of Excess Earnings Recorded During 2005</b>            |                    |                                      |
| Before-Tax Adjustment  |                    | \$ 22,390                            |
| Taxes @ 39.875%  |                    | (8,928)                              |
| After-Tax Adjustment   |                    | 13,462                               |
| <b>Synchronize Interest With Rate Base</b>   |                    |                                      |
| Interest per Books   | \$ 61,887          | \$ 63,485                            |
| Interest Synchronized with Rate Base   | 52,986             | 52,986                               |
| Before-Tax Adjustment  | 8,901              | 10,499                               |
| Taxes @ 39.875%  | (3,549)            | (4,188)                              |
| After-Tax Adjustment   | 5,352              | 6,313                                |
| <b>Synchronize Preferred Dividends With Rate Base</b>  |                    |                                      |
| Dividends per Books  | \$ 297             |                                      |
| Dividends Synchronized with Rate Base  | 318                |                                      |
| After-Tax Adjustment   | (19)               | (19)                                 |
| <b>Exclude Other Income and Other Deductions per Joint Proposal</b>                          |                    |                                      |
| Exclude Other Income & Deductions  | \$ (5,503)         | \$ (8,835)                           |
| Include Gain on Sale of Property   | 8                  | 8                                    |
| Include Loss on Sale of Property   | -                  | -                                    |
| Include Interest on Corporate Cash Investments   | 1,704              | 1,704                                |
| Before-Tax Adjustment  | (3,791)            | (7,123)                              |
| Taxes @ 39.875%  | 1,512              | 2,840                                |
| After-Tax Adjustment   | (2,279)            | (4,283)                              |
| <b>Exclude Amortization of Investment Tax Credits</b>  | (538)              | (538)                                |
| <b>Exclude Adjustments Booked in 2005 for Prior Year Items</b>                               |                    |                                      |
| Adjustment for Lost Revenues on Mandated Contracts   | \$ -               | \$ (101)                             |
| Adjustment for Economic Development Funding Deferral   | 829                | 829                                  |
| Adjustment for NBWC Capacity Overcollection  | 0                  | 3,763                                |
| Adjustment for PG&E Gains/Losses   | 0                  | (3,024)                              |
| Prior to Joint Proposal - Adjustment for May 2000 NYSISO Rebill                              | 0                  | 1,118                                |
| Prior to Joint Proposal - Adjustment for KATZ Licensing                                      | 250                | 250                                  |
| Adjustment for Miscellaneous Prior Year O&M  | 1,058              | 1,058                                |
| Adjustment for Tax Consultant Fee  | (513)              | (513)                                |
| Adjustment for EEMC Billing Correction   | 763                | 763                                  |
| Adjustment for Debt Issuance Expenses  | 761                | 761                                  |
| Adjustment for Miscellaneous Prior Year Other Taxes  | (32)               | (32)                                 |
| Adjustment for Amended 2003 GRT  | (2,078)            | (2,140)                              |
| Adjustment for Amended 2004 GRT  | 451                | 451                                  |
| Before-Tax Adjustment  | 1,489              | 3,183                                |
| Taxes @ 39.875%  | (594)              | (1,269)                              |
| After-Tax Adjustment   | 895                | 1,914                                |
| Adjustment for Prior Year Federal and State Tax Sharing                                      | (2,459)            | (4,421)                              |
| Prior to Joint Proposal - Adjustment for Prior Year Income Tax Reserves                      | (117)              | (117)                                |
| Adjustments to Prior Year Income Taxes   | 1,287              | 1,287                                |
| Total After-Tax Adjustment   | (394)              | (1,337)                              |
| <b>Regulated Electric Earnings</b>   | <b>\$ 72,953</b>   | <b>\$ 148,587</b>                    |
| <b>NYSEG's Equity Ratio</b>  |                    |                                      |
| Average Equity Balance   | \$ 1,070,745       |                                      |
| Average Capitalization   | 2,132,703          |                                      |
| Actual Equity Ratio  | 50.21%             |                                      |
| Regulatory Equity Ratio  | 45.00%             |                                      |
| <b>Regulatory Electric Common Equity</b>   |                    |                                      |
| Electric Rate Base   | \$ 1,702,500       |                                      |
| Equity Ratio   | 45.00%             |                                      |
| Electric Common Equity   | 766,125            | \$ 766,125                           |
| <b>Regulated Electric Earnings Threshold</b>   | <b>12.5%</b>       | <b>15.5%</b>                         |
| <b>Regulated Electric Earnings Threshold</b>   | <b>95,766</b>      | <b>118,749</b>                       |
| <b>Electric Earnings that Exceed the Threshold</b>   | <b>\$ (22,813)</b> | <b>\$ 29,837</b>                     |
| <b>Customers' Share of Earnings Above the Threshold</b>                                      |                    | <b>14,919</b>                        |
| Taxes @ 39.875%  |                    | <b>9,894</b>                         |
| <b>Estimated Customers' Pre-Tax Share of Earnings Above the Threshold</b>                    |                    | <b>\$ 24,813</b> As originally filed |
| <b>Adjustments Filed 03/31/07: (Tax Effective)</b>   |                    |                                      |
| Adjustment for Environmental Remediation Deferral  | 618                | 618                                  |
| Adjustment for Overcollection of Non-Bypassable Wires Charge (NBC) of Niagara Capacity Costs | (460)              | (460)                                |
| Adjustment for Overcollection of NBC Related to the Load of Customers Served in the East     | (1,951)            | (1,951)                              |
| Adjustment for Undercollection of NBC of Understated NUG Costs                               | 5,400              | 5,400                                |
| Adjustment to Exclude Contribution to ASGA for Property Taxes per Case 03-M-0084             | 1,950              | 1,950                                |
| Adjustment for ROE and Interest on Disallowed Portion of the IBO & WMS per Case 05-E-0122    | 847                | 847                                  |
| Adjustment for Depreciation Recorded on the IBO & WMS Plant per Case 05-E-1222               | 808                | 808                                  |
| Adjustment for the IBO & WMS Expenditures per Case 05-E-0122                                 | (4,209)            | (4,209)                              |
| Before-Tax Adjustment  | \$ 3,003           | \$ 3,003                             |
| Taxes @ 39.875%  | (1,197)            | (1,197)                              |
| After-Tax Adjustment   | 1,806              | 1,806                                |
| Adjustment to Prior Years' Income Tax Reserves   | 1                  | 1                                    |
| Adjustment to Deferred Taxes for Composite Tax Lives   | (305)              | (305)                                |
| Adjustment to Tax Liability on the Actual 2005 Income Tax Return                             | 3,726              | 3,726                                |
| <b>Total Adjustments, After-Tax</b>  | <b>\$5,228</b>     | <b>\$5,228</b>                       |
| <b>Customers' Share of Earnings Above the Threshold</b>                                      | <b>\$2,614</b>     | <b>\$2,614</b>                       |
| Pre-tax (@ 39.875%) adjustments  | <b>\$4,347</b>     | <b>\$4,347</b> As revised 03/31/07   |
| <b>Total Pre-tax (@ 39.875%) adjustments, to date</b>  |                    | <b>\$29,160</b>                      |

\* The customers' share is 50% of the earnings above the delivery or total electric sharing threshold, whichever is greater.

New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Three - 2004  
REVISED 03/31/06, 03/31/07  
Electric Earnings Sharing Calculation  
(\$ 000)

|   | Delivery     | Total Electric        |
|---|--------------|-----------------------|
| <b>Electric Earnings as Recorded</b>  | \$ 87,709    | \$ 120,187            |
| <b>Add Back Estimate Customers' Share of Excess Earnings Recorded During 2004</b>   |              |                       |
| Before-Tax Adjustment   | \$ 17,134    |                       |
| Taxes @ 39.875%   | (6,832)      |                       |
| After-Tax Adjustment  | 10,302       | 10,302                |
| <b>Synchronize Interest With Rate Base</b>  |              |                       |
| Interest per Books  | \$ 57,169    |                       |
| Interest Synchronized with Rate Base  | (46,211)     |                       |
| Before-Tax Adjustment   | 10,958       |                       |
| Taxes @ 39.875%   | (4,370)      |                       |
| After-Tax Adjustment  | 6,588        | 6,588                 |
| <b>Synchronize Preferred Dividends With Rate Base</b>   |              |                       |
| Dividends per Books   | \$ 333       |                       |
| Dividends Synchronized with Rate Base   | (309)        |                       |
| After-Tax Adjustment  | 24           | 24                    |
| <b>Exclude Other Income and Other Deductions per Joint Proposal</b>   |              |                       |
| Exclude Other Income & Deductions   | \$ (947)     |                       |
| Include Gain on Sale of Property  | 91           |                       |
| Include Loss on Sale of Property  | (263)        |                       |
| Include Interest on Temporary Cash Investments  | 263          |                       |
| Before-Tax Adjustment   | (503)        |                       |
| Taxes @ 39.875%   | (236)        |                       |
| After-Tax Adjustment  | (357)        | (357)                 |
| <b>Exclude Amortization of Investment Tax Credits</b>   | (538)        | (538)                 |
| <b>Exclude Adjustments Booked in 2004 for Prior Year Items</b>  |              |                       |
| Reserve for the Potential Refund of Prior Period Streetlight Revenues   | \$ 1,249     |                       |
| Reserve for the Potential Refund of Prior Period LBMF Revenues  | 939          |                       |
| ASGA Amortization to Offset Prior Period SC-11 Lost Revenues  | (200)        |                       |
| Reversal of Out-of-Period Late Payment Charges  | 180          |                       |
| Out-of-Period Adjustments to Payroll Taxes  | (1,335)      |                       |
| Before-Tax Adjustment   | 833          |                       |
| Taxes @ 39.875%   | (332)        |                       |
| After-Tax Adjustment  | 501          |                       |
| Adjustments to Prior Year Income Taxes  | (10,755)     |                       |
| Total After-Tax Adjustment  | (10,254)     | (10,254)              |
| <b>Regulated Electric Earnings</b>  | \$ 93,473    | \$ 125,951            |
| <b>NYSEG's Equity Ratio</b>   |              |                       |
| Average Equity Balance  | \$ 974,101   |                       |
| Average Capitalization  | 2,043,041    |                       |
| Actual Equity Ratio   | 46.04%       |                       |
| Regulatory Equity Ratio   | 45.00%       |                       |
| <b>Regulatory Electric Common Equity</b>  |              |                       |
| Electric Rate Base  | \$ 1,576,561 |                       |
| Equity Ratio  | 45.00%       |                       |
| Electric Common Equity  | 709,452      | \$ 709,452            |
| <b>Regulated Electric Earnings Threshold</b>  | 12.5%        | 15.5%                 |
| <b>Regulated Electric Earnings Threshold</b>  | 88,682       | 109,965               |
| <b>Electric Earnings that Exceed the Threshold</b>  | \$ 4,791     | \$ 15,986             |
| <b>Customers' Share of Earnings Above the Threshold</b>   |              | 7,993                 |
| Taxes @ 39.875%   |              | (5,301)               |
| <b>Customers' Pre-Tax Share of Earnings Above the Threshold</b>   |              | \$ 13,294             |
|   |              | As originally filed   |
| <b>Correction to 03/31/06 Filing:</b>   |              |                       |
| <b>Adjustment to Customers' Pre-Tax Share of Earnings Above the Threshold:</b>  |              |                       |
| Excess Earnings Adjustment recorded 12/05. Notified PSC in data response #707 and Exhibit (RRP-5) Schedule A & B, filed on 09/30/05 | \$ -         | \$ (3,849)            |
| <b>Customers' Pre-Tax Share of Earnings Above the Threshold</b>   |              | \$ 9,445              |
|   |              | As corrected 03/31/07 |
| <b>Adjustments Filed 03/31/06 (Tax Effected)</b>  |              |                       |
| Adjustment for Lost Revenues on Mandated Contracts  | \$ -         | \$ 101                |
| Adjustment for Economic Development Funding Deferral  | (829)        | (829)                 |
| Adjustment for NBWC Capacity Overcollection   | 0            | (2,358)               |
| Adjustment for PGET Gains/Losses  | 0            | 3,024                 |
| Adjustment for Miscellaneous Prior Year O&M   | (461)        | (461)                 |
| Adjustment for Tax Consultant Fee   | 513          | 513                   |
| Adjustment for EEMC Billing Correction  | (763)        | (763)                 |
| Adjustment for Debt Issuance Expenses   | (761)        | (761)                 |
| Adjustment for Amended 2004 GRT   | (451)        | (451)                 |
| Prior Year Adjustments to Streetlight Reserve   | (900)        | (900)                 |
| Prior Year Adjustments to Payroll Taxes   | 653          | 653                   |
| Before-Tax Adjustment   | \$ (2,999)   | \$ (2,232)            |
| Taxes @ 39.875%   | 1,196        | 890                   |
| After-Tax Adjustment  | (1,803)      | (1,342)               |
| Adjustment to Prior Year Income Taxes   | 853          | 853                   |
| <b>Total Adjustments, After-Tax</b>   | (950)        | (489)                 |
| <b>Customers' Share of Earnings Above the Threshold</b>   |              | (244)                 |
| Pre-tax (@ 39.875%) adjustments   |              | (847)                 |
|   |              | As revised 03/31/06   |
| <b>Adjustments Filed 03/31/07 (Tax Effected)</b>  |              |                       |
| Adjustment for Environmental Remediation Deferral   | 374          | 374                   |
| Adjustment for Overcollection of Non-Bypassable Wires Charge (NBC) of Niagara Capacity Costs  | (391)        | (391)                 |
| Adjustment for Overcollection of NBC Related to the Load of Customers Served in the East  | (771)        | (771)                 |
| Adjustment to Exclude Contribution to ASGA for Property Taxes per Case 03-M-0084  | 1,950        | 1,950                 |
| Adjustment for ROE and Interest on Disallowed Portion of the IBO & WMS per Case 05-E-0122   | 271          | 271                   |
| Adjustment for Depreciation Recorded on the IBO & WMS Plant per Case 05-E-1222  | 345          | 345                   |
| Adjustment for the IBO & WMS Expenditures per Case 05-E-0122  | (3,521)      | (3,521)               |
| Before-Tax Adjustment   | \$ (1,743)   | \$ (1,743)            |
| Taxes @ 39.875%   | 695          | 695                   |
| After-Tax Adjustment  | (1,048)      | (1,048)               |
| Adjustment to Deferred Taxes for Composite Tax Lives  | (109)        | (109)                 |
| <b>Total Adjustments, After-Tax</b>   | (1,157)      | (1,157)               |
| <b>Customers' Share of Earnings Above the Threshold</b>   | (578)        | (578)                 |
| Pre-tax (@ 39.875%) adjustments   | (962)        | (962)                 |
|   |              | As revised 03/31/07   |
| <b>Total Pre-tax (@ 39.875%) adjustments, to date</b>   |              | \$8,076               |

\* The customers' share is 50% of the earnings above the delivery or total electric sharing threshold, whichever is greater.

New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Two - 2003  
REVISED 03/05, 03/31/06, 03/31/07  
Electric Earnings Sharing Calculation (\$ Thousands)  
Schedule B

Schedule B  
Page 4 of 5

|   |             |                             |
|---|-------------|-----------------------------|
| Electric earnings as recorded                               | \$111,994   |                             |
| Add back recorded customers' share of excess earnings       | 2,470       |                             |
| <b>Electric earnings before sharing</b>                     |             | <b>\$114,464</b>            |
| <b>Adjustment to interest and preferred stock dividends</b> |             |                             |
| Per books:  |             |                             |
| Interest  | 61,561      |                             |
| Preferred stock dividend                                    | 297         |                             |
|   | 61,858      |                             |
| Per Joint Proposal:   |             |                             |
| Interest  | 48,504      |                             |
| Preferred stock dividend                                    | 318         |                             |
|   | 48,822      |                             |
| Net adjustment  | 13,036      |                             |
| Tax effect @ 39.875%  |             | 7,838                       |
| <b>Adjustment for Other Income and Other Deductions</b>     |             |                             |
| Exclude Other Income  | (6,649)     |                             |
| Exclude Other Deductions                                    | 926         |                             |
| Include Interest on temporary cash investments              | 407         |                             |
| Net adjustment  | (5,316)     |                             |
| Tax effect @ 39.875%  |             | (3,196)                     |
| <b>Exclude Adjustments for prior year items</b>             |             |                             |
| Income tax adjustments for 2001 and 2002                    | (3,829)     |                             |
| Annual property tax to ASGA, Case 03-M-0084                 | 1,173       |                             |
| 2002 Excess Earnings adjustment                             | 1,423       |                             |
| Tax effect @ 39.875%  |             | (1,233)                     |
| <b>Regulatory electric earnings</b>                         |             | <b>\$117,873</b>            |
| <b>NYSEG's equity ratio</b>                                 |             |                             |
| Average equity balance                                      | \$949,800   |                             |
| Average capitalization                                      | \$2,062,800 |                             |
| Actual equity ratio   | 46.04%      |                             |
| Regulatory equity ratio                                     | 45.0%       |                             |
| <b>Regulatory electric common equity</b>                    |             |                             |
| Electric rate base  | \$1,619,098 |                             |
| Equity ratio  | 45.0%       |                             |
| Electric common equity                                      | \$728,594   |                             |
| <b>Regulatory electric earnings threshold @ 15.5%</b>       |             | <b>\$112,933</b>            |
| <b>Electric earnings that exceed threshold</b>              |             | <b>\$4,940</b>              |
| <b>Customers' share of earnings above threshold</b>         |             | <b>\$2,470</b>              |
| Pre-tax (@ 39.875%)   |             | \$4,108 As originally filed |

**Adjustments Filed 03/05: (Tax Effect)**

|  |           |                          |
|--|-----------|--------------------------|
| Annual property tax to ASGA, Case 03-M-0084                        | (\$1,173) |                          |
| NYS Income Tax Adjustment - AMT Year 2003                          | 6,936     |                          |
| Income tax adjustments for 2003                                    | (398)     |                          |
| 11/04 Non-Operating tax adj to Year 2003                           | 377       |                          |
| 11/04 LBMP refund adj for Year 2003                                | (565)     |                          |
| Streetlight Reserves for Year 2003                                 | (33)      |                          |
| SC11 Standby Lost Revenues for Year 2003                           | 120       |                          |
| Nucor Marginal Cost Settlement - Late Payment reversal - Year 2003 | (108)     |                          |
| Remove ITC Amortization  | (538)     |                          |
| <b>Total Adjustments</b>   |           | <b>\$4,618</b>           |
| <b>Customers' share of adjustments above threshold</b>             |           | <b>\$2,309</b>           |
| Pre-tax (@ 39.875%) adjustments                                    |           | \$3,840 As revised 03/05 |

**Adjustments Filed 03/31/06: (Tax Effect)**

|   |            |                           |
|---|------------|---------------------------|
| Adjustment for NBWC Capacity Overcollection             | \$ (1,405) |                           |
| Adjustment for Miscellaneous Prior Year O&M             | (592)      |                           |
| Adjustment for Miscellaneous Other Taxes                | 32         |                           |
| Adjustment for Amended 2003 GRT                         | 2,140      |                           |
| Prior Year Adjustments to Streetlight Reserve           | 400        |                           |
| Prior Year Adjustments to Payroll Taxes                 | (200)      |                           |
| <b>Before-Tax Adjustment</b>                            | \$ 375     |                           |
| Taxes @ 39.875%   | (150)      |                           |
| <b>After-Tax Adjustment</b>                             | 225        |                           |
| Adjustment to Prior Year Income Taxes                   | 0          |                           |
| <b>Total Adjustments, After-Tax</b>                     |            | <b>\$225</b>              |
| <b>Customers' Share of Earnings Above the Threshold</b> |            | <b>\$113</b>              |
| Pre-tax (@ 39.875%) adjustments                         |            | \$188 As revised 03/31/06 |

**Adjustments Filed 03/31/07: (Tax Effect)**

|  |            |                               |
|--|------------|-------------------------------|
| Adjustment for Overcollection of Non-Bypassable Wires Charge (NBC) of Niagara Capacity Costs | (196)      |                               |
| Adjustment for Overcollection of NBC Related to the Load of Customers Served in the East     | (893)      |                               |
| Adjustment to Exclude Contribution to ASGA for Property Taxes per Case 03-M-0084             | 1,950      |                               |
| Adjustment for ROE and Interest on Disallowed Portion of the IBO & WMS per Case 05-E-0122    | (101)      |                               |
| Adjustment for the IBO & WMS Expenditures per Case 05-E-0122                                 | (3,828)    |                               |
| <b>Before-Tax Adjustment</b>   | \$ (3,068) |                               |
| Taxes @ 39.875%  | 1,223      |                               |
| <b>After-Tax Adjustment</b>  | (1,845)    |                               |
| Adjustment to Tax Liability Based on Audits of Prior Years' Taxes                            | (1,028)    |                               |
| <b>Total Adjustments, After-Tax</b>  |            | <b>(\$2,873)</b>              |
| <b>Customers' Share of Earnings Above the Threshold</b>                                      |            | <b>(\$1,436)</b>              |
| Pre-tax (@ 39.875%) adjustments  |            | (\$2,389) As revised 03/31/07 |
| <b>Total Pre-tax (@ 39.875%) adjustments, to date</b>  |            | <b>\$5,747</b>                |

The customers' share is 50% of the earnings above the delivery or total electric sharing threshold, whichever is greater.

|   |                 |                               |
|---|-----------------|-------------------------------|
| Electric earnings as recorded                                     | \$109,919       |                               |
| Add back recorded customers' share of excess earnings             | <u>2,095</u>    |                               |
| <b>Electric earnings before sharing</b>                           |                 | \$112,014                     |
| <b>Adjustment to interest and preferred stock dividends</b>       |                 |                               |
| Per books:  |                 |                               |
| Interest  | 71,951          |                               |
| Preferred stock dividend  | <u>297</u>      |                               |
|   | 72,248          |                               |
| Per Joint Proposal:   |                 |                               |
| Interest  | 70,140          |                               |
| Preferred stock dividend  | <u>317</u>      |                               |
|   | 70,457          |                               |
| Net adjustment  | 1,791           |                               |
| Tax effect @ 39.875%  |                 | 1,077                         |
| <b>Adjustment for Other Income and Other Deductions</b>           |                 |                               |
| Exclude Other Income  | 6,070           |                               |
| Exclude Other Deductions  | <u>(14,866)</u> |                               |
| Include Interest on temporary cash investments                    | <u>1,331</u>    |                               |
| Net adjustment  | 10,127          |                               |
| Tax effect @ 39.875%  |                 | 6,088                         |
| <b>Exclude Adjustments for prior year items</b>                   |                 |                               |
| ISO working capital   | (2,108)         |                               |
| Income tax adjustments  | <u>(760)</u>    |                               |
| Tax effect @ 39.875%  |                 | <u>(2,868)</u>                |
| <b>Regulatory electric earnings</b>                               |                 | <b>\$116,311</b>              |
| <b>NYSEG's equity ratio</b>                                       |                 |                               |
| Average equity balance  | \$903,000       |                               |
| Average capitalization  | \$1,998,800     |                               |
| Actual equity ratio   | 45.18%          |                               |
| Regulatory equity ratio   | 45.0%           |                               |
| <b>Regulatory electric common equity</b>                          |                 |                               |
| Electric rate base  | \$1,594,837     |                               |
| Equity ratio  | <u>45.0%</u>    |                               |
| Electric common equity  | \$717,677       |                               |
| <b>Regulatory electric earnings threshold @15.5%</b>              |                 | <b>\$111,240</b>              |
| <b>Electric earnings that exceed threshold</b>                    |                 | \$5,071                       |
| <b>Customers' share of earnings above threshold</b>               |                 | <b>\$2,536</b>                |
| Pre-tax (@39.875%)  |                 | \$4,218 As originally filed   |
| <b>Adjustments to March 3, 2003 Filing: (Tax Effected)</b>        |                 |                               |
| Property Tax Refunds, per Case 03-M-0084                          | (\$1,524)       |                               |
| Energy Tax Reform 2002 Adjustments to Actual                      | (164)           |                               |
| 2002 Income Tax Adjustment to Actual                              | <u>4,535</u>    |                               |
| <b>Total Adjustments</b>  |                 | <b>\$2,847</b>                |
| <b>Customers' share of adjustments above threshold</b>            |                 | <b>\$1,423</b>                |
| Pre-tax (@ 39.875%) adjustments                                   |                 | \$2,367 As filed 02/04        |
| <b>Adjustments Filed 03/05: (Tax Effected)</b>                    |                 |                               |
| Income tax reserve established for Year 2002                      | (\$800)         |                               |
| NYS Income Tax Adjustment - AMT Year 2002                         | 1,440           |                               |
| Income tax reserve established for Year 2002                      | (1,500)         |                               |
| Streetlight Reserves for Year 2002                                | (28)            |                               |
| Remove ITC Amortization   | <u>(538)</u>    |                               |
| <b>Total Adjustments</b>  |                 | <b>(\$1,426)</b>              |
| <b>Customers' share of adjustments above threshold</b>            |                 | <b>(\$713)</b>                |
| Pre-tax (@ 39.875%) adjustments                                   |                 | (\$1,186) As revised 03/05    |
| <b>Adjustments Filed 03/31/06: (Tax Effected)</b>                 |                 |                               |
| Adjustment for Miscellaneous Prior Year O&M                       | (\$5)           |                               |
| Prior Year Adjustments to Streetlight Reserve                     | \$500           |                               |
| Prior Year Adjustments to Payroll Taxes                           | <u>(\$453)</u>  |                               |
| Before-Tax Adjustment   | \$ 42           |                               |
| Taxes @ 39.875%   | <u>(17)</u>     |                               |
| After-Tax Adjustment  | 25              |                               |
| Adjustment to Prior Year Income Taxes                             | <u>(2,139)</u>  |                               |
| <b>Total Adjustments, After-Tax</b>                               |                 | <b>(\$2,114)</b>              |
| <b>Customers' Share of Earnings Above the Threshold</b>           |                 | <b>(\$1,057)</b>              |
| Pre-tax (@ 39.875%) adjustments                                   |                 | (\$1,758) As revised 03/31/06 |
| <b>Adjustments Filed 03/31/07: (Tax Effected)</b>                 |                 |                               |
| Adjustment to Tax Liability Based on Audits of Prior Years' Taxes | (4,691)         |                               |
| Adjustment to Prior Years' Income Tax Reserves                    | <u>2,342</u>    |                               |
| <b>Total Adjustments, After-Tax</b>                               |                 | <b>(\$2,349)</b>              |
| <b>Customers' Share of Earnings Above the Threshold</b>           |                 | <b>(\$1,175)</b>              |
| Pre-tax (@ 39.875%) adjustments                                   |                 | (\$1,953) As revised 03/31/07 |
| <b>Total Pre-tax (@ 39.875%) adjustments, to date</b>             |                 | <b>\$1,687</b>                |

The customers' share is 50% of the earnings above the delivery or total electric sharing threshold, whichever is greater.

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing**  
**Year Five – 2006**  
**Service Quality Performance Mechanism**  
**Schedule C**

|   | <u>Actual</u> | <u>Threshold</u> | <u>Revenue Adjustment</u> |
|---|---------------|------------------|---------------------------|
| <b>Overall Customer Satisfaction Index*</b>                   | 75.2%         | 73.0%            | \$ -                      |
| <b>Customer Contact Satisfaction Index*</b>                   | 73.6%         | 85.0%            | \$ 1,000,000              |
| <b>PSC Complaint Rate*</b>                                    | 0.9/100,000   | 3.5/100,000      | \$ -                      |
| <b>Customer Average Interruption Duration Index (CAIDI)**</b> | 2.01          | 2.08             | \$ -                      |
| <b>System Average Interruption Frequency (SAIFI)**</b>        | 1.11          | 1.20             | \$ -                      |
| <b>Total Revenue Adjustment Required</b>                      |               |                  | <b>\$ 1,000,000</b>       |

\* Signed verification submitted under separate cover, dated February 05, 2007, to Sandra Stanton Sloane; Director, Office of Consumer Services.

\*\* Complete annual report to be filed under separate cover by March 31, 2007.

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing - ELECTRIC**  
**Year Five - 2006**  
**Deferrals to be Netted with the ASGA**  
**Schedule D**

|  | <u>Pre-tax Amount</u>        |
|--|------------------------------|
| Schedule B Electric Earnings Sharing Calculation Total: 2006 (as filed)  | \$ 4,562,000                 |
| Schedule B Electric Earnings Sharing Calculation Total - 2005 Adjustment | 4,347,000                    |
| Schedule B Electric Earnings Sharing Calculation Total - 2004 Adjustment | (962,000)                    |
| Schedule B Electric Earnings Sharing Calculation Total - 2003 Adjustment | (2,389,000)                  |
| Schedule B Electric Earnings Sharing Calculation Total - 2002 Adjustment | <u>(1,953,000)</u>           |
| Total Schedule B Electric Earnings Sharing Calculation                   | 3,605,000                    |
| Schedule D-1 Category 1 and 2 Total Year 2006                            | (5,514,284)                  |
| Schedule D-1 Category 2 Environmental Adj - Year 2005 and 2004           | (991,983)                    |
| Schedule D -2 Other Total  | <u>(1,123,044)</u>           |
| <b>Net Credit(Debit) to be Added to the ASGA</b>                         | <b>\$ <u>(4,024,311)</u></b> |

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing - ELECTRIC**  
**Year Five - 2006**  
**Net Uncontrollable Costs to be Recovered Through the ASGA**  
**Schedule D-1**

|  |     | <u>Actual</u>                              | <u>Threshold</u> | <u>Potential Deferral</u> | <u>Actual Deferral</u> <sup>(1)</sup> |
|--|-----|--|------------------|---------------------------|---------------------------------------|
| <b>Category 1:</b>   |     |  |                  |                           |                                       |
| Storm Costs  |     | \$ 26,922,546                              | \$ 6,000,000     | \$ 20,922,546             | \$ 0                                  |
| Flood Damage   |     | 4,100,568                                  | 250,000          | 3,850,568                 | 0                                     |
|  |     | <b>Category 1 deferrals reversed:</b>      |                  | <b>\$ 24,773,114</b>      |                                       |
|  |     | <b>Category 1 Total:</b>                   |                  | <b>\$ 0</b>               |                                       |
| <b>Category 2:</b>   |     |  |                  |                           |                                       |
| Environmental Remediation Costs <sup>(2)</sup>                       | (A) | \$ 9,014,284                               | \$ 3,500,000     | \$ 5,514,284              | \$ 5,514,284                          |
| Economic Development Incentives/Lost Revenues                        |     | 12,000,000                                 | 8,000,000        | 4,000,000                 | 0                                     |
| Costs Resulting From the Unbundling Order                            |     | 312,397                                    | 4,000,000        | 0                         | 0                                     |
| 2 & 4 Mill ERO Discount Above .5 Threshold                           |     | 7,706,043                                  | 0                | 7,706,043                 | 0                                     |
| UCAP Demand Curve Costs  |     | 4,460,354                                  | 0                | 4,460,354                 | 0                                     |
| Power for Jobs above GRT Credit                                      |     | 4,375,011                                  | 8,023,236        | 0                         | 0                                     |
| Property Tax Expense   |     | 67,306,253                                 | 72,100,000       | 0                         | 0                                     |
| All Outreach and Education Costs                                     |     | 2,072,094                                  | 1,500,000        | 572,094                   | 0                                     |
| Annual General Inflation as measured by GDP Implicit Price Deflator  |     | 2.90%                                      | 4.00%            | 0                         | 0                                     |
| <b>Mandatory Regulatory, Legislative, Accounting and Tax Changes</b> |     |  |                  |                           |                                       |
| Sarbanes-Oxley   |     | 1,313,513                                  | 0                | 1,313,513                 | 0                                     |
| Security   |     | 62,712                                     | 0                | 62,712                    | 0                                     |
| Medicare Act   |     | (12,263,958)                               | 0                | (12,263,958)              | 0                                     |
| Bonus Depreciation non-cash return                                   |     | (2,472,150)                                | 0                | (2,472,150)               | 0                                     |
| Stray Voltage  |     | 3,623,649                                  | 0                | 3,623,649                 | 0                                     |
| Right of Way Maintenance   | (B) | 654,888                                    | 0                | 654,888                   | 0                                     |
| NYISO 05/8-9/2000 Bill - Supplemental                                |     | 96,000                                     | 0                | 96,000                    | 0                                     |
| 2005 Research & Development Tax Adjustment                           |     | (301,191)                                  | 0                | (301,191)                 | 0                                     |
| 2005 Manufacturing Tax Adjustment                                    |     | (221,637)                                  | 0                | (221,637)                 | 0                                     |
| Pandemic Influenza Planning  | (C) | 28,621                                     | 0                | 28,621                    | 0                                     |
| 08/23/06 Rate Case Implementation - Case 05-E-1222                   |     | 124,830                                    | 0                | 124,830                   | 0                                     |
| Advanced Metering Infrastructure                                     |     | 65,481                                     | 0                | 65,481                    | 0                                     |
|  |     | <b>Category 2 deferrals reversed:</b>      |                  | <b>\$ 7,449,248</b>       |                                       |
|  |     | <b>Category 2 Total:</b>                   |                  | <b>\$ 5,514,284</b>       |                                       |
|  |     | <b>Total Category 1 &amp; 2 Deferrals:</b> |                  | <b>\$ 5,514,284</b>       |                                       |

(1) Per Section X.B.3, Page 36, of the Joint Proposal, to the extent that the total earnings after sharing for a Rate Year exceed 15.5%, NYSEG will forego deferral of both Category 1 and Category 2 Uncontrollable Costs incurred in that Rate Year.

(2) There is no limitation on the recovery of environmental remediation costs above the target in accordance with Section X.B.3., Page 37, of the Joint Proposal.

(A) Year 2006 Environmental amount only. Excludes effect of a 2006 accounting entry to reclass 2004/05 costs as Environmental.

(B) Year 2006 ROW amount only. Excludes effect of a 2006 accounting entry to reclass 2005 costs as ROW.

(C) Pandemic Influenza Planning was initiated by the U. S. Dept of Health and Human Services, based on the National Strategy for Pandemic influenza, issued by President Bush November 1, 2005.

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing - ELECTRIC**  
**Year Four - 2005**  
**Net Uncontrollable Costs to be Recovered Through the ASGA**  
**Schedule D-1**

|  | <u>Actual</u>                              | <u>Threshold</u> | <u>Potential Deferral</u> | <u>Actual Deferral</u> <sup>(1)</sup> |
|--|--|------------------|---------------------------|---------------------------------------|
| <b>Category 1:</b>   |  |                  |                           |                                       |
| Storm Costs  | \$ 10,676,023                              | \$ 6,000,000     | \$ 4,676,023              | \$ 0                                  |
| Flood Damage   | 56,988                                     | 250,000          | 0                         | 0                                     |
|  | Category 1 deferrals reversed:             |                  | \$ 4,676,023              |                                       |
|  | <b>Category 1 Total:</b>                   |                  |                           | <b>\$ 0</b>                           |
| <b>Category 2:</b>   |  |                  |                           |                                       |
| Environmental Remediation Costs <sup>(2)</sup>                       | (A) \$ 8,427,205                           | \$ 3,500,000     | \$ 4,927,205              | \$ 4,927,205                          |
| Economic Development Incentives/Lost Revenues                        | 12,000,000                                 | 8,000,000        | 4,000,000                 | 0                                     |
| Costs Resulting From the Unbundling Order                            | 523,133                                    | 4,000,000        | 0                         | 0                                     |
| 2 & 4 Mill ERO Discount Above .5 Threshold                           | 7,582,598                                  | 0                | 7,582,598                 | 0                                     |
| NYPA Hydro Preference Power Rates                                    | 0  | 0                | 0                         | 0                                     |
| UCAP Demand Curve Costs  | 2,259,030                                  | 0                | 2,259,030                 | 0                                     |
| Power for Jobs above GRT Credit                                      | GRT/PFJ adequate                           | 0                | 0                         | 0                                     |
| Property Tax Expense   | 65,614,800                                 | 69,300,000       | 0                         | 0                                     |
| All Outreach and Education Costs                                     | 1,036,171                                  | 1,500,000        | 0                         | 0                                     |
| Annual General Inflation as measured by GDP Implicit Price Deflator  | 2.70%                                      | 4.00%            | 0                         | 0                                     |
| <b>Mandatory Regulatory, Legislative, Accounting and Tax Changes</b> |  |                  |                           |                                       |
| Sarbanes-Oxley   | 591,226                                    | 0                | 591,226                   | 0                                     |
| Security   | 62,712                                     | 0                | 62,712                    | 0                                     |
| Medicare Act   | (8,817,395)                                | 0                | (8,817,395)               | 0                                     |
| Carrying Cost on Bonus Depreciation                                  | (3,180,846)                                | 0                | (3,180,846)               | 0                                     |
| Strav Voltage  | 2,137,359                                  | 0                | 2,137,359                 | 0                                     |
| NYISO 05/8-9/2000 Bill   | 1,770,005                                  | 0                | 1,770,005                 | 0                                     |
| Purchase of Receivables  | (B) 0                                      | 0                | 0                         | 0                                     |
| Right of Way Maintenance   | (C) 409,541                                | 0                | 409,541                   | 0                                     |
|  | Category 2 deferrals reversed:             |                  | \$ 6,814,230              |                                       |
|  | <b>Category 2 Total:</b>                   |                  |                           | <b>\$ 4,927,205</b>                   |
|  | <b>Total Category 1 &amp; 2 Deferrals:</b> |                  |                           | <b>\$ 4,927,205</b>                   |

(1) Per Section X.B.3, Page 36, of the Joint Proposal, to the extent that the total earnings after sharing for a Rate Year exceed 15.5%, NYSEG will forego deferral of both Category 1 and Category 2 Uncontrollable Costs incurred in that Rate Year.

(2) There is no limitation on the recovery of environmental remediation costs above the target in accordance with Section X.B.3., Page 37, of the Joint Proposal.

Reasons for changes from prior filing:

(A) Increase Environmental deferral, recorded in 2006. Includes the effect of a 2006 accounting entry to reclass 2004/05 costs as Environmental.

(B) Remove POR deferral, per August 21, 2006 POR filing to Honorable Jaclyn A. Brilling, Secretary.

(C) Increase ROW deferral, recorded in 2006. Includes the effect of a 2006 accounting entry to reclass 2005 costs as ROW.

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing - ELECTRIC**  
**Year Three - 2004**  
**Net Uncontrollable Costs to be Recovered Through the ASGA**  
**Schedule D-1**

|   | <u>Actual</u>       | <u>Threshold</u>         | <u>Potential Deferral</u> | <u>Actual Deferral (1)</u> |
|---|---------------------|--------------------------|---------------------------|----------------------------|
| <b>Category 1:</b>  |                     |                          |                           |                            |
| Storm Costs   | \$ 3,158,573        | \$ 6,000,000             | \$ 0                      | \$ _____                   |
|   |                     | <b>Category 1 Total:</b> |                           | \$ _____                   |
| <b>Category 2:</b>  |                     |                          |                           |                            |
| Environmental Remediation * (A)                                     | \$ 8,466,323        | \$ 3,500,000             | \$ 4,966,323              | \$ 4,966,323 *             |
| Economic Development Incentives/Lost Revenues                       | \$ 12,000,000       | \$ 8,000,000             | \$ 4,000,000              | \$ -                       |
| Costs Resulting From the Unbundling Order                           | \$ 282,878          | \$ 4,000,000             | \$ 0                      | \$                         |
| 2& 4 Mill ERO Discount Above .5 Threshold                           | \$ 2,027,461        | \$ 0                     | \$ 2,027,461              | \$                         |
| NYPA Hydro Preference Power Rates                                   | \$ 2,409,384        | \$ 0                     | \$ 2,409,384              | \$                         |
| UCAP Demand Curve Costs   | \$ 3,453,395        | \$ 0                     | \$ 3,453,395              | \$                         |
| Power for Jobs above GRT Credit                                     | GRT credit adequate | 0                        | 0                         |                            |
| Property Tax Expense  | \$ 65,464,623       | \$ 66,600,000            | \$ 0                      | \$                         |
| All Outreach and Education Costs                                    | \$ 2,100,987        | \$ 1,500,000             | \$ 600,887                | \$                         |
| Annual General Inflation as measured by GDP Implicit Price Deflator | 2.10%               | 4.00%                    | \$ 0                      | \$                         |
| Mandatory Regulatory, Legislative, Accounting and Tax Changes       |                     |                          |                           |                            |
| Sarbanes-Oxley  | \$ 1,477,638        | \$ 0                     | \$ 1,477,638              | \$                         |
| Security  | \$ 62,712           | \$ 0                     | \$ 62,712                 | \$                         |
| Medicare Act  | \$ (3,791,722)      | \$ 0                     | \$ (3,791,722)            | \$                         |
| Carrying cost on Bonus Depreciation                                 | \$ (2,164,319)      | \$ 0                     | \$ (2,164,319)            | \$                         |
|   |                     | <b>Category 2 Total:</b> |                           | \$ <u><u>4,966,323</u></u> |

(1) Per Section X.B.3, Page 36, of the Joint Proposal, to the extent that the total earnings after sharing for a Rate Year exceed 15.5%, NYSEG will forego deferral of both Category 1 and Category 2 Uncontrollable Costs incurred in that Rate Year.

\*There is no limitation on the recovery of environmental remediation costs above the target in accordance with Section X.B.3., Page 37, of the Joint Proposal.

Reasons for changes from prior filing:

(A) Increase Environmental deferral, recorded in 2006. Includes the effect of a 2006 accounting entry to reclass 2004/05 costs as Environmental.

**New York State Electric & Gas Corporation  
Annual Compliance Filing - ELECTRIC  
Year Five - 2006  
Other Items to be Recovered Through the ASGA  
Schedule D - 2**

|  | <u>Actual Deferral</u>     |
|--|----------------------------|
| Power Partner Low-Income Program Funding     | \$ 2,500,000               |
| Service Quality Performance Mechanism        | (1,000,000)                |
| Property Tax Due Customers & NCR             | (252,288)                  |
| Nine Mile II - Transaction and Related Costs | (124,668)                  |
| <b>Schedule D-2 Total:</b>                   | <b>\$ <u>1,123,044</u></b> |

( ) denotes additions to ASGA

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing - ELECTRIC**  
**Year Five - 2006**  
**Pre-Tax Asset Sale Gain Account**  
**Schedule E**

|   |                      |
|---|----------------------|
| <b>January 1, 2006 Balance, per books</b>         | <b>\$ 69,271,597</b> |
| Non-Cash Return                                   | 5,955,599            |
| Deferrals From 2005 Schedule D                    | 17,000,845           |
| Non-Cash Return on 2005 Schedule D                | 1,587,721            |
| <b><u>Adjustments</u></b>                         |                      |
| NCR Adjustment for ESM Deferred Taxes elimination | 1,723,114            |
| Property Tax Settlement ASGA Contribution & NCR   | 3,524,239            |
| ESM impact from IBO-WMS Expense treatment & NCR   | (5,834,000)          |
| 2005 Power Partner & NCR Adjustment               | (196,566)            |
| 2005 Property Tax Refunds & NCR                   | 4,999,794            |
| 2004 ESM Adjustment                               | (10,000)             |
| <b><u>Amortizations/Deferrals - 2006</u></b>      |                      |
| Mandated Economic Development Contracts           | (12,530,006)         |
| Contribution to ASGA Per Case 03-M-0084           | 1,950,000            |
| Establishment of Standby Rates Per Case 02-E-0779 | (3,130,935)          |
| <b>December 31, 2006 Balance, per books</b>       | <b>84,311,402</b>    |
| <b>Known Adjustments to ASGA Balance: *</b>       |                      |
| Deferrals From Schedule D                         | (4,024,311)          |
| 2007 Refund of ASGA to Customers                  | (77,116,000)         |
| Contribution per ASGA Refund JP (Case 05-E-0122)  | 260,000              |
| <b>Available ASGA Balance</b>                     | <b>\$ 3,431,091</b>  |

\* Subject to further adjustments

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing**  
**Year Five – 2006**  
**Electric Capital Expenditures**  
**Schedule F**

|                                      | <u>(000s)</u>     |
|--------------------------------------|-------------------|
| Transmission & Distribution          | \$ 72,215         |
| Hydro                                | \$ 1,974          |
| Transportation                       | \$ 10,403         |
| General Equipment                    | \$ 28,333         |
| Facilities                           | \$ 1,312          |
| <b>Electric capital expenditures</b> | <b>\$ 114,237</b> |

**New York State Electric & Gas Corporation**  
**Annual Compliance Filing**  
**Year Five - 2006**  
**Affiliate Transactions**  
**Schedule G**

The "Standards Pertaining to Affiliates and the Provision of Information" attached as Appendix B to the Joint Proposal approved in Cases 01-E-0359 and 01-M-0404, states on page 8 in subdivision ii of the section entitled "Access to Books and Records and Reports" that NYSEG will report certain information annually, as follows:

**1. Transfers of assets to and from an affiliate**

There were no transfers of assets in 2006 to and from affiliates.

**2. Cost allocations relative to affiliate transactions**

During the 12 months ended December 31, 2006, NYSEG allocated the following costs to affiliates pursuant to service agreements:

|   |             |
|---|-------------|
| Rochester Gas and Electric Corporation (RG&E) | \$6,861,189 |
| Utility Shared Services Corporation (USS)     | \$1,260,799 |
| Energy East Management Corporation            | \$1,218,818 |
| The Southern Connecticut Gas Company          | \$83,266    |
| Connecticut Natural Gas Corporation (CNG)     | \$73,514    |
| The Berkshire Gas Company                     | \$33,028    |

During the 12 months ended December 31, 2006, costs were allocated to NYSEG from the following affiliates pursuant to service agreements:

|                                      |              |
|--------------------------------------|--------------|
| Rochester Gas & Electric Corporation | \$7,907,075  |
| Utility Shared Services Corporation  | \$34,194,505 |
| Energy East Management Corporation   | \$17,001,636 |
| Central Maine Power Company          | \$432,947    |
| Connecticut Natural Gas Corporation  | \$48,093     |

In addition, federal and state tax reimbursements from NYSEG to Energy East Corporation (EEC) were \$57,903,112 and \$5,018,610, respectively. These are for income taxes that EEC paid on NYSEG's behalf in 2006.

**New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Five - 2006  
Affiliate Transactions  
Schedule G**

-2-

**3. Identification of NYSEG employees transferred to or from an affiliate**

The following employees were transferred to or from an affiliate in 2006:

| <b>Employee Name</b> | <b>Former Company</b> | <b>Former Position</b>                     | <b>New Company</b> | <b>New Position</b>                  |
|----------------------|-----------------------|--|--------------------|--------------------------------------|
| Stephanie L. Crisman | USS                   | Analyst – SAP Support                      | NYSEG              | Lead Analyst – CCS Business Support  |
| David W. Sanford     | CMP                   | Analyst – Vegetation Management            | NYSEG              | Lead Analyst – Vegetation Management |
| Kim M. Hibbard       | USS                   | Supervisor – Fixed Assets                  | NYSEG              | Lead Analyst – T&D Support           |
| Joseph Gasbarrone    | USS                   | Assistant Controller – Accounting Services | NYSEG              | Lead Analyst – Controller Support    |
| Suzanne Smilowicz    | NYSEG                 | Supervisor – Customer Relations Center     | CMP                | Supervisor – Meter Operations        |

**New York State Electric & Gas Corporation  
Annual Compliance Filing  
Year Five - 2006  
Affiliate Transactions  
Schedule G**

-3-

**4. A listing of affiliate employees participating in common benefit plans.**

See listing below for affiliate employees participating in certain of NYSEG's benefit plans as of December 31, 2006.

**Job Title (number of positions, if more than one)**

Sr. Management (15)  
Management (91)  
Professionals (335)  
Other (13)

New York State Electric Gas Corporation  
Annual Compliance Filing  
Year Five – 2006  
Annual Financing Information  
Schedule H

**Re: Case 93-M-0744**      Petition of New York State Electric & Gas Corporation for authority to issue and sell long-term debt, preferred stock and common stock pursuant to a multi-year financing plan and to negotiate a Revolving Credit Agreement (and extended in Case Nos. 95-M-1195, 97-M-1915, 01-M-0404 and 01-E-0359)

**Annual Report Pursuant to Order # 8**

**Reporting utility:**      **New York State Electric & Gas Corporation**

**Address:**      Corporate Drive  
Kirkwood Industrial Park  
Binghamton, NY 13902-5224

**Responsible official:**      Joseph J. Syta  
VP-Controller & Treasurer

**Date:**      As of March 1, 2007

**Period covered:**      January 1 - December 31, 2006

New York State Electric Gas Corporation  
Annual Compliance Filing  
Year Five – 2006  
Annual Financing Information  
Schedule H

**Designation of security:** \$12,000,000 Indiana County Industrial Development Authority Pollution Control Revenue Refunding Bonds Series 2006 (New York State Electric & Gas Corporation Project)

**Date of Issuance:** April 11, 2006

**Principal amount:** \$12,000,000

**Consideration received:** Cash

**Case number / Date of order:** Case 93-M-0744, issued and effective December 8, 1993

**Use of proceeds:** Proceeds from this transaction were used to refund \$12,000,000 outstanding aggregate principal amount of Indiana County Industrial Development Authority Pollution Control Revenue Refunding Bonds 1994 Series A (New York State Electric & Gas Corporation Project). The issuance of the Bonds has been applied to the \$979 million authorization under the Order.

New York State Electric Gas Corporation  
Annual Compliance Filing  
Year Five – 2006  
Annual Financing Information  
Schedule H

Designation of obligation: \$475,000,000 REVOLVING CREDIT AGREEMENT among NEW YORK STATE ELECTRIC & GAS CORPORATION, ROCHESTER GAS AND ELECTRIC CORPORATION, CENTRAL MAINE POWER COMPANY, THE SOUTHERN CONNECTICUT GAS COMPANY CONNECTICUT NATURAL GAS COMPANY, BERKSHIRE GAS COMPANY, The Several Lenders from Time to Time Parties Thereto, WACHOVIA BANK, N.A., as Administrative Agent, JPMORGAN CHASE BANK, N.A., as Syndication Agent, and THE BANK OF NEW YORK, CITIBANK, N.A., SOVEREIGN BANK , as Co-Documentation Agents

Date of Issuance: June 2, 2006

Name of payee: New York State Electric & Gas Corporation

Principal amount: \$200,000,000 (sub-limit with respect to loans made to NYSEG)

Rate of interest: Variable

Date of maturity: Credit agreement terminates June 16, 2011; maturity of each borrowing under the facility is determined at the time such borrowing is made, but in any event is payable within one year of the date of borrowing and not later than June 16, 2011

Consideration received: Cash upon each borrowing under the facility

Use of proceeds: Proceeds from the revolving loans are used to provide credit support for the Company's commercial paper and for general corporate purposes. Facility amends 5-year credit facility that was to have expired on July 15, 2010. The Company has authorization under the Order to enter into a Revolving Credit Agreement.

Case number / Date of order: Case 93-M-0744, issued and effective December 8, 1993

New York State Electric Gas Corporation  
Annual Compliance Filing  
Year Five – 2006  
Annual Financing Information  
Schedule H

**Designation of security:** \$100,000,000 New York State Electric & Gas Corporation  
5.65% Notes due 2016

**Date of Issuance:** December 19, 2006

**Principal amount:** \$100,000,000

**Consideration received:** Cash

**Case number / Date of order:** Case 93-M-0744, issued and effective December 8, 1993

**Use of proceeds:** Proceeds from this transaction were used to refund certain indebtedness which were issued to refinance the New York State Energy Research and Development Authority's \$25 million 5.90% pollution control note (NYSEG Project) that matured on December 1, 2006 and to pre-fund the \$77 million customer refund mandated in the recent NYSEG electric rate case and, to the extent any proceeds were not used for such purposes, the remaining portion of the proceeds were used for general corporate purposes and for working capital needs including the reduction in short term debt. The issuance of the Bonds has been applied to the \$979 million authorization under the Order.