101

New York State Electric & Gas Corporation
Price Protection Plan
August 2, 2001

Introduction

New York State Electric & Gas Corporation (NYSEG) has proposed a series of six initiatives known as NYSEGPlan, which together form a comprehensive energy policy for upstate New York. NYSEG hereby proposes a Price Protection Plan to implement initiative #6 of NYSEGPlan during the continued transition period to a competitive marketplace.

Through the Price Protection Plan, NYSEG will modify and extend its existing Rate and Restructuring Agreement (Restructuring Agreement) in order to provide long-term reliability, price stability, and price predictability for its customers. The overall goal of this Price Protection Plan is to insulate customers from the volatility and unpredictability of the deregulated energy marketplace by stabilizing NYSEG customers' bundled electric rates for six years while offering customers competitive ways to choose a commodity service option.

Since NYSEG's Restructuring Agreement took effect in March 1998, NYSEG has given its customers

- Rate reductions aggregating $400 million in savings.
- Protection from the market volatility and price increases that customers elsewhere in New York State and around the country have endured. Wholesale electric prices have increased over 200% since November 1999.

- A successful retail access program, with almost 15% of customer load switched.

- Excellent customer service and reliability.

NYSEG believes that it is appropriate to extend and modify the Restructuring Agreement to ensure that its customers are protected against California-like price spikes. Consistent with that objective, an electric power market-price pass-through for supply would not be in NYSEG customers' interest for the foreseeable future.

NYSEG proposes to protect its electric customers through a modification and extension of the Restructuring Agreement for a six-year period commencing January 1, 2002 and ending December 31, 2007. A seventh year could be added at NYSEG's election, with the approval of the Commission. As explained in the following paragraphs, the features of this Price Protection Plan will ensure price stability for electric customers while continuing to provide choice for customers who elect other retail power providers and encouraging conservation through a real-time pricing program. NYSEG will retain its Provider of Last Resort (POLR) responsibility for the term of this new plan. The combination of POLR service, price protection for those who want it, real-time pricing, and a competitive alternative for those who choose another supplier will help to continue economic development in upstate New York.

The Price Protection Plan set forth below would become effective January 1, 2002. Because of the volatile wholesale electricity markets, the importance of price stability to the upstate economy, and the steps NYSEG and others will have to take in advance of the

Plan's effective date in order to implement it, NYSEG requests approval by September 30, 2001.

General Provisions

1. This Price Protection Plan will establish substantial price stability for customers who want it for a six-year term, ending December 31, 2007. Effective January 1, 2002, the Price Protection Plan would supersede the rate and certain other provisions of the Restructuring Agreement as approved by the Commission. The Plan may be extended by an additional year, to December 31, 2008, at NYSEG's election, with the approval of the Commission.

2. For each customer service class, NYSEG will provide the option of a bundled rate that includes power supply, transmission, distribution, and retail delivery service. Customers will have the option at all times to select other service providers and receive a market price backout for supply and other credits from NYSEG on their bill.

3. In addition, all customers will be given the opportunity in the fall of 2002 to enroll in an ESCO Rate Option for a three (3) year period commencing January 1, 2003. A second opportunity for customers to choose the ESCO Rate Option will take place in the fall of 2005 to be effective for a two (2) year period (or three (3) years if the Plan is extended) commencing January 1, 2006. Customers enrolling in the ESCO Rate Option would pay NYSEG a fixed rate for delivery service and a floating non-bypassable wires charge, and take commodity service from an ESCO.

4. As shown in Appendix A, the Price Protection Plan provides over $550 million of benefits to customers: $199 million of continuing benefits from the

Restructuring Agreement and $357 million of additional benefits. By the end of the Price Protection Plan, the total customer benefits since the Restructuring Agreement became effective are nearly $1 billion.

Rate Plan

5. On March 3, 2002 NYSEG will implement the last 5% rate reduction for those customers eligible for the Industrial/High Load Factor tariff special provision and continue this tariff special provision through the term of the Price Protection Plan. Eligible customers who sufficiently increase their demand or load factor during the Price Protection Plan will become eligible for the lower rates offered by this special provision.

6. In addition, on January 1, 2002 NYSEG will reduce by 3% the then-current electric rates of all customers not eligible for the rate reduction described in paragraph 5, above, including recognition of the reduction of the Gross Receipts Tax ("GRT").

7. The benefit of the gradually declining GRT will be returned to customers in the form of lower rates in the manner described in paragraph 32.

8. Within 90 days of issuance of a Commission Order approving the Price Protection Plan in this case, and subject to recovery of program costs, NYSEG will implement a Real Time Pricing Program (RTP), which would be a tariff special provision. The RTP will provide customers with an opportunity to develop load management programs to better respond to high hourly market prices and to reduce their electric bills. To participate, customers must be full requirements customers under NYSEG's tariff, P.S.C. 115 – Electricity, Service Classification Nos. 2, 3, or 7 and may not be receiving other incentives or NYPA power. RTP program participation will be

capped at 25 MW in the aggregate, and customers may enroll on a first come, first serve basis. The customers would bear the expense and install the necessary equipment, including interval metering and the required telephone line. Customers would remain on the program for three years. Through this RTP, customers will be encouraged to modify the operation of their electrical equipment to reduce usage during high priced periods or to shift usage to take advantage of the lower energy costs during certain hours.

9. NYSEG will also implement rate design changes upon approval of the Price Protection Plan. For customers eligible for the Industrial/High Load Factor tariff special provision, the final 5% decrease will be accomplished by a combination of increasing the Basic Service Charge and decreasing the Demand Charge. For standard service classification customers, the Basic Service Charge will be increased and the energy charges will be reduced accordingly to achieve the overall 3% reduction, including the GRT. The Company will be permitted to make additional revenue-neutral rate design changes during the term of the Plan upon filing of proposals with, and approval by, the Commission.

Price Protection

10. Under the rates to be effective January 1, 2002 and at the end of the first and second enrollment periods, NYSEG will absorb the following costs for customers who choose the Bundled Rate Option described below:

a. wholesale power costs,

b. escalating above-market NUG costs, and

c. annual inflation of T&D operating costs up to 4%.

11. Beginning on January 1, 2002, NYSEG will reserve and charge against income $25 million in 12 monthly installments to fund a Customer Protection Account (CPA). The CPA shall accrue interest at a before-tax rate of 12%. This account will be used to offset escalating NUG costs.

12. The Asset Sale Gain Account (ASGA) to be approved in the Section 70 proceeding related to the sale of Nine Mile Point 2 (NMP2) will first be used to recover any deferred assets as specified in NYSEG's filing in that proceeding. One-half of the balance of the ASGA will be amortized commencing January 1, 2003 to fund a portion of the 2% of the 3% rate reduction referred to in paragraph 6 above, as well as metering and billing credits and continued economic development incentives. Uncontrollable costs will be recovered from the balance of the ASGA as set forth below.

13. Uncontrollable costs are designated as either Category 1 or Category 2 costs, as defined in Appendix B. NYSEG will be permitted to recover through the ASGA the aggregate of Category 1 costs that exceed 3% of electric net income in any year of the Price Protection Plan. Category 2 costs will also be recovered through the ASGA at a threshold of zero or as specified in Appendix B.

14. After July 1, 2005 the ASGA balance will be reviewed to determine the portion that needs to be retained for future uncontrollable costs and the portion that could be returned to customers in the form of additional rate reductions. To the extent the

ASGA balance is insufficient to recover uncontrollable costs during the term of the Price Protection Plan, such unrecovered costs will be deferred as a regulatory asset and recovered after the term of the Plan.

15. The NYPA Transmission Access Charge (NTAC) will be deferred for recovery after the term of the Plan.

Electric Power Supply and Retail Choice

16. NYSEG will retain POLR responsibilities for the term of the Price Protection Plan for all customers. Eligible customers who choose the Bundled Rate Option and who switch to a retail access supplier will receive a bill credit equal to the market price of electric power. Effective January 1, 2003, the market price credit will include: energy, installed capacity, installed capacity reserves, ancillary services, and losses; and suppliers will be responsible for each of the services listed above. As mandated by the Commission in Case 96-E-0891, an additional monthly retail access credit ("adder") for power supply will be added to the market price backout to enhance the development of a competitive retail power supply market. The "adder" will be 2 mills/kwh for industrial and large commercial customers and 4 mills/kwh for residential and small commercial customers and will expire December 31, 2002.

17. The market price for energy will be based on the day-ahead locational spot market price for the customer class load shape. In no instance shall the market price backout be permitted to produce a bill that is below zero.

18. As mandated by the Commission, NYSEG has filed tariffs implementing a limited competitive metering program in Case Nos. 94-E-0952 and 00-E-0165 and unbundled billing services in Case Nos. 98-M-1343 and 99-M-0631. To the extent system capabilities allow, NYSEG will phase in expansion of the competitive metering program to customers less than 50kW during the term of the Plan. To support the development of competitive markets for these services, NYSEG will offer credits in accordance with the Commission Orders in the metering and billing cases and will provide consolidated billing services in accordance with those Commission orders. To the extent the difference between the accumulated credits and the actual costs avoided exceed $5 million in any year, the excess will be recovered from the ASGA in accordance with the uncontrollable cost provisions of the Plan.

19. Effective January 1, 2003, and subject to the enrollment period limitations set forth below, NYSEG will offer customers the choice between (i) a Bundled Rate Option (BRO) under which customers would continue to pay NYSEG a fixed price for power supply and delivery service and (ii) an ESCO Rate Option (ERO) under which customers would pay NYSEG a fixed rate for delivery service and a floating non-bypassable wires charge. Customers who choose the ERO would obtain commodity service from an ESCO. The Default Service Offer (DSO) for customers who do not make a choice during the relevant enrollment period will be service under the BRO. Customers receiving service under the BRO will be eligible to choose a supplier throughout the term of the Plan using the market price backout mechanism described in paragraphs 16 and 17 and will be able to return to bundled service from NYSEG at any time, in accordance with applicable Uniform Business Practices (UBP) notice requirements. Customers who choose to take service under the ERO will also be able to return to bundled service from

NYSEG at any time. Those customers, however, will return at the DSO rate in effect upon the customer's return. NYSEG retains the rights granted to it through the UBP to file with the Commission to implement provisions to mitigate any gaming that is discovered to be occurring during the term of the Plan.

20. During the period October 1, 2002 through December 31, 2002 (Enrollment Period 1), customers will have the opportunity to choose to receive service during the period January 1, 2003 to December 31, 2005 (Option Period 1), under either the BRO or ERO. During the period October 1, 2005 through December 31, 2005 (Enrollment Period 2), customers will have the opportunity to choose to receive service between January 1, 2006 and December 31, 2007 (Option Period 2), under either the BRO or the ERO. Option Period 2 may be extended to December 31, 2008 if the term of this Plan is extended to December 31, 2008 a reasonable time prior to the commencement of Enrollment Period 2 at the option of NYSEG with Commission approval.

21. The BRO will include all elements of power supply, transmission, distribution and retail delivery service. During Option Period 1, the BRO rates for all service classes will be equal to the rates in effect on December 31, 2002, adjusted effective January 1, 2003 to reflect the market price forecast for Period 1 at October 1, 2002, and to reflect changes in the above-market cost of NYSEG's existing purchased power obligations. The adjustment will be calculated as described in Appendix C. The BRO established as set forth above shall remain in effect for the entire term of Option Period 1, except for such reduction as may be available by virtue of an accumulated balance in the ASGA as set forth in paragraph 14.

22. The BRO for Option Period 2 shall be equal to the BRO in effect December 31, 2005, adjusted effective January 1, 2006 to reflect the market price at October 1, 2005, and to reflect changes in the above-market cost of NYSEG's existing purchased power obligations. The adjustment will be calculated as described in Appendix C. The BRO established as set forth above shall remain in effect for the entire term of Option Period 2, except for such reduction as may be available by virtue of an accumulated balance in the ASGA as set forth in paragraph 14.

23. Customers who select the ERO will pay NYSEG a fixed rate for delivery service and a floating non-bypassable wires charge adjustment. The fixed delivery rate will be established by subtracting certain elements from the BRO rate established for Option Period 1 as described in paragraph 21. The amounts to be subtracted for each service class are as follows:

- The aggregate average market price of power for 2003-05 (including energy, load shape, and installed capacity, ancillary services and line losses) as of October 1, 2002, determined as set forth in Appendix C.
- An amount equal to the aggregate difference between the market price of electricity as of October 1, 2001, determined as set forth in Appendix C, and the cost of NYSEG's existing purchased power obligations.
- An amount equal to 3 mills per kilowatt hour, representing the portion of the BRO that reflects the portion of the return on NYSEG's equity associated with NYSEG's assumption of the risk of providing a fixed price bundled electric service.

24. In addition to the fixed delivery rate established as set forth above, customers who elect the ERO will pay a floating non-bypassable wires charge adjustment to NYSEG that changes monthly by service class to reflect the difference between the cost of NYSEG's existing purchased power obligations and their current market value. This non-bypassable wires charge will be adjusted for customers in the Brewster Division to reflect differences in commodity costs between the Central and Hudson Valley Regions.

25. A customer who elected the ERO may at any time elect to cease to receive service under the ERO and return to NYSEG's fully bundled service at the then-effective DSO rate for the service class, which will be equal to the BRO in effect at that time adjusted upward if necessary to reflect increases in market prices since the commencement of the relevant Option Period. The amount of upward adjustment, if any, will be set every six months, and each semiannual adjustment will apply for the balance of the Option Period to all customers who return to the BRO during the pertinent six-month period.

Economic Development and Public Policy

26. NYSEG will continue its commitment to economic development during the term of the Plan by allowing customers who choose the BRO to continue to be eligible for the following incentives:

- Economic Development Incentive – EDI
- Economic Development Zone Incentive – EDZI
- Economic Revitalization Incentive – ERI
- Industrial Incubator Incentive – III
- Business Retention Incentive – BRI
- Small Business Growth Incentive – SBGI
- Self-Generation Deferral Incentive - SGDI

To the extent these incentives result in reduced revenues over $8 million in any year of the Price Protection Plan, the additional lost revenue will be recovered through the ASGA. During the period prior to October 1, 2002, NYSEG will endeavor to modify its economic development program to accommodate and reflect implementation of the ERO. The company will make a filing containing its proposal at least 90 days prior to October 1, 2002. NYSEG will continue to offer negotiated agreements to customers through the use of contracts negotiated pursuant to SC-13 and SC-14 tariffs. Customers receiving service under such contracts will not be eligible to elect the ERO during the terms of their contracts unless the contract so provides. NYSEG can propose to modify, eliminate, or expand its economic development incentives during the term of the Price Protection Plan.

27. NYSEG will continue to deliver up to 38 mw of Economic Development Power (EDP). After March 2003, customers receiving such NYPA EDP will pay the ERO rate.

28. "Power for Jobs" (PFJ) power will continue to be available to eligible customers within the NYSEG franchise area through December 31, 2005, provided that a GRT credit exists as the source of funding. If for any reason the funding of the PFJ program through the GRT credit ceases during the term of this Price Protection Plan and is not replaced by another funding mechanism, the PFJ program costs will be recovered through the ASGA.

29. In order to fund public benefit programs through the System Benefits Charge (SBC) as mandated by the Commission in Case 94-E-0952, NYSEG will collect $21.6 million annually from customers through a surcharge until December 31, 2005. Unless the SBC program is extended, only one-half of this annual amount shall be collected during the first half of 2006, when the SBC is scheduled to end. Information about the

SBC will be communicated to customers on the "Bulletin Board" section of the NYSEG bill. Any increases or decreases in spending on public benefit programs will be adjusted through the SBC surcharge. In accordance with the Commission's mandate, NYSEG will retain for the SBC Account approximately $3.5 million to meet obligations related to previously approved DSM contracts. NYSEG will continue a Power Partner low-income program through the term of the Price Protection Plan so long as program funding for all components is provided from the SBC. Additionally, to the extent the Basic Service Charges for residential customers are increased during the term of the Plan, NYSEG will increase the discount provided to Power Partner customers by an equivalent amount providing that such discount is funded by the ASGA.

Service Quality

30. Throughout the term of the Price Protection Plan, the Electric Service Quality Performance Mechanism will consist of three customer satisfaction measures and two reliability measures with quantified performance standards, as described in Appendix D, consistent with the Restructuring Agreement. The basis point penalties used in the Restructuring Agreement will be replaced by the dollar penalties specified in Appendix D. Any penalties incurred will be returned to the customer as a 12-month credit on the usage portion of the customer's bill.

31. NYSEG will measure performance on an annual basis and report the results of performance on the five measures in its annual compliance filing, described in paragraph 28.

Additional Provisions

32. NYSEG will continue to defer the incremental excess taxes resulting from the implementation of the new New York State corporate income tax (SIT) on electric utilities enacted in 2000, with the deferral calculated by comparing the actual SIT and GRT expense with taxes that are being collected from customers under the former statute. Pursuant to the Commission Order Implementing Tax Law Changes on a permanent basis, dated June 28, 2001, once the overall actual tax expense is lower than the tax expense incurred prior to the SIT implementation, NYSEG will first recover the above deferred balance with the tax expense savings and then flow any remaining tax expense savings directly to customers, by uniform reductions to the tax surcharge factors, for the duration of the Price Protection Plan. In the event that the above deferred balance is not funded by the lower tax expense by the end of the Price Protection Plan, such deferred balance shall be recovered from the ASGA or recovered in rates after the term of the PPP. This provision shall be deemed to be in compliance with the above Commission Order and shall not be changed or affected by any other mandate of the Commission prescribing rate treatment associated with the introduction of the new SIT.

33. In the event NYSEG achieves savings through NUG contract termination or restructuring, net of transaction costs and replacement power, from targets set forth in Appendix E, NYSEG will share net benefits 80% with customers and 20% with shareholders using the methodology approved in the Restructuring Agreement. One-half of the customer share will be passed through to SC 7-2, 7-3 and 7-4 customers who are not eligible for the Industrial/High Load Factor tariff special provision, and the remaining 50% will be passed through to all other customers.

34. In its approval of the Price Protection Plan, the Commission shall state that the Plan meets the accounting requirements of Statement of Financial Accounting Standards 71 throughout its term.

35. Forty-five days after the end of each year of the Price Protection Plan, NYSEG shall file an annual compliance filing. This filing will include a report on service quality performance in the last calendar year, any net uncontrollable costs recovered through the ASGA, and the ASGA balance. In addition, the compliance filing will compare and reconcile NYSEG's actual capital expenditures with an annual target of $90 million, subject to a $15 million collar above and below that target.

36. After July 1, 2005 a mid-period review will be conducted concerning existing service quality measures, the rate design components of the Price Protection Plan, and the ASGA balance.

37. In keeping with NYSEG's philosophy of rate stability and insulating customers from market price volatility, NYSEG will be required to operate its business with no floor or cap on earnings. There shall be an electric earnings threshold for each calendar year of the PPP subsequent to 2002 equal to $100 million. Synergy savings (net of costs to achieve) arising from Energy East Corporation's merger transaction with RGS Energy Group that are attributable to NYSEG's electric business, in the amounts stated in Petitioners' filings in Case 01-M-0404, shall be excluded from the earnings calculation until 2007. If such calculated earnings exceed the earnings threshold, the excess shall be shared on the basis of 80% to NYSEG's shareholder and 20% to NYSEG's customers.

38. NYSEG shall have the ability to accelerate the amortization of any regulatory assets and liabilities during the Price Protection Plan.

39. In its approval of the Price Protection Plan, the Commission shall extend the existing Global Financing Order for the term of the Price Protection Plan, in accordance with Appendix F.

40. Other terms of the Restructuring Agreement, identified in Exhibit RER-1 and RER-2, will be continued in the Price Protection Plan, and this Plan and the electric rates to consumers pursuant to this Plan shall be deemed just and reasonable by the Commission during the term of the Price Protection Plan.

41. The Price Protection Plan is an integrated, unified proposal, based on current market conditions. NYSEG reserves the right to modify this Plan. NYSEG also reserves the right to withdraw this Plan, or portions hereof, if there are changes in conditions prior to its approval, and this Plan shall be null and void if any individual components are modified or rejected, or if additional terms or conditions are imposed or demanded by the Commission without the express written consent of NYSEG.

42. Significant unbundling and billing requirements beyond the scope of this Plan are constrained by the need to make modifications to NYSEG's customer information system to allow customers to choose between the ERO and BRO. Consequently, to the extent the Commission determines in the unbundling track of Case 00-M-0504 that additional services should be offered competitively and therefore unbundled, NYSEG will comply (subject to its reservation of all legal rights to seek rehearing, reconsideration and judicial review of such orders) by offering credits on the bills of customers who choose to take such services from another supplier, subject to system capability constraints and recovery pursuant to the Uncontrollable Cost provisions of this Plan. Unless NYSEG specifically petitions the Commission to exit a retail delivery function (including, by way of example, metering and billing) and the Commission approves such petition on terms acceptable to NYSEG, NYSEG will continue through the term of the Plan to provide all currently provided retail supply and delivery services. The terms of this Plan shall take precedence over the provisions of any future order of the PSC imposing costs or obligations on NYSEG associated with the unbundling of electric service or rates, the end-state of the electricity market and other matters associated with Case 00-M-0504, whether entered in that proceeding or another proceeding.

Illustration of Annual Customer Benefits from NYSEG Price Protection Plan

Estimated Annual Customer Benefits

$ Millions	1 2/1999	2 2/2000	3 12/2001	Rate Year Ending Date: 1 12/2002	2 12/2003	3 12/2004	4 12/2005	5 12/2006	6 12/2007	Total
Customer Benefits Previously Received Under Current Plan (see Appendix I of approved Restructuring Agreement)										
Total Benefits Previously Received	167	105	153							425
Continuing Customer Benefits From Current Plan (see Appendix I of approved Restructuring Agreement)										
Elimination of 1996 & 1997 Approved Rate Increases				90	45					135
Industrial Rate Reductions per Current Plan				28	30					58
Expanded Delivery of Economic Development Power				3	3					6
Total Continuing Benefits				121	78					199
Incremental Customer Benefits From Price Protection Plan										
2% Rate Reduction for Non-Industrial/HLF				27	27	27	27	27	27	162
Value of Absorbing Inflation on T&D Operating Expenses (1)					13	28	45	62	79	227
Continued Funding of Economic Development Incentives					8	8	8	8	8	40
Metering & Billing Credit					5	5	5	5	5	25
Retail Access Adder				4						4
NYSEG Synergies Shared with Customers									(4)	(4)
Amortization of NMP2 Net Gain Including carrying charges					(19)	(19)	(19)	(19)	(19)	(96)
Total Incremental Benefits from Price Protection Plan				31	33	49	66	83	96	357
Total Customer Benefits Under Current Plan and Price Protection Plan										
Total Benefits (2)	167	105	153	152	111	49	66	83	96	981

(1) Represents inflation of up to 4% applied only to cash T&D expenses.

(2) Excludes benefits of scheduled tax reductions that will be returned to customers.

New York State Electric & Gas Corporation
Price Protection Plan
Uncontrollable Costs

	Category 1 – Force Majeure	Category 2 – External Mandates
Definition	Costs and/or lost revenues associated with acts of God, unforeseen events, or circumstances that create abnormal operating conditions.	Costs and/or lost revenues associated with new or additional requirements by legislatures, government agencies, and other governing institutions.
Examples	States of Emergency, Natural Disasters, Storms, Flood or Fire, Work Stoppage, Civil Unrest, Transportation Disruptions, Explosions, Acts of Terrorism	Change in Environmental Compliance requirements, FASB Accounting Pronouncements, Changes in Corporate Income Tax Rates, Increased ISO Requirements, Changes in Federal/State Regulatory Requirements or Cost Allocation.
Threshold Limit for Recovery	Aggregate costs during each year of the Price Protection Plan in excess of 3% of NYSEG Electric Net Income.	Threshold targets stated in Appendix B, page 2.
Recovery Method	To be recovered through the ASGA or, if the ASGA balance is insufficient, deferred for recovery after the term of the Price Protection Plan.	To be recovered through the ASGA or, if the ASGA balance is insufficient, deferred for recovery after the term of the Price Protection Plan.
Timing of Recovery	Immediate, as soon as all the costs are known.	Immediate, as soon as all the costs are known.

New York State Electric & Gas Corporation
Price Protection Plan
Uncontrollable Costs – Thresholds for Recovery

Category 2 Costs	Threshold Targets for All Years ($000)
Economic Development Incentives/Discounts	8,000
Metering and billing credits for customers selecting alternative suppliers	5,000
Manufactured Gas Plant Site Remediation Costs	2,640
Lost revenues from PFJ deliveries in excess of tax credits	0
Excess taxes resulting from implementation of the SIT	0
Incremental Information Technology development and operating costs for system changes beyond the scope of this Price Protection Plan	0
Costs of mandated transmission line or interconnection construction and operation	0
ISO operating costs above 2001 levels and costs/lost revenues resulting from new ISO policies or requirements	0
Cost increases due to change in NYPA Hydro contract quantities or prices	0
Lost revenues from distributed generation	0
Lost revenues from municipalization	0
Lost revenues from delivering EDP below standard tariff rates	0
Mandated regulatory, legislative, accounting, or tax changes	0
Increased environmental protection or remediation costs	0
Costs of mandated generation plant development construction and operation	0
Costs of complying with competitive market development and transition requirements	0
T&D inflation above 4%	0
RTO development and operating costs	0
Other uncontrollable costs	0

Appendix C

Formula For Calculating Adjustment to BRO Rate For Changes in Commodity Price Between Those Filed in This Plan and October, 2002

The table below shows each component of the commodity price listed in Exhibit DWS__1, and describes the proposed method for adjusting its value. This approach would also be used for adjusting the commodity component for the period between October, 2002 and October 2005 (using 2 year instead of 3 year quotes for power where appropriate).

Component	Adjustment Mechanism
Wholesale Energy Area 'A'	Replace current three year forecast with that available during September, 2002 (20 day average if available) of Natsource or equivalent forward quotes for on-peak power and off-peak power for the three year period 2003 through 2005 for Area 'A' in New York. These quotes would be weighted 48% on-peak and 52% off-peak as done currently.
Cost to move power to Area 'C'	Replace current figure of 0% with percentage difference between average annual day-ahead market price in Area 'A' and 'C' for period 9/01/01 through 9/30/01
Installed Capacity	Replace current three year forecast with that available during September, 2002. If available use Natsource or equivalent forward quotes for ICAP for 2003 through 2005. If forward quotes are unavailable then use results from RFP for 100 MW of ICAP issued by NYSEG in August for 3 year period of 2003 to 2005.
Ancillary Services	Replace forecast with most recent 12 month period of actual ISO charges to NYSEG measured on a $/MWH basis.
Load shape	Replace current with ratio of most recent 12 months of Area 'C' hourly day-ahead spot market prices weighted by hourly load versus simple average of 12 month historical Area 'C' day-ahead spot market prices
Losses	Leave current

Formula For Calculating Adjustment to BRO Rate For Changes in Above-market cost of existing contractual obligations between those filed with this plan and October 2002

To adjust the non-bypassable charge for the first period, the wholesale energy price and wholesale capacity price used in DWS_2 for calculating such charges for 2003 through 2005 should be replaced with those used above in adjusting the commodity rate for BRO service for the same period. The quantity and cost of contractual power for the purpose of this calculation will also be updated based on the company's most recent forecast of these amounts. This approach would also be used for adjusting the above-market cost component for the period between October 2002 and October 2005 (using 2 year instead of 3 year quotes for power where appropriate).

New York State Electric & Gas Corporation
Service Quality Performance Mechanism

The electric Service Quality Performance Mechanism will incorporate the following individual customer service measures:

- Overall Customer Satisfaction Index
- Customer Contact Satisfaction Index
- PSC Complaint Rate
- The Customer Average Interruption Duration Index (CAIDI)
- The System Average Interruption Frequency Index (SAIFI).

Overall Customer Satisfaction Index

An overall customer satisfaction index will be calculated based on the results of the annual customer expectation survey and will reflect the percentage of customers satisfied with the service they receive from NYSEG. The survey will be conducted by an independent consultant on an annual basis from a representative sample of NYSEG customers from all regions of the company's service territory and will include a proportionate number of NYSEG customers who have selected alternative suppliers. If the overall satisfaction index for the Price Protection Plan is equal to or below 71% for any year of the agreement, the company will be subject to a minimum $250,000 penalty. If the annual survey results drop to 68% or below, the company will incur a maximum $750,000 penalty. The company will be assessed penalties on this indicator based on the following scale.

Overall Customer Satisfaction Index (%)	Pre-Tax Penalty (000)
<= 71.0	$250
<= 70.0	$400
<= 69.0	$600
<= 68.0	$750

Contact Satisfaction Index

The contact satisfaction index measures the level of satisfaction of customers who have had recent contact with the company. Each month, NYSEG will conduct a customer contact or follow-up survey comprised of a statistically valid sample of customers from each of the regions who have recently contacted the company, including a representative sample of customers who have requested a change in electricity suppliers. A final annual average of the monthly survey results will be calculated for each year of the Price Protection Plan. If the annual results are equal to or below 83.0%, the company will be subject to a minimum $250,000 penalty. If the annual results are equal to or below 80.0%, NYSEG will incur a maximum $750,000 penalty. Penalties will be imposed on this indicator according to the following scale.

Contact Satisfaction Index (%)	Pre-Tax Penalty (000)
<= 83.0	$250
<= 82.0	$400
<= 81.0	$600
<= 80.0	$750

PSC Complaint Rate

A complaint target measured by PSC complaint rate data for the 12-month period covered by each year of the Price Protection Plan. The company's PSC complaint rate target will be 4.0 for each year of the Price Cap Period based on 12 months data. If the PSC complaint rate is equal to or above 4.0, the company will incur a minimum $250,000 penalty. If the company's PSC complaint rate for each 12 month period of the Price Protection Plan is equal to or above 7.0, the company will be subject to a maximum $750,000 penalty. Penalties will be assessed based on the following scale.

PSC Complaint Rate (%)	Pre-Tax Penalty (000)
>= 4.0	$250
>= 5.0	$400
>= 6.0	$600
>= 7.0	$750

Customer Average Interruption Duration Index and System Average Interruption Frequency Index

The calculation of CAIDI and SAIFI conforms to PSC electric reliability standards and, therefore, interruptions due to "major storm," as defined in 16 NYCRR in Part 105, are excluded.

The two measures will be tracked separately for NYSEG on a systemwide composite basis (average of NYSEG district performance indicators). The systemwide, composite figure for each measure will be determined using performance indicators applicable to each NYSEG district as established in Case Nos. 90-E-1119 and 95-E-0165. The threshold systemwide composite performance indicator for duration (CAIDI) shall be 2.08 for each year of the Price Protection Plan. The threshold systemwide composite performance indicator for frequency (SAIFI) shall be 1.33 for each year of the Price Protection Plan.

In the event that the systemwide composite performance indicator for CAIDI is within the range of 2.08 and 2.18 during any year of the Price Protection Plan, NYSEG shall be assessed a penalty of $250,000. If the systemwide composite performance indicator for CAIDI exceeds 2.18 during any year of the Price Protection Plan, NYSEG shall be assessed the maximum penalty of $750,000.

In the event that the systemwide composite performance indicator for SAIFI is within the range of 1.33 and 1.40 during any year of the Price Protection Plan, NYSEG shall be assessed a penalty equal to $250,000. If the systemwide composite performance indicator for SAIFI exceeds 1.40 during any year of the Price Protection Plan, NYSEG shall be assessed the maximum SAIFI penalty of $750,000.

Customer Surveys

NYSEG will consult with the Commission Staff in the event that the Company proposes to make modifications to either of the survey instruments or to the manner in which they are conducted.

Reporting Requirements

The three customer service measures will be tracked and calculated separately on an annual basis. The company will submit the results of its service quality performance quarterly to the Consumer Services Division. The final report for each rate year of the Price Protection Plan will include an assurance of the integrity of the results either by including verification of all reported survey data by a third party audit or an attestation by an officer of the company that the results are accurate and verifiable.

The maximum penalty that can be assessed for each year of the Price Protection Plan is $3 million.

Appendix E

New York State Electric & Gas Corporation
Forecast of NUG Payments and MWhs

Starting:	07/01/01	07/01/02	07/01/03	07/01/04	07/01/05	07/01/06	07/01/07
Ending:	06/30/02	06/30/03	06/30/04	06/30/05	06/30/06	06/30/07	06/30/08
LEA							
MWhs	1,149,207	1,202,887	1,194,087	1,167,687	1,167,687	1,167,687	367,177
$	$126,182,706	$135,768,574	$141,694,330	$146,908,037	$153,984,346	$162,048,616	$47,035,182
Saranac							
MWhs	1,961,954	1,993,770	1,869,863	1,769,865	1,803,381	1,742,581	1,742,581
$	$173,905,271	$187,148,640	$188,233,101	$192,791,240	$207,583,791	$209,789,821	$218,959,072
Indeck							
MWhs	183,091	260,448	224,154	226,125	75,034	0	0
$	$16,008,185	$20,725,389	$19,544,899	$19,766,989	$11,485,156	$0	$0
Small NUGs							
MWh	928,441	926,960	922,012	896,572	874,533	874,533	481,718
$	$55,939,635	$56,292,178	$56,766,028	$56,542,683	$50,873,841	$52,004,591	$30,911,929
Grand Total							
MWhs	4,222,694	4,384,065	4,210,116	4,060,249	3,920,634	3,784,800	2,591,475
$	$372,035,797	$399,934,781	$406,238,358	$416,008,949	$423,927,133	$423,843,029	$296,906,183

Appendix F

New York State Electric & Gas Corporation
Extension of Global Financing Order (97-M-1915)

Term:	7 years consistent with the term of NYSEG's Price Protection Plan.
New Money Authorization:	Up to $350 million of securities (debt or preferred) for traditional utility purposes.
Refinancing Authorization:	Up to $900 million of securities (debt or preferred) for the early redemption or maturity of debt and preferred stock.
Issuance Spread:	NYSEG's discretion based on market conditions, term of securities, call provisions and the then current bond rating of the company.
Liquidity Facility:	Ability to renegotiate and extend NYSEG's $200 million revolving credit agreement.
Derivative Transactions:	Ability to enter into derivative transactions to manage risks such as electricity and natural gas commodity costs and floating-rate securities.