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Joseph J. Syta
Vice President
Controller and Treasurer

01-E-0359
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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

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New York State Electric & Gas Corporation
Annual Compliance Filing - ELECTRIC
Year Five - 2006
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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
Electric Earnings as Recorded (from Schedule A)	\$ 35,180	\$ 110,559
Synchronize Interest With Rate Base		
Interest per Books	\$ 67,134	\$ 69,791
Interest Synchronized with Rate Base	55,619	55,619
Before-Tax Adjustment	11,515	14,172
Taxes @ 39.875%	(4,592)	(5,651)
After-Tax Adjustment	6,924	8,521
Synchronize Preferred Dividends With Rate Base		
Dividends per Books	\$ 297	
Dividends Synchronized with Rate Base	318	
After-Tax Adjustment	(21)	(21)
Exclude Other Income and Deductions ("OID") - With Specific Exceptions per the Joint Proposal		
Exclude All OID per Books		
Other Income and Deductions per Books	\$ (4,340)	\$ (639)
Income Taxes on OID per Books	(863)	(863)
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	1,969	1,969
Before-Tax Adjustment	1,969	1,969
Taxes @ 39.875%	(785)	(785)
Net OID Included in the Earnings Sharing Calculation	1,184	1,184
Exclude Amortization of Investment Tax Credits	(538)	(538)
Other Adjustments to 2006 Regulated Earnings		
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	(175)	(175)
Before-Tax Adjustment	12,425	11,548
Taxes @ 39.875%	(4,954)	(4,605)
After-Tax Adjustment	7,471	6,944
Adjustments to Prior Year Income Taxes	1,851	1,851
Total After-Tax Adjustment	9,321	8,794
Regulated Electric Earnings	\$ 46,847	\$ 126,998
Regulated Electric Earnings Threshold		
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	(6,060)	
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 - \$	97,993	121,512
Electric Earnings that Exceed the Threshold	\$ (51,146)	\$ 5,486
Customers' Share of Earnings Above the Threshold *		2,743
Taxes @ 39.875%		1,819
Customers' Pre-Tax Share of Earnings Above the Threshold		\$ 4,562

* 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)

Schedule B
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	Delivery	Total Electric
Electric Earnings as Recorded	\$ 70,832	\$ 134,989
Add Back Estimate Customers' Share of Excess Earnings Recorded During 2005		
Before-Tax Adjustment		\$ 22,390
Taxes @ 39.875%		(8,928)
After-Tax Adjustment		13,462
Synchronize Interest With Rate Base		
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
Synchronize Preferred Dividends With Rate Base		
Dividends per Books	\$ 297	
Dividends Synchronized with Rate Base	318	
After-Tax Adjustment	(19)	(19)
Exclude Other Income and Other Deductions per Joint Proposal		
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)
Exclude Amortization of Investment Tax Credits	(538)	(538)
Exclude Adjustments Booked in 2005 for Prior Year Items		
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)
Regulated Electric Earnings	\$ 72,953	\$ 148,587
NYSEQ's Equity Ratio		
Average Equity Balance	\$ 1,070,745	
Average Capitalization	2,132,703	
Actual Equity Ratio	50.21%	
Regulatory Equity Ratio	45.00%	
Regulatory Electric Common Equity		
Electric Rate Base	\$ 1,702,500	
Equity Ratio	45.00%	
Electric Common Equity	766,125	\$ 766,125
Regulated Electric Earnings Threshold	12.5%	15.5%
Regulated Electric Earnings Threshold	95,766	118,749
Electric Earnings that Exceed the Threshold	\$ (22,813)	\$ 29,837
Customers' Share of Earnings Above the Threshold		14,919
Taxes @ 39.875%		9,894
Estimated Customers' Pre-Tax Share of Earnings Above the Threshold		\$ 24,813 As originally filed
Adjustments Filed 03/31/07: (Tax Effective)		
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	3,728	3,728
Total Adjustments, After-Tax	\$5,228	\$5,228
Customers' Share of Earnings Above the Threshold	\$2,614	\$2,614
Pre-tax (@ 39.875%) adjustments	\$4,347	\$4,347 As revised 03/31/07
Total Pre-tax (@ 39.875%) adjustments, to date		\$29,160

* 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)

Schedule B
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	Delivery	Total Electric
Electric Earnings as Recorded	\$ 67,709	\$ 120,187
Add Back Estimate Customers' Share of Excess Earnings Recorded During 2004		
Before-Tax Adjustment	\$ 17,134	
Taxes @ 39.875%	(6,832)	
After-Tax Adjustment	10,302	10,302
Synchronize Interest With Rate Base		
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
Synchronize Preferred Dividends With Rate Base		
Dividends per Books	\$ 333	
Dividends Synchronized with Rate Base	309	
After-Tax Adjustment	24	24
Exclude Other Income and Other Deductions per Joint Proposal		
Exclude Other Income & Deductions	\$ (947)	
Include Gain on Sale of Property	91	
Include Loss on Sale of Property	263	
Before-Tax Adjustment	(593)	
Taxes @ 39.875%	236	
After-Tax Adjustment	(357)	(357)
Exclude Amortization of Investment Tax Credits	(538)	(538)
Exclude Adjustments Booked in 2004 for Prior Year Items		
Reserve for the Potential Refund of Prior Period Streetlight Revenues	\$ 1,249	
Reserve for the Potential Refund of Prior Period LBMP 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)
Regulated Electric Earnings	\$ 93,473	\$ 125,951
NYSEG's Equity Ratio		
Average Equity Balance	\$ 974,101	
Average Capitalization	2,043,041	
Actual Equity Ratio	46.04%	
Regulatory Equity Ratio	45.00%	
Regulatory Electric Common Equity		
Electric Rate Base	\$ 1,576,561	
Equity Ratio	45.00%	
Electric Common Equity	709,452	\$ 709,452
Regulated Electric Earnings Threshold	12.5%	15.5%
Regulated Electric Earnings Threshold	88,682	109,965
Electric Earnings that Exceed the Threshold	\$ 4,791	\$ 15,986
Customers' Share of Earnings Above the Threshold		7,993
Taxes @ 39.875%		5,301
Customers' Pre-Tax Share of Earnings Above the Threshold		\$ 13,294 As originally filed
Correction to 03/31/06 Filing:		
Adjustment to Customers' Pre-Tax Share of Earnings Above the Threshold:		
Excess Earnings Adjustment recorded 12/05. Notified PSC in data response	\$ -	\$ (3,849)
#707 and Exhibit (RRP-S) Schedule A & B, filed on 09/30/05		
Customers' Pre-Tax Share of Earnings Above the Threshold		\$ 9,445 As corrected 03/31/07
Adjustments Filed 03/31/06 (Tax Effected)		
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
Total Adjustments, After-Tax	(950)	(489)
Customers' Share of Earnings Above the Threshold		(5244)
Pre-tax (@ 39.875%) adjustments		(5407) As revised 03/31/06
Adjustments Filed 03/31/07 (Tax Effected)		
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)
Total Adjustments, After-Tax	(1,157)	(1,157)
Customers' Share of Earnings Above the Threshold		(5578)
Pre-tax (@ 39.875%) adjustments	(578)	(5962) As revised 03/31/07
Total Pre-tax (@ 39.875%) adjustments, to date		\$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
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Electric earnings as recorded	\$111,994	
Add back recorded customers' share of excess earnings	2,470	
Electric earnings before sharing		\$114,464
Adjustment to interest and preferred stock dividends		
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
Adjustment for Other Income and Other Deductions		
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)
Exclude Adjustments for prior year items		
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)
Regulatory electric earnings		\$117,873
NYSEG's equity ratio		
Average equity balance	\$949,800	
Average capitalization	\$2,062,800	
Actual equity ratio	46.04%	
Regulatory equity ratio	45.0%	
Regulatory electric common equity		
Electric rate base	\$1,619,098	
Equity ratio	45.0%	
Electric common equity	\$728,594	
Regulatory electric earnings threshold @ 15.5%		\$112,933
Electric earnings that exceed threshold		\$4,940
Customers' share of earnings above threshold		\$2,470
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)	
Total Adjustments		\$4,618
Customers' share of adjustments above threshold		\$2,309
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)	
Before-Tax Adjustment	\$ 375	
Taxes @ 39.875%	(150)	
After-Tax Adjustment	225	
Adjustment to Prior Year Income Taxes	0	
Total Adjustments, After-Tax		\$225
Customers' Share of Earnings Above the Threshold		\$113
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)	
Before-Tax Adjustment	\$ (3,068)	
Taxes @ 39.875%	1,223	
After-Tax Adjustment	(1,845)	
Adjustment to Tax Liability Based on Audits of Prior Years' Taxes	(1,028)	
Total Adjustments, After-Tax		(\$2,873)
Customers' Share of Earnings Above the Threshold		\$1,436
Pre-tax (@ 39.875%) adjustments		(\$2,389) As revised 03/31/07
Total Pre-tax (@ 39.875%) adjustments, to date		\$5,747

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 One - 2002
REVISED 03/05, 03/31/06, 03/31/07
Electric Earnings Sharing Calculation (\$ Thousands)
Schedule B

Schedule B
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Electric earnings as recorded	\$109,919	
Add back recorded customers' share of excess earnings	<u>2,095</u>	
Electric earnings before sharing		\$112,014
Adjustment to interest and preferred stock dividends		
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
Adjustment for Other Income and Other Deductions		
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
Exclude Adjustments for prior year items		
ISO working capital	(2,108)	
Income tax adjustments	<u>(760)</u>	
Tax effect @ 39.875%		<u>(2,868)</u>
Regulatory electric earnings		<u>\$116,311</u>
NYSEG's equity ratio		
Average equity balance	\$903,000	
Average capitalization	\$1,998,800	
Actual equity ratio	45.18%	
Regulatory equity ratio	45.0%	
Regulatory electric common equity		
Electric rate base	\$1,594,837	
Equity ratio	<u>45.0%</u>	
Electric common equity	\$717,677	
Regulatory electric earnings threshold @15.5%		<u>\$111,240</u>
Electric earnings that exceed threshold		\$5,071
Customers' share of earnings above threshold		\$2,836
Pre-tax (@ 39.875%)		\$4,218 As originally filed
Adjustments to March 3, 2003 Filing: (Tax Effected)		
Property Tax Refunds, per Case 03-M-0084	(\$1,524)	
Energy Tax Reform 2002 Adjustments to Actual	<u>(164)</u>	
2002 Income Tax Adjustment to Actual	<u>4,535</u>	
Total Adjustments		\$2,847
Customers' share of adjustments above threshold		\$1,423
Pre-tax (@ 39.875%) adjustments		\$2,367 As filed 02/04
Adjustments Filed 03/05: (Tax Effected)		
Income tax reserve established for Year 2002	(\$800)	
NYS Income Tax Adjustment - AMT Year 2002	1,440	
Income tax reserve established for Year 2002	<u>(1,500)</u>	
Streetlight Reserves for Year 2002	(28)	
Remove ITC Amortization	<u>(538)</u>	
Total Adjustments		(\$1,426)
Customers' share of adjustments above threshold		(\$713)
Pre-tax (@ 39.875%) adjustments		(\$1,186) As revised 03/05
Adjustments Filed 03/31/06: (Tax Effected)		
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>	
Total Adjustments, After-Tax		(\$2,114)
Customers' Share of Earnings Above the Threshold		(\$1,067)
Pre-tax (@ 39.875%) adjustments		(\$1,768) As revised 03/31/06
Adjustments Filed 03/31/07: (Tax Effected)		
Adjustment to Tax Liability Based on Audits of Prior Years' Taxes	(4,691)	
Adjustment to Prior Years' Income Tax Reserves	<u>2,342</u>	
Total Adjustments, After-Tax		(\$2,349)
Customers' Share of Earnings Above the Threshold		(\$1,175)
Pre-tax (@ 39.875%) adjustments		(\$1,953) As revised 03/31/07
Total Pre-tax (@ 39.875%) adjustments, to date		<u>\$1,687</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 Five – 2006
Service Quality Performance Mechanism
Schedule C

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

* 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>
Net Credit(Debit) to be Added to the ASGA	\$ <u>(4,024,311)</u>

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> ⁽¹⁾
Category 1:					
Storm Costs		\$ 26,922,546	\$ 6,000,000	\$ 20,922,546	\$ 0
Flood Damage		4,100,568	250,000	3,850,568	0
Category 1 deferrals reversed:				\$ 24,773,114	
Category 1 Total:					\$ 0
Category 2:					
Environmental Remediation Costs ⁽²⁾	(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
Mandatory Regulatory, Legislative, Accounting and Tax Changes					
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
Category 2 deferrals reversed:				\$ 7,449,248	
Category 2 Total:					\$ 5,514,284
Total Category 1 & 2 Deferrals:					\$ 5,514,284

(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> ⁽¹⁾
Category 1:				
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	
Category 1 Total:				\$ 0
Category 2:				
Environmental Remediation Costs ⁽²⁾	(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
Mandatory Regulatory, Legislative, Accounting and Tax Changes				
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	
Category 2 Total:				\$ 4,927,205
Total Category 1 & 2 Deferrals:				\$ 4,927,205

(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.

Updated 03/07

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

Schedule D-1
Page 3 of 3

		<u>Actual</u>	<u>Threshold</u>	<u>Potential Deferral</u>	<u>Actual Deferral (1)</u>
Category 1:					
Storm Costs		\$ 3,158,573	\$ 6,000,000	\$ 0	\$ _____
Category 1 Total:					\$ _____
Category 2:					
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)	\$
Category 2 Total:					\$ 4,966,323

(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)
Schedule D-2 Total:	\$ <u>1,123,044</u>

() 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

January 1, 2006 Balance, per books	\$ 69,271,597
Non-Cash Return	5,955,599
Deferrals From 2005 Schedule D	17,000,845
Non-Cash Return on 2005 Schedule D	1,587,721
<u>Adjustments</u>	
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)
<u>Amortizations/Deferrals - 2006</u>	
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)
December 31, 2006 Balance, per books	84,311,402
Known Adjustments to ASGA Balance: *	
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
Available ASGA Balance	\$ 3,431,091

* Subject to further adjustments

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

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

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:

Employee Name	Former Company	Former Position	New Company	New Position
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.