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April 5, 2007

Honorable Jaclyn A. Brillig  
Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223

Re: New York State Electric & Gas Corporation's 2008 Supply Service

Dear Secretary Brillig:

In the December 15, 2006 Order on Rehearing in Case 05-E-1222,<sup>1</sup> the New York State Public Service Commission ("Commission") directed New York State Electric & Gas Corporation ("NYSEG" or "Company") to indicate on or before September 1, 2007 whether NYSEG intends to offer fixed price service in 2008.

NYSEG customers and various consumer groups have made it clear that the current supply choices that NYSEG provides are not the services they want. Customers continue to want a simplified supply program and a fixed price. During the enrollment period for 2007, only 28% of eligible customers affirmatively chose their supplier. In other words, 72% or approximately 608,000 customers did not make an affirmative supply choice. These non-choosing customers were then placed on the Default Service Option or the Variable Price Option as required by the Commission.

NYSEG commissioned a survey of these defaulted customers and found that despite significant success in informing customers about their supply choices, approximately 60% of residential and small business customers who defaulted, either intentionally or unintentionally, thought they were defaulting to a fixed price or did not know the details of their default service. When customers were told that they had been automatically placed in a variable price supply option, more than half of the respondents indicated that a variable priced supply was not their preferred choice. Furthermore, 80% of customers surveyed were aware that they defaulted, and more than half either expected that they defaulted to a fixed price option or were unsure of the default option. A fixed price preference was consistently prevalent across all demographic categories (e.g., age, income).

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<sup>1</sup> Case 05-E-1222 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service, Order on Rehearing (Dec. 15, 2006).

Placing customers on a service that they neither want nor understand raises concerns about customer dissatisfaction in general and NYSEG service in particular, especially considering that most of the customers surveyed thought they had defaulted to a fixed price option. The design of the current program, specifically the variable price default, confused customers. The majority of the customers who consciously defaulted thought their price would be fixed and not subject to monthly fluctuations. These results strongly suggest that changes to the current program are warranted to provide customers the price stability they prefer and to minimize customer confusion through a simplified supply program. NYSEG therefore seeks to alter fundamentally its supply service beginning January 1, 2008.

The specific details of NYSEG's proposal follow:

- **Simplified Supply Program**
  - NYSEG will offer customers a single fixed supply service.
  - Residential and non-residential customers taking service under SC1, SC2, SC3, SC5, SC6, SC8, SC9, SC12 and street lighting, as well as customers taking service under SC7-1, SC7-2, SC7-3, SC7-4 and SC11 with demands below 500 kW, who do not choose an ESCO will receive fixed price supply service from NYSEG. The rate would be fixed throughout the year.
  - Customers with demands equal to or greater than 500 kW taking service under SC7-1, SC7-2, SC7-3, SC7-4 or SC11 who do not chose an ESCO will receive supply service from NYSEG pursuant to the Company's current hourly pricing tariff.
  - The price will be reset each year on November 1<sup>st</sup> for the following January.
  - Supply prices will be based on recent, competitive wholesale solicitations and a Market Price Index.
- **Preservation and Enhancement of Customer Choice**
  - NYSEG will eliminate the enrollment period in which customers select among competing utility and energy service companies ("ESCOs").
  - Customers may switch from NYSEG service to an ESCO at any time without penalty and vice versa absent ESCO contract restrictions. The Company will assume all switching risk.
  - All customers in a service classification will be charged the same fixed non-bypassable charge ("NBC"), thereby making it easier for customers to compare NYSEG's supply rate to ESCO offers. The NBC will be fixed and trued-up annually for all customers. The NBC will be reset each year on November 1<sup>st</sup> for the following January.

- Customer Guarantee and Sharing
  - All customers will be guaranteed a \$20 million (pre-tax) credit to the NBC, which would be retained by customers even if the Company's pre-tax margin from offering fixed rate service is below that level.
  - Any profits in excess of the \$20 million (pre-tax) credit will be shared 50/50 between customers and the Company.
  - The customers' share will be reflected as a credit in the next year's NBC.

As described in the attached testimony, the proposed changes to NYSEG's supply program will greatly benefit customers and provide a financial opportunity to NYSEG for providing a fixed price service that does not restrict customers from switching suppliers.

In order to implement the proposed supply service as of January 1, 2008, NYSEG seeks Commission approval of the program by September 1, 2007. NYSEG is therefore filing its proposal at this time to afford the Commission adequate time to review and act on NYSEG's proposal prior to that date.

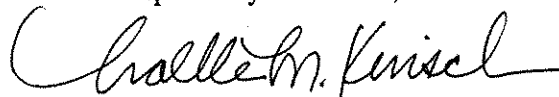
NYSEG will be contacting New York State Department of Public Service Staff and interested parties in the near future to discuss its proposal and to answer any questions.

To the extent that customer bill inserts and newspaper publication requirements apply to this filing, NYSEG respectfully requests waiver of such requirements at this time.

In addition to testimony, revised tariff pages and a draft State Administrative Procedures Act notice are attached hereto. Appendix A sets forth a list of the revised tariff pages. The tariff pages are being filed contemporaneously with this filing via the Commission's electronic tariff filing process.

If you have any questions regarding this filing, please contact me.

Respectfully submitted,



Noelle M. Kinsch

Enclosures

cc: Active Party Service List in Case 05-E-1222  
Honorable Patricia L. Acampora  
Honorable Cheryl A. Buley  
Honorable Robert E. Curry, Jr.  
Honorable Maureen F. Harris

**New York State Electric & Gas Corporation**

**List of Proposed Tariff Leaves filed April 5, 2007**

PSC No. 120 – Electricity, Schedule for Electric Service

Leaf No. 2.1, Revision 5  
Leaf No. 50, Revision 2  
Leaf No. 57, Revision 3  
Leaf No. 58, Revision 2  
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Leaf No. 74, Revision 3  
Leaf No. 75, Revision 3  
Leaf No. 76, Revision 2  
Leaf No. 117.6, Revision 2  
Leaf No. 117.7, Revision 2  
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Leaf No. 117.11, Revision 2  
Leaf No. 117.12, Revision 2  
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Leaf No. 117.19, Revision 1  
Leaf No. 117.20, Revision 1  
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Leaf No. 119, Revision 6  
Leaf No. 120, Revision 5  
Leaf No. 121, Revision 13  
Leaf No. 121.1, Revision 1  
Leaf No. 122, Revision 5  
Leaf No. 124, Revision 13  
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Leaf No. 138, Revision 3  
Leaf No. 139, Revision 13  
Leaf No. 140, Revision 3  
Leaf No. 141, Revision 5  
Leaf No. 142, Revision 5  
Leaf No. 147, Revision 5  
Leaf No. 148, Revision 13  
Leaf No. 148.1, Revision 1  
Leaf No. 149, Revision 4  
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Leaf No. 154, Revision 4  
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Leaf No. 158, Revision 13  
Leaf No. 158.1, Revision 1  
Leaf No. 159, Revision 4  
Leaf No. 160, Revision 14  
Leaf No. 164, Revision 4  
Leaf No. 165, Revision 3  
Leaf No. 166, Revision 13  
Leaf No. 167, Revision 13  
Leaf No. 168, Revision 5  
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Leaf No. 193.4, Revision 6  
Leaf No. 194, Revision 5  
Leaf No. 195, Revision 5  
Leaf No. 198, Revision 13  
Leaf No. 198.1, Revision 4  
Leaf No. 198.2, Revision 1

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Leaf No. 201.2, Revision 1  
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Leaf No. 203, Revision 5  
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Leaf No. 296, Revision 5  
Leaf No. 297, Revision 4  
Leaf No. 298, Revision 13  
Leaf No. 298.1, Revision 2  
Leaf No. 299, Revision 4  
TC Statement No. 43 to PSC 120 – Electricity  
SC Statement No. 01 to PSC 120 - Electricity

PSC No. 121 – Electricity, Schedule for Electric Service

Leaf No. 14, Revision 8  
Leaf No. 16, Revision 5  
Leaf No. 17, Revision 6  
Leaf No. 17.1, Revision 4  
Leaf No. 18, Revision 5  
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Leaf No. 26, Revision 5  
Leaf No. 27, Revision 6  
Leaf No. 28, Revision 6  
Leaf No. 29, Revision 5  
Leaf No. 30, Revision 10  
Leaf No. 31, Revision 8  
Leaf No. 32, Revision 7  
Leaf No. 33, Revision 7  
Leaf No. 34, Revision 8  
Leaf No. 34.1, Revision 6  
Leaf No. 34.2, Revision 6  
Leaf No. 34.3, Revision 6  
Leaf No. 35, Revision 6  
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Leaf No. 41, Revision 5  
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Leaf No. 53, Revision 6  
Leaf No. 54, Revision 6  
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Leaf No. 54.3, Revision 4  
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Leaf No. 54.6, Revision 4  
Leaf No. 55, Revision 6  
Leaf No. 56, Revision 5  
Leaf No. 57, Revision 5  
Leaf No. 57.1, Revision 2  
TC Statement No. 43 to PSC 121 – Electricity  
SC Statement No. 01 to PSC 121 - Electricity



5. Public Hearings (check box and complete as applicable):

- A public hearing is not scheduled. (SKIP TO ITEM 8)
- A public hearing is required by law and is scheduled below.
- A public hearing is not required by law, but is scheduled below.

6. Interpreter services (check only if a public hearing is scheduled):

- Interpreter services will be made available to hearing impaired persons, at no charge, upon written request to the agency contact designated in this notice.

7. Accessibility (check appropriate box if a public hearing is scheduled):

- All public hearings have been scheduled at places reasonably accessible to persons with a mobility impairment.
- Attached is a list of public hearing locations that are **not** reasonably accessible to persons with a mobility impairment. An optional explanation is submitted regarding the nonaccessibility of one or more hearing sites.

- 1.
- 2.
- 3.

8. Terms of rule (SELECT ONE SECTION):

- A.  The full text of the rule is attached since it is under 2,000 words.
- B.  A summary of the rule is attached since the full text of the rule is over 2,000 words.
  - Full text is posted at the following State website: \_\_\_\_\_
  - Full text is not posted on a State website.
  - Full text is not posted on a State website; this is a consensus rule or a rule defined in SAPA § 102(2)(a)(ii).
- C.  Pursuant to SAPA Section 202(7)(b), the agency elects to print a description of the subject, purpose and substance of the rule as defined in SAPA § 102(2)(a)(ii) [Rate Making].

9. The text of the rule and any required statements and analyses may be obtained from:

Jeffrey Mills, Clerk II  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223  
(518) 474-3204

10. Submit data, views or arguments to (complete only if different than previously named agency contact):

Hon. Jaclyn Brilling, Secretary  
New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223  
(518) 474-6530

11. Public comment will be received until:

- 45 days after publication of this notice (MINIMUM public comment period when full text is attached because it is under 2000 words or full text of rule has been posted on a State website or the rule is a consensus rule or a rule defined under SAPA § 102(2)(a)(ii) [Rate Making]).
- 60 days after publication of this notice (MINIMUM public comment period when full text is not attached or full text is not posted on a State website or the rule is not a consensus rule or a rule defined under SAPA § 102(2)(a)(ii) [Rate Making]).
- 5 days after the last scheduled public hearing required by statute (MINIMUM, with required hearing). This box may not be checked and the minimum 60-day comment period applies if full text is not attached or text is not posted on a State website or the rule is not a consensus rule or a rule defined under SAPA § 102(2)(a)(ii) [Rate Making]).
- Other: (specify) \_\_\_\_\_.

12. A prior emergency rule making for this action was previously published in the \_\_\_\_\_ issue of the *Register*, I.D. No. \_\_\_\_\_.

13. Expiration date (check only if applicable):

- This proposal will not expire in 365 days because it is for a "rate making" as defined in SAPA § 102(2)(a)(ii).

14. Additional matter required by statute:

Yes (include material required by statute).

No additional material required by statute.

15. Regulatory Agenda:

This action was a Regulatory Agenda item in the first January issue of the \_\_\_\_\_ (year) *Register*.

This action was a Regulatory Agenda item in the last June issue of the \_\_\_\_\_ (year) *Register*.

This action was not under consideration at the time this agency's Regulatory Agenda was submitted for publication in the *Register*.

Not applicable.

16. 5-Year Review of Existing Rules (ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS)

This rule is proposed pursuant to SAPA § 207 (item 1D applies) (check applicable boxes):

Attached is a statement setting forth a reasoned justification for modification of the rule. Where appropriate, include a decision of the degree to which changes in technology, economic conditions or other factors in the area affected by the rule necessitate changes in the rule.

Attached is an assessment of public comments received by the agency in response to the listing of the rule in the regulatory agenda.

An assessment of public comments is not attached because no comments were received.

Not applicable.

17. Regulatory Impact Statement (RIS)  
(SELECT AND COMPLETE ONE: ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS, EXCLUDING SUMMARIES OF STUDIES, REPORTS OR ANALYSES [Needs and Benefits]):

A. The attached RIS contains:

- The full text of the RIS.
- A summary of the RIS.
- A consolidated RIS, because this rule is one of a series of closely related and simultaneously proposed rules or is virtually identical to rules proposed during the same year.

B. A RIS is **not attached**, because this rule is:

- subject to a consolidated RIS printed in the *Register* under I.D. No.: \_\_\_\_\_; issue date: \_\_\_\_\_.
- exempt, as defined in SAPA § 102(2)(a)(ii) [Rate Making].
- exempt, as defined in SAPA § 102(11) [Consensus Rule Making].

C.  A **statement is attached** claiming exemption pursuant to SAPA § 202-a (technical amendment).

18. Regulatory Flexibility Analysis (RFA) for small businesses and local governments  
(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS):

A. The attached RFA contains:

- The full text of the RFA.
- A summary of the RFA.
- A consolidated RFA, because this rule is one of a series of closely related rules.

B.  A **statement is attached** explaining why a RFA is not required. This statement is in scanner format and explains the agency's finding that the rule will not impose any adverse economic impact or reporting, recordkeeping or other compliance requirements on small businesses or local governments and the reason(s) upon which the finding was made, including any measures used to determine that the rule will not impose such adverse economic impacts or compliance requirements.

C. A RFA is **not attached**, because this rule:

is subject to a consolidated RFA printed in the *Register* under I.D. No.: \_\_\_\_\_; issue date: \_\_\_\_\_.

is exempt, as defined in SAPA § 102(2)(a)(ii) [Rate Making].

is exempt, as defined in SAPA § 102(11) [Consensus Rule Making].

19. Rural Area Flexibility Analysis (RAFA)  
(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS):

A. The attached RAFA contains:

The full text of the RAFA.

A summary of the RAFA.

A consolidated RAFA, because this rule is one of a series of closely related rules.

B.  A **statement is attached** explaining why a RAFA is not required. This statement is in scanner format and explains the agency's finding that the rule will not impose any adverse impact on rural areas or reporting, recordkeeping or other compliance requirements on public or private entities in rural areas and the reason(s) upon which the finding was made, including any measures used to determine that the rule will not impose such adverse economic impacts or compliance requirements.

C. A RAFA is **not attached**, because this rule:

is subject to a consolidated RAFA printed in the *Register* under I.D. No.: \_\_\_\_\_; issue date: \_\_\_\_\_.

is exempt, as defined in SAPA § 102(2)(a)(ii) [Rate Making].

is exempt, as defined in SAPA § 102(11) [Consensus Rule Making].

20. Job Impact Statement (JIS)  
(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS):

A. The attached JIS contains:

The full text of the JIS.

A summary of the JIS.

- A consolidated JIS, because this rule is one of a series of closely related rules.
- B.  A **statement is attached** explaining why a JIS is not required. This statement is in scanner format and explains the agency's finding that the rule will not have a substantial adverse impact on jobs and employment opportunities (as apparent from its nature and purpose) and explains the agency's finding that the rule will have a positive impact or no impact on jobs and employment opportunities; except when it is evident from the subject matter of the rule that it could only have a positive impact or no impact on jobs and employment opportunities, the statement shall include a summary of the information and methodology underlying that determination.
- A JIS/Request for Assistance [SAPA § 201-a(2)(c)] is attached.
- C. A JIS is **not attached**, because this rule:
  - is subject to a consolidated JIS printed in the *Register* under I.D. No.: \_\_\_\_\_; issue date: \_\_\_\_\_.
  - is exempt, as defined in SAPA § 102(2)(a)(ii) [Rate Making].
  - is proposed by the State Comptroller or Attorney General.

**AGENCY CERTIFICATION (To be completed by the person who PREPARED the notice).**

I have reviewed this form and the information submitted with it. The information contained in this notice is correct to the best of my knowledge.

I have reviewed Article 2 of SAPA and Parts 260 through 263 of 19 NYCRR and I hereby certify that this notice complies with all applicable provisions.

Name \_\_\_\_\_ Signature \_\_\_\_\_  
 Address Three Empire State Plaza, Albany, NY 12223  
 Telephone \_\_\_\_\_ E-Mail \_\_\_\_\_  
 Date \_\_\_\_\_

Please read before submitting this notice:

1. Except for this form itself, all text must be typed in scannable format as described in the Department of State's Register procedures manual, Rule Making in New York.

2. **Collate the original notice and attachments as:** (1) form; (2) text or summary of rule; and, **if any**, (3) regulatory impact statement, (4) regulatory flexibility analysis for small businesses and local governments, (5) rural area flexibility analysis, (6) job impact statement. Submit the originals, as collated **and ONE copy of that collated set.**
3. **Mail or hand deliver hard copy of rule making package to:** Department of State, Division of Administrative Rules, 41 State Street, Suite 330, Albany, NY 12231-0001.
4. **E-mail text/substance and attachments to:** [nysregister@dos.state.ny.us](mailto:nysregister@dos.state.ny.us) or attach a disk containing the text/substance and required material.

AL-97138