

BEFORE THE
NEW YORK PUBLIC SERVICE COMMISSION

Tariff Filing of New York State Electric &)
Gas Corporation to Offer Customers a Single)
Fixed Supply Service)

Case 07-E-0479

JOINT PROPOSAL

Dated: July 10, 2007

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CASE 07-E-0479
NEW YORK STATE ELECTRIC & GAS CORPORATION

JOINT PROPOSAL

This Joint Proposal is made as of this 10th day of July, 2007 by and among New York State Electric & Gas Corporation ("NYSEG" or the "Company"), Staff of the New York State Department of Public Service ("Staff"), New York State Consumer Protection Board ("CPB"), Multiple Intervenors ("MI"), Constellation NewEnergy, Inc. ("Constellation New Energy"), Constellation Energy Commodities Group, Inc. ("CECG"), Direct Energy Services, LLC ("Direct"), Energetix, Inc. ("Energetix"), Integrys Energy Services of New York, Inc. ("Integrys Energy"), NYSEG Solutions, Inc. ("NYSEG Solutions"), Strategic Energy, LLC ("Strategic Energy"), Nucor Steel Auburn, Inc. ("Nucor") and such other parties to this proceeding whose authorized representatives have signed the execution pages (collectively referred to herein as the "Signatory Parties"). The Signatory Parties agree to the terms of this Joint Proposal to be presented to the New York State Public Service Commission (the "Commission").

I. PROCEDURAL HISTORY AND OVERVIEW

1. In its Order Adopting Recommended Decision with Modifications issued August 23, 2006 in Case 05-E-1222 (the "NYSEG Rate Case Order"), the Commission authorized NYSEG to provide customers a fixed price option ("FPO") for residential and certain commercial & industrial ("C&I") customers for one year (i.e., 2007) and allowed NYSEG to continue such service for a second year (i.e., 2008). NYSEG Rate Case Order at 14.

2. To set the FPO rate, the Commission adopted a methodology that relied upon a forward wholesale market rate multiplied by a "retail conversion factor" of 117.5% plus 4 mills. Id. at 31. On a customer's bill, the supply and non-bypassable charge ("NBC" and also known as

the "Transition Charge") components of the FPO varied each billing period, but the total of those components remained fixed. Id. at 40-41. In addition to the FPO, NYSEG was required to offer residential and certain C&I customers a variable price supply offering. Id. at 11. The variable price offering served as the default for customers that made no affirmative choice during the enrollment period. The default rate for residential and non-demand billed C&I customers (SC 1, 5, 6, 8, 9, 12, and streetlighting) was termed "Default Service Offering" ("DSO"). Id.

3. Pursuant to the NYSEG Rate Case Order, the small (with demand less than 1 MW) C&I customers (SC 2, 3 and 7) had two NYSEG supply options: 1) a variable price option ("VPO"), the default; and 2) the FPO described above. Large C&I customers were served via NYSEG's hourly market price ("MHP") service. The NBC for any customers taking VPO, DSO or MHP service was variable.

4. During a two-month enrollment period, customers had the opportunity to choose from the available NYSEG supply options or to choose to take supply from an energy service company ("ESCO"). Customers that chose the FPO service from NYSEG during the enrollment period could elect to take ESCO service at a later date via the ESCO Option with Supply Adjustment ("EOSA"), which included a market supply backout that varied by billing period.

5. In authorizing the FPO, the Commission noted that it was "mindful of the policy goals expressed in [its] Competition Policy Statement." Id. at 8. However, while the Commission noted its continued belief that customers would be best served by a competitive market, it found that specific circumstances in NYSEG's service territory warranted a deviation from the Policy Statement and justified the continuation of NYSEG's FPO on a transitional basis. Id. at 4.

6. In its Order on Rehearing issued on December 15, 2006 in Case 05-E-1222, the Commission required NYSEG to notify the Commission and the active parties in that proceeding by no later than September 1, 2007 of NYSEG's decision regarding the offering of an FPO in 2008.

7. On April 5, 2007, NYSEG filed new tariff leaves and supporting testimony seeking to alter fundamentally its supply service beginning January 1, 2008.

8. By notice dated May 17, 2007, NYSEG notified all parties of the commencement of confidential settlement negotiations, which were held on May 29, 2007. Settlement negotiations continued on June 7, June 18 and June 22, 2007.

9. All settlement negotiations were conducted in accordance with the Commission's Settlement Rules, 16 NYCRR § 3.9, and Settlement Guidelines set forth in Opinion 92-2.¹ All parties received appropriate advance notice of all negotiations.

10. This Joint Proposal is the consensus position and proposal of the Signatory Parties for resolution of this case. The Signatory Parties are aware of no active party to this proceeding that opposes this Joint Proposal.

II. OVERALL FRAMEWORK

1. The Signatory Parties have developed a comprehensive set of terms and conditions for a three-year supply service plan for NYSEG's electric business ("NYSEG's Supply Service Plan"). The terms and conditions are set forth below. This Proposal specifically addresses the following topics:

- A. Term;
- B. Supply Service Options;

¹ Case 90-M-0255, et al. – Proceeding on Motion of the Commission Concerning its Procedures for Settlement and Stipulation Agreements, filed in C11175, Opinion and Order and Resolution Adopting Settlement Procedures and Guidelines, Opinion No. 92-2 (Mar. 24, 1992).

- C. Customer Choice and Collaborative;
- D. Earnings Sharing;
- E. NBC;
- F. Revenue Decoupling Mechanism;
- G. Hedges; and
- H. Other Provisions.

A. Term

1. The Signatory Parties agree that a term that is longer than one year will provide stability in the market without extending too far into the future. Accordingly, the term of NYSEG's Supply Service Plan shall be three years commencing January 1, 2008 and ending December 31, 2010, subject to Section II.A.3 below.

2. During 2010, NYSEG will convene a meeting of any interested parties, including but not limited to the parties to this proceeding for the purpose of discussing and evaluating the continuation of NYSEG's Supply Service Plan beyond December 31, 2010. Commission approval must be obtained for continuation of NYSEG's Supply Service Plan beyond December 31, 2010.

3. Notwithstanding Sections II.A.1 and II.A.2 above, the three-year term shall be reopened if NYSEG files a major electric delivery rate case with the Commission or if the Commission, upon its own motion, initiates a review of NYSEG's electric rates. If NYSEG files a major electric delivery rate case with the Commission or if the Commission, upon its own motion, initiates a review of NYSEG's electric rates, NYSEG's Supply Service Plan will remain in effect unless modified as of the effective date of new rates resulting from any such proceeding.

B. Supply Service Options

1. The Signatory Parties concur that NYSEG should continue to offer a FPO similar to the product approved by the Commission in the NYSEG Rate Case Order because 20.3% of all customers have selected the FPO, justifying a longer transition. The Signatory Parties agree that the rates and earnings sharing mechanism described herein are just and reasonable. The Signatory Parties also agree that certain modifications to NYSEG's existing supply service, which are discussed below, will enhance customer choice and benefit competitive markets and, thus, are in the public interest.

Residential and Certain Small C&I Customers

2. Customers in SC Nos. 1, 5, 6, 8, 9, 12 and street lighting who do not choose to receive supply service from an ESCO through the ESCO Price Option ("EPO") will continue to have two NYSEG supply options: 1) DSO; and 2) FPO.

3. The method for setting the commodity portion of the DSO is identical to that approved by the Commission in the NYSEG Rate Case Order. The DSO will be the default supply option for those customers referenced in Section II.B.2 above who are not taking supply service with an ESCO and do not otherwise make an affirmative supply choice during an enrollment period and, therefore, remain with the Company for supply service.

4. The commodity portion of the FPO differs from the FPO approved by the Commission in the NYSEG Rate Case Order in that the value of two components to the rate is reset. In calculating the annual one-year fixed price for the FPO, the wholesale price will be multiplied by a conversion factor of 116.9%, and 6 mills per kWh will be added to the product. Consistent with the existing approved methodology, the commodity component of the FPO shall

be differentiated by rate class based on contribution to peak for installed capacity, relative differences in load shape for energy, and losses.

5. The FPO rate to be effective January 1, 2008 will be set on November 1, 2007 based on wholesale prices in the twenty (20) trading days prior to the final trading day in October 2007, according to the methodology approved by the Commission in the NYSEG Rate Case Order. In subsequent years, the FPO rate will be effective as of January 1st and will be set on the preceding November 1st, based on wholesale prices in the twenty trading days prior to the final trading day in October of each year. The rates will be set according to the methodology approved by the Commission in the NYSEG Rate Case Order, except as provided above.

Remaining Small C&I Customers

6. Customers in SC Nos. 2, 3, and 7 with less than 500 kW in peak demand for the calendar year 2008, less than 400 kW in peak demand for the calendar year 2009, and less than 300 kW in peak demand for the calendar year 2010 ("Remaining Small C&I Customers") who do not choose to receive supply service from an ESCO through the EPO will have three NYSEG supply options: 1) VPO; 2) FPO; and 3) voluntarily taking service under the Company's hourly pricing provisions. Customers in SC No. 11 will continue to have the choices as described in NYSEG's currently effective tariff.

7. Customers will not be included in the Remaining Small C&I Customer group if their billed demand meets or exceeds the above-referenced demand in any two of the previous twelve months; except that for purposes of 2008, customers will not be included in the Remaining Small C&I group if their billed demand meets or exceeds the above-referenced demand in any two months within any twelve-month period following the date of the Commission's order approving this Joint Petition.

8. The commodity portion of the VPO will be identical to the VPO approved by the Commission in the NYSEG Rate Case Order, including but not limited to the pricing methodology.

9. The VPO will be the default for the Remaining Small C&I Customers who are not taking supply service with an ESCO and who do not otherwise make an affirmative supply choice during an enrollment period and, therefore, remain with the Company for supply service.

10. The FPO for Remaining Small C&I Customers will be based on the same methodology as the FPO described in Sections II.B.4 and II.B.5 above.

Large C&I Customers

11. Customers with billed demand equal to or greater than 500 kW for the calendar year 2008, equal to or greater than 400 kW for the calendar year 2009, and equal to or greater than 300 kW for the calendar year 2010 ("Large C&I Customers") who do not choose to receive supply service from an ESCO will receive supply service from NYSEG under the Company's MHP program that is currently offered to customers with peak demands equal to or greater than 1,000 kW. Customers will be included in the Large C&I group if their billed demand meets or exceeds the above-referenced demand in any two of the previous twelve months; except that for purposes of 2008, customers will be included in the Large C&I group if their billed demand meets or exceeds the above-referenced demand in any two months within any twelve-month period following the date of the Commission's order approving of this Joint Petition.

12. Customers who are currently exempt from MHP pursuant to NYSEG's tariff Leaves 253 and 254 of PSC 120 – Electricity will continue to be exempt from the MHP supply service under NYSEG's Supply Service Plan.

13. The lowering of the MHP requirement threshold is consistent with the Commission's public policy directives and orders on MHP.

14. To the extent that NYSEG begins deployment of its Advanced Metering Infrastructure ("AMI") plan after approval by the Commission, customers for whom a new meter is installed as a result of the MHP service, outlined above, will not be required to pay an additional amount relating to purchase and installation of a new AMI meter. However, such customers will be subject to AMI charges regarding the non-meter related system costs.

C. Customer Choice and Collaborative

Enrollment Period

1. NYSEG will implement a two-month enrollment period from November 1 through December 31, 2007 that will allow customers, other than Large C&I Customers as defined above,² to choose one of the applicable NYSEG supply offerings or elect to take service from an ESCO effective January 1, 2008. Thereafter, NYSEG will hold a two-month enrollment period each November through December for the remainder of NYSEG's Supply Service Plan. The two-month enrollment period is identical to the enrollment period under NYSEG's existing program and its implementation will remain subject to the NYSEG Rate Case Order.

Customer Switching

2. After the enrollment period, customers may not switch between NYSEG's FPO and NYSEG's DSO/VPO rate. Customers may switch at any time from any NYSEG offering to an ESCO, subject to the Commission's Uniform Business Practices. Customers switching to any ESCO shall take service through the EPO. Any customer switching from an ESCO to NYSEG

² Large C&I Customers can choose between NYSEG MHP and ESCO service at any time.

after the enrollment period will not be able to switch to NYSEG's FPO; rather such customers will only be able to switch to the applicable NYSEG "default" price (i.e., DSO, VPO or MHP).

3. The switching rules are an enhancement to NYSEG's existing supply service because they provide customers with additional opportunities to switch to an ESCO thereby further supporting competitive markets.

EOSA

4. NYSEG will no longer offer the EOSA. Effective January 1, 2008, any remaining EOSA customers that did not otherwise make an affirmative choice during the November 2007 through December 2007 enrollment period will continue to take supply service with their then-current ESCO and be migrated to the EPO.

Price-To-Compare and ESCO Introduction Program

5. NYSEG will establish and display a "Price-to-Compare" on a cents per kWh basis on bills of customers who receive supply from NYSEG within a reasonable time frame. The "Price-to-Compare" shall reflect the sum of NYSEG charges that a customer avoids when it elects service from an ESCO. The "Price-to-Compare" will apply to all non-MHP customers that take service from NYSEG and will be based on the customer's current NYSEG supply option. Implementation of the "Price-to-Compare" will be developed in the collaborative discussed below.

6. The "Price-to-Compare" is an enhancement to NYSEG's existing customer choice program because it simplifies customers' comparisons of NYSEG and ESCO prices.

7. NYSEG will develop and implement a new "ESCO Introduction Program." The "ESCO Introduction Program" will target new non-MHP customers (i.e., residential and certain small C&I customers) that seek to initiate electric service (i.e., new service or a customer move).

The terms and conditions of the "ESCO Introduction Program" shall be determined pursuant to the collaborative discussed below. The "ESCO Introduction Program" will be open to all interested ESCOs. The cost of the "ESCO Introduction Program" and the cost of the Purchase of Receivables ("POR") will be funded by participating ESCOs. The administrative costs of all other customer choice provisions contained in this Joint Proposal will be funded and borne in their entirety by NYSEG.

8. The "ESCO Introduction Program" is an enhancement to NYSEG's existing customer choice program because it increases customer choice and enhances the ability of ESCOs to participate in the market.

9. NYSEG will initiate a collaborative to discuss the implementation of the "Price-to-Compare" and the "ESCO Introduction Program" referenced above. The collaborative will be initiated in September 2007, assuming Commission approval of this Joint Proposal in August 2007 or in the event the Commission does not approve this Joint Proposal in August then the month immediately following Commission approval of this Joint Proposal. NYSEG will notify all parties in this proceeding and Case 05-M-0858 of the collaborative.

10. If NYSEG and other parties agree in principle on the details of a "Price-to-Compare" and/or an "ESCO Introduction Program," a subsequent joint proposal(s) will be filed with the Commission for approval.

11. Assuming the "Price-to-Compare" and "ESCO Introduction Program" collaborative results in a joint proposal with respect to at least the "ESCO Introduction Program," NYSEG will request Commission approval to withdraw its pending ESCO Referral Program petition pending in Case 05-M-0858 and will file for approval of the "ESCO Introduction Program" to replace such pending ESCO Referral Program. NYSEG will also ask

for a waiver, if necessary, of any of the Commission's Uniform Business Practices. The Signatory Parties agree to support this approach.

12. NYSEG will work toward filing any joint proposal with respect to the "Price-to-Compare" and/or "ESCO Introduction Program" collaborative results within ninety days of the initiation of the collaborative and implementation of any such Commission-approved provisions for such program to occur as soon as practicable after January 1, 2008.

Other Customer Choice Provisions

13. NYSEG will meet with ESCOs twice per year for the duration of the NYSEG Supply Service Plan to discuss any retail access concerns. The Company agrees to hold additional meetings with ESCOs, as necessary, to discuss any retail access concerns.

14. NYSEG will continue to provide ESCOs a Company liaison.

15. NYSEG agrees to continue the Purchase of Receivables ("POR") program and, as of January 1, 2008, to fix the electric POR discount at the current rate of 1.15%, for the term of this Joint Proposal, as stated in NYSEG's October 31, 2006 letter to the Commission in Case 05-M-0453. Any modifications to the POR program and/or the POR discount shall be discussed as part of the meeting established pursuant to Section II.A.2. above.

16. The twice-a-year meetings with ESCOs and the fixed POR discount are enhancements to NYSEG's existing supply service because they will enhance the ability of ESCOs to participate in the market.

17. This Joint Proposal addresses certain of the issues raised in the Commission's Retail Access Order issued April 24, 2007 in Case 07-M-0458. NYSEG remains subject to future orders in that proceeding. NYSEG reserves its right, as part of Reply Comments in Case 07-M-0458, to notify the Commission of this Joint Proposal, request that the Commission recognize NYSEG's specific circumstances in light of the Joint Proposal, and request that the

Commission not take any action in Case 07-M-0458 that is inconsistent with this Joint Proposal. The Signatory Parties agree that they will not oppose any such filing by NYSEG. NYSEG also reserves its right to petition the Commission for a waiver of any requirement in an Order in Case 07-M-0458 that is inconsistent with this Joint Proposal. The Signatory Parties agree that they will not object to any such waiver request by NYSEG.

D. Earnings Sharing

1. The Signatory Parties agree that the changes to NYSEG's existing supply service set forth in this Joint Proposal warrant a different sharing mechanism with respect to supply service income than that approved in the NYSEG Rate Case Order.
2. NYSEG shall calculate pre-tax total supply service income for each year. NYSEG shall retain the first \$10 million of such pre-tax supply service income.
3. NYSEG shall share 85/15% (ratepayer/shareholder) any pre-tax total annual supply service income above \$10 million. NYSEG will absorb 100% of losses, if any, incurred as a result of the NYSEG Supply Service Plan.
4. NYSEG will accelerate the customer recovery of \$5 million of earnings sharing through the NBC. The allocation of \$5 million will be done in a class neutral manner in order to accelerate the benefits of NYSEG's Supply Service Plan. The first such allocation will occur through the NBC that will be calculated in November 2007 for 2008. The \$5 million to customers shall be subject to annual reconciliation up to a maximum of \$5 million. The Signatory Parties agree to revisit this provision if it causes undue variability in the year-to-year value of the NBC.
5. NYSEG will use the customer portion of any earnings sharing above \$5 million to offset any increase in the NBC that would otherwise occur as a result of the annual NBC.

reconciliation process, discussed below, and any remaining customer share of earnings will be added to the Asset Sale Gain Account. Any credits associated with the earnings sharing mechanism shall be accomplished in a competitively neutral manner.

6. Upon Commission approval of this Joint Proposal, NYSEG will withdraw its March 16, 2007 Petition for Rehearing pending in Case 05-E-1222.

E. NBC

1. The customer's applicable NBC will be fixed at the same rate, whether they choose to take supply service from NYSEG or from an ESCO. The NBC will be forecasted and set each November 1 for the following calendar year. All items collected through the NBC will be symmetrically reconciled and trued-up annually in a competitively neutral manner, according to the sample calculation in NYSEG's Information Request Response No. NFSS-0019 which is attached hereto as Appendix A. The credits or charges related to the reconciliation will flow through the following period's fixed NBC.

2. A \$20 million estimate of transmission revenues was included in the delivery revenue requirements calculation in Case 05-E-1222. Any difference between the actual amount of transmission revenues and the \$20 million estimate will be captured by the NBC.

3. The NBC will also include the above or below-market portion of non-utility generator ("NUG") purchased power contracts, the above or below-market portion of the NMP2 purchased power contract, the market value of the Company's owned hydro facilities, Lost Revenue Recovery Mechanism ("LLRM") revenues, ancillary services, the New York Power Authority Transmission Access Charge ("NTAC"), and the cost to move power from Zone "C" to Zone "G" of the New York Independent System Operator for customers of the Company taking service east of the Total East transmission interface.

4. The NBC for stand-by customers will be updated on October 1, 2007, January 1, 2008 and each January 1st thereafter consistent with the other service classes. The Signatory Parties agree that this provision of the Joint Proposal addresses the Commission Order regarding stand-by service issued February 16, 2007 in Case 05-E-1222.

5. Ancillary service and NTAC costs recovered from ESCO customers will be reimbursed to ESCOs as described on Leaf 94 of the Company's PSC 120 – Electricity tariff.

6. If through future legislative or other governmental mandate NYSEG receives an allocation of NYPA hydro power during the term of NYSEG's Supply Service Plan, the above or below-market value of that power will be flowed through the NBC to those customers classes for which it is intended.

7. Customers who take service east of the Total East interface will continue to receive a credit to their NBC equal to the difference in wholesale price between Zone "C" and Zone "G" of the New York Independent System Operator.

F. Revenue Decoupling Mechanism

1. NYSEG will address a revenue decoupling mechanism ("RDM") as part of any major electric rate case filed by NYSEG, a Commission-initiated review of NYSEG's electric rates, or as otherwise ordered by the Commission.

2. NYSEG's RDM will address both delivery and commodity service; however, NYSEG will be afforded an opportunity to demonstrate why an RDM should not apply to a market-based fixed price supply service.

G. Hedges

1. Pursuant to Case 05-E-1222, NYSEG will continue to replace expiring hedges until implementation of the results of the collaborative in Phase I of Case 06-M-1017. NYSEG

will participate in the collaborative in Phase I of Case 06-M-1017 and will comply with the Commission-ordered results.

H. Other Provisions

1. NYSEG will file new tariff leaves within thirty days of the date of the Commission's order approving this Joint Proposal.
2. The Signatory Parties believe that the record in this proceeding fully supports and justifies Commission approval of this Joint Proposal. The Signatory Parties also believe that the record in Case 05-E-1222 supports and justifies Commission approval of this Joint Proposal.
3. Unless specifically modified herein, the provisions of the Orders in Case 05-E-1222 governing NYSEG's commodity service will remain in effect during the term of this Joint Proposal.
4. NYSEG will provide an annual report on its commodity services on April 1, 2008 through 2011, containing results and supporting data for the prior calendar year on:
 - a. the NBC true-up;
 - b. the earnings sharing mechanism, including the true-up of the \$5 million advanced to the NBC; and
 - c. customer selection of commodity options during the open enrollment period.

Rates

5. Nothing herein precludes NYSEG from filing an electric delivery rate case nor does it preclude the Commission from initiating a review of NYSEG's delivery rates upon its own motion or a petition or complaint filed by any party, including a Signatory Party. In addition, nothing herein precludes NYSEG from making a filing prior to January 1, 2011 for a

change in supply service rates to be effective January 1, 2011.

6. Changes to NYSEG's electric supply service rates during the NYSEG Supply Service Plan will not be permitted, except for (a) changes provided for in this Joint Proposal and (b) subject to Commission approval, changes as a result of the following circumstances:

a. If a circumstance occurs which in the judgment of the Commission so threatens NYSEG's economic viability or ability to maintain safe, reliable and adequate service as to warrant an exception to this undertaking, NYSEG will be permitted to file for a change in supply service rates at any time under such circumstance;

b. Nothing herein shall preclude NYSEG from petitioning the Commission for approval of new services or rate design or revenue allocation changes on an overall revenue neutral basis, including but not limited to the implementation of new service classifications and/or cancellation of existing service classifications; and

c. The Signatory Parties reserve the right to oppose or support any filing made by NYSEG pursuant to this Section II.H.6.

Binding Effect of this Joint Proposal

7. This Joint Proposal is made upon the express understanding that it constitutes a negotiated resolution of the issues in this proceeding. None of the Signatory Parties is deemed to have approved, agreed to, or consented to any principle, methodology or interpretation of law underlying or supposed to underlie any provision hereof.

8. It is understood that each provision of this Joint Proposal is in consideration and support of all of the other provisions of this Joint Proposal. Each Signatory Party to this Joint Proposal has expressly conditioned its support upon the approval and adoption of this Joint Proposal in its entirety by the Commission. If this Joint Proposal is materially modified by the

Commission, or if the Joint Proposal or the Commission order approving the Joint Proposal is materially modified by a court order which had become final and non-appealable, then each of the Signatory Parties reserves the right to withdraw its acceptance of this Joint Proposal by serving written notice on the Commission and the active parties to Case 07-E-0479 and to renegotiate and, if necessary, to litigate without prejudice any or all issues as to which such Signatory Party agreed in this Joint Proposal.

9. It is the intent of the Signatory Parties that the provisions of this Joint Proposal will apply to and be binding only with respect to the matters that are the subject of this Joint Proposal, and except as set forth below, no provision of this Joint Proposal, nor any methodology or principle utilized herein, nor any of the positions taken herein by any Signatory Party may be referred to, or cited or relied upon as precedent or deemed to be an admission in any other proceeding before the Commission, or any other regulatory agency or before any court of law for any purpose other than the disposition of matters expressly governed by this Joint Proposal.

10. The Signatory Parties recognize that certain provisions of this Joint Proposal contemplate actions to be taken in the future to effectuate fully this Joint Proposal. Accordingly, the Signatory Parties agree to cooperate with each other in good faith in taking such actions.

11. In the event of any disagreement over the interpretation of this Joint Proposal or implementation of any of the provisions of this Joint Proposal, which cannot be resolved informally among the Signatory Parties, such disagreement shall be resolved in the following manner: (a) the Signatory Parties shall promptly convene a conference and in good faith attempt to resolve any such disagreement; and (b) if any such disagreement cannot be resolved by the Signatory Parties, any Signatory Party may petition the Commission for resolution of the disputed matter.

12. This Joint Proposal contains the entire agreement of the Signatory Parties regarding the matters contained herein and supersedes and replaces any and all prior or contemporaneous written and verbal agreements or understandings.

Effect of Commission Approval

13. The Signatory Parties agree and request that the Commission find upon approving this Joint Proposal that it is in the public interest.

14. No provision of this Joint Proposal or the Commission's approval of this Joint Proposal will in any way abrogate or limit the Commission's statutory authority under the Public Service Law. The Signatory Parties recognize that any Commission approval of this Joint Proposal does not waive the Commission's ongoing rights and responsibilities to enforce its orders and to effectuate the goals expressed therein, nor the rights and responsibilities of the New York Department of Public Service Staff to conduct investigations or take other actions in furtherance of its duties and responsibilities.

Captions

15. All titles, subject headings, section titles and similar items herein are provided for the purpose of reference and convenience only and are not intended to affect the meaning, the content or the scope of this Joint Proposal.

Execution

16. This Joint Proposal may be executed in counterpart originals and will be binding upon each Signatory Party when its executed counterpart is filed with the Secretary to the Commission.

Reservation of Rights

17. Notwithstanding any provision contained herein, NYSEG reserves its right to challenge, through a request for waiver, petition for rehearing or judicial review, any Commission order, policy statement or regulation that is inconsistent with or otherwise impacts this Joint Proposal or NYSEG's Supply Service Plan.

AL-97617

Executed as of the 10th day of July, 2007.

New York State Electric & Gas Corporation

By: James A. Lahtinen
James A. Lahtinen
Vice President - Rates and Regulatory
Economics

Executed as of the 14 day of July, 2007.

**Staff of the
New York State Department of Public Service**

By: Leonard Van Ryn
Leonard Van Ryn, Esq.
Assistant Counsel

Executed as of the 10th day of July, 2007.

New York State Consumer Protection Board

By:


David Prostemon, Esq.

Executed as of the 10th day of July, 2007.

Multiple Interveners

By: Michael B. Mager
Michael B. Mager, Esq.

Executed as of the 16th day of July, 2007.

Constellation NewEnergy, Inc.
Constellation Energy Commodities Group, Inc.

By: Kevin R. Brocks
Kevin R. Brocks, Esq.

Executed as of the 10th day of July, 2007.

Direct Energy Services, LLC

By: CH Kallaher
Chris Kallaher, Esq
Director, Government & Regulatory Affairs

Executed as of the 10th day of July, 2007.

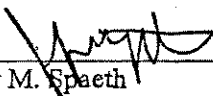
Energetix, Inc. and NYSEG Solutions, Inc.

By: Andrew Gansberg
Andrew Gansberg, Esq.

Executed as of the 10th day of July, 2007.

Integrus Energy Services of New York, Inc.

By:



Jody M. Spaeth

Vice President – Sales and Marketing

Executed as of the ___ day of July, 2007.

Strategic Energy, LLC

By: _____
Marc A. Hanks
Director of Market Development-Eastern Region

Executed as of the 10th day of July, 2007.

Nucor Steel Auburn, Inc.

By:

James W. Brew / KLB
James W. Brew, Esq.
Counsel

Appendix A

From New York State Gas & Electric Corporation's Information Request
Response No. NFSS-0019 in Case No. 07-E-0479

NBC	Forecast 2008	Actual 2008
Annual NBC Dollars	\$97,225,578	\$85,000,000
Commodity Earnings Sharing **	(\$20,000,000)	(\$20,000,000)
Total NBC Dollars	\$77,225,578	\$65,000,000
Total Metered Load Subject to NBC	15,038,861	15,600,000
NBC Rate \$/MWh	\$ 5.14	\$ 4.17

- * True-up for 2008 based on actual 9-month (Jan 1st - Oct 31st) and estimated 3-month (Nov 1st - Dec 31st).
- **\$20M of Commodity Earnings Sharing will flow to customers even if actual commodity earnings are lower.

True-Up Dollars

NBC Rate (based on forecasted costs/market value and load)	\$ 5.14
NBC Rate (based on actual costs/market value and load)	\$ 4.17
Net Rate (actual versus forecast)	(\$0.97)
Actual Load	15,600,000
True-Up Dollars (actual load times net rate)	(\$15,107,065)
Any Additional Customer Share of Commodity Earnings	(\$2,500,000)
	(\$17,607,065)

Note: \$17.6M would be refunded to customers through the next NBC.