

New York State Electric & Gas Corporation

Financial Statements (Unaudited)

For the Three Months Ended March 31, 2011 and 2010

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New York State Electric & Gas Corporation
Statements of Income (Unaudited)

Three months ended March 31,	2011	2010
(Thousands)		
Operating Revenues		
Electric	\$352,299	\$320,683
Natural gas	153,454	153,353
Total Operating Revenues	505,753	474,036
Operating Expenses		
Electricity purchased	160,837	149,151
Natural gas purchased	85,365	90,220
Other operating expenses	85,413	88,901
Maintenance	22,793	20,726
Depreciation and amortization	28,392	27,486
Other taxes	31,547	30,375
Total Operating Expenses	414,347	406,859
Operating Income	91,406	67,177
Other (Income)	(3,685)	(4,065)
Other Deductions	20	20
Interest Charges, Net	16,222	18,364
Income Before Income Taxes	78,849	52,858
Income Taxes	29,373	19,893
Net Income	49,476	32,965
Less: Preferred Stock Dividends	99	99
Earnings Available for Common Stock	\$49,377	\$32,866

New York State Electric & Gas Corporation
Statements of Comprehensive Income (Unaudited)

Three months ended March 31,	2011	2010
(Thousands)		
Net Income	\$49,476	\$32,965
Other Comprehensive Income, Net of Tax	421	142
Comprehensive Income	\$49,897	\$33,107

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	March 31, 2011	December 31, 2010
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	\$7,617	\$6,244
Accounts receivable and unbilled revenues, net	290,531	281,077
Affiliated accounts receivable	2,761	4,291
Fuel and natural gas in storage, at average cost	10,051	34,605
Materials and supplies, at average cost	11,428	11,541
Deferred income taxes	41,545	41,032
Derivative assets	1,105	1,504
Broker margin accounts	8,787	10,965
Prepayments and other current assets	65,090	51,513
Total Current Assets	438,915	442,772
Utility Plant, at Original Cost		
Electric	3,157,242	3,115,112
Natural gas	751,499	750,033
Common	320,812	298,911
	4,229,553	4,164,056
Less accumulated depreciation	1,689,504	1,679,189
Net Utility Plant in Service	2,540,049	2,484,867
Construction work in progress	93,689	128,801
Total Utility Plant	2,633,738	2,613,668
Assets Held For Sale	32,586	32,730
Other Property and Investments	18,072	18,288
Regulatory and Other Assets		
Regulatory assets		
Environmental remediation costs	151,440	156,841
Unfunded future income taxes	104,112	104,978
Unamortized loss on debt reacquisitions	29,636	30,816
Natural gas hedges	3,702	5,357
Pension and other postretirement benefits	557,198	579,544
Other	117,550	127,087
Total regulatory assets	963,638	1,004,623
Other assets		
Prepaid pension benefits	96,445	87,336
Other	19,698	20,263
Total other assets	116,143	107,599
Total Regulatory and Other Assets	1,079,781	1,112,222
Total Assets	\$4,203,092	\$4,219,680

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	March 31, 2011	December 31, 2010
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	\$292	\$288
Notes payable	134,800	24,400
Accounts payable and accrued liabilities	59,115	103,966
Accounts payable to affiliates	20,223	19,497
Accounts payable, natural gas purchased	13,439	14,984
Accounts payable, electricity purchased	42,731	58,535
Interest accrued	16,065	7,236
Taxes accrued	48,086	6,366
Derivative liabilities	3,655	5,375
Environmental remediation costs	32,536	32,536
Energy efficiency programs	22,633	21,480
Customer deposits	27,737	38,789
Other	33,804	35,721
Total Current Liabilities	455,116	369,173
Regulatory and Other Liabilities		
Regulatory liabilities		
Deferred income taxes	177,520	188,834
Accrued removal obligation	423,773	420,738
Positive benefit adjustments	96,912	111,018
Other	102,984	109,334
Total regulatory liabilities	801,189	829,924
Other liabilities		
Deferred income taxes	628,793	610,244
Other postretirement benefits	142,117	143,488
Asset retirement obligation	16,810	16,590
Environmental remediation costs	95,174	95,174
Other	47,274	63,098
Total other liabilities	930,168	928,594
Total Regulatory and Other Liabilities	1,731,357	1,758,518
Long-term debt	1,014,400	1,014,568
Total Liabilities	3,200,873	3,142,259
Commitments and Contingencies		
Preferred Stock		
Redeemable solely at the option of NYSEG	10,159	10,159
Common Stock Equity		
Common stock	430,057	430,057
Capital in excess of par value	268,364	268,364
Retained earnings	300,259	375,882
Accumulated other comprehensive loss	(6,620)	(7,041)
Total Common Stock Equity	992,060	1,067,262
Total Liabilities and Equity	\$4,203,092	\$4,219,680

New York State Electric & Gas Corporation

Statements of Cash Flows (Unaudited)

Three months ended March 31,	2011	2010
(Thousands)		
Operating Activities		
Net income	\$49,476	\$32,965
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	28,392	29,965
Amortization of regulatory and other assets and liabilities	14,054	1,756
Income taxes and investment tax credits deferred, net	(6,499)	(7,273)
Positive benefit adjustment	(14,106)	2,667
Pension income	9,672	2,323
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	(7,924)	20,459
Inventories	24,667	29,181
Broker margin accounts	2,178	(10,425)
Prepayments and other current assets	(13,178)	(22,811)
Accounts payable and accrued liabilities	(61,474)	(31,494)
Interest accrued	8,829	7,322
Taxes accrued	41,720	7,312
Customer deposit	(11,052)	(13,708)
Other current liabilities	(2,484)	(2,404)
Changes in other assets		
Environmental reserves	-	(2,000)
Other	(14,985)	10,534
Changes in other liabilities	6,857	3,578
Net Cash Provided by Operating Activities	54,143	57,947
Investing Activities		
Utility plant additions	(37,988)	(24,618)
Investments, net	81	278
Net Cash Used in Investing Activities	(37,907)	(24,340)
Financing Activities		
Long-term note repayments	(164)	(1,748)
Notes payable three month or less, net	110,400	-
Dividends paid on common and preferred stocks	(125,099)	(99)
Net Cash Used in Financing Activities	(14,863)	(1,847)
Net Increase in Cash and Cash Equivalents	1,373	31,760
Cash and Cash Equivalents, Beginning of Period	6,244	42,555
Cash and Cash Equivalents, End of Period	\$7,617	\$74,315

New York State Electric & Gas Corporation

Statement of Changes in Common Stock Equity (Unaudited)

(Thousands)

	Common Stock		Capital in Excess of Par	Retained Earnings	Accumulated Other	Total
	Outstanding Shares	\$6.66 2/3 Par Value Amount			Comprehensive Income	
Balance, January 1, 2011	64,508	\$430,057	\$268,364	\$375,882	(\$7,041)	\$1,067,262
Net income				49,476		49,476
Other comprehensive income, net of tax					421	421
Comprehensive income						49,897
Dividends common and preferred stock				(125,099)		(125,099)
Balance, March 31, 2011	64,508	\$430,057	\$268,364	\$300,259	(\$6,620)	\$992,060