

New York State Electric & Gas Corporation

Financial Statements (Unaudited)

For the quarterly periods ended September 30, 2011 and 2010

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

Periods ended September 30,	Three Months		Nine Months	
	2011	2010	2011	2010
(Thousands)				
Operating Revenues				
Electric	\$352,011	\$378,683	\$1,018,028	\$1,004,642
Natural gas	47,122	46,574	269,514	260,855
Total Operating Revenues	399,133	425,257	1,287,542	1,265,497
Operating Expenses				
Electricity purchased	157,522	173,312	450,764	465,526
Natural gas purchased	15,886	14,012	129,732	127,379
Other operating expenses	86,729	50,235	266,470	243,501
Maintenance	46,979	52,193	98,746	97,425
Impact of joint proposal	-	1,421	-	1,421
Depreciation and amortization	28,517	30,296	85,622	85,239
Other taxes	32,371	30,598	94,781	90,918
Total Operating Expenses	368,004	352,067	1,126,115	1,111,409
Operating Income	31,129	73,190	161,427	154,088
Other (Income)	(16,795)	(3,381)	(22,972)	(11,555)
Other Deductions	160	442	202	598
Interest Charges, Net	17,240	17,009	50,775	55,571
Income Before Income Taxes	30,524	59,120	133,422	109,474
Income Taxes Expense	14,455	21,862	54,217	40,990
Net Income	16,069	37,258	79,205	68,484
Less: Preferred Stock Dividends	99	198	297	396
Earnings Available for Common Stock	\$15,970	\$37,060	\$78,908	\$68,088

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

Periods ended September 30,	Three Months		Nine Months	
	2011	2010	2011	2010
(Thousands)				
Net Income	\$16,069	\$37,258	\$79,205	\$68,484
Other Comprehensive Income, Net of Tax	(5)	275	485	403
Comprehensive Income	\$16,064	\$37,533	\$79,690	\$68,887

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	September 30, 2011	December 31, 2010
(Thousands)		
Assets		
Current Assets		
Cash and cash equivalents	\$9,367	\$6,244
Accounts receivable and unbilled revenues, net	228,144	281,077
Affiliated accounts receivable	5,261	4,291
Fuel and natural gas in storage, at average cost	40,738	34,605
Materials and supplies, at average cost	12,004	11,541
Deferred income taxes	44,099	41,032
Derivative assets	-	1,504
Broker margin accounts	9,200	10,965
Prepaid taxes	46,569	7,896
Prepayments and other current assets	76,152	43,617
Total Current Assets	471,534	442,772
Utility Plant, at Original Cost		
Electric	3,220,823	3,115,112
Natural gas	765,406	750,033
Common	302,592	298,911
	4,288,821	4,164,056
Less accumulated depreciation	1,710,435	1,679,189
Net Utility Plant in Service	2,578,386	2,484,867
Construction work in progress	103,346	128,801
Total Utility Plant	2,681,732	2,613,668
Assets Held for Sale	-	32,730
Other Property and Investments	17,714	18,288
Regulatory and Other Assets		
Regulatory assets		
Environmental remediation costs	112,209	156,841
Unfunded future income taxes	80,637	104,978
Unamortized loss on debt reacquisitions	27,333	30,816
Natural gas hedges	6,343	5,357
Pension and other postretirement benefits	513,981	579,544
Other	170,107	127,087
Total regulatory assets	910,610	1,004,623
Other assets		
Prepaid pension benefits	124,482	87,336
Other	13,133	20,263
Total other assets	137,615	107,599
Total Regulatory and Other Assets	1,048,225	1,112,222
Total Assets	\$4,219,205	\$4,219,680

New York State Electric & Gas Corporation

Balance Sheets (Unaudited)

	September 30, 2011	December 31, 2010
(Thousands)		
Liabilities		
Current Liabilities		
Current portion of long-term debt	\$299	\$288
Notes payable	31,350	\$24,400
Accounts payable and accrued liabilities	98,452	80,771
Accounts payable to affiliates	26,153	19,497
Accounts payable, construction	14,829	23,195
Accounts payable, natural gas purchased	9,952	14,984
Accounts payable, electricity purchased	40,609	58,535
Interest accrued	15,559	7,236
Taxes accrued	7,530	6,366
Derivative liabilities	6,120	5,375
Environmental remediation costs	28,343	32,536
Energy efficiency programs	32,019	21,480
Customer deposits	14,476	38,789
Other	33,467	35,721
Total Current Liabilities	359,158	369,173
Regulatory and Other Liabilities		
Regulatory liabilities		
Deferred income taxes	165,797	188,834
Accrued removal obligations	430,748	420,738
Positive benefit adjustments	68,376	111,018
Other	107,851	109,334
Total regulatory liabilities	772,772	829,924
Other liabilities		
Deferred income taxes	721,032	610,244
Other postretirement benefits	153,414	143,488
Asset retirement obligation	16,883	16,590
Environmental remediation costs	97,830	95,174
Other	51,891	63,098
Total other liabilities	1,041,050	928,594
Total Regulatory and Other Liabilities	1,813,822	1,758,518
Long-term debt	1,014,411	1,014,568
Total Liabilities	3,187,391	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	329,790	375,882
Accumulated other comprehensive loss	(6,556)	(7,041)
Total Common Stock Equity	1,021,655	1,067,262
Total Liabilities and Equity	\$4,219,205	\$4,219,680

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

Nine months ended September 30,	2011	2010
<i>(Thousands)</i>		
Operating Activities		
Net income	\$79,205	\$68,484
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	82,080	93,330
Amortization of regulatory and other assets and liabilities	3,787	4,991
Income taxes and investment tax credits deferred, net	95,351	16,978
Gain on sale of Senaca Lake	(12,640)	-
Positive benefit adjustment	-	(55,462)
Storm costs related to joint proposal	-	57,453
Pension expense	18,743	27,349
Changes in current operating assets and liabilities		
Accounts receivable and unbilled revenues, net	52,353	69,263
Inventory	(6,597)	(5,570)
Broker margin accounts	1,765	(24,323)
Prepayments and other current assets	(32,499)	(37,669)
Accounts payable and accrued liabilities	1,380	14,479
Environmental remediation costs	34,535	11,455
Interest accrued	8,323	8,604
Taxes accrued	(58,392)	(43,758)
Other current liabilities	(16,028)	(2,466)
VEBA withdrawal	16,304	-
Other assets		
Non bypassable charges	(992)	11,611
Storm costs	(59,004)	(24,456)
Other assets	(18,451)	(14,210)
Other liabilities	4,335	(16,765)
Net Cash Provided by Operating Activities	193,558	159,318
Investing Activities		
Utility plant additions	(137,149)	(104,555)
Proceeds from sale of Senaca Lake	65,000	-
Investments	451	4,063
Net Cash Used in Investing Activities	(71,698)	(100,492)
Financing Activities		
Long-term note issuances	132,000	-
Long-term note repayments	(132,215)	(74,054)
Notes payable three month or less, net	6,775	-
Dividends on common and preferred stocks	(125,297)	(396)
Net Cash Used in Financing Activities	(118,737)	(74,450)
Net (Decrease) in Cash and Cash Equivalents	3,123	(15,624)
Cash and Cash Equivalents, Beginning of Period	6,244	42,555
Cash and Cash Equivalents, End of Period	\$9,367	\$26,931

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 Comprehensive Income	Total
	Outstanding Shares	\$6.66 2/3 Par Value Amount				
Balance, January 1, 2011	64,508	\$430,057	\$268,364	\$375,882	(\$7,041)	\$1,067,262
Net income				79,205		79,205
Other comprehensive income, net of tax					485	485
Comprehensive income						79,690
Dividends						
Common stock				(125,000)		(125,000)
Preferred stock				(297)		(297)
Balance, September 30, 2011	64,508	\$430,057	\$268,364	\$329,790	(\$6,556)	\$1,021,655