

Iberdrola / Energy East Merger
PBA and Rate Reduction Summary - July 1, 2008; August 1, 2008 or September 1, 2008

(\$ Millions)

As of July 1, 2008

	NYSEG			RG&E			Total
	Electric	Gas	Total	Electric	Gas	Total	
PBA Adjustments Accepted by the Company							
Loss on Reacquired Debt - Reg. Asset	\$ (22.8)	\$ (6.0)	\$ (28.8)	\$ (3.8)	\$ (1.6)	\$ (5.4)	\$ (34.3)
2006 Flood - Reg. Asset	-	(2.4)	(2.4)	-	-	-	(2.4)
Nine Mile II Mirror CWIP - Reg. Asset	-	-	-	(19.3)	-	(19.3)	(19.3)
Nine Mile II - Reg. Asset	-	-	-	(95.7)	-	(95.7)	(95.7)
Environmental - SIR - Reserve Increase (77.6% Electric / 22.4% Gas)	(38.8)	(11.2)	(50.0)	-	-	-	(50.0)
Total PBAs - (pre-tax)	\$ (61.6)	\$ (19.7)	\$ (81.3)	\$ (118.7)	\$ (1.6)	\$ (120.4)	\$ (201.6)
Total Rate Reduction - July 1, 2008	\$ (10.4) (1.8%)	\$ (3.4) (2.2%)	\$ (13.7) (1.9%)	\$ (40.1) (10.8%)	\$ (0.9) (0.7%)	\$ (41.0) (8.1%)	\$ (54.8) (4.4%)

As of August 1, 2008

	NYSEG			RG&E			Total
	Electric	Gas	Total	Electric	Gas	Total	
PBA Adjustments Accepted by the Company							
Loss on Reacquired Debt - Reg. Asset	\$ (22.5)	\$ (6.0)	\$ (28.5)	\$ (3.7)	\$ (1.6)	\$ (5.2)	\$ (33.7)
2006 Flood - Reg. Asset	-	(2.4)	(2.4)	-	-	-	(2.4)
Nine Mile II Mirror CWIP - Reg. Asset	-	-	-	(19.2)	-	(19.2)	(19.2)
Nine Mile II - Reg. Asset	-	-	-	(93.4)	-	(93.4)	(93.4)
Environmental - SIR - Reserve Increase (77.6% Electric / 22.4% Gas)	(41.1)	(11.9)	(52.9)	-	-	-	(52.9)
Total PBAs - (pre-tax)	\$ (63.6)	\$ (20.3)	\$ (83.9)	\$ (116.2)	\$ (1.6)	\$ (117.8)	\$ (201.6)
Total Rate Reduction - August 1, 2008	\$ (10.5) (1.8%)	\$ (3.4) (2.2%)	\$ (13.9) (1.9%)	\$ (39.9) (10.8%)	\$ (0.9) (0.7%)	\$ (40.8) (8.1%)	\$ (54.7) (4.4%)

As of September 1, 2008

	NYSEG			RG&E			Total
	Electric	Gas	Total	Electric	Gas	Total	
PBA Adjustments Accepted by the Company							
Loss on Reacquired Debt - Reg. Asset	\$ (22.3)	\$ (5.9)	\$ (28.2)	\$ (3.5)	\$ (1.5)	\$ (5.0)	\$ (33.2)
2006 Flood - Reg. Asset	-	(2.4)	(2.4)	-	-	-	(2.4)
Nine Mile II Mirror CWIP - Reg. Asset	-	-	-	(19.1)	-	(19.1)	(19.1)
Nine Mile II - Reg. Asset	-	-	-	(91.1)	-	(91.1)	(91.1)
Environmental - SIR - Reserve Increase (77.6% Electric / 22.4% Gas)	(43.4)	(12.5)	(55.9)	-	-	-	(55.9)
Total PBAs - (pre-tax)	\$ (65.6)	\$ (20.8)	\$ (86.5)	\$ (113.7)	\$ (1.5)	\$ (115.2)	\$ (201.6)
Total Rate Reduction - September 1, 2008	\$ (10.6) (1.8%)	\$ (3.5) (2.3%)	\$ (14.1) (1.9%)	\$ (39.7) (10.7%)	\$ (0.9) (0.6%)	\$ (40.6) (8.0%)	\$ (54.7) (4.4%)

Iberdrola / Energy East Merger
PBA and Rate Reduction
Reduction as of July 1, 2008
(\$ Thousands)

	Staff Testimony Reference	NYSEG			RG&E			Total
		Electric	Gas	Total	Electric	Gas	Total	
PBA Adjustments Accepted by the Company								
Loss on Reacquired Debt - Reg. Asset	JB - 4 ; RPH - 4	(a) \$ (22,796)	\$ (6,023)	\$ (28,819)	\$ (3,814)	\$ (1,634)	\$ (5,448)	\$ (34,267)
2006 Flood - Reg. Asset	JB-4	" -	(2,442)	\$ (2,442)	-	-	\$ -	(2,442)
Nine Mile II Mirror CWIP - Reg. Asset	RPH - 4	" -	-	-	(19,272)	-	\$ (19,272)	(19,272)
Nine Mile II - Reg. Asset	RPH - 4	" -	-	-	(95,662)	-	\$ (95,662)	(95,662)
Environmental - SIR - Reserve Increase (77.6% Electric / 22.4% Gas)	JB-4	(b) (38,800)	(11,200)	(50,000)	-	-	-	(50,000)
Total PBAs - (pre-tax)		(61,596)	(19,665)	(81,261)	(118,747)	(1,634)	(120,381)	(201,642)
Deferred Taxes	(c)	<u>24,402</u>	<u>7,790</u>	<u>32,192</u>	<u>34,993</u>	<u>647</u>	<u>35,640</u>	<u>67,832</u>
Net Change in Rate Base		\$ (37,194)	\$ (11,875)	\$ (49,069)	\$ (83,754)	\$ (987)	\$ (84,741)	\$ (133,810)
Before-Tax Cost of Capital	(d)	<u>9.96%</u>	<u>11.00%</u>		<u>11.52%</u>	<u>11.52%</u>		
Annual Impact of PBA Write-Off - Rate Base Return Component		(3,705)	(1,306)	(5,011)	(9,648)	(114)	(9,762)	(14,773)
Annual Impact of PBA Write-Off - Avoided Amortizations	(e)	<u>(6,654)</u>	<u>(2,083)</u>	<u>(8,737)</u>	<u>(30,486)</u>	<u>(778)</u>	<u>(31,263)</u>	<u>(40,000)</u>
Total Annual Delivery Rate Reduction Associated with PBAs		\$ (10,359)	\$ (3,389)	\$ (13,748)	\$ (40,134)	\$ (892)	\$ (41,025)	\$ (54,773)
Delivery Revenue	(f)	<u>\$ 586,673</u>	<u>\$ 153,702</u>	<u>\$ 740,375</u>	<u>\$ 370,608</u>	<u>\$ 136,055</u>	<u>\$ 506,663</u>	<u>\$ 1,247,038</u>
Percent Reduction		(1.8%)	(2.2%)	(1.9%)	(10.8%)	(0.7%)	(8.1%)	(4.4%)

(a) The above regulatory asset amounts are based on July 1, 2008 estimated balances. Staff JB-4 and RPH-4 Exhibits are based on December 31, 2008 estimated balances. The July 1, 2008 date is utilized to approximate the estimated closing of the Proposed Transaction.

(b) As a result of the NYSEG environmental PBA reserve funding, NYSEG proposes a larger delivery rate reduction by discontinuing the annual rate allowance accrual to the reserve. However, NYSEG reserve accounting will continue for environmental remediation.

(c) and (e) - See page 2

(d) Based on a 10.5% ROE and 45% Equity for NYSEG Gas, RG&E Electric and RG&E Gas. Based on 9.55% ROE and 41.6% Equity for NYSEG Electric.

(f) Delivery Revenue are based on 2006 actual amounts for NYSEG Gas, RG&E Electric and RG&E Gas. NYSEG Electric is based on the Commission Order in Case 05-E-1222. These amounts correspond to the Staff testimony.

() Denotes reduction to Delivery Rates

Iberdrola / Energy East Merger
PBA and Rate Reduction
Reduction as of July 1, 2008
Deferred Taxes and Annual Value of Avoided Amortizations / Reserve Accruals
(\$ Thousands)

		NYSEG			RG&E			Total
		Electric	Gas	Total	Electric	Gas	Total	
<u>Deferred Taxes</u>								
Loss on Reacquired Debt - Reg. Asset	39.615%	9,031	2,386	11,417	1,511	647	2,158	13,575
2006 Flood - Reg. Asset	39.615%	-	967	967	-	-	-	967
Nine Mile II Mirror CWIP - Reg. Asset	0%	-	-	-	-	-	-	-
Nine Mile II - Reg. Asset	35%	-	-	-	33,482	-	33,482	33,482
Environmental - SIR - Reserve Increase	39.615%	15,371	4,437	19,808	-	-	-	19,808
Total		\$ 24,402	\$ 7,790	\$ 32,192	\$ 34,993	\$ 647	\$ 35,640	\$ 67,832
<u>Annual Value of Avoided Amortizations / Reserve Accruals</u>								
Loss on Reacquired Debt - Reg. Asset		\$ (3,154)	\$ (833)	\$ (3,987)	\$ (1,816)	\$ (778)	\$ (2,593)	\$ (6,580)
2006 Flood - Reg. Asset		-	-	-	-	-	-	-
Nine Mile II Mirror CWIP - Reg. Asset		-	-	-	(1,051)	-	(1,051)	(1,051)
Nine Mile II - Reg. Asset		-	-	-	(27,619)	-	(27,619)	(27,619)
Environmental - SIR - Reserve Increase		(g) (3,500)	(1,250)	(4,750)	-	-	-	(4,750)
Total		\$ (6,654)	\$ (2,083)	\$ (8,737)	\$ (30,486)	\$ (778)	\$ (31,263)	\$ (40,000)

(g) As a result of the NYSEG environmental PBA reserve funding, NYSEG proposes a larger delivery rate reduction by discontinuing the annual rate allowance accrual to the reserve. However, NYSEG reserve accounting will continue for environmental remediation.

Iberdrola / Energy East Merger
PBA and Rate Reduction
Reduction as of August 1, 2008
(\$ Thousands)

	Staff Testimony Reference	NYSEG			RG&E			Total
		Electric	Gas	Total	Electric	Gas	Total	
PBA Adjustments Accepted by the Company								
Loss on Reacquired Debt - Reg. Asset	JB - 4 ; RPH - 4	(a) \$ (22,533)	\$ (5,954)	\$ (28,487)	\$ (3,663)	\$ (1,569)	\$ (5,232)	\$ (33,719)
2006 Flood - Reg. Asset	JB-4	" -	(2,442)	\$ (2,442)	-	-	-	(2,442)
Nine Mile II Mirror CWIP - Reg. Asset	RPH - 4	" -	-	-	(19,184)	-	\$ (19,184)	(19,184)
Nine Mile II - Reg. Asset	RPH - 4	" -	-	-	(93,360)	-	\$ (93,360)	(93,360)
Environmental - SIR - Reserve Increase (77.6% Electric / 22.4% Gas)	JB-4	(b) (41,079)	(11,858)	(52,937)	-	-	-	(52,937)
Total PBAs - (pre-tax)		(63,613)	(20,254)	(83,866)	(116,207)	(1,569)	(117,776)	(201,642)
Deferred Taxes	(c)	<u>25,201</u>	<u>8,024</u>	<u>33,225</u>	<u>34,127</u>	<u>622</u>	<u>34,749</u>	<u>67,974</u>
Net Change in Rate Base		\$ (38,412)	\$ (12,230)	\$ (50,641)	\$ (82,080)	\$ (947)	\$ (83,027)	\$ (133,668)
Before-Tax Cost of Capital	(d)	<u>9.96%</u>	<u>11.00%</u>		<u>11.52%</u>	<u>11.52%</u>		
Annual Impact of PBA Write-Off - Rate Base Return Component		(3,826)	(1,345)	(5,171)	(9,456)	(109)	(9,565)	(14,736)
Annual Impact of PBA Write-Off - Avoided Amortizations	(e)	<u>(6,654)</u>	<u>(2,083)</u>	<u>(8,737)</u>	<u>(30,486)</u>	<u>(778)</u>	<u>(31,263)</u>	<u>(40,000)</u>
Total Annual Delivery Rate Reduction Associated with PBAs		\$ (10,480)	\$ (3,428)	\$ (13,908)	\$ (39,942)	\$ (887)	\$ (40,828)	\$ (54,736)
Delivery Revenue	(f)	<u>\$ 586,673</u>	<u>\$ 153,702</u>	<u>\$ 740,375</u>	<u>\$ 370,608</u>	<u>\$ 136,055</u>	<u>\$ 506,663</u>	<u>\$ 1,247,038</u>
Percent Reduction		(1.8%)	(2.2%)	(1.9%)	(10.8%)	(0.7%)	(8.1%)	(4.4%)

(a) The above regulatory asset amounts are based on August 1, 2008 estimated balances. Staff JB-4 and RPH-4 Exhibits are based on December 31, 2008 estimated balances.

(b) As a result of the NYSEG environmental PBA reserve funding, NYSEG proposes a larger delivery rate reduction by discontinuing the annual rate allowance accrual to the reserve. However, NYSEG reserve accounting will continue for environmental remediation.

(c) and (e) - See page 2

(d) Based on a 10.5% ROE and 45% Equity for NYSEG Gas, RG&E Electric and RG&E Gas. Based on 9.55% ROE and 41.6% Equity for NYSEG Electric.

(f) Delivery Revenue are based are 2006 actual amounts for NYSEG Gas, RG&E Electric and RG&E Gas. NYSEG Electric is based on the Commission Order in Case 05-E-1222. These amounts correspond to the Staff testimony.

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(\$ Thousands)

		NYSEG			RG&E			Total
		Electric	Gas	Total	Electric	Gas	Total	
<u>Deferred Taxes</u>								
Loss on Reacquired Debt - Reg. Asset	39.615%	8,927	2,359	11,286	1,451	622	2,073	13,359
2006 Flood - Reg. Asset	39.615%	-	967	967	-	-	-	967
Nine Mile II Mirror CWIP - Reg. Asset	0%	-	-	-	-	-	-	-
Nine Mile II - Reg. Asset	35%	-	-	-	32,676	-	32,676	32,676
Environmental - SIR - Reserve Increase	39.615%	16,274	4,698	20,972	-	-	-	20,972
Total		\$ 25,201	\$ 8,024	\$ 33,225	\$ 34,127	\$ 622	\$ 34,749	\$ 67,974
<u>Annual Value of Avoided Amortizations / Reserve Accruals</u>								
Loss on Reacquired Debt - Reg. Asset		\$ (3,154)	\$ (833)	\$ (3,987)	\$ (1,816)	\$ (778)	\$ (2,593)	\$ (6,580)
2006 Flood - Reg. Asset		-	-	-	-	-	-	-
Nine Mile II Mirror CWIP - Reg. Asset		-	-	-	(1,051)	-	(1,051)	(1,051)
Nine Mile II - Reg. Asset		-	-	-	(27,619)	-	(27,619)	(27,619)
Environmental - SIR - Reserve Increase		(g) (3,500)	(1,250)	(4,750)	-	-	-	(4,750)
Total		\$ (6,654)	\$ (2,083)	\$ (8,737)	\$ (30,486)	\$ (778)	\$ (31,263)	\$ (40,000)

(g) As a result of the NYSEG environmental PBA reserve funding, NYSEG proposes a larger delivery rate reduction by discontinuing the annual rate allowance accrual to the reserve. However, NYSEG reserve accounting will continue for environmental remediation.

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Reduction as of September 1, 2008
(\$ Thousands)

	Staff Testimony Reference	NYSEG			RG&E			Total
		Electric	Gas	Total	Electric	Gas	Total	
PBA Adjustments Accepted by the Company								
Loss on Reacquired Debt - Reg. Asset	JB - 4 ; RPH - 4	(a) \$ (22,270)	\$ (5,884)	\$ (28,155)	\$ (3,511)	\$ (1,504)	\$ (5,016)	\$ (33,171)
2006 Flood - Reg. Asset	JB-4	" -	(2,442)	\$ (2,442)	-	-	-	(2,442)
Nine Mile II Mirror CWIP - Reg. Asset	RPH - 4	" -	-	-	(19,096)	-	\$ (19,096)	(19,096)
Nine Mile II - Reg. Asset	RPH - 4	" -	-	-	(91,058)	-	\$ (91,058)	(91,058)
Environmental - SIR - Reserve Increase (77.6% Electric / 22.4% Gas)	JB-4	(b) (43,359)	(12,516)	(55,875)	-	-	-	(55,875)
Total PBAs - (pre-tax)		(65,629)	(20,842)	(86,472)	(113,666)	(1,504)	(115,171)	(201,642)
Deferred Taxes	(c)	<u>25,999</u>	<u>8,256</u>	<u>34,255</u>	<u>33,261</u>	<u>596</u>	<u>33,857</u>	<u>68,112</u>
Net Change in Rate Base		\$ (39,630)	\$ (12,586)	\$ (52,217)	\$ (80,405)	\$ (908)	\$ (81,314)	\$ (133,530)
Before-Tax Cost of Capital	(d)	<u>9.96%</u>	<u>11.00%</u>		<u>11.52%</u>	<u>11.52%</u>		
Annual Impact of PBA Write-Off - Rate Base Return Component		(3,947)	(1,384)	(5,331)	(9,263)	(105)	(9,368)	(14,699)
Annual Impact of PBA Write-Off - Avoided Amortizations	(e)	<u>(6,654)</u>	<u>(2,083)</u>	<u>(8,737)</u>	<u>(30,486)</u>	<u>(778)</u>	<u>(31,263)</u>	<u>(40,000)</u>
Total Annual Delivery Rate Reduction Associated with PBAs		\$ (10,601)	\$ (3,467)	\$ (14,068)	\$ (39,749)	\$ (883)	\$ (40,631)	\$ (54,699)
Delivery Revenue	(f)	<u>\$ 586,673</u>	<u>\$ 153,702</u>	<u>\$ 740,375</u>	<u>\$ 370,608</u>	<u>\$ 136,055</u>	<u>\$ 506,663</u>	<u>\$ 1,247,038</u>
Percent Reduction		(1.8%)	(2.3%)	(1.9%)	(10.7%)	(0.6%)	(8.0%)	(4.4%)

(a) The above regulatory asset amounts are based on September 1, 2008 estimated balances. Staff JB-4 and RPH-4 Exhibits are based on December 31, 2008 estimated balances.

(b) As a result of the NYSEG environmental PBA reserve funding, NYSEG proposes a larger delivery rate reduction by discontinuing the annual rate allowance accrual to the reserve. However, NYSEG reserve accounting will continue for environmental remediation.

(c) and (e) - See page 2

(d) Based on a 10.5% ROE and 45% Equity for NYSEG Gas, RG&E Electric and RG&E Gas. Based on 9.55% ROE and 41.6% Equity for NYSEG Electric.

(f) Delivery Revenue are based on 2006 actual amounts for NYSEG Gas, RG&E Electric and RG&E Gas. NYSEG Electric is based on the Commission Order in Case 05-E-1222. These amounts correspond to the Staff testimony.

() Denotes reduction to Delivery Rates

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Deferred Taxes and Annual Value of Avoided Amortizations / Reserve Accruals
(\$ Thousands)

		NYSEG			RG&E			Total
		Electric	Gas	Total	Electric	Gas	Total	
<u>Deferred Taxes</u>								
Loss on Reacquired Debt - Reg. Asset	39.615%	8,822	2,331	11,153	1,391	596	1,987	13,140
2006 Flood - Reg. Asset	39.615%	-	967	967	-	-	-	967
Nine Mile II Mirror CWIP - Reg. Asset	0%	-	-	-	-	-	-	-
Nine Mile II - Reg. Asset	35%	-	-	-	31,870	-	31,870	31,870
Environmental - SIR - Reserve Increase	39.615%	17,177	4,958	22,135	-	-	-	22,135
Total		\$ 25,999	\$ 8,256	\$ 34,255	\$ 33,261	\$ 596	\$ 33,857	\$ 68,112
<u>Annual Value of Avoided Amortizations / Reserve Accruals</u>								
Loss on Reacquired Debt - Reg. Asset		\$ (3,154)	\$ (833)	\$ (3,987)	\$ (1,816)	\$ (778)	\$ (2,593)	\$ (6,580)
2006 Flood - Reg. Asset		-	-	-	-	-	-	-
Nine Mile II Mirror CWIP - Reg. Asset		-	-	-	(1,051)	-	(1,051)	(1,051)
Nine Mile II - Reg. Asset		-	-	-	(27,619)	-	(27,619)	(27,619)
Environmental - SIR - Reserve Increase		(g) (3,500)	(1,250)	(4,750)	-	-	-	(4,750)
Total		\$ (6,654)	\$ (2,083)	\$ (8,737)	\$ (30,486)	\$ (778)	\$ (31,263)	\$ (40,000)

(g) As a result of the NYSEG environmental PBA reserve funding, NYSEG proposes a larger delivery rate reduction by discontinuing the annual rate allowance accrual to the reserve. However, NYSEG reserve accounting will continue for environmental remediation.