

STATE OF NEW YORK

Public Service Commission

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FOR RELEASE: IMMEDIATELY

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PSC Seeks Public Comment on NYSEG Gas Plan Proposal

Albany, NY – 8/05/04 – The New York State Public Service Commission is seeking public comment on a Joint Proposal that recommends certain changes to New York State Electric and Gas Corporation's (NYSEG) rates for natural gas transportation and delivery service. The proposed changes would not increase the amount of revenue realized by NYSEG from its natural gas business. The Joint Proposal includes recommendations for a natural gas economic development plan and for the continuation of the company's natural gas Affordable Energy Program.

The Joint Proposal, which addresses several outstanding issues from the multi-year gas rate plan approved by the Commission on November 20, 2002, was developed by the staff of the New York State Department of Public Service, NYSEG, natural gas marketers, and Multiple Intervenors, a group that represents large commercial and industrial customers. Consistent with NYSEG's current multi-year rate plan, the terms of the Joint Proposal, if adopted by the Commission, would remain in effect at least through December 31, 2008.

The Joint Proposal

To help retain and attract businesses in NYSEG's service territory, the Joint Proposal includes provisions for economic development incentive rate discounts. Under the Economic Development Incentive (EDI) and Economic Development Zone Incentive (EDZI), rate discounts would be available to qualified commercial and industrial customers for five- and ten-year terms, respectively. Under these programs, qualified customers would receive a discount on their transportation rates based on usage. For example, for eligible large transportation customers, the EDZI rate discounts on the delivery service portion of their bills would start at 60% and phase-down to 10% over time, and EDI rate discounts on the delivery service portion of their bills would start at 50% and phase-down to 10% over time. In addition, the Joint Proposal

would require NYSEG to develop and implement an Infrastructure Investment Program to attract and retain business within its service territory.

If adopted, the Joint Proposal would also continue NYSEG's Affordable Energy Program for qualified low-income natural gas customers at the current funding level of \$1.75 million annually.

With respect to rates, the Joint Proposal would redesign the rates that NYSEG charges its natural gas customers for transportation service, including transportation to full-service customers (that is, customers receiving transportation and the natural gas commodity combined). The proposed changes would not increase the amount of revenue realized by NYSEG from its natural gas business. Rather, under the terms of the Joint Proposal, the company's existing revenue requirement would be reallocated among different customer service classifications (i.e. business and residential) and among different rate areas, most rates for the company's seven geographic rate areas (Binghamton, Champlain, Combined, Elmira, Goshen, Lockport and Owego) would be consolidated, and certain customer service classifications would be eliminated. NYSEG's Combined rate area is composed of nine (9) service districts: Auburn, Brewster, Cortland, Dansville, Geneva, Ithaca, Mechanicville, Oneonta and Plattsburgh.

The goal of the Joint Proposal is to more closely align revenues from individual customer classes with the actual cost to serve each class, consolidate rate areas where possible to better reflect similar costs to serve and to improve administrative efficiency, and provide more accurate price signals to customers. If approved, rate design changes for residential customers would be phased in over the period from October 1, 2005 through October 1, 2008 and would include a \$0.50 increase in the monthly customer charge in each of those years.

Customer impacts associated with the proposed, revenue-neutral rate design changes, including the monthly customer charge increase, would vary according to rate district, customer service classification, and usage. Overall service classification rate impacts for residential heating customers, including forecast gas commodity costs, would range from an estimated average annual decrease of 0.91% in the Combined rate area to an average annual increase of 1.27% in the Binghamton rate area.

Rate design changes for nonresidential business customers would be phased in over the period from October 1, 2004 through October 1, 2008. Overall service classification rate impacts for nonresidential customers, including forecast gas commodity costs, range from an estimated average annual decrease of 0.71% in the Combined rate area to an estimated average annual increase of 1.20% in the Binghamton rate area.

Customers can obtain more information about the Joint Proposal gas plan by reviewing a summary of the Joint Proposal available at www.AskPSC.com, the Commission's Consumer Web site. Many libraries offer free internet access.

Customers are invited to submit comments on the Joint Proposal. Comments will be accepted until Friday, August 27, and can be submitted as follows:

Mailing Comments: Statements can be mailed to the Honorable Jaclyn A. Brillig, Secretary, New York Public Service Commission, Three Empire State Plaza, Albany, New York 12223. These letters should specifically refer to the NYSEG Joint Proposal gas plan (Case 01-G-1668).

Toll-free Opinion Line: Interested persons may call a special toll-free Opinion Line at 1-800-335-2120 to voice their opinion. This phone line is set up to receive comments about the proceeding from in-state callers, 24 hours a day. Callers should press "1" for "electric and gas" to leave comments on the NYSEG Joint Proposal gas plan.

The Internet: Comments may be submitted via the "PSC Comment Form" in the "Contact Us" file accessed through the homepage of the Commission's Consumer Web site. Many libraries offer free Internet access. The Web site address is <http://www.AskPSC.com> and comments are downloaded regularly.