

ENERGY EAST CORP
Form 11-K
June 29, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark one)

**ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the fiscal year ended **December 31, 2005**

OR

**TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-14766

Full title of the plan and the address of the plan, if different from
that of the issuer named below:

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
P.O. Box 3287
Ithaca, New York 14852-3287

Name of issuer of the securities held pursuant to the plan
and the address of its principal executive office:

Energy East Corporation
52 Farm View Drive
New Gloucester, Maine 04260-5116

REQUIRED INFORMATION

The New York State Electric & Gas Corporation Tax Deferred Savings Plan for Salaried Employees (Plan) is subject to the Employee Retirement Income Security Act of 1974 (ERISA). Therefore, in lieu of the requirements of Items 1-3 of Form 11-K, the financial statements of the Plan for the two fiscal years ended December 31, 2005 and 2004 and supplemental schedule, which have been prepared in accordance with the financial reporting requirements of ERISA, are attached hereto as Appendix 1 and incorporated herein by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Committee to administer the Plan has duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees

Date: June 29, 2006

By /s/Richard R. Benson
Richard R. Benson
Committee Member

Date: June 29, 2006

By /s/Robert D. Kump
Robert D. Kump
Committee Member

Date: June 29, 2006

By /s/Joseph Syta
Joseph Syta
Committee Member

Date: June 29, 2006

By /s/F. Michael McClain
F. Michael McClain
Committee Member

APPENDIX 1

NEW YORK STATE ELECTRIC & GAS CORPORATION
TAX DEFERRED SAVINGS PLAN FOR SALARIED EMPLOYEES

FINANCIAL STATEMENTS AS OF AND
FOR THE YEARS ENDED DECEMBER 31, 2005 and 2004
SUPPLEMENTAL SCHEDULE AS OF DECEMBER 31, 2005
AND REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
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Report of Independent Registered Public Accounting Firm - Baker Newman & Noyes, LLC 1

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Years ended December 31, 2005 and 2004 3

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Supplemental Schedule*

Consent of Independent Registered Public Accounting Firm - Baker Newman & Noyes, Exhibit 23
LLC

*Other supplemental schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrative Committee of the
New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees

We have audited the accompanying statements of net assets available for benefits of the New York State Electric & Gas Corporation Tax Deferred Savings Plan for Salaried Employees (the Plan) as of December 31, 2005 and 2004, and the related statements of changes in net assets available for benefits for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the New York State Electric & Gas Corporation Tax Deferred Savings Plan for Salaried Employees as of December 31, 2005 and 2004, and the changes in net assets available for benefits for the years ended December 31, 2005 and 2004, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2005, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the

basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

/s/ Baker Newman & Noyes

Limited Liability Company

Portland, Maine
June 21, 2006

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Statements of Net Assets Available for Benefits
December 31, 2005 and 2004

	2005	2004
Assets:		
Investments:		
Registered Investment Companies	\$ 100,840,265	\$ 98,965,445
Stable Value Fund	11,811,625	10,465,748
Energy East Corporation Stock Fund	27,957,874	35,548,813
Participant loans	1,798,896	1,927,128
	<u>142,408,660</u>	<u>146,907,134</u>
Receivables:		
Contributions Receivable	149,583	1,357
	<u>149,583</u>	<u>1,357</u>
Net assets available for benefits	<u>\$ 142,558,243</u>	<u>\$ 146,908,491</u>

See notes to financial statements.

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2005 and 2004

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	2005	2004
Additions:		
Investment income:		
Net (depreciation) appreciation in fair value of investments	\$ (1,132,665)	\$ 14,496,633
Interest and dividends	4,964,513	2,997,875
	<u>3,831,848</u>	<u>17,494,508</u>
Contributions:		
Participant	5,165,965	6,485,897
Employer	595,747	871,988
Contributions Receivable - Employee	144,099	1,161
Contributions Receivable - Employer	4,127	196
Transfers from other qualified plans	-	1,374,093
	<u>5,909,938</u>	<u>8,733,335</u>
 Total additions	 <u>9,741,786</u>	 <u>26,227,843</u>
Deductions:		
Benefits paid to participants	14,041,443	16,750,337
Transfers to other qualified plans	50,591	14,502,735
Administrative expenses	-	14
	<u>14,092,034</u>	<u>31,253,086</u>
 Net decrease	 (4,350,248)	 (5,025,243)
Net assets available for benefits:		
Beginning of year	<u>146,908,491</u>	<u>151,933,734</u>
 End of year	 <u>\$ 142,558,243</u>	 <u>\$ 146,908,491</u>

See notes to financial statements.

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Notes to Financial Statements
December 31, 2005 and 2004

1. DESCRIPTION OF THE PLAN

The following description of the New York State Electric & Gas Corporation (Company) Tax Deferred Savings Plan for Salaried Employees (Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

General

The Plan was established effective January 1, 1985, by the Company under the provisions of Section 401(a) of the Internal Revenue Code (Code), and it includes a qualified cash or deferred arrangement as described in Section 401(k) of the Code for the benefit of eligible employees of the Company. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974. The Plan Administrator is the Company and an Administrative Committee has been appointed to serve as manager of the Plan.

The Plan is a defined contribution plan covering salaried employees of the Company, as well as the salaried employees of Energy East Corporation's (Energy East) family of companies that elect to participate under the Plan provisions. Energy East, the parent corporation of the Company, through its subsidiaries, delivers electricity and natural gas to retail customers and provides electricity, natural gas, energy management and other services to retail and wholesale customers in the Northeast.

Eligibility

A salaried employee may become a participant in the Plan as of the first day of any calendar month that commences after the completion of the employee's first 30 days of employment.

Contributions

Contributions to the Plan are allocated to participant accounts. Participants can direct the investment of their contributions into various investment options offered by the Plan.

Participant contributions range from 1% to 50% of the participant's base compensation and may include overtime pay and are subject to limitations stipulated by the Code. As of January 1, 2002, participants age 50 or over by the end of the Plan year can make an additional contribution to the Plan in accordance with and subject to the limitations of Section 414(v) of the Code. The maximum additional contribution in 2003 was \$2,000 and increased by \$1,000 a year reaching a maximum of \$5,000 in 2006.

As of April 1, 2002, the Plan accepts rollovers from other qualified plans, as well as 403(b) and government 457 plans, traditional Individual Retirement Accounts (IRAs), conduit IRAs (but not Roth IRAs), after-tax distributions from employer retirement plans and spousal death benefit payments.

The Company contributes solely to the Energy East Corporation Stock Fund an amount equivalent to 25% of the participant's contributions to any investment option (up to 1.5% of the participant's annual base compensation as of the first day of the year). (See Note 4)

The Energy East Corporation Stock Fund is an Employee Stock Ownership Plan (ESOP). Dividends from the ESOP may be reinvested or taken in cash. The participant can transfer the Company's matching contribution in the Energy East Stock Corporation Fund to other available investment options.

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Notes to Financial Statements
December 31, 2005 and 2004

1. DESCRIPTION OF THE PLAN (Continued)

Benefit Payments

Upon termination of service a participant may elect either a lump sum amount equal to the value of the participant's interest in the participant's account, or installments over a period permissible under the Code. Distributions from all investment options, except the Energy East Corporation Stock Fund, are made in cash. Distributions from the Energy East Corporation Stock Fund are made in either whole shares of Energy East common stock or in cash, as specified by the participant, except as may otherwise be determined by the Plan's administrative committee, and except that the value of any fractional share shall be paid in cash.

Vesting

Participants have full and immediate vesting rights in participant and employer contributions, investment earnings and other amounts allocated to their accounts.

Participant Loans

Participants may, under certain circumstances, borrow against their account balances. A Plan participant may borrow a minimum of \$1,000 and up to a maximum of one-half of the participant's vested account balance or \$50,000, less the highest outstanding loan balance in the prior twelve months, whichever is less. The term of the loan may not exceed five years, and the interest rate will be equal to the prime interest rate listed in the Wall Street Journal on the first business day of the month in which the loan is issued plus 1%. Interest rates on loans outstanding at year end range from 5.00% to 10.50% for 2005 and 2004. This provides the Plan with a return commensurate with the interest rate charged by persons in the business of lending money for loans which would be made under similar circumstances. The loan must be repaid by payroll deductions over the term of the loan. Loan payments are credited to an applicable fund based upon the participant's current elections. If a participant's employment terminates for any reason, the loan will become immediately due and payable and must be paid within 90 days from the date of termination or will be considered a taxable distribution to the participant.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements are prepared on an accrual basis and in conformity with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Shares of registered investment companies are valued at the net asset value of shares held by the Plan at year-end. The stable value fund is stated at contract value. The Energy East Stock Fund, comprised solely of Energy East common stock, is valued at its quoted market price at year-end. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of investments are recorded on a trade-date basis. Interest income is accrued when earned. Dividend income is recorded on the ex-dividend date.

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Notes to Financial Statements
December 31, 2005 and 2004

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Payments of Benefits

Benefits are recorded when paid.

Plan Termination

Although the Company has not expressed any intent to terminate the Plan, it has the right to discontinue contributions at any time and terminate the Plan. In the event of termination of the Plan, the net assets of the Plan are set aside, first, for payment of all Plan expenses and, second, for distribution to the participants, based upon the balances in their individual accounts.

Risks and Uncertainties

The Plan provides for various investment options in any combination of stocks, fixed income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risk in the near term could materially affect participants' account balances and the amounts reported in the Statements of Net Assets Available for Benefits and the Statements of Changes in Net Assets Available for Benefits.

3. INVESTMENTS

The following presents investments that represent 5% or more of the Plan's net assets at December 31, 2005 and 2004:

	2005	2004
PIMCO Total Return Fund	\$ 10,129,209	\$ 9,918,221
Fidelity Diversified International Fund	13,048,331	11,779,883
Energy East Corporation Stock Fund	27,957,874	35,548,813
T. Rowe Price Equity Income Fund	23,529,699	25,706,769
J. P. Morgan Stable Value Fund	11,811,625	10,465,748
T. Rowe Price Growth Stock Fund	24,855,833	28,327,129

The plan has a deposit administration contract with J.P. Morgan (JPM). JPM maintains the Plan's deposits in a synthetic guaranteed investment contract, to which it adds interest at the contract rate (adjusted quarterly, not below 0%; 5.4% at December 31, 2005). Deposits into this contract are guaranteed the contract minimum rate of return. The weighted average interest rate earned for the year ended December 31, 2005 was 4.82%. Withdrawals are permitted at any time without penalty and the contract has been determined to be fully benefit responsive as defined in SOP 94-4. The investment is carried at contract value as reported by JPM. The fair value of the investment is not materially different from its contract value at December 31, 2005.

Plan investments (including gains and losses on investments bought and sold, as well as held during the year) appreciated (depreciated) in value during 2005 and 2004 as follows:

	2005	2004
Registered Investment Companies	\$ 3,168,284	\$ 7,437,980
Stable Value Fund	509,442	439,731
Energy East Corporation Stock Fund	(4,810,391)	6,618,922
	\$ (1,132,665)	\$ 14,496,633

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Notes to Financial Statements
December 31, 2005 and 2004

4. NONPARTICIPANT-DIRECTED INVESTMENTS

Company contributions to the Energy East Stock Fund are nonparticipant-directed investments. Information about the net assets at December 31, 2005 and 2004, and the significant components of the changes in net assets for the years ended December 31, 2005 and 2004, relating to the nonparticipant-directed investments is as follows:

2005	2004
------	------

Net Assets:

Energy East Corporation Stock Fund - nonparticipant- directed investments	\$ 10,389,434	\$ 13,940,265
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Changes in Net Assets:

Net (depreciation) appreciation in fair value	(1,790,842)	2,763,456
Interest and dividends	535,924	666,840
Employer matching contributions	595,747	871,988
Benefits paid to participants	(918,829)	(1,213,492)
Net Transfers	(1,994,892)	(4,336,813)
Net Loan Transactions	22,061	(3,897)
	\$ (3,550,831)	\$ (1,251,918)

5. INCOME TAX STATUS

The Company has received its most recent determination letter from the Internal Revenue Service, dated April 4, 2000, that the Plan qualifies as a tax deferred savings plan under Sections 401(a) and 401(k) of the Code. The Plan has been amended since receiving the determination letter. The Plan Administrator and management believe that the Plan is designed and is currently being operated in compliance with the applicable requirements of the Code.

6. RELATED PARTY TRANSACTIONS

Certain Plan investments are shares of registered investment companies which were managed by Putnam Fiduciary Trust Company (Putnam) through December 30, 2004 and T. Rowe Price Retirement Plan Services (T. Rowe Price) as of December 31, 2004. Putnam was the trustee as defined by the Plan through December 30, 2004 and T. Rowe Price became the trustee as defined by the Plan effective December 31, 2004. Certain other investments are in the synthetic guaranteed investment contract managed by JPM or the Energy East Stock Fund. Transactions with these parties qualify as party-in-interest transactions and are exempt from the prohibited transaction rules.

7. ADMINISTRATIVE EXPENSES

Substantially all of the administrative expenses are paid for by the Company.

New York State Electric & Gas Corporation
Tax Deferred Savings Plan for Salaried Employees
Schedule H, line 4i - Schedule of Assets (Held at End of Year)
December 31, 2005

Identity of Issue	Description of Investment	Current Value
* JPMCB Intermediate Bond Fund	Commingled Fund	\$11,432,785
* JPMCB Liquidity Fund	Commingled Fund	210,255
Monumental Life Insurance Co.	Fully benefit responsive wrapper contract	56,195

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UBS AG	Fully benefit responsive wrapper contract	56,195
IXIS Financial Products, Inc.	Fully benefit responsive wrapper contract	56,195
Subtotal Stable Value Fund		<u>11,811,625</u>
PIMCO Total Return Fund	Registered Investment Company	10,129,209
* T. Rowe Price Equity Income Fund	Registered Investment Company	23,529,699
Domini Social Equity Class R	Registered investment Company	75,472
Fidelity Diversified International Fund	Registered Investment Company	13,048,331
* T. Rowe Price Growth Stock Fund	Registered Investment Company	24,855,833
* T. Rowe Price Retirement Income Fund	Registered Investment Company	1,273,077
* T. Rowe Price Retirement 2005 Fund	Registered Investment Company	1,440,298
* T. Rowe Price Retirement 2010 Fund	Registered Investment Company	4,511,893
* T. Rowe Price Retirement 2015 Fund	Registered Investment Company	4,285,895
* T. Rowe Price Retirement 2020 Fund	Registered Investment Company	2,802,750
* T. Rowe Price Retirement 2025 Fund	Registered Investment Company	1,977,192
* T. Rowe Price Retirement 2030 Fund	Registered Investment Company	1,238,004
* T. Rowe Price Retirement 2035 Fund	Registered Investment Company	546,560
* T. Rowe Price Retirement 2040 Fund	Registered Investment Company	82,023
* T. Rowe Price Retirement 2045 Fund	Registered Investment Company	51
* T. Rowe Price Small-Cap Value Fund	Registered Investment Company	2,627,848
Vanguard Explorer	Registered Investment Company	5,154,707
Vanguard Institutional Index Fund	Registered Investment Company	3,261,423
* Energy East Corporation Stock	Energy East Corporation Stock Fund	27,957,874
* Loan Fund	Participant Loans (5.00% - 10.50%)	1,798,896
Total assets held at end of year		<u>\$142,408,660</u>

* Party-in-interest