



June 29, 2016

VIA ELECTRONIC FILING

Honorable Kathleen H. Burgess, Secretary
State of New York
Department of Public Service
Three Empire State Plaza
Albany, NY 12223

Re: Case 15-E-0283 and Case 15-G-0284 – New York State Electric & Gas Corporation
Case 15-E-0285 and Case 15-G-0286 – Rochester Gas and Electric Corporation
Electric and Gas Rates – Compliance Filing

Dear Secretary Burgess:

The enclosed tariff leaves, issued by New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E”) (together the “Companies”), are being transmitted for filing in compliance with the New York State Public Service Commission Order Approving Electric and Gas Rate Plans in Accord With Joint Proposal (the “Order”), issued and effective June 15, 2016, in the above-referenced proceedings. This filing is also made in accordance with Appendix 7-H (electronic tariff filing system) of the New York State Public Service Commission’s (“PSC” or “Commission”) Codes, Rules and Regulations (16 NYCRR Appendix 7-H). Appendix A sets forth a list of the revised tariff leaves pertaining to the following Schedules:

New York State Electric & Gas Corporation

PSC No. 87 – Gas
PSC No. 88 – Gas
PSC No. 90 – Gas
PSC No. 119 – Electricity
PSC No. 120 – Electricity
PSC No. 121 – Electricity



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Rochester Gas and Electric Corporation

PSC No. 16 – Gas

PSC No. 18 – Electricity

PSC No. 19 – Electricity

The purpose of this filing is to effectuate the electric and gas rate changes, as well as the other requirements of the Order. The tariffs and statements are filed to become effective on July 1, 2016. The amendments are summarized below. The applicability of the rate plan provisions for NYSEG and RG&E are governed by the Joint Proposal (“JP”) and associated Appendices as approved and modified in the Commission’s Order.

Base Delivery Rates

The base delivery rates effective July 1, 2016, May 1, 2017 and May 1, 2018 are set forth for each service classification in Appendix X to the JP and are incorporated into the tariffs. Appendix W of the JP contains descriptions of the rate design changes associated with electric customer or gas monthly minimum charges, delivery per kWh charges, delivery per kW charges and delivery per therm charges.

Appendix W also contains several other rate provisions that have been incorporated into the tariffs and/or statements filed herein:

- Competitive service rates (i.e., electric and gas Merchant Function Charges (“MFC”), electric and gas Purchase of Receivables (“POR”) Discount, electric Meter Charges and Bill Issuance and Payment Processing Charges) have been updated based on the results of each Company’s respective Embedded Cost of Service study. The MFC and the POR Discount will be calculated as described in Appendix W of the JP.
- The hedge adjustment is removed from the calculation of commodity charges for NYSEG’s electric Service Classification Nos. 8 and 12, and RG&E’s electric Service Classification No. 4, Schedules I and II. Additionally, the cost of the capacity component will be applied to on-peak hours only.
- NYSEG has eliminated its electric space heating rate option within Service Classification Nos. 2, 6, and 9.
- The incremental meter charge for electric Mandatory Hourly Pricing (“MHP”) customers has been eliminated. The Companies have also implemented provisions within the tariff to address customer requests for newer meter equipment.
- RG&E electric customers participating in the Emergency Demand Response Program and Day Ahead Demand Response Program, with RG&E as their provider, will pay a monthly subscription service fee for the software subscription service necessary for these Programs.

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- Discounted rates offered under NYSEG's Economic Development Zone Incentive ("EDZI") Program, RG&E's Empire Zone Rates ("EZR") Program, and the Companies' Excelsior Jobs Programs are updated based on the results of the Companies' filed Marginal Cost of Service studies in these proceedings.
- Electric standby customer charges are set at the same level as otherwise applicable service classifications. The remaining revenue requirement associated with standby rates for each service classification is recovered through contract demand charges and as-used demand charges in proportion to the revenues collected through current contract demand and as-used demand charges. Standby customers will be provided an opportunity to earn credits against their contract demand charges when the customer demonstrates that it has reliably reduced demand on the utility grid below their contract demand level, as described in the *Order Adopting a Ratemaking and Utility Revenue Model Policy Framework*, issued and effective May 19, 2016, in Case 14-M-0101¹.
- The gas lost-and-unaccounted for ("LAUF") methodology has been modified to incorporate recommendations provided in Staff's White Paper on LAUF Gas², with certain clarifications.

Electric Non-Bypassable Charge ("NBC")

As set forth in Appendix F to the JP, NYSEG's electric wholesale transmission revenues embedded in base rates are set at \$53.4 million annually. Any difference between the \$53.4 million embedded in base delivery rates and actual wholesale transmission revenues will be reconciled monthly through the NBC.

Unaccounted For Energy

The Companies are revising how Unaccounted For Energy ("UFE") is allocated to Load Serving Entities ("LSEs") for reporting to the New York Independent System Operator. The Companies will not allocate any portion of the subzonal UFE to MHP customer load. All subzonal UFE will be allocated to LSEs based on each LSEs share of non-MHP load in a given hour.

Revenue Decoupling Mechanism ("RDM")

The Companies will continue an electric RDM on a total revenue per class RDM basis. The Companies are modifying the electric reconciliation of the RDM to group together all residential classes, but will maintain individual general service classifications for reconciliation purposes, for each rate year. The Companies will continue the gas RDM on a delivery service revenue per customer basis, for each rate year. For reconciliation purposes, the Companies will maintain two gas RDM classes: residential and non-residential.

Appendix Y of the JP contains the provisions applicable to the respective RDMs, the service classes covered by the RDMs and the revenue targets for each rate year, by service class or subclass. The electric and gas RDM targets for Rate Year 3 will repeat annually until changed by the Commission.

¹ Case 14-M-0101 – *Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision*, Order Adopting a Ratemaking and Utility Revenue Model Policy Framework (issued and effective May 19, 2016), pp. 130-132.

² The Staff White Paper was provided to utilities on January 27, 2012.

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Rate Adjustment Mechanism ("RAM")

The Companies will implement a RAM for each Business, to return or collect the net balance of RAM Eligible Deferrals and Costs, including: (1) property taxes; (2) Major Storm deferral balances; (3) gas leak prone pipe replacement; (4) REV costs and fees which are not covered by other recovery mechanisms; and (5) NYSEG Electric Pole Attachment revenues.

The policies and procedures with respect to the RAM are set forth in Appendix S of the JP. As set forth therein, the annual RAM recovery / return shall be limited to: (1) \$19.3 million for NYSEG Electric; (2) \$5.2 million for NYSEG Gas; (3) \$11.4 million for RG&E Electric; and (4) \$4.4 million for RG&E Gas.

The Companies shall measure the deferred regulatory asset and liability balances for the items specified as RAM Eligible Deferrals and Costs as of December 31 for each year. The RAM for each Business shall be identified in each Company's respective RAM Compliance Filing submitted on March 31 of each year and shall be implemented in rates on July 1 of each year (beginning on July 1, 2017) for collection over the 12 months from July 1 to June 30.

NYSEG Gas Transition Surcharge ("TS")

The Deferred/Uncontrollable Cost Component has been removed from the TS.

Tariff Consistency

Additionally, the Companies have included modifications to its tariffs to achieve further consistency, as submitted with the Companies' initial filing, and reflecting further revisions in accordance with discussions with Staff.

Newspaper Publication

Notice of this filing will be published in newspapers having general circulation in each Company's service territory and proof of publication shall be filed with the Secretary in accordance with Ordering paragraph six of the Order.

Company Contacts

Questions concerning this filing should be directed to me at lacole@nyseg.com, with a copy to NYRegAdmin@iberdrolausa.com.

Very truly yours,



Lori A. Cole
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Enclosures

