

December 29, 2008

VIA ELECTRONIC FILING

Honorable Jaclyn A. Brillling, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223

Re: Compliance Filing of Rochester Gas & Electric Corporation for
Case 08-E-0751 – Proceeding on Motion of the Commission to
Identify the Sources of Electric System Losses and the Means of
Reducing Them

Dear Secretary Brillling:

The enclosed tariff leaves, issued by Rochester Gas & Electric Corporation (“RG&E” or the “Company”), are filed in compliance with the New York State Public Service Commission’s (“Commission”) Order Establishing Energy Efficiency Portfolio Standard and Approving Programs, in Case 07-M-0538 (“June 23 Order”)¹ and pursuant to the Commission’s Order Clarifying Scope of Proceeding, issued and effective July 17, 2008, in Case 08-E-0751 (the “July 17 Order”).² The tariff leaves identified herein are transmitted for filing in compliance and accordance with the requirements of Appendix 7-H (electronic tariff filing system) of the Commission’s Codes, Rules and Regulations (16 NYCRR Appendix 7-H).

P.S.C. No. 19 - Electricity

Leaf No. 195.1	Revision 2
Leaf No. 196	Revision 3
Leaf No. 197	Revision 2
Leaf No. 243	Revision 11
Leaf No. 246	Revision 3
Leaf No. 249	Revision 2

Effective: April 1, 2009

¹ Case 07-M-0548 - Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard, Order Establishing Energy Efficiency Portfolio Standard and Approving Programs (June 23, 2008).

² Case 08-E-0751 - Proceeding on Motion of the Commission to Identify the Sources of Electric System Losses and the Means of Reducing Them, Order Clarifying Scope of the Proceeding (July 17, 2008).

Honorable Jaclyn A. Brilling, Secretary

Page 2 of 3

December 29, 2008

Purpose and Overview of the Filing

Pursuant to the June 23 Order, the Commission instituted Case 08-E-0751 to identify measures that should be taken to reduce electric system losses and to optimize system operations. To achieve savings in both energy and its costs, the Commission ordered the utilities to submit reports within six months of the June 23 Order “identifying measures to reduce system losses and/or optimize system operations.” In addition, the June 23 Order stated that each utility report should include an analysis of reactive power provisions and charges contained in its tariffs, and recommendations for any changes to the rates charges and classes to which the rates should apply. The July 17 Order clarified that to the extent a utility does not have reactive power provisions and rates in its tariffs, it should develop such tariffs and file them with their six-month report.

RG&E does not currently have a tariff rate for reactive power in its existing tariffs. As such, consistent with the June 23 and July 17 Orders, RG&E proposes tariff amendments to establish a reactive power rate applicable to Service Classification No. 8 (General Service Time of Use) customers. This service classification includes all non-residential customers with demands greater than 300 kilowatt (“kW”) in any three of the last twelve months. RG&E also proposes to adopt a 97% economic power factor correction level for billing purposes and to institute a reactive charge per reactive kilovolt-ampere hour (“rkVAh”) of \$0.00127. Attached to this filing are typical bill impacts to illustrate the effect the proposed tariff will have on the overall bill of a customer subject to a reactive charge. The annual increase ranges from 0.0% to 0.6%.

In compliance with the June 23 and July 17 Orders, RG&E is concurrently filing with the Commission a Loss Reduction Opportunities Report (the “Report”). The Report identifies major sources of losses on RG&E’s transmission and distribution system and identifies potential measures and programs available to mitigate those losses. The Report also sets forth the basis for the development of RG&E’s reactive power tariff.

As detailed more fully in the Report, RG&E’s reactive power tariff is based on billing the customer for some portion of the reactive kilovar-hours it consumes. The primary basis for the tariff pricing is the costs associated with the installation and maintenance of capacitive compensation on the Company’s T&D systems. RG&E’s workpapers for the enclosed tariff are contained in Appendix C of the Report.

Implementation of the tariff will require RG&E to update its customer care system and communicate changes to those impacted customers. Incremental costs associated with implementation of the proposed changes are currently estimated to be approximately \$210,000. RG&E will also need to replace all of its meters for all customers taking service under Service Classification No. 8 at a capital cost of approximately \$360,000. The increase of any incremental costs required for the implementation of RG&E’s reactive power tariff are conditioned upon the Commission authorizing RG&E to recover those costs in its next rate proceeding.

Honorable Jaclyn A. Brilling, Secretary

Page 3 of 3

December 29, 2008

Phase-In Period

In an effort to provide a seamless and effective implementation, RG&E is proposing to phase in the new reactive power provisions, including meter installations and required system upgrades, over several years. Twelve months after Commission approval of the tariff leaves, any customer with a measured demand of not less than 1,000 kW during any two of the previous twelve months will be billed a reactive charge ("Phase 1").³ Twelve months after the completion of Phase 1, customers with a measured demand of not less than 500 kW will be billed a reactive charge ("Phase 2"). Twelve months after the completion of Phase 2, all remaining customers taking service under Service Classification No. 8 (i.e., customers with a measured demand of 300 kW to 500 kW) will be billed a reactive charge per the proposed tariff.

Request for Approval

RG&E respectfully requests Commission approval of the enclosed reactive power tariff and provisions as outlined above. The proposal satisfies and complies with the July 17 Order as it establishes reactive power provisions and rates consistent with the analysis and results of the Report.

Newspaper Publication

RG&E respectfully requests the Commission waive the publication requirements set forth in Section 66(12) (b) of the New York State Public Service Law, because its proposed reactive power tariff is minor in nature and would impact only a small segment of RG&E's customers.

Company Contacts

Questions concerning this filing should be directed to Patti Beaudoin at (607) 762-7728 or me at (585) 771-4692.

Very truly yours,

Mark O. Marini
Manager, Rates & Tariffs
Rates & Regulatory Economics

Enclosures

cc: Active Parties

³ Any changes to the tariff filing, therefore, will impact the effective date of the reactive billing charges.