

June 25, 2008

**VIA ELECTRONIC FILING**

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

RE: **Case 03-E-0765 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service**

**Case 02-E-0198 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service**

**Case 03-G-0766 - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service**

Dear Secretary Brilling:

The enclosed Transition Charge Statements, issued by Rochester Gas and Electric Corporation "RG&E" or the "Company"), are transmitted for filing in compliance with the Public Service Commission's ("PSC" or "Commission") Order Adopting Provisions of Joint Proposals With Conditions, issued and effective May 20, 2004 in the above-referenced proceedings, and are to become effective July 1, 2008. This filing is also made in accordance with Appendix 7-H (electronic tariff filing system) to the Commission's Codes, Rules and Regulations (16 NYCRR Appendix 7-H).

**TCF Statements**

PSC No. 18 – Electricity, Schedule for Electric Street Lighting Service. TCF Statement No. 5  
PSC No. 18 – Electricity, Schedule for Electric Street Lighting Service. TCF-A Statement No. 5

PSC No. 19 – Electricity, Schedule for Electric Service. TCF Statement No. 6  
PSC No. 19 – Electricity, Schedule for Electric Service. TCF-A Statement No. 6

In PSC No.18, the TCF Statement sets forth the Transition Charge for the RG&E Fixed Price Option Applicable to S.C. Nos. 1, 2, and 3. The revisions apply to customers that began their participation before and after April 2008.

In PSC No.19, the TCF Statement sets forth the Transition Charge for the RG&E Fixed Price Option Applicable to S.C. Nos. 1, 2, 3, 4, 6, 7, 8, and 9. The revisions apply to customers that began their participation before and after April 2008.

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### Purpose of Filing

The purpose of this filing is to revise the transition charges for both residential and non-residential Fixed Price Option customers to reflect the most current information available related to the retirement of Russell Station, one of RG&E's fossil fuel generation plants. In addition to the Russell Station adjustment, this filing also includes an additional revision to the residential transition charges to reflect a continuation of the New York Power Authority ("NYPA") Hydroelectric benefit in the calculation of the Fixed Price Option. This adjustment is made in accordance with the filing letter dated October 4, 2007 for RG&E's 2008 fixed prices that became effective on January 1, 2008.

### Overview of Filing

The 2008 fixed transition charges were established October 1, 2007 and became effective January 1, 2008. At the time the rates were developed there was still some uncertainty regarding the operation of Russell Station and the exact retirement date. In recognition of this uncertainty, RG&E agreed that the assumptions used to calculate the fixed transition charge would be updated and the fixed transition charge may be adjusted when information that is more accurate is available.

RG&E met with PSC Staff to discuss the elements and processes contained in the revisions. The transition charge revisions related to the retirement of Russell Station reflect the following updated costs:

- 1.) Adjustments to the fixed supply costs per Section V.4.b.i of the Joint Proposal<sup>1</sup> ("JP").
- 2.) Adjustments to the market value of the output and the fuel and emissions costs in the fixed non-by-passable charge ("NBC").
- 3.) Net proceeds from the sale of the remaining coal inventory.
- 4.) Updated property tax expense.<sup>2</sup>
- 5.) Adjustments related to the continuing Russell Station costs incurred after the retirement of Russell Station per Sections V.4.b.iv and X.V.3.b of the JP, including decommissioning costs equal to \$6.5 million on an annual basis.<sup>3</sup>

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<sup>1</sup> Case 03-E-0765 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service, Order Adopting Joint Provisions of Joint Proposals With Conditions, Issued and Effective May 20, 2004.

<sup>2</sup> As discussed with Staff, the reconciliation of property tax and the other items set forth on Appendix K and Appendix L to the JP will be adjusted to recognize the amount of those costs that continue to be recovered through the NBC.

<sup>3</sup> As discussed with Staff, employee severance costs will be charged against the decommissioning reserve. The Company has been advised that the severance costs will not have any material affect on Pension and OPEB costs currently estimated by its actuaries.

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The 2008 residential fixed transition charges that became effective January 1, 2008 reflected the expiration of the Company's hydropower contracts with the NYPA in June 2008. NYPA and the Company recently agreed to an extension of hydroelectric power deliveries through December 2009. However, this contract is subject to cancellation upon 30 days notice by NYPA. Therefore, the Company reserves the right to make a further update to the fixed transition charges during 2008 if the contracts are changed prior to the end of the year.

The variable transition charges will continue to incorporate the benefits of the NYPA hydroelectric power contracts on a monthly basis as well as the agreed upon Russell Station adjustments.

#### Newspaper Notice

The Company requests that the requirement of § 66(12) (b) of Public Service Law and 160 NYCRR §720-8.1 as to newspaper publication be waived. All customers will be made aware of the change to the 2008 fixed transition charges through a bill message. Energy Service Companies will be notified directly of the change through electronic mail.

#### Company Contacts

RG&E is serving a copy of this filing to parties electronically. Please direct any questions pertaining to this filing to Susan Morien at (585) 771-4741 or Mark Marini at (585) 771-4692.

Very truly yours,

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

Enclosures

cc: All Active Parties (Via Electronic Mail)