

October 4, 2007

**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 tariff leaves and 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 January 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).

Tariff Leaves - PSC No. 19 – Electricity, Schedule for Electric Service  
Service Classification 14 – Standby Service

Leaf No. 242, Revision 8, Superseding Revision 6

Leaf No. 243, Revision 9, Superseding Revision 8

FPO Statements

PSC No. 18 – Electricity, Schedule for Electric Street Lighting Service. FPO Statement No. 4

PSC No. 19 – Electricity, Schedule for Electric Service. FPO Statement No. 4

In PSC No.18, the FPO Statement sets forth the Fixed Commodity Charge for the RG&E Fixed Price Option Applicable to S.C. Nos. 1, 2, and 3. In PSC No.19, the FPO Statement sets forth the Fixed Commodity Charge for the RG&E Fixed Price Option Applicable to S.C. Nos. 1, 2, 3, 4, 6, 7, 8, and 9.

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The filing of Fixed Commodity Charge Statements for the RG&E Fixed Price Option is made annually to become effective January 1 of each commodity rate period. In addition, there may be Fixed Commodity Charge Statements for the RG&E Fixed Price Option filed to become effective April 1 of each commodity rate period, applicable to those existing customers who move or those new customers who commence service on or after April 1.

#### TCF Statements

PSC No. 18 – Electricity, Schedule for Electric Street Lighting Service. TCF Statement No. 4

PSC No. 19 – Electricity, Schedule for Electric Service. TCF Statement No. 5

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. 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 and the Transition Charge for Economic Development for the RG&E Fixed Price Option Applicable to S.C. Nos. 3, 7, 8, and 9.

The filing of Transition Charge Statements for the RG&E Fixed Price Option is made annually, to become effective January 1 of each commodity rate period. In addition, there may be Transition Charge Statements for the RG&E Fixed Price Option filed to become effective April 1 of each commodity rate period, applicable to those existing customers who move or those new customers who commence service on or after April 1.

#### New York Power Authority (NYPA) Purchase Power

The 2008 residential fixed transition charges (“NBC”) were set recognizing the expiration of the current NYPA hydropower contracts that are dedicated to serving residential customers. The current contract expires on June 30, 2008 and is subject to cancellation upon 30 days notice from NYPA. As a result, the residential (S.C. Nos. 1, 4, and 6) transition charges reflect the benefits of the NYPA purchase power received through the end of June 2008. If NYPA cancels the contract prior to June 30, 2008, or if RG&E and NYPA agree to a further extension of the contract, RG&E will adjust the fixed NBC at that time to reflect the changed benefits from NYPA power allocations, similar to what was done in September 2007 whereby the fixed NBC was reduced when the NYPA contracts were extended beyond the original expiration date of August 31, 2007. Any change in benefits to customers associated a termination before June 30, 2007 or an extension beyond June 30, 2007 will be based on the forward market prices for the balance of the year at the time the NBC is reset. This reset will occur upon any changes to the receipt of the NYPA power.

In the event that the NYPA contracts are extended, RG&E will appropriately notify customers of the impending re-setting of the NBC. Additionally, the Company will notify energy services companies (ESCOs) directly and inform them of changes to the transition charge as soon as practicable. The Company will provide ESCOs with a commodity price estimate one month prior to any reset, provided that the timing of the new NYPA contract is such that it allows for such an estimate to be available one month prior to the transition charge reset.

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### Russell Station

The fixed transition charges, effective January 1, 2008, were set recognizing that Russell Station, one of RG&E's fossil fuel generation plants, is expected to be retired during 2008. For the purposes of calculating the January 1, 2008 fixed transition charge certain assumptions were made regarding the operations of the Russell station. In recognition that there is uncertainty about the exact timing of the Russell plant shutdown, RG&E has agreed to file an update with PSC Staff regarding the closure of Russell Station prior to the closure of the plant but no later than mid-year 2008. The filing shall include the best information RG&E has regarding the date of the closure, any on-going operating costs, severance costs, and decommissioning costs.<sup>1</sup> When more accurate information is available, the assumptions used to calculate the fixed transition charge will be updated and the fixed transition charge may be adjusted accordingly. For example, in setting the January 1, 2008 fixed transition charge it was assumed that the Russell Station would be closed on May 31, 2008. Accordingly, the fixed transition charge for 2008 includes five months (Jan-May) of the projected above-market value of the station output and five twelfths of the annual fixed generation costs related to Russell Station that are set forth on Appendix E of the Electric Rate Joint Proposal in the above referenced cases and seven months of the projected ongoing costs after the shutdown. If Russell Station is closed after May 31, 2008 any net amounts over-collected from fixed price customers between May 31 and the actual closing date would be preserved for the benefit of the fixed price customers.

In the event that the Russell shutdown makes a re-setting of the NBC necessary, it is RG&E's intention do so in conjunction with any necessary NBC adjustments associated with a modification of the NYPA purchase power contracts. As with the NYPA change, RG&E will notify customers accordingly.<sup>2</sup> In addition, the Company will notify energy services companies (ESCOs) directly and inform them of the transition charge changes as soon as they are available. The Company will provide ESCOs with a commodity price estimate one month prior to any reset, provided that the timing of any new NYPA contract is such that it allows for such an estimate to be available one month prior to the transition charge reset.

The Company requests that the requirement of § 66(12)(b) of Public Service Law and 16 NYCRR §720-8.1 as to newspaper publication be waived. All customers will be made aware of the 2008 fixed prices through various means, including enrollment materials, which contain the price information, mailed to all eligible customers; the Company's voice response system and website, which contain the price information; and general outreach and education associated with the Voice Your Choice program.

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<sup>1</sup> For purposes of setting the January 1, 2008 fixed transition charges, it was assumed that any severance costs would be recovered as an offset to the decommissioning reserve.

<sup>2</sup> In the month Russell Station actually shuts down, RG&E's variable transition charges will be credited for Russell's avoided costs based upon the filing by RG&E at the time of shut down. Should those amounts not be finalized prior to the actual shut down, RG&E will use the amounts of avoided costs (i.e., \$3.020 million/month) utilized to establish the fixed transition charges until the time such post shut down costs are finalized..

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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