

December 22, 2003

Honorable Jaclyn A. Brillling, Acting Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case No. 02-M-0515
Order Providing for Distributed Generation Gas Service Classifications

Dear Secretary Deixler:

The enclosed leaves, issued by Rochester Gas and Electric Corporation (“RG&E” or the “Company”) are transmitted for filing in compliance with the requirements of the New York State Public Service Commission (“PSC” or “Commission”).

First Revised	Leaf No. 101	to PSC No. 16 – Gas
First Revised	Leaf No. 102	to PSC No. 16 – Gas
First Revised	Leaf No. 134	to PSC No. 16 – Gas
Original	Leaf No. 134.1	to PSC No. 16 – Gas
First Revised	Leaf No. 135	to PSC No. 16 – Gas
Second Revised	Leaf No. 125	to PSC No. 17 – Gas
Second Revised	Leaf No. 126	to PSC No. 17 – Gas
First Revised	Leaf No. 126.1	to PSC No. 17 – Gas
First Revised	Leaf No. 150	to PSC No. 17 – Gas

Effective: January 1, 2004.

Today’s filing is in compliance with the Commission’s Order Proceeding on Motion of the Commission to Establish Gas Transportation Rates for Distributed Generation Technologies, issued and effective December 3, 2003 in Case No. 02-M-0515 (the “December 3 Order”).

Background

RG&E filed tariffs in response to the Commission’s Order Providing For Distributed Generation Gas Service Classifications, issued and effective April 24, 2003 in Case No. 02-M-0515 (“the April 24 Order”) on July 23, 2003. Subsequent to that filing, Staff requested two postponements to the filing. The first on October 15, 2003 postponed the tariffs to December 1, 2003 and the second on October 22, 2003 postponed the tariffs to January 1, 2004. Staff also had individual discussions with the Company to further clarify the April 24 Order.

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The December 3 Order requires RG&E to file revised tariffs and firm delivery service rates for commercial and industrial customers who install baseload DG units per Appendix II of the December 3 Order.

Overview

Today's filing revises Service Classification No. 6 – Non-Residential Distributed Generation Firm Sales Service (SC 6) to PSC 16 Gas and Service Classification No. 7 – Non-Residential Distributed Generation Firm Transportation Service (SC 7) to PSC 17 Gas - Distribution Service. Within each service classification, the proposed tariffs differentiate between a DG customer operating a unit of less than 5 MW ("Small DG Customer") and a DG customer operating a unit equal to or greater than 5 MW but less than 50 MW ("Large DG Customer").

The DG rates have been designed based on RG&E's currently effective rates adjusted for a 70% load factor. The rate for a Small DG Customer includes an administration charge (e.g., basic service charge) and declining block volumetric charges (e.g. usage charges). For a Large DG Customer the rate includes an administration charge (e.g., basic service charge), a demand charge and a volumetric charge (e.g., usage charge). A seasonal rate differential was established with a summer discount of 10% for April through October and a corresponding winter premium for November through March. Both Large and Small DG customers will also be subject to the Gas Cost Calculation or the Distribution Rate Adjustment.

Additional tariff language has been included to ensure the following: (1) DG customers and non-DG customers will receive equivalent treatment in regards to metering, balancing and curtailment. (2) The Company may choose to retain a customer on either Service Classification Nos. 6 or 7 even if their load factor drops below 50% if the customer has mitigating circumstances. (3) The calculation of load factor is based on the winter peak and not the annual peak load. (4) Rates established herein are ceilings and are fixed for at least three years.

RG&E again clarifies that the 3 year ceiling on rates, specified in the April 24 Order, applies only to customers taking the proposed DG rates and that a customer selecting a non-DG service class for serving its distributed generation equipment is not entitled to have that rate frozen as part of the April 24 DG Order.

Other Issues

As specified in the April Order, RG&E will continue to offer negotiated rates allowed under existing tariffs.

RG&E requests deferral and future recovery of any lost margins resulting from the migration of existing customers to the proposed DG rates.

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Service to Parties and Company Contact

RG&E is serving a copy of today's filing on all parties. Please direct any questions pertaining to this filing to Carolyn Sweeney at (585) 771-4809 or me at (585) 771-4692.

Very truly yours,

Mark O. Marini
Manager – Tariffs

Encase.

cc: All active parties (via e-mail)