

September 30, 2004

**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, issued by Rochester Gas and Electric Corporation ("RG&E" or the "Company"), are transmitted for filing in further compliance with the New York State Public Service Commission's ("Commission" or "PSC") Order Adopting Provisions of Joint Proposals With Conditions and Order Adopting Emergency Rule as a Permanent Rule, issued and effective May 20, 2004 (the "May Order") and August 5, 2004, respectively, in the above-referenced proceedings. The leaves are issued September 30, 2004, to be effective November 1, 2004. See Appendix 1 for an Index of leaves.

**Service Classification No. 3 ("SC 3") Gas Balancing and Cashout**

On August 12, 2004, consistent with Section VIII.4 and Appendix D of the March 9, 2004 Gas Rate Joint Proposal ("GRJP"), RG&E filed tariffs to use midpoint pricing without penalties for daily cash-out of imbalances within +/- 10% band. With this further compliance filing, RG&E is proposing to change its cashout tiers under non-operational flow order ("OFO") conditions, at PSC staff's recommendation. The proposal is to use the average of the Niagara's midpoint price and the Dominion Transmission, Inc. Appalachia South Point midpoint index price under non-OFO conditions. In RG&E's current tariff, the non-OFO cashout tiers are priced at either the higher (or lower) of the Niagara's midpoint price or Dominion Transmission, Inc. Appalachia South Point midpoint index price.

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Newspaper Notice

As in the August 12, 2004 filing, RG&E requests that the requirement of Section 66 (12)(b) of the Public Service Law and 16 NYCRR Section 720-8.1 as to newspaper publication be waived. The Company will notify Energy Service Companies directly regarding the proposed updates.

Any correspondence or questions regarding this filing should be addressed to Curt Roney at (585) 724-8252 or me at (585) 771-4692 or at the above address.

Very truly yours,

Mark O. Marini  
Manager, Regulatory Affairs

Enclosures

cc: Hon. J. Michael Harrison  
Active Parties

Effective November 1, 2004					
<b>P S C</b>		<b>Leaf No.</b>	<b>Ver.</b>	<b>Section</b>	<b>Description</b>
16	Gas	127.33	3	Rule 10.G, A) SC 3 DBS	New Balancing and Cashout provision
16	Gas	127.34	3	Rule 10.G, A) SC 3 DBS	New Balancing and Cashout provision
16	Gas	127.35	3	Rule 10.G, A) SC 3 DBS	New Balancing and Cashout provision
T:\Teams\Regulatory Affairs\Tariff\TARIFF\ETS\Draft\Case Nos. 03-E-0765 and 03-G-0766\Gas Balancing and Cashout\9_30_04 index.xls\Index for Balancing and Cashout					