

July 30, 2004

VIA ELECTRONIC FILING

Honorable Jaclyn A. Brillling, Secretary
New York State Department of Public Service
3 Empire State Plaza
Albany, NY 12223-1350

Re: Case 04-G-0386 - Filing by Rochester Gas & Electric Corporation to (1) reflect the replacement of the expired Union Gas Limited Storage Contracts with the BP Canada Energy Company Delivery and Storage Redelivery Service, and (2) address the expiration of the Company's Capacity Cost Imputation

Dear Secretary Brillling:

Rochester Gas and Electric Corporation ("RG&E" or the "Company") hereby files with the New York State Public Service Commission ("PSC" or the "Commission") the tariff leaves contained in Appendix 1, with an effective date of August 1, 2004, in compliance with the order issued by the Commission July 28, 2004 ("the Order") in the above referenced case. The Order directs RG&E to provide Energy Services Companies ("ESCOs") the option to select or forego the Delivery and Storage Redelivery ("DSR") Service, as discussed in the Order, and eliminate reference to the expired Capacity Cost Imputation.

Background

On March 25, 2004, RG&E filed revisions to its S.C. No. 5 and S.C. No. 7 tariff to replace Union Gas Limited storage contracts with BP Canada Energy Company (BPC) DSR Service. On May 27, 2004, RG&E filed tariff leaves in compliance with the Commission's Order Adopting Provisions of Joint Proposals with Conditions, issued and effective May 20, 2004, in Cases Nos. 03-G-766, 03-E-0765, and 03-E-0198, effective May 28, 2004, which included revisions that removed the Capacity Cost Imputation component from the PSC Transition Cost surcharge formula.

Summary

In order to allow for a smooth transition to DSR Service, RG&E proposes that, no later than August 17, 2004, ESCOs are required to provide the Company with their election of DSR Service, or their decision to forego DSR Service, as provided for in the Order. Effective September 1, 2004, RG&E will release, to those ESCOs who choose it, a pro-rata share of DSR storage capacity. For the period April 1, 2004 through August 31, 2004, storage gas associated with the DSR Service will be transferred to the ESCOs. This storage gas will be priced at RG&E's weighted average cost of storage gas. ESCOs also will reimburse RG&E for

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storage demand charges for April 1, 2004 through August 31, 2004, based on the terms and conditions of the RG&E-BPC Agreement. For ESCOs that choose to forego any portion of the DSR Service, RG&E will require that such ESCOs demonstrate that they have firm, non-recallable primary point capacity from the Dawn Hub to the city gate for their firm customers, or a firm supply contract at Chippawa or a point downstream of Chippawa.

In addition, to accommodate for the difference in assets between Empire capacity and Transcanada capacity, all ESCOs will be required to either contract for firm Transcanada capacity back to the Dawn Hub, or demonstrate a firm supply contract at Chippawa or a point downstream of Chippawa.

RG&E did not include revisions in today's filing **to** address the expiration of the Company's Capacity Cost Imputation, because, as explained in the Background above, such revisions have already been filed and are currently in effect.

In accordance with Ordering Clause 3 of the Order, the requirement of Section 66(12)(b) of the Public Service Law as to newspaper publication is waived.

The Company is still in the process of reviewing the Order, and reserves its right to file a Petition for Rehearing regarding the Order as provided under Section 22 of the Public Service Law.

Should you have any questions concerning this filing, please call Curt Roney at (585)724-8252, or me at (585)771-4692.

Very truly yours,

Mark O. Marini
Manager – Regulatory Affairs

cc: Active ESCOs
Encls.