

May 27, 2004

VIA ELECTRONIC FILING

Honorable Jaclyn A. Brillling
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 Brillling:

The enclosed tariff leaves, issued by Rochester Gas and Electric Corporation ("RG&E" or the "Company"), are transmitted for filing in compliance with Ordering Paragraph 3 of the New York State Public Service Commission's ("Commission") Order Adopting Provisions of Joint Proposals With Conditions, issued and effective May 20, 2004 (the "Order") in the above-referenced proceedings. The leaves are issued May 27, 2004, to be effective May 28, 2004. See Appendix 1 for an Index of leaves.

P.S.C. No. 16 - Gas: Summary of Modifications

Gas delivery rates have been set to produce the revenue requirement set forth in the March 9, 2004 Gas Rate Joint Proposal ("GRJP"). Certain modifications to rate design that are consistent with the GRJP have been implemented, as required. The monthly customer charges for Service Classification ("SC") No. 1 and SC No. 5 have been increased to \$15.00 (from \$13.50). The monthly customer charge for SC No. 3 has been increased to \$410.00 per month (from \$360.00) and the monthly customer charge for SC No. 3 High Pressure has been increased to \$880.00 (from \$830.00). To achieve revenue neutrality, the additional revenue produced by the customer charge increases has been applied as a uniform reduction to the per-therm rates, on a class-specific basis.

The Company has implemented, consistent with the GRJP, a Merchant Function Charge ("MFC"), effective May 28, 2004. For 2004, this charge, in conjunction with the compression

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that results from delaying beyond May 1, 2004 the implementation of these tariff amendments, to be quantified in a future filing as described below, is intended to produce \$4.8 million in revenues (8/12ths of the \$7.21 million annual amount provided for in the GRJP). The MFC is applicable to SC No. 1.

Effective October 1, 2004, RG&E will implement a Weather Normalization Adjustment ("WNA") for all firm space heating customers of SC No. 1, SC No. 3¹ and SC No. 5. The WNA will apply from October 1 through May 31 each year, will be based on customer-specific usage, and will apply only when actual heating degree days are less than 97.8% or more than 102.2% of the normal heating degree days for the billing cycle. The tariff leaves for the WNA are included in Appendix 1.

The Company is also renaming its Gas Cost Adjustment, which will be known as the Gas Supply Charge ("GSC"). The GSC includes a Factor of Adjustment ("FA") to reflect lost and unaccounted for gas and Company use. The FA is set at 1.0135 and becomes effective January 1, 2004 and will be reset on January 1 of succeeding years according to the terms of the GRJP. This factor is also used for balancing purposes to account for losses on the RG&E system.

P.S.C. No. 19 - Electricity: Summary of Modifications

Electric rates have been set to produce the revenue requirement set forth in the March 9, 2004 Electric Rate Joint Proposal ("ERJP"). Furthermore, certain modifications to rate design that are consistent with the ERJP have been implemented, as required. The monthly customer charges for SC No. 1 and SC No. 2 have been increased to \$20.00 (from \$19.00). The monthly customer charge for SC No. 4 - Schedule I has been increased to \$23.98 (from \$22.98). Monthly customer charges for SC Nos. 3, 7, 8 and 9 are doubled. To achieve revenue neutrality, the additional revenue produced by the customer charge increases has been applied as a uniform reduction to the per-kwh energy rates, on a class-specific basis. No rate design changes have been made to SC No. 4 - Schedule II and SC No. 6.

From May 1, 2004 through December 31, 2004, electric customers will be charged bundled rates, as set forth above, plus an Electric Supply Reconciliation ("ESR") charge or credit. The ESR will reconcile rates monthly with actual fuel costs, purchased power energy and capacity costs, transmission contracts, ancillary services, wholesale revenues, Ginna replacement purchased power amortization and the Market Based Backout Credit ("MBBC"). The ESR is applicable to all service classifications except SC No. 8 - RTP and SC No. 14.

A Retail Access Surcharge ("RAS") has been implemented consistent with the ERJP effective May 28, 2004. For 2004, this charge, in conjunction with the compression that results from delaying beyond May 1, 2004 the implementation of these tariff amendments, to be quantified in a future filing as described below, is intended to produce \$4.9 million in revenues (8/12ths of the

¹ A customer taking service under SC No. 3 will be deemed a space heating customer if more than 60% of such customer's annual usage is experienced in the period November 1 through March 31.

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\$7.4 million annual amount provided for in the EJP). The RAS is applicable to all service classifications.

P.S.C. No. 18 - Electricity - Street Lighting: Summary of Modifications

Rates for SC No. 1 and SC No. 2 have been adjusted in accordance with the determinations set forth in the EJP. No changes have been made to SC No. 3. The ESR and the RAS, as described above, will apply to all classes in P.S.C. No. 18.

Future Compliance Tariff Filings

In accordance with Ordering Paragraph 5 of the Order, the Company is directed to make a filing, within 30 days of the Order, quantifying any revenue changes on a gas and electric class-by-class basis that result from delaying beyond May 1, 2004 the implementation of the tariff amendments required in Ordering Paragraph 3, and proposing a methodology to surcharge or refund such amounts by the end of the calendar year to affected customers. The Company is in the process of quantifying the revenue changes associated with the implementation of the RAS for electric customers and the implementation of the MFC for gas customers, respectively. That filing will be made by June 19, 2004.

The Company is in discussions with Staff of the Department of Public Service and Energy Service Companies ("ESCOs") regarding implementation of the Retail Access Capacity Program ("Capacity Program") described in Section VIII of the GRJP. Subsequent to these discussions, the Company will file the appropriate tariff changes to implement the requirements of the Capacity Program.

Consistent with the provisions of Section VIII of the EJP, the Company will file tariff amendments to become effective October 1, 2004 and January 1, 2005 that implement unbundled electric rates and provide for four commodity rate options: (1) commodity service from an ESCO under the ESCO price option ("EPO"); (2) fixed price commodity service from RG&E under the Fixed Price Commodity Option ("FPO"); (3) variable price commodity service from RG&E under the Variable Price Option ("VPO"); and (4) commodity service from an ESCO under the FPO using an MBBC and a retail access credit.

RAS Statement

Also enclosed, in accordance with the Order, to become effective May 28, 2004, are PSC No. 18 RAS Statement No. 1 and PSC No. 19 RAS Statement No. 1.

Newspaper Notice

The Order waived the requirement of Section 66(12) (b) of the Public Service Law that newspaper publication be completed prior to the effective date of the tariff changes. The Company is, however, required to file with the Commission, not later than six weeks following the effective date of the tariff amendments, proof that notice to the public of the changes set forth

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by the amendments and their effective date has been published for four successive weeks in a newspaper having general circulation in the service territory of the Company. Notices of these amendments will be published in the Rochester Democrat and Chronicle newspaper and the Canandaigua Messenger newspaper on June 9, 16, 23 and 30, 2004.

Any correspondence or questions regarding this filing should be addressed to 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

Index for VYC May-04 Tariffs

Appendix 1

Effective May 28, 2004					
P S C	Leaf No.	Ver.	Section	Description	
16	Gas	2	4	New Rule 11	Table of Contents - add WNA
16	Gas	49	1	Rule 3	Change GCA to GSC
16	Gas	69	4	Rule 4.H	Clarify Rule 4.H. Gas Supply Charge
16	Gas	70	2	Rule 4.H	Clarify Rule 4.H. Gas Supply Charge, Change FA
16	Gas	71	3	Rule 4.H	Clarify Rule 4.H. Gas Supply Charge
16	Gas	72	1	Rule 4.H	Clarify Rule 4.H. Gas Supply Charge
16	Gas	73	1	Rule 4.H	Clarify Rule 4.H. Gas Supply Charge
16	Gas	74	2	Rule 4.H	Clarify Rule 4.H. Gas Supply Charge, Add MFC
16	Gas	75	2	Rule 4.H	Delete - Reserved for Future Use
16	Gas	76	1	Rule 4.H	Delete - Reserved for Future Use
16	Gas	77	2	Rule 4.H	Delete - Reserved for Future Use
16	Gas	78	1	Rule 4.I	Change GCA to GSC
16	Gas	82	2	Rule 4.K.2	Add two SC5 references, Change GCA to GSC
16	Gas	127.17	2	Rule 10	Change system loss factor (FA)
16	Gas	127.41	2	Rule 10	Clarify Storage Assets Requirements language
16	Gas	127.44	0	Rule 11	Add WNA
16	Gas	127.45	0	Rule 11	Add WNA
16	Gas	128	3	SC 1	Base rate changes, Move Minimum Charge, Change GCA to GSC, Add MFC
16	Gas	129	2	SC 1	EDZ and HEAP Base rate changes
16	Gas	130.3	1	SC 3	Revise to All Customers and Delete list, Delete Imputation language
16	Gas	130.4	2	SC 3	Renumber to i) and ii), Delete Section 8 reference, Change GCA to GSC
16	Gas	130.5	1	SC 3	Revise to All Customers/SCs and Delete list -- two places
16	Gas	130.6	1	SC 3	Base rate changes
16	Gas	133	2	SC 4	Change GCA to GSC, Delete obsolete Option I etal reference
16	Gas	133.2	1	SC 5	Delete Backout Rate differential reference
16	Gas	133.3	2	SC 5	Delete Imputation language, Delete Section 8 reference, Change GCA to GSC, Delete Differential references
16	Gas	133.4	1	SC 5	Revise to All Customers and Delete list, Delete Differential reference
16	Gas	133.5	1	SC 5	Revise to All Customers and Delete list, Add Special Provisions -- EDZ and HEAP rates
16	Gas	133.6	1	SC 5	Base rate changes, Delete High Pressure and EDZ n/a columns and HEAP rows
16	Gas	133.7	1	SC 5	Delete Backout Rate and Market Concentration paragraphs
16	Gas	134.1	1	SC 6	Change gas cost charge to GSC
16	Gas	135	2	SC 6	Change gas cost charge to GSC
16	Gas	138	2	SC 7	Delete Imputation language, Delete Section 8 reference, Delete Differential references
16	Gas	139	1	SC 7	Revise to All Customers and Delete list, Delete Differential reference
16	Gas	141	2	SC 7	Revise to All Customers and Delete list, Delete Imputation language
16	Gas	142	2	SC 7	Renumber to i) and ii), Delete Section 8 reference, Change GCA to GSC
16	Gas	143	1	SC 7	Revise to All Customers and Delete list
16	Gas	144	1	SC 7	Revise to All SCs and Delete list
16	Gas	149	1	SC 10	Revise to All SCs and Delete list
18	Street Lighting	3	2	Revised Rule 4.4	Table of Contents - Add Surcharges
18	Street Lighting	10	1	Rule 4.4	Add Surcharges - RAS and ESR
18	Street Lighting	26	3	SC 1	Base rate changes
18	Street Lighting	27	1	SC 1	Base rate changes
18	Street Lighting	28	1	SC 1	Base rate changes
18	Street Lighting	29	1	SC 1	Base rate changes
18	Street Lighting	30	1	SC 1	Add RAS, ESR
18	Street Lighting	37	3	SC 2	Base rate changes, Add RAS, ESR
18	Street Lighting	45	3	SC 3	Add RAS, ESR
19	Electric	3	3	Revised Rule 4.K	Table of Contents - Add Surcharges
19	Electric	80	1	Rule 4.K	Add Surcharges - RAS and ESR
19	Electric	161	3	SC 1	Base rate changes, Add RAS, ESR
19	Electric	162	2	SC 1	Minimum Charge change
19	Electric	164	3	SC 2	Base rate and Minimum Charge changes, Add RAS, ESR
19	Electric	165	1	SC 2	EDZ Customer Charge change, EDZ and IMLR - Add RAS, ESR
19	Electric	166	3	SC 3	Base rate changes, Add RAS, ESR
19	Electric	167	1	SC 3	Minimum Demand Charge changes, High Voltage Discount changes

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Appendix 1

P S C		Leaf No.	Ver.	Section	Description
19	Electric	169	1	SC 3	EDZ Customer Charge change, EDZ and IMLR - Add RAS, ESR
19	Electric	174	5	SC 4	Base rate changes, Add RAS, ESR
19	Electric	176	2	SC 4	Minimum Charge change
19	Electric	187	2	SC 6	Add RAS, ESR
19	Electric	190	3	SC 7	Base rate changes, Add RAS, ESR
19	Electric	191	3	SC 7	Minimum Demand Charge changes
19	Electric	193	1	SC 7	EDZ Customer Charge change, EDZ and IMLR - Add RAS, ESR
19	Electric	194	3	SC 8 - TOU	Base rate changes
19	Electric	195	2	SC 8 - TOU	Add RAS, ESR, Minimum Demand Charge changes
19	Electric	199	1	SC 8 - TOU	EDZ Customer Charge changes, EDZ Add RAS, ESR
19	Electric	200	1	SC 8 - TOU	IMLR Add RAS, ESR
19	Electric	205	1	SC 8 - RTP	Customer Charge changes
19	Electric	206	3	SC 8 - RTP	Add RAS only
19	Electric	210	3	SC 9	Base rate changes, Add RAS, ESR
19	Electric	211	3	SC 9	Minimum Demand Charge changes
19	Electric	212	4	SC 9	High Voltage Discount changes
19	Electric	213	1	SC 9	EDZ Customer Charge change
19	Electric	214	1	SC 9	EDZ and IMLR - Add RAS, ESR
19	Electric	218	1	SC 10	Add RAS, ESR
19	Electric	224	1	SC 11	Add RAS, ESR
19	Electric	234	1	SC 12	Add RAS only
19	Electric	242	1	SC 14	Base rate changes
19	Electric	243	1	SC 14	Base rate changes, Add RAS only

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