

March 25, 2004

VIA ELECTRONIC FILING

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

Re: Filing to revise Rochester Gas & Electric Corporation's ("RG&E" or the
"Company") tariff PSC No. 16 – Gas

Dear Secretary Brillling:

RG&E hereby files with the New York State Public Service Commission ("PSC" or the "Commission") the tariff leaves in Appendix 1, with an effective date of July 1, 2004. As explained fully herein, the tariff leaves in Appendix 1 are being filed for two separate reasons. First, the tariff leaves reflect the replacement of the Union Gas Limited ("Union") storage contracts, which will expire on March 31, 2004, with the BP Canada Energy Company ("BPC") Delivery and Storage Redelivery Service ("DSR Service"). DSR Service will be provided pursuant to an agreement between RG&E and BPC ("RG&E-BPC Agreement"), which has an effective date of April 1, 2004. Second, the tariff leaves address the expiration of the Company's Capacity Cost Imputation, which is an element of RG&E's Capacity Incentive Program, effective April 1, 2004.¹

This filing does not reflect tariff revisions as a result of the Gas Rate Joint Proposal in RG&E's Case 03-G-0766 that was executed and filed with the Commission on March 9, 2004 by the major parties to that proceeding.² The Commission has not yet adopted the Gas Rate Joint Proposal.³ As more fully discussed herein, RG&E's tariff provisions, particularly those dealing with mandatory capacity assignment, will require further modification upon Commission approval of the Gas Rate Joint Proposal.

¹ See Case 98-G-1589, In the Matter of Rochester Gas and Electric Corporation's Plans for Gas Rates and Restructuring, "Joint Proposal Pertaining to Rochester Gas and Electric Corporation's Natural Gas Rates and Restructuring Program" (dated January 25, 2001) ("2001 Gas Joint Proposal"), as adopted by Order Adopting Terms of Joint Proposal (issued February 28, 2001).

² 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, "Gas Rate Joint Proposal" (dated March 9, 2004) ("Gas Rate Joint Proposal").

³ The Company has requested that the Commission approve the Gas Rate Joint Proposal at its May 5, 2004 open session, and it anticipates such approval.

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Replacement of Union Storage Contracts with DSR Service

Effective April 1, 2004, RG&E's storage contracts with Union will expire. Under its current Retail Access Capacity Program ("Capacity Program"), the Company, among other things, has been releasing Union storage capacity to Energy Services Companies/marketers (collectively, "ESCOs"). Because Union storage service will cease to exist beginning April 1, 2004, RG&E will no longer release Union storage to ESCOs as of that date.

As noted above, the BPC DSR Service is replacing the Union storage service.⁴ In order to allow for a smooth transition to DSR Service and to reflect that the Gas Rate Joint Proposal is pending before the Commission, RG&E proposes a three-month (April 2004 – June 2004) transition period to the new DSR Service. RG&E proposes to not release a pro-rata share of storage capacity in the DSR Service to ESCOs during the transition period April 1, 2004 through June 30, 2004. Rather, during this three-month time period, RG&E will inject gas into the storage capacity of the DSR Service in accordance with its seasonal plan, as described in the Company's Gas Transportation Operating Procedures Manual.⁵

Beginning July 1, 2004, DSR Service will replace Union storage capacity. Effective for July 1, 2004, only, RG&E will release to ESCOs a pro-rata share of storage capacity in the DSR Service related to the period April 1, 2004 through June 30, 2004. The transition storage gas will be priced at RG&E's weighted average cost of storage gas. ESCOs also will reimburse RG&E for storage demand charges for the interim period April 1, 2004 through June 30, 2004, based on the terms and conditions of the RG&E-BPC Agreement.⁶

Expiration of Capacity Cost Imputation

The Capacity Cost Imputation specified in Appendix F of the 2001 Gas Joint Proposal is a component in the PSC Transition Cost surcharge formula, which computes the total capacity costs to be recovered. Effective April 1, 2004, the Capacity Cost Imputation will expire, so the Capacity Cost Imputation component will be removed from the formula.

⁴ This tariff filing is based upon Company discussions with Staff of the Department of Public Service ("Staff") and ESCOs.

⁵ All other elements of the Capacity Program, including the mandatory assignment of capacity to ESCOs, will continue during this interim three-month time period in accordance with the Company's currently-effective tariff. Paragraph 27 of the 2001 Gas Joint Proposal states, in relevant part, that the "Capacity Program will continue at least through March 31, 2004, as described [inter alia] in Appendix E." (Emphasis added).

⁶ Except for these changes, all other aspects of the Capacity Program, including mandatory capacity assignment, will continue to be effective on July 1, 2004 and beyond.

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Gas Rate Joint Proposal

Several provisions of the Gas Rate Joint Proposal, if adopted, would affect the tariff leaves being filed herein.⁷ RG&E would modify these tariff leaves in accordance with a Commission order adopting the Gas Rate Joint Proposal. As soon as practicable, the Company will seek to coordinate discussions among the Company, Staff and ESCOs to address, among other things, those provisions of the Gas Rate Joint Proposal affecting these tariff leaves.

The Company requests waiver of the requirement of Section 66(12)(b) of the Public Service Law as to newspaper publication of the proposed tariff leaves since all ESCOs operating on RG&E's system will receive a copy of this filing directly.

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.

⁷ Section VIII.2 of the Gas Rate Joint Proposal states, in pertinent part, that "[b]eginning April 1, 2004, the Capacity Program will be modified to allow for voluntary participation...." Furthermore, the relevant portion of Section VIII.3 of the Gas Rate Joint Proposal states the following: "Effective November 1, 2004, marketers must demonstrate non-recallable firm primary point capacity for SC 5 customers. Mandatory capacity assignment will continue if the following conditions have not occurred by September 1, 2004: (a) a mechanism is developed that will allow RG&E to access the capacity provided by marketers in the event that the marketer either defaults or decides to exit the market; and (b) transition issues associated with having capacity available for marketers to participate in DTI's Delivery Point Operator/City gate Swing Customer Program service are addressed...."

Index for 07-01-04 PSC16 Tariff

Appendix 1

Effective July 1, 2004			
P S C 16 Gas			
S.C.	Leaf No.	Ver.	Description
3	130.3	1	Delete Imputation Component
3	130.4	1	Delete Imputation Component
5	133.3	1	Delete Imputation Component
5	133.8	1	Define new DSR Service. Delete Initial Release language
5	133.9	2	Replace Union with DSR Service
5	133.10	1	Replace Union with DSR Service
5	133.11	2	Replace Union with DSR Service
5	133.12	1	Replace Union with DSR Service. Add Service Provider. Add Paragraph for DSR Service for Period 4/1/04 to 11/1/04 (July 1 Release, July 1 Transfer, November 1 Transfer)
7	138	1	Delete Imputation Component
7	141	1	Delete Imputation Component
7	142	1	Delete Imputation Component
7	144.1	1	Replace Union with DSR Service. Delete Initial Release language
7	144.2	1	Replace Union with DSR Service
7	144.3	1	Replace Union with DSR Service
7	144.4	1	Replace Union with DSR Service
7	144.5	1	Replace Union with DSR Service. Add Service Provider. Add Paragraph for DSR Service for Period 4/1/04 to 11/1/04 (July 1 Release, July 1 Transfer, November 1 Transfer)
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