

June 30, 2009

VIA ELECTRONIC FILING

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

Re: Case No. 09-M-0311 – Implementation of Chapter 59 of the Laws of 2009  
Establishing a Temporary Annual Assessment Pursuant to Public Service  
Law §18-a(6)

Dear Secretary Brillling:

Rochester Gas and Electric Corporation ("RG&E" or the "Company") hereby submits for filing the revised tariff leaves, enclosed as Attachment A, and the Temporary State Assessment Statements (TSAS), listed below, to become effective July 1, 2009, in compliance with Ordering Paragraph 1 of the New York Public Service Commission's (the "Commission") Order Implementing Temporary State Assessment in the above-referenced proceeding, issued and effective June 19, 2009 (the "Order") and Appendix 7-H (electronic tariff filing system) to the Commission's Codes, Rules and Regulations (16 NYCRR Appendix 7-H).

PSC No. 16 - Gas, Schedule for Gas Service - TSAS No. 1  
PSC No. 18 - Electricity, Schedule for Electric Service, Street Lighting - TSAS No. 1  
PSC No. 19 - Electricity, Schedule for Electric Service – TSAS No. 1

**Background**

On April 7, 2009, New York State enacted the New York State Budget for 2009-2010, which, in part, requires the Department of Public Service to collect a Temporary State Energy and Utility Service Conservation Assessment (Temporary State Assessment) (Public Service Law §18-a(6)), effective from April 1, 2009 to March 31, 2014. The Order authorizes regulated entities to recover the necessary revenues required for payment of the Temporary State Assessment, including carrying charges, subject to reconciliation over five years, July 1, 2009 through June 30, 2014. The Company's methodologies regarding the revenue collection and rate design associated with the Temporary State Assessment are described below.

The Company is also submitting herewith, Attachment B – Temporary State Assessment Surcharge Calculation, as required by the Order. Attachment B includes the estimates of Energy Service Company (ESCO) revenues.

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## **Description**

### *Temporary State Assessment Surcharge Amounts*

The estimated annual Temporary State Assessment Surcharge amounts including uncollectible expenses, to be collected over the 12-month period July 1, 2009 through June 30, 2010, are provided in Attachment B.<sup>1</sup> The amount to be recovered through electric rates is \$14,464,793 and the amount to be collected through gas rates is \$12,680,440.

### *Recovery Mechanism*

The Commission prefers a separately stated surcharge for collection of the Temporary State Assessment Surcharge amounts. However, the Commission recognized that establishing a separate line item surcharge may require time, when urgency for recovery of the revenues is intensified due to the immediate requirement for payment of the 2009-2010 Temporary State Assessment. To expedite recovery, the Commission authorized recovery through a delivery rate adjustment if sufficient impediments cause a delay in establishing a line item surcharge or impose significant costs that should be avoided.

As indicated in its May 15, 2009 comments submitted in this proceeding, RG&E is not able to implement separate line item surcharges to begin collection of the Temporary State Assessment Surcharge amounts on July 1, 2009. In the alternative, RG&E has established delivery rate adjustments, which are presented in the TSAS, to be added to its electric delivery rates and gas delivery rates beginning July 1, 2009. The Company will be able to move to separate line item surcharges on January 1, 2010<sup>2</sup>, which will coincide with other electric supply rate changes occurring at that time.

### *Rate Design*

The Commission required that the Temporary State Assessment Surcharge amounts be allocated to each customer class based on the class contribution (total delivery and supply charges of the class) to the entity's total revenues including delivery and supply charges. Collection of the amount allocated to each class would be achieved by applying a cent/kWh or \$/kW (depending on the specific class) charge to the delivery rates of electric customers, and a per therm charge to the delivery rates of gas customers. The surcharges must also be class and voltage-level specific.

For both electric and gas service, RG&E has allocated the Temporary State Assessment Surcharge amounts to the respective service classes based on the Company's

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<sup>1</sup> Due to the delayed recovery of these expenses, the Order provides the use of deferral accounting, including carrying charges, that will allow the full recovery of the additional revenue requirement caused by the imposition of the Temporary State Assessment.

<sup>2</sup> The rates in the TSAS statements are also the rates that would be used for the line item surcharge calculation.

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2008 delivery and supply revenues and the estimated 2008 ESCO supply revenues. Electric and gas surcharge rates were then derived based on the resulting allocated Temporary State Assessment amount for each service class. For electric, the resulting surcharge rates are a cent/kWh charge, and a \$/kW charge if applicable. For gas, the resulting surcharge rate is a cent/therm charge. The resulting surcharge rates are presented in the TSAS.

Certain revenue allocation and rate design results require further explanation. First, the delivery rates for certain gas transportation and sales service classes are identical. To maintain delivery rate equivalency for these classes, the service class revenues were combined for revenue allocation purposes, thereby allowing the same surcharge rate to be created for both classes. Second, for service classes in which the Company currently has no customers (e.g., some of the gas distribution service classes), an overall average delivery increase percentage was applied to the volumetric delivery rates of that particular service class. This will ensure that any customer taking service after the rates are set will not avoid paying the Temporary State Assessment surcharge. Finally, surcharges for electric standby rates are based on the volumetric delivery charge percent increase of the respective parent service classes.

### **Newspaper Publication**

In accordance with Ordering Paragraph 3, the requirement of § 66(12)(b) of the Public Service Law regarding newspaper publication is waived.

### **Company Contacts**

Please direct any questions pertaining to this filing to Lori Cole at (607) 762-8710 or me at (585) 771-4692.

Very truly yours,

Mark O. Marini  
Manager, Regulatory and Tariffs  
Rates and Regulatory Economics Department

Enclosures

**Rochester Gas & Electric Corporation**  
**List of Proposed Tariff Leaves**

PSC No. 16 – Gas, Schedule for Gas Service

Leaf No. 2, Revision 8  
Leaf No. 4.1, Revision 5  
Leaf No. 127.46.2, Revision 0  
Leaf No. 128, Revision 11  
Leaf No. 130.7, Revision 5  
Leaf No. 130.7.3, Revision 1  
Leaf No. 130.8, Revision 5  
Leaf No. 130.9, Revision 3  
Leaf No. 133, Revision 4  
Leaf No. 133.1, Revision 3  
Leaf No. 135, Revision 4  
Leaf No. 136, Revision 2  
Leaf No. 147.2, Revision 4  
Leaf No. 147.3.1, Revision 2  
TSAS Statement No. 1

PSC No. 18 – Electricity, Schedule for Electric Service

Leaf No. 11, Revision 5  
Leaf No. 11.1, Revision 0  
Leaf No. 30, Revision 4  
Leaf No. 39, Revision 1  
Leaf No. 45.4, Revision 1  
TSAS Statement No. 1

PSC No. 19 – Electricity, Schedule for Electric Service

Leaf No. 81, Revision 7  
Leaf No. 162, Revision 5  
Leaf No. 164.4, Revision 2  
Leaf No. 166.4, Revision 2  
Leaf No. 176, Revision 5  
Leaf No. 189, Revision 2  
Leaf No. 190.4, Revision 2  
Leaf No. 195.2, Revision 1  
Leaf No. 210.5, Revision 1  
Leaf No. 218, Revision 5  
Leaf No. 224, Revision 10  
Leaf No. 234, Revision 5  
Leaf No. 244, Revision 2  
TSAS Statement No. 1

Rochester Gas and Electric Corporation  
Temporary State Assessment Surcharge Calculation

Electric Operations - Based on Calendar Year 2008 Revenues

Total RG&E Electric Operating Revenues	\$	685,237,331
Less: (447) Sales for Resale	\$	180,719,393
Less: (456) Transmission of Electricity for Others	\$	<u>25,579</u>
Assessable RG&E Electric Revenues	\$	504,492,359
ESCO Revenue Calculation:		
kWh Delivered for ESCOs		3,748,239,025
Average RG&E Full Service Customer Commodity \$/kWh	\$	0.07758 (1)
Estimated ESCO Supply Revenues	\$	290,790,000
Total Electric Assessable Revenue Estimate	\$	795,282,359
Temporary State Assessment Rate		2.0%
Estimated Combined General Assessment and Temporary State Assessment Amount	\$	15,905,647
DPS Assessment Costs Currently in Base Rates	\$	1,584,070 (2)
Estimated Temporary State Assessment Surcharge Amount, prior to Uncollectible Allowance	\$	14,321,577
Allowed Uncollectible % in Base Rates		1.0%
Uncollectible Allowance	\$	143,216
<b>Estimated Temporary State Assessment Surcharge Amount</b>	<b>\$</b>	<b>14,464,793</b>

Notes:

- (1): Overall average Company rate. Estimated ESCO Revenues calculated by service class utilizing class-specific monthly supply charges.
- (2): Per RG&E January 30, 2004 Statement of Estimated Assessment, not including ERDA component.

Rochester Gas and Electric Corporation  
Temporary State Assessment Surcharge Calculation

Gas Operations - Based on Calendar Year 2008 Revenues

Total RG&E Gas Operating Revenues	\$	432,824,304
Less: (483) Sales for Resale	\$	-
Less: (489.1) Gathering Facilities	\$	34,665,569
Less: (489.3) Distribution Facilities	\$	-
Less: (489.4) Storing Gas of Others	\$	-
Less: Adjustment per discussion with DPS Staff	\$	<u>500,000</u>
Assessable RG&E Gas Revenues	\$	397,658,735
ESCO Revenue Calculation:		
Therm Delivered for ESCOs		242,203,210
Average RG&E Full Service Customer Commodity \$/therm	\$	1.0913
Estimated ESCO Supply Revenues	\$	264,312,256
Total Gas Assessable Revenue Estimate	\$	661,970,991
Temporary State Assessment Rate		2.0%
Estimated Combined General Assessment and Temporary State Assessment Amount	\$	13,239,420
DPS Assessment Costs Currently in Base Rates	\$	807,192 (1)
Estimated Temporary State Assessment Surcharge Amount, prior to Uncollectible Allowance	\$	12,432,228
Allowed Uncollectible % in Base Rates		2.0%
Uncollectible Allowance	\$	248,212
<b>Estimated Temporary State Assessment Surcharge Amount</b>	<b>\$</b>	<b>12,680,440</b>

Notes:

(1): Per RG&E January 30, 2004 Statement of Estimated Assessment, not including ERDA compone