



Mark O. Marini
Director - Regulatory

September 28, 2015

VIA ELECTRONIC FILING

Honorable Kathleen H. Burgess, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case 12-T-0502 – Proceeding on Motion to Examine Alternating Current
Transmission Upgrades
FERC Docket ER15-572-000, NY Transco

Dear Secretary Burgess:

The enclosed tariff leaves, issued by New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E”) (together the “Companies”) are transmitted for filing in compliance with the requirements of the New York State Public Service Commission (“Commission”) and Appendix 7-H (electronic tariff filing system) to the Commission's Codes, Rules and Regulations (16 NYCRR Appendix 7-H).

The Companies are proposing to add a component to the Supply Charge to recover costs that are billed to the Companies by the NYISO for the New York Transco, LLC (“NY Transco”) projects. Below is a list of the revised tariff leaves to be effective February 1, 2016.

NYSEG – PSC No. 120

- Leaf No. 53, Revision 5
- Leaf No. 79, Revision 4
- Leaf No. 117, Revision 11
- Leaf No. 117.2.3, Revision 4
- Leaf No. 117.9, Revision 15
- Leaf No. 117.10, Revision 9
- Leaf No. 117.11, Revision 8

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Leaf No. 117.33, Revision 5
Leaf No. 117.42, Revision 5
Leaf No. 132, Revision 8
Leaf No. 159, Revision 7
Leaf No. 218, Revision 16

RG&E – PSC No. 19

Leaf No. 9, Revision 5
Leaf No. 85.1, Revision 6
Leaf No. 160.9, Revision 5
Leaf No. 160.26, Revision 8
Leaf No. 160.26.1.1, Revision 2
Leaf No. 160.26.2, Revision 3
Leaf No. 160.26.3, Revision 0
Leaf No. 160.27, Revision 7
Leaf No. 160.37, Revision 4
Leaf No. 160.39.2, Revision 9
Leaf No. 160.39.3.3 Revision 1
Leaf No. 160.39.12, Revision 7
Leaf No. 161.2, Revision 16
Leaf No. 164.1.1, Revision 12
Leaf No. 166.1.1, Revision 12
Leaf No. 174.3, Revision 14
Leaf No. 187.3, Revision 10
Leaf No. 190.3, Revision 14
Leaf No. 194.2, Revision 11
Leaf No. 194.4, Revision 3
Leaf No. 210.2, Revision 14
Leaf No. 246.2, Revision 9
Leaf No. 246.3, Revision 6

Purpose of Filing

The Companies are filing tariff amendments to effectuate a cost recovery mechanism for their respective cost allocation shares of the NY Transco annual revenue requirement as determined under the proposed Rate Schedule 13 of the NYISO tariffs. The Companies anticipate Federal Energy Regulatory Commission (“FERC”) approvals by the end of this year. While the NY Transco’s filing has requested an effective date April 30, 2015 for its formula rate and protocols, the Companies expect the NY Transco will initially collect the revenue requirement under its formula rate beginning January 1, 2016 following the receipt of the necessary regulatory approvals.¹

¹ As discussed in footnote number 4, on page 2, of the NY Transco’s “Application for Acceptance of Transmission Formula Rate and Approval of Transmission Rate Incentives and Cost Allocation Method” in FERC Docket No. ER 15-572-000 – New York Transco, LLC.

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Background

The NY Transco is a partnership of affiliates of New York State's investor-owned utilities, which includes Central Hudson Gas & Electric Corporation, Consolidated Edison Company of New York, Inc., Niagara Mohawk Power Corporation d/b/a National Grid, NYSEG, Orange and Rockland Utilities, Inc., and RG&E. The NY Transco was established to promote the planning, development, construction, and ownership of new transmission projects throughout the State. The New York Transco will turn over operational control of its facilities to the NYSIO, and service over these facilities will be subject to the terms and conditions of the NYISO Open Access Transmission Tariff ("OATT"). The appropriate portion of the NY Transco's revenue requirement will be billed and collected by the NYISO to all load serving entities ("LSE") within the NYSEG and RG&E transmission districts. The Companies are seeking approval to recover their allocated share of the NY Transco revenue requirement through their respective Supply Charge.

Revenue Recovery

In their *Application for Acceptance of Transmission Formula Rate and Approval of Transmission Rate Incentives and Cost Allocation Method* (the "Application"), filed with the FERC on December 4, 2014, the NY Transco requests the adoption of a formula rate to facilitate the recovery of costs for these new transmission upgrade projects. The formula rate will be incorporated into the NYISO OATT. The NYISO will establish a new schedule, Schedule 13 – Rate Mechanism for the Recovery of the Transco Facilities Charge ("TFC"), for the recovery of the costs related to the NY Transco projects. The TFC will be separate from the Transmission Service Charge ("TSC") and the NYPA Transmission Adjustment Charge ("NTAC").

In accordance with the Application, by September 30 of each year, the NY Transco will forecast the net revenue requirement for each calendar year, using the projected average rate base balance and expense. The formula rate will be assessed to load serving entities by the NYISO beginning January 1 of the succeeding year. After the actual data becomes available on the FERC Form No. 1, a true-up of the forecasted values will be calculated. Any difference will be added or subtracted to the following year's projection with interest based on 18 C.F.R. § 35.19a of the FERC's regulations. The true-up mechanism ensures that customers will not be harmed if the forecasted net revenue requirement differs from the actual. Transmission customers will therefore pay charges that closely reflect the NY Transco's current costs for services.

The current estimate of the 2016 revenue requirement payable by LSEs in the NYISO's control area related to Transmission Owner Transmission Solutions is approximately \$33 million. The NYSEG and RG&E allocation of costs is 8.9%, as originally filed by the NY Transco with the FERC. The Companies' full service customers, the Energy Service Companies who provide supply to the Companies' retail access customers, and all other LSEs, will be charged the resulting \$2.94 million. Therefore, the estimated share for NYSEG's full service customers would be \$795,633 and RG&E's full service customers would be \$310,735 based upon 2014 full service sales for customers served under the Companies' applicable tariff schedules.

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As noted herein, the Companies are proposing to recover their allocated share of the NY Transco revenue requirement through their respective Supply Charge. The Companies propose the following changes to NYSEG's P.S.C. Schedule 120 – Electricity, and RG&E's P.S.C. Schedule 19 - Electricity:

- Components have been added to the Supply Charge to recover charges incurred under the NYISO tariff for (1) the New York Transco, LLC (“NY Transco Charges”); (2) projects approved by the Commission in Case No. 12-E-0503² [Transmission Owner Transmission Solutions (“TOTS Charges”)]; and (3) projects approved by the Commission in Case No. 13-E-0488³ (“AC Transmission Charges”).
- NY Transco Charges, TOTS Charges, and AC Transmission Charges will be billed in the same manner as Ancillary Services Charges and the NYPA Transmission Adjustment Charge (“NTAC”), that is on a per-kilowatthour basis. Similar to Ancillary Service Charges and NTAC Charges, the per kWh rates associated with these new charges will be posted on the Companies’ website prior to their effective date.

The proposed tariff provisions are designed to recognize that some or all of the costs of the TOTS and AC projects may be billed to LSEs other than through NY Transco rates and / or NYPA’s NTAC charge, depending upon the outcome of the FERC proceedings. These tariff provisions will not result in any double or over recovery from the Companies’ full service customers, since the proposed provisions are designed recover only FERC approved NYISO charges allocated to the Companies.

Newspaper Publication

The Companies request 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 as the Companies will notify customers via bill messages.

A State Administrative Procedure Act Notice is enclosed for publication in the State Register.

² Case No. 12-E-0503 – Proceeding on Motion of the Commission to Review Generation Retirement Contingency Plans.

³ Case No. 13-E-0488 – In the Matter of Alternating Current Transmission Upgrades – Comparative Proceeding.

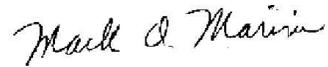
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Company Contacts

If there are any questions concerning this filing, please call me at (585) 771-4692.

Respectfully submitted,

A handwritten signature in cursive script that reads "Mark O. Marini".

Mark O. Marini

Enclosures