

November 3, 2003

VIA ELECTRONIC FILING

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

Re: Case No. 02-E-0551 - Rochester Gas and Electric Corporation's Compliance Tariff Filing to Establish New Rates, Terms and Conditions for the Provision of Electric standby service.

Dear Secretary Brillig:

The enclosed revised or original tariff leaves, issued by Rochester Gas and Electric Corporation ("RG&E" or the "Company") are transmitted for filing in compliance with the requirements of the New York State Public Service Commission ("PSC" or "Commission").

PSC No.19 – Electricity, Schedule for Electric Service

- Leaf No. 2, Revision 1
- Leaf No. 36, Revision 1
- Leaf No. 222.1, Revision 1
- Leaf No. 237, Revision 0
- Leaf No. 238, Revision 0
- Leaf No. 239, Revision 0
- Leaf No. 240, Revision 0
- Leaf No. 241, Revision 0
- Leaf No. 242, Revision 0
- Leaf No. 243, Revision 0
- Leaf No. 244, Revision 0
- Leaf No. 245, Revision 0
- Leaf No. 246, Revision 0
- Leaf No. 247, Revision 0
- Leaf No. 248, Revision 0
- Leaf No. 249, Revision 0
- Leaf No. 250, Revision 0

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PSC No.20 – Electricity, Schedule for Electric Distribution Service

Leaf No. 177.1, Revision 0

Leaf No. 177.2, Revision 0

Leaf No. 177.3, Revision 0

Leaf No. 177.4, Revision 0

Leaf No. 177.5, Revision 0

Leaf No. 177.6, Revision 0

Leaf No. 177.7, Revision 0

Leaf No. 177.8, Revision 0

Leaf No. 177.9, Revision 0

Leaf No. 177.10, Revision 0

Leaf No. 187.1, Revision 1

Leaf No. 191.1, Revision 0

Effective: February 1, 2004.

In compliance with the Commission's Order Establishing Electric Standby Rates, issued July 29, 2003 in Case No. 02-E-0551 (the "July Order"), and the Commission's Opinion No. 01-4 - Opinion and Order Approving Guidelines for the Design of Standby Service Rates, issued and effective October 26, 2001 in Case 99-E-1479 ("Opinion No. 01-4"), RG&E hereby files its standby service tariff under Service Classification No. 14 ("SC 14") of the Company's tariffs, PSC No. 19 – Electricity, Schedule for Electric Service, and PSC 20 - Electricity, Schedule for Electric Distribution Service<sup>1</sup>. The purpose of this filing is to establish the terms and conditions of electric standby service. Such terms and conditions will apply to (a) customers whose electricity is supplied by On-Site Generating ("OSG") facilities, and (b) wholesale electric generators that operate mainly to produce and sell electricity in the wholesale market. In accordance with Ordering Clause No. 5 of the July Order, the above-listed tariff leaves contain the requirements necessary for implementation of the terms of RG&E's Joint Proposal in this case, as adopted with modifications by the Commission. On July 30, 2003 RG&E filed a tariff cancellation request pursuant to the July Order. As a result, all previously filed, proposed standby service tariff leaves were cancelled, effective July 31, 2003.

## **Background**

In accordance with Opinion No. 01-4, RG&E filed its tariff leaves for the establishment of electric standby service on April 26, 2002 (the "April 26 Filing"), to become effective July 25, 2002. The Commission suspended the provisions of the April 26 Filing through November 21,

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<sup>1</sup> The Company is converting from a single-retailer model to a multi-retailer model for retail access service, as ordered by the Commission in RG&E's recently completed electric rate proceeding, 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, et al., Order Adopting Recommended Decision with Modifications, issued March 7, 2003 (the "March 7 Order"). As a result, it is anticipated that P.S.C. No. 20 will be eliminated on or about March 7, 2004, the date in which transition to the multi-retailer model is to be completed. All aspects of electric standby service will subsequently be contained in P.S.C. No. 19.

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2002 by Order issued July 24, 2002 in this proceeding, and through May 21, 2003 by Order issued November 20, 2002, also in this proceeding.

Pursuant to a PSC Notice issued December 3, 2002, a procedural conference was held before Administrative Law Judge Rafael A. Epstein (the "ALJ") on December 16, 2002. As a result of the conference, RG&E agreed to a further suspension of the proposed tariff leaves to and through the date of the Commission's session to be held in the month of July 2003. That agreement was stated in a letter dated January 14, 2003 from Company counsel to the ALJ. By letter to the ALJ dated April 1, 2003, Company counsel clarified this understanding by stating the RG&E agreed voluntarily to extend the suspension period to July 31, 2003.

RG&E held technical conferences on June 11 and June 19, 2002 with Staff and interested parties. Subsequently on August 13, 2002, the interested parties entered into confidential settlement negotiations pursuant to the Commission's regulations (16 NYCRR § 3.9). Further settlement negotiations and technical conferences were held on December 12, 2002, March 25, April 3, 2003 and April 10, 2003. The settlement negotiations resulted in a Joint Proposal, dated April 15, 2002. Evidentiary hearings were held on May 19 and 20, 2003. In addition, two rounds of post-hearing briefs were authorized.

The July Order directed the completion of two standby service tariff filings. The first was the Company's August 7, 2003 standby service rates filing, which became effective August 11, 2003 and contained changes directed at customers considering isolation from the grid, selling into the wholesale market, or who meet certain billing and metering requirements. The second filing specified by the July Order is the instant filing, which sets forth further tariff changes necessary to effectuate the Joint Proposal's terms, as adopted with modifications in the July Order, to be effective February 1, 2004.

## **Rate Design**

In accordance with Opinion No. 01-4 and with the April 26 Filing, three rate components comprise the delivery portion of RG&E's standby service: (1) a Customer Charge, (2) a Contract Demand Charge, and (3) an As-Used Demand Charge. As discussed in today's filing, customers taking standby service may choose to purchase electricity supply from RG&E under a price that will fluctuate with the market price of electricity, or purchase electricity supply from a supplier other than RG&E. Customers with interval meters, who choose to purchase electric supply from the Company, may opt for Real Time Pricing ("RTP") for their electric supply as provided for in RG&E's otherwise applicable tariff.

RG&E currently serves its electric customers under bundled rate tariffs. In order to comply with the requirements of Opinion 01-4, the Company unbundled delivery from total revenue requirements by subtracting an estimate of market commodity costs (including ancillary services and capacity) from class revenue requirements resulting from the March 7 Order. The standby service rates were developed in accordance with the methodology set forth in Appendix B of the Joint Proposal, using the results from RG&E's most recent Electric Marginal Cost of Service Study.

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The Customer Charge in the instant filing is based on the Company's marginal cost, without a markup to recover an additional portion of the revenue requirement. The Contract Demand Charge for a non-demand-metered customer is a fixed monthly charge. The Contract Demand Charge for demand metered customers is a monthly charge, per kW, applied to each kilowatt of Contract Demand. This Contract Demand can be established by either the customer or by RG&E. The Contract Demand for demand metered customers may subsequently increase, based on the customer's maximum load supplied by all sources, including the OSG facilities or RG&E delivered electricity supply. The Contract Demand may also be decreased from time to time, as further provided for in SC 14. Demand-billed customers who have fully paid for their meter and instrument transformation costs may receive a monthly credit to their standby rates, as provided for in SC 14.

### **Applicability**

A customer operating OSG with a total nameplate rating equal to, or expected to be equal to, fifteen percent (15%) or less of its maximum potential demand (or Contract Demand) served by all sources, as that maximum potential demand is reasonably determined by the Company, will take service under its Otherwise Applicable Service Classification ("OASC").

Standby service is not applicable to residential photovoltaic power producing facilities, farm waste electric generators, emergency generators, New York Power Authority allocations, behind the meter service, and separately metered accounts not served by OSG (electrically isolated loads).

As required, RG&E's proposed tariff offers an optional standby service rate phase-in for renewable customers, certain small efficient Combined Heat and Power ("CHP") customers, and existing customers as defined in the July Order. As more fully described in the proposed tariff, customers choosing a phase-in will be billed based on the OASC, plus a percentage of the difference, if greater than zero, between the standby service rates and the rates under the OASC. In addition, a one-time election for permanent exemption from standby service rates is available to renewable and small, efficient CHP customers with a generator that is operational by May 31, 2006. The exemption would permit the customer to take service under the OASC.

To apply for standby service, a customer must submit design and operating information in accordance with the required application and review process described in RG&E's "Bulletin 86-01 Requirements for Independent Power Producers of Electricity" ("Bulletin 86-01"). In addition, customers must execute the applicable contract with the Company, depending on the size of the OSG facility. Detailed contract and operational requirements are found in RG&E's tariff, PSC 19 – Electricity, Rule 10, Distributed Generation Interconnection Requirements and RG&E's Bulletin 86-01.

### **Other Terms**

The Company will track the net revenue gains or losses for all customers that are or would be subject to these standby service rates, inclusive of customers opting for the phase-in of these standby service rates. All revenue losses for a particular calendar year shall be netted

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against revenue gains. RG&E may petition the Commission for deferral and recovery of any net annual revenue loss over \$225,000. Any net annual revenue gain over \$225,000 will be deferred for future disposition by the Commission. In addition, SC 14 provides for RG&E charging standby customers whom opt for RTP all costs and expenses that the Company charges other service classification customers whom opt for RTP.

### **Publication**

In compliance with Ordering Clause No. 6 of the July Order, the Company published notification of the standby service tariff changes proposed by the August 7, 2003 tariff amendments for Service Classification No. 10- General Service - Individually Negotiated Contracts, which became effective August 11, 2003, as well as general notice of Standby delivery prices to become effective February 1, 2004 for customers who meet self-supplied generation requirements. Such public notice was published during the month of September in newspapers having general circulation in RG&E's service territory.

### **Service**

RG&E is serving a copy of today's filing on all parties. Please direct any questions pertaining to this filing to Curt Roney at (585) 724-8252, or me at (585) 771-4692.

Very truly yours,

Mark O. Marini  
Manager - Regulatory Affairs

Encs.

cc: All active parties  
N. Giannasca – Huber Lawrence & Abell  
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