

Case Nos. 09-E-0715, 09-G-0716, 09-E-0717 & 09-G-0718

NYSEG and RG&E - Electric and Gas Rates

DPS Staff Response to Request For Information

Staff Response To: NYSEG-RGE-51 (DPS)
Prepared By: Finance Panel
Date: February 2, 2010

Question:

NYSEG's and RG&E's Credit Ratings

On page 23 of the Staff Finance Panel testimony, the Panel states: "We believe, therefore, it is wise to pursue a path of stabilizing and increasing the utilities' credit ratings. . . . For now, it is reasonable to undertake measures that will strengthen each Company's metrics to the point where a BBB+/Baal rating from S&P and Moody's becomes more likely."

1. Has Staff calculated the impacts of its proposed recommendations and adjustments in these rate cases on the cash flow financial metrics that credit rating agencies would likely determine in arriving at credit ratings for the Companies? If not, what is Staff's estimate of the impact?
2. Please provide all calculations of cash flow financial metrics (including any supporting calculations, analyses, and/or work papers), that include all of Staff's proposed recommendations and adjustments requested in this case, including Staff's recommendations for the Companies' rates, revenue requirements, return on equity, overall rate of return.

Response:

1. Yes. Staff believes the ratios produced by its revenue requirement are consistent with its goals to stabilize and increase the utilities' credit rating. Applying the metrics provided on Page 8 of Company witness Abbott's testimony demonstrates that Staff's revenue requirement methodology has attained the Staff goal.
2. Attachment 1 provides the calculation of funds from operation interest coverage (FFO Int) and the funds from operations as a percentage of debt (FFO/Debt). The Finance Panel calculates an FFO Int of 5.3 times and 4.1 times for NYSEG and RG&E, respectively. The Finance Panel calculates an FFO/Debt of 18.3% and 19.1%, for NYSEG and RG&E respectively.

S&P grades the business risk of NYSEG and RG&E as excellent. S&P grades staff debt ratio for NYSEG and RG&E at the lower end of aggressive. Coupled with the business risk of the Companies, these metrics project to a "BBB+" rating for both. S&P rates the FFO Int for NYSEG as modest and at modest/intermediate for RG&E. This translates into in an "AA" rating for NYSEG and a strong A rating for RG&E. S&P

rates the FFO/Debt for NYSEG and RG&E at the lower end of aggressive. This translates into in a "BBB+" rating for each company. The Finance Panel believes these ratios support the goal of stabilizing and increasing the Companies' credit rating.

**NYSEG-RGE-51 (DPS)
Attachment**

Standard & Poor's Coverage Ratios

		<u>NYSEG</u>	<u>RG&E</u>
	Net Income:		
From Exhibit RRP-2, 4	Electric	\$106,944	\$76,392
From Exhibit RRP-3, 5	Gas	32,489	33,553
	Depreciation:		
From Exhibit RRP-2, 4	Electric	60,911	24,651
From Exhibit RRP-3, 5	Gas	19,745	18,842
From Exhibit FP 7, 8	Amortization Debt Cost:	7,207	6,601
Funds From Operations		\$227,296	\$160,039
From Exhibit FP 7, 8	Interest	52,523	51,115
From Exhibit FP 7, 8	Average Long Term debt	1,238,682	838,124
FFO Coverage		5.3	4.1
FFO/Debt		18.3%	19.1%

Case Nos. 09-E-0715, 09-G-0716, 09-E-0717 & 09-G-0718

NYSEG and RG&E - Electric and Gas Rates

DPS Staff Response to Request For Information

Staff Response To: NYSEG-RGE-130 (DPS)
Prepared By: Depreciation Panel
Date: February 5, 2010

Question:

Referring to page 31, lines 12-16, of the Staff Depreciation Panel testimony, please provide citation to specific documents, textbooks, or other authoritative support for a rigid 10% reserve variance bright line for calculating the theoretical reserve.

Response:

The 10% reserve variance is not used to calculate the theoretical reserve. The 10% reserve variance is a tolerance band used to trigger a reserve excess or deficiency. The 10% band has been used by the New York Commission. Most recently, it has been used for deficiencies in Con Edison Cases 07-E-0523 and 09-E-0428, on electric rates, and Case 05-S-1376, on steam rates, and applied to excesses in Central Hudson (Cases 05-E-0934 & 08-E-0887) and Keyspan Energy (Case 06-G-1186).

**New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation**

**PSC Case No. 09-E-0715
PSC Case No. 09-G-0716
PSC Case No. 09-E-0717
PSC Case No. 09-G-0718**

Information Request

Requesting Party and No.: Consumer Protection Board (CPB-2)

NYRC Response No.: NYRC-0785 (CPB-2)

Request Date: December 11, 2009

Information Requested of: Rate of Return Panel

Reply Date: December 22, 2009

Responsible Witness: Revenue Requirements Panel

QUESTION:

CPB.2 Are the Companies planning any stock issuances in the proposed rate year ?

RESPONSE:

The Companies are indirectly wholly owned by Iberdrola, S.A. and therefore do not issue stock. An equity infusion by Iberdrola into RG&E of \$25 million occurred in November 2009. Iberdrola issues stock from time to time.

**New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation**

**PSC Case No. 09-E-0715
PSC Case No. 09-G-0716
PSC Case No. 09-E-0717
PSC Case No. 09-G-0718**

Information Request

Requesting Party and No.: Mitchell (DPS-22)

NYRC Response No.: NYRC-0022 (DPS-22)

Request Date: October 14, 2009

Information Requested of: Policy Panel

Reply Date: December 11, 2009

Responsible Witness: Policy Panel

QUESTION:
Austerity Measures

On pages 10-13, the Policy Panel states, "As described in the Companies' June 12, 2009 report in response to the Commission's Austerity Notice, the cash conservation measures that the Companies have implemented include delayed payments to vendors whenever possible and consistent with their contractual obligations, tax deferral strategies, and aggressive measures to reduce costs, which include the following actions: pay and hiring freezes, reduced overtime, reduced employee travel, reduced employee benefits, inter-company borrowing (as opposed to external debt issuances) to mitigate increases to their overall cost of debt, reduced charitable contributions and sponsorships, reduced association memberships, and reduced external services. The Companies have also taken further measures to reduce the costs associated with advertising, membership dues, insurance and postage".

1. Please quantify and describe each expense, cash flow, or other cost reduction austerity measure implemented by Energy East, NYSEG and RG&E, and provide the date of implementation.
2. Please quantify the amount of austerity savings embedded in the historic test year ending June 30, 2009.

3. Please quantify and show how each of the austerity measures in Ques. 1 were reflected in the rate year forecasts for NYSEG Electric, NYSEG Gas, RG&E Electric, and RG&E Gas, and provide any workpapers, calculations and assumptions. Have any adjustments been made to modify or remove the impacts of any of the austerity measures?

RESPONSE:

1. Please refer to Attachment 1, which is the Companies' filing made in Case 09-M-0435. Attachment 2 includes the Companies' responses to DPS Staff information requests as part of Case 09-M-0435 "Proceeding on Motion of the Commission Regarding the Development of Utility Austerity Programs". As noted in Attachment 1, the Companies have been regularly taking measures over the past several years to control costs. Recent austerity measures undertaken by each utility were quantified and described in those responses to Staff information requests in Attachment 2. The Companies' tax deferral strategy was further described in a filing made on September 14, 2009, as well as in a response to a DPS Staff information request regarding that September 14 filing, both of which are included in Attachment 3.
2. In an effort to provide a perspective on the impacts of austerity measures, the Companies have included information in Attachment 4 which compares costs associated with several of the categories mentioned in the Companies' filing in Case 09-M-0435 and in the current filings' testimony. In addition, estimates of the impacts of the austerity measures in the current year were noted in the information request responses which are included as part of Attachment 2. Note that that the overall focus of the Companies has been on cost control.
3. With the exception of certain staffing assumptions, the companies did not specifically adjust, modify, or remove the impacts of austerity measures in the rate year. Generally speaking, any cost savings that may have resulted from austerity measures during the test year, and previous to the test year, have effectively been reflected in the rate year in these current filings.



James A. Lahtinen
Vice President
Rates and Regulatory Economics

June 12, 2009

VIA OVERNIGHT DELIVERY AND EMAIL

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

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REGULATORY ECONOMICS

Re: Case 09-M-0435 – Proceeding on Motion of the Commission Regarding the Development of Utility Austerity Programs

Dear Secretary Brillling:

Pursuant to the New York State Public Service Commission's May 15, 2009 notice directing all major gas and electric utilities in New York State to report on the temporary austerity measures that utilities have implemented as a result of the ongoing financial crisis, and how customers benefit from such measures,¹ New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation hereby submit the attached filing.

Respectfully submitted,

James A. Lahtinen

Attachment

¹ Case 09-M-0435 – Proceeding on Motion of the Commission Regarding the Development of Utility Austerity Programs, Notice Requiring the Filing of Utility Austerity Plans (issued May 15, 2009).

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James A. Lahtinen
Vice President
Rates and Regulatory Economics

June 12, 2009

VIA OVERNIGHT DELIVERY AND EMAIL

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

Re: Case 09-M-0435 – Proceeding on Motion of the Commission Regarding the Development of Utility Austerity Programs

Dear Secretary Brillling:

On May 15, 2009, the New York State Public Service Commission (the “Commission”) issued a notice directing all major gas and electric utilities in New York State to report on the temporary austerity measures that utilities have implemented as a result of the ongoing financial crisis, and how customers benefit from such measures.¹ New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E” and together, the “Companies”) hereby submit their response to that notice.

I. BACKGROUND

NYSEG and RG&E have always taken aggressive measures to control costs and create efficiencies, and have been at the forefront of the New York State utility industry on cost conservation and liquidity management. Since Energy East Corporation’s (“Energy East”) acquisition of RGS Energy Group, Inc. (the parent company of RG&E) in 2002, the Companies: (a) implemented headcount reductions of more than 1,000 employees (even apart from the reductions related to the sale of the Ginna facility and the retirement of the Russell Station); and (b) reduced utility operating costs by hundreds of millions since that time, much of which effectively have already been passed on to NYSEG’s and RG&E’s customers. Furthermore, the Companies improved their liquidity management through assistance from Energy East. Because of the Companies’ strong historical performance controlling costs and managing liquidity, the Companies have been able to operate under electric delivery rates that have not increased since 1996 (and in fact, NYSEG electric delivery rates have been reduced twice during that timeframe), and under natural gas delivery rates that have been essentially flat since 1994.

¹ Case 09-M-0435 – Proceeding on Motion of the Commission Regarding the Development of Utility Austerity Programs, Notice Requiring the Filing of Utility Austerity Plans (issued May 15, 2009).

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June 12, 2009

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The ongoing financial crisis has had a severe adverse impact on the Companies, which has been disproportionately greater than the impact on the other major utilities in New York State, all of which have higher credit ratings than the Companies. During the 2008/2009 winter, the Companies exhausted virtually all of their available liquidity resources, suspended dividends and temporarily borrowed funds from their parent companies -- all extraordinary temporary measures for extraordinary times. These events led the Companies to scrutinize their cash management and expenses even more closely since last fall in order to cut costs and conserve cash.

In January 2009, the Companies submitted requests for expedited rate relief based upon the negative impacts of the financial crisis on "BBB" level rated utilities like the Companies. The January 2009 rate filings included detailed testimony on the Companies' projected cash shortfalls in the \$850-890 million range for 2009-2010.² The Companies also testified that projected 2009-2010 returns on equity would be at or below 7% for the electric and gas businesses at both Companies, well below their authorized returns on equity and the current cost of equity capital.³ Finally, the Companies provided testimony on the numerous temporary cost-cutting and cash management measures that the Companies were implementing to help manage liquidity and avoid further financial degradation.⁴

The Commission issued an order dismissing the Companies' requests for rate relief on April 8, 2009.⁵ Although the Commission acknowledged that the Companies would experience cash shortfalls in 2009-2010,⁶ the Commission directed the Companies to meet these cash needs through a combination of reasonable levels of dividend payments, possible additional long-term debt issuances, and cost-cutting measures.⁷ The Companies are making every effort to comply with the Commission's directives. First, neither NYSEG nor RG&E has paid any dividends to its parent companies since the merger closing. Second, RG&E has submitted a petition seeking Commission authority to issue additional long-term debt securities to meet immediate needs,

² See Case 09-E-0082, et al. – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service, Direct Testimony of the Policy Panel at 40 (submitted Jan. 27, 2009) ("Policy Panel Testimony"); Answering Testimony of the Company Panel at 3 (submitted Feb. 23, 2009) ("Company Panel Testimony");

³ See Policy Panel Testimony at 27; Company Panel Testimony at 40.

⁴ See Policy Panel Testimony at 30; Company Panel Testimony at 32-34.

⁵ Case 09-E-0082, et al. – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service, Order Dismissing the January 2009 Rate Filings (issued Apr. 8, 2009) (the "April 2009 Order").

⁶ Id. at 24 (finding that the Companies would still experience cash shortfalls of "no more than \$260 million in 2009 and \$120 million in 2010").

⁷ Id. at 5.

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which remains pending before the Commission. However, it is important for the Companies to minimize the issuance of any additional long-term debt, because any such additional long-term debt could worsen their already negative financial position in the eyes of the ratings agencies and further increase their overall cost of capital. Third, the Companies are making every effort to manage their liquidity needs through cost cutting and cash management measures.

The Commission's April 2009 Order resulted in immediate downgrades to the Companies' credit ratings from Moody's and Standard and Poor's, which further exacerbated these concerns.⁸ The Companies are also facing new cash flow requirements, such as the dramatic increase in utility assessments under Section 18-a of the Public Service Law. The Companies are making every effort to manage these cash flow requirements through the implementation of cash and cost management measures. However, most of these cash and cost management initiatives are temporary "band-aid" measures that cannot be sustained over the long term, and will only help the Companies avoid further near-term financial degradation. Without rate relief, the Companies' projected returns on equity for 2009-2010 will remain in the 5-7% range, which is an unreasonable level of ROE that is significantly lower than the equity cost of capital in the current financial markets.

II. SPECIFIC INITIATIVES IMPLEMENTED BY THE COMPANIES

To help alleviate the serious liquidity concerns discussed above and avoid further degradation in the Companies' financial condition, the Companies have implemented temporary but aggressive cost and cash management measures at every possible level. Some of these measures could only be implemented following the September 2008 merger between Iberdrola and Energy East. These measures fall into two broad categories: (1) cash conservation and (2) temporary cost savings.

A. Cash Conservation Initiatives

The Companies have deployed all practical opportunities to conserve cash since the onset of the global financial crisis. The Companies' cash conservation measures include the following temporary actions:

- *Dividend Management:* The Companies have not paid dividends to their parent companies since the onset of the financial crisis. As a result, Iberdrola and Energy East have not received any direct or indirect dividend payments from the Companies since the merger closing in September 2008.

⁸ Moody's downgraded the Companies one notch (from Baa1 to Baa2) and Standard and Poor's downgraded RG&E one notch (from BBB+ to BBB), while maintaining NYSEG's BBB+ rating. These rating agency downgrades occurred despite the positive rating implications of Iberdrola, S.A.'s ("Iberdrola") assumption of Energy East's debt.

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June 12, 2009

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- *Reduced/Deferred Capital Expenditures:* The Companies have reduced or deferred their capital expenditures wherever possible, while still providing safe and reliable service to customers. For example, the Companies were able to reduce their capital spending approximately \$125 million below their original plan for 2008. The Companies intend to coordinate with Department of Public Service Staff on initiatives to prudently manage capital expenditures for 2009-2010.
- *Delayed Payments to Vendors:* The Companies have slowed payment terms to their vendors whenever possible and consistent with their contractual obligations. As a result, the Companies are no longer taking advantage of early pay discounts.
- *Tax Deferral Strategies:* The Companies have enacted tax deferral strategies to conserve cash between now and when rates are reset in 2010.

B. Temporary Cost Savings Measures

In addition to these cash conservation strategies, and as described in the Companies' January 2009 rating filings, the Companies have taken aggressive measures to reduce costs in response to the financial crisis.⁹ These temporary cost-savings measures have been implemented to the greatest extent possible while still providing safe and reliable service to customers.¹⁰ As noted in the Companies' January 2009 rate filings, these are temporary and unsustainable measures that are necessary to avoid further degradation of the Companies' financial health.¹¹

As described in the Companies' rate filings, the cost-savings measures include the following actions:

- *Pay Freezes:* There have been no non-union wage increases since September 2008, and none are planned for 2009.
- *Hiring Freeze:* The Companies have restricted hiring, including delaying three line worker classes so far (one in 2008, and two in 2009). Given the significant headcount reductions that have already occurred as a result of prior merger and integration

⁹ See Policy Panel Testimony at 30; Company Panel Testimony at 32-34; Response to NYRGE-0012 (submitted Feb. 4, 2009); Response to NYRGE-0170 (submitted Feb. 14, 2009); Tr. 382-83, 684-85.

¹⁰ See Company Panel Testimony at 33-34 (noting that certain suggested cost-cutting measures could not be implemented without placing safe and reliable service at risk).

¹¹ See Policy Panel Testimony at 30 (stating that cost-cutting measures "are necessary to ameliorate further complication from the Companies' financial crisis, but are simply temporary band-aid measures that the Companies' financial performance continues to deteriorate"); Response to NYRGE-0012 (submitted Feb. 4, 2009) (noting that temporary cost-cutting measures were unsustainable, and that the Companies' proposals in their rate filings address this situation).

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efforts, further employee reductions could not be accomplished without jeopardizing the Companies' ability to provide safe and reliable service.

- *Reduced Overtime:* The Companies have limited employee overtime to the greatest extent possible without impacting their service obligations.
- *Reduced Employee Travel:* The Companies have restricted employee travel and transportation expenses.
- *Reduced Employee Benefits:* The Companies have reduced expenses associated with employee reward and recognition programs, and matching college grants.
- *Inter-Company Borrowing:* The Companies have utilized inter-company borrowing (as opposed to external debt issuances) in order to mitigate increases to their overall cost of debt.
- *Charitable Contributions and Sponsorships:* The Companies have reduced their charitable contributions and sponsorships.
- *Association Memberships:* The Companies have reduced their association memberships and professional conference attendance to eliminate any unnecessary expenses.
- *Other Various Expense Reductions:* The Companies are cutting back on their advertising, printing, postage, periodical subscriptions, company-funded employee activities, and overall energy usage.

III. CONCLUSION

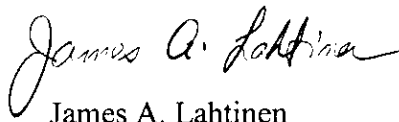
Customers have historically benefited from the Companies' strong cost conservation and liquidity management practices, which have allowed the Companies to decrease or hold delivery rates flat since the mid-1990's. Moreover, despite the cash and earnings concerns that the Companies have experienced since the start of the financial crisis, the Commission directed the Companies to implement cost cutting measures (as well as other initiatives) to meet the Companies' cash needs, instead of allowing the Companies to increase its rates. Therefore, customers are receiving the benefits of delivery rate stability during the 2009-2010 timeframe during which the Companies are experiencing the types of shortfalls that would typically justify regulatory relief. However, most of the Companies' cash and cost management initiatives described herein are temporary "band-aid" measures that cannot be sustained over the long term, and will only help the Companies in the near-term avoid further financial degradation. Even the most aggressive cost reduction measures cannot, on their own, cure the Companies' current financial problems. Given the Companies' significant liquidity concerns and projected 2009-2010 returns on equity in the 5-7% range, it is clear that only rate relief can improve the

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fundamental financial problems confronting the Companies and begin the process of restoring their financial health and achieving an "A" level credit rating. The Companies look forward to continuing to work closely with the Commission and Department of Public Service Staff on these important issues.

Respectfully submitted,


James A. Lahtinen

Utility Austerity Programs

PSC Case No. 09-M-0435

Information Request

Requesting Party and No.: K. Tallmadge & R. Quimby (DPS-NYSEG-1)

Response No.: UAP-NYSEG-001

Request Date: July 10, 2009

Information Requested of: J. Lahtinen

Reply Date: September 9, 2009

Response provided by: J. Lahtinen

QUESTION:

For each electric capital and O&M project and program that will be affected by the company's planned austerity program:

- a) Fully describe each project or program targeted for austerity measures and identify if the project or program will be deferred, cancelled or scaled back.
- b) If the project is being deferred, provide the project's original in-service date and the now expected in-service date.
- c) Fully describe the initial basis for each project or program, identifying if the project or program was required for reliability, load growth, NPCC criteria, etc.
- d) Fully describe any reliability or safety impacts associated with the project's or program's deferral, cancellation, or reduced scale and identify the reliability and/or safety criteria that will be impacted.
- e) Explain in detail the criteria used by the company to select the project or program for deferral, cancellation, or scale reduction.
- f) Provide the cost savings that will be achieved by deferring, cancelling, or reducing the scale of each project or program.
 - a. Explain how these cost savings will be achieved. Provide supporting workpapers.
 - b. Identify and explain any incremental costs that will be created by deferring, cancelling, or scaling back the project or program and provide supporting workpapers.
- g) Identify and describe the financial benefits that will accrue to the ratepayers from the deferral, cancellation, or scale reduction of the projects and programs.
 - a. Will such benefit be immediate or long term?
 - b. What will be the amount accruing to each ratepayer?

RESPONSE:

Capital

- a) See attached spreadsheet (column a) for capital project description and project status (i.e., deferred, scaled back, or cancelled).
- b) See attached spreadsheet for the original and now expected in-service dates (column b).
- c) See attached spreadsheet (column c) for description of initial basis of project and whether the project was required for reliability, load growth, NPCC criteria, or other reason.
- d) See attached spreadsheet indicating whether the project has reliability or safety impacts (column d).
- e) See attached spreadsheet for indication of selection criteria (column e).
- f) See attached spreadsheet (columns f & g) for estimated 2009 cost savings/discussion associated with project deferral, cancellation, or scaling back.
- g) See answer to f) above. Benefits to ratepayers from project deferrals will accrue to ratepayers over the longer-term and will be in the form of lower present value revenue requirements from what they otherwise would have paid with an earlier in-service date assuming that the cost of capital is greater than the cost escalation associated with a later project completion date. Benefits from project cancellation or scaling back projects will be the full amount since these expenditures will be fully avoided. There are not expected to be significant increased operating cost associated with project delay, cancellation, or project scale back.

O&M

- a) O&M spend deferral and avoidance in total is expected to be about \$200,000 in 2009 and consists of the following electric T&D items:
 - 1.) Restrictions on travel
 - 2.) Overtime restrictions
 - 3.) Training limited to mandated programs
 - 4.) Elimination of reward and recognition programs
 - 5.) Reduction in helicopter inspection
 - 6.) Non-participation in industry-related organizations
 - 7.) Contractor reductions
- b) Not applicable.
- c) Not applicable.

- d) Not applicable.
- e) These actions were deployed on a temporary basis due to the current financial difficulties being experienced by the Company.
- f) See answer to a) above. It is not expected that there will be any significant incremental costs incurred or immediate impact on safety as a result of the actions taken and listed in a) above.
- g) Items listed in a) above are temporary savings and are not sustainable over the long-term. These actions were taken in light of the current financial difficulties being experienced by the Company.

Utility Austerity Programs

PSC Case No. 09-M-0435

Information Request

Requesting Party and No.: K. Tallmadge & R. Quimby (DPS-RGE-1)

Response No.: UAP-RGE-001

Request Date: July 10, 2009

Information Requested of: J. Lahtinen

Reply Date: September 9, 2009

Response provided by: J. Lahtinen

QUESTION:

For each electric capital and O&M project and program that will be affected by the company's planned austerity program:

- a) Fully describe each project or program targeted for austerity measures and identify if the project or program will be deferred, cancelled or scaled back.
- b) If the project is being deferred, provide the project's original in-service date and the now expected in-service date.
- c) Fully describe the initial basis for each project or program, identifying if the project or program was required for reliability, load growth, NPCC criteria, etc.
- d) Fully describe any reliability or safety impacts associated with the project's or program's deferral, cancellation, or reduced scale and identify the reliability and/or safety criteria that will be impacted.
- e) Explain in detail the criteria used by the company to select the project or program for deferral, cancellation, or scale reduction.
- f) Provide the cost savings that will be achieved by deferring, cancelling, or reducing the scale of each project or program.
 - a. Explain how these cost savings will be achieved. Provide supporting workpapers.
 - b. Identify and explain any incremental costs that will be created by deferring, cancelling, or scaling back the project or program and provide supporting workpapers.
- g) Identify and describe the financial benefits that will accrue to the ratepayers from the deferral, cancellation, or scale reduction of the projects and programs.
 - a. Will such benefit be immediate or long term?
 - b. What will be the amount accruing to each ratepayer?

RESPONSE:

Capital

- a) See attached spreadsheet (column a) for capital project description and project status (i.e., deferred, scaled back, or cancelled).
- b) See attached spreadsheet for the original and now expected in-service dates (column b).
- c) See attached spreadsheet (column c) for description of initial basis of project and whether the project was required for reliability, load growth, NPCC criteria, or other reason.
- d) See attached spreadsheet indicating whether the project has reliability or safety impacts (column d).
- e) See attached spreadsheet for indication of selection criteria (column e).
- f) See attached spreadsheet (columns f & g) for estimated 2009 cost savings/discussion associated with project deferral, cancellation, or scaling back.
- g) See answer to f) above. Benefits to ratepayers from project deferrals will accrue to ratepayers over the longer-term and will be in the form of lower present value revenue requirements from what they otherwise would have paid with an earlier in-service date assuming that the cost of capital is greater than the cost escalation associated with a later project completion date. Benefits from project cancellation or scaling back projects will be the full amount since these expenditures will be fully avoided. There are not expected to be significant increased operating cost associated with project delay, cancellation, or project scale back. The major exception is deferral of completion of the Station 5 tunnel relining project. The Station 5 Tunnel Relining Project was temporarily halted in December 2008 as a result of the worldwide financial crisis and financial pressures on the Company.

O&M

- a) O&M spend deferral and avoidance in total is expected to be about \$100,000 in 2009 and consists of the following electric T&D items:
 - 1.) Restrictions on travel
 - 2.) Overtime restrictions
 - 3.) Training limited to mandated programs
 - 4.) Elimination of reward and recognition programs
 - 5.) Reduction in helicopter inspection
 - 6.) Non-participation in industry-related organizations
 - 7.) Contractor reductions
- b) Not applicable.

- c) Not applicable.
- d) Not applicable.
- e) These actions were deployed on a temporary basis due to the current financial difficulties being experienced by the Company.
- f) See answer to a) above. It is not expected that there will be any significant incremental costs incurred or immediate impact on safety as a result of the actions taken and listed in a) above.
- g) Items listed in a) above are temporary savings and are not sustainable over the long-term. These actions were taken in light of the current financial difficulties being experienced by the Company.

Utility Austerity Programs

PSC Case No. 09-M-0435

Information Request

Requesting Party and No.: A. Mostek (DPS-RGE-2)

Response No.: UAP-RGE-002

Request Date: July 17, 2009

Information Requested of: J. Lahtinen

Reply Date: September 9, 2009

Response provided by: J. Lahtinen

QUESTION:

For each gas capital and O&M project and program that will be affected by the company's planned austerity program:

- a) Fully describe each project or program and identify if the project or program will be deferred, cancelled or scaled back.
- b) If the project is being deferred, provide the project's original in-service date and the now expected in-service date.
- c) Fully describe the initial basis for each project or program, identifying if the project or program was required for reliability, load growth, etc.
- d) Fully describe any reliability or safety impacts associated with the project's or program's deferral, cancellation, or reduced scale and identify the reliability and/or safety criteria that will be impacted.
- e) Explain in detail the criteria used by the company to select the project or program for deferral, cancellation, or scale reduction.
- f) Provide the cost savings that will be achieved by deferring, cancelling, or reducing the scale of each project or program.
 - a. Explain how these cost savings will be achieved. Provide supporting workpapers.
 - b. Identify and explain any incremental costs that will be created by deferring, cancelling, or scaling back the project or program and provide supporting workpapers.
- g) Identify and describe the financial benefits that will accrue to the ratepayers from the deferral, cancellation, or scale reduction of the projects and programs.
 - a. Will such benefit be immediate or long term?
 - b. What will be the amount accruing to each ratepayer?

RESPONSE:

Capital

- (a – f). The proposed capital plan for 2009 contained money to complete highway projects, tariff-related growth and PSC-mandated replacement programs. After reviewing the planned spending in consideration of the May 2009 Austerity guidance from the Public Service Commission, no material changes in planned capital spending could be made since the projects had little or no flexibility regarding company control or timing of completion without the risk of violating regulatory mandates.

O&M

- a) O&M spend deferral and avoidance in total is expected to be about \$100,000 in 2009 and consists of the following items:
- 1.) Restrictions on travel.
 - 2.) Overtime restrictions
 - 3.) Training limited to mandated programs.
 - 4.) Deferral of R&D spending.
 - 5.) Deferral of NGA Annual Dues
- b) Not applicable.
- c) Not applicable.
- d) Not applicable.
- e) These actions were deployed on a temporary basis due to the current financial difficulties being experienced by the Company.
- f) See answer to a) above. It is not expected that there will be any significant incremental costs incurred or immediate impact on safety as a result of the actions taken and listed in a) above.
- g) Items listed in a) above are temporary savings and are not sustainable over the long-term. These actions were taken in light of the current financial difficulties being experienced by the Company.

Utility Austerity Programs

PSC Case No. 09-M-0435

Information Request

Requesting Party and No.: A. Mostek (DPS-NYSEG-2)

Response No.: UAP-NYSEG-003

Request Date: July 17, 2009

Information Requested of: J. Lahtinen

Reply Date: September 9, 2009

Response provided by: J. Lahtinen

QUESTION:

For each gas capital and O&M project and program that will be affected by the company's planned austerity program:

- a) Fully describe each project or program and identify if the project or program will be deferred, cancelled or scaled back.
- b) If the project is being deferred, provide the project's original in-service date and the now expected in-service date.
- c) Fully describe the initial basis for each project or program, identifying if the project or program was required for reliability, load growth, etc.
- d) Fully describe any reliability or safety impacts associated with the project's or program's deferral, cancellation, or reduced scale and identify the reliability and/or safety criteria that will be impacted.
- e) Explain in detail the criteria used by the company to select the project or program for deferral, cancellation, or scale reduction.
- f) Provide the cost savings that will be achieved by deferring, cancelling, or reducing the scale of each project or program.
 - a. Explain how these cost savings will be achieved. Provide supporting workpapers.
 - b. Identify and explain any incremental costs that will be created by deferring, cancelling, or scaling back the project or program and provide supporting workpapers.
- g) Identify and describe the financial benefits that will accrue to the ratepayers from the deferral, cancellation, or scale reduction of the projects and programs.
 - a. Will such benefit be immediate or long term?
 - b. What will be the amount accruing to each ratepayer?

RESPONSE:

Capital

- (a – f). The proposed capital plan for 2009 contained money to complete highway projects, tariff-related growth and PSC-mandated replacement programs. After reviewing the planned spending in consideration of the May 2009 Austerity guidance from the Public Service Commission, no material changes in planned capital spending could be made since the projects had little or no flexibility regarding company control or timing of completion without the risk of violating regulatory mandates.

O&M

- a) O&M spend deferral and avoidance in total is expected to be about \$100,000 in 2009 and consists of the following items:
- 1.) Restrictions on travel.
 - 2.) Overtime restrictions
 - 3.) Training limited to mandated programs.
 - 4.) Deferral of R&D spending.
 - 5.) Deferral of NGA Annual Dues
- b) Not applicable.
- c) Not applicable.
- d) Not applicable.
- e) These actions were deployed on a temporary basis due to the current financial difficulties being experienced by the Company.
- f) See answer to a) above. It is not expected that there will be any significant incremental costs incurred or immediate impact on safety as a result of the actions taken and listed in a) above.
- g) Items listed in a) above are temporary savings and are not sustainable over the long-term. These actions were taken in light of the current financial difficulties being experienced by the Company.



Joseph J. Syta
Vice President
Controller and Treasurer

September 14, 2009

John Stewart
Director, Utility Rates and Service
Office of Accounting and Finance
State of New York
Department of Public Service
Three Empire State Plaza
Albany, NY 12223-1350

Re: Notification Concerning Tax Refund
Pursuant to 16 NYCRR §89.3

Dear Mr. Stewart:

On May 27, 2009 Energy East Corporation ("EEC") filed an early federal income tax return for 2008. EEC did so in order to monetize, as quickly as possible, the cash tax benefits related to the fact that EEC was in a loss situation as of its year end 2008 closing. The loss situation was primarily as a result of bonus depreciation, coupled with the fact that on December 29, 2008, EEC filed a request with the IRS for a change in method related to its definition of unit of property for tax purposes. This change in method would allow EEC's regulated entities to expense more of their repair costs than they had previously. This method change also allows for a catch up deduction under Internal Revenue Code section 481(a) equal to the remaining un-depreciated tax basis of all repair costs previously capitalized using the prior unit of property definition.

As a result of this early filing, Rochester Gas and Electric and New York State Electric and Gas Corporation (the "Companies") received refunds of \$25.7 million and \$22.9 million, respectively, with the first portion of these refunds being received on July 13, 2009. The Companies accepted the IRS consent letter related to this method change on July 31, 2009.

While it is the Companies' interpretation that refunds received as a result of the carry-back of net operating losses are exempt from the notification requirements of 16 NYCRR § 89.3, we respectfully submit this notification since the amount is significant and because it represents a potential change in tax accounting method. The impact of this change will be reflected in the Companies' next rate case filings. The Companies will submit additional information related to this refund as soon as the final refund amount is quantified following EEC's filing of its final 2008 Federal Income Tax Return on September 15, 2009.

An equal opportunity employer

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph J. Syta". The signature is fluid and cursive, with the first name "Joseph" being the most prominent.

Joseph J. Syta
Vice President Controller & Treasurer

cc: John Benedict (NYPSC)
Robert Haslinger (NYPSC)

bcc: Robert Kump (EEMC)
Curtis Call (EEMC)
Fausto Gentile (EEMC)
Stephen Adams (EEMC)
Paul Connolly (EEMC)

**New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation**

Information Request

Requesting Party: J. Mitchell (PSC)
Request No.: SR-09-179-NYSEG-RGE
Request Date: September 16, 2009

Information Requested of: J. Syta

Question:

Re: NYSEG/RG&E's Notification (Notice) Concerning Tax Refund Pursuant to 16 NYCRR Section 89.3

Specific Information Requested: Information relating to tax refunds of \$25.7 million for RG&E and \$22.9 million for NYSEG

NYSEG and RG&E's notification concerning a tax refund states that Energy East Corporation (EEC) filed an early federal income tax return for 2008 to monetize the cash tax benefits related to fact that EEC was in a loss situation as of its year end 2008 closing. The loss situation was primarily as a result of bonus depreciation, coupled with the fact that on December 29, 2008, EEC filed a request with the IRS for a change in method related to its definition of unit of property for tax purposes.

1. The Notice states that it is the companies' interpretation that refunds received are the result of the carry-back of net operating losses that exempt it from notification. Explain this interpretation. For each company, isolate the amount of tax deductions resulting in the tax refund between 2008 bonus depreciation and the change in the method of accounting for costs relating to the definition of a unit of property (by carry-back year, if applicable).
2. Explain the change in method relating to its definition of unit of property for tax purposes and provide citations to tax laws, rules, and regulations and IRS documents supporting the changes (e.g. Form 3115, Consent Agreement).
3. Provide the impact of the above changes on current and deferred income taxes for each company and by year (if applicable).
4. When giving the commission any notification or report pursuant to Part 89.3, the utility also shall either propose a method of distributing to its customers the entire amount refunded, or show why it should not make such a distribution. The Notice states that "the impact of this change will be reflected in the Companies' next rate filings." How will the

impact of the change(s) be treated for each company between 2008 and before the next rate filings are completed (i.e., before new rates go into effect)?

5. Explain the effects, if any of these changes for the New York Companies' stand alone tax expense and EEC (or its affiliates). If any of these tax benefits were allocated amounts from affiliates, provide the method of allocation.

Response:

1. Section (a) of 16 NYCRR § 89.3 states "This Part shall be inapplicable to ordinary operating refunds that are not attributable to negotiation or to new legislation, adjudication or rulemaking (such as refunds for overpayment of estimated taxes, and carry-backs of net operating losses and investment credits)." Since these refunds are a result of the carry-back of net operating losses, they clearly fit the exemption from notification provided in Section (a) of 16 NYCRR § 89.3 provided in the previous sentence.

The breakout of the Net Operating Losses attributed to 2008 Bonus Depreciation and the change in accounting method related to the definition of unit of property, are provided on the attached Schedule 1. As indicated in our notification letter dated September 14, 2009, EEC filed an early return in May and has since filed its final return, therefore this breakdown is being supplied for both filings. Since losses are carried back as one amount it is not appropriate to assign any one component of the 2008 Net Operating Loss to a particular carry-back year.

2. The change in definition of unit of property requested by the Company's ceases the use of the FERC definition of a unit of property employed for book purposes for tax purposes. Instead, the new Tax unit of property definition employs the concept of a functional unit, which groups together several book units of property that do not, and can not, provide any useful transmission and distribution function in of themselves with all similar assets that are required to work together as one integrated unit in order to perform its intended function. For example a string of 100 poles and the lines flowing from pole 1 to pole 100 work together to get electricity from point a to point b and there are no end use customers in between. Prior to the tax accounting method change, each pole and each portion of line between each pole may have been considered a distinct unit of property and therefore the replacement of a single pole or a portion of line between poles was required to be capitalized for tax purposes because it was considered as a replacement of a complete unit of property. As a result of the change in the defined unit of property all costs related to the replacement of any sub-portion of the 100 poles and connecting lines can be deducted as a repair for tax purposes, instead of being required to be capitalized because an entire unit of property is not being replaced.

A copy of the 3115 method change request and IRS consent letter are attached as Schedules 2a and 2 b. The 3115 contains all the relevant IRC sites.

3. The impacts of the bonus depreciation and method change on current tax expense and deferred income tax expense are provided on the attached Schedule 3. These amounts represent the impacts based on the final return amounts provided on Schedule 1. You will note that the Bonus Depreciation impacts are at 35% since the bonus depreciation is only allowed for federal purposes, while the Unit of Property impacts are at the blended federal and state rate of 39.615%
4. As stated in the initial notification letter and again in response to question 1 of this information request, the Company's do not believe this refund is subject to the notification requirements of 16 NYCRR § 89.3, therefore there is no formal requirement for the company's to either propose a method of distributing this refund to customers or show why it should not make such a distribution. However, as it is the Company's intent to work with Staff to address this issue as part of the rate filing, the Company provides the following proposal related to all the positions taken by the company to maximize the 2008 net operating loss carry-back opportunity, including the bonus depreciation and method change accelerated deductions.

The refunds relate to actual costs and losses incurred in 2008 that were eligible to be carried back to 1998, 2003, 2006 and 2007. The adjustments to taxable income are timing issues. Therefore, deferred taxes have either already been recorded or will be recorded with respect to each of these issues in September 2009, with the filing of the final 2008 federal income tax return. The accounting for these refunds will be earnings neutral. Accordingly, and consistent with the Companies' treatment of prior refunds related to timing differences, customers will not receive a distribution of any portion of the refund. However, the impact on accumulated deferred taxes will be reflected in rate base.

The Companies further request to recover 100% of the costs to achieve these refunds, which have been allocated to them. These costs, incurred as a result of hiring Deloitte Tax to prepare the unit of property change in method filing, determine the 481(a) catch up deduction, identify the subset of the 2008 loss that could be carried back 10 and 5 years and prepare the refund claims, totaled \$803k with \$416k being allocated to the Companies. Schedule 4 attached provides the breakout of these costs by Company and in total. The Companies request this recovery due to the fact that customers will receive the benefit of the rate base reduction that will be recorded in September 2009 via the credit to accumulated deferred income taxes. The Companies included in their rate case filings adjustments to decrease rate base to reflect the impact on accumulated deferred income taxes. These adjustments will be updated to reflect the Final Filing amounts since the rate case reflects the Early Filing amounts

The catch up deduction resulting from the Unit of Property method change as well as the bonus depreciation and other items that contributed to the 2008 federal tax loss are subject to audit and a portion, small or large, could be disallowed. To date, to the best of the knowledge of the Energy East Tax Department, no utilities have had their 481(a) adjustments approved on audit. In fact, the IRS consent letter related to the Unit of Property Method Change clearly indicates that the IRS is consenting only to the ability of the company to change its method and explicitly indicates that the unit of property determination and related 481(a) adjustment are subject to audit.

Lastly, and for the same reason provided above, in the event that the deductions ultimately allowed by the IRS differ from those in the original application for refund filing, the Companies request recovery of any interest expense that may result. It is suggested that this recovery be prorated and limited to the interest related only to period that the customer benefited from the rate base reduction.

5. NYSEG and RG&E's total tax expense was unchanged as a result of the items resulting in the Net Operating Loss or the Carry-back application. Each of the accelerated tax deductions are fully normalized and deferred taxes equal to and offsetting the current tax expense have been or will be recorded. There is no allocation of tax benefits between affiliates.

**NYSEG and RG&E
Austerity Items**

**NYRC-0022
Attachment 4**

Comparisons of Costs between Test Year and prior 12 month period (\$ millions)

<u>Cost Area</u>	<u>NYSEG</u>		<u>RG&E</u>		<u>Total NY</u>
	<u>12 Months Ended</u> 6/30/2008	<u>12 Months Ended</u> 6/30/2009	<u>12 Months Ended</u> 6/30/2008	<u>12 Months Ended</u> 6/30/2009	
Charitable Contributions	0.3	0.2	0.5	0.1	(0.5)
Memberships	0.6	0.1	0.4	0.1	(0.8)
Non-storm overtime	6.9	6.8	5.1	4.5	(0.7)
Postage (absorbed 2.4% postal rate increase)	5.04	5.08	2.44	2.40	-
Dividends paid to parent company	80.0	30.0	70.0	0.0	(120.0)
Foregone Dividends from 6/09 - 7/10	80.0		70.0		(150.0)
Company use - electric and gas	5.8	5.1	2.1	2.0	(0.8)
Non-Union Salary Freeze (\$42M NYSEG + \$36 M RG&E = \$78M x 3%)					(2.3)
Rate Case Expense (\$6.7 M for Case 05-E- 1222 times 3 (2 electric and 1 for the 2 gas cases) = \$20.1 vs. \$5.2 in this filing)					(14.9)
Union MOA - future year impacts on benefits					Prospective
Capital Expenditure Deferral - See PP-1					(77.2)
Tax Deferral - Unit of Property - tax deduction of \$193M					(77.2)
	<u>6/30/2008</u>	<u>6/30/2009</u>	<u>6/30/2008</u>	<u>6/30/2009</u>	
Level of Intercompany Borrowing					
Average for 12 months ended	0.0	6.0	0.0	61.2	
Maximum during 12 months ended	0.0	31.0	0.0	109.0	

Case Nos. 09-E-0715, 09-G-0716, 09-E-0717 & 09-G-0718

NYSEG and RG&E - Electric and Gas Rates

DPS Staff Response to Request For Information

Staff Response To: NYSEG-RGE-40 (DPS)
Prepared By: Policy Panel
Date: February 2, 2010

Question:

Regarding the Staff Policy Panel's testimony beginning on page 22 (Earnings Sharing Ceiling), please provide: A listing of all litigated New York State Public Service Commission decisions in the last 10 years where the Commission has implemented an earnings sharing mechanism in a one-year litigated case for delivery service. Please provide the company, case number, title of order and page reference.

Response:

The Policy Panel did not rely upon any litigated New York State Public Service Commission decisions in the last 10 years where the Commission implemented or rejected an earnings sharing mechanism in a one-year litigated case for delivery service. The imposition of an earnings cap in this proceeding should be judged by the facts presented in this case and the incentives required here to induce NYSEG and RG&E to perform their public service obligations at a reasonable cost to ratepayers.

Case Nos. 09-E-0715, 09-G-0716, 09-E-0717 & 09-G-0718

NYSEG and RG&E - Electric and Gas Rates

DPS Staff Response to Request For Information

Staff Response To: NYSEG-RGE-48 (DPS)
Prepared By: Policy Panel
Date: February 2, 2010

Question:

Earnings Sharing Mechanism

On pages 23 and 24 of the Staff Policy Panel testimony, the Panel proposes that the Companies' earnings should be capped at their allowed rates of return and shared with ratepayers according to the following multi-tiered earnings sharing mechanism:

- Between the cap and 11.5%: 80% to ratepayers/20% to shareholders;
- Between 11.5% and 13.5%: 50% to ratepayers/50% to shareholders; and
- Above 13.5%: 100% to ratepayers.

Please provide all other instances in which the Commission approved an earnings sharing mechanism in which the first tier of earnings above the cap allocated a higher percentage to ratepayers than the percentage allocated to shareholders.

Response:

The Policy Panel did not rely upon any New York State Public Service Commission decisions approving or rejecting an earnings sharing mechanism in which the first tier of earnings above the cap allocated a higher percentage to ratepayers than the percentage allocated to shareholders. The mechanics of an earnings cap in this proceeding should be judged by the facts presented in this case and the incentives required here to induce NYSEG and RG&E to perform their public service obligations at a reasonable cost to ratepayers.

Case Nos. 09-E-0715, 09-G-0716, 09-E-0717 & 09-G-0718

NYSEG and RG&E - Electric and Gas Rates

DPS Staff Response to Request For Information

Staff Response To: NYSEG-RGE-49 (DPS)
Prepared By: Policy Panel
Date: February 3, 2010

Question:

Wind Investment

1. In preparing the testimony, did the Panel review the Companies' response to SCIDA-5 (NYRC-0896)?
2. If Iberdrola fully satisfies the \$200 million wind investment commitment as required under the Acquisition Orders, how would the Panel propose to remove the \$25 million economic development fund credit that Staff is proposing that the Commission implement in this rate case?

Response:

1. As discussed on page 52 of the Policy Panel Testimony, Staff relied on the companies' response to NYRC-0058 (DPS-58).
2. As discussed on page 55 of the Policy Panel Testimony, Staff recommends that Iberdrola provide a certified report on all qualifying wind investment by August 1, 2010. Based on that data, the Commission can take notice of the latest known levels of qualifying investment. These amounts can be incorporated into computing the appropriate adjustment.

In the event the actual credit is different than the credit reflected in the rate case, we recommend that NYSEG and RG&E be allowed to accrue carrying charges on any differences in the credit between the rate case forecast and actual.

**New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation**

**PSC Case No. 09-E-0715
PSC Case No. 09-G-0716
PSC Case No. 09-E-0717
PSC Case No. 09-G-0718**

Information Request

Requesting Party and No.: J. Mitchell (DPS-58)

NYSEG Response No.: NYRC-0058 (DPS-58)

Request Date: October 16, 2009

Information Requested of: Revenue Requirement Panel

Reply Date: October 29, 2009

Responsible Witness: Policy Panel

QUESTION:

IBE Investments

The Merger Order issued September 9, 2008 in Case 09-M-0906, pgs. 3-4, requires, as a condition of the merger, that Iberdrola shall invest \$200 million in wind related capital projects sited within New York State during the first two years following the closing date.

1. List, by project, the amounts of wind energy investments made by Iberdrola between the closing of the merger and the present time that satisfy this condition.

RESPONSE:

Iberdrola's commitment and obligation to invest \$200 million in wind generation projects in New York State was contingent upon (i) no material adverse change to the existing fundamental economics of wind generation development, which Iberdrola specified to include Production Tax Credits ("PTCs"), funding under New York's Renewable Portfolio Standard ("RPS"), and New York Independent System Operator, Inc. ("NYISO") market prices; and (ii) all necessary development permits and authorizations.

The economics of wind development have changed substantially. As the Commission knows, for an 18-month period recently, the New York State Energy Research and Development Authority (NYSERDA) did not offer any contracts for RPS funding, the PTC market was largely dead, and NYISO prices have been lower than levels seen in many years. While the Companies do not have access to specific Iberdrola Renewables development information, the Companies have been informed that Iberdrola Renewables has not yet been able to obtain all of the necessary permits and authorizations, but that they are working diligently to obtain them.

As a practical matter, capital investment would not be able to be made in a renewable project until these fundamental economics are resolved and permits/authorizations are obtained; however, the Companies have been informed that Iberdrola Renewables is continuing to pursue diligently its New York development pipeline. The Companies have been informed that Iberdrola Renewables has had periodic meetings with the New York Public Service Commission to keep them apprised of these economic and permitting issues. The Companies are informed that, if the current pipeline of renewable projects is fully constructed, the resulting investment in wind generation in New York State would more than meet the \$200 million level.

**New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation**

**PSC Case No. 09-E-0715
PSC Case No. 09-G-0716
PSC Case No. 09-E-0717
PSC Case No. 09-G-0718**

Information Request

Requesting Party and No.: Seneca County Industrial Development Agency (SCIDA-5)

NYRC Response No.: NYRC-0896 (SCIDA-5)

Request Date: December 31, 2009

Information Requested of: CRO Panel

Reply Date: January 11, 2010

Responsible Witness: Policy Panel

QUESTION:

Economic Development Programs

1. Referring to NYSEG's response to information request SCIDA-4, please list the "various projects" NYSEG is pursuing at this time.
2. For each project listed in NYSEG's response to question 1, please address and answer the following:
 - a. Size of the project;
 - b. Status and/or stage of the project – is it in the planning stages, have applications been filed for permits and other requisite approvals, has an environmental impact statement been prepared, etc.?.;
 - c. What is the expected in-service date for the project?; and
 - d. What is the project's position, if any, in the New York Independent System Operator's queue?

RESPONSE:

1. and 2. NYSEG is not pursuing any wind investment projects. While NYSEG understands that Iberdrola Renewables has a pipeline of projects in development at the present time, NYSEG does not have access to specific Iberdrola Renewables development information. *See* response to DPS-0058.

The Companies are aware of a recent article in *The Evening Telegram* in Herkimer, New York that discusses recent permitting progress for Iberdrola Renewables' Hardscrabble Project. The article reports that the Hardscrabble Project would be a \$200 million wind power generating facility of up to 74 megawatts. *See* Attachment 1 to this response for a copy of this article.

For purposes of responding to this discovery request, NYSEG requested certain non-confidential information from Iberdrola Renewables regarding the Hardscrabble project. Iberdrola Renewables informed NYSEG that:

- a. The Hardscrabble project consists of 37 two MW wind turbines and has a nameplate rating of 74 MW.
- b. All permits and approvals are expected to be received shortly. Draft, supplemental and final environmental impact statements have been prepared for the project in accordance with New York State law.
- c. The project is planned for construction in 2010.
- d. The project has an approved interconnection agreement that is being updated for the final turbine selection.

IDA issues negative declaration for Hardscrabble Wind Project

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By Rob Juteau
Evening Telegram
Wed Jan 06, 2010, 08:01 AM EST

Herkimer, N.Y. -

The Herkimer County Industrial Development Agency has issued a negative declaration concerning the state environmental quality review for the proposed Atlantic Wind project in the towns of Fairfield and Norway, paving the way for the venture to move forward.

IDA Board of Directors Chairman John Piseck said Tuesday that the negative declaration means that it has been determined that the project will not result in significant, adverse environmental impacts. "The town of Fairfield was the lead agency in the SEQR process, and the issuance of this negative declaration on our part satisfies our obligation to the project," he said.

The Fairfield Town Council voted last month to accept the environmental impact statement, which summarizes the SEQR, giving them 30 days to deny, approve or approve with conditions a permit that allows the project within the municipality. Acceptance of the EIS, however, does not guarantee approval. A decision on the issuance of a permit is planned to come at the council's Jan. 14 meeting. As for the payment in lieu of taxes agreement for the proposed Hardscrabble Wind Power Project, IDA Executive Director Mark Feane said the negotiations are continuing.

"The agreement is not yet ready for a public hearing, as the final terms have not been agreed upon," said Feane. "Until a public hearing has been held, the IDA can not take action on it."

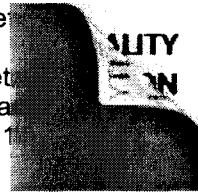
The Herkimer County Legislature adopted a resolution last year proposing the amount for annual payments in lieu of taxes related to wind energy projects. The per megawatt payment, set by the county at \$8,000, means \$592,000 annually could be split by the affected parties. With the agreement spanning 20 years, as proposed by the county, the project's potential benefit totals over \$11.8 million. Revenue-sharing agreements could set how the payments are divided, with the proposal calling for 20 percent for the county and 40 percent each to the towns and school district.

"The proposed PILOT agreement will be a deviation from our standard PILOT agreement, so it is subject to a public hearing," said Feane. "Ultimately the decision on how the funds will be shared between the taxing jurisdictions will come from the developer and the jurisdictions themselves."

Feane added the IDA's involvement in the process is to serve as a conduit. "The IDA, because of the legal powers granted to it, has the ability to affect the agreement," he said. "The IDA is the entity through which the agreement will go through, but the terms will come from the involved parties."

Atlantic Wind, a subsidiary of Iberdrola Renewables, is seeking to develop a \$200 million wind powered generating facility of up to 74 megawatts in the towns of Fairfield and Norway that is anticipated to include approximately 37 wind turbines, each with a generating capacity of 2.0 megawatts, with 25 turbines in the town of Fairfield and 12 turbines in the town of Norway.

Each wind turbine will include a 90 meter diameter, three bladed rotor mounted on a 100 meter tubular steel tower with a maximum blade tip height of 476 feet above existing grade. In addition to the wind turbines, the project will involve construction of two permanent 77 meter meteorological towers, a system of 14 miles of gravel access roads, 20 miles of buried and above ground electrical interconnect, an interconnection facility to be built adjacent to an existing 115 kilovolt transmission line and an operations and maintenance building.



Related Stories.
Comments (0)

NYSEG & RG&E
Revenue Requirement Reconciliation
For the Rate Year Ended August 31, 2011
(\$000s)

	Staff Adjustments	Staff Adjustments Accepted	Company Rebuttal Adjustments
Revenue Requirement	\$ 356,655	\$ 356,655	\$ (8,183)
I. Revenues			
1 Increase transmission revenues in delivery rates	(35,945)	(35,945)	-
2 Reflect SBC revenues as a surcharge	(4,684)	(4,684)	-
3 Low Income Rate Discounts	(13,681)	(233)	13,448
4 Other	(1,955)	(565)	1,390
II. Expenses - Other O&M			
5 Vegetation Management	(21,304)	1	21,305
6 Operations Staffing	(18,876)	(18,876)	-
7 Transmission Wheeling	(10,440)	(10,440)	-
8 Low Income	(11,914)	(72)	11,842
9 Payroll and Employee Benefits	(8,035)	(1,332)	6,703
10 Pension & OPEB	(5,476)	(3,173)	2,303
11 Environmental Remediation	(9,836)	(2,899)	6,937
12 CRO Panel Initiatives	(8,599)	(881)	7,718
13 Russell & Gas Turbine Sale	(2,781)	(0)	2,781
14 Legal	(2,172)	(2,172)	-
15 Stray Voltage	(1,205)	(1,205)	-
16 Outreach & Education	(1,718)	(1,120)	598
17 Rochester Street Lighting	(563)	(308)	255
18 Integrity of Gas Pipeline	(1,326)	(155)	1,171
19 Collections	(1,817)	(7)	1,810
20 Uncollectibles	(483)	(1,335)	(852)
21 Outside Services	(1,336)	(4)	1,332
22 Storm	(3,492)	(0)	3,492
23 EEMC	(1,478)	(400)	1,078
24 Non-Executive Incentive Compensation	(2,343)	(6)	2,337
25 Seneca Storage	(1,666)	(40)	1,626
26 Transportation	(1,581)	(557)	1,024
27 R&D	(2,339)	(1,983)	356
28 Austerity	(15,245)	(3,101)	12,144
29 Productivity	(9,860)	(1,509)	8,351
30 Total O&M Adjustments	(145,887)	(51,576)	94,311
31 Amortizations	41,873	(2,657)	(44,530)
III. Taxes Other Than Income Taxes			
32 Property Taxes	(10,443)	3,215	13,658
33 Other Taxes	(795)	(304)	491
IV. Income Taxes			
34 Book/Tax Depreciation	(11,198)	(101)	11,097
35 Other	(4,853)	(2,307)	2,546
V. Depreciation			
36 Depreciation	(25,776)	(2,234)	23,542
37 Decommissioning	(5,141)	(5,141)	-
38 Amort the Excess Depr. Reserve	(41,106)	2	41,108
VI. Cost of Capital			
39 NYSEG - 9.6% ROE vs. 11.43% ROE	(29,550)	(442)	29,108
40 NYSEG - Lower Weighted Cost of Debt	(15,359)	(15,183)	176
41 RG&E - 9.8% ROE vs. 11.43% ROE	(17,757)	(116)	17,641
42 RG&E - Lower Weighted Cost of Debt	(4,800)	(3,856)	944
VII. Rate Base			
43 Net Plant	(3,091)	(1,562)	1,529
44 Regulatory Assets and Liabilities (Net)	(19,781)	523	20,305
45 Other	306	1,701	1,395
46 Adjustments to Revenue Requirements	\$ (349,625)	\$ (121,468)	\$ 228,157
47 Delivery Revenue Requirements	\$ 7,030	\$ 235,187	\$ 219,974
48 Utilization of PBAs - Amortization	(15,213)	-	15,213
49	\$ (8,183)	\$ 235,187	\$ 235,187
50 NBC Transfer	46,384	46,384	46,384
51 Total Revenue Increase	\$ 38,201	\$ 281,571	\$ 281,571

NYSEG & RG&E

Revenue Requirement Reconciliation
For the Rate Year Ended August 31, 2011
(\$000s)

STAFF ADJUSTMENTS - JANUARY 22, 2010

		Staff vs. Company Update						
		NYSEG		RG&E		Total		
Issue		Electric	Gas	Electric	Gas	Electric	Gas	Total
1	Company's Revenue Requirement per 12/4 Update	\$ 160,609	\$ 54,928	\$ 82,108	\$ 59,010	\$ 242,717	\$ 113,938	\$ 356,655
2	Percent Rate Increase/(Decrease)	24.5%	33.3%	22.3%	44.3%			
Staff Adjustments:								
I. Revenues								
3	Increase transmission revenues in delivery rates	(35,945)	-	-	-	(35,945)	-	(35,945)
4	Reflect SBC revenues as a surcharge	-	-	(4,684)	-	(4,684)	-	(4,684)
5	Low Income Rate Discounts	(4,683)	(1,348)	(3,749)	(3,900)	(8,432)	(5,249)	(13,681)
6	Other	(933)	(1,029)	(31)	38	(964)	(991)	(1,955)
II. Expenses - Other O&M								
7	Vegetation Management	(21,304)	-	-	-	(21,304)	-	(21,304)
8	Operations Staffing	(9,064)	(2,836)	(5,292)	(1,684)	(14,356)	(4,520)	(18,876)
9	Transmission Wheeling	(10,440)	-	-	-	(10,440)	-	(10,440)
10	Low Income	(4,485)	(3,011)	(1,514)	(2,905)	(5,999)	(5,915)	(11,914)
11	Payroll and Employee Benefits	(4,457)	(867)	(1,746)	(965)	(6,203)	(1,832)	(8,035)
12	Pension & OPEB	(2,201)	(598)	(1,588)	(1,089)	(3,789)	(1,687)	(5,476)
13	Environmental Remediation	-	-	(6,496)	(3,340)	(6,496)	(3,340)	(9,836)
14	CRO Panel Initiatives	(4,733)	(1,036)	(1,974)	(856)	(6,707)	(1,892)	(8,599)
15	Russell & Gas Turbine Sale	-	-	(2,781)	-	(2,781)	-	(2,781)
16	Legal	(886)	(225)	(845)	(215)	(1,731)	(440)	(2,172)
17	Stray Voltage	(494)	-	(711)	-	(1,205)	-	(1,205)
18	Outreach & Education	(502)	(613)	(603)	-	(1,106)	(613)	(1,718)
19	Rochester Street Lighting	-	-	(563)	-	(563)	-	(563)
20	Integrity of Gas Pipeline	-	(851)	-	(474)	-	(1,326)	(1,326)
21	Collections	(956)	(286)	(313)	(262)	(1,269)	(548)	(1,817)
22	Uncollectibles	(233)	(51)	(168)	(30)	(402)	(81)	(483)
23	Outside Services	(1,161)	(174)	-	-	(1,161)	(174)	(1,336)
24	Storm	(3,122)	-	(370)	-	(3,492)	-	(3,492)
25	EEMC	(880)	(131)	(307)	(159)	(1,188)	(291)	(1,479)
26	Non-Executive Incentive Compensation	(1,404)	(211)	(483)	(245)	(1,887)	(456)	(2,343)
27	Seneca Storage	-	(1,666)	-	-	-	(1,666)	(1,666)
28	Transportation	(1,129)	(202)	(185)	(65)	(1,314)	(267)	(1,581)
29	R&D	(356)	(1,983)	-	-	(356)	(1,983)	(2,339)
30	Austerity	(8,627)	(1,659)	(3,453)	(1,506)	(12,079)	(3,166)	(15,245)
31	Productivity	(5,674)	(1,366)	(1,762)	(1,058)	(7,436)	(2,424)	(9,860)
32	Total O&M Adjustments	(82,109)	(17,767)	(31,156)	(14,855)	(113,265)	(32,622)	(145,887)
33	Amortizations	22,206	(4,126)	21,718	2,076	43,923	(2,050)	41,873
III. Taxes Other Than Income Taxes								
34	Property Taxes	433	(494)	(8,921)	(1,461)	(8,488)	(1,955)	(10,443)
35	Other Taxes	(485)	(170)	(57)	(84)	(541)	(254)	(795)
IV. Income Taxes								
36	Book/Tax Depreciation	-	(4,135)	(5,532)	(1,531)	(5,532)	(5,666)	(11,198)
37	Other	(1,267)	(392)	(2,334)	(859)	(3,602)	(1,251)	(4,853)
V. Depreciation								
38	Depreciation	(1,751)	(6,768)	(10,534)	(6,722)	(12,285)	(13,491)	(25,776)
39	Decommissioning	-	-	(5,141)	-	(5,141)	-	(5,141)
40	Amort the Excess Depr. Reserve	(31,221)	-	(9,886)	-	(41,106)	-	(41,106)
VI. Cost of Capital								
41	NYSEG - 9.6% ROE	(22,457)	(7,093)	-	-	(22,457)	(7,093)	(29,550)
42	NYSEG - Lower Weighted Cost of Debt	(11,650)	(3,709)	-	-	(11,650)	(3,709)	(15,359)
43	RG&E - 9.8% ROE	-	-	(12,255)	(5,502)	(12,255)	(5,502)	(17,757)
44	RG&E - Lower Weighted Cost of Debt	-	-	(3,316)	(1,484)	(3,316)	(1,484)	(4,800)
VII. Rate Base								
45	Net Plant	(1,794)	(2,269)	972	-	(822)	(2,269)	(3,091)
46	Regulatory Assets and Liabilities (Net)	(9,947)	(3,157)	(5,059)	(1,618)	(15,006)	(4,775)	(19,781)
47	Other	2,389	1,211	(2,142)	(1,152)	247	59	306
48	Staff's Adjustments to Revenue Requirements	\$ (179,215)	\$ (51,248)	\$ (82,108)	\$ (37,055)	\$ (261,323)	\$ (88,302)	\$ (349,625)
49	Delivery Revenue Requirements per Staff	\$ (18,606)	\$ 3,680	\$ 0	\$ 21,956	\$ (18,606)	\$ 25,636	7,030
50	Delivery Percent Increase/(Decrease)	-2.8%	2.2%	0.0%	16.5%	-2.3%	5.1%	0.5%
51	Utilization of PBAs	\$ -	\$ (3,680)	\$ -	\$ (11,533)	\$ -	\$ (15,213)	(15,213)
52	NBC Transfer	\$ 46,384	\$ -	\$ -	\$ -	\$ 46,384	\$ -	46,384
53	Total Revenue Increase	\$ 27,778	\$ 0	\$ 0	\$ 10,423	\$ 27,778	\$ 10,423	38,201
54	Total Percent Increase/(Decrease)	4.2%	0.0%	0.0%	7.9%	3.4%	2.1%	2.9%

NYSEG & RG&E

Revenue Requirement Reconciliation
For the Rate Year Ended August 31, 2011
(\$000s)

COMPANY REBUTTAL ADJUSTMENTS - FEBRUARY 12, 2010

Company Rebuttal vs. Staff Testimony								
Issue	NYSEG		RG&E		Total			
	Electric	Gas	Electric	Gas	Electric	Gas	Total	
1 Company's Revenue Requirement per Staff Test.	\$ (18,606)	\$ 0	\$ 0	\$ 10,423	\$ (18,606)	\$ 10,423	\$ (8,182)	
2 Percent Rate Increase/(Decrease)	-2.8%	0.0%	0.0%	7.9%	3.4%	2.1%		
Company Rebuttal Adjustments								
I. Revenues								
3 Increase transmission revenues in delivery rates	-	-	-	-	-	-	-	
4 Reflect SBC revenues as a surcharge	-	-	-	-	-	-	-	
5 Low Income Rate Discounts	4,700	1,229	3,704	3,815	8,404	5,044	13,448	
6 Other	-	1,461	71	(142)	71	1,319	1,390	
II. Expenses - Other O&M								
7 Vegetation Management	21,305	-	-	-	21,305	-	21,305	
8 Operations Staffing	-	-	-	-	-	-	-	
9 Transmission Wheeling	-	-	-	-	-	-	-	
10 Low Income	4,485	2,937	1,515	2,905	6,000	5,842	11,842	
11 Payroll and Employee Benefits	3,858	750	1,356	739	5,214	1,489	6,703	
12 Pension & OPEB	591	125	886	701	1,477	826	2,303	
13 Environmental Remediation	-	-	4,584	2,353	4,584	2,353	6,937	
14 CRO Panel Initiatives	4,734	1,010	1,974	-	6,708	1,010	7,718	
15 Russell & Gas Turbine Sale	-	-	2,781	-	2,781	-	2,781	
16 Legal	-	-	-	-	-	-	-	
17 Stray Voltage	-	-	-	-	-	-	-	
18 Outreach & Education	-	598	-	-	-	598	598	
19 Rochester Street Lighting	-	-	255	-	255	-	255	
20 Integrity of Gas Pipeline	-	802	-	369	-	1,171	1,171	
21 Collections	956	279	313	262	1,269	541	1,810	
22 Uncollectibles	(302)	(158)	(202)	(190)	(504)	(348)	(852)	
23 Outside Services	1,162	170	-	-	1,162	170	1,332	
24 Storm	3,122	-	370	-	3,492	-	3,492	
25 EEMC	641	94	226	117	867	211	1,078	
26 Non-Executive Incentive Compensation	1,404	205	483	245	1,887	450	2,337	
27 Seneca Storage	-	1,626	-	-	-	1,626	1,626	
28 Transportation	778	136	81	29	859	165	1,024	
29 R&D	356	-	-	-	356	-	356	
30 Austerity	6,398	1,170	3,167	1,409	9,565	2,579	12,144	
31 Productivity	4,890	1,166	1,433	862	6,323	2,028	8,351	
32 Total O&M Adjustments	54,378	10,910	19,222	9,801	73,600	20,711	94,311	
33 Amortizations	(22,786)	11,267	(21,071)	18,486	(43,857)	29,753	(14,104)	
III. Taxes Other Than Income Taxes								
34 Property Taxes	416	1,043	9,960	2,239	10,376	3,282	13,658	
35 Other Taxes	114	133	165	79	279	212	491	
IV. Income Taxes								
36 Book/Tax Depreciation	-	4,034	5,532	1,531	5,532	5,565	11,097	
37 Other	1,027	266	1,203	50	2,230	316	2,546	
V. Depreciation								
38 Depreciation	1,321	6,653	10,296	5,272	11,617	11,925	23,542	
39 Decommissioning	-	-	-	-	-	-	-	
40 Amort the Excess Depr. Reserve	31,222	-	9,886	-	41,108	-	41,108	
VI. Cost of Capital								
41 NYSEG - 11.43% ROE	22,373	6,735	-	-	22,373	6,735	29,108	
42 NYSEG - Lower Weighted Cost of Debt	135	41	-	-	135	41	176	
43 RG&E - 11.43% ROE	-	-	12,182	5,459	12,182	5,459	17,641	
44 RG&E - Lower Weighted Cost of Debt	-	-	647	297	647	297	944	
VII. Rate Base								
45 Net Plant	245	1,471	(102)	(85)	143	1,386	1,529	
46 Regulatory Assets and Liabilities (Net)	9,765	3,138	5,445	1,957	15,210	5,095	20,305	
47 Other	691	279	74	351	765	630	1,395	
48 Staff's Adjustments to Revenue Requirements	\$ 103,601	\$ 48,660	\$ 57,212	\$ 49,110	\$ 160,813	\$ 97,770	\$ 258,583	
49 Delivery Revenue Requirements per Co. Rebuttal	\$ 84,995	\$ 48,660	\$ 57,212	\$ 59,533	\$ 142,208	\$ 108,193	\$ 250,401	
50 Delivery Percent Increase/(Decrease)	12.9%	29.6%	15.3%	44.6%	13.8%	36.3%	18.9%	
51 Utilization of PBAs - Amortization	\$ -	\$ (3,680)	\$ -	\$ (11,533)	\$ -	\$ (15,213)	(15,213)	
52 NBC Transfer	\$ 46,384	\$ -	\$ -	\$ -	\$ 46,384	\$ -	\$ 46,384	
53 Total Revenue Increase	\$ 131,379	\$ 44,980	\$ 57,212	\$ 48,000	\$ 188,592	\$ 92,980	\$ 281,572	
54 Total Percent Increase/(Decrease)	20.0%	27.3%	15.3%	35.9%	18.3%	31.2%	21.2%	

NYSEG and RG&E
Calculation of Staff Credit Metrics

Staff Calculation

STAFF Calculation per response NYSEG-RGE 51		NYSEG-RGE-51 (DPS) Attachment	
Standard & Poor's Coverage Ratios		NYSEG	RG&E
	Net Income:		
From Exhibit RRP-2, 4	Electric	\$106,944	\$76,392
From Exhibit RRP-3, 5	Gas	32,489	33,553
	Depreciation:		
From Exhibit RRP-2, 4	Electric	60,911	24,651
From Exhibit RRP-3, 5	Gas	19,745	18,842
From Exhibit FP 7, 8	Amortization Debt Cost:	7,207	6,601
Funds From Operations		\$227,296	\$160,039
From Exhibit FP 7, 8	Interest	52,523	51,115
From Exhibit FP 7, 8	Average Long Term debt	1,238,682	838,124
FFO Coverage		5.3	4.1
FFO/Debt		18.3%	19.1%

Company calculation of Staff Proposal

Staff Credit Metrics after Correcting Interest Error and reflecting disallowances / imputations		
	NYSEG Total	RG&E Total
Staff Operating Income	139,433	109,945
Less: Staff error - remove interest (after-tax)	(52,523)	(51,115)
Staff Income for Common Equity	86,910	58,830
Remove Staff O&M disallowances / imputations (pg 2)	(14,817)	(7,937)
Adjusted Staff Net Income	72,093	50,893
Depreciation:		
Electric	60,911	24,651
Gas	19,745	18,842
Amortization Debt Cost:	7,207	6,601
Funds From Operations	159,956	100,987
Interest - Reflects lower variable rate debt costs	52,523	51,115
Average Long Term debt	1,238,682	838,124
FFO Coverage	4.0	3.0
FFO/Debt	12.9%	12.0%

Moody's Baa Utilities with Medium Business Risk
2.7 - 4.5
13 - 22%

**NYSEG and RG&E
Staff O&M disallowances / imputations**

NYSEG Adjustments to Staff Income

Electric

<u>No.</u>	<u>Description</u>	<u>Amount</u>
5,6,7	Payroll	2,738
8	Pension	575
9	Group Incentive	1,019
11	Uncollectibles	(294)
12	EEMC	624
13	Transportation	758
15	Outside Services - radio	1,131
26	Non-Executive comp	1,367
27	Productivity	4,762
28	Austerity	<u>6,229</u>
	Total disallowance / imputations	18,909
	After-Tax	(11,345)

Gas

<u>No.</u>	<u>Description</u>	<u>Amount</u>
7,8,9	Payroll	509
10	Pension	123
11	Group Incentive	228
13	Uncollectibles	(155)
15	Outside services - radio	167
16	Transportation	134
17	EEMC	92
18	Pipeline Integrity	788
19	O&E	587
20	Meter Relocation	816
24	Non-Executive comp	202
23	Productivity	1,145
24	Austerity	<u>1,150</u>
	Total disallowance / imputations	5,786
	After-Tax	(3,472)

RG&E Adjustments to Staff Income

Electric

<u>No.</u>	<u>Description</u>	<u>Amount</u>
6	Payroll	745
8	OPEB	(102)
9	Pension	964
10	Group Incentive	574
12	Uncollectibles	(196)
14	Transportation	79
15	EEMC	220
17	CRO Maintenance	1,920
23	Non-Executive comp	470
26	Productivity	1,394
27	Austerity	<u>3,080</u>
	Total disallowance / imputations	9,148
	After-Tax	(5,489)

Gas

<u>No.</u>	<u>Description</u>	<u>Amount</u>
6	Payroll	371
8	OPEB	102
9	Pension	566
10	Group Incentive	334
12	Uncollectibles	(181)
14	Transportation	27
15	EEMC	111
20	Pipeline Integrity	352
22	Non-Executive comp	234
23	Productivity	822
24	Austerity	<u>1,343</u>
	Total disallowance / imputations	4,081
	After-Tax	(2,449)

NYSEG and RG&E
2009 Rate Case
Company Productivity and Austerity Rebuttal Adjustment
(\$ 000's)

<u>Description</u>	<u>NYSEG</u>			<u>RGE</u>			<u>Total NY</u>
	<u>Electric</u>	<u>Gas</u>	<u>Total</u>	<u>Electric</u>	<u>Gas</u>	<u>Total</u>	
<u>Staff Amount</u>							
<u>Productivity</u>							
Total Staff Level	\$ 7,731	\$ 1,883	\$ 9,614	\$ 2,383	\$ 1,413	\$ 3,797	\$ 13,410
Base Costs (Labor, Medical, excluding Pension/OPEB)	148,434	36,880	185,314	49,492	29,544	79,036	264,350
Percent	5.2%	5.1%	5.2%	4.8%	4.8%	4.8%	5.1%
<u>Austerity</u>							
Staff Adjustment	8,400	1,590	9,990	3,357	1,436	4,793	14,783
Test Year Austerity	2,268	570	2,838	1,466	796	2,262	5,100
Total Staff Austerity	\$ 10,668	\$ 2,160	\$ 12,828	\$ 4,823	\$ 2,232	\$ 7,055	\$ 19,883
Base Costs (O&M Exlcuding uncontrollable, reconcilable and surcharges)	246,628	56,158	302,786	96,886	49,380	146,266	449,052
Percent	4.3%	3.8%	4.2%	5.0%	4.5%	4.8%	4.4%
Staff Total Productivity and Austerity	\$ 18,399	\$ 4,043	\$ 22,442	\$ 7,206	\$ 3,645	\$ 10,851	\$ 33,293
ROE Basis Point Impact	154	111	144	98	113	103	127
<u>Company Amount</u>							
<u>Productivity</u>							
Total Company Level	\$ 2,969	\$ 738	\$ 3,706	\$ 990	\$ 591	\$ 1,581	\$ 5,287
Base Costs (Labor, Medical, excluding Pension/OPEB)	148,434	36,880	185,314	49,492	29,544	79,036	264,350
Percent	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
<u>Austerity</u>							
Company Adjustment	2,171	440	2,612	278	93	371	2,983
Test Year Austerity	2,268	570	2,838	1,466	796	2,262	5,100
Total Staff Austerity	\$ 4,439	\$ 1,011	\$ 5,450	\$ 1,744	\$ 889	\$ 2,633	\$ 8,083
Base Costs (O&M Exlcuding uncontrollable, reconcilable and surcharges)	246,628	56,158	302,786	96,886	49,380	146,266	449,052
Percent	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Co. Total Productivity and Austerity	\$ 7,408	\$ 1,748	\$ 9,156	\$ 2,734	\$ 1,480	\$ 4,214	\$ 13,370
ROE Basis Point Impact	62	48	59	37	46	40	51

NYSEG and RG&E
2009 Rate Case
Company Productivity Rebuttal Adjustment
(\$ 000's)

	NYSEG			RGE			Total NY
	Electric	Gas	Total	Electric	Gas	Total	
<i>Productivity Imbedded in Staff 's Revenue Requirements:</i>							
Staff's Productivity Adjustment	5,525	1,310	6,835	1,714	1,010	2,724	9,559
Company Productivity Imputation in 12/04/09 Filing	<u>2,206</u>	<u>573</u>	<u>2,779</u>	<u>669</u>	<u>403</u>	<u>1,073</u>	<u>3,851</u>
Total Productivity Imputation	7,731	1,883	9,614	2,383	1,413	3,797	13,410
<i>Company Productivity Rebuttal Adjustment Calculation:</i>							
Staff Calculation							
Staff Productivity Cost Base	171,560	41,762	213,322	53,400	31,762	85,162	298,484
Productivity Factor	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.5%</u>	<u>4.4%</u>	<u>4.5%</u>	<u>4.5%</u>
Total Productivity Imputation	7,731	1,883	9,614	2,383	1,413	3,797	13,410
Company Rebuttal Calculation							
Company Productivity Cost Base	148,434	36,880	185,314	49,492	29,544	79,036	264,350
Productivity Factor	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>2.00%</u>
Total Productivity Imputation	2,969	738	3,706	990	591	1,581	5,287
Staff Productivity on Company Base	5.2%	5.1%	5.2%	4.8%	4.8%	4.8%	5.1%
Company Rebuttal Expense Adjustment - [increase / (decrease)]	4,762	1,145	5,907	1,394	822	2,216	8,123

NYSEG and RG&E
2009 Rate Case
Company Austerity Rebuttal Adjustment
(\$ 000's)

	NYSEG			RGE			Total NY	
	Electric	Gas	Total	Electric	Gas	Total		
Company Austerity Rebuttal Calculation and Adjustment:								
Net controllable O&M costs including labor/benefits/productivity	\$ 244,360	\$ 55,588	\$ 299,948	\$ 95,420	\$ 48,584	\$ 144,004	\$ 443,952	
<i>Percent for Allocations</i>	<i>81.5%</i>	<i>18.5%</i>	<i>67.6%</i>	<i>66.3%</i>	<i>33.7%</i>	<i>32.4%</i>		
Plus: Austerity Initiatives included in Rate Year (NYRC-0022 Attach 4)								
Memberships	407	93	500	199	101	300	800	
Non-storm overtime	81	19	100	398	202	600	700	
Company use - electric & gas	570	130	700	66	34	100	800	
Non-Union Salary Freeze	1,009	230	1,238	703	358	1,062	2,300	
	2,068	470	2,538	1,366	696	2,062	4,600	
Plus: Austerity Spend Deferral & Avoidance Initiatives 1								
	200	100	300	100	100	200	500	
Controllable O&M Austerity Base	246,628	56,158	302,786	96,886	49,380	146,266	449,052	
1.8% Austerity Factor	<u>1.8%</u>	<u>1.8%</u>		<u>1.8%</u>	<u>1.8%</u>			
Total Austerity Imputation including austerity measures in rate year.	4,439	1,011	5,450	1,744	889	2,633	8,083	1.8%
Less: Austerity initiatives included in rate year	<u>2,268</u>	<u>570</u>	<u>2,838</u>	<u>1,466</u>	<u>796</u>	<u>2,262</u>	<u>5,100</u>	
Additional Austerity Adjustment to reach 1.8%	2,171	440	2,612	278	93	371	2,983	
Staff Austerity Adjustment	8,400	1,590	9,990	3,357	1,436	4,793	14,783	
Rebuttal Austerity Expense Adjustment - [increase / (decrease)]	\$ 6,229	\$ 1,150	\$ 7,378	## \$ 3,079	\$ 1,343	\$ 4,422	\$ 11,800	
Note 1: Source of Information NYRC-0022 attachments 2a, 2b, 2c, & 2d								
Staff Austerity	8,400	1,590	9,990	3,357	1,436	4,793	14,783	
Plus: Austerity Initiatives included in Rate Year (NYRC-0022 Attach 4)	2,068	470	2,538	1,366	696	2,062	4,600	
Plus: Austerity Spend Deferral & Avoidance Initiatives 1	200	100	300	100	100	200	500	
Total Staff Austerity	10,668	2,160	12,828	4,823	2,232	7,055	19,883	
Percent Per Base Cost excluding uncontrollable costs	4.7%	4.4%	4.7%	5.6%	4.8%	5.3%	4.9%	
Staff Base Costs	420,383	78,574	498,956	167,875	71,793	239,668	738,624	
Uncontrollable / Reconcilable Costs - pages 2-5	<u>(194,308)</u>	<u>(29,296)</u>	<u>(223,604)</u>	<u>(81,114)</u>	<u>(25,710)</u>	<u>(106,824)</u>	<u>(330,427)</u>	
Staff Base Costs excluding uncontrollable / reconcilable costs	226,074	49,278	275,353	86,761	46,083	132,844	408,197	

NYSEG and RG&E
2009 Rate Case
Summary of Productivity adjustments in Rate filing
(\$ 000's)

Item	O&M Expenses with 1% Productivity Adj.			O&M Expenses without Productivity Adj.			Difference (1% Productivity Adjustment)
	Historic Test		Rate Year Ending (Aug. 2011)	Historic Test		Rate Year Ending (Aug. 2011)	
	Year (June 30, 2009)	Inflation Rate ¹		Year (June 30, 2009)	Inflation Rate ²		
NYSEG Electric							
O&M Expense - Labor/Payroll	\$ 102,223	3.88%	\$ 106,189	\$ 102,223	5.80%	\$ 108,152	\$ 1,963
O&M Expense - Group Incentive	981	3.88%	1,019	981	5.80%	1,038	19
O&M Expense - Transportation	3,139	3.88%	3,261	3,139	5.80%	3,321	60
Other Operating Taxes - Payroll	8,528	3.88%	<u>8,859</u>	8,528	5.80%	<u>9,023</u>	<u>164</u>
			\$ 119,328			\$ 121,533	\$ 2,206
NYSEG Gas							
O&M Expense - Labor/Payroll	\$ 26,733	3.88%	\$ 27,770	\$ 26,733	5.80%	\$ 28,283	\$ 513
O&M Expense - Group Incentive	219	3.88%	228	219	5.80%	232	4
O&M Expense - Transportation	555	3.88%	577	555	5.80%	587	11
Other Operating Taxes - Payroll	2,340	3.88%	<u>2,431</u>	2,340	5.80%	<u>2,476</u>	<u>45</u>
			\$ 31,006			\$ 31,579	\$ 573
							<u>1.8%</u>
Total NYSEG							\$ 2,779
RGE Electric							
O&M Expense - Labor/Payroll	\$ 33,421	5.07%	\$ 35,115	\$ 33,421	6.88%	\$ 35,720	\$ 605
O&M Expense - Group Incentive	546	5.07%	574	546	6.88%	584	10
O&M Expense - Transportation	415	5.07%	436	415	6.88%	444	8
Other Operating Taxes - Payroll	2,593	5.07%	<u>2,724</u>	2,593	6.88%	<u>2,771</u>	<u>47</u>
			\$ 38,849			\$ 39,518	\$ 669
RGE Gas							
O&M Expense - Labor/Payroll	\$ 20,473	5.07%	\$ 21,511	\$ 20,473	6.88%	\$ 21,882	\$ 371
O&M Expense - Group Incentive	318	5.07%	334	318	6.88%	340	6
O&M Expense - Transportation	143	5.07%	151	143	6.88%	153	3
Other Operating Taxes - Payroll	1,353	5.07%	<u>1,422</u>	1,353	6.88%	<u>1,446</u>	<u>24</u>
			\$ 23,418			\$ 23,821	\$ 403
							<u>1.7%</u>
Total RGE							\$ 1,073
Total Productivity Offset							\$ 3,851

Note 1: Payroll Inflation Calculation which *includes* 1% productivity adjustment as filed by Company 12/04/09

Note 2: Payroll Inflation Calculation which *excludes* 1% productivity adjustment

NYSEG and RG&E

2009 Rate Case

Productivity Imputation Reconciliation (Staff Calc. vrs Company Rebuttal)

(\$ 000's)

	NYSEG				RGE			
	Staff Calculation		Company Rebuttal Calc.		Staff Calculation		Company Rebuttal Calc.	
	Electric	Gas	Electric	Gas	Electric	Gas	Electric	Gas
Test Year Payroll without Productivity Adj.	107,231	28,043	108,152	28,283	36,244	22,089	35,720	21,882
Additional Costs								
Payroll Taxes	8,526	2,357	9,023	2,476	2,480	1,280	2,771	1,446
Transportation Labor	3,022	534	3,321	587	417	144	444	153
Stores Labor	562	173	562	173	475	140	475	140
Operational Staffing	968	640	968	640	545	499	545	499
Medical Benefits	10,849	2,424	10,849	2,424	1,945	1,153	1,945	1,153
Group Incentive			1,038	232			584	340
Other Employee Benefits	5,340	713	5,340	713	3,137	1,964	3,137	1,964
Pension & OPEB's	25,881	5,527	-	-	4,285	2,526	-	-
EEMC / USS Labor Costs	<u>9,181</u>	<u>1,352</u>	<u>9,181</u>	<u>1,352</u>	<u>3,872</u>	<u>1,968</u>	<u>3,872</u>	<u>1,968</u>
Total	64,329	13,719	40,282	8,597	17,156	9,673	13,772	7,663
Total Productivity Cost Base	171,560	41,762	148,434	36,880	53,400	31,762	49,492	29,544
Imputed Productivity Factor	<u>4.36%</u>	<u>4.36%</u>	<u>2.00%</u>	<u>2.00%</u>	<u>4.36%</u>	<u>4.36%</u>	<u>2.00%</u>	<u>2.00%</u>
Total Productivity Imputation	7,480	1,821	2,969	738	2,328	1,385	990	591
Less: Productivity in Company Filing ¹	<u>1,955</u>	<u>511</u>			<u>614</u>	<u>375</u>		
Staff's Proposed Adjustment	5,525	1,310			1,714	1,010		

Note 1: Staff's calculation only includes productivity savings in Company's' case for payroll dollars.

**NYSEG and RG&E
2009 Rate Case
Staff Productivity Calculation
(\$ 000's)**

Productivity Per RR Panel	NYSEG				RGE			
	Electric	Gas	Total	%	Electric	Gas	Total	%
T/Y -Total Payroll - O&M	102,222	26,733	128,955		33,911	20,667	54,578	
Inflation to RY	<u>3,054</u>	<u>799</u>	<u>3,853</u>	2.99%	1,719	1,047	2,766	5.07%
R/Y Payroll	<u>105,276</u>	<u>27,532</u>	<u>132,808</u>		<u>35,630</u>	<u>21,714</u>	<u>57,344</u>	
NYSEG update 5.8% / 3.88%								
if use 4.9% vs 2.99% / 6.88 % vs 5.07	<u>107,231</u>	<u>28,043</u>	<u>135,274</u>	104.9%	<u>36,244</u>	<u>22,089</u>	<u>58,333</u>	
Productivity Per Co	<u>1,955</u>	<u>511</u>			<u>614</u>	<u>375</u>		
Productivity %					<u>1.69%</u>	<u>1.70%</u>		
update based on RGE - disallow	913							
T/Y Payroll Taxes	8,529	2,341	10,870		2,665	1,391	4,056	
Inflation to RY	255	70			59	31		
Percent Of payroll	<u>8.34%</u>	<u>8.76%</u>			<u>7.86%</u>	<u>6.73%</u>		
<u>R/Y Base Adds</u>								
Payroll Taxes	8,784	2,411	11,195		2,724	1,422	4,146	
Payroll Adj. - RGE update error	0	0	0		(157)	(95)	(252)	
Staff adjustment to PR tax	(258)	(54)	(312)		(87)	(47)	(134)	
Transportation Labor to O&M (per Sta	3,022	534	3,556		417	144	561	
Stores Labor to O&M	562	173	735		475	140	615	
Operation Staffing 9973/ 5914?	9,794	3,358	13,152		5,692	2,104	7,796	
Staff adjustment to OS	(8,826)	(2,718)	(11,544)		(5,147)	(1,605)	(6,752)	
Medical Benefits	10,849	2,424	13,273		1,945	1,153	3,098	
Other Employeess Benefits	5,340	713	6,053		3,137	1,964	5,101	
OPEB	14,381	3,186	17,567		2,512	1,534	4,046	
Pension	13,643	2,914	16,557		3,317	2,030	5,347	
Staff Adjustment to Pension / OPEB	(2,143)	(573)	(2,716)		(1,544)	(1,038)	(2,582)	
EEMC	5,869	869	6,738	***	939	475	1,415	
Staff Adjustment to Labor	(2,408)	(364)	(2,772)		(972)	(483)	(1,455)	
USS	<u>5,720</u>	<u>847</u>	<u>6,567</u>		<u>3,904</u>	<u>1,976</u>	<u>5,880</u>	
Additions to Base	64,329	13,719			17,156	9,673		
<u>adjustments</u>								
EEMC (Gen Infl. vs payroll)	0.871	0.129			0.664	0.336		
Labor	6,039	894	6,933		2,181	1,104	3,285	
Pension & Benefits	3,354	497	3,851		0	0	0	
Exec. Pay	<u>(3,717)</u>	<u>(551)</u>	<u>(4,268)</u>		<u>(1,273)</u>	<u>(644)</u>	<u>(1,917)</u>	
total Ty	5,676	840	6,516		908	460	1,368	
Inflation 3.41%	194	29	222		31	16	47	
Total rate year EEMC	<u>5,869</u>	<u>869</u>	<u>6,738</u>	***	<u>939</u>	<u>475</u>	<u>1,415</u>	***
Exec pay not in this	<u>10,929</u>	<u>1,618</u>	<u>12,547</u>					
Exec Pay Test year	<u>5,071</u>	<u>751</u>	<u>5,822</u>					
USS (Gen Infl. vs payroll)	0.871	0.129			0.664	0.336		
Labor			6,933		4,020	2,034	6,054	
Pension & Benefits			0			0	0	
Exec. Pay	<u>(684)</u>	<u>(101)</u>	<u>(785)</u>		<u>(244)</u>	<u>(124)</u>	<u>(368)</u>	
total Ty	5,355	793	6,148		3,776	1,910	5,686	
Inflation 3.41%	<u>365</u>	<u>54</u>	<u>419</u>		<u>129</u>	<u>65</u>	<u>194</u>	
Total rate year	5,720	847	6,567		<u>3,904</u>	<u>1,976</u>	<u>5,880</u>	
	30,114							
1) 1% / year on Adjusted Base	<u>3,740</u>	<u>910</u>	4,650		<u>1,164</u>	<u>692</u>	1,857	
2) Total Addl. Productivity per Staff	<u>5,525</u>	<u>1,310</u>	6,835		<u>1,714</u>	<u>1,010</u>	2,724	

NYSEG and RG&E
2009 Rate Case
Company Austerity Rebuttal Adjustment - Controllable Cost Calculation
(\$ 000's)

NYSEG
Electric Department
Revenue Requirement for Forecast Year Ending August 31, 2011
Operation & Maintenance Expense (\$000)

	Rate Year	Staff Adjustments	Rate Year	Rebuttal Adjustments	Rate Year
O&M Expenses					
1 Labor/Payroll	\$ 106,189	\$ (3,321)	\$ 102,868	\$ 2,738	\$ 105,606
2 Medical Benefits	10,849	-	10,849	-	10,849
3 Other Employee Benefits	5,340	-	5,340	-	5,340
4 OPEBs	14,381	346	14,727	-	14,727
5 Pension	13,643	(2,489)	11,154	575	11,729
6 Group Incentive	1,019	(1,019)	(0)	1,019	1,019
7 Employee Related	2,509	-	2,509	-	2,509
8 Collections	1,755	(931)	824	931	1,755
9 Uncollectibles	9,030	(227)	8,803	(294)	8,509
10 Postage	4,611	-	4,611	-	4,611
11 Telephone	1,842	-	1,842	-	1,842
12 Materials & Supplies	8,910	-	8,910	-	8,910
13 Legal Services	5,455	(863)	4,592	-	4,592
14 Outside Services	16,137	(1,131)	15,006	1,131	16,137
15 Transportation	13,590	(1,099)	12,491	758	13,249
16 Insurance	2,999	-	2,999	-	2,999
17 Advertising	322	-	322	-	322
18 EEMC Costs	10,929	(857)	10,072	624	10,696
19 USS Costs	30,114	-	30,114	-	30,114
20 Rents & Leases	3,231	-	3,231	-	3,231
21 Regulatory Commission Assessment Fees	4,338	-	4,338	-	4,338
22 Transmission Wheeling	10,166	(10,166)	(0)	-	(0)
23 Stores	1,124	-	1,124	-	1,124
24 Economic Development	2,167	-	2,167	-	2,167
25 Portfolio Standards (EEPS)	32,317	-	32,317	-	32,317
26 Environmental Remediation	18,087	-	18,087	-	18,087
27 Executive Incentive Compensation	-	-	-	-	-
28 Renewable Portfolio Standard	14,669	-	14,669	-	14,669
29 Sarbanes Oxley	877	-	877	-	877
30 Stray Voltage	6,182	(481)	5,701	-	5,701
31 Storm	17,600	(3,040)	14,560	3,040	17,600
32 System Benefit Charge	20,711	-	20,711	-	20,711
33 Vegetation Management	41,813	(20,744)	21,069	20,744	41,813
34 Temporary State Assessment Surcharge (TSAS)	30,414	-	30,414	-	30,414
35 Low Income Program	5,658	(4,367)	1,291	4,367	5,658
36 CRO Panel Initiatives	9,504	(4,609)	4,895	4,609	9,504
37 Operation Staffing	9,794	(8,826)	968	-	968
38 Other	3,660	(2,203)	1,457	1,714	3,171
Productivity	-	(5,525)	(5,525)	4,762	(763)
Austerity	-	(8,400)	(8,400)	6,229	(2,171)
39 Total	\$ 491,935	\$ (79,952)	\$ 411,983	\$ 52,946	\$ 464,929

Staff O&M with austerity added back \$ 420,383 \$ 46,717 \$ 467,100

Amounts over which Company has no control or are trued up

OPEBs	14,381	346	14,727	-	14,727
Pension	13,643	(2,489)	11,154	575	11,729
Uncollectibles	9,030	(227)	8,803	(294)	8,509
Regulatory Commission Assessment Fees	4,338	-	4,338	-	4,338
Economic Development	2,167	-	2,167	-	2,167
System Benefit Charge	20,711	-	20,711	-	20,711
Portfolio Standards (EEPS)	32,317	-	32,317	-	32,317
Renewable Portfolio Standard	14,669	-	14,669	-	14,669
Vegetation Management	41,813	(20,744)	21,069	20,744	41,813
Temporary State Assessment Surcharge (TSAS)	30,414	-	30,414	-	30,414
Low Income Program	5,658	(4,367)	1,291	4,367	5,658
Storm	17,600	(3,040)	14,560	3,040	17,600
Environmental Remediation	18,087	-	18,087	-	18,087
Total			194,308	28,432	222,740

Staff O&M with austerity added back	\$ 420,383	\$ 46,717	\$ 467,100
less - amounts with no control/reconciliation	(194,308)	(28,432)	(222,740)
Net controllable including labor/benefits/productivity	\$226,074	\$18,285	\$244,360

NYSEG and RG&E

2009 Rate Case

Company Austerity Rebuttal Adjustment - Controllable Cost Calculation

(\$ 000's)

New York State Electric and Gas Corporation

Gas Department

Revenue Requirement for Forecast Year Ending August 31, 2011

Operation & Maintenance Expense (\$000)

	Staff		Rebuttal		Rate Year
	Rate Year	Adjustments	Rate Year	Adjustments	
O&M Expenses					
1 Labor/Payroll	\$ 27,770	\$ (603)	\$ 27,167	\$ 509	\$ 27,677
2 Medical Benefits	2,424	-	2,424	-	2,424
3 Other Employee Benefits	713	-	713	-	713
4 OPEBs	3,186	(41)	3,145	-	3,145
5 Pension	2,914	(532)	2,382	123	2,505
6 Group Incentive	228	(228)	(0)	228	228
7 Employee Related	580	-	580	-	580
8 Collections	384	(274)	110	274	384
9 Uncollectibles	3,284	(48)	3,236	(155)	3,081
10 Postage	634	-	634	-	634
11 Telephone	278	-	278	-	278
12 Materials & Supplies	1,930	-	1,930	-	1,930
13 Legal Services	1,030	(216)	814	-	814
14 Outside Services	4,440	(167)	4,273	167	4,440
15 Transportation	2,977	(194)	2,783	134	2,917
16 Insurance	450	-	450	-	450
17 Advertising	4	-	4	-	4
18 EEMC Costs	1,618	(126)	1,492	92	1,584
19 USS Costs	4,460	-	4,460	-	4,460
20 Rents & Leases	1,135	-	1,135	-	1,135
21 Regulatory Commission Assessment Fees	1,326	-	1,326	-	1,326
22 Stores	345	-	345	-	345
23 Energy Efficiency Portfolio Standards (EEPS)	3,159	-	3,159	-	3,159
24 Environmental Remediation	4,411	-	4,411	-	4,411
25 Executive Incentive Compensation	-	-	-	-	-
26 Integrity of Gas Pipelines	1,080	(816)	264	788	1,052
27 Outreach & Education	373	(587)	(214)	587	373
28 Sarbanes Oxley	130	-	130	-	130
29 Security	47	-	47	-	47
30 Vegetation Management	224	-	224	-	224
31 CRO Panel Initiatives	3,293	(993)	2,300	993	3,293
32 Operations Staffing	3,358	(2,718)	640	-	640
33 Low Income Program	3,293	(2,885)	408	2,885	3,293
34 Temporary State Assessment Surcharge (TSAS)	11,128	-	11,128	(39)	11,089
35 Economic Development	100	-	100	-	100
36 Other	1,303	(3,699)	(2,396)	1,799	(597)
Productivity	-	(1,309)	(1,309)	738	(571)
Austerity	-	(1,590)	(1,590)	1,150	(440)
37 Total	\$ 94,010	\$ (17,026)	\$ 76,984	\$ 10,274	\$ 87,257

Staff O&M with austerity added back

\$ 78,574 \$ 9,124 \$ 87,697

Amounts over which Company has no control or are trued up

OPEBs	3,186	(41)	3,145	-	3,145
Pension	2,914	(532)	2,382	123	2,505
Uncollectibles	3,284	(48)	3,236	(155)	3,081
Regulatory Commission Assessment Fees	1,326	-	1,326	-	1,326
Economic Development	100	-	100	-	100
Energy Efficiency Portfolio Standards (EEPS)	3,159	-	3,159	-	3,159
Temporary State Assessment Surcharge (TSAS)	11,128	-	11,128	(39)	11,089
Low Income Program	3,293	(2,885)	408	2,885	3,293
Environmental Remediation	4,411	-	4,411	-	4,411
Total			29,296	2,814	32,110

Staff O&M with austerity added back	\$ 78,574	\$ 9,124	\$ 87,697
less - amounts with no control/reconciliation	(29,296)	(2,814)	(32,110)
Net controllable including labor/benefits/productivity	\$49,278	\$6,310	\$55,588

NYSEG and RG&E
2009 Rate Case
Company Austerity Rebuttal Adjustment - Controllable Cost Calculation
(\$ 000's)

Rochester Gas and Electric Corporation
Electric Department
Revenue Requirement for Forecast Year Ending August 31, 2011
Operation & Maintenance Expense (\$000)

	Rate Year	Staff Testimony	Rate Year	Rebuttal Testimony	Rate Year
O&M Expenses					
1 Labor/Payroll	35,630	(1,129)	34,501	745	35,246
2 Medical Benefits	1,959	-	1,959	-	1,959
3 Other Employee Benefits	3,137	(14)	3,123	-	3,123
4 OPEBs	2,628	18	2,646	(102)	2,544
5 Pension	2,789	(1,544)	1,245	964	2,209
6 Group Incentive	574	(574)	(0)	574	574
7 Employee Related	481	-	481	-	481
8 Collections	726	(304)	422	304	726
9 Uncollectibles	7,689	(163)	7,526	(196)	7,329
10 Postage	1,247	-	1,247	-	1,247
11 Telephone	607	-	607	-	607
12 Materials & Supplies	3,205	-	3,205	-	3,205
13 Legal Services	2,763	(822)	1,941	-	1,941
14 Outside Services	11,796	-	11,796	-	11,796
15 Transportation	3,529	(180)	3,349	79	3,428
16 Insurance	807	-	807	-	807
17 Advertising	85	-	85	-	85
18 EMC Costs	4,476	(299)	4,177	220	4,397
19 USS Costs	10,828	-	10,828	-	10,828
20 Rents & Leases	2,801	-	2,801	-	2,801
21 Regulatory Commission Assessment Fees	2,361	-	2,361	-	2,361
22 Transmission Wheeling	331	-	331	-	331
23 Stores	982	-	982	-	982
24 Economic Development	3,600	-	3,600	-	3,600
25 System Benefit Charge	9,592	-	9,592	-	9,592
26 Energy Efficiency Portfolio Standards	17,378	-	17,378	-	17,378
27 Renewable Portfolio Standard	5,621	-	5,621	-	5,621
28 Executive Incentive Compensation	-	-	-	-	-
29 Vegetation Management	7,570	-	7,570	-	7,570
30 Temporary State Assessment Surcharge	14,385	-	14,385	-	14,385
31 Low Income Program	2,100	(1,473)	627	1,473	2,100
32 CRO Panel Initiatives	4,199	(1,920)	2,279	1,920	4,199
33 Operations Staffing	5,692	(5,147)	545	-	545
34 Storm	2,700	(360)	2,340	360	2,700
35 Environmental Remediation	10,553	(6,318)	4,235	4,458	8,693
36 Outreach & Education	587	(587)	0	-	0
37 Right of Way	117	-	117	-	117
38 Sarbanes Oxley	315	-	315	-	315
39 Stray Voltage	3,358	(692)	2,666	-	2,666
40 Security	710	-	710	-	710
41 ERO_NERC	234	-	234	-	234
42 Electric DOE Liability	1,986	-	1,986	-	1,986
43 Other	2,690	(470)	2,220	470	2,690
44 Rochester Street Lighting Facilities	-	(548)	(548)	248	(300)
45 Russell and Gas Turbines Sale	-	(2,705)	(2,705)	2,705	-
46 Productivity	-	(1,714)	(1,714)	1,394	(320)
47 Austerity	-	(3,358)	(3,358)	3,145	(213)
48 Total	\$ 194,820	\$ (30,303)	\$ 164,517	\$ 18,761	\$ 183,278

Staff O&M with austerity added back

\$ 167,875

\$ 15,616

\$ 183,490

Staff O&M with austerity and productivity added back

169,589

183,810

Amounts over which Company has no control or are trued up

OPEBs	2,628	18	2,646	(102)	2,544
Pension	2,789	(1,544)	1,245	964	2,209
Uncollectibles	7,689	(163)	7,526	(196)	7,329
Regulatory Commission Assessment Fees	2,361	-	2,361	-	2,361
Economic Development	3,600	-	3,600	-	3,600
System Benefit Charge	9,592	-	9,592	-	9,592
Electric DOE Liability	1,986	-	1,986	-	1,986
Energy Efficiency Portfolio Standards	17,378	-	17,378	-	17,378
Renewable Portfolio Standard	5,621	-	5,621	-	5,621
Vegetation Management	7,570	-	7,570	-	7,570
Temporary State Assessment Surcharge	14,385	-	14,385	-	14,385
Low Income Program	2,100	(1,473)	627	1,473	2,100
Storm	2,700	(360)	2,340	360	2,700
Environmental Remediation	10,553	(6,318)	4,235	4,458	8,693
Total			81,114	6,957	88,070

Staff O&M with austerity added back

\$167,875

\$ 15,616

\$ 183,490

less - amounts with no control/reconciliation

(81,114)

(6,957)

(88,070)

Net controllable including labor/benefits/productivity

\$86,761

\$8,659

\$95,420

NYSEG and RG&E

2009 Rate Case

Company Austerity Rebuttal Adjustment - Controllable Cost Calculation

(\$ 000's)

Rochester Gas and Electric Corporation
Gas Department
Revenue Requirement for Forecast Year Ending August 31, 2011
Operation & Maintenance Expense (\$000)
(\$ 000)

	Rate Year	Staff Testimony	Rate Year	Rebuttal Testimony	Rate Year
<u>O&M Expenses</u>					
1 Labor/Payroll	\$ 21,714	\$ (578)	\$ 21,136	\$ 371	\$ 21,507
2 Medical Benefits	1,161	-	1,161	-	1,161
3 Other Employee Benefits	1,964	(8)	1,956	-	1,956
4 OPEBs	1,604	(50)	1,554	102	1,656
5 Pension	1,720	(988)	732	566	1,298
6 Group Incentive	334	(334)	0	334	334
7 Employee Related	192	-	192	-	192
8 Collections	621	(250)	371	250	621
9 Uncollectibles	3,952	(29)	3,923	(181)	3,742
10 Postage	992	-	992	-	992
11 Telephone	289	-	289	-	289
12 Materials & Supplies	1,410	-	1,410	-	1,410
13 Legal Services	1,205	(205)	1,000	-	1,000
14 Outside Services	5,289	-	5,289	-	5,289
15 Transportation	1,342	(62)	1,280	27	1,307
16 Insurance	705	-	705	-	705
17 Advertising	77	-	77	-	77
18 EEMC Costs	2,263	(152)	2,111	111	2,223
19 USS Costs	5,479	-	5,479	-	5,479
20 Rents & Leases	1,413	-	1,413	-	1,413
21 Regulatory Commission Assessment Fees	1,121	-	1,121	-	1,121
22 Stores	279	-	279	-	279
23 Executive Compensation	-	-	-	-	-
24 Vegetation Management	367	-	367	-	367
25 EEPS	2,936	-	2,936	-	2,936
26 Low Income Program	3,173	(2,769)	404	2,769	3,173
27 Economic Development	100	-	100	-	100
28 CRO Panel Initiatives	1,876	(816)	1,060	-	1,060
29 Operations Staffing	2,104	(1,605)	499	-	499
30 Mendon Heater	-	-	-	-	-
31 Environmental Remediation	5,309	(3,184)	2,125	2,243	4,368
32 Integrity of Gas Pipeline	992	(452)	540	352	892
33 Sarbanes Oxley	159	-	159	-	159
34 Security	359	-	359	-	359
35 Temporary State Assessment Surcharge	12,815	-	12,815	17	12,832
36 Other	(798)	(234)	(1,032)	234	(798)
37 Productivity	-	(1,009)	(1,009)	822	(187)
38 Austerity	-	(1,436)	(1,436)	1,366	(70)
39 Total	\$ 84,518	\$ (14,161)	\$ 70,357	\$ 9,383	\$ 79,740
Staff O&M with austerity added back			\$ 71,793	\$ 8,017	\$ 79,810

Amounts over which Company has no control or are trued up

OPEBs	1,604	(50)	1,554	102	1,656
Pension	1,720	(988)	732	566	1,298
Uncollectibles	3,952	(29)	3,923	(181)	3,742
Regulatory Commission Assessment Fees	1,121	-	1,121	-	1,121
Economic Development	100	-	100	-	100
EEPS	2,936	-	2,936	-	2,936
Temporary State Assessment Surcharge	12,815	-	12,815	17	12,832
Low Income Program	3,173	(2,769)	404	2,769	3,173
Environmental Remediation	5,309	(3,184)	2,125	2,243	4,368
Total			25,710	5,516	31,226

Staff O&M with austerity added back	\$ 71,793	\$ 8,017	\$ 79,810
less - amounts with no control/reconciliation	(25,710)	(5,516)	(31,226)
Net controllable including labor/benefits/productivity	\$46,083	\$2,501	\$48,584

FOR IMMEDIATE RELEASE:
JANUARY 8 2010

GOVERNOR PATERSON ANNOUNCES NEARLY \$300 MILLION FOR RENEWABLE ENERGY PROJECTS

Funding Will Increase New York's Use of Hydroelectric, Wind, and Biomass Energy

Governor David A. Paterson today announced that the New York State Energy Research and Development Authority (NYSERDA), in conjunction with the Public Service Commission (PSC), will provide nearly \$300 million for renewable energy projects under the Renewable Portfolio Standard Program (RPS), which will help accelerate the development of New York's clean energy economy. With these awards, New York continues to invest in clean energy to achieve Governor Paterson's goal of meeting 45 percent of the State's energy needs through energy efficiency and renewable energy by 2015.

"Investments in clean, renewable energy will form the foundation for New York's clean energy economy by creating jobs and helping control energy costs for New Yorkers," Governor Paterson said. "As I laid out in my State of the State address, we will transform New York's economy by investing in the technology of the 21st century. Improving our economy and our environment through strategic investments in clean energy industries which will sustain New York in the future."

Included in these renewable energy developments are \$96 million awarded today from the most recent competitive solicitation to five large-scale electric generating projects. These funds will support wind power initiatives at the Hardscrabble wind project in Herkimer County, and the Beekmantown wind project in Clinton County. Funds have also been allocated for hydroelectric upgrades to the School Street and Stewarts Bridge power projects in Albany and Saratoga Counties, and new initiatives at the Onondaga Renewables biomass plant in Onondaga County.

The projects supported by today's \$96 million award will add more than 142 megawatts of renewable capacity and produce nearly 578,656 megawatt hours per year of clean renewable energy, enough clean energy to supply approximately 85,000 homes. Project developers estimate that these projects will also provide more than \$91 million of in-State benefits over the next three years through new jobs, increased property tax revenues, royalty payments to landowners, and other economic activity.

NYSERDA President and CEO Francis J. Murray, Jr. said: "New York's successful RPS program has been instrumental in attracting private investment in renewable energy and supporting Governor David Paterson's aggressive clean energy agenda. The Public Service Commission's continued and ongoing commitment to increasing New York's use of renewable energy will help create jobs, improve our environment, and strengthen our energy security."

PSC Chairman Garry Brown said: "The RPS program is a key element of Governor Paterson's strategy for obtaining a more diversified energy portfolio. This important initiative not only helps reduce emissions of global warming gases, it does so at a minimal cost to the State's ratepayers. The much-needed development and expansion of our renewable energy resources will help New York take greater control of its energy future."

In December, the PSC, acting on a goal set by Governor Paterson, expanded the RPS goal to increase the proportion of renewable electricity used by New Yorkers from 25 percent to 30 percent by 2015. The PSC also authorized an approximately \$200 million new Main-Tier solicitation for large-scale electric generating projects to commence as soon as practicable. These actions, which reflect a continued commitment to support the development of various renewable energy technologies, will help achieve Governor Paterson's '45 by 15' clean energy goal. Under the Governor's '45 by 15' goal, in addition to obtaining 30 percent of our energy through renewable technologies, another 15 percent will be obtained through energy efficiency measures.

New York is nationally recognized for its investments in clean renewable energy technologies. Including projects from this latest solicitation, 33 renewable projects have been selected under the RPS program representing more than 1,300 megawatts of renewable capacity. Of the 33 projects selected to date, 27 have successfully entered operation, one facility is under construction, and the five are under development. These include 13 wind farms, 17 hydroelectric plant upgrades, two power plants displacing coal with biomass, and one power plant that will use 100 percent clean renewable biomass.

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