NYSEG RG&E

Mark S. Lynch
President and CEO

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VIA ELECTRONIC FILING AND HAND DELIVERY

Honorable Kathleen Burgess
Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, New York 12223

Re: Case 15-E-____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Electric Service

Case 15-G-____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of New York State Electric & Gas Corporation for Gas Service

Case 15-E-____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service

Case 15-G-____ - Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service

Dear Secretary Burgess:

New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (together, the "Companies") hereby seek a decrease in delivery rates for RG&E Electric and an increase in delivery rates for NYSEG Electric, NYSEG Gas and RG&E Gas.[1] As explained in more detail in the supporting testimony and exhibits, the proposed changes in rates are designed to ensure that the Companies are able to continue to provide safe, adequate and reliable service, continue to make investments to modernize infrastructure, enhance low income programs, improve both gas and electric reliability (e.g., through enhanced leak prone pipe main replacement programs, implementation of a full-

[1] Contemporaneous with this filing, the Companies are submitting to the New York State Public Service Commission ("Commission") their revised tariff leaves via the Commission's electronic tariff filing system.

cycle distribution vegetation management program at NYSEG, and infrastructure investments at both Companies), while maintaining the Companies' financial integrity. The Companies last filed for new electric and gas delivery rates in September 2009 and their electric and gas delivery rates have not increased since September 2012. The Companies' rates have consistently been among the lowest electric and gas residential rates of all utilities in the State. For NYSEG Electric, the proposed delivery rates are designed to produce an annual revenue increase of approximately $126 million, while for RG&E Electric, the proposed delivery rates are designed to produce an annual revenue decrease of approximately $10 million. For the gas businesses, the proposed delivery rates are designed to produce an annual revenue increase of approximately $38 million at NYSEG and approximately $20 million at RG&E.

The enclosed testimony and exhibits fully support the requested revenue requirements. The Companies prepared their rate filings using operating results, with appropriate adjustments, for the historical test year ending December 31, 2014. The financial information includes projected operating results for the rate year ending March 31, 2017.[2] While the Companies' testimony and exhibits support a one-year rate case, NYSEG and RG&E would like to explore a multi-year rate plan in settlement discussions with the New York State Department of Public Service Staff ("Staff") and other interested parties.

These rate filings are not being driven by the Commission's Reforming the Energy Vision ("REV") proceeding. Rather, the rate filings are driven in large part by the need to recover deferred major storm costs and investments in network reliability while maintaining sufficient rate support for the Companies to continue capital investments necessary to provide high-quality service.

Key drivers and provisions of our rate filings are summarized below.

Electric Service

At NYSEG Electric, the single largest rate driver is recovery of deferred major storm costs. NYSEG incurred these costs to prepare for and restore customer services after major storm events. Another major driver of NYSEG Electric's rate increase is its proposal to implement a full-cycle distribution vegetation management program, which will help improve the resiliency of NYSEG's distribution system. Currently, NYSEG is the only major New York utility that does not have a full-cycle distribution vegetation management program. In contrast to the build-up of regulatory assets at NYSEG Electric, RG&E Electric has built up deferred regulatory liabilities, which allow RG&E to propose an electric rate decrease. RG&E proposes to return these deferred liabilities in the same manner as NYSEG is

[2] As a result of the Companies submitting this filing on May 20, 2015, the effective date of new rates, assuming the full 11-month suspension period, will be April 20, 2016.

proposing to collect its deferred storm costs, namely over five years. Balancing the return and collection of deferred amounts is an important consideration in the Companies' electric rate filings.

The Companies' electric rate case filings are also driven by their continued network investment. NYSEG Electric's and RG&E Electric's net plant have increased more than $345 million and $305 million, respectively, from the levels currently reflected in rates.[3] The requested rate increases support the Companies' investments for the future and continue moving their infrastructure toward a more modern utility grid. The Companies also note that many of their capital investments are supportive of the goals of the State's and the Commission's REV proceeding, including an innovative Energy Smart Community Project with community and university partners in the Ithaca, New York region. This Project would establish a platform that can be employed to test various REV concepts.

Gas Service

For both NYSEG and RG&E, continued investment is the primary driver for their gas businesses. NYSEG Gas has increased its net plant by $73 million since its last rate change. RG&E Gas has increased its net plant by $68 million since its last rate change. The Companies are also proposing a number of initiatives to enhance gas safety. For example, the Companies propose an acceleration of leak prone gas main removal by increasing their leak prone main replacement target from 24 miles in 2016 to 26 miles in 2017, and to 28 miles each year thereafter. The Companies are also proposing enhanced gas safety and customer outreach and education programs. Included in these programs is additional First Responder training.

The Companies are also proposing initiatives to expand their natural gas businesses. NYSEG will be implementing a Neighborhood Expansion Pilot Program and a Community Expansion Pilot Program in 2015. The Neighborhood and Community Expansion Pilot Programs seek to make it easier for customers to receive new gas service and significantly speed up the time involved in developing a project while providing greater cost certainty.

Other Key Aspects

The Companies' rate case filings also support many customer service, low income and economic development initiatives. The Companies propose adding a balance budget forgiveness component to their existing low income arrears forgiveness program. The goal of this proposal is to help stabilize customers' monthly bills, thereby reducing the number of customers who would otherwise drop out of the arrears forgiveness program. The rate case filings continue to support economic development, with the Companies proposing to modify

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3 Other costs drivers for the Companies include property tax and pension costs.

and enhance several of their existing non-rate programs to broaden eligibility requirements and to provide additional levels of assistance.

Impacts

The Companies' requested electric rate changes will result in an average 7% overall total bill (delivery and supply) increase at NYSEG and a 1% decrease at RG&E Electric. The requested gas changes will result in an average 8% overall bill increase at NYSEG and 5% increase at RG&E. Actual customer bill impacts will vary depending on the service class.

Procedural Matters

RG&E Electric currently has tariffs under suspension to implement a reliability services surcharge in Case 14-E-0270. RG&E is filing this rate case to cover all other aspects of the Companies business, including the return of deferred liabilities to customers. It is worth noting that the very nature of RG&E's request in Case 14-E-0270 – to recover costs associated with the Reliability Support Services Agreement negotiated between RG&E and R.E. Ginna Nuclear Power Plant, LLC – is separate and distinct from RG&E's general revenues, and the existing suspended RSSA tariff amendments are not related to a determination of RG&E's base rate revenue requirement.

RG&E does not believe the Commission's anti-pancaking rule is applicable to this rate filing. The well-recognized purpose of the anti-pancaking rule is to prohibit more than one increase in base rates during a twelve month period. RG&E Electric's filing in these proceedings does not propose a rate increase but rather a decrease. Prohibiting a utility from proposing a base rate decrease is inconsistent with the underlying purpose of the anti-pancaking rule and is not in the public interest. However, to the extent the Commission disagrees, then RG&E seeks waiver of the anti-pancaking rule and Commission approval for acceptance of RG&E Electric's proposed tariff amendments in these proceedings.[4]

The Companies respectfully request that the Commission schedule and hold a procedural conference and a technical conference in these matters. During the technical conference, the Companies would provide an overview of the rate cases and answer questions from parties.

[4] The language of the anti-pancaking rule allows a utility to file for a tariff change while a separate rate change has been suspended if the Commission approves the acceptance of such a subsequent filing. See 16 NYCRR § 61.10(d). To the extent the Commission finds that the rule applies, RG&E respectfully requests the Commission grant its approval of the tariff filing and/or waive application of the anti-pancaking rule pursuant to Section 3.3 of the Commission's regulations.

Mark S. Lynch
President and CEO

Notice of this filing will be published in newspapers in accordance with the Commission's requirements set forth in 16 NYCRR §§ 720-8.1 and 270.70. Proof of publication of the notice will be filed upon completion. In addition, the Companies will issue appropriate bill inserts in accordance with 16 NYCRR §§ 720-9.1 and 270.80.

We look forward to working cooperatively with the Commission, Staff, and other intervening parties to reach a resolution that is in the interest of all stakeholders.

Respectfully submitted,

Mark S Lynch.

Mark S. Lynch
CEO and President
New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation

Enclosures

cc: DMM Party Lists for Cases 09-E-0715, 09-G-0716, 09-E-0717 and 09-G-0718 (via e-mail w/o enclosures)