

Cases 09-E-0715, 09-G-0716, 09-E-0717, 09-G-0718
New York State Electric & Gas Corporation and
Rochester Gas and Electric Corporation
Electric and Gas Rate Cases

December 4, 2009 Update

Pursuant to the October 23, 2009 Ruling on Procedure, Schedule and Protective Order in the above-referenced proceedings, New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (collectively, the "Companies") hereby submit an update to their September 17, 2009 rate cases (the "December 4, 2009 Update"). This filing contains updated exhibits for the following NYSEG and RG&E panels: Revenue Requirements; Revenue Decoupling Mechanism; Deliveries and Revenue; Electric and Natural Gas Supply; Revenue Allocation and Rate Design; and Embedded Cost of Service. The December 4, 2009 Update reflects known changes or corrections, including those noted in the discovery phase to date, to the Companies' September 17, 2009 rate case filings.

The Companies will support these and any other adjustments (including material changes arising or identified after the December 4, 2009 Update), when the Companies file their Rebuttal Testimony in February 2010.

The December 4, 2009 Update results in the following changes to the Companies' requested rate increase:

Company & Business	September 17, 2009 Initial Filing (\$000)	December 4, 2009 Update (\$000)	Difference Amount (\$000)
NYSEG Electric	\$169,707	\$160,609	\$(9,098)
NYSEG Gas	\$63,422	\$54,928	\$(8,494)
RG&E Electric	\$87,398	\$82,108	\$(5,290)
RG&E Gas	\$62,876	\$59,010	\$(3,866)
Total	\$383,403	\$356,655	\$(26,748)

The major drivers are summarized below by witness panel. The summaries also identify any revised exhibits, which are attached hereto.¹

¹ Workpapers are being provided to New York State Department of Public Service Staff, New York State Consumer Protection Board, Multiple Intervenors and Nucor contemporaneously with this filing. Copies will be provided to other parties upon request.

REVENUE REQUIREMENTS PANELS

The overall revenue requirement updates are reflected on the attached updated exhibits (RRP-2, RRP-4, and RRP-5) for each of the four businesses. A listing of the specific update adjustments is identified in Schedule I-1 of RRP-2 and RRP-4. The adjustments are discussed below, organized by business:

NYSEG Electric

Retail Sales Revenues - a series of revenue adjustments are noted on Schedule I-1. These adjustments reflect the changes identified by the Deliveries and Revenue Panel and are described under that Panel's section of this document.

Operation & Maintenance ("O&M") Expenses - updated O&M adjustments are identified on Schedule I-1 and described below. The major items (in terms of dollar impact) are adjustments to the Asset Sale Gain Account ("ASGA") Amortization, Pension and OPEBs expenses, various surcharges, Outside Services, Stray Voltage, and Labor. The net change for all items is an increase in O&M Expenses of \$2.9 million.

Labor/Payroll - the payroll inflation factor has been updated for both NYSEG and RG&E to reflect the impact of the recently agreed upon RG&E Union Memorandum of Agreement ("MOA"). Information on the RG&E Union MOA was included in the following responses to information requests: NYRC-0028 (DPS-28), NYRC-0029 (DPS-29) and NYRC-0359 (DPS-292). The payroll inflation factor used at both companies in the September 17, 2009 filing assumed that the union pay changes would be consistent with an earlier offer made by RG&E to its union in May 2009. The final MOA included union pay changes that were different than those that were offered in May 2009, and are now reflected in the updated amounts for Labor. The NYSEG Electric impact is an increase of \$0.9 million.

OPEBs - an updated forecast of OPEB costs was received from the Company's actuaries. Overall, NYSEG OPEB costs were reduced by approximately \$0.9 million, driven primarily by reduced interest costs. The electric portion of this reduction is about \$0.7 million.

Pensions - an updated forecast of pension costs was received by the Company's actuaries. This latest forecast reflects asset returns and the discount rate as of October 2009. Overall, NYSEG pension costs were reduced by \$4.2 million. The electric portion of this reduction is about \$3.4 million.

Uncollectibles - reflects the application of the historical uncollectible percentages to the updated revenues.

Outside Services - the Company inadvertently did not reflect in its original filing certain radio system maintenance contract costs. The electric portion of these costs is approximately \$1.1 million. These costs are associated with the new mobile radio system, which is anticipated to be functional in ten of the thirteen NYSEG operating areas during the rate year.

Transportation - as identified in the Company's response NYRC-0304 (DPS-237), the original filing included both inflation and an escalation factor on transportation costs. This adjustment removes this double-up and reduces electric costs by about \$0.5 million.

EEPS, SBC, RPS and TSAS - these adjustments reflect the latest estimates for the applicable surcharges reflected in revenue.

Stray Voltage - the Company has identified reductions of about \$1.0 million in its estimated Stray Voltage costs for the rate year, as identified in the Company's response NYRC-0408 (DPS-314).

Low Income - there was a mismatch of \$42 thousand in the original filing between the amounts identified for the proposed Low Income programs in the Customer Service testimony and the revenue requirements. This adjustment corrects for that mismatch.

Sundry Write-offs - the Company failed, in the original filing, to include write-off costs associated with non-customer billings (sundry billings). This update reflects a historical average of these sundry write-offs and is an increase of \$0.1 million.

Retired Executive Restricted Stock Expense - as noted in the Company's response NYRC-0034 (DPS-34), in the original filing, the Company had not adjusted the rate year expense for the amount of restricted stock expense associated with retired executives that was included in the test year. This update removes those costs. The NYSEG Electric impact is a decrease of \$0.3 million.

ASGA Amortization - the Company's original filing assumed an ASGA balance of \$45.8 million would be available to amortize over a three-year period. Subsequent to the original filing, the New York Public Service Commission ("PSC") issued on September 28, 2009 an "Order Directing Modification of Non-Bypassable Charges" in Cases 09-E-0227 and 07-E-0479. As part of that order, the PSC designated that \$21 million of the NYSEG ASGA would be utilized during calendar 2009 as a bill credit. In its response NYRC-0031 (DPS-31), the Company updated its estimate of the available ASGA balance, reflecting the September 28, 2009 Order as well as other more up to date items. The updated estimated ASGA balance is about \$33.4 million, which is amortized over three years in the update. This results in a lower amortization of approximately \$4.15 million. A corresponding rate base adjustment has also been made.

Other Operating Taxes - these adjustments reflect minor changes in payroll taxes of \$0.07 million, which track the labor adjustment identified previously; as well as an increase to property taxes of \$0.3 million which reflects the latest tax bills received by the Company.

Income Taxes - this adjustment is basically a tracking adjustment based on the updated operating income.

Rate Base - the changes to rate base are primarily the result of the final calculations associated with the Company's request to the IRS for a change in method related to its definition of units of property for tax purposes.

NYSEG Gas

Retail Sales Revenues - a series of revenue adjustments are noted on Schedule I-1. These adjustments reflect the changes identified by the Deliveries and Revenue Panel and are described under that Panel's section of this document.

O&M Expenses - updated O&M adjustments are identified on Schedule I-1 and described below. The major items (in terms of dollar impact) are adjustments to Pension and OPEBs, the TSAS surcharge, R&D and Labor. The net change for all items is a decrease in the O&M Expenses of \$1.9 million.

Labor/Payroll - same as NYSEG Electric. The NYSEG Gas impact is an increase of \$0.2 million.

OPEBs - same as NYSEG Electric. The gas portion of the OPEB update is a reduction of approximately \$0.2 million.

Pensions - same as NYSEG Electric. The gas portion of the Pension update is a reduction of approximately \$0.7 million.

Uncollectibles - same as NYSEG Electric.

Outside Services - same as NYSEG Electric. The gas portion of the update is about \$0.2 million.

Transportation - same as NYSEG Electric. The gas portion is a reduction of \$0.1 million.

Low Income - same as NYSEG Electric. The gas adjustment is \$7 thousand.

Sundry Write-offs - same as NYSEG Electric. The gas adjustment is \$10 thousand.

Retired Executive Restricted Stock Expense - same as NYSEG Electric. The NYSEG Gas impact is a decrease of \$0.05 million.

TSAS - this adjustment reflects the latest estimates for this surcharge, and corresponds to an equal adjustment in revenue.

Gas R&D Expense - there was a mismatch of \$0.5 million in the original filing between the amounts identified for the Gas R&D proposed in the Capital Expenditures, Reliability and Operations Panel testimony and the revenue requirements. This adjustment corrects for that mismatch.

Deferrals and Amortizations - three items that are currently being collected as part of a revenue surcharge have been updated to reflect the corresponding revenue amounts collected.

R&D Rate Year Amortization - in its original filing, the Company mistakenly assumed that a credit balance of a gas R&D deferral would be available at the start of the rate year. Further analysis indicated that the balance in this deferred account would actually be \$0 as of the end of 2009, and therefore would not be available in the rate year, creating an adjustment of \$0.2 million.

Other Operating Taxes - these update adjustments reflect minor changes in payroll taxes of \$0.07 million, which track the labor adjustment identified previously; as well as an increase to property taxes of \$0.3 million which reflects the latest tax bills received by the Company.

Rate Base - the changes to rate base are primarily the result of the final calculations associated with the Company's request to the IRS for a change in method related to its definition of units of property for tax purposes.

RG&E Electric

Retail Sales Revenues - a series of revenue adjustments are noted on Schedule I-1. These adjustments are similar to those at NYSEG and reflect the changes identified by the Deliveries and Revenue Panel and are described under that Panel's section of this document.

O&M Expenses - a number of O&M adjustments are identified on Schedule I-1 and are described below, with the major items (in terms of dollar impact) being the Low Income items, the Oswego amortization, Pension and OPEBs, Stray Voltage, and Labor. The net change for all O&M items is a decrease of \$0.9 million.

Low Income - as noted in the Company's response NYRC-0025 (DPS-25), the Company inadvertently double counted the Customer Discount portion of its Low Income Programs in the rate year forecasts of RG&E Electric and Gas in its original filing. The adjustment necessary to correct for this issue in the Company's electric business is a reduction of \$6.55 million. Additionally, when originally estimating the administrative costs associated with the proposed Low Income program, a rate per hour that was higher than what would actually be experienced was used. Modifying the rate per hour results in a decrease of \$0.1 million for RG&E Electric.

Oswego Amortization - as noted in the Company's response NYRC-0024 (DPS-24), the Company inadvertently omitted the expense amortization for the regulatory asset related to the Oswego Plant Sale from the calculation of its revenue requirement in its original filing. The adjustment necessary to correct for this omission is included in the update, and reflects the Test Year level of the amortization of the regulatory asset related to the Oswego Plant Sale of \$6.476 million.

Uncollectible Percentage - as noted in the Company's response NYRC-0062 (DPS-62), the Company made a slight error in the calculation of the uncollectible percentage. The original

filing reflected an uncollectible percentage of 2.16%, and this update reflects the corrected percentage of 2.17%, resulting in an increased uncollectible amount of \$0.1 million.

Labor/Payroll - the payroll inflation factor has been updated for both NYSEG and RG&E to reflect the impact of the recently agreed upon RG&E Union MOA. Information on the RG&E Union MOA was included in the following responses to information requests: NYRC-0028 (DPS-28), NYRC-0029 (DPS-29), and NYRC-0359 (DPS-292). The payroll inflation factor used at both companies in the September 17, 2009 filing assumed that the union pay changes at both Companies would be consistent with an earlier offer made by RG&E to its union in May 2009. The final MOA included union pay changes that were different than those that were offered in May 2009, and are now reflected in the updated amounts for Labor. The RG&E Electric update is an increase of \$1.0 million.

Employee Benefits - the updated payroll inflation factor described above was used in updating the level of employee benefits, resulting in an increase at RG&E Electric of \$0.1 million.

Stray Voltage - the Company has identified reductions of about \$1.1 million in its estimated Stray Voltage costs for the rate year, as identified in the Company's response NYRC-0408 (DPS-314).

Pensions - an updated forecast of pension costs was received by the Company's actuaries. This latest forecast reflects asset returns and the discount rate as of October 2009. Overall, RG&E pension costs were reduced by \$0.8 million, and the RG&E Electric portion is \$0.5 million.

OPEBs - an updated forecast of OPEB costs was received from the Company's actuaries in November and is reflected in the update. Overall, RG&E OPEB costs were slightly increased by about \$0.2 million. The electric portion of this increase is about \$0.1 million.

Sundry Write-offs - The Company failed, in the original filing, to include write-off costs associated with non-customer billings (sundry billings). This update reflects a historical average of these sundry write-offs and is an increase of \$0.1 million for RG&E Electric.

Retired Executive Restricted Stock Expense - as noted in the Company's response NYRC-0034 (DPS-34), in the original filing, the Company had not adjusted the rate year expense for the amount of restricted stock expense associated with retired executives that was included in the test year. This update removes those costs. The RG&E Electric impact is a decrease of \$0.2 million.

Excess Deferred State Income Taxes Amortization - as noted in the Company's response NYRC-0329 (DPS-262), the Company would include in its update an amortization of the regulatory liability associated with the modification of the New York State income tax rate from 7.5% to 7.1% in 2007. The Company has reflected an amortization of \$0.2 million in this update.

Depreciation and Amortization - the Company has reduced its depreciation amount to correspond to the latest rate base information.

Operating Taxes - there are several property tax related updates noted below.

Property Tax Rate - the escalation rate for property taxes has been recalculated to reflect the latest property tax bills received by the Company. The impact is a decrease in property taxes of \$0.4 million.

Property Tax – Economic Obsolescence - as indicated in the Company's response NYRC-0069 (DPS-69), the Company was pursuing with the Office of Real Property Services ("ORPS") an economic obsolescence claim. Since that time, the Company has received approval from ORPS for a 10% economic obsolescence relief. This relief is reflected by a net decrease of \$1.72 million for RG&E Electric.

Property Tax – Rochester Transmission Project ("RTP") and Russell - since the original filing, the Company has estimated the property tax impacts associated with the RTP project and with Russell Station, given the latest tax information from the municipalities. The net increase is about \$0.4 million.

Income Tax - the Company has reflected the minor changes noted in its supplemental response NYRC-0327 (DPS-260), an increase of about \$0.2 million.

RG&E Gas

Retail Sales Revenues - a series of revenue adjustments are noted on Schedule I-1. These adjustments reflect the changes identified by the Deliveries and Revenue Panel and are described under that Panel's section of this document.

O&M Expenses - updated O&M adjustments are identified on Schedule I-1 and are described below. The major items (in terms of dollar impact) are adjustments to the Low Income item and Labor. The net change for all O&M items is a decrease of \$5.6 million.

Low Income - same as RG&E Electric. The adjustment necessary to correct for this issue in the Company's gas business is a reduction of \$5.6 million. Additionally, when originally estimating the administrative costs associated with the proposed Low Income program, a rate per hour that was higher than what would actually be experienced was used. Modifying the rate per hour results in a decrease of \$0.16 million for RG&E Gas.

Labor/Payroll - same as RG&E Electric. The RG&E Gas update adjustment results in an increase of \$0.6 million.

Employee Benefits - same as RG&E Electric. The resulting increase at RG&E Gas is \$0.05 million.

Pensions - same as RG&E Electric. The RG&E Gas decrease adjustment is \$0.3 million.

OPEBs - same as RG&E Electric. The gas adjustment is an increase of approximately \$0.1 million.

Sundry Write-offs - same as RG&E Electric. This update reflects a historical average of these sundry write-offs and is an increase of \$0.02 million.

Retired Executive Restricted Stock Expense - same as RG&E Electric. The gas impact is a decrease of \$0.1 million.

Excess Deferred State Income Taxes Amortization - same as RG&E Electric. The gas amortization is \$0.1 million.

Operating Taxes

Property Tax Rate - same as RG&E Electric. The impact is an increase in property taxes of \$0.5 million.

Property Tax – Economic Obsolescence - same as RG&E Electric. This gas impact is a decrease of \$0.7 million.

Income Tax - the Company has reflected the minor changes noted in its supplemental response NYRC-0327 (DPS-260), an increase of about \$0.1 million.

DELIVERIES AND REVENUE PANELS

Updates are reflected on the attached revised exhibits (NYSEGDRP-1 through NYSEGDRP-6 and RGEDRP-1 through RGEDRP-6).

Customer and Delivery Unit Forecasts - were updated to a) incorporate the most recent (November 13, 2009) economic forecasts from Moody's Economy.com and b) correct an inconsistency between the estimating algorithm of Metrix ND Version 4.2.1 and Staff's statistical software EViews. In addition, the updated NYSEG Electric forecasts also capture a reclassification of customers from residential to commercial that became apparent after the filing of the rate cases. The NYSEG Gas forecast was also updated to move the out-of-model adjustment from Municipal to Commercial.

Revenues - were updated to reflect the revised customer and delivery unit forecasts. In addition, the RG&E Electric revenues were updated to correct a double-count of economic development revenues in the rate year. The updates were used by the Revenue Requirements Panel to determine the updated revenue requirement and updated revenue increase for each business.

REVENUE DECOUPLING MECHANISM PANELS

Updates are reflected on the attached revised exhibits (NYSEGRDM-3 and RGERDM-3).

Targets - revised to reflect the Deliveries and Revenue Panel and Revenue Allocation and Rate Design Panel updates discussed herein.

ELECTRIC AND NATURAL GAS SUPPLY PANELS

Updates are reflected on the attached revised exhibits (NYSEGENGSP-3, NYSEGENGSP-4, RGEENGSP-3 and RGEENGSP-4).

Natural Gas Expense Forecasts - updated to reflect changes to rate year delivery unit forecasts and more current natural gas market price forecasts.

RG&E Only - RG&E proposes to add language to its tariff and the Gas Transmission Operating Procedures Manual ("GTOP") making an energy services company ("ESCO") responsible for paying its pro-rata share of any upstream pipeline costs incurred by the Company as a result of an imbalance in the ESCO's metered daily cashout calculations exceeding either a positive or negative 10%. This proposed change will ensure the fair distribution of overrun costs to the appropriate shippers.

REVENUE ALLOCATION AND RATE DESIGN PANELS

Each of the electric and gas service class revenue allocation and rate design exhibits were revised to reflect updated revenue requirements and rate year delivery unit forecasts. The exhibits also reflect updates to the delivery function and competitive service prices discussed under the ECOS Panel section. Updates are reflected on the attached revised exhibits (NYSEGRARD-1 through NYSEGRARD-11 and RGERARD-1 through RGERARD-11).

RG&E Only - The Transformer Revenues under *Other Delivery Revenue Adjustments* were revised to remove a double-count of economic development revenues, discussed above in the Deliveries and Revenue Panel Section.

EMBEDDED COST OF SERVICE ("ECOS") PANELS

Updates are reflected on the attached revised exhibits (ECOS-3, ECOS-4, ECOS-5, ECOS-6, ECOS-7, ECOS-8, ECOS-9, ECOS-10, ECOS-11, ECOS-12, ECOS-19, ECOS-20, ECOS-21, ECOS-22) for NYSEG and RG&E.

NYSEG Electric

Working Capital - the Working Capital Commodity Hedge Margin account balance was added to the electric ECOS study. The Company determined, after the initial filing, that this account should be split between electric and gas and not allocated entirely to gas customers.

Load Data - allocation factors changed to correct the placement of several customers in the wrong Otherwise Applicable Service Class. NYSEG also corrected a cell reference error.

Uncollectibles - the weighting for uncollectibles was updated to reflect 2008 information (instead of 2007) resulting in a 92% residential and 8% non-residential allocation.

Rate Base - the historic rate base was updated to eliminate a normalizing adjustment that thereby allows the effect of the Positive Benefit Adjustment to flow through EB-Cap and to correct the amount of IB-CWIP in Items not in Rate Base.

Merchant Function Calculation - Exhibit ECOS-19 was updated to use the pre-tax weighted cost of capital to calculate the return on rate base.

NYSEG Gas

Working Capital - the Working Capital Commodity Hedge Margin account balance was revised in the gas ECOS study. The Company determined, after the initial filing, that this account should be split between electric and gas and not allocated entirely to gas customers.

Uncollectibles - same as NYSEG Electric.

Rate Base - same as NYSEG Electric.

Merchant Function Calculation - same as NYSEG Electric, but see Exhibit ECOS-20.

RG&E Electric

Customer Count - revised to more accurately match customer billed accounts.

Uncollectibles - the weighting for uncollectibles was updated to reflect 2008 information (instead of 2007) resulting in a 91% residential and 9% non-residential allocation.

FERC Account 362 - the allocation factor for this account was changed to more accurately reflect cost causation.

Working Capital - same as NYSEG Electric.

ROR - the claimed ROR was changed to match RG&E Exhibit __ (RRP-5), Schedule A (as filed on September 17, 2009), which shows the after-tax weighted cost of capital as 9.46%.

Merchant Function Calculation - same as NYSEG Electric.

RG&E Gas

Working Capital - same as NYSEG Gas.

ROR - same as RG&E Electric.

Merchant Function Calculation - same as NYSEG Gas.

LISTING OF UPDATED EXHIBITS

Revenue Requirements Panel

NYSEGRRP-2
NYSEGRRP-4
NYSEGRRP-5

RGERRP-2
RGERRP-4
RGERRP-5

Deliveries and Revenue Panel

NYSEGDRP-1
NYSEGDRP-2
NYSEGDRP-3
NYSEGDRP-4
NYSEGDRP-5
NYSEGDRP-6

RGEDRP-1
RGEDRP-2
RGEDRP-3
RGEDRP-4
RGEDRP-5
RGEDRP-6

Revenue Decoupling Mechanism Panel

NYSEGRDM-3

RGERDM-3

Electric and Natural Gas Supply Panel

NYSEGENGSP-3
NYSEGENGSP-4

RGEENGSP-3
RGEENGSP-4

Revenue Allocation and Rate Design Panel

NYSEGRARD-1
NYSEGRARD-2
NYSEGRARD-3
NYSEGRARD-4
NYSEGRARD-5
NYSEGRARD-6
NYSEGRARD-7
NYSEGRARD-8
NYSEGRARD-9
NYSEGRARD-10
NYSEGRARD-11
NYSEGRARD-12

RGERARD-1
RGERARD-2
RGERARD-3
RGERARD-4
RGERARD-5
RGERARD-6
RGERARD-7
RGERARD-8
RGERARD-9
RGERARD-10
RGERARD-11

Embedded Cost of Service Panel

NYSEGECOS-3
NYSEGECOS-4
NYSEGECOS-5
NYSEGECOS-6
NYSEGECOS-7
NYSEGECOS-8
NYSEGECOS-9
NYSEGECOS-10
NYSEGECOS-11
NYSEGECOS-12
NYSEGECOS-19
NYSEGECOS-20
NYSEGECOS-21
NYSEGECOS-22

RGEECOS-3
RGEECOS-4

RGEECOS-5
RGEECOS-6
RGEECOS-7
RGEECOS-8
RGEECOS-9
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