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Vice President
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2007 MAY -4 PM 2: 33

May 4, 2007

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

RE: Case No. 94-E-0952 – In the Matter of Competitive Opportunities
Regarding Electric Service
Case No. 00-E-0165 – In the Matter of Competitive Metering
Case No. 02-M-0514 – Proceeding on Motion of the Commission to
Investigate Competitive Metering for Gas Service

Dear Secretary Brillling:

New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E") (collectively the "Companies") filed an Advanced Metering Infrastructure and Deployment Plan with the New York State Public Service Commission ("NYSPSC") on February 1, 2007. That plan was filed in response to the NYSPSC's Order in Case 94-E-0952 and Case 00-E-0165 directing utilities to file plans and proposals for approval of integrating advanced metering systems. The filing included a summary of the existing NYSEG and RG&E system characteristics, set forth a high-level deployment plan, provided preliminary estimates of capital costs, estimated operational costs/benefits, and proposed a delivery surcharge mechanism to recover the costs of deploying and operating AMI. Enclosed for filing is an "Advanced Metering Infrastructure Update" which reflects the continuing efforts of the Companies to refine the preliminary AMI impact assessment contained in the February 1st submission. We respectfully request that the NYSPSC make the Advanced Metering Infrastructure Update available to any person requesting information about the Companies' February 1st filing, including but not limited to requests pertaining to the Notice of Proposed Rulemaking in the May 2, 2007 State Register (I.D. No. PSC-18-07-00015-P).

As such, as part of this update filing NYSEG and RG&E are submitting to the NYSPSC for approval electric and gas tariffs to implement a formula rate mechanism for the recovery of AMI costs effective January 1, 2008. Appendix C (NYSEG) and Appendix D (RG&E) set forth a list of the revised tariff pages associated with the proposed formula rate mechanism. The enclosed tariff pages are transmitted for filing herewith and are being filed via the NYSPSC's electronic filing process in compliance with the NYSPSC's requirements including Appendix 7-H (electronic tariff filing system) to the NYSPSC's regulations.

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In accordance with the requirement of Section 66 (12)(b) of the Public Service Law and 16 NYCRR Section 720-8.1 as to newspaper publication, notice of the proposed tariff changes will be published once in each week for four consecutive weeks in newspapers having general circulation in each customer rate area affected by the proposed changes. Draft State Administrative Procedure Act notices for publication in the New York State Register are also attached hereto in Appendices C and D.

The Advanced Metering Infrastructure Update further supports our efforts to move ahead with implementation of AMI. Compared to the February 1st filing, the revenue requirements have been significantly reduced:

- Estimated capital costs have declined from \$370 million to \$268 million or by \$102 million.
- Estimated O&M costs have declined from \$16 million annually to \$7 million or by \$9 million annually.
- Estimated direct O&M savings and other benefits have remained virtually the same.

A revised cost/benefit analysis and comparison to the February 1st results are included in Section 4. This update also contains an expanded description of the potential customer service benefits including the potential for meeting public policy goals of encouraging demand responsive pricing and more efficient usage of electrical energy resources through deployment of AMI. Finally, this update sets forth a deployment plan and key milestone activities in order to have AMI fully functional in both service territories by 2011. In order to achieve this aggressive goal of full deployment by 2011, the Companies must begin to take action now.

The monthly AMI surcharge will be determined annually in accordance with the formula set forth in the tariff. The formula develops a per meter surcharge based on the annual revenue requirement needed to recover AMI costs, net of identifiable savings realized as a result of the AMI investment. The proposed formula would produce a surcharge rate which would be used to adjust the monthly customer charges for NYSEG and RG&E electric customers, the monthly minimum charges for RG&E natural gas customers and the basic service charges or transport administrative charges for NYSEG natural gas customers. An AMI Surcharge Statement setting forth the monthly AMI surcharge amounts by Service Classification will be filed annually with the NYSPSC. Based on the updated cost information included in the Update, the highest impacts on typical monthly bills for NYSEG residential customers are \$0.91 per month for electric and \$1.12 per month for gas. The highest impacts on typical monthly bills for RG&E residential customers are \$0.95 per month for electric and \$1.02 per month for gas. Over the 20-year life of the investment, the average impact on typical monthly bills for residential customers would range from \$0.31 to \$0.65 per month, depending on commodity and utility.

May 4, 2007

Page 3

The Companies believe there are considerable customer and public policy benefits offered by full and rapid deployment of AMI. The tremendous advances in solid state technologies and the telecommunication industry have provided an opportunity for the electric utility industry to bring their delivery systems into the 21st century and meet the increasingly complex needs of its customers and the economy. We request that the NYSPSC act expeditiously in allowing NYSEG and RG&E to move forward with the deployment of AMI in their service territories approving the Companies' request to modify their respective tariffs and implement a formula rate mechanism to recover AMI costs effective January 1, 2008. In addition, we repeat our request to meet and work with NYSPSC Staff and other interested parties to more fully explain the Companies' plan and timing for AMI deployment, as well as to discuss the expected customer benefits such investment can provide.

Sincerely,



James A. Lahtinen

Attachments

cc: Mr. James Gallagher, NYSDPS Director, Office of Electricity and Environment
Active Parties (via email)