

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of

Case 07-M-0906

Joint Petition of Iberdrola, S.A., Energy East Corporation, RGS Energy Group, Inc., Green Acquisition Capital, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation for Approval of the Acquisition of Energy East Corporation by Iberdrola, S.A.

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January 2008

Prepared Exhibits of:  
Robert P. Haslinger  
Public Utilities Auditor III

Office of Accounting,  
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State of New York  
Department of Public Service  
Three Empire State Plaza  
Albany, New York 12223-1350

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of

Case 07-M-0906

Joint Petition of Iberdrola, S.A., Energy East Corporation, RGS  
Energy Group, Inc., Green Acquisition Capital, Inc., New York  
State Electric & Gas Corporation and Rochester Gas and Electric  
Corporation for Approval of the Acquisition of Energy East  
Corporation by Iberdrola, S.A.

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January 2008

Exhibit\_\_\_\_(RPH - 1)

**Iberdrola, S.A. Acquisition of Energy East**

**PSC Case No. 07-M-0906**

**Information Request**

**Requesting Party and No.:** (DPS-118) DPS Staff

**New York Response No.:** IBER-0192

**Request Date:** November 30, 2007

**Information Requested of:** Robert E. Rude

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**Reply Date:** December 10, 2007

**Responsible Witness:** Robert E. Rude

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**QUESTION:**

1. For each year 2004 - 2010, please provide a detailed listing of total actual and forecasted Incentive Compensation costs charged directly to NYSEG electric, NYSEG gas, NYSEG non-regulated operations, RG&E electric, RG&E gas, and RG&E non-regulated operations (i.e., not charged from EEMC and USSC employees). Please provide all work papers and explain all assumptions utilized

**RESPONSE:**

The three components of Incentive Compensation include;

- Employee Incentive Plans (EIP)
- Annual Executive Incentive Plans (AEIP)
- Stock-Based Compensation

Employee Incentive Plan expense is accrued monthly and applied to Electric, Gas, and non-regulated (non-operating) accounts based on actual labor. AEIP and stock-based compensation (which includes restricted stock and stock option appreciation rights) are expensed based on common allocation between electric and gas segments.

A summary of the incentive compensation amounts can be found below. The Company has not forecasted these expense levels from 2008 – 2010.

NYSEG	Electric	Gas	Non Regulated Operations	Total
2004 Actual	4,029,955	652,838	736	4,683,530
2005 Actual	3,275,532	724,654	867	4,001,053
2006 Actual	1,633,894	303,587	223	1,937,704
2007 Forecast	3,348,754	615,691	433	3,964,878

  

RGE	Electric	Gas	Non Regulated Operations	Total
2004 Actual	4,322,827	1,976,799	1,649	6,301,274
2005 Actual	1,222,177	626,041	872	1,849,090
2006 Actual	1,960,287	984,274	1,519	2,946,081
2007 Forecast	2,092,855	1,079,070	4,340	3,176,265

**Iberdrola, S.A. Acquisition of Energy East**

**PSC Case No. 07-M-0906**

**Information Request**

**Requesting Party and No.:** (DPS-137) DPS Staff

**New York Response No.:** IBER-0218

**Request Date:** December 14, 2007

**Information Requested of:** Robert E. Rude

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**Reply Date:** January 3, 2008

**Responsible Witness:** Robert E. Rude

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**QUESTION:**

1. Please provide for calendar year 2006 for RG&E, a breakdown of the Electric Commodity Income Statement, in a format similar to the NYSEG calendar year 2006 Annual Compliance Filing (Schedules A and B).
2. Please provide for calendar year 2006 for RG&E, a breakdown of the Electric Delivery Income Statement, in a format similar to the NYSEG calendar year 2006 Annual Compliance Filing (Schedules A and B).

**RESPONSE:**

1. See Attached – Page 1.
2. See Attached – Page 2.

**Rochester Gas and Electric Corporation**  
**Regulated Earnings Forecast**  
**Electric - Commodity**  
**( \$ 000 )**

	<u>2006</u> <u>Per Books</u>
<u>Earnings - Before Sharing</u>	
Revenue	\$ 353,400
Less: Supply Costs	<u>321,739</u>
Net Revenues	31,661
Less: O&M Expenses	-
Less: Depreciation	-
Less: Taxes Other than Income Taxes	-
Operating Income	31,661
Plus: Other Income & (Deductions)	-
Less: Interest Expense	-
Operating Income Less Interest	31,661
Less: Federal & State Income Taxes @ 39.615%	<u>12,542</u>
Less: Preferred Dividend	-
Balance for Common	<u>\$ 19,119</u>

**Rochester Gas and Electric Corporation**  
**Regulated Earnings Forecast**  
**Electric - Delivery**  
**( \$ 000 )**

	2006	2006
	Per Books	Normalized
<u>Return on Equity - Before Rate Adjustment and Earnings Sharing</u>		
Revenue	\$ 377,033	\$ 370,608
Less: O&M Expenses	167,780	169,820
Less: Depreciation	52,617	52,617
Less: Taxes Other than Income Taxes	46,881	47,314
Operating Income	109,754	190,857
Plus: Other Income & (Deductions)	3,377	(387)
Less: Interest Expense	43,393	33,971
Operating Income Less Interest	69,739	66,499
Less: Federal & State Income Taxes	28,976	24,200
Balance for Common	40,763	42,299
Equity Component of Rate Base	437,332	419,066
Return on Equity Before Rate Adjustment	<u>9.32%</u>	<u>10.09%</u>

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State Electric & Gas Corporation and Rochester Gas and Electric  
Corporation for Approval of the Acquisition of Energy East  
Corporation by Iberdrola, S.A.

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January 2008

Exhibit\_\_\_\_(RPH -2)

**Rochester Gas & Electric Corporation**  
**Electric Delivery Revenue Requirement**  
**For the Staff Adjusted Year Ending December 31, 2006**  
**(\$'000's)**

	Per Company ACF CY 2006 Delivery - Only	Adj. No.	Staff Regulatory Adjustments	As Adjusted by Staff		Positive Benefits Adjustments	As Adjusted by Staff	Revenue Requirement Adjustment	As Adjusted For Revenue Requirement
<b>Operating Revenues</b>									
Residential, Commercial Industrial, Transport	\$264,208			\$264,208			\$264,208	(\$110,638)	\$153,570
Other Revenues	106,400			106,400			106,400	(396)	106,004
<b>Total Revenue</b>	<u>370,608</u>		<u>0</u>	<u>370,608</u>			<u>370,608</u>	<u>(111,034)</u>	<u>259,574</u>
<b>Operating Deductions</b>									
Supply Costs	0			0			0		0
Gross Revenue Taxes	3,855		0	3,855			3,855	(1,464)	2,391
<b>Total Operating Deductions</b>	<u>3,855</u>		<u>0</u>	<u>3,855</u>			<u>3,855</u>	<u>(1,464)</u>	<u>2,391</u>
<b>Gross Margin</b>	<u>366,753</u>		<u>0</u>	<u>366,753</u>			<u>366,753</u>	<u>(109,570)</u>	<u>257,183</u>
<b>Total O &amp; M Expenses (from page 2)</b>	110,333	(1)	(2,909)	107,424	(1)	(1,400)	106,024	(227)	105,797
<b>Depreciation/Amortization/Other</b>									
Amortizations	59,486		(10,132)	49,354	(2)	(47,068)	2,286	0	2,286
Depreciation	52,617	(3)	(4,865)	47,752		0	47,752	0	47,752
Other Income & Deductions	387		0	387		0	387	0	387
<b>Total Depreciation/Amortizations/Other</b>	<u>112,490</u>		<u>(14,997)</u>	<u>97,493</u>		<u>(47,068)</u>	<u>50,425</u>	<u>0</u>	<u>50,425</u>
<b>Taxes Other Than Income Taxes</b>									
Property Taxes	38,762		0	38,762			38,762	0	38,762
Payroll Taxes	3,145		0	3,145			3,145	0	3,145
Other Taxes	1,552		0	1,552			1,552	0	1,552
<b>Total Taxes Other Than Income Taxes</b>	<u>43,459</u>		<u>0</u>	<u>43,459</u>		<u>0</u>	<u>43,459</u>	<u>0</u>	<u>43,459</u>
<b>Total Operating Revenue Deductions</b>	<u>266,282</u>		<u>(17,906)</u>	<u>248,376</u>		<u>(48,468)</u>	<u>199,908</u>	<u>(227)</u>	<u>199,681</u>
<b>Net Operating Revenues</b>	<u>100,471</u>		<u>17,906</u>	<u>118,377</u>		<u>48,468</u>	<u>166,845</u>	<u>(109,343)</u>	<u>57,502</u>
<b>Other Income</b>	0			0			0	0	0
<b>Net Operating Income Before SIT</b>	<u>100,471</u>		<u>17,906</u>	<u>118,377</u>		<u>48,468</u>	<u>166,845</u>	<u>(109,343)</u>	<u>57,502</u>
<b>State Income Taxes</b>	4,578	(4)	1,141	5,720	(4)	3,938	9,657	(7,693)	1,964
<b>Net Operating Income Before FIT</b>	<u>95,893</u>		<u>16,765</u>	<u>112,657</u>		<u>44,530</u>	<u>157,188</u>	<u>(101,650)</u>	<u>55,538</u>
<b>Federal Income Taxes</b>	19,538	(5)	6,454	25,992	(5)	18,210	44,202	(35,578)	8,624
<b>Net Income Available for Return</b>	<u>\$76,355</u>		<u>\$10,311</u>	<u>\$86,665</u>		<u>\$26,320</u>	<u>\$112,986</u>	<u>(\$66,072)</u>	<u>\$46,914</u>
<b>Rate Base</b>	<u>\$931,260</u>	(6)	<u>(\$89,682)</u>	<u>\$841,578</u>	(6)	<u>(\$195,397)</u>	<u>\$646,181</u>		<u>\$646,181</u>
<b>Rate of Return</b>	<u>8.20%</u>			<u>10.30%</u>			<u>17.49%</u>		<u>7.26%</u>
<b>Return on Equity</b>	<u>10.11%</u>			<u>16.99%</u>			<u>35.91%</u>		<u>9.00%</u>

**Rochester Gas & Electric Corporation**  
**Summary of Staff Adjustments**  
**For the Rate Year Ending December 31, 2007**  
**(\$000's)**

<u>Adj.</u> <u>No.</u> <u>Explanation</u>	<u>Regulatory</u> <u>Adjustment</u>	<u>Regulatory</u> <u>Adjustment</u> <u>Subtotals</u>	<u>Positive</u> <u>Benefit</u> <u>Adjustment</u>	<u>PBA</u> <u>Subtotals</u>
<b>(1) <u>O&amp;M EXPENSES</u></b>				
(a) Regulatory Adjustment - To eliminate Incentive Compensation Expense	(1,960)			
(b) Regulatory Adjustment - To remove Donations from O&M Expense	(222)			
(c) To remove Commodity portion of Uncollectible Expenses	(727)			
(d) To reflect fully funded Site Remediation Reserve			(1,400)	
Total O&M Expense	<u>(2,909)</u>			
<b>TOTAL O&amp;M EXPENSE Regulatory Adjustments</b>			<b><u>(2,909)</u></b>	<b><u>(1,400)</u></b>
 <b>(2) <u>AMORTIZATION</u></b>				
(a) To remove amortizations associated with Positive Benefit Adjustment to Regulatory Assets				
- Oswego 6 Plant			(6,476)	
- Nine Mile Regulatory Asset			(27,619)	
- Nine Mile Mirror CWIP			(1,051)	
- Allegany Contract Buyout			(9,222)	
- 2003 Ice Storm			<u>(2,700)</u>	<b><u>(47,068)</u></b>
(b) To reflect the completion of Cost to Achieve Amortization (Ends 12/31/07)	<u>(10,132)</u>	<b><u>(10,132)</u></b>		
<b>TOTAL AMORTIZATIONS</b>			<b><u>(10,132)</u></b>	<b><u>(47,068)</u></b>
 <b>TOTAL O&amp;M and AMORTIZATION EXPENSE</b>			<b><u>(\$13,041)</u></b>	<b><u>(48,468)</u></b>
 <b>(3) <u>Depreciation</u></b>				
To reflect depreciation effect of adjustment of capitalized software in Common Plant			<b><u>(4,865)</u></b>	
 <b>(4) <u>STATE INCOME TAXES</u></b>				
To reflect changes in taxable income and interest expense.			<b><u>1,141</u></b>	<b><u>3,938</u></b>
 <b>(5) <u>FEDERAL INCOME TAXES</u></b>				
<b><u>Current Federal Income Taxes</u></b>				
To reflect changes in taxable income and interest expense			<b><u>6,454</u></b>	<b><u>18,210</u></b>

Rochester Gas & Electric Corporation  
Summary of Staff Adjustments  
For the Rate Year Ending December 31, 2007  
(\$000's)

Adj. No.	<u>Explanation</u>	<u>Regulatory Adjustment</u>	<u>Regulatory Adjustment Subtotals</u>	<u>Positive Benefit Adjustment</u>	<u>PBA Subtotals</u>
(6)	<b><u>RATE BASE</u></b>				
a)	<b><u>Plant-In-Service</u></b> To reflect regulatory adjustment for capitalized software - Intangible Plant		(39,703)		
	<b><u>Cash Working Capital - Delivery</u></b>				
b)	To track adjustments to O&M Expenses.		(1,539)		(6,059)
c)	<b><u>Deferred Debits/Credits - Regulatory Assets</u></b> To reduce regulatory assets associated with Positive Benefit Adjustment				
	- NM2 Sales			(81,852)	
	- NM2 CWIP			(18,746)	
	- Oswego 6			(28,943)	
	- Allegheny Buyout			(54,577)	
	- Ice Storm 2003			(23,411)	
	- Site Remediation - Reg. Asset			(36,738)	
	<b>Total Deferred Debits/Credits</b>				<b>(244,267)</b>
	<b><u>Asset Gain Account (ASGA)</u></b>				
	- To Include the forecasted ASGA balance in Rate Base		(80,219)		
	<b><u>Operating Reserves</u></b>				
	- To reflect increase in Major Storm Reserve			(10,000)	(10,000)
	<b><u>Decommissioning Reserves</u></b>				
	- To reflect Russell Decommissioning Funding			(30,000)	
	- To reflect Beebee decommissioning Funding			(25,000)	
	<b>Subtotal - Decommissioning</b>				<b>(55,000)</b>
	<b><u>Deferred Debits &amp; Credits - ACF</u></b>				
	To reduce deferrals associated with Annual Compliance Filing				
	- Outreach & Education - Voice Your Choice			(4,285)	(4,285)
	<b>TOTAL DEFERRED DEBITS &amp; CREDITS</b>				<b>(313,552)</b>
	<b><u>Deferred Taxes</u></b>				
d)	To reflect tracking of deferred debit/credits				124,214
	To reflect tracking of ASGA inclusion in Rate Base		31,779		
	<b>TOTAL DEFERRED TAXES</b>				
	<b>TOTAL RATE BASE</b>		<b>(89,682)</b>		<b>(195,397)</b>

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State Electric & Gas Corporation and Rochester Gas and Electric  
Corporation for Approval of the Acquisition of Energy East  
Corporation by Iberdrola, S.A.

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January 2008

Exhibit\_\_\_\_(RPH - 3)

**Rochester Gas & Electric Corporation**  
**Gas Revenue Requirement**  
**For the Staff Adjusted Year Ending December 31, 2006**  
**(\$000's)**

	Per Company Annual Compliance Filing 2006	Adj. No.	Staff Regulatory Adjustments	As Adjusted By Staff	Positive Benefit Adjustments	As Adjusted by Staff	Revenue Requirement Adjustment	As Adjusted For Revenue Requirement
<b>Operating Revenues</b>								
Residential	\$285,471			\$285,471		\$285,471	(\$16,791)	\$268,680
Commercial	48,582			48,582		48,582	0	48,582
Industrial	6,593			6,593		6,593		6,593
Transportation	33,178			33,178		33,178	0	33,178
Miscellaneous	6,290			6,290		6,290		6,290
<b>Total Retail Revenue</b>	<b>380,114</b>		<b>0</b>	<b>380,114</b>	<b>0</b>	<b>380,114</b>	<b>(16,791)</b>	<b>363,323</b>
Other Revenue	5,024		0	5,024		5,024	(60)	4,964
<b>Total Revenue</b>	<b>385,138</b>		<b>0</b>	<b>385,138</b>	<b>0</b>	<b>385,138</b>	<b>(16,851)</b>	<b>368,287</b>
<b>Operating Deductions</b>								
Supply Costs	244,059			244,059		244,059		244,059
Gross Revenue Taxes	5,464		0	5,464		5,464	(222)	5,242
<b>Total Operating Deductions</b>	<b>249,523</b>		<b>0</b>	<b>249,523</b>	<b>0</b>	<b>249,523</b>	<b>(222)</b>	<b>249,301</b>
<b>Gross Margin</b>	<b>135,615</b>		<b>0</b>	<b>135,616</b>	<b>0</b>	<b>135,616</b>	<b>(16,629)</b>	<b>118,987</b>
<b>Total O &amp; M Expenses (from page 2)</b>	<b>50,894</b>	<b>(1)</b>	<b>(1,079)</b>	<b>49,815</b>	<b>(1)</b>	<b>49,215</b>	<b>(285)</b>	<b>48,930</b>
<b>Depreciation/Amortization/Other</b>								
Amortizations	2,835		(1,855)	980	(2)	980	0	980
Depreciation	18,668	(3)	(2,620)	16,048		16,048	0	16,048
Other Income & Deduction	0		0	0		0	0	0
<b>Total Depreciation/Amortizations/Other</b>	<b>21,503</b>		<b>(4,475)</b>	<b>17,028</b>	<b>0</b>	<b>17,028</b>	<b>0</b>	<b>17,028</b>
<b>Taxes Other Than Income Taxes</b>								
Property Taxes	15,199		0	15,199	0	15,199	0	15,199
Payroll Taxes	1,560		0	1,560	0	1,560	0	1,560
Other Taxes	488		0	488	0	488	0	488
<b>Total Taxes Other Than Income Taxes</b>	<b>17,247</b>		<b>0</b>	<b>17,247</b>	<b>0</b>	<b>17,247</b>	<b>0</b>	<b>17,247</b>
<b>Total Operating Revenue Deductions</b>	<b>89,644</b>		<b>(5,554)</b>	<b>84,090</b>	<b>(600)</b>	<b>83,490</b>	<b>(285)</b>	<b>83,205</b>
<b>Net Operating Revenues</b>	<b>45,971</b>		<b>5,554</b>	<b>51,526</b>	<b>600</b>	<b>52,126</b>	<b>(16,344)</b>	<b>35,782</b>
<b>Other Income</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Operating Income Before SIT</b>	<b>45,971</b>		<b>5,554</b>	<b>51,526</b>	<b>600</b>	<b>52,126</b>	<b>(16,344)</b>	<b>35,782</b>
<b>State Income Taxes</b>	<b>2,190</b>	<b>(4)</b>	<b>272</b>	<b>2,462</b>	<b>(4)</b>	<b>79</b>	<b>(1,150)</b>	<b>1,391</b>
<b>Net Operating Income Before FIT</b>	<b>43,781</b>		<b>5,282</b>	<b>49,064</b>	<b>521</b>	<b>49,585</b>	<b>(15,194)</b>	<b>34,391</b>
<b>Federal Income Taxes</b>	<b>10,380</b>	<b>(5)</b>	<b>1,933</b>	<b>12,314</b>	<b>(5)</b>	<b>363</b>	<b>(5,318)</b>	<b>7,359</b>
<b>Net Income Available for Return</b>	<b>\$33,401</b>		<b>\$3,349</b>	<b>\$36,750</b>	<b>\$158</b>	<b>\$36,908</b>	<b>(\$9,876)</b>	<b>\$27,032</b>
<b>Rate Base</b>	<b>\$412,502</b>	<b>(6)</b>	<b>(\$26,692)</b>	<b>\$385,811</b>	<b>(6)</b>	<b>(\$13,465)</b>	<b>\$0</b>	<b>\$372,348</b>
<b>Rate of Return</b>	<b>8.10%</b>			<b>9.53%</b>		<b>9.91%</b>		<b>7.26%</b>
<b>Return on Equity</b>	<b>9.88%</b>			<b>14.96%</b>		<b>15.98%</b>		<b>9.00%</b>

**Rochester Gas & Electric Corporation**  
**Summary of Staff Adjustments**  
**For the Rate Year Ending December 31, 2007**  
**(\$000's)**

Adj. No. <u>Explanation</u>	<u>Regulatory Adjustment</u>	<u>Regulatory Adjustment Totals</u>	<u>Positive Benefit Adjustment</u>	<u>Positive Benefit Adjustment Totals</u>
<b>(1) <u>O&amp;M EXPENSES</u></b>				
<b>a <u>EEMC</u></b>				
Regulatory Adjustment - To eliminate Incentive Compensation payments.	(984)			
<b>b <u>Other Expenses</u></b>				
Regulatory Adjustment - To eliminate Donations	(95)			
c To reflect fully funded Site remediation reserve			(600)	
<b>Total O&amp;M</b>		<b><u>(1,079)</u></b>		<b><u>(600)</u></b>
<b>(2) <u>Depreciation</u></b>				
To reflect depreciation effect of Intangible Plant Adjustment for capitalized software.	(2,620)	<b><u>(2,620)</u></b>		<b><u>0</u></b>
<b>(3) <u>AMORTIZATION</u></b>				
d To reflect the completion of the Cost to Achieve Amortization	(1,855)		0	
<b>TOTAL Amortizations</b>		<b><u>(1,855)</u></b>		<b><u>0</u></b>
<b>(4) <u>STATE INCOME TAXES</u></b>				
To track interest expense calculation and other staff adjustments..		<b><u>272</u></b>		<b><u>79</u></b>
<b>(5) <u>FEDERAL INCOME TAXES</u></b>				
<b><u>Current Federal Income Taxes</u></b>				
To track interest expense and track changes associated with other adjustments.		<b><u>1,933</u></b>		<b><u>363</u></b>

**Rochester Gas & Electric Corporation**  
**Summary of Staff Adjustments**  
**For the Rate Year Ending December 31, 2007**  
**(\$000's)**

Adj. No. <u>Explanation</u>	<u>Regulatory Adjustment</u>	<u>Regulatory Adjustment Totals</u>	<u>Positive Benefit Adjustment</u>	<u>Positive Benefit Adjustment Totals</u>
<b>(6) <u>RATE BASE</u></b>				
a) <b><u>Plant-In-Service</u></b> To reflect Positive Benefit Adjustment associated with CCS software.	(21,379)			
<b><u>Cash Working Capital - Delivery</u></b>				
b) To track adjustments to O&M Expenses.	(5,312)			(75)
<b>c) <u>Deferred Debits/Credits (Regulatory Assets)</u></b>				
<u>To reflect Positive Benefit Adjustments to Regulatory Assets</u>				
- Reacquired Debt			(1,072)	
- Property Tax Deferral			(4,308)	
- Pipeline Integrity			(467)	
- Variable rate debt			(582)	
- Environmental Site Remediation			(15,745)	
<b>Total Deferred Debits/Credits Regulatory Assets</b>				<b><u>(22,174)</u></b>
<b><u>Deferred Taxes</u></b>				
d) To reflect tracking of Staff Adjustments				8,784
<b>TOTAL DEFERRED TAXES</b>				<b><u>8,784</u></b>
<b>TOTAL RATE BASE</b>		<b><u>(26,691)</u></b>		<b><u>(13,465)</u></b>

BEFORE THE  
STATE OF NEW YORK  
PUBLIC SERVICE COMMISSION

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In the Matter of

Case 07-M-0906

Joint Petition of Iberdrola, S.A., Energy East Corporation, RGS  
Energy Group, Inc., Green Acquisition Capital, Inc., New York  
State Electric & Gas Corporation and Rochester Gas and Electric  
Corporation for Approval of the Acquisition of Energy East  
Corporation by Iberdrola, S.A.

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January 2008

Exhibit\_\_\_\_(RPH - 4)

IBERDROLA ACQUISITION  
ROCHESTER GAS & ELECTRIC CORPORATION  
CASE 07-M-0906  
STAFF POSITIVE BENEFIT ADJUSTMENTS  
\$(000) (Pre-Tax)

<u>Delivery Related</u>	<u>BALANCE SHEET AMOUNTS</u>		<u>Notes</u>	<u>INCOME STATEMENT AMOUNTS</u>	
	<u>ELECTRIC</u> <u>@ 12/31/08</u>	<u>GAS</u> <u>@ 12/31/08</u>		<u>ELECTRIC</u>	<u>GAS</u>
<u>Stranded/Strandable Cost Eliminations</u>					
<u>Regulatory Assets (Deferred Debit/Credit)</u>					
Loss on Reacquired debt	\$ 2,502	\$ 1,072	(a)	\$ -	\$ -
2003 Ice Storm	<u>23,411</u>	<u>0</u>	(a)	<u>(2,700)</u>	<u>0</u>
<b>Subtotal Regulatory Assets</b>	<b>25,913</b>	<b>1,072</b>		<b>(2,700)</b>	<b>0</b>
<u>ACF Deferrals (Deferred Debits/Credits)</u>					
Property Tax	0	4,308	(c)	0	0
Voice Your Choice	4,285	0	(c)	0	0
Pipeline Integrity	0	467	(c)	0	0
Variable Debt	<u>0</u>	<u>582</u>	(c)	<u>0</u>	<u>0</u>
<b>Subtotal ACF Deferrals</b>	<b>4,285</b>	<b>5,357</b>		<b>0</b>	<b>0</b>
<b>Subtotal Deferred Debit &amp; Credits</b>	<b>30,198</b>	<b>6,429</b>		<b>(2,700)</b>	<b>0</b>
				<u>Adjustment</u>	<u>Adjustment</u>
				<u>Yearly</u>	<u>Yearly</u>
				<u>Accrual</u>	<u>Accrual</u>
<u>Operating Reserves</u>					
Major Storm Reserve	10,000	0	(d)	0	0
Environmental -SIRC Reserve	<u>36,738</u>	<u>15,745</u>	(b)	<u>(1,400)</u>	<u>(600)</u>
<b>Total Increase in Operating Reserves</b>	<b>46,738</b>	<b>15,745</b>		<b>(1,400)</b>	<b>(600)</b>
<b>TOTAL DELIVERY (Stranded &amp; Reserves)</b>	<b>102,849</b>	<b>23,246</b>		<b>(4,100)</b>	<b>(600)</b>
<b>Associated Deferred Taxes ( at 39.615%)</b>	<b>(49,743)</b>	<b>(9,209)</b>			
<b>NET POSITIVE BENEFITS ADJUSTMENT - DELIVERY</b>	<b>\$ 62,105</b>	<b>\$ 14,037</b>		<b>\$ (4,100)</b>	<b>\$ (600)</b>
<u>Fixed Supply Related</u>					
<u>Regulatory Assets (Deferred Debit/Credit)</u>					
NM 2 Sale	81,852	0	(a)	(27,619)	0
NM2 Mirror CWIP	18,746	0	(a)	(1,051)	0
Oswego 6 Sale	28,943	0	(a)	(6,476)	0
Allegheny Buyout	<u>54,577</u>	<u>0</u>	(a)	<u>(9,222)</u>	<u>0</u>
<b>Subtotal Regulatory Assets</b>	<b>184,118</b>	<b>0</b>		<b>(44,368)</b>	<b>0</b>
<u>Decommissioning</u>					
Russell Decommissioning	30,000	0	(e)	0	0
Beebee Decommissioning	<u>25,000</u>	<u>0</u>	(f)	<u>0</u>	<u>0</u>
<b>Increase Decommissioning Reserves</b>	<b>55,000</b>	<b>0</b>		<b>0</b>	<b>0</b>
<b>TOTAL FIXED SUPPLY RELATED</b>	<b>239,118</b>	<b>0</b>		<b>(44,368)</b>	<b>0</b>
<b>Associated Deferred Taxes (at 39.615 %)</b>	<b>(94,727)</b>	<b>0</b>			
<b>NET POSITIVE BENEFITS ADJUSTMENT - SUPPLY</b>	<b>\$ 144,391</b>	<b>\$ -</b>		<b>\$ (44,368)</b>	<b>\$ -</b>
<b>TOTAL SUPPLY &amp; DELIVERY</b>	<b>\$ 341,967</b>	<b>\$ 23,246</b>		<b>\$ (48,468)</b>	<b>\$ (600)</b>
<b>TOTAL SUPPLY &amp; DELIVERY DEFERRED TAXES</b>	<b>\$ (135,470)</b>	<b>\$ (9,209)</b>			
<b>TOTAL DELIVERY &amp; SUPPLY NET PBA</b>	<b>\$ 206,497</b>	<b>\$ 14,037</b>		<b>\$ (48,468)</b>	<b>\$ (600)</b>

Notes

- (a) CY 2006 Regulatory Asset balances less 2 years of amortizations.  
(b) Regulatory Asset Balance at 12/31/07 (70% Electric and 30% Gas), accrual discontinued.  
(c) Balances per Annual Compliance Filings (CY 2004-2006)  
(d) Increase Storm Reserve by \$10 million and accrual remains at current level (\$2 million per year)  
(e) Fund estimated cost of Russell decommissioning costs for \$30 million.  
(f) Fund estimated cost of Beebee decommissioning cost for \$25 million