

April 14, 2005

VIA HAND DELIVERY

Hon. Jaclyn A. Brillling
Secretary
State of New York Department of Public Service
Three Empire State Plaza
Albany, New York 12223-1350

Re: Case 00-M-0504 – Proceeding on Motion of the Commission Regarding Provider of Last Resort Responsibilities, the Role of Utilities in Competitive Energy Markets and Fostering Development of Retail Competitive Opportunities

Dear Secretary Brillling:

On August 25, 2004, the New York State Public Service Commission (“PSC” or the “Commission”) issued a Statement of Policy on Further Steps Toward Competition in Retail Energy Markets (“Policy Statement”), which ordered regulated utilities in New York to file retail access plans with the Commission. Pursuant to that Policy Statement, we are filing an original and five copies of the retail access plans for New York State Electric & Gas Corporation (“NYSEG”) and Rochester Gas and Electric Corporation (“RG&E”) detailing the Companies’ retail access plans for electric and natural gas customers.

The electric retail access plans are the *Voice Your Choice* programs for electricity customers. NYSEG’s *Voice Your Choice* program was approved by the PSC on February 27, 2002 and implemented on January 1, 2003. The Company is requesting approval, by September 30, 2005, to continue the NYSEG *Voice Your Choice* program with new two-year commodity-offering programs beginning January 1, 2007. The Company will implement the same program except for the addition of a purchase of receivables program for energy services companies (ESCOs). RG&E’s *Voice Your Choice* program was approved by the PSC on May 20, 2004, implemented on January 1, 2005 and will continue, in accordance with the Commission Order, through December 31, 2008.

Our *Voice Your Choice* programs are the most comprehensive retail access programs in the State with over 425,000 customers actively making a choice. The programs also facilitate an appropriate environment and opportunity for customer migration to alternative suppliers. During the most recent *Voice Your Choice* programs, 30% of NYSEG’s customers made an active choice - a 70% increase from the 2002 enrollment period - and over 50% of RG&E’s customers made an active choice. The number of customers served by ESCOs increased 171% at NYSEG and 61% at RG&E.¹

¹ For NYSEG this figure is based on *Voice Your Choice* data collected between September 2002 and March 31, 2005.

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Chairman William Flynn recently noted this success in increased migration, stating:

“In fact, more than 20% of RG&E’s electric customers, or about 72,000 are now purchasing their electricity from an ESCO, which is the second highest penetration rate of any utility service territory in the State.”²

It is important to note that the migration successes in the *Voice Your Choice* programs have been achieved by encouraging customers to make fully informed choices.

The *Voice Your Choice* programs clearly operate to achieve the PSC’s goals of furthering customer choice and encouraging competition by:

- Providing a full menu of electricity supply choices from NYSEG, RG&E and nearly 20 unregulated ESCOs.
- Providing a visible and transparent competitive benchmark – NYSEG’s Bundled Rate Option and RG&E’s Fixed Price Option – against which ESCOs can compete. (NYSEG’s and RG&E’s fixed prices are developed using competitive market prices and were posted on the respective Company’s web sites on the first day of the *Voice Your Choice* programs in order to provide customers a clear price signal and ESCOs a benchmark price.)
- Facilitating the opportunity for participation and switching through an outreach and education program developed in conjunction with the PSC’s Office of Retail Market Development. This program includes more than 260 community presentations, sustained paid advertising across the full spectrum of media, mailings to all customers of enrollment kits and reminders, and an outbound calling program during the enrollment period to encourage customers who had not yet acted to make a choice from the full menu of electricity supply options.

It is important to point out that over 75%, or nearly eight out of ten, customers at both NYSEG and RG&E chose the fixed price option from their utility. Our customers expect and deserve the opportunity to choose price certainty from their utility.

This fact was also supported by an independent study conducted by the Edison Electric Institute (EEI) in March 2005. The EEI survey of NYSEG and RG&E customers concluded that nine out of ten customers want their utility to remain an option in a customer choice program, and that almost 70% of customers prefer a fixed price option. A press release summarizing the survey is included as Attachment A to the respective plans.

² Speech by Chairman William Flynn, New York State Public Service Commission, before the Rochester Electrical Association, March 30, 2005.

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We acknowledge Mr. Ronald Cerniglia, Director, Office of Retail Market Development, and his staff for their efforts working hand-in-hand with the Companies to make the *Voice Your Choice* programs a resounding success. He and his staff were actively involved, conducting a series of regional public forums in the Rochester area during the *Voice Your Choice* enrollment period. The Companies also appreciate Chairman Flynn's endorsement of the program by recently describing it as a "tremendously successful initiative".³

The successful *Voice Your Choice* programs, implemented in conjunction with the Office of Retail Market Development, meet the Commission's goals set forth in the Policy Statement by helping to establish an effective market framework, eliminating barriers to competition, attracting new market entrants, increasing customer awareness of choice and facilitating migration, and they demonstrate our Companies' commitment to the continuing development of retail markets.

We look forward to working with the Office of Retail Market Development in continuing these successful retail access plans, which serve our customers very well.

Respectfully submitted,



James A. Lahtinen

³ Speech by Chairman William Flynn, New York State Public Service Commission, before the Rochester Electrical Association, March 30, 2005.