SCHEDULE A

RATES
(INCLUDING ILLUSTRATIVE RATES)
FOR ELECTRIC SERVICE

SCHEDULE A

RATES
(INCLUDING ILLUSTRATIVE RATES)
FOR ELECTRIC SERVICE

ALLOCATION OF REDUCTIONS

Rochester Gas and Electric Corporation
Allocation of Rate Reductions

Goals:
1. 10% or greater reduction to largest block
2. An average rate, with GRT, of less than 6 cents for largest block

Voltage Class	Presen Revenu (000's)	Presen Price	7/1/97 Rate Reduction (000's)	Percent Reduction	Kamine Recovery (000's)	Net Reduction (000's)	Net Percent Reduction	New Revenues (000's)	New Price	Forecast Sales (MWH)	New Price without GRT
Industrial subtota	$ 76,321	$ 0.0623	$ 441	0.58%	0	$ 441	0.58%	$ 75,880	$ 0.0619	1,224,884	9 0.0689
subtra-comm	39,288	0.0441	224	0.57%	0	224	0.57%	39,063	0.0740	902,829	0.0703
subtra-sec	13,342	0.0883	73	0.54%	0	73	0.54%	13,270	0.0879	151,039	0.0836
pri-pri	49,322	0.0843	261	0.53%	0	261	0.53%	49,061	0.0838	585,263	0.0797
pri-sec	112,697	0.1008	579	0.61%	0	579	0.61%	112,117	0.1003	1,117,538	0.0969
sec-sec	379,668	0.1233	1,916	0.50%	0	1,916	0.50%	377,743	0.1227	3,079,691	0.1166
subtota	$ 694,307	$ 0.1088	$ 3,053	0.61%	0	$ 3,053	0.61%	$ 591,254	6 0.1083	5,461,736	9 0.1029
Total	$ 670,628	$ 0.1003	$ 3,494	0.52%	0	$ 3,494	0.52%	$ 667,134	$ 0.0998	6,686,620	8 0.0948

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Rochester Gas and Electric Corporation

Allocation of Rate Reductions

Goals:

1. 10% or greater reduction to largest block
2. An average rate, with GRT, of less then 6 cents for largest block

Voltage Class	Present Revenue (000's)	Presen Price	7/1/98 Rate Reductior (000's)	Mandate Relief (000's)	Reduction Excl. Relief (000's)	Percent Reduction	Kamine Recovery (000's)	Net Reduction (000's)	Net Percent Reduction	New Revenues (000's)	New Price	Forecast Sales (MWH)	New Price without GRT
Industrial subtotal	$ 78,321	$ 0.0823	$ 2,819	$ 419	$ 2,199	3.43%	$ 841	$ 1,978	2.691%	$ 74,343	$ 0.0807	1,224,884	$ 0.0677
subtra-comm	39,288	0.0744	1,183	188	977	2.96%	276	887	2.257%	38,401	0.0727	628.208	0.0891
subtra-set	13,342	0.0883	428	88	368	3.19%	79	347	2.599%	12,995	0.0860	161,039	0.081 a
pri-pri	49,322	0.0843	930	149	781	1.88%	306	624	1.264%	48,699	0.0832	686,283	0.0791
pri-sec	112,897	0.1008	1,794	287	1,607	1.69%	686	1,209	1.073%	111,487	0.0998	1,117,538	0.0948
sec-sec	379,868	0.1233	6,680	890	4,870	1.48%	1,813	3,947	1.040%	376,711	0.1220	3,079,691	0.1169
subtotal	$ 694,307	$ 0.1088	$ 9,873	$ 1,681	$ 8,292	1.88%	$ 2,869	$ 7,014	1.180%	$ 587,294	$ 0.1076	5,461,736	$ 0.1022
Total	$870,828	$ 0.1003	$ 12,491	$ 2,000	4 10,491	1.86%	$ 3,600	$ 8,991	1.341%	$881,837	$ 0.0989	6,686,620	$ 0.0940

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Rochester Gas and Electric Corporation
Allocation of Rate Reductions

Goals:
1. 10% or greater reduction to largest block
2. An average rate, with GRT, of less than 6 cents for largest block

Voltage Class	Presen Revenu (000's)	Presen Price	7/1/99 Rats Reduction (000's)	Mandate Relief (000's)	Reduction Excf. Relief (000's)	Percent Reduction	Kamlne Recovery (000's)	Net Reductfor (000's)	Net Percent Reductfor	New Revenuers (000's)	New Price	Forecast Sales (MWH)	New Price wlthout GRT
Industrial subtotal	$ 76,321	$ 0.0623	$ 6,650	3 766	3 6,762	6.56%	$ 1,667	3 4,993	6.642%	$ 71,326	$ 0.0562	1,224,884	$ 0.0663
subtra-comm	39,288	0.0744	2,933	344	2,569	7.47%	671	2,262	6.769%	37,026	0.0701	626,206	0.0666
subtra-set	13,342	0.0663	1,010	116	092	7.57%	192	616	6.134%	12,624	0.0829	161,039	0.0766
pri-pri	49,322	0.0643	1,967	229	1,726	3.97%	744	1,213	2.460%	40,109	0.0622	665,263	0.0761
pri-sec	112,697	0.1006	3.401	399	3.003	3.02%	1,421	1,960	1.767%	110,716	0.099 1	1,117,538	0.0941
sec-sec	379,658	0.1233	9,736	1,141	8,594	2.66%	*3,916*	6,821	1.633%	373,838	0.1214	3,079,691	0.1164
subtotal	$ 594,307	$ 0.1086	3 19,038	$ 2,232	$ 16,806	3.20%	$ 6,943	$ 12,096	2.035%	$ 662,212	$ 0.1066	5,461,736	$ 0.1013
Total	8 670,626	$ 0.1003	$ 26,669	$ 3,000	$ 22,566	3.82%	8 8,600	$ 17,066	2.648%	$ 663.540	$ 0.0977	6,686,620	$ 0.0929

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Rochester Gas and Electric Corporation

Allocation of Rate Reductions

Goals:

1. 10% or greeter reduction to largest block
2. An average rate, with GRT, of less than 6 cents for largest block

Voltage Class	Presen Revenu (000's)	Present Price	7/1/00 Rate Reductio (000's)	Mandate Relief (000's)	Reduction Excl. Relief (000'S)	Percent Reduction	Kamine Recovery (000's)	Net Reduction (000's)	Net Percent Reduction	New Revenues (000'S)	New Price	Forecast Sales (MWH)	New Price without GRT
'Industrial subtotal	$ 76,321	$ 0.0623	$ 9,843	$ 839	$ 9.004	12.90%	$ 1,942	$ 7,901	10.363%	$ 68.420	$ 0.0669	1,224,884	$ 0.0631
subtra-comm	39,268	0.0744	4,099	360	3,760	10.43%	837	3,282	8.303%	38,026	0.0682	628,206	0.0848
subtra-set	13,342	0.0883	1,472	126	1,346	11.03%	239	1.233	9.240%	12,109	0.0802	161,039	0.0762
pri-pri	49,322	0.0843	2,678	228	2,460	6.43%	928	1,760	3.649%	47,672	0.0813	686,263	0.0772
pri-sec	112,697	0.1008	4,623	366	4,138	4.01%	1,772	2,761	2.441%	109,946	0.0984	1,117,538	0.0936
sec-sec	379,668	0.1233	12,687	1,072	11,496	3.31%	4,682	7,686	2.024%	371,973	0.1208	3,079,691	0.1148
subtotal	$ 694,307	$ 0.1068	$ 26,340	$ 2,161	$ 23,179	4.26%	$ 8,668	$ 16,682	2.807%	$ 677,626	$ 0.1068	5,461,736	$ 0.1005
Total	$ 670,626	$ 0.1003	$ 36,183	$ 3,000	$ 32,183	5.25%	$ 10,600	$ 24,683	3.666%	$646,046	$ 0.0966	6.686.620	$ 0.0918

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Rochester Gas and Electric Corporation

Allocation of Rate Reductions

Goals:

1. 10% or greeter reduction to largest block
2. An average rate, with GRT, of less than 6 cents for largest block

Voltage Class	Present Revenue (000's)	Present Price	7/1/01 Rate Reductior (000's)	Mandate Relief (000's)	Reduction Excl. Relief (000'S)	Percent Reduction	Kamine Recovery (000's)	Net Reduction (000's)	Net Percent Reduction	New Revenuer (000's)	New Price	Forecast Sales (MWH)	New Price without GRT
Industrial subtotal	$ 76,321	$ 0.0623	$ 9,860	$ 783	$ 9,077	12.92%	$ 1,942	$ 7,916	10.374%	$ 68,404	$ 0.0568	1,224,884	$ 0.0631
subtra-comm	39,266	0.0744	4,101	326	3,776	10.44%	837	3,284	8.307%	36,024	0.0602	626,206	0.0648
subtra-set	13,342	0.0663	1.472	117	1,366	11.03%	239	1,233	9.241%	12,109	0.0602	161,039	0.0762
prl-pri	49,322	0.0643	2,693	230	2,663	6.67%	926	1,965	3.984%	47,357	0.0809	686,263	0.0769
prl-sec	112,697	0.1006	6,066	402	4,664	4.50%	1,772	3,294	2.923%	109,403	0.0979	1,117,538	0.0930
sec-sec	379,656	0.1233	14,396	1,143	13,263	3.79%	4,862	9,614	2.506%	370,144	0.1202	3,079,691	0.1142
subtotal	3 694.307	$ 0.1066	$ 27,926	$ 2,217	$ 26,711	4.70%	$ 8,668	$ 19,270	3.242%	$ 676,037	$ 0.1063	5,461,736	$ 0.1001
Total	$ 670,628	$ 0.1003	3 37,787	$ 3,000	8 34,767	5.63%	8 10,600	$ 27,187	4.054%	3 643,441	$ 0.0962	6,686,620	$ 0.0914

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SCHEDULE A

RATES
(INCLUDING ILLUSTRATIVE RATES)
FOR ELECTRIC SERVICE

RATE DESIGN

Rochester Gas and Electric Corporation
Proposed COB2 Settlement Tariff Rates

ILLUSTRATIVE PURPOSES ONLY

	Current Year (7/96-6/97)	Year 1 (7/97-6/98)	Year 2 (7/98-6/99)	Year 3 (7/99-6/00)	Year 4 (7/00-6/01)	Year 5 (7/01-6/02)
Service Class No. 1						
Customer Charge ($/Mo)	$10.00	$11.50	$13.00	514.50	$16.00	$17.50
Energy Charge ($/kWH)	SO.09538	$0.09211	$0.08881	So.08555	SO.08230	$0.07906
Service Class No. 2						
Customer Charge ($/Mo)	510.00	sir.50	$13.00	514.50	$16.00	$17.50
Energy Charge ($/kWH)	$0.09970	50.09695	SO.09417	SO.091 43	50.08870	$0.08598
Service Class No. 3						
Summer Demand Charge ($/kW/Mo)	$17.96	$17.96	$17.96	517.96	317.96	$17.96
Winter Demand Charge ($/kW/Mo)	$14.26	$14.26	$14.26	$14.26	$14.26	$14.26
Base Demand Charge ($/kW/Mo)	$12.76	$12.76	512.76	$12.76	$12.76	$12.76
Energy Charge: O-200 Houn ($/kWH)	50.06573	SO.06516	so.06456	$0.06400	so.06344	so.06290
Energy Charge: > 200 Hours ($/kWH)	SO.05368	$0.05321	SO.05272	SO.05227	$0.05181	*$0.05137*
Service Class No. 4						
Schedule I						
Customer Charge ($/Mo)	$13.98	$15.48	$16.98	$18.48	$19.98	$21.48
Summer Peak Energy Charge ($/kWH	SO21043	SO.16746	SO.12313	50.11919	SO.11525	$0.11133
Winter Peak Energy Charge ($/kWH)	SO.16158	SO.16746	SO.12313	$0.11919	SO.1 1525	SO.11133
Shoulder Peak Energy Charge ($/kW	SO.1 1748	SO.11748	So.12313	SO.1 1919	So.11525	$0.11133
Off-Peak Energy Charge ($/kWH)	50.05123	SO.05123	SO.05123	So.05123	60.05123	$0.05123
schedule II						
Customer Charge ($/Mo)	$27.46	$27.46	S27.46	$27.46	$27.46	$27.46
Summer Peak Energy Charge ($/kWH	So.19616	So.17732	SO.12638	SO.12531	$0.12425	$0.12321
Winter Peak Energy Charge ($/kWH)	SO.15843	SO.17732	So.12638	SO.12531	$0.12425	SO.12321
Shoulder Peak Energy Charge ($/kW	SO.1 1276	SO.1 1276	So.12638	SO.12531	$0.12425	$0.12321
Off-Peak Energy Charge ($/kWH)	SO.051 10	so.051 10	$0.05110	50.05110	so.051 10	$0.05110
Service Class No. 7						
Summer Demand Charge ($/kW/Mo)	$18.18	$18.18	$18.18	$18.18	518.18	$18.18
Winter Demand Charge ($/kW/Mo)	$12.47	$12.47	$12.47	$12.47	$12.47	$12.47
Base Demand Charge ($/kW/Mo)	510.76	$10.76	$10.76	$10.76	$10.76	$10.76
Energy Charge: O-200 Hours ($/kWH)	SO.08725	SO.08655	SO.08580	So.0851 1	SO.08442	So.08375
Energy Charge: > 200 Hours ($/kWH)	50.66474	so.06422	so.06366	SO.06315	$0.06264	$0.06214

Note: Rates for Sevice Class No. 6 (Area Lighting) 8 PSC # 13 (Street Lighting) have not yet bean determined.

Rochester Gas and Electric Corporation
Proposed COB2 Settlement Tariff Rates

ILLUSTRATIVE PURPOSES ONLY

	urrent Year (7/96-6/97)	Year 1 (7/97-6/98)	Year 2 (7/98-6/99)	Year 3 (7/99-6/00)	Year 4 (7/00-6/01)	Year 5 (7/01-6/02)
Service Class No. 8						
Transmission						
Peak Demand Charge ($/kW/Mo)	$5.64	$6.47	$6.47	$6.47	$6.47	$6.47
Peak Energy Charge ($/kWH)	SO.07837	SO.05780	So.05540	$0.04966	$0.04645	$0.04645
Shoulder peak Energy Charge ($/kWH)	So.05780	so.05780	SO.05540	$0.04965	$0.04644	$0.04644
Off-Peak Energy Charge ($/kWH)	So.04598	so.04598	So.04598	$0.04598	$0.04277	$0.04277
Subtransmission - Industrial						
Peak Demand Charge ($/kW/Mo)	$7.30	$7.91	$7.91	57.91	$7.91	$7.91
Peak Energy Charge ($/kWH)	50.07997	SO.06260	$0.05990	SO.05343	so.04984	so.04984
Shoulder peak Energy Charge ($/kWH)	SO.06260	SO66260	so.05990	50.05343	so.04984	$0.04984
Off-Peak Energy Charge ($/kWH)	so.04959	so.04959	so.04959	so.04959	SO.04600	SO.04600
Subtransmission - Commercial						
Peak Demand Charge ($/kW/Mo)	$7.30	$8.05	se.05	$8.05	S8.05	sa.05
Peak Energy Charge ($/kWH)	$0.07997	SO.06260	SO.05988	50.05391	50.05165	SO.05165
Shoulder peak Energy Charge ($/kWH)	$0.06260	SO.06260	so.05989	$0.05392	$0.05166	$0.05166
Off-Peak Energy Charge ($/kWH)	$0.04959	50.04959	50.04959	so.04959	So.04733	so.04733
Primary						
Peak Demand Charge ($/kW/Mo)	$8.89	$9.74	39.74	$9.74	59.74	$9.74
Peak Energy Charge ($/kWH)	to.08628	so.06648	so.06571	So.06454	So.06385	$0.06346
Shoulder peak Energy Charge ($/kWH)	$0.06648	so.06648	so.06571	SO.06453	$0.06385	SO.06346
Off-Peak Energy Charge ($/kWH)	$0.05205	50.05205	$0.05205	So.05205	$0.05137	so.05097
Secondary						
Peak Demand Charge ($/kW/Mo)	$9.70	s10.51	$10.51	$10.51	510.51	$10.51
Peak Energy Charge ($/kWH)	$0.09353	so.07239	so.07154	SO.07024	so.06949	so.06905
Shoulder peak Energy Charge ($/kWH)	so.07239	50.07239	$0.07154	$0.07024.	$0.06949	$0.06905
Off-Peak Energy Charge ($/kWH)	so.05558	so.05558	So.05558	So.05558	So.05482	SO.05439
Subtransmission-Secondary						
Peak Demand Charge ($/kW/Mo)	$8.02	$8.84	$8.84	$8.84	$8.84	S8.84
Peak Energy Charge ($/kWH)	$0.08808	$0.06775	so.06491	$0.06002	so.05740	$0.05740
Shoulder peak Energy Charge ($/kWH)	so.06775	SO.06775	So.06491	$0.06002	So.05741	SO.05741
Off-Peak Energy Charge ($/kWH)	SO.05326	SO.05326	SO.05326	SO.05326	so.05064	SO.05064
Service Class No. 9						
Peak Demand Charge ($/kW/Mo)	$7.11	$7.44	$7.68	s7.68	$7.68	$7.68
Peak Energy Charge ($/kWH)	SO.13815	So.11940	SO.10432	$0.10333	SO.10235	so.10139
Shoulder peak Energy Charge ($/kWH	SO.10432	SO.10432	50.10432	So.1 0333	SO.10235	so.10139
Off-Peak Energy Charge(w)	so.0481 9	SO.04819	SO.04819	SO.04819	$0.04819	$0.04819

Note: Rates for Sevice Class No. 6 (Area Lighting) 8 PSC # 13 (Street Lighting) have not yet bean determined.

SCHEDULE A

RATES
(INCLUDING ILLUSTRATIVE RATES)
FOR ELECTRIC SERVICE

DISTRIBUTION ACCESS REVENUES

Rochester Gas and Electric Corporation
Illustrative Average Distribution Access Revenues
per kWH Delivered

Voltage Class	Rate Year 7/98-6/99	Rate Year 7/99-6/00	Rate Year 7/00-6/01	Rate Year 7/01-6/02
Tra-Tra	$0.05470	$0.03272	$0.02931	$0.02931
Subtra-Industrial	$0.06249	$0.04012	$0.03630	$0.03630
Subtra-Commercial	$0.06279	$0.04071	$0.03830	$0.03830
Subtra-Secondary	$0.07264	$0.05092	$0.04815	$0.04815
Pri-Pri	$0.07217	$0.05285	$0.05213	$0.05171
Pri-Set	$0.08761	$0.06833	$0.06765	$0.06715
Sec-Sec	$0.10860	$0.08939	$0.08878	$0.08819

APPENDIX A
TO
SCHEDULE A

FLEXIBLE DISTRIBUTION ACCESS
TARIFF OPTION

1. The Company shall have the option to negotiate special contracts for distribution access service with Load Serving Entities ("LSEs") that serve customers that have a viable competitive alternative. The purpose of this option is to allow the Company to participate, with LSEs, in efforts to retain or to attract distribution customers in the Company's service territory and thereby to benefit all distribution customers. A "competitive alternative" for this purpose is defined as a means of meeting electric power needs without making use of the Company's distribution system, including relocation outside the Company's service territory..

2. As a transitional arrangement for existing SC- 10 customers, the Company shall have the discretion to offer the following two options:

   a. Extend the term of an existing SC-l 0 contract to June 30, 2002, or

   b. Offer a prorated distribution tariff discount to an LSE that serves the customer, for the load taken by that customer, through June 30, 2002.

3. The prorated discount would be calculated in the following manner:

- calculate the average price per KWH for a particular contract at rates in effect at the end of its term - call this the average contract rate
- calculate the average price per KWH for that same contract assuming the applicable bundled tariff rates - call this the average full tariff rate
- Calculate the full discount per KWH - this is equal to the average full tariff rate minus the average contract rate
- pro-rate the full discount to distribution rates according to this formula: distribution discount = full discount x (average contract rate - 3.2 cents/KWH)/average contract rat&'

1/ For example, if the average full tariff rate was 8 cents, the average contract rate was 7 cents, the discount attributed to distribution rates would be 0.54 cents. The remainder would be attributed in essence to the contestable cost of 3.2 cents.

Revised 6/23/97

SCHEDULE B

ELECTRIC DEPARTMENT AMORTIZATIONS
(Including Decommissioning Accruals)
(000'S)

	12 MOS. JUNE 1998	12 MOS. JUNE 1999	12 MOS. JUNE 2000	12 MOS. JUNE 2001	12 MOS. JUNE 2002
AMORTIZATIONS					
NUC. FUEL STORAGE	$4,515	$4,832	$5,103	$5,390	$5,692
R & D	(2,149)	0	0	0	0
SITE REMIDATION	0	0	0	0	0
DSM/HIECA	9,500	9,500	6,606	7,000	7,000
PEN TREP I, II	0	0	0	0	0
PEN TREP III	0	0	0	0	0
PENSION DEF'D ADJ.	(38)	0	0	0	0
OTHER DEF'D PROJ	2,294	2,294	2,294	2,295	2,295
ICE STORM	2,546	2,546	2,546	2,546	2,546
SALES USE TAX AUDIT	1,642	1,642	1,642	1,642	1,642
NMII LITIGATION/GE	0	0	0	0	0
REVENUE TAX AUDIT	0	0	0	0	0
FASB 112	1,684	1,684	1,684	1,684	0
CIS PLUS	0	0	0	0	0
LASER LIGHT SHOW	1,675	0	0	0	0
ERAM	0	0	0	0	0
EXCESS EARNINGS	0	0	0	0	0
NMP2 SHARING JOB 0 10	0	0	0	0	0
NMPS REFUEL OUT #4	0	0	0	0	0
TOTAL	$21,729	$22,498	**$19,875**	$20,557	**$19,175**
DECOMMISSIONING ACCRUALS*					
Ginna	$18,512	$18,570	$18,631	$18,696	$18,765
Nine Mile 2	**3,646**	3,674	3,705	3,739	3,775
TOTAL DECOM. ACCRUALS	**$22,158**	$22,244	$22,336	$22,435	$22,540

* The derivation of decommissioning accruals is described in Schedule D.

SCHEDULE C

MANUFACTURING CLASSIFICATIONS
(Standard Industrial Classifications - Division D. Manufacturing)

Major Group 20 **Food and Kindred Products**

Industry Group No. 201 Meat Products
202 Dairy Products
203 Canned, Frozen, and Preserved Fruits, Vegetables, and Food Specialities
204 Grain Mill Products
205 Bakery Products
206 Sugar and Confectionery Products
207 Fats and Oils
208 Beverages
209 Miscellaneous Food Preparation and Kindred Products

Major Group 21 **Tobacco Products**

Industry Group No. 211 Cigarettes
212 Cigars
213 Chewing and Smoking Tobacco and Snuff
214 Tobacco Stemming and Redrying

Major Group 22 **Textile Mill Products**

Industry Group No. 221 Broad Woven and Fabric Mills, Cotton
222 Broad Woven Fabric Mills, Manmade Fiber and Silk
223 Broad Woven Fabric Mills, Wool (Including Dyeing and Finishing)
224 Narrow Fabric and Other Small wares Mills: Cotton, Wool, Silk, and Manmade Fiber
225 Knitting Mills
226 Dyeing and Finishing Textiles, Except Wood, Fabrics and Knit Goods
227 Carpets and Rugs
228 Yarn and Thread Mills
229 Miscellaneous Textile Goods

Major Group 23 **Apparel and Other Finished Products Made from Fabrics and Similar Materials**

Industry Group No.
231 Men's and Boys' Suits, Coats, and Overcoats
232 Men's and Boys' Furnishings, Work Clothing, and Allied Garments
233 Women's, Misses', and Juniors' Outerwear
234 Women's, Misses', Children's, and Infants' Undergarments
235 Hats, Caps, and Millinery
236 Girls', Children's, and Infants' Outerwear
237 Fur Goods
238 Miscellaneous Apparel and Accessories
239 Miscellaneous Fabricated Textile Products

Major Group 24 **Lumber and Wood Products, except Furniture**

Industry Group No.
241 Logging
242 Sawmills and Planing Mills
243 Millwork, Veneer, Plywood, and Structural Wood Members
244 Wood Containers
245 Wood Buildings and Mobile Homes
249 Miscellaneous Wood Products

Major Group 25 **Furniture and Fixtures**

Industry Group No.
25 1 Household Furniture
252 Office Furniture
253 Public Building and Related Furniture
254 Partitions, Shelving, Lockers, and Office and Store Fixtures
259 Miscellaneous Furniture and Fixtures

Major Group 26 **Paper and Allied Products**

Industry Group No.
261 Pulp Mills
262 Paper Mills
263 Paperboard Mills
265 Paperboard Containers and Boxes
267 Converted Paper and Pegboard Products, Except Containers and Boxes

Major Group 27 **Printing, Publishing and Allied Industries**

Industry Group No.
271 Newspapers: Publishing, or Publishing and Printing
272 Periodicals: Publishing, or Publishing and Printing
273 Books
274 Miscellaneous Publishing
275 Commercial Printing

(Cont'd)

Major Group 27		**Printing, Publishing and Allied Industries**
Industry Group No.	276	Manifold Business Forms
	277	Greeting Cards
	278	Blank books, Looseleaf Binders, and Bookbinding and Related Work
	279	Service Industries for the Printing Trade
Major Group 28		**Chemicals and Allied Products**
Industry Group No.	28 1	Industrial Inorganic Chemicals
	282	Plastics Materials and Synthetic Resins, Synthetic Rubber, Cellulosic and Other Manmade Fibers, Except Glass
	283	Drugs
	284	Soap, Detergents, and Clearing Preparations; Perfumes, Cosmetics, and Other Toilet Preparations
	285	Paints, Varnishes, Lacquers, Enamels, and Allied Products
	286	Industrial Organic Chemicals
	287	Agricultural Chemicals
	289	Miscellaneous Chemical Products
Major Group 29		**Petroleum Refining and Related Industries**
Industry Group No.	29 1	Petroleum Refining
	295	Asphalt Paving and Roofing Materials
	299	Miscellaneous Products of Petroleum and Coal
Major Group 30		**Rubber and Miscellaneous Plastics Products**
Industry Group No.	301	Tires and Inner Tubes
	302	Rubber and Plastics Footwear
	305	Gaskets, Packing, and Sealing Devices and Rubber and Plastics Hose and Belting
	306	Fabricated Rubber Products, not Elsewhere Classified
	308	Miscellaneous Plastics Products
Major Group 31		**Leather and Leather Products**
Industry Group No.	3 11	Leather Tanning and Finishing
	3 13	Boot and Shoe Cut Stock and Findings
	3 14	Footwear, Except Rubber
	3 15	Leather Gloves and Mittens
	3 16	Luggage
	3 17	Handbags and Other Personal Leather Goods
	3 19	Leather Goods, Not Elsewhere Classified

Major Group 32 **Stone. Clay, Glass, and Concrete Products**

Industry Group No. 321 Flat Glass
322 Glass and Glassware, Pressed or Blown
323 Glass Products, Made of Purchased Glass
324 Cement, Hydraulic
325 Structural Clay Products
326 Pottery and Related Products
327 Concrete, Gypsum, and Plaster Products
328 Cut Stone and Stone Products
329 Abrasive, Asbestos, and Miscellaneous Nonmetallic Mineral Products

Major Group 33 **Primary Metal Industries**

331 Steel Works, Blast Furnaces, and rolling and Finishing Mills
332 Iron and Steel Foundries
333 Primary Smelting and Refining of Nonferrous Metals
334 Secondary Smelting and Refining of Nonferrous Metals
335 Rolling, Drawing, and Extruding of Nonferrous Metals
3 36 Nonferrous Foundries (Castings)
339 Miscellaneous Primary Metal Products

Major Group 34 **Fabricated Metal Products, except Machinerv and Transportation Equipment**

Industry Group No. 341 Metal Cans and Shipping Containers
342 Cutlery, Hand tools, and General Hardware
343 Heating Equipment, Except Electric and Warm Air; and Plumbing Fixtures
344 Fabricated Structural Metal Products
345 Screw Machine Products, and Bolts, Nuts, Screws, Rivets, and Washers
346 Metal Forgings and Stampings
347 Coating, Engraving, and Allied Services
348 Ordnance and Accessories, except Vehicles and Guided Missiles
349 Miscellaneous Fabricated Metal Products

Major Group 35 **Industrial and Commercial Machinerv and Computer Equipment**

Industry Group No. 351 Engines and Turbines
352 Farm and Garden Machinery and Equipment

(Cont'd)

Major Group 35 **Industrial and Commercial Machinery and Computer Equipment**

Industry Group No.
353 Construction, Mining, and Materials Handling Machinery and Equipment
354 Metal Working Machinery and Equipment
355 Special Industry Machinery, except Metalworking Machinery
356 General Industrial Machinery and Equipment
357 Computer and Office Equipment
358 Refrigeration and Service Industry Machinery
359 Miscellaneous Industrial and Commercial Machinery and Equipment

Major Group 36 **Electronic and Other Electrical Equipment and Components, Except Computer Equipment**

Industry Group No.
361 Electric Transmission and Distribution Equipment
362 Electrical Industrial Apparatus
363 Household Appliances
364 Electric Lighting and Wiring Equipment
365 Household Audio and video Equipment, and Audio Recordings
366 Communications Equipment
367 Electronic Components and Accessories
369 Miscellaneous Electrical Machinery, Equipment, and Supplies

Major Group 37 **Transportation Equipment**

Industry Group No.
371 Motor Vehicles and Motor Vehicle Equipment
372 Aircraft and Parts
373 Ship and Boat Building and Repairing
374 Railroad Equipment
375 Motorcycles, Bicycles, and Parts
376 Guided Missiles and Space Vehicles and Parts
379 Miscellaneous Transportation Equipment

Major Group 38 **Measuring, Analyzing, and Controlling Instruments: Photographic, Medical and Optical Goods: Watches and Clocks**

Industry Group No.
381 Search, Detection, Navigation, Guidance, Aeronautical, and Nautical Systems, Instruments, and Equipment
382 Laboratory Apparatus and Analytical, Optical, Measuring, and Controlling Instruments
384 Surgical, Medical, and Dental Instruments and Supplies
385 Ophthalmic Goods
386 Photographic Equipment and Supplies
387 Watches, Clocks, Clockwork Operated Devices, and Parts

Major Group 39 **Miscellaneous Manufacturing Industries**

391 Jewelry, Silverware, and Plated Ware
393 Musical Instruments
394 Dolls, Toys, Games and Sporting and Athletic Goods
395 Pens, Pencils, and Other Artists' Materials
396 Costume Jewelry, Costume Novelties, Buttons, and Miscellaneous Notions, Except Precious Metal
399 Miscellaneous Manufacturing Industries

SCHEDULE D

NUCLEAR DECOMMISSIONING

1. It is agreed that the projected cost of decommissioning RG&E's 100% owned Ginna Nuclear Power Plant and its share of the cost of decommissioning Nine Mile Point 2, shall be based on site-specific studies and methods submitted by the Company.

2. The study for Ginna estimates that the decommissioning of Ginna will cost $296,303,000 in 1995 dollars. If this amount is inflated by 4.0% annually, the projected cost of decommissioning the facility in 2009 is $5 13,100,000.

3. The study for Nine Mile Point 2 estimates that decommissioning RG&E's 14% share of Nine Mile Point 2 will be $112,840,000 in 1995 dollars. If this amount is inflated by 4.0% annually, the projected cost of RG&E's share in 2026 is $380,624,000.

4. The after-tax interest rates projected to be earned by the amounts collected for decommissioning these plants are 6.40% for each plant's external fund established to qualify for a current tax deduction under Internal Revenue Service ("IRS") rules and 4.77% for each plant's non-IRS qualified external fund. The rates established pursuant to the Settlement to which this Schedule is attached are based on funding the contaminated portions of the units, as required by the Nuclear Regulatory Commission ($470,119,000 for Ginna and $343,3 18,000 for Nine Mile Point 2), using external funding methods.

5. The annual expense allowance incorporated in rates for Ginna, based on external funding, is $17,362,000 for the rate years ending June 1998 through June 2002. The

annual expense allowance incorporated in rates for Nine Mile Point 2, based on external funding, is $3,374,000 for rate years ending June 1997 through June 2002. These amounts are to be deposited in separate external funds set up solely for the purpose of accumulating decommissioning funds for each plant.

6. Additional annual expense allowances incorporated in rates for Ginna, based on internal funding, are $1 ,150,000, $1,208,000, $1,269,000, $1,334,000, and $1,493,000 for rate years ending June 1998, 1999, 2000, 2001 and 2002, respectively. The additional annual expense allowances incorporated in rates for Nine Mile Point 2 based on internal funding, are $272,000, $300,000, $33 1,000, $365,000, and $401,000 for rate years ending June 1998, 1999, 2000, 2001 and 2002, respectively. These additional amounts are for the decommissioning and removal of non-contaminated facilities at Ginna and Nine Mile Point 2.

SCHEDULE E

LARGE CUSTOMER CREDIT PROGRAM

Except as otherwise provided in this Settlement, this Schedule E supersedes the "Demand Side Management Plans" contained in the 1996 Settlement as Schedule F. This Schedule E is intended to continue the Large Customer Credit Program ("LCCP") to the extent that DSM costs continue to be recovered in rates, whether through an SBC or otherwise.

1. All SC No. 8 customers who, under the 1996 Settlement (Schedule F), were eligible to exercise the option not to participate in RG&E's DSM programs and who, in fact, exercised such option, shall continue to be covered by the LCCP pursuant to the terms of this Schedule. To the extent that RG&E may be required to file a DSM Plan for any period within the term of this Settlement and the Company is not prohibited from continuing the LCCP, RG&E shall provide notice of this option to eligible customers at least once prior to the commencement of each such DSM Plan. Such notice shall be given not earlier than sixty (60) nor later than thirty (30) days prior to the commencement of each such DSM Plan. Eligible customers shall have thirty (30) days after such notice to elect whether to exercise such option. Such customers shall cease to be eligible for direct participation in any aspect of RG&E's DSM programs. The elections of such customers shall be effective for the remaining term of this Settlement.

2. Throughout the term of this Settlement, any SC No. 8 customer who elects not to participate in RG&E's DSM programs and who complies with the criteria for the LCCP shall receive a billing credit of $0.0003 per KWH of consumption from the latter of

the date of compliance or the date of commencement of the DSM Plan to which the customer's election not to participate relates; provided that such customer shall not receive any billing credit applicable to the calendar year during which such customer receives payments from RG&E under that year's DSM programs.[1/] The foregoing credit shall be subject to recalculation in the event that RG&E's spending on DSM program changes materially.

[1/] In other words, if a customer receives a payment in 1997, offered pursuant to RG&E's initial (January 1997 through June 1998) Plan, the customer cannot receive a billing credit during the period covered by that Plan. On the other hand, a customer who receives a payment in 1997 pursuant to a plan in effect for a prior year will be permitted to receive a billing credit in 1997 if that customer otherwise qualifies for the election.

SCHEDULE F

LOW-INCOME PROGRAM

This Schedule F supersedes the Low-Income Program contained in the 1996 Settlement as Schedule G.

Customer Qualifications

1. The Low-Income Program (the "Program") shall be available to RG&E customers who meet all of the following criteria:

   a. The customer must be a gas heating or electric heating customer of the Company.

   b. The customer must be payment-troubled or in arrears.

   c. The customer must be HEAP eligible.[1/]

   d. The customer must agree to receive a home energy audit at the appropriate residence.

   e. The customer must agree to participate in household budget management training.

1/ In the event that the HEAP program is discontinued, RG&E shall apply comparable criteria.

Target Groups

2. In addition to identifying customers who meet the Program criteria stated in paragraph 1, supra, RG&E shall make a particular effort to identify qualified elderly customers who could benefit from the Program.

3. RG&E shall work with appropriate social agencies and not-for-profit organizations to identify appropriate customers for participation in the Program.[2/]

Program Size

4. During the first rate year under the 1996 Settlement (July 1, 1996 through June 30, 1997), RG&E shall have enrolled 350 participants in the Program; during the first rate year under the instant Settlement (July 1, 1997 through June 30, 1998), RG&E shall have enrolled 700 participants; and during the second rate year of this Settlement (July 1, 1998 through June 30, 1999), RG&E shall have enrolled 1,000 participants.[3/]

[2/] Such agencies and organizations include the Office for the Aging, Rural Opportunities Inc., the Child Assistance Program of the Department of Social Services ("DSS") and local DSS offices.

[3/] RG&E shall make a reasonable effort to replace customers who drop out of the Program.

Program Components

5. Each participant who complies with the Program criteria shall be eligible to participate, and shall be encouraged to participate, in the Program for three years.

6. During the first year of participation in the Program, each participant shall be expected to make monthly payments on current bills of at least 75 percent of the budget billing amount. The actual amount to be paid shall be greater than 75 percent if the customer is found to be capable of making such greater payments. The remainder of such monthly payments shall be forgiven during the customer's participation in the Program. During the second and third years of participation, each customer shall be expected to make full payment of the budget billing amount.

7. A participant who has complied with all Program criteria for at least one full year shall receive forgiveness of 25 percent of the customer's arrears balance. A participant who has complied with all Program criteria for at least two full years shall receive forgiveness of another 25 percent of the customer's arrears balance. A participant who has complied with all Program criteria for at least three full years, and thus has completed the Program, shall receive forgiveness of the remaining 50 percent of the customer's arrears balance.

8. Each Program participant shall receive energy conservation and utilization education through receipt of a SavingPower energy audit and EndServe analysis or similar services.

9. Each Program participant shall receive training in household financial management, budgeting and wise purchasing practices.

10. Collection activity shall be suspended during the period that the participant remains in compliance with Program criteria.

11. Program participants shall be directed to appropriate DSM programs and weatherization programs, if any.

Cost Recovery

12. The cost of the Program shall be recovered entirely through residential electric rates.

13. For purposes of cost recovery, arrears forgiveness shall be assumed not to exceed $850 per customer.

14. Recoverable administrative costs shall not exceed 20 percent of total Program costs which shall be calculated by recognizing arrears forgiveness in the year in which a participant enters the Program.

Evaluation

15. RG&E shall evaluate the cost-effectiveness of the Program and report the results to the Commission before the end of the Settlement period. Such evaluation shall include analysis of the benefits of the Program.

SCHEDULE G

SERVICE QUALITY PERFORMANCE PROGRAM

This Schedule G supersedes the Service Quality Performance ("SQP") Program contained in the 1996 Settlement as Schedule H.

Overview

1. RG&E shall continue the SQP Program providing for penalties of up to a total of $1,250,000 for failure to achieve the minimum acceptable criteria for the service quality measures described below. The specific operation of the penalty system is described below.

2. The SQP Program shall consist of two principal components, an Electric Reliability component and a Customer Service component, as described below.

Electric Reliability

3. Electric Reliability shall be measured in terms of the System Average Interruption Frequency Index ("SAIFI") and the Customer Average Interruption Duration Index ("CAIDI"), calculated in accordance with Commission requirements.[1/] Measurement shall be on a weighted average[2/] Company-wide basis. For SAIFI, the minimum acceptable level shall be 1.27. For CAIDI, the minimum acceptable level shall be 1.73.

[1/] See Cases 90-E-1 119 and 95-E-0165.

[2/] Individual district data included shall be weighted by the number of customers represented.

4. The maximum penalty for SAIFI and CAIDI shall be $375,000 each.

5. For SAIFI, penalties shall be graduated, applying as follows: 25 percent of the maximum penalty when performance exceeds the minimum acceptable level; 50 percent of the maximum penalty when performance exceeds 105 percent of the minimum acceptable level; and the full penalty when performance exceeds 110 percent of the minimum acceptable level. For CAIDI, the full penalty shall apply when performance exceeds 110 percent of the minimum acceptable level.

Customer Service

6. Customer Service shall be measured in terms of the six criteria listed in the following table, along with the respective performance levels below which the indicated percentages of the maximum allowable penalty would be imposed:

Measure	25% Penalty	50% Penalty	100% Penalty
Appointments Kept			99.0%
Calls Answered w/in 30 Seconds	73%	71.5%	70%
Bills Adjusted	2.70%	2.85%	3.00%
Estimated Bills - Unscheduled?'			13.7%
Closed-Loop Customer Satisfaction Survey[4/]			
PSC Complaints (per 100,000 customers)			9.0

7. The maximum penalty for each of the measures listed in paragraph 6, sunra, shall be $83,000.

[3/] Under the 1996 Settlement, the Target level was set at the rate year average target per the Meter Reading Implementation Plan. This level shall be updated for the first and second rate years of the instant Settlement period per the Meter Reading Implementation Plan.

[4/] Target levels for the first and second rate years of the instant Settlement period shall be set as described in paragraph 11, infra.

Implementation of Penalties

8. Penalties assessed pursuant to this Schedule shall be treated in accordance with paragraph 30 of the Settlement.

9. The Company shall have the right to seek a waiver of any penalties resulting from below-target performance for calls answered within 30 seconds, bills adjusted and PSC complaints on any of the grounds listed below:

a. performance below the target level resulted from circumstances beyond the Company's control;

b. performance below the target resulted from actions taken to improve long-term performance in that measure of customer service;

c. performance below the target level resulted from actions taken to improve short- or long-term performance in another aspect of customer service; and

d. performance below the target level resulted from the implementation of competition.

Any of the foregoing conditions, if shown to exist, shall be grounds for a waiver. The Company shall have the burden of demonstrating that one or more of the conditions occurred.

<u>Closed-Loop Customer Satisfaction Survey</u>

10. The Closed-Loop Customer Satisfaction Survey shall be designed to measure and track customer satisfaction with RG&E's customer service processes. The Survey shall focus on customer service processes that have the greatest potential to improve customer satisfaction. The Parties acknowledge, however, that the areas on which the Survey focuses will likely change over the Settlement period.

11. For the first and second rate years of the Settlement period, the Parties shall have an opportunity to review the Survey process, to gain confidence that the Survey process will result in reliable data regarding customer satisfaction with the Company's customer service processes. The Parties shall have an opportunity to review and reach agreement regarding proposed target levels. If the Parties are not confident that the Survey process will produce reliable data as described above, or are unable to agree on acceptable target levels, the Parties shall employ the dispute resolution mechanism provided in the Settlement to resolve the issue. The Company shall meet with the Parties in May preceding the beginning of each rate year to discuss these issues and such review process shall be completed 30 days after the Company provides Staff with the information necessary to complete its review.

Other Matters

12. Performance for all measures subject to the SQP Program shall be calculated on a rate year average basis.

SCHEDULE H

RETAILING FUNCTIONS

Note-s:

(1) *P* = Primary responsibility for function. *S* = Secondary responsibility for function. Relationship to be governed and further clarified by Operating Agreement under distribution tariff.

(2) The relationship between the ISO/PE (Independent System Operator/Power Exchange) and the disco is not yet clear. For purposes of developing a complete list of LSE/disco activities, the disco is assumed to act as a local extension of the ISO/PE for activities required to maintain system reliability and security.

(3) Functions that are the sole responsibility of the disco have been eliminated from this list.

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
1. System requirements forecasting, planning, and budgeting (Forecast future energy delivery system capability/ infrastructure requirements. Prepare detailed plans and budgets to modify system to meet requirements.)	S Provide energy sales forecasts for disco aggregation	*P* All activities
2. Energy system work management, including prioritization, scheduling, and coordination (Prioritize, schedule, and coordinate the efficient use of labor and materials to meet customer requests, as well as the construction and maintenance of the energy system.)	S Work with disco to set emergency and non-emergency work priority and response time guidelines	*P* All activities
3. Design and documentation of system operating rules, operating agreements, and operating procedures (Manage real-time construction and maintenance of the delivery system, agreements with energy suppliers and the IS0 with respect to delivery and receipt of energy, protection of the system during extreme operating conditions such as load shedding, voltage and pressure reductions, and requests for fuel switching and curtailment of gas or electric usage.)	S Work with disco to design operating rules, agreements, and procedures	*P* All activities
4. Negotiation and administration of contracts for balancing and ancillary services (Ancillary services required for secure and reliable delivery of energy; balancing services to cover variances between real-time deliveries and real-time energy consumption. Includes accounting and invoice processing support.)	S May contract with a non-disco provider for some ancillary services, as provided by FERC rules	*P* All activities

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
5. Short term forecasting and scheduling of system energy requirements (Daily, monthly, and seasonal energy forecasts, short-term scheduling of energy receipt and delivery, short-term scheduling of balancing and ancillary services.)	S Produce daily, monthly, and seasonal energy forecasts for customers with real-time meters. Schedule deliveries to disco interchange point/ city gate based on those forecasts, and based on load shapes for customers without real-time meters.	P All other activities, including developing standard load shapes and load-shape-based forecasts for use by LSEs where real-time meters are lacking; forecasting total system energy requirements; and aggregating LSE delivery schedules to determine requirements for load balancing and ancillary services.
6. Real-time control and monitoring of the energy delivery system (Real-time use of energy balancing and ancillary services, real-time interaction with ISO and third-party suppliers of energy, real-time application and enforcement of system operating rules, operating agreements, and operating procedures, real-time interpretation of SCADA information)	S Respond to disco/IS0 operating requirements real-time	P All other activities
7. Energy imbalance management and coordination for the distribution area (Identify imbalances, trade imbalances, acquire or curtail energy supply to resolve imbalances, allocate imbalance costs, set imbalance performance standards and monitor compliance among market participants, acquire and manage/process real-time customer meter data for imbalance diagnosis)	S Provide data as required by agreement with disco	P All other activities
8. Management of system restoration (Performance of tasks required to analyze, coordinate, schedule, and facilitate restoration of the energy supply system in a timely, safe manner.)	S Provide personnel and resources to support restoration activities	P All other activities

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
9. Dispatch of field personnel for unscheduled energy system work (To respond to same-day requests for customer service and response to emergency or outage situations.) *Note:* This may include repairs of equipment and facilities on the customer side of the meter if such repairs will facilitate a rapid return to service.	*S* Depending on terms of agreement with disco, may receive first customer notification of outages or emergencies, may dispatch field personnel to make initial diagnosis of problem, may dispatch field personnel for repairs of customer-side-of-the-meter equipment and facilities.	*P* All other activities, possibly including tracking of costs for charge-back to customer's LSE
10. Real-time response to customer service and field personnel inquiries for energy delivery facilities' information (Provide data for stake-outs and to respond to such customer requests as when they can expect to return to service after an outage. Future customer requests could address such customer issues as interruptions of customer/generator bilateral contracts for operating reasons.)	S Depending on terms of agreement with disco, may provide interface between direct retail customer query and disco.	*P* All other activities
11. Coordination and maintenance of emergency response plans and training (Develop, coordinate, and document emergency response plans, and associated training requirements, including emergency response drills.) Note: Emergencies include, for example, wire-down reports (including phone and cable wire-downs), individual or local service outages, large-scale service outages (e.g., ice storms), pole and cable hits, and pipe dig-ups.	S Participate in development of emergency response plans and ensure personnel are trained as agreed by LSEs and disco	*P* All other activities
12. Deliver energy from the city gate/interchange point to the end-user	S Schedule energy deliveries (plus losses) to city gate/interchange point and inform disco accordingly	*P* All other activities

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
13. Distributed generation/back-up generation/buy-back power management of interaction with energy system (Identify interface requirements, accommodate partial and full outages of customer-sited generation, analyze and resolve power quality and system operating issues due to such generation, set and enforce performance standards.) Note: It is not clear whether the LSE or disco would be best positioned to have ultimate authority and accountability over customer-sited generation.	S Purchase all power from customer generators (not sold to other LSEs) and provide back-up power. Depending on agreement with disco, may interface between disco and customer.	P Set and enforce interface requirements, including imposing non-performance penalties.
14. Power quality (Accept customer calls, diagnose problems, determine problem accountability (calling customer, other customers, disco facilities), prioritize, schedule, and coordinate problem resolution, implement problem resolution.) *Note:* Power quality may require a collaborative approach among some or all LSEs, the disco and customers and providers with power quality concerns to address multi-customer or cross-customer issues.	P All other activities	S Provide diagnostic support upon LSE request, and resolve power quality problems attributable to disco facilities or operations, including tracking costs and billing LSEs as appropriate
15. Market research (Collect, analyze, and report customer data for the support of planning and development of new and existing products and services.)	P All other activities	S Work with LSEs to unbundle wholesale distribution services to allow for product differentiation
16. Quality service management (Serve as an internal advocate for the customer; collect and analyze customer data for feedback on service performance and product quality.)	P All other activities	S Work with LSEs to set and maintain delivery service quality standards and performance

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
17. Marketing, including pricing design (Identify value through products and services to customers and customer subgroups **based** on needs and desires identified through market research. Coordinate cross-functional teams for product design and pricing, positioning, and promotion of the product and service.) *Note:* Does not include regulated tariffs, addressed separately below.	*P* All other activities	S Work with LSEs to unbundle wholesale distribution services to allow for product differentiation.
18. Sales (Prospecting, communicating, and selling products and services to customers)	*P* All activities	*N/A*
19. Maintenance of third party relationships (Maintain relationships with third parties who also have relationships with retail customers for energy or energy-related products and services.) *Note:* Includes conducting training for trade allies, working with local governments to conduct municipally-mandated undergrounding and other activities, acting on behalf of low-income customers to facilitate Department of Social Service activities, responding to fire department requests to address possible gas leaks and wire-downs, working with various disaster and emergency offices and organizations, interfacing with local governments and public interest groups, participating in IEEE standards groups, and, in the future, negotiating services, prices, performance standards, and data exchange arrangements with LSEs.)	S Maintain relationships with discos, other LSEs, and joint ventures/alliances/ suppliers.	*P* Maintain relationships with emergency- and safety-related organizations, LSEs, suppliers, and DSS and other parties involved in providing funding for services to retail customers who can't pay full price for them.
20. Responding to customer inquiries and requests (Includes turn-on/shut-off, requests for outage-related information, application processing, requests for account information, and requests for information regarding energy technologies and end-uses.)	*P* All other activities	S Implement turn-on/shut-off. Provide information upon request concerning the status of outages whose restoration is being managed by the disco

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
21. Management of the revenue collection process (Obtain consumption information, bill customer consistent with service agreement, accept and process payments, manage delinquent accounts, maintain accuracy and integrity of customer records.) Note: Includes design, operations, and maintenance of CIS and other information systems infrastructure.	*P* Conduct this task at the retail level, for revenue collected directly from retail customers	S Conduct this task at the wholesale level, for revenue collected from LSEs
22. Facilitation of customer trading of imbalances and storage balances (Provide customers with an efficient means of engaging in transactions with other customers to mitigate expense associated with energy imbalances.) *Note:* Responsibility and practices may be different for gas and electricity.	*P* Conduct this task at the retail level, for retail customers with real-time meters who have been given the option in their retail product design of avoiding the flow-through of wholesale imbalance charges	S Conduct this task at the wholesale level, for LSEs only
23. Development and implementation of public involvement programs (Communicate with the general public for purpose of education, information exchange, and to address customer complaints which may otherwise elevate to a PSC complaint.) *Note:* To facilitate development of the competitive retail market, all customer-interface activities should eventually be conducted by the LSE rather than the disco.	*P* All other activities	S Provide funding through public policy charge
24. Regulatory coordination and tariff design (Serve as the liaison between the Company and regulatory bodies, design tariffs, conduct rate cases.) *Note:* Disco and regulated LSE will remain under rate-of-return and other State regulation.	S Regulated LSE will have retail tariff responsibilities that competitive LSEs will not. All LSEs may need to comply with licensing and reporting requirements.	*P* Wholesale distribution tariff and other regulatory coordination activities.

Functions	Load-Serving Entity Responsibilities	Disco Responsibilities
25. Forecasting of customer energy requirements (Forecasting of electric system and installed reserve capacity and energy required to meet customer demand for electric energy, including forecasts for specific groups and/or individual customers as required by future service/tariff designs. Forecasts can be daily, monthly, seasonally and/or long-term.)	*P* All other activities	S Aggregate LSE forecasts and produce total system load forecasts for distribution system planning and imbalance service requirements
26. Scheduling of capacity and energy purchases and delivery to the service area (Capacity (e.g., installed reserve) and energy procurement and delivery scheduling consistent with forecasts of customer requirements.) *Note:* Responsibility and practices may be different for gas and electricity.	*P* All other activities	S Scheduling of spot market energy purchases and stand-by capacity to eliminate local load imbalances
27. Negotiation and administration of contracts for procurement of energy and associated delivery services (Consistent with forecasted capacity and energy requirements, negotiate contracts for the procurement of capacity, energy, and wholesale delivery services. Administration of the contracts includes accounting and invoice processing support.) Note: Assumes that LSEs are responsible for pipeline and installed reserve capacity to meet their customers' needs. It may be that electric installed reserves are more efficiently purchased by the disco for its service area load and passed through in the wholesale distribution tariff.	*P* All other activities	S Capacity and energy contracts associated with long-term imbalance trends.

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SCHEDULE I

STANDARDS PERTAINING TO AFFILIATES
AND
THE PROVISION OF INFORMATION

This Schedule I addresses the relationships, to the extent relevant to the subject matter of this Settlement, among the DISC@‘, any HOLDCO that RG&E may establish pursuant to this Settlement or otherwise, the ULSE or any other affiliate, and competitors of the ULSE or such other affiliate.

Standards of Conduct

The following Standards of Conduct shall govern the DISCO's relationship with any energy supply and energy service affiliates, including the ULSE:

(i) There are no restrictions on any affiliate's using the same name, trade names, trademarks, service name, service mark or a derivative of a name, of the HOLDCO or the DISCO or in identifying itself as being affiliated with the HOLDCO or the DISCO. The DISCO will not provide sales leads involving customers in its service territory to any affiliate, including the ULSE, and will refrain from giving any appearance that it represents an affiliate or that an affiliate represents the DISCO. If a customer requests information about securing any service or product offered within the service territory by an affiliate, the DISCO may provide a list of

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1/ In this document, "DISCO" refers to both the DISCO and the RLSE, unless context requires otherwise.

companies operating in the service territory who provide the service or product, which may include an affiliate, but the DISCO will not promote its affiliate.

(ii) The DISCO will not provide services on preferential terms, nor represent that such terms are available, exclusively to customers who purchase goods or services from, or sell goods and services to, an affiliate of the DISCO. The DISCO will not purchase goods or services on preferential terms offered only to suppliers who purchase goods or services from or sell goods or services to an affiliate of the DISCO. This standard does not prohibit two or more of the unregulated affiliates from lawfully packaging their services.

(iii) All similarly situated customers, including energy services companies and customers of energy service companies, whether affiliated or unaffiliated, will pay the same rates for the DISCO's utility services and, in the event that any tariff provision affords the DISCO discretion in the application of such provision, the DISCO shall apply such tariff provision in a consistent manner.

(iv) Transactions subject to FERC's jurisdiction will be governed by FERC's orders or standards as applicable.

(v) Release of proprietary customer information relating to customers within the DISCO's service territory shall be subject to prior authorization by the customer and subject to the customer's direction regarding the person(s) to whom the information may be released. If a customer authorizes the release of information to a DISCO affiliate or one or more of the affiliate's competitors, the DISCO shall make that information available to the affiliate and/or other competitors designated by the customer on a simultaneous and comparable basis.

(vi) The DISCO will not disclose to its affiliate any customer or market information relative to its service territory that it receives from a marketer, customer or potential customer, which is not available from sources other than the DISCO unless it makes such information available to its affiliate's competitors on a simultaneous and comparable basis.

(vii) If any competitor or customer of the DISCO believes that the DISCO has violated the standards of conduct established in this section of the agreement, such competitor or customer may file a complaint in writing with the DISCO. The DISCO will respond to the complaint in writing within twenty (20) business days after receipt of the complaint. After the filing of such response, the DISCO and the complaining party will meet, if necessary, in an attempt to resolve the matter informally. If the DISCO and the complaining party are not able to resolve the matter informally within 15 business days after the filing of such response, the matter will be referred promptly to the Commission for disposition.

(viii) The Commission may impose on the DISCO remedial action, consistent with the Commission's statutory authority, for violations of the Standards of Conduct. If the Commission, after affording the DISCO a full and fair opportunity to present its position as to any alleged violations of these Standards of Conduct, finds that the DISCO has violated the Standards during the term of this Settlement, it shall provide the DISCO notice of its findings and shall afford the DISCO a reasonable opportunity to remedy such conduct. If the DISCO fails to remedy such conduct within a reasonable period after receiving such notice, the Commission may take remedial action with respect to the DISCO to prevent it from further violating the Standard(s) at issue.

(ix) The Standards of Conduct set forth in this Settlement will apply in lieu of any existing generic standards of conduct (e.g., the interim gas standards established in Case 93-G-0932) and may be proposed as substitutes for any future generic standards of conduct established by the Commission throughout the term of this Settlement. Thereafter, Staff and the Company shall meet to discuss whether any changes in these Standards are appropriate, giving due consideration to the Company's specific circumstances, including its performance under the existing Standards.[2/]

[2/] The Parties contemplate that, as the unregulated market develops, there will be a need for fewer, rather than more, restrictions.

Access to Books and Records and Reports

The following provisions govern the access by Staff to certain books and records in the event that RG&E establishes a HOLDCO pursuant to this Settlement or, if it does not, to any subsidiaries established by RG&E itself:

(i) Staff will have access, on reasonable notice and subject to appropriate resolution of confidentiality and privilege issues, to the books and records of the HOLDCO and the HOLDCO majority-owned subsidiaries. Staff will have access, on reasonable notice and subject to appropriate resolution of confidentiality and privilege issues, to the books and records of all other HOLDCO subsidiaries to the extent necessary to audit and monitor any transactions which have occurred between the DISCO and such subsidiaries, to the extent the HOLDCO has access to such books and records.

(ii) The DISCO will supplement the information that the Commission's regulations require it to report annually with the following information: Transfers of assets to and from an affiliate, cost allocations relative to affiliate transactions, identification of DISCO employees transferred to an affiliate, and a listing of affiliate employees participating in common benefit plans.

(iii) The HOLDCO will provide a list on a quarterly basis to the Commission of all filings made with the Securities and Exchange Commission by the HOLDCO and any subsidiary of the HOLDCO including the DISCO.

(iv) A senior officer of the HOLDCO and the DISCO will each designate an employee, as well as an alternate to act in the absence of such designee, to act as liaison among the HOLDCO, the DISCO and Staff ("Company Liaisons"). The Company Liaisons will be responsible for ensuring adherence to the established procedures and production of information for Staff, and will be authorized to provide Staff access to any requested information to be provided in accordance with this Agreement.

(v) Access to books and records shall be subject to claims of privilege and confidentiality concerns as set forth infra.

Affiliate Relations

1. **General**

a) Within 180 days of the formation of any new subsidiary:

(i) The HOLDCO and such subsidiary will maintain books of account and other business records that are separate and distinct from those of the DISCO.

(ii) Any unregulated affiliate, competing in the energy-related business within the Company's service territory, shall establish and maintain offices and work spaces separate and distinct from those of the DISCO in a separate building or leasehold.

b) Cost allocation guidelines are attached as Appendix A to this Schedule. These guidelines will be amended and/or supplemented, if necessary, to reflect affiliate transactions not contemplated by the initial guidelines set forth in Appendix A. The Company will file with the Director of the Office of Accounting and Finance of the Department of Public Service all amendments and supplements to the guidelines, thirty (30) days prior to making such change(s).

2. **"Royalties"**

The rate plan in this Settlement shall be in lieu of any and all "royalty" payments that could or might be asserted to be payable by any affiliate of the DISCO or imputed to the DISCO or credited to DISCO customers at any time , including after the expiration of this Settlement; provided, however, that applicability of this section 2 to the post-Settlement period shall be conditioned upon RG&E's compliance with the standards contained in this Schedule I as such standards may be modified pursuant to item (ix) of "Standards of Conduct," supra.

3. **Transfer of Assets**

a) Transfers of assets from the DISCO to an affiliate or from an affiliate to the DISCO will not require prior Commission approval except for the transfer of generating stations and other assets from the DISCO whose transfer requires Commission approval under Public Service Law § 70.

b) For all assets other than generating stations, transfers of assets from the DISCO to an affiliate shall be at the higher of net book value or fair market value[3/] and transfers of assets from an affiliate to the DISCO shall be on a basis not to exceed fair market value except that the DISCO may, as part of its reorganization, transfer to the HOLDCO or affiliate title to office furniture, equipment and other assets having an aggregate net book value not to exceed $5.0 million.

4. **Personnel**

a) The DISCO and the unregulated affiliates will have separate operating employees.

b) Non-administrative operating officers of the DISCO will not be operating officers of any of the unregulated affiliates.

c) Officers of the HOLDCO may be officers of the DISCO. Officers of the DISCO may not be directors of any of the unregulated affiliates.

d) Employees may be transferred between the DISCO and an unregulated affiliate upon mutual agreement. Transferred employees may not be reemployed by the DISCO for a minimum of one year from the transfer date. Employees returning to the DISCO may not be transferred to an unregulated affiliate for a minimum of one year from the date of return. The DISCO will file annual reports to the Commission, beginning with the Rate Year ending June 30, 1998, showing transfers between the DISCO

3/ Fair market value shall be determined in accordance with the cost allocation guidelines. <u>See</u> Appendix A.

and unregulated affiliates by employee name, former company, former position, new company and new position.

e) The foregoing provisions do not restrict any affiliate from loaning employees, on a fully Ioaded cost basis, to the DISCO to respond to an emergency that threatens the safety or reliability of service to consumers or to assist the DISCO during Ginna Station outages.

f) The compensation of DISCO employees may not be tied to the performance of any of the unregulated subsidiaries; provided, however, that stock of the HOLDCO may be used as an element of compensation; and provided further that the compensation of the officers of the HOLDCO who are also officers of the DISCO may be based upon the performance of the DISCO and the aggregate performance of the HOLDCO.

g) The employees of HOLDCO, DISCO and the unregulated subsidiaries may participate in common pension and benefit plans, and the cost shall be allocated as set forth in Appendix A.

5. **Provision of Services and Goods**

a) Corporate services (such as corporate governance, administrative, legal, purchasing, and accounting) may be provided by HOLDCO for the DISCO and unregulated subsidiaries on a fully-loaded cost basis.

b) The DISCO may provide other services to an unregulated affiliate, except that the DISCO may not use any of its marketing or sales employees to provide services to an unregulated affiliate for business within the DISCO's territory. The unregulated affiliate shall compensate the DISCO for the services of employees performing such services at the higher of the employees' fully-loaded cost or the price that the DISCO would charge a third party for such employees' services.

c) The unregulated affiliates may provide services to the HOLDCO and the DISCO. Any management, construction, engineering or similar contract between the DISCO and an affiliate and any contract for the purchase by the DISCO from an affiliate of electric energy or gas shall be governed by Public Service Law § 110, and will be subject to any applicable FERC requirements. All other goods and services will be provided to the DISCO at a price that shall not be greater than fair market value.

d) The DISCO, the HOLDCO, and the unregulated affiliates may be covered by common property/casualty and other business insurance policies. The costs of such policies shall be allocated among the DISCO, the HOLDCO and the unregulated affiliates in an equitable manner.

Privileged Information

Nothing is this Settlement requires or will be construed to require the DISCO, the HOLDCO or an unregulated affiliate to provide Staff or any other party access to, or to make disclosure of any information as to which the entity in possession of such information would be entitled to assert a legal privilege, such as the attorney-client privilege, if, either (i) the privilege could be asserted pursuant to CPLR § 4503, CPLR § 3101 (or any other applicable statute or constitution) in a judicial proceeding, action, trial or hearing, or (ii) providing access to or making disclosure of such information would impair in any manner the right of the entity in possession of such information to assert such privilege against third parties.

If Staff or any other party seeks access to or disclosure of any information that either the DISCO, the HOLDCO or an unregulated affiliate believes is exempt from access or disclosure under the terms of this Settlement, counsel for the entity asserting such privilege will detail, to the extent practical without destroying the privilege, the reasons why the privilege is being claimed in sufficient detail to permit a determination of whether or not to dispute the claim of privilege. If Staff decides to dispute such claim, it may request that an assigned Administrative Law Judge conduct an in camera review of such information to determine whether it is in fact exempt from access or disclosure under the terms of this section, which disclosure shall not be deemed waiver of the privilege. Such determination will be subject to review by the Commission and, if necessary, to judicial review.

Confidentiality of Records

The HOLDCO and the DISCO shall designate as confidential any non-public information to or of which Staff requests access or disclosure, and which the HOLDCO, the DISCO or an unregulated subsidiary believes is entitled to be treated as a trade secret. Any party will have the right to contest the trade secret nature of such designated confidential information.

Anyone who is afforded access to, or to whom disclosure is made of, designated confidential portions of books and records, financial information, contracts, minutes, memoranda, business plans, and the like, will agree to maintain such information as confidential, other than information that previously has been made public. For the purposes of this Agreement, “information that previously has been made public” will mean information that either (i) has been disclosed by either the HOLDCO, the DISCO or any unregulated affiliate in financial or other literature to the financial community or to the public at large, (ii) appears in documents contained in the public files of a local, State or federal agency, body or court and which has not been accorded trade secret protection, or (iii) information that otherwise is in the public domain.

In the event that Staff or any other party receives any information designated as confidential pursuant to the procedures described in this Settlement and desires to use such information in a litigated proceeding before the Commission, Staff or the party will first notify counsel for the DISCO and the HOLDCO and the unregulated affiliate, if applicable, of the nature of such information as well as its intention to use such information in such proceeding and afford the DISCO, the HOLDCO and/or the unregulated affiliate, if applicable, the opportunity to apply to the Administrative Law Judge presiding over such proceeding within ten (10) business days for a ruling designed to maintain the confidentiality of such information under Part 6-l of the Commission’s Rules of Procedure (16 NYCRR). Staff and any other party may object to any such application on the grounds that such information is not entitled to be treated as a trade secret under Part 6-l. The matter shall be resolved pursuant to the procedures of Part 6-l.

In the event that a member of Staff receives any information designated as confidential pursuant to the procedures described in this Settlement and desires to use or refer to such information in a memorandum or other document which may become an “agency record” as the term is defined in the New York Freedom of Information Law (Public Officers Law § 86), Staff first shall notify the Company Liaisons of the nature of such information as well as its intended use, and afford the DISCO, the HOLDCO and/or the unregulated affiliate, if applicable, the opportunity to apply to the Commission under Part 6-l of the Commission's Rules of Procedure within ten (10) business days for a protective order designed to maintain the confidentiality of such information. Staff and any other party may object to any such application on the grounds that such information is not entitled to be treated as a trade secret under Part 6-l. The matter shall be resolved pursuant to the procedures of Part 6-1.

APPENDIX A
TO
SCHEDULE I

COST ALLOCATION GUIDELINES
FOR
AFFILIATE TRANSACTIONS

Costs associated with goods and services provided by and among a HOLDCO/parent company and a DISCO and/or other affiliates will follow allocation procedures designed to ensure that those costs incurred on an affiliate's behalf are appropriately identified and assigned to the affiliate on a systematic, rational, and fully loaded basis.

Direct Costs: These are costs incurred by the HOLDCO or DISCO in direct support of an affiliate. They will be charged directly to the affiliate without undergoing any allocation process. These costs would include goods and services provided that are readily ascribable to an affiliate entity and are for the specific benefit of the affiliate and not mutually beneficial to all affiliates. The amount so charged will be the original cost incurred within the affiliated group without any adjustments for intercompany profit or other purpose except the recognition of Indirect Costs described below.

Indirect Costs: These are consequential costs incurred in connection with Direct Costs. For example, the costs of employee benefits, sales and other such costs are indirect costs. These costs will be charged directly to affiliates, concurrently with the related Direct Costs.

Joint and Common Costs: These are other costs that encompass broad general and administrative corporate activity and thus in theory benefit all affiliates. As such, it is necessary that each affiliate bear a representative share of these costs. Examples includes: Corporate

Governance (Board of Directors and Officers), General Accounting (including Accounts Payable and Payroll), Finance and Treasury, Purchasing, Internal Audit, Human Resources, and Real Estate. The assignment of Joint and Common Costs will be made by allocation and charged to the appropriate books of account of each affiliate monthly based on a factor. The general methodology is as follows:

- Calculate the allocation factor based on criteria such as: (a) number of employees; (b) total assets; (c) gross revenue; and (d) shareholders' equity. (Note: zero shall be substituted when an allocation factor is negative)
- The simple mathematical average of the allocation bases described above will be computed quarterly and will be used prospectively as the default factor for cost allocation to affiliates. (For certain types of allocable costs, a subset of the allocation bases might be appropriately used instead of the default factor.) The percentage thus derived will be applied each month to costs associated with those areas identified as corporate administrative and general within the HOLDCO. Such amount will be deemed to be the allocable Joint and Common Costs and charged via intercompany accounts to the appropriate affiliate(s). The amounts charged will be regarded as pre-tax amounts.

SCHEDULE J

**FORM OF PETITION
TO FORM
HOLDING COMPANY**

**STATE OF NEW YORK
BEFORE THE
PUBLIC SERVICE COMMISSION**

CASE 97-M-__________ -	In the Matter of the Application of Rochester Gas and Electric Corporation under the Public Service Law, Including Sections 70, 107, 108 and 110 Thereof, to Form a Holding Company and for Certain Related Transactions

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PETITION

____________________, 1997

STATE OF NEW YORK
BEFORE THE
PUBLIC SERVICE COMMISSION

CASE 97-M-__________	-	In the Matter of the Application of Rochester Gas and Electric Corporation under the Public Service Law, Including Sections 70, 107, 108 and 110 Thereof, to Form a Holding Company and for Certain Related Transactions

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PETITION

Petitioner, ROCHESTER GAS AND ELECTRIC CORPORATION ("Company"), hereby applies to the Commission for authority under Sections 70, 107, 108 and 110 of the Public Service Law to form a holding company and for certain related transactions. The Commission may rely on information included in Company's submissions, including the documents relating to the settlement agreement ("Settlement Agreement") in the Competitive Opportunities Case as support for the action requested in this filing.

In support of this application the Company states:

1. The Company supplies electric and gas service in nine counties centering about the City of Rochester, New York. The Company is a corporation organized pursuant to the laws of the State of New York in 1904. Certified copies of its organizational documents have been duly filed with the Commission.

2. There is appended hereto, as Schedule A, a statement of financial condition of the Company at December 3 1, 1996, pursuant to the Commission's Rules of Procedure, 16 NYCRR § 18.1.

3. The Settlement Agreement permits the establishment of a holding company structure under which one or more regulated companies and one or more unregulated companies may operate. These operating companies would be direct or indirect subsidiaries of a holding company ("HoldCo"). This structure will benefit the Company's

customers, shareholders and employees by providing the flexibility needed to compete effectively in the changing utility industry, while at the same time protecting the Company's customers from the risks inherent in the unregulated businesses.

4. To compete effectively, the Company must have no less flexibility in doing business than that available to its competitors. A holding company structure would allow the Company to implement a decision to enter or deploy capital in a competitive business without the delay of a regulatory approval process. The delays necessarily associated with obtaining regulatory approvals for such investments on a specific, case-by-case basis, while reasonable, necessary and largely unavoidable in a regulated context, are simply inconsistent with competitive success. The new corporate structure also would permit the issuance of securities by the HoldCo, or a separate finance subsidiary, to finance competitive businesses (including "CompCo"). Under the Company's current corporate structure, Section 69 of the Public Service Law would not permit the issuance of securities for this purpose.

5. The customers of the regulated utility subsidiary ("RegCo") would be protected from the risks inherent in competitive businesses. The RegCo, as a separate legal entity, would not bear any losses or be responsible for any obligations that may arise from the HoldCo or its competitive businesses. In addition, the RegCo, which would not count as an asset any investment in a competitive business, should not have its access to capital markets or credit ratings adversely affected by the HoldCo or its competitive businesses.

6. Upon Commission approval and receipt of the necessary shareholder and other regulatory approvals (described in paragraph 13 below), the Company intends to establish the HoldCo pursuant to a tax-free reorganization (the "Reorganization"). The Reorganization would be effected as a "binding share exchange" as follows:

> First, the Company would create the HoldCo as a first-tier, wholly-owned subsidiary.
>
> Then, in accordance with a plan of exchange adopted pursuant to Section 913 of the Business Corporation Law,

> the Company's common shareholders would receive one HoldCo common share in exchange for each Company common share held by the shareholders immediately prior to the Reorganization.

7. Upon consummation of the Reorganization, all of the Company's common shares would be held by the HoldCo, and all of the HoldCo's common shares would be publicly held. The Company does not expect that any change in the preferred stock or debt of the Company would be effected by the Reorganization, except that the Company may need to amend the voting rights of the preferred stock in order to qualify for a tax free reorganization under the Internal Revenue Code.[1/] In connection with the HoldCo's commencement of operations, the RegCo may lease office space to the HoldCo and transfer to the HoldCo office furniture, equipment and other assets having an aggregate net book cost of not to exceed $5 million.

8. The Company would be the RegCo, and HoldCo would have subsidiaries in addition to the RegCo.[2/] The Company's strategic plans as to the competitive businesses in which it will compete will necessarily evolve as the utility industry continues to evolve. Regardless of the businesses involved, it is essential that the competitive businesses not be disadvantaged by regulatory or operating constraints imposed by the Commission. The competitive businesses should be able to transact business with each other and with the RegCo on the same basis as their competitors.

9. The Company believes that the Commission can, without imposing operating constraints on HoldCo or its competitive businesses, protect the RegCo's customers and prevent any unfair competitive advantage. The provisions set forth in the Settlement

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1/ A change in the voting rights of the preferred stock would require an amendment of the Company's Certificate of Incorporation.

2/ It is expected that the Company, simultaneously with the Reorganization or shortly before, will drop its stock in Energyline Inc. and CompCo into HoldCo and that Energyline Inc. and CompCo will become wholly-owned subsidiaries of HoldCo.

Agreement, and the corporate structure, will protect the RegCo's customers from the risks of competitive businesses.

10. Because the Settlement Agreement provides for a fundamental change in the Company and the opening of its electric business to competition, the Company believes that only limited operating constraints, tailored closely to the activity to be monitored, are appropriate. These constraints, along with the existing statutory tools of the Commission and the Federal Energy Regulatory Commission and the federal and state antitrust laws, will be adequate to protect customers and ensure that robust competition develops while at the same time allowing the HoldCo and its subsidiaries to compete in the market. As competition develops, the Company believes that the specific restrictions should be reviewed to determine whether they are still appropriate or necessary.

11. The Settlement Agreement sets forth the conditions to the making of capital contributions to HoldCo and its unregulated affiliates. Those provisions are incorporated in this Petition by reference.

12. The Company also agrees to abide by certain operating principles relating to intercompany relationships, its code of conduct, cost allocations and other provisions, all as set forth in Schedule I to the Settlement Agreement.

13. Implementation of the HoldCo structure will require certain approvals in addition to that of the Commission and other actions by federal and state authorities. Consummation of the Reorganization will require the adoption of a plan of exchange at a meeting of the Company's shareholders. In connection with its solicitation of proxies to vote at the meeting, HoldCo must file a Registration Statement on Form S-4 with the Securities and Exchange Commission to register the HoldCo common shares to be exchanged for the outstanding Company common shares and such Registration Statement must become effective. The Registration Statement will also contain a proxy statement of the Company describing the Reorganization in detail, which proxy statement will be mailed to Company shareholders prior to the meeting referred to above. The Company must deliver to the New York State Secretary of State a certificate of exchange under Section 913 of the New York Business

Corporation Law, the certificate of exchange must be endorsed on behalf of the Commission (pursuant to Section 108 of the Public Service Law), and the Secretary of State must file the certificate of exchange. In addition, prior to the reorganization it is expected that HoldCo would file with the Securities and Exchange Commission for the intrastate exemption from the registration requirements of the Public Utilities Holding Company Act provided by Section 3(a)(l) thereof or Rule 2 thereunder. The Company will need to file for the approval of the Federal Energy Regulatory Commission and the Nuclear Regulatory Commission.

14. The Company respectfully reserves the right to withdraw this Petition at any time prior to its acceptance of an order of the Commission with respect to the Petition. The Company further requests that any such order by its terms permit the Company (even after unconditionally accepting the order) to decide not to consummate the transactions described herein.

WHEREFORE, the Company requests that the Commission issue an order authorizing (i) the formation of a holding company for the Company, as described and subject to the conditions contained herein, (ii) the related transactions described herein and in the Settlement Agreement, (iii) the Secretary of the Commission to endorse the Commission's consent and approval upon the certificate of exchange executed by the Company, and (iv) such other and further relief to which Petitioner may be entitled by reason of the premises.

Respectfully submitted,

ROCHESTER GAS AND ELECTRIC CORPORATION

By: ______________________________

Title: ______________________________

Dated: ______________________, 1997
Rochester, New York

STATE OF NEW YORK)
) ss. :
COUNTY OF MONROE)

______________________, being duly sworn, deposes and says: I am the _______ __________________________ of ROCHESTER GAS AND ELECTRIC CORPORATION, the Petitioner herein; I have read the foregoing Petition and know the contents thereof; the same is true to the best of my knowledge.

____

Sworn to before me this
____ day of _______________, 1997

____

Notary Public, State of New York