



Jeffrey R. Clark
Secretary and
Managing Attorney

December 11, 2008

BY HAND DELIVERY

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

**Re: Case 07-M-0458 – Proceeding on Motion of the Commission
to Review Policies and Practices Intended to Foster the
the Development of Competitive Retail Energy Markets.**

Dear Secretary Brillling:

Pursuant to the *Order Determining Future of Retail Access Programs*, issued October 27, 2008 in Case 07-M-0458 (“the Order”), New York State Electric & Gas Corporation (“NYSEG”) and Rochester gas and Electric Corporation (“RG&E”) (collectively, “the Companies”), hereby each submit an original and five copies of their respective ESCO Referral Program Components, with Appendices and Requests for Waiver of UBP Provisions.

In the Order, utilities are directed to continue certain “platform” practices that encourage the continuing maturation of retail markets for gas and electric commodity service, such as Electronic Data Interchange (EDI) protocols, the Uniform Business Practices (UBP), utility consolidated billing and the purchase of accounts receivable (POR). Other practices designed to promote retail access may be continued by utilities at their discretion as long as the costs for these practice are borne by ESCOs. The Order is clear, however, that ESCO Referral Programs are to continue where they now exist, and are to be developed and implemented where they now do not. The Order is also clear that continuation or implementation of ESCO Referral Programs is conditioned on ESCO funding for the Programs, with only those ESCOs that fund the Programs eligible for participation.

NYSEG and RG&E have had ESCO Referral Programs before the Commission

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RG&E | 89 East Avenue | Rochester, NY 14649
tel (585) 771-2291 | fax (585) 724-8668 | jeffrey_clark@rge.com


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for some time. However, the programs are pending Commission approval and therefore, have not been implemented. In accordance with Ordering Clauses 1 and 3 of the Order, the attached documents set forth each Company's ESCO Referral Program Components. Each is accompanied by a proposal for funding the ESCO Referral Programs by ESCOs, Appendix 1, which describes Program implementation and on-going maintenance costs, including expenses associated with outreach and education. Also included in an Appendix 2 are sample calculations of ESCO charges to recover estimated incremental program costs. Finally, the filing package contains requests for waiver of UBP provisions.

Questions concerning this filing may be directed to Marc Webster at mpwebster@rge.com or the undersigned at jeffrey_clark@rge.com.

Very truly yours,



Jeffrey R. Clark

cc: Active Parties (Via U. S. Mail)

ATTACHMENT 1

NEW YORK STATE ELECTRIC AND GAS CORPORATION

ESCO REFERRAL PROGRAM COMPONENTS

NEW YORK STATE ELECTRIC AND GAS CORPORATION
ESCO REFERRAL PROGRAM COMPONENTS

This document describes the program components for the New York State Electric & Gas Corporation ("NYSEG" or "Company") ESCO Referral Program (the "Program"), pursuant to the New York State Public Service Commission's ("PSC" or "Commission") *Order Determining Future of Retail Access Programs*, issued October 27, 2008 in Case 07-M-0458. The Program is also based upon the ESCO Service Approach set forth in the PSC's *Order Adopting ESCO Referral Program Guidelines and approving an ESCO Referral Program Subject to Modifications*, issued December 22, 2005 in Case 05-M-0858 (the "Order"). The Program will be implemented consistent with the Commission's Uniform Business Practices ("UBPs") except to the extent the Commission has granted waiver of the same and will be governed by the Program parameters set forth in this document and NYSEG's tariffs, once filed and approved by the Commission.

Program Model and Offer

- NYSEG will implement the Program using the ESCO Service Approach adopted by the Commission in the Order and as set forth in this document.
- NYSEG will offer both an electricity and natural gas Program subject to the requirements set forth below.
- Eligible residential and commercial customers enrolling in the Program will receive a 7% discount off the NYSEG supply price for the Introductory Period, defined as two billing cycles (or one billing cycle for bi-monthly billed customers), commencing on the next scheduled actual or estimated meter read from the date the customer enrolls in the Program consistent with enrollment rules within the UBPs. The applicable supply discount during the Introductory Period is described below.
- Eligible customers may not choose a specific ESCO.. The customer will be assigned to one of the participating ESCOs in the Program on a rotating basis by NYSEG. A customer wanting a specific ESCO will be directed to the ESCO outside of the Program.

- NYSEG will enroll customers into the Program on behalf of participating ESCOs. NYSEG will retain, for a period of six months, a recording of the conversation wherein the customer agrees to participate in the Program. Within three days of the customer's enrollment in the Program, NYSEG will send the customer a letter confirming enrollment and, in a Commission-approved electronic data interchange ("EDI") transaction, notify the ESCO of the customer's enrollment.
- Customers will continue to receive a letter confirming their switch after enrollment.
- Within five days of utility notice of customer enrollment to the ESCO, the ESCO is required to send the customer a contract for the post-introductory period. Such contract must conform to the requirements applicable to the ESCO Service Option set forth in the Order. If the customer does not affirmatively agree to the contract for the post-introductory period using the methods for acceptance provided for under the UBPs, pursuant to the Order the customer automatically reverts back to NYSEG for supply service at the end of the Introductory Period. For the customer to automatically revert back to NYSEG for supply service, the ESCO must send NYSEG an EDI drop transaction in compliance with the procedures contained in the UBPs.

Each customer account may participate in the Program only once every two years per commodity (*e.g.*, natural gas or electricity) service.

Term and Commencement Date

- NYSEG will file the Program with the Commission and it will become effective upon Commission approval of the Program parameters, tariffs and necessary waivers of the UBPs. NYSEG will submit this filing pursuant to the State Administrative Procedure Act.
- The term of the Program shall be two (2) years from the commencement date of the program, as described below.
- The Commencement Date for the Program will be after a Commission order approving tariffs implementing the Program and 190 days after NYSEG receives sufficient payment from the minimum number of participating ESCOs to fund the up front costs, under the assumption the Commission approves the Program, subject to the requirements set forth herein. In the event there is not the requisite number of participating eligible ESCOs, NYSEG will have no obligation to commence the Program until such time as the requisite number of ESCOs established below agree to participate in the Program and provide sufficient funding to pay for the up front and startup costs. In the event the number of ESCOs participating in the Program drops below the minimum ESCO participation threshold set forth in this document at any time during the term of the agreement, and no additional ESCOs join the Program within a 60-day period, NYSEG will have the discretion to suspend new enrollments into the Program until such time as the number of participating ESCOs reaches the minimum number of ESCOs identified below or to cancel the Program upon 30 days prior written notice to current-participating ESCOs. In the event the Program is either suspended or cancelled as a result of an insufficient number of participating ESCOs,

all pending enrollments (*i.e.*, the customer has elected to enroll but the enrollment is pending the next meter read), will be honored so that the customer will receive the full two-month Introductory Period discount. If NYSEG suspends or cancels the Program, NYSEG will provide notice of such suspension or cancellation to the Commission and all participating ESCOs. In the case of cancellation, NYSEG will refund to ESCOs all unspent ESCO funds.

- The Introductory Period is defined as the two billing cycles (or one billing cycle for bi-monthly billed customers) commencing with the next scheduled meter read following the date the customer enrolls in the Program. The Introductory Period will cover at least two billing cycles. A billing cycle is approximately 30 days (or 60 days for bi-monthly billed customers).

ESCO Eligibility and Participation

1. **ESCO Eligibility** – To participate in the Program, the ESCO must meet the following requirements:
 - The ESCO is an approved ESCO in the NYSEG retail access program and must maintain such eligibility during the Program. Such eligibility will include, but not be limited to: (i) execution of applicable operating agreements, billing services agreements, and ancillary agreements; (ii) compliance with all application laws, rules, regulations and Commission orders; (iii) execution of a separate agreement(s) governing the Program as necessary; (iv) completion of any necessary EDI testing applicable to the Program, and (v) having no outstanding customer complaints pending against them with the New York State Public Service Commission.
 - The gas or electric ESCO participates in NYSEG's consolidated billing and Purchase of Receivables ("POR") program. The gas ESCO must have a current aggregation pool in the pooling area(s) for which it wants to, and is qualified to, serve natural gas customers. ESCO will only be able to serve natural gas customers in pooling areas where they have an existing non-daily metered natural gas pool.
 - The ESCO agrees to serve all eligible residential and non-residential customers enrolled with it through the Program. The ESCO must agree to serve customers enrolled with the ESCO for the Introductory Period.
 - The ESCO and NYSEG agree that all customers participating in the Program for the Introductory Period are customers of the ESCO as of the effective date the customer is switched to the ESCO.
 - The ESCO procures supply for all customers served by the ESCO during the Introductory Period.
 - The ESCO funds the 7% Introductory Period discount off the NYSEG posted supply price for the Introductory Period.

- The ESCO computes the Introductory Period discount, produces in bill ready format the supply portion of the consolidated bill, and transmits the information to NYSEG via an approved EDI transaction.
- The ESCO addresses all customer inquiries regarding the application of the introductory period discount.
- The ESCO secures affirmative customer consent for the post-Introductory Period by entering into a contract with the customer as specified in the Order and consistent with the UBPs. That affirmative consent shall include consent to all terms, conditions and pricing for the post-Introductory Period.
- The ESCO maintains evidence of customer affirmation and/or copies of its contract with the customer and makes such documents available to NYSEG and the Commission and its Staff upon request.
- The ESCO uses Commission-approved EDI transaction sets to provide data to NYSEG, including, without limitation, billing and customer drop information.

2. ESCO Participation

- At all times during the term of the Program, there must be a minimum of three (3) eligible ESCOs providing electricity service and three (3) eligible ESCOs offering natural gas service. An ESCO providing both natural gas and electricity service under the Program will be considered as a separate ESCO for each service.
- The ESCO may elect the service (natural gas, electricity or natural gas and electricity) it will provide under the Program. An ESCO may add a service upon 30 business days prior written notice to NYSEG. An ESCO may drop a service or withdraw from the Program upon 30 days prior written notice to NYSEG. The effective date of such withdrawal or drop of service will be at the end of such 30-day period or the date requested by the ESCO provided such date is at least 30 days after the ESCO's notification of withdrawal or drop. In the event an ESCO drops a service or withdraws from the Program, it may not re-enter the Program or offer the dropped service for a 90-day period from the date it withdrew from the Program or dropped the service. ESCOs who drop from the Program will not be refunded any money that has already been paid toward Program costs.
- ESCOs will be required to participate for a minimum two (2) year period
- In the event an ESCO drops a service or withdraws from the Program, it must nevertheless continue to serve those customers previously enrolled with the ESCO in the Program until the conclusion of each such customer's Introductory Period.
- Participating ESCOs will not be allowed to charge cancellation fees or return fees if a customer chooses to return after the two (2) month Introductory period.

- If an ESCO drops out of the Program, all remaining ESCOs will be responsible for paying NYSEG the ongoing costs of the Program.
- If additional ESCOs join the Program, they will be charged a pro-rata share of the “up-front” costs and the ESCOs that have already paid their original shares will receive a pro-rata refund.

Customer Eligibility and Enrollment

1. Customer Eligibility

- All natural gas customers taking NYSEG supply service under SC 1 and SC 2 and all electricity customers taking NYSEG supply service under SC 1, SC 5, SC 6, SC 8, SC 9 or SC 12 as of the commencement date of the Program, or new customers in these service classes entering NYSEG's service area, except those identified herein, are eligible to participate in the Program.
- The following customers in an otherwise eligible service class may not participate in the Program:
 - Customers already taking service from an ESCO as of the effective date of the Program or for whom there is a pending enrollment with an ESCO as of the effective date of the Program ;
 - Customers that previously received supply from an ESCO any time during the last two (2) calendar years, regardless of their length of participation in the Program;
 - Unmetered accounts (except SC No. 5); and
 - Landlord reverts (*i.e.*, where service frequently is in/out of the landlord's name).
 - Customers with a pending or future dated move out date.

2. Customer Enrollment

- NYSEG will enroll customers in the Program. NYSEG will accomplish the enrollment through the appropriate EDI transaction. ESCOs participating in the Program must accept all customers.
- NYSEG will enroll customers via the customer's telephone call to a toll-free number provided by NYSEG and funded by participating ESCOs. Pursuant to the Order, NYSEG will retain, for a period of six months, a recording of the conversations wherein the customer agrees to participate in the Program.
- The customer will be assigned to a participating ESCO on a rotating basis. NYSEG will maintain separate lists of natural gas and electricity ESCOs participating in the Program to track customers who have been assigned on a

rotating basis. If a customer wants the same ESCO for natural gas and electricity service the customer will receive the same ESCO

- Within three (3) days of the customer's enrollment in the Program, NYSEG will send the customer a confirmation letter in conformance with the standards for such letter set forth in the Order.
- Within three (3) days of the customer's enrollment in the Program, NYSEG will send the ESCO an EDI 814 Enrollment Response indicating that the customer has been enrolled in the Program.
- The customer may rescind its request to enroll in the Program. If the customer chooses to rescind its enrollment for the Introductory Period, the customer may contact either NYSEG or the ESCO. If the customer contacts NYSEG, NYSEG will send an EDI 814 Drop Request to the ESCO. If the customer contacts the ESCO, the ESCO will send an EDI 814 Drop Request to NYSEG. The effective date of such a rescission will be governed by the timeframes set forth in the UBPs.
- The customer may rescind the enrollment up to three (3) days prior to the switch to the ESCO. A customer who rescinds will still be eligible to participate in the Program. A customer who allows the switch to go through and then drops will not be eligible to participate in the Program for two (2) years.
- The customer may drop its participation in the Program during the Introductory Period and return to full service with NYSEG. The process for the customer's return to full service will be governed by the UBPs and the customer's choice of supply option will be governed by NYSEG's Electricity Supply Pricing Option program. Once a customer switches to an ESCO, during the Introductory Period and beyond, regardless of the time the customer participates in retail access, the customer who drops and returns to utility supply service must take DSO.
- Within five (5) days notice of the customer's enrollment in the Program, the ESCO will send the customer a contract governing the post-Introductory Period. The contract must conform to the requirements contained in the Order. The ESCO will retain copies of all executed contracts for the post Introductory Period for two years as required by the UBPs. ESCOs will file sample copies of their contracts for the post-Introductory Period with the Commission.
- The Program will only be available for customer sign-up during the months of January to October. There will be no enrollment options for the Program during the VYC open enrollment periods.

Energy Supply Discount during the Introductory Period and NYSEG VYC Program and Switching Rules

1. Energy Supply Discount

- NYSEG will post and clearly identify on its website the NYSEG supply prices that the ESCO will use to compute the Introductory Period discount of 7%. The supply prices will be shown by service class and time period.
- **Electricity Service**
 - The Introductory Period electricity discount will be 7% of the posted NYSEG electricity Fixed Price Option ("FPO") supply price or 7% of the posted NYSEG electricity Default Supply Option ("DSO") supply price.
 - NYSEG will post on its website the NYSEG FPO supply price established on November 1, applicable to the upcoming VYC enrollment period and commodity rate year.
 - On the first day of each calendar month, NYSEG will post on its website the NYSEG DSO supply price, which price is the preceding thirty-day average of DSO supply prices.
- **Natural Gas Service**
 - The Introductory Period natural gas discount will be 7% off the posted NYSEG Gas Supply Charge ("GSC"), by rate area.
 - In accordance with current procedures, the GSC is posted on or about the first day of each calendar month.
 - Natural gas ESCOs will be required to have existing non-daily metered natural gas pools for the areas in which they want to serve.

2. NYSEG VYC and Switching Rules

- The rules applicable to customer switching between electricity supply options under the VYC program will apply to customer elections of electricity supply options in conjunction with the Program.
- The table set forth below depicts the supply option elections available to customers participating in the Program.

January - October ¹		
Customer's current NYSEG commodity option	Commodity option under ESCO Referral Program	Commodity options available after Introductory Period
FPO	EPO Commodity: November 1 FPO less 7% NBC: fixed	NYSEG: DSO ESCO: EPO
DSO	EPO Commodity: DSO less 7% NBC: Fixed	NYSEG: DSO ESCO: EPO

Program Incremental Costs

- Appendix 1 sets forth the estimated incremental one-time/up-front and ongoing costs of the Program based upon the Program components and parameters set forth herein. Participating ESCOs will be responsible for all associated incremental costs to implement and operate the Program. All participating ESCOs will be expected to pay the costs of the Program to NYSEG prior to the start of the Program.
- Appendix 2 provides sample calculations of the charges NYSEG will make to ESCOs for the recovery of one-time and ongoing incremental costs. Estimated one-time costs will be subject to true-up and reconciliation once actual costs are known. NYSEG will assess ongoing charges to ESCOs as such costs are incurred.
- NYSEG can net the incremental start-up and ongoing costs of the Program against amounts owed by NYSEG to ESCOs for NYSEG's purchase of ESCO receivables and for electricity ESCOs, reimbursement of NYISO Ancillary Services.
- In the event NYSEG incurs start-up costs and the Program is not implemented for any reason or the Program is suspended because of an insufficient number of participating ESCOs or otherwise by the Commission, NYSEG will be permitted to recover all such costs from the participating ESCO(s)

Outreach and Education

- NYSEG will include information concerning the Program in bill inserts, on the outside of outgoing bill envelopes, in lobby displays, and on the NYSEG "on hold" phone message. Implementation of these outreach communications will be balanced with other mandated messages.

¹ As previously noted, the electricity portion of the Program is not available during the VYC enrollment period which commences November 1 and concludes December 31.

- NYSEG will prepare appropriate scripts for its Call Center representatives to use in describing the Program. NYSEG will train its Call Center representatives concerning the Program.

Waivers : UBP and Other Provisions

- NYSEG requests the waivers set forth in this filing.
- PSC complaints pursuant to the Program will not be counted against NYSEG's existing complaint rate in any natural gas and electricity rate Orders in place during the term of the Program.
- NYSEG will be exempt from including Program participants in PSC mandated surveys.

APPENDIX 1
SUMMARY OF ESTIMATED ONE-TIME
AND
ONGOING INCREMENTAL COSTS BY CATEGORY

**New York State Electric & Gas Corporation
ESCO Referral Program (“the Program”)
Estimates of Incremental and On-going Costs**

Overview – Summary of Incremental Costs

One-time incremental costs:

System Development:	\$ 40,968 (one half if Program at both Companies)
Legal Expenses:	\$ 16,000 (one half if Program at both Companies)

On-going incremental costs:

Call Center:	\$309,121
Network and Telecom	\$ 12,786
Outreach and Education	\$ 47,075
Supplier Relations:	\$ 70,200 (one half if program at both Companies)

One-time incremental costs consist of IT system development costs which are expected to be common to both RG&E and NYSEG. The actual costs will be split between NYSEG and RG&E equally at the start of the program. If the Program is not performed at either RG&E or NYSEG, the full IT system development costs would apply to the single Company where the Program is implemented and would need to be paid for by participating ESCOs of that Company.

Within the on-going incremental costs, at least one analyst would need to be hired by supplier relations to support the ESCO Referral Program. One analyst’s salary and benefits are shown in full in this appendix. The actual costs would be split evenly between RG&E and NYSEG. If the Program is not performed at either RG&E or NYSEG, the analyst cost would apply to the single Company where the Program is implemented and would need to be paid for by participating ESCOs of that Company.

I. System Development

<u>Activity</u>	<u>Hours</u>	<u>Cost</u>	<u>Detail</u>
Functional Design	20	\$800	At start up, review requirements and draft project plan
Workflow	120	\$4,800	1) Creation of new workflow steps 2) Creation of new task & method with inbox action, link to switch doc. 3) Creation of new task & method for contact creation. 4) Update of method to handle correspondence of ESCO referral. 5) Update of existing workflow steps.
Programming and development	200	\$8,000	1) Create validation routine (80 hours) 2) Create new Database tables. (20 hours) 3) Create additional Object methods for use by front office processes and enrollment workflow (80 hours) 4) Change existing 814 positive response function modules in order to adhere to PSC requirements (20 hours)

System generated reports and letters	40	\$1,600	Create new anti-slam letter and modify new customer welcome letter.
Functional	246	\$9,840	1) Create new front-office process (100 hours) 2) Create new bill message by rate category (16 hours) 3) Functional testing (80 hours) 4) Client test assistance (40 hours) 5) Implementation (10 hours)
Information Systems Contingency Time	94	\$3,760	Contingency time for design, development, and testing changes.
CCS Business Support Team time	240	\$12,168	1) Develop and track requirements (40 hours) 2) Test case writing (40 hours) 3) Testing (120 hours) 4) Implementation and post support (20 hours) 5) Review business procedures (20 hours)
TOTAL:	960	\$40,968	

II. Customer Relations Center

This estimate is based on the proposal that the ESCO Referral Program would not begin or be advertised during the November through December Voice Your Choice enrollment period.

<u>Activity</u>	<u>Costs</u>	<u>Assumptions</u>
# of incoming calls as a result of program promotion via bill insert.	758,908 eligible customers x .05 = 37,945 calls	<ul style="list-style-type: none"> Total customers eligible for ESCO Referral program: 758,908 Assume 5% of eligible customers will call to inquire about the program or an additional 37,945 calls.
Time required to handle calls	(37,945 calls x 11 min/call)/60 = 6,957 hours	Since this is a brand new program, we believe customers will have numerous questions when they call. Assume an average call handling time of 11 minutes per call to answer questions, determine customer eligibility and associated rate option, assigning customers to customer-requested participating ESCO or assigning customer to participating ESCO on rotating basis, enrolling customer, etc.

# of callers that will call back as a result of ESCO referral billing questions	(1,518 calls x 5.80 min/call)/60 = 147 hours	Additional calls will be received annually as customers who have switched to retail access will continue to have questions regarding the calculation of the discount, dates applicable, and other various things. Although some of these calls will be referred back to the ESCO, these are additional calls RG&E's Customer Relations Center would not normally experience. For the purposes of this estimate, assume an additional 1,518 calls. (1,518 x 5.80 min/60 = 187 hours)
Total	7,103 hours	Total Hours
Total FTE	4.0 full time representatives	7,103/1768 work hours
Total adjusted FTE	4 total full time representatives	including unavailability rate (includes sick time, holiday, training, etc)
Cost	\$309,121	Employee average annual pay and benefits x 4

III. Network and Telecom

<u>Activity</u>	<u>Costs</u>	<u>Assumptions</u>
Telephone usage charges	\$12,786	Incremental 800 number usage costs plus incremental incoming trunking costs

IV. Outreach and Education

Outreach and education for the ESCO Referral program will consist of bill inserts, web site changes, outgoing bill envelope costs (The Program info printed on outside of envelope), on hold message and lobby displays.

Bill Insert cost = \$4,125 per printing 3 times per year =	\$12,375
Web Cost can be done with existing resources =	\$ 0
Outgoing bill envelope cost (2 month supply per year)=	\$34,000
On hold message =	\$ 500
Lobby Displays (1 time per year) =	\$ 200

Assuming the insert will be added to bills in months that does not result in increased postage costs, the cost per insert is estimated at \$4,125. If bill inserts add weight to envelopes, then additional postage costs may be assessed and will be recovered as incurred from participating ESCOs.

V. Supplier Relations

At least one Supplier Relations Analyst would need to be hired. Current staffing does not support the operation and maintenance of this program with existing resources. The Analyst(s) would be needed to oversee ESCO participation, ESCO payment and proper allocation of program costs, running and analyzing customer participation reports, developing and running additional reports as needed, execution and filing of the ESCO Referral Agreements, client testing for the Program, coordination of company resources for the the Program, and compliance with PSC requirements regarding the the Program. Salary for one analyst would be \$54,000, with benefits estimated at 30%, total salary and benefits for one analyst = \$72,000.

VI. Legal Expenses

A new ESCO Referral Agreement will have to be drafted by outside legal counsel. Assuming 40 hours of labor at \$400.00 per hour, legal expenses are estimated to be \$16,000.

APPENDIX 2

SAMPLE CALCULATIONS OF ESCO CHARGES TO RECOVER

ESTIMATED INCREMENTAL PROGRAM COSTS OF

NYSEG AND RG&E ESCO REFERRAL PROGRAM

One-time and On-going Incremental Cost Charges for NYSEG ESCO Referral

	<u>Incremental Costs</u>		<u>Comment</u>
	<u>One-time</u>	<u>On-going</u>	
Info Technology	\$ 20,484		1/2 cost of required changes to IT systems
Legal Expenses	\$ 8,000		1/2 cost of legal costs
Customer Service		\$ 309,121	Required resources to handle enrollments
O & E		\$ 47,075	Based on cost per one insert
Network and telecommunications	\$ 0	\$ 12,786	Required costs to install and operate 800 #
Supplier Relations analyst		\$ 35,100	1/2 cost of One supplier relations analyst to admini:
Total	\$ 28,484	\$ 404,082	Subject to true-up and reconciliation
Recovery Term - mos.	1	1	One time costs recovered prior to start date
charge	\$ 28,484	\$ 404,082	
Gas Allocation %	35.00%	50.00%	One-time allocated 65% electric & 35% gas On Going costs allocated according to number os customers participating- assumed 50/50 for this estimate
Electric Allocation %	65.00%	50.00%	
Gas cost share	\$ 9,969	\$ 202,041	
Electric cost share	\$ 18,515	\$ 202,041	
Participating ESCOs - Gas	3	3	Assumed minimum # of participating ESCOs
Participating ESCOs - Electric	3	3	Assumed minimum # of participating ESCOs
Gas - \$ cost per ESCO	\$ 3,323	\$ 67,347	
Electric - \$ cost per ESCO	\$ 6,172	\$ 67,347	

One-time and On-going Incremental Cost Charges for Rochester Gas and Electric Corp. ESCO Referral Program

	Incremental costs		Comment
	<u>One-time</u>	<u>On-going</u>	
Info Technology	\$ 20,484		1/2 cost of required changes to IT systems
Legal Expenses	\$ 8,000		1/2 cost of legal costs
Customer Service		\$ 88,525	Required resources to handle enrollments
O & E		\$ 36,700	Based on cost per one insert
Network and telecommunications		\$ 5,384	Required costs to install and operate 800 #
Supplier Relations analyst		\$ 35,100	1/2 cost of One supplier relations analyst to adminis
Total	\$ 28,484	\$ 165,708	Subject to true-up and reconciliation
Recovery Term - mos.	1	1	One time costs recovered prior to start date
Monthly charge	\$ 28,484	\$ 165,708	
Gas Allocation %	35.00%	50.00%	One-time allocated 65% electric & 35% gas On Going costs allocated according to number of customers participating- assumed 50/50 for this estimate
Electric Allocation %	65.00%	50.00%	
Gas cost share	\$ 9,969	\$ 82,854	
Electric cost share	\$ 18,515	\$ 82,854	
Participating ESCOs - Gas	3	3	Assumed minimum # of participating ESCOs
Participating ESCOs - Electric	3	3	Assumed minimum # of participating ESCOs
Gas - monthly \$ cost per ESCO	\$ 3,323	\$ 27,618	
Electric - monthly \$ cost per ESCO	\$ 6,172	\$ 27,618	

**ESCO Referral Program
System Development**

Activity	<u>NYSEG/ RG&E</u>		<u>total cost</u>	<u>Split 50/50 RG&E /NYSEG</u>	Detail
	<u>Hours</u>	<u>cost/hr</u>			
Functional Design	20	\$ 40.00	\$ 800	\$ 400	Start up, review requirement and draft project plan
Workflow	120	\$ 40.00	\$ 4,800	\$ 2,400	Creation of new workflow, link to switch doc.
Programming and Development	200	\$ 40.00	\$ 8,000	\$ 4,000	Create validation routine, new database table
System Generated Reports and Letters	40	\$ 40.00	\$ 1,600	\$ 800	create new anti slam letter
Functional	246	\$ 40.00	\$ 9,840	\$ 4,920	create new front office process, new bill mes:
CCS business support	<u>240</u>	<u>\$ 50.70</u>	<u>\$ 12,168</u>	\$ 6,084	testing, review business procedures
Subtotal	866		\$37,208		
Contingency	94	\$ 40.00	<u>\$ 3,760</u>	<u>\$ 1,880</u>	at 15%
total estimate			\$ 40,968	\$ 20,484	

ESCO Referral Program Legal Expenses

Task	Hours	Price	Total Cost	Split 50/50 (NYSEG/RG&E)
Develop ESCO Referral Agreements	40	\$ 400.00	\$ 16,000.00	\$ 8,000.00

ESCO Referral Program

Customer Relation Center

NYSEG

Activity	Cost	Details
Eligible customers		
Electric and dual custc	700,490	
Gas only customers	58,418	
Total customers	758,908	Eligible number of customers electric, gas and combination
# of customers forecast to call	37,945	calls Assume 5% of eligible customers will call
time required for each call	6,957	hours Each call will last 11 minutes
number of customers that switch	30,356	4% of customers that switch to ERP after calling
number of customers calling back	1518	calls 5% that switched will call back
total time to handle call back	147	hours 2nd phone call will last 5.8 minutes per call
EXTRA FLOOR space		
total hours	7,103	hours
total Full time equivalent	4.0	people 1768 available work hours
Round to whole number	4.00	
annual cost	\$ 309,121	\$28.58 hourly wage * 30% loader* 2080 salary hours

RG&E

Activity	Costs	Details
Eligible customers		
Electric customers		
Gas customers		
Total customers	319,539	Eligible number of customers electric, gas and combination
# of customers forecast to call	15,977	calls Assume 5% of eligible customers will call
time required for each call	2,929	hours Each call will last 11 minutes
number of customers that switch	12,782	4% of customers that switch to ERP after calling
number of customers calling back	639	calls 5% that switched will call back
total time to handle call back	62	hours 2nd phone call will last 5.8 minutes per call
EXTRA FLOOR space		
total hours	2,991	hours
total Full time equivalent	1.7	people 1768 available work hours
Round up to whole number	2.00	
annual cost	\$ 88,525	\$16.00 hourly wage * 33% loader * 2080 salary hours

ESCO Referral Program Outreach and Education

NYSEG

Activity	Cost	Details
bill insert	3	Number of Inserts
cost per insert	\$ 4,125	
	\$ 12,375	
Web costs	\$ -	Can be done with existing resources
increase in postage	\$ -	No increase in postage forecast
Outgoing bill envelope	34,000	
lobby display	200	
on hold message	500	
total cost	\$ 47,075	

RG&E

Activity	Cost	Details
bill insert	3	Number of Inserts
cost per insert	\$ 2,000	
	\$ 6,000	
Web costs	\$ -	Can be done with existing resources
increase in postage	\$ -	No increase in postage forecast
Outgoing bill envelope	30,000	
lobby display	200	
on hold message	500	
total cost	\$ 36,700	

ESCO Referral Program

Supplier Relations costs

NYSEG and RG&E

Additional Employees in supplier relations to administer program

Activity	Cost	details
Number of employees	1	
Salaries	\$ 54,000	cost per employee
Plus: Benefits	30%	wage loader per employee
Total Salary plus Benefits	\$ 70,200	
Assumes available space	0	
total costs	\$ 70,200	
Cost per Company	\$ 35,100	

Network and Telecom

NYSEG

Activity	cost	detail
CSR Telephone/Network Equipment and cabling	\$ -	Incremental CSRs
Estimated time for calls in call center	7103	estimated call hours
Estimated time for calls in minutes	426,203	estimate call minutes
Cost per Minute	\$ 0.03	\$.03 cost per minute
Telephone usage charges	\$ 12,786	incremental 800 numbers usage costs
	\$ 12,786	incremental incoming trucking costs
total	\$ 12,786	

RG&E

Activity	cost	detail
CSR Telephone/Network Equipment and cabling	0	Incremental CSRs
Estimated time for calls in call center	2991	estimated call hours
Estimated time for calls in minutes	179,453	estimated call minutes
Cost per Minute	\$ 5,384	\$.03 cost per minute
Telephone usage charges	\$ -	incremental incoming trucking costs
	\$ 5,384	
total	\$ 5,384	

ATTACHMENT 2

WAIVER OF UNIFORM BUSINESS PRACTICES

PROVISIONS

Waiver of UBP Provisions

The UBP as currently written contain provisions that are inconsistent with the guidelines adopted by the Commission in the Order as well as NYSEG's ESCO Referral Program Parameters. Specifically, utility enrollment of customers is inconsistent with several sections of the UBP which contemplate that the ESCO and not the utility will enroll customers in the Program. Accordingly, NYSEG requests a waiver of these and other provisions as detailed more fully below. To the extent not detailed below, NYSEG requests that the Commission include in the scope of the waivers any UBP provision that is otherwise inconsistent with the implementation of the Program and NYSEG's ESCO Referral Program Parameters.

UBP SECTION	RELIEF REQUESTED
<p>CUSTOMER INFORMATION §4(A) <i>Applicability</i> & §4(B)(1)-(3) <i>Customer Authorization Process</i></p>	<p>These sections address release of customer information by a utility to an ESCO, customer authorization for the release of same to an ESCO, and the retention by the ESCO of verifiable proof of authorization for each customer.</p> <p>Since it is the utility that enrolls the customers under the Program, in the interest of time and efficiency, NYSEG requests that the requirements of these sections be waived and that customer consent to the release of customer information to an ESCO be deemed given simultaneously with the customer's consent to be enrolled under the Program. NYSEG further requests that proof of the customer's consent for enrollment under the program also be deemed adequate proof of the customer's consent to the release of such information.</p>
<p>CHANGES IN SERVICE PROVIDERS §5(A) <i>Applicability</i> & §5(B)(1)(a)-(c) & §5(B)(2) <i>Customer Agreement Procedures</i></p> <p>Attachment 1 – Telephonic Agreement and Authorization Requirements</p> <p>Attachment 2 – Electronic Agreement and Authorization Requirements</p> <p>Attachment 3 – Written Agreement and Authorization Requirements</p> <p>Attachment 4 – Enrollment and Drop Requests Information Requirements</p>	<p>These sections address the solicitation by ESCOs and the entering into of sales agreements with customers provided that the ESCO (a) obtain a customer agreement to initiate service and enroll the customer with the ESCO; and (b) obtain the customer's consent to the release by the utility of the customer's information. The aforementioned may be done by either: (1) a telephone agreement and authorization; (2) an electronic agreement and authorization; or (3) a written agreement bearing the customer's signature on a sales agreement.</p> <p>Insofar as these sections and the corresponding Attachments 1, 2, and 3, and EDI protocols are specific to ESCO enrollment procedures and thus</p>

ATTACHMENT 1

ROCHESTER GAS AND ELECTRIC CORPORATION

ESCO REFERRAL PROGRAM COMPONENTS

ROCHESTER GAS AND ELECTRIC CORPORATION
ESCO REFERRAL PROGRAM COMPONENTS

This document describes the program components for the Rochester Gas and Electric Corporation ("RG&E" or "Company") ESCO Referral Program (the "Program") pursuant to the New York State Public Service Commission's ("PSC" or "Commission") *Order Determining Future of Retail Access Programs, Issued and Effective October 27, 2008 in Case 07-M-0458*. The Program is also based upon the ESCO Service Approach as set forth in the PSC's *Order Adopting ESCO Referral Program Guidelines and approving an ESCO Referral Program Subject to Modifications*, issued December 22, 2005 in Case 05-M-0858 (the "Order") by the State of New York Public Service Commission (the "Commission"). The Program will be implemented consistent with the Commission's Uniform Business Practices ("UBPs") except to the extent the Commission has granted waiver of the same and will be governed by the Program parameters set forth in this document and the RG&E's tariffs, once filed and approved by the Commission.

Program Model and Offer

- RG&E will implement the Program using the ESCO Service Approach adopted by the Commission in the Order and as set forth in this document.
- Customers will continue to receive an anti-slam letter after enrollment.
- RG&E will offer both an electricity and natural gas program subject to the requirements set forth below.
- Eligible residential and commercial customers enrolling in the Program will receive a 7% discount off the RG&E supply price for the Introductory Period, defined as two billing cycles (or one billing cycle for bi-monthly billed customers), commencing on the next scheduled actual or estimated meter read from the date the customer enrolls in the Program consistent with enrollment rules within the UBPs. The applicable supply discount during the Introductory Period is described below.

- Eligible customers may not choose a specific ESCO. The customer will be assigned to one of the participating ESCOs in the Program on a rotating basis by RG&E. A customer wanting a specific ESCO will be directed to the ESCO outside of the Program.
- RG&E will enroll customers into the Program on behalf of participating ESCOs. RG&E will retain, for a period of six months, a recording of the conversation wherein the customer agrees to participate in the Program. Within three days of the customer's enrollment in the Program, RG&E will send the customer a letter confirming enrollment and, in a Commission-approved electronic data interchange ("EDI") transaction, notify the ESCO of the customer's enrollment.
- Customers will continue to receive a letter confirming their switch after enrollment.
- Within five days of utility notice of customer enrollment to the ESCO, the ESCO is required to send the customer a contract for the post-introductory period. Such contract must conform to the requirements applicable to the ESCO Service Option set forth in the Order. If the customer does not affirmatively agree to the contract for the post-introductory period using the methods for acceptance provided for under the UBPs, pursuant to the Order the customer automatically reverts back to RG&E for supply service at the end of the Introductory Period. For the customer to automatically revert back to RG&E for supply service, the ESCO must send RG&E an EDI drop transaction in compliance with the procedures contained in the UBPs.
- Each customer account may participate in the Program only once every two years per commodity (e.g., natural gas or electricity) service.

Term and Commencement Date

- RG&E will file the Program with the Commission and it will become effective upon Commission approval of the Program parameters, tariffs and necessary waivers of the UBPs. RG&E will submit this filing pursuant to the State Administrative Procedure Act.
- The term of the Program shall be two (2) years from the commencement date of the program, as described below.
- The Commencement Date for the Program will be after a Commission order approving tariffs implementing the Program and 190 days after RG&E receives sufficient payment for the minimum number of participating ESCOs to fund the up front costs, under the assumption that Commission approves the Program, subject to the requirements set forth herein. In the event there is not the requisite number of participating eligible ESCOs, RG&E will have no obligation to commence the Program until such time as the requisite number of ESCOs established below agree to participate in the Program and provide sufficient funding to pay for the upfront program and startup costs. In the event the number of ESCOs participating in the Program drops below the minimum ESCO participation threshold set forth in this document at any time during the term of the agreement, and no additional ESCOs join the Program within a 60-day period, RG&E will have the discretion to suspend new

enrollments into the Program until such time as the number of participating ESCOs reaches the minimum number of ESCOs identified below or to cancel the Program upon 30 days prior written notice to currently-participating ESCOs. In the event the program is either suspended or cancelled as a result of an insufficient number of participating ESCOs, all pending enrollments (*i.e.*, the customer has elected to enroll but the enrollment is pending the next meter read), will be honored so that the customer will receive the full two-month Introductory Period discount. If RG&E suspends or cancels the Program, RG&E will provide notice of such suspension or cancellation to the Commission and all participating ESCOs. In the event of cancellation, RG&E will refund to ESCOs all unspent ESCO funds.

- The Introductory Period is defined as the two billing cycles (or one billing cycle in the case of bi-monthly billing customers) commencing with the next scheduled meter read following the date the customer enrolls in the Program. The Introductory Period will cover at least two billing cycles. A billing cycle is approximately 30 days (or 60 days for bi-monthly billing customers).

ESCO Eligibility and Participation

1. **ESCO Eligibility** – To participate in the Program, the ESCO must meet the following requirements:
 - The ESCO is an approved ESCO in the RG&E retail access program and must maintain such eligibility during the Program. Such eligibility will include, but not be limited to: (i) execution of applicable operating agreements, billing services agreements, and ancillary agreements; (ii) compliance with all application laws, rules, regulations and Commission orders; (iii) execution of a separate agreement(s) governing the Program as necessary; (iv) completion of any necessary EDI testing applicable to the Program; and (v) having no outstanding customer complaints pending against them with the New York State Public Service Commission.
 - The gas or electric ESCO participates in RG&E's consolidated billing and Purchase of Receivables ("POR") program and must have a current aggregation pool if serving natural gas.
 - The ESCO agrees to serve all eligible residential and nonresidential customers enrolled with it through the Program. The ESCO must agree to serve customers enrolled with the ESCO for the Introductory Period.
 - The ESCO and RG&E agree that all customers participating in the Program for the Introductory Period are customers of the ESCO as of the effective date the customer is switched to the ESCO.
 - The ESCO procures supply for all customers served by the ESCO during the Introductory Period.
 - The ESCO funds the 7% Introductory Period discount off the RG&E posted supply price for the Introductory Period.

- The ESCO computes the Introductory Period discount, produces in bill ready format the supply portion of the consolidated bill, and transmits the information to RG&E via an approved EDI transaction.
- The ESCO addresses all customer inquiries regarding the application of the introductory period discount.
- The ESCO secures affirmative customer consent for the post-Introductory Period by entering into a contract with the customer as specified in the Order and consistent with the UBPs. That affirmative consent shall include consent to all terms, conditions and pricing for the post-Introductory Period.
- The ESCO maintains evidence of customer affirmation and/or copies of its contract with the customer and makes such documents available to RG&E and the Commission and its Staff upon request.
- The ESCO uses Commission-approved EDI transaction sets to provide data to RG&E, including, without limitation, billing and customer drop information.

2. ESCO Participation

- At all times during the term of the Program, there must be a minimum of three (3) eligible ESCOs providing electricity service and three (3) eligible ESCOs offering natural gas service. An ESCO providing both natural gas and electricity service under the Program will be considered as a separate ESCO for each service.
- The ESCO may elect the service (natural gas, electricity or natural gas and electricity) it will provide under the Program. An ESCO may add a service upon 10 business days prior written notice to RG&E. An ESCO may drop a service or withdraw from the Program upon 30 days prior written notice to RG&E. The effective date of such withdrawal or drop of service will be at the end of such 30-day period or the date requested by the ESCO provided such date is at least 30 days after the ESCO's notification of withdrawal or drop. In the event an ESCO drops a service or withdraws from the Program, it may not re-enter the Program or offer the dropped service for a 90-day period from the date it withdrew from the Program or dropped the service. ESCOs who drop from the Program will not be refunded any money that has already been paid toward Program costs.
- ESCOs will be required to participate in the ESCO Referral Program for a minimum two (2) year period if they choose to participate.
- In the event an ESCO drops a service or withdraws from the Program, it must nevertheless continue to serve those customers previously enrolled with the ESCO in the Program until the conclusion of each such customer's Introductory Period.

- Participating ESCOs will not be allowed to charge cancellation fees or return fees if a customer chooses to return after the initial two (2) month Introductory period.
- If an ESCO drops out of the Program all remaining ESCOs will be responsible for paying RG&E for the ongoing cost of the Program.
- If additional ESCOs join the program, they will be charged a pro-rata share of the “up-front” costs and the ESCOs that have already paid their original shares will receive a pro-rata refund.

Customer Eligibility and Enrollment

1. Customer Eligibility

- All residential natural gas (SC 1) and electricity (SC 1 , SC 4 and SC 6) customers taking commodity natural gas or electricity service from RG&E as of the effective date of the Program or new customers in these service classes entering RG&E's service area except those identified herein are eligible to participate in the Program.
- All small nonresidential (SC 2) electricity customers taking electricity supply service from RG&E in this service class or new customers except those identified herein are eligible to participate in the Program.
- Commercial natural gas (SC 1) customers in this service class and entering RG&E's service area are eligible to participate in the Program.
- The following customers in the otherwise eligible service classes may not participate in the Program:
 - Customers already taking service from an ESCO as of the effective date of the Program or for whom there is a pending enrollment with an ESCO as of the effective date of the Program;
 - Customers that previously received supply from an ESCO any time during the last two (2) calendar years, regardless of their length of participation in the Program;
 - Streetlight accounts; and
 - Landlord reverts (*i.e.*, where service frequently is in/out of the landlord's name).
 - Customers with a pending or future dated move out date.

2. Customer Enrollment

- RG&E will enroll customers in the Program. RG&E will accomplish the enrollment through the appropriate EDI transaction. ESCOs participating in the Program must accept all customers.
- RG&E will enroll customers via the customer's telephone call to a toll-free number provided by RG&E and funded by participating ESCOs. Pursuant to the Order, RG&E will retain, for a period of six months, a recording of the conversations wherein the customer agrees to participate in the Program.
- The customer will be assigned to a participating ESCO on a rotating basis. RG&E will maintain separate lists of natural gas and electricity ESCOs participating in the Program to track customers who have been assigned on a rotating basis. An ESCO will be assigned to the next electricity ESCO in the queue and the next natural gas ESCO on the list. If a customer wants the same ESCO for natural gas and electricity service the customer will receive the same ESCO.
- Within three (3) days of the customer's enrollment in the Program, RG&E will send the customer a confirmation letter in conformance with the standards for such letter set forth in the Order.
- Within three (3) days of the customer's enrollment in the Program, RG&E will send the ESCO an EDI 814 Enrollment Response indicating that the customer has been enrolled in the Program.
- The customer may rescind its request to enroll in the Program. If the customer chooses to rescind its enrollment for the Introductory Period, the customer may contact either RG&E or the ESCO. If the customer contacts RG&E, RG&E will send an EDI 814 Drop Request to the ESCO. If the customer contacts the ESCO, the ESCO will send an EDI 814 Drop Request to RG&E. The effective date of such a rescission will be governed by the timeframes set forth in the UBPs.
- Customers may rescind the enrollment up to three (3) days prior to the switch to the ESCO. A customer who rescinds will still be eligible to participate in the Program. A customer who allows the switch to go through and then drops will not be eligible to participate in the Program for two (2) years.
- The customer may drop its participation in the Program during the Introductory Period and return to full service with RG&E. The process for customer's return to full service will be governed by the UBPs and the customer's choice of supply option will be governed by the electric Joint Proposal. A customer on the Fixed Price Option ("FPO") who rescinds their request to enroll in the ERP will stay on the FPO. An FPO customer that switches to an ESCO will become an ESCO Option with Supply Adjustment ("EOSA") customer. Once a customer switches during the Introductory Period and beyond they are subject to the normal rate loop switching rules. If the customer drops its participation during

the Introductory Period, the account will no longer be eligible to participate in the Program.

- Within five (5) days notice of the customer's enrollment in the Program, the ESCO will send the customer a contract governing the post-Introductory Period. The contract must conform to the requirements contained in the Order. The ESCO will retain copies of all executed contracts for the post Introductory Period for two years as required by the UBPs. ESCOs will file sample copies of their contracts for the post-Introductory Period with the Commission.
- The Program will only be available for customer sign up during the months of January – October. There will be no enrollment options for the Program during the VYC Open Enrollment periods.

Energy Supply Discount during the Introductory Period and RG&E VYC Program and Switching Rules

1. Energy Supply Discount

- RG&E will post and clearly identify on its website the RG&E supply prices that the ESCO will use to compute the Introductory Period discount of 7%. The supply prices will be shown by service class and time period.
- **Electric Service**
 - The Introductory Period electricity discount will be 7% of the posted RG&E electric Fixed Price Option ("FPO") supply price or 7% of the posted RG&E electricity Variable Price Option ("VPO") supply price.
 - Pursuant to its Joint Proposal for electricity service, on November 1st of each year, RG&E posts on its website the RG&E FPO supply price applicable to the upcoming VYC enrollment period and commodity rate year.
 - On the first day of each calendar month, RG&E will post on its website the RG&E VPO supply price, which price is the preceding thirty-day average of VPO supply prices.
- **Gas Service**
 - The Introductory Period natural gas discount will be 7% off the posted RG&E Gas Supply Charge ("GSC").
 - In accordance with current procedures, the GSC is posted on or about the first day of each calendar month.
 - Natural gas ESCOs will be required to have an existing non-daily metered gas pool.

2. RG&E VYC and Switching Rules

- The rules applicable to customer switching between electric supply options under the VYC program will apply to customer elections of electric supply options in conjunction with the Program.
- The table set forth below depicts the supply option elections available to customers participating in the Program.

January -- October ¹		
Customer's current RG&E commodity option	Commodity option under ESCO Referral Program	Commodity options available after Introductory Period
FPO	<u>EOSA</u> Commodity: FPO less 7% NBC: Fixed	RG&E: FPO ESCO: EOSA
VPO	<u>EPO</u> Commodity: VPO less 7% NBC: Fixed	RG&E: VPO ESCO: EPO

Program Incremental Costs

- Appendix 1 sets forth the estimated incremental one-time/up-front and ongoing costs of the Program based upon the Program components and parameters set forth herein. Participating ESCOs will be responsible for all associated incremental costs to implement and operate the Program. All participating ESCOs will be expected to pay the incremental costs of the program to RG&E prior to the start date of the Program.
- Appendix 2 provides sample calculations of the charges RG&E will make to ESCOs for the recovery of one-time and ongoing incremental costs. Estimated one-time costs will be subject to true-up and reconciliation once actual costs are known. RG&E will assess ongoing charges to ESCOs as such costs are incurred.
- RG&E can net the incremental start-up and ongoing costs of the Program against amounts owed by RG&E to ESCOs for RG&E's purchase of ESCO receivables and for electricity ESCOs, reimbursement of NYISO Ancillary Services.
- In the event RG&E incurs start-up costs and the Program is suspended because of an insufficient number of participating ESCOs or otherwise by the Commission, RG&E will be permitted to recover all such costs from the participating ESCO(s).

¹ As previously noted, the electric portion of the Program is not available during the VYC enrollment period which commences October 1 and concludes December 31.

Outreach and Education

- RG&E will include information concerning the Program in bill inserts, on the outside of outgoing bill envelopes, in lobby displays, and in the RG&E “on hold” phone message. Implementation of these outreach communications will be balanced with other mandated messages.
- RG&E will prepare appropriate scripts for its Call Center representatives to use in describing the Program. RG&E will train its Call Center representatives concerning the Program.

Waivers: UBP and Other Provisions

- RG&E requests the waivers set forth in this filing.
- PSC complaints pursuant to the ESCO Referral Program will not be counted against RG&E’s existing complaint rate in any natural gas and electricity rate Orders in placue during the term of the Program.
- RG&E will be exempt from including Program participants in PSC mandated surveys.

APPENDIX 1
SUMMARY OF ESTIMATED ONE-TIME
AND
ONGOING INCREMENTAL COSTS BY CATEGORY

**Rochester Gas and Electric Corporation
ESCO Referral Program (“the Program”)
Estimates of Incremental and On-going Costs**

Overview – Summary of Incremental Costs

One-time incremental costs:

System Development:	\$ 40,968 (one half if Program at both Companies)
Legal Expenses:	\$ 16,000 (one half if Program at both Companies)

On-going incremental costs:

Call Center:	\$ 88,525
Network and Telecom	\$ 5,384
Outreach and Education	\$ 36,700
Supplier Relations:	\$ 70,200 (one half if program at both Companies)

One time incremental costs consist of IT system development costs which are expected to be common to both RG&E and NYSEG. The actual costs will be split between NYSEG and RG&E equally at the start of the program. If the Program is not performed at either RG&E or NYSEG, the full IT system development costs would apply to the single Company where the Program is implemented and would need to be paid for by participating ESCOs of that Company.

Within the on-going incremental costs, at least one analyst would need to be hired by supplier relations to support the ESCO Referral Program. One analyst’s salary and benefits are shown in full in this appendix. The actual costs would be split evenly between RG&E and NYSEG. If the Program is not performed at either RG&E or NYSEG, the analyst cost would apply to the single Company where the Program is implemented and would need to be paid for by participating ESCOs of that Company.

I. System Development

<u>Activity</u>	<u>Hours</u>	<u>Cost</u>	<u>Detail</u>
Functional Design	20	\$800	At start up, review requirements and draft project plan
Workflow	120	\$4,800	1) Creation of new workflow steps 2) Creation of new task & method with inbox action, link to switch doc. 3) Creation of new task & method for contact creation. 4) Update of method to handle correspondence of ESCO referral. 5) Update of existing workflow steps.
Programming and development	200	\$8,000	1) Create validation routine (80 hours) 2) Create new Database tables. (20 hours) 3) Create additional Object methods for use by Front Office Processes and enrollment workflow (80 hours) 4) Change existing 814 positive response function modules in order to adhere to PSC requirements (20 hours)

System generated reports and letters	40	\$1,600	Create new anti-slam letter and modify new customer welcome letter.
Functional	246	\$9,840	1) Create new front-office process (100 hours) 2) Create new bill message by rate category (16 hours) 3) Functional testing (80 hours) 4) Client test assistance (40 hours) 5) Implementation (10 hours)
Information Systems Contingency Time	94	\$3,760	Contingency time for design, development, and testing changes.
CCS Business Support Team time	240	\$12,168	1) Develop and track requirements (40 hours) 2) Test case writing (40 hours) 3) Testing (120 hours) 4) Implementation and Post support (20 hours) 5) Review Business Procedures (20 Hours)
TOTAL:	960	\$40,968	

II. Customer Relations Center

This estimate is based on the proposal that the ESCO Referral Program would not begin or be advertised during the November through December Voice Your Choice enrollment period. (given the changed VYC month, are the volumes and related costs correct?)

<u>Activity</u>	<u>Costs</u>	<u>Assumptions</u>
# of incoming calls as a result of program promotion via bill insert.	319,539 eligible customers x .05 = 15,977 calls	<ul style="list-style-type: none"> Total customers eligible for ESCO Referral program: 319,539 Assume 5% of eligible customers will call to inquire about the program or an additional 15,977 calls.
Time required to handle calls	(15,977 calls x 11 min/call)/60 = 2,929 hours	Since this is a brand new program, we believe customers will have numerous questions when they call. Assume an average call handling time of 11 minutes per call to answer questions, determine customer eligibility and associated rate option, assigning customers to customer-requested participating ESCO or assigning customer to participating ESCO on rotating basis, enrolling customer, etc.

# of callers that will call back as a result of ESCO referral billing questions	(639 calls x 5.80 min/call)/60 = 62 hours	Additional calls will be received annually as customers who have switched to retail access will continue to have questions regarding the calculation of the discount, dates applicable, and other various things. Although some of these calls will be referred back to the ESCO, these are additional calls RG&E's Customer Relations Center would not normally experience. For the purposes of this estimate, assume an additional 639 calls. (639 x 5.80 min/60 = 62 hours)
Total	2,991 hours	Total Hours
Total FTE	1.7 full time representatives	2,991/1768 work hours
Total adjusted FTE	2 total full time representatives	including unavailability rate (includes sick time, holiday, training, etc)
Cost	\$88,525	Employee annual average pay and benefits x 2

III. Network and Telecom

<u>Activity</u>	<u>Costs</u>	<u>Assumptions</u>
Telephony usage charges	\$5,384	Incremental 800 number usage costs plus incremental incoming trunking costs

IV. Outreach and Education

Outreach and education for the ESCO Referral program will consist of bill inserts, web site changes, outgoing bill envelope costs (The Program info printed on outside of envelope), on hold message and lobby displays.

Bill Insert cost = \$2,000 per printing 3 times per year =	\$ 6,000
Web Cost can be done with existing resources =	\$ 0
Outgoing bill envelope cost (2 month supply per year)=	\$30,000
On hold message =	\$ 500
Lobby Displays (1 time per year) =	\$ 200

Assuming the insert will be added to bills in months that does not result in increased postage costs, the cost per insert is estimated at \$6,000. If bill inserts add weight to envelopes, then additional postage costs may be assessed and will be recovered as incurred from participating ESCOs.

V. Supplier Relations

At least one Supplier Relations Analyst would need to be hired. Current staffing does not support the operation and maintenance of this program with existing resources. The Analyst would be needed to oversee ESCO participation, ESCO payment and proper allocation of program costs, running and analyzing customer participation reports, developing and running additional reports as needed, execution and filing of ESCO Referral Agreements, client testing for the Program, coordination of company resources for the Program, and compliance with PSC requirements regarding the the Program. Salary for one analyst would be \$54,000, with benefits estimated at 30%, total salary and benefits for one analyst = \$72,000.

VI. Legal Expenses

A new ESCO Referral Agreement will have to be drafted by outside legal counsel. Assuming 40 hours of labor at \$400.00 per hour, legal expenses are estimated to be \$16,000.

APPENDIX 2

SAMPLE CALCULATIONS OF ESCO CHARGES TO RECOVER

ESTIMATED INCREMENTAL PROGRAM COSTS OF

NYSEG AND RG&E ESCO REFERRAL PROGRAM

One-time and On-going Incremental Cost Charges for NYSEG ESCO Referral

	<u>Incremental Costs</u>		<u>Comment</u>
	<u>One-time</u>	<u>On-going</u>	
Info Technology	\$ 20,484		1/2 cost of required changes to IT systems
Legal Expenses	\$ 8,000		1/2 cost of legal costs
Customer Service		\$ 309,121	Required resources to handle enrollments
O & E		\$ 47,075	Based on cost per one insert
Network and telecommunications	\$ 0	\$ 12,786	Required costs to install and operate 800 #
Supplier Relations analyst		<u>\$ 35,100</u>	1/2 cost of One supplier relations analyst to admini
Total	\$ 28,484	\$ 404,082	Subject to true-up and reconciliation
Recovery Term - mos.	1	1	One time costs recovered prior to start date
charge	\$ 28,484	\$ 404,082	
Gas Allocation %	35.00%	50.00%	One-time allocated 65% electric & 35% gas On Going costs allocated according to number os customers participating- assumed 50/50 for this estimate
Electric Allocation %	65.00%	50.00%	
Gas cost share	\$ 9,969	\$ 202,041	
Electric cost share	\$ 18,515	\$ 202,041	
Participating ESCOs - Gas	3	3	Assumed minimum # of participating ESCOs
Participating ESCOs - Electric	3	3	Assumed minimum # of participating ESCOs
Gas - \$ cost per ESCO	\$ 3,323	\$ 67,347	
Electric - \$ cost per ESCO	\$ 6,172	\$ 67,347	

One-time and On-going Incremental Cost Charges for Rochester Gas and Electric Corp. ESCO Referral Program

	Incremental costs		Comment
	<u>One-time</u>	<u>On-going</u>	
Info Technology	\$ 20,484		1/2 cost of required changes to IT systems
Legal Expenses	\$ 8,000		1/2 cost of legal costs
Customer Service		\$ 88,525	Required resources to handle enrollments
O & E		\$ 36,700	Based on cost per one insert
Network and telecommunications		\$ 5,384	Required costs to install and operate 800 #
Supplier Relations analyst		\$ 35,100	1/2 cost of One supplier relations analyst to adminis
Total	\$ 28,484	\$ 165,708	Subject to true-up and reconciliation
Recovery Term - mos.	1	1	One time costs recovered prior to start date
Monthly charge	\$ 28,484	\$ 165,708	
Gas Allocation %	35.00%	50.00%	One-time allocated 65% electric & 35% gas On Going costs allocated according to number of customers participating- assumed 50/50 for this estimate
Electric Allocation %	65.00%	50.00%	
Gas cost share	\$ 9,969	\$ 82,854	
Electric cost share	\$ 18,515	\$ 82,854	
Participating ESCOs - Gas	3	3	Assumed minimum # of participating ESCOs
Participating ESCOs - Electric	3	3	Assumed minimum # of participating ESCOs
Gas - monthly \$ cost per ESCO	\$ 3,323	\$ 27,618	
Electric - monthly \$ cost per ESCO	\$ 6,172	\$ 27,618	

**ESCO Referral Program
System Development**

NYSEG/ RG&E

Activity	Hours	cost/hr	total cost	Split 50/50 RG&E /NYSEG	Detail
Functional Design	20	\$ 40.00	\$ 800	\$ 400	Start up, review requirement and draft project plan
Workflow	120	\$ 40.00	\$ 4,800	\$ 2,400	Creation of new workflow, link to switch doc.
Programming and Development	200	\$ 40.00	\$ 8,000	\$ 4,000	Create validation routine, new database table
System Generated Reports and Letters	40	\$ 40.00	\$ 1,600	\$ 800	create new anti slam letter
Functional	246	\$ 40.00	\$ 9,840	\$ 4,920	create new front office process, new bill mes:
CCS business support	<u>240</u>	<u>\$ 50.70</u>	<u>\$ 12,168</u>	\$ 6,084	testing, review business procedures
Subtotal	866		\$37,208		
Contingency	94	\$ 40.00	\$ 3,760	\$ 1,880	at 15%
total estimate			\$ 40,968	\$ 20,484	

**ESCO Referral Program
Legal Expenses**

Task	Hours	Price	Total Cost	Split 50/50 (NYSEG/RG&E)
Develop ESCO Referral Agreements	40	\$ 400.00	\$ 16,000.00	\$ 8,000.00

ESCO Referral Program

Customer Relation Center

NYSEG

Activity	Cost	Details
Eligible customers		
Electric and dual custc	700,490	
Gas only customers	58,418	
Total customers	758,908	Eligible number of customers electric gas and combination
# of customers forecast to call	37,945	calls Assume 5% of eligible customers will call
time required for each call	6,957	hours Each call will last 11 minutes
number of customers that switch	30,356	4% of customers that switch to ERP after calling
number of customers calling back	1518	calls 5% that switched will call back
total time to handle call back	147	hours 2nd phone call will last 5.8 minutes per call
EXTRA FLOOR space		
total hours	7,103	hours
total Full time equivalent	4.0	people 1768 available work hours
Round to whole number	4.00	
annual cost	\$ 309,121	\$28.58 hourly wage * 30% loader* 2080 salary hours

RG&E

Activity	Costs	Details
Eligible customers		
Electric customers		
Gas customers		
Total customers	319,539	Eligible number of customers electric gas and combination
# of customers forecast to call	15,977	calls Assume 5% of eligible customers will call
time required for each call	2,929	hours Each call will last 11 minutes
number of customers that switch	12,782	4% of customers that switch to ERP after calling
number of customers calling back	639	calls 5% that switched will call back
total time to handle call back	62	hours 2nd phone call will last 5.8 minutes per call
EXTRA FLOOR space		
total hours	2,991	hours
total Full time equivalent	1.7	people 1768 available work hours
Round up to whole number	2.00	
annual cost	\$ 88,525	\$16.00 hourly wage * 33% loader * 2080 salary hours

ESCO Referral Program Outreach and Education

NYSEG

Activity	Cost	Details
bill insert	3	Number of Inserts
cost per insert	\$ 4,125	
	\$ 12,375	
Web costs	\$ -	Can be done with existing resources
increase in postage	\$ -	No increase in postage forecast
Outgoing bill envelope	34,000	
lobby display	200	
on hold message	500	
total cost	\$ 47,075	

RG&E

Activity	Cost	Details
bill insert	3	Number of Inserts
cost per insert	\$ 2,000	
	\$ 6,000	
Web costs	\$ -	Can be done with existing resources
increase in postage	\$ -	No increase in postage forecast
Outgoing bill envelope	30,000	
lobby display	200	
on hold message	500	
total cost	\$ 36,700	

ESCO Referral Program

Supplier Relations costs

NYSEG and RG&E

Additional Employees in supplier relations to administer program

<u>Activity</u>	<u>Cost</u>	<u>details</u>
Number of employees	1	
Salaries	\$ 54,000	cost per employee
Plus: Benefits	30%	wage loader per employee
Total Salary plus Benefits	\$ 70,200	
Assumes available space	0	
total costs	\$ 70,200	
Cost per Company	\$ 35,100	

Network and Telecom

NYSEG

Activity	cost	detail
CSR Telephone/Network Equipment and cabling	\$ -	Incremental CSRs
Estimated time for calls in call center	7103	estimated call hours
Estimated time for calls in minutes	426,203	estimate call minutes
Cost per Minute	\$ 0.03	\$.03 cost per minute
Telephone usage charges	\$ 12,786	incremental 800 numbers usage costs
	\$ 0	incremental incoming trucking costs
	\$ 12,786	
total	\$ 12,786	

RG&E

Activity	cost	detail
CSR Telephone/Network Equipment and cabling	0	Incremental CSRs
Estimated time for calls in call center	2991	estimated call hours
Estimated time for calls in minutes	179,453	estimated call minutes
Cost per Minute	\$ 5,384	\$.03 cost per minute
Telephone usage charges	\$ -	incremental incoming trucking costs
	\$ 5,384	
total	\$ 5,384	

ATTACHMENT 2

**WAIVER OF UNIFORM BUSINESS PRACTICES
PROVISIONS**

Waiver of UBP Provisions

The UBP as currently written contain provisions that are inconsistent with the guidelines adopted by the Commission in the Order as well as RG&E's ESCO Referral Program Parameters. Specifically, utility enrollment of customers is inconsistent with several sections of the UBP which contemplate that the ESCO and not the utility will enroll customers in the Program. Accordingly, RG&E requests a waiver of these and other provisions as detailed more fully below. To the extent not detailed below, RG&E requests that the Commission include in the scope of the waivers any UBP provision that is otherwise inconsistent with the implementation of the Program and RG&E's ESCO Referral Program Parameters.

UBP SECTION	RELIEF REQUESTED
<p>CUSTOMER INFORMATION §4(A) <i>Applicability</i> & §4(B)(1)-(3) <i>Customer Authorization Process</i></p>	<p>These sections address release of customer information by a utility to an ESCO, customer authorization for the release of same to an ESCO, and the retention by the ESCO of verifiable proof of authorization for each customer.</p> <p>Since it is the utility that enrolls the customers under the Program, in the interest of time and efficiency, RG&E requests that the requirements of these sections be waived and that customer consent to the release of customer information to an ESCO be deemed given simultaneously with the customer's consent to be enrolled under the Program. RG&E further requests that proof of the customer's consent for enrollment under the program also be deemed adequate proof of the customer's consent to the release of such information.</p>
<p>CHANGES IN SERVICE PROVIDERS §5(A) <i>Applicability</i> & §5(B)(1)(a)-(c) & §5(B)(2) <i>Customer Agreement Procedures</i></p> <p>Attachment 1 – Telephonic Agreement and Authorization Requirements</p> <p>Attachment 2 – Electronic Agreement and Authorization Requirements</p> <p>Attachment 3 – Written Agreement and Authorization Requirements</p> <p>Attachment 4 – Enrollment and Drop Requests Information Requirements</p>	<p>These sections address the solicitation by ESCOs and the entering into of sales agreements with customers provided that the ESCO (a) obtain a customer agreement to initiate service and enroll the customer with the ESCO; and (b) obtain the customer's consent to the release by the utility of the customer's information. The aforementioned may be done by either: (1) a telephone agreement and authorization; (2) an electronic agreement and authorization; or (3) a written agreement bearing the customer's signature on a sales agreement.</p> <p>Insofar as these sections and the corresponding Attachments 1, 2, and 3, and EDI protocols are specific to ESCO enrollment procedures and thus</p>

inapplicable in the context of utility enrollment under the Program, RG&E requests a waiver of same.

With respect to Attachment 4, insofar as that attachment addresses enrollment by an ESCO, RG&E requests a waiver of same for the reasons already stated.

Regarding the receipt of customer authorization for the release of information to an ESCO, RG&E requests a waiver of this requirement for the reasons already stated above.

With respect to the post-Introductory Period, within five days of receiving notice from the utility that a customer has been enrolled with a particular ESCO that ESCO is to send the customer a contract for the post-Introductory Period. Under the guidelines, the ESCO must demonstrate that the customer has affirmatively agreed to the contract or else the customer will automatically revert to utility service at the end of the Introductory Period. Pursuant to the UBP, the ESCO would be limited to demonstrating customer consent by a customer's written response. RG&E requests waiver of this requirement so as to allow the ESCO to demonstrate customer consent telephonically, electronically or in writing as provided for in §5(B)(1)(a)-(c).

§5(B)(2) provides that the "ESCO shall provide residential customers the right to cancel a sales agreement within three business days after its receipt. . . ." This language is inconsistent with the ESCO Service Approach as there is no sales agreement during the Introductory Period and it is the utility not the ESCO that enrolls the customer. Further, there is no time limitation during which the customer may rescind its request to enroll in the Program during the Introductory Period. Accordingly, RG&E seeks waiver of this section insofar as the Introductory Period is concerned.

<p>§5D(1)-(8) <i>Customer Enrollment Procedures</i></p>	<p>This section addresses enrollment by an ESCO and therefore it is inapplicable in the context of utility enrollment under the Program, thus RG&E requests a waiver of same. Notwithstanding, pursuant to the Order, the ESCO shall be responsible for sending the customer a contract governing the post-Introductory Period within five days of receiving notice of the customer's enrollment in the Program.</p>
<p>§5E(1)-(2) <i>Customer Notification</i></p>	<p>This section addresses a utility sending a customer a letter verifying that the enrollment request received by the ESCO has been accepted. It also details cancellation procedures. Insofar as this section relates to enrollment of customers by an ESCO, RG&E requests waiver of same. Further, subsection (1), which requires the utility to notify the customer of the enrollment one day after receipt of the enrollment from an ESCO, is in conflict with RG&E's program because following RG&E's enrollment of the customer, RG&E sends a confirming letter within three days following the customer's enrollment in the program.</p>
<p>BILLING AND PAYMENT PROCESSING §9(B)(7) <i>Billing and Payment Processing Options: General Requirements</i></p>	<p>For the reasons already stated above with respect to the release of customer information, RG&E request that the requirements of this section be waived.</p>
<p>MARKETING STANDARDS §10 <i>Marketing Standards</i></p>	<p>This section addresses marketing standards by ESCOs. RG&E requests that the requirements of this section not be applicable to RG&E because RG&E is not marketing on behalf of ESCOs and the ESCO Referral Program is not recognized as a marketing program.</p>