New York State Electric & Gas Corporation
Rochester Gas and Electric Corporation

Summary of Electric and Gas Rates Joint Proposal[1]

The Joint Proposal ("Proposal" or "Rate Plan") proposes a three-year rate plan for electric and gas service at New York State Electric & Gas Corporation ("NYSEG") and Rochester Gas and Electric Corporation ("RG&E" and together with NYSEG, the "Companies")[2] commencing May 1, 2016 with Rate Year 1 ("RY1"), Rate Year 2 ("RY2") and Rate Year 3 ("RY3") defined as the 12 months ending April 30, 2017, April 30, 2018, and April 30, 2019, respectively. This represents the first delivery rate increases for the Companies since September 2012.

The Rate Plan balances the varied interests of the Signatory Parties including but not limited to maintaining the Companies' credit quality and mitigating the rate impacts to customers. The Rate Plan reflects many customer attributes including: acceleration of the Companies' natural gas leak prone main replacement programs and enhanced electric vegetation management to provide continued safe and reliable service; implementation of an Energy Smart Community Project in the Ithaca region to test Reforming the Energy Vision initiatives; neighborhood and community gas expansion programs; and an expansion of the Companies' Low Income Programs. The major components of the Proposal are summarized below.

Revenue Requirements

The Rate Plan proposes delivery rate increases for the NYSEG and RG&E electric and gas businesses. The NYSEG Electric and NYSEG Gas delivery rate increases were levelized to smooth rate increase values. The RG&E Electric delivery rate increases were shaped to achieve the rate changes. The following is a summary of the rate changes with rate levelization / shaping. Actual bill impacts will vary by customer class based on the agreed-upon revenue allocation and rate design.

Delivery Rate Increase Summary With Rate Levelization / Shaping						
	RY1		RY2		RY3	
	Rate Increase ($000)	Delivery Rate % Increase	Rate Increase ($000)	Delivery Rate Increase	Rate Increase ($000)	Delivery Rate Increase
NYSEG Electric	$29,601	4.1%	$29,889	4.1%	$30,297	4.1%
NYSEG Gas	$13,068	7.3%	$13,880	7.3%	$14,796	7.3%
RG&E Electric	$3,000	0.7%	$21,600	5.0%	$25,856	5.7%
RG&E Gas	$8,819	5.2%	$7,661	4.4%	$9,455	5.2%

1 This summary is intended solely for the convenience of the Administrative Law Judges and any other person seeking an executive summary of the Proposal. This summary neither supplements nor replaces the Proposal and is not intended to vary the terms of the Proposal.

2 The Proposal is executed by NYSEG, RG&E, and all of the major parties in this proceeding including the New York State Department of Public Service Staff; the New York State Department of State, Division of Consumer Protection, Utility Intervention Unit; the New York State Office of General Services; Multiple Intervenors; Nucor Steel Auburn, Inc.; Pace Energy and Climate Center; and Wal-Mart Stores East, LP and Sam's East, Inc. (collectively, the "Signatory Parties").

Return on Equity and Equity Ratio

The allowed rate of return on common equity for NYSEG Electric, NYSEG Gas, RG&E Electric and RG&E Gas (individually, "Business") is 9.00%. The equity ratio for each Business is 48%.

Earnings Sharing Mechanism

The Proposal includes an Earnings Sharing Mechanism ("ESM") applicable to each Business. All earnings sharing calculations will be on a Rate Year basis with no cumulative carryover. The earnings sharing thresholds are as follows:

Customers / Shareholders	**RY1 Earned ROE**	**RY2 Earned ROE**	**RY3 Earned ROE**
50%/50%	> 9.5% to 10.0%	> 9.65% to 10.15%	> 9.75% to 10.25%
75%/25%	> 10.0% to 10.5%	> 10.15% to 10.65%	> 10.25% to 10.75%
90%/10%	> 10.50%	> 10.65%	> 10.75%

Major Storm Costs - Electric

The Proposal reflects the recovery of deferred NYSEG Electric storm costs of approximately $262 million, of which $123 million (relating to "Super Storm" costs) will be amortized over ten years and the remaining $139 million will be amortized over five years. The Proposal also continues reserve accounting for qualifying Major Storms ($21.4 million annually for NYSEG Electric and $2.52 million annually for RG&E Electric).[3] Incremental maintenance costs incurred to restore service in qualifying divisions will be chargeable to the Major Storm Reserve provided they meet certain thresholds ($750,000 per event for NYSEG and $500,000 per event for RG&E). Costs incurred to obtain the assistance of contractors and / or utility companies providing mutual assistance in reasonable anticipation of a Major Storm that does not materialize will also be chargeable to the Major Storm Reserve when such costs exceed $250,000 per event.

Electric Vegetation Management

The Proposal increases NYSEG's and RG&E's electric distribution and transmission vegetation management rate allowances as shown in Appendix J to the Proposal. NYSEG Electric will hire two additional dedicated transmission arborists, one in RY2 and one in RY3. The Proposal also continues annual trimming distribution mileage targets for NYSEG Electric and RG&E Electric.

Electric Reliability

The Proposal maintains NYSEG's and RG&E's current Electric Reliability Performance Measures (and associated potential negative revenue adjustments for failing to meet established performance levels) which include the System Average Interruption Frequency Index and the Customer Average Interruption Duration Index.

[3] To the extent that either Company incurs incremental Major Storm expenses in excess of the amounts accrued in the Major Storm Reserve, that Company will defer expenses for recovery from customers.

Gas Safety

The Proposal modifies certain Gas Safety Performance Measures at the Companies, including those relating to the Replacement of Leak Prone Main, Leak Backlog Management, Emergency Response, and Damage Prevention. In addition, the Proposal establishes a new Gas Safety Violations Performance Measure which imposes a negative revenue adjustment for noncompliance with certain pipeline safety regulations. The Proposal also calls for the Companies to replace or eliminate 26 miles of leak prone main in 2016; 28 miles in 2017; and 30 miles in 2018. If either Company fails to meet its leak prone main target in any calendar year, the applicable Company will be subject to a negative revenue adjustment. Beginning in 2019, the Proposal provides the Companies with a positive revenue adjustment for each full mile replaced in excess of the applicable target and associated mileage buffer, capped at a maximum of 5 miles (10 basis points) per calendar year.

Customer Service

The Proposal establishes threshold performance levels for designated aspects of customer service quality. The Companies will be subject to a negative revenue adjustment if they fail to meet certain metrics. The Proposal also sets targets and associated incentives for the Companies' level of delivery uncollectible expenses and the number of terminations for non-payment. The Proposal also provides for the implementation of a Same-Day Reconnection Program for which the Companies will strive to achieve not less than 80% reconnection within the same day. In addition, the Companies will implement a bill payment option permitting customers to pay their NYSEG or RG&E bill by credit or debit card without incurring a fee.

Low Income Programs

The Proposal continues and expands NYSEG's and RG&E's bill reduction and arrears forgiveness Low Income Programs at the increased funding levels shown in Appendix O to the Proposal. The Companies will continue their existing enrollment procedure for Home Energy Assistance Program ("HEAP") recipients under which the Companies enroll a customer when they receive payment associated with a HEAP grant. All HEAP recipients will be eligible for the Low Income Programs at NYSEG and RG&E. There will no longer be a reconnect waiver portion of the Low Income Programs. A customer enrolled in the Companies' Low Income Programs will not be charged a reconnect fee.

Reforming the Energy Vision ("REV")

The Proposal provides for the implementation of NYSEG's Energy Smart Community ("ESC") Project in the Ithaca region which will serve as a test-bed for implementation and deployment of REV initiatives. The ESC Project will be supported by NYSEG's planned rollout of Distribution Automation and Advanced Metering Infrastructure to customers on circuits in the Ithaca region. The Companies will also pursue Non-Wires Alternative projects as described in the Proposal. REV-related incremental costs and fees will be included in the Rate Adjustment Mechanism to the extent cost recovery is not provided for elsewhere.

Rate Adjustment Mechanism ("RAM")

Under the Proposal, each Business will implement a RAM, which will be applicable to all customers, to return or collect RAM Eligible Deferrals and Costs, including: (1) property taxes; (2) Major Storm deferral balances; (3) gas leak prone pipe replacement; (4) REV costs and fees which are not covered by other recovery mechanisms; and (5) NYSEG Electric Pole Attachment revenues. The Companies' RAM calculations will undergo the review process set forth in Appendix S to the Proposal.

Depreciation and Excess Theoretical Depreciation Reserve

The Proposal adopts new depreciation rates for accounts in all four businesses. The new depreciation rates are set forth in Appendix U. The Proposal also provides for the amortization of $23.3 million per year of NYSEG's Electric excess depreciation reserve.

Reconciliations

The Proposal provides for partial or full reconciliation of certain expenses including, but not limited to: pensions / OPEBs; property taxes; variable rate debt and new fixed rate debt; gas research and development; environmental remediation costs; Major Storms; nuclear electric insurance limited credits; economic development; and Low Income Programs. The Proposal also includes a downward-only Net Plant reconciliation. In addition, the Proposal includes downward-only reconciliations for the costs of: electric distribution and gas vegetation management; pipeline integrity; and incremental maintenance.

Revenue Allocation and Rate Design

Appendix W contains the Proposal's revenue allocation and rate design provisions. The revenue allocation of the base delivery revenue increases for each Company and the Rate Plan rates are shown in Appendix X. For residential and small non-residential classes, the increases are applied to volumetric charges only. Monthly customer charges remain at current levels. For other non-residential classes, the increases are applied to customer, demand (electric) and per kWh (electric) or per therm (gas) charges as set forth in Appendix W. Standby rates have also been updated to collect the delivery increases, with provisions added for customers to potentially earn credits against their contract demand charges based on the performance of their generating facilities. The Proposal affirms that any portion of subzonal unaccounted for energy will not be allocated to customers taking service under mandatory hourly pricing. The Companies also commit to a separate filing applicable to light-emitting diode street lighting options.

Revenue Decoupling Mechanism ("RDM")

The Proposal provides that NYSEG and RG&E continue their electric RDMs on a total revenue per class basis and their gas RDMs on a revenue per customer basis. For Electric RDM reconciliation purposes, the Companies will group together all residential RDM classes, but will maintain individual non-residential RDM service classes. Street and Area Lighting service classes will be subject to the RDM commencing in RY2. For Gas RDM reconciliation purposes, each Company will maintain two RDM classes (residential and non-residential).