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Director - Regulatory

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VIA ELECTRONIC FILING

Honorable Kathleen H. Burgess, Secretary
New York State Public Service Commission
Three Empire State Plaza
Albany, NY 12223-1350

Re: Case Nos. 02-E-0198 and 09-E-0717
RG&E's Annual Report of its Electric Economic Development Plan
for 2015

Case Nos. 02-G-0199 and 09-G-0718
RG&E's Annual Report of its Gas Economic Development Plan for
2015

Dear Secretary Burgess:

Pursuant to the New York State Public Service Commission's ("PSC" or "Commission") Order Establishing Rate Plan, issued and effective September 21, 2010 (the "JP Order"), in Case Nos. 09-E-0717 and 09-G-0718, Rochester Gas and Electric Corporation ("RG&E" or the "Company") respectfully submits its Annual Report of its Electric and Gas Economic Development Plan for 2015 (the "Report"). As approved by the JP Order, this report of annual incentives is submitted in accordance with Section XI.N of the Joint Proposal, which incorporates prior Commission Orders that address economic development, except as modified by the JP Order.

The JP Order approved total economic development funding of \$4.985 million per year for electric and gas service. The amounts by Company and program are:

Electric Rate Incentives: \$1.163 million
Electric Non-Rate Assistance: \$3.6 million
Gas Rate Incentives: \$122,000
Gas Non-Rate Assistance: \$100,000

The Commission's Order Modifying and Approving Economic Development Plan in Part and Providing For Further Procedures, issued and effective June 2, 2004 in Case Nos. 02-E-0198 and 02-G-0199 (the "June Order"), provided the Guidelines for the Company's reporting requirements.

Electric

The Company is providing its review of the Economic Development Zone ("EDZ")¹, the Empire Zone Rate ("EZR"), and the Incremental Load Rate ("ILR") incentives, as well as the evaluation of the Non-Rate Assistance and Flexible Rate Contracts for 2015.

Rate Incentives

RG&E offers two electric rate incentives to businesses who are Empire Zone certified by New York State. The EDZ rate was a grandfathered electricity rate applicable to customers who were Empire Zone certified prior to January 1, 2005. In 2015, there were no longer any customers served under the EDZ rate. For businesses that are Empire Zone certified after January 1, 2005 up to June 30, 2010, RG&E offers an Empire Zone (EZR) rate which provides a discount on the delivery portion of the bill².

The JP Order approved new delivery rates for EZR and ILR. The ILR incentive provides a discount on the delivery portion of the customer's bill. This rate was available to customers who met certain growth criteria for this program and were classified under certain SIC codes. The ILR program terminated as of January 1, 2014; however, customers that initiated ILR service prior to December 31, 2013 were allowed to complete their 4-year term under the incentive. In 2015, there were no longer any customers served under the ILR program.

Attachment A contains additional details of RG&E's review for customers enrolled in the EZR rate incentive programs.

Flexible (Flex) Rate Contracts

During 2015 there were no Flexible Rate Contracts in effect.

Non-Rate Assistance

Attachment B provides a progress and activity report of the Non-Rate Assistance for 2015. It should be noted that these statistics reflect projects at different stages of completion. Consequently, for a multi-year project, a portion of RG&E assistance may have been either initiated or completed in 2015 and the amounts stated above do not reflect the total amount of assistance. These situations are identified in Attachment B.

¹ On 1/1/05, RG&E revised its rates for customers with Empire Zone certificates that have an eligibility date of 1/1/05 or later and is referred to as the Empire Zone Rate ("EZR").

² According to Empire State Development, the Empire Zone Program officially concluded on June 30, 2010.

In 2015, 41 applications were processed for grant assistance under RG&E's non-rate assistance programs. Approximately \$5.3 million in RG&E assistance will contribute to an estimated \$537 million in capital investment and approximately 6,200 kilowatts of expected new electric load. Individual projects are monitored through RG&E's application process to ensure achievement of program eligibility requirements.

In addition to the above benefits, the applicants have reported that these investments will create or retain over 3,150 jobs. Although job numbers were identified by applicants during the application process, achievement of employment targets is not a requirement for eligibility under RG&E's non-rate assistance. Therefore, job verification is not performed by RG&E.

2015 Project Highlights

In 2015, RG&E had a number of key project commitments/awards. Two examples are as follows:

Xerox Corporation (Monroe County)

The Xerox Corporation emulsion aggregation (EA) toner plant in Webster, NY expanded its production capability by 40 percent to keep pace with higher demand. This expansion has increased the plant size from 100,000 square feet to 155,000 square feet. Empire State Development, working in partnership with the County of Monroe, the New York State Energy Research and Development Authority, and other community partners, provided a comprehensive incentive proposal to this company. A public announcement for this project was made by Xerox on May 26, 2015. RG&E funding assistance helped offset electric infrastructure upgrades required for this expansion. Total capital investment for this expansion is projected at \$35 million and up to 54 new jobs. The current five-story high-tech plant for EA toner, which opened in 2007, is unique and one of only a very small number in the world. Xerox has invested \$120 million in this plant, primarily in custom manufacturing process equipment. RG&E participated with Empire State Development and other economic development agencies to attract the original EA toner facility to Webster, NY. Grant assistance was awarded in 2015.

Bausch + Lomb (City of Rochester, Monroe County)

Bausch + Lomb (B+L) expanded its operations at its N. Goodman Street facility in Rochester, NY. This project announced by Valeant Pharmaceuticals International, Inc., parent company of B+L, is to expand manufacturing lines for B+L's latest contact lens technology. Empire State Development, working in partnership with RG&E and other community partners, provided a comprehensive incentive proposal to B+L. RG&E funding assistance helped offset electric infrastructure upgrades required for four new manufacturing lines expected to be in place by the end of 2016. Total capital investment is projected at over \$200 million and more than 100 new jobs and more than 800 jobs retained. RG&E was informed that this new technology is not currently manufactured anywhere else in the world and the new markets for these new products are as far away as Asia. Grant assistance was awarded in 2015.

Gas

The Company is providing its evaluation of the Economic Development Zone (“GEZ”) and the Empire Zone Rate (“GZR”) incentives in this report, as well as the evaluation of the Non-Rate Assistance Program.

Rate Incentives

In accordance with the JP Order, the Company discontinued the availability of the Empire Zone Rate. Existing GZR customers are permitted to receive incentives for the remaining term of the customer’s incentive. The GEZ rate is a grandfathered gas delivery rate applicable to customers who were Empire Zone certified prior to January 1, 2005. In 2015, there were no longer any customers served under the GEZ rate. For businesses that are Empire Zone certified after January 1, 2005 and prior to September 26, 2010, RG&E offered GZR which also provides a discount on the gas delivery rate.

Please refer to Attachment A for additional details of RG&E’s review of the Gas GZR incentive programs.

Non-Rate Assistance

Through December 31, 2015, no customer was eligible for gas infrastructure assistance.

Conclusion

Electric

The following table summarizes the total electric economic development assistance provided to customers, by program, for calendar year 2015.

Program (Electric)	2015 Amount
EDZ Incentives	\$0
EZR Incentives	\$783,700
ILR Incentives	\$0
Flex Rates	\$0
Non-Rate Assistance	\$5,294,200
<i>Total</i>	\$6,077,900


Gas

The table below summarizes the total gas economic development assistance provided to customers, by program, for calendar year 2015.

<i>Program (Gas)</i>	2015 Amount
GEZ Incentives	\$0
GZR Incentives	\$131,600
Non-Rate Assistance	\$0
<i>Total</i>	\$131,600

The Company made proposals to its Economic Development programs in the Joint Proposal filed with the Commission on February 19, 2016 in its Rate Cases.³

Please direct any questions pertaining to this filing to Mr. Joseph M. Rizzo, Manager – Economic Development & Community Relations at (585) 724-8165 or me.

Respectfully submitted,

Mark O. Marini

Attachments

³ Case 15-E-0285 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service, and Case 15-G-0286 – Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service.