

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

-----X
Iberdrola, S.A., Energy East Corporation, RGS :
Energy Group, Inc., Green Acquisition Capital, :
Inc., New York State Electric & Gas Corporation : Case 07-M-0906
and Rochester Gas and Electric Corporation – :
Petition for the Approval of the Acquisition of :
Energy East Corporation by Iberdrola, S.A. – :
Fossil Auction Filing :
: :
-----X

**VERIFIED JOINT PETITION OF ROCHESTER GAS AND ELECTRIC
CORPORATION, CAYUGA ENERGY, INC., CARTHAGE ENERGY, LLC,
ALLIANCE ENERGY GROUP, LLC, ALLIANCE ENERGY, NEW YORK LLC,
AND ALLEGANY GENERATING STATION, LLC FOR DECLARATORY
RULING, AN ORDER APPROVING TRANSFER PURSUANT TO PUBLIC
SERVICE LAW SECTION 70, AND FOR RELATED APPROVALS**

Gregory M. Brown, Esq.
BROWN & PALUMBO, PLLC
1208 James Street
Syracuse, New York 13203
Tel: (315) 422-9308
Fax: (315) 679-4972
gbrown@bplaw.us.com

*Attorneys for Alliance Energy Group, LLC,
Alliance Energy, New York LLC, Allegany
Generating Station LLC*

Brian T. FitzGerald, Esq.
Cullen and Dykman, LLP
99 Washington Avenue, Suite 2020
Albany, New York 12210
(518) 788-9401
bfitzgerald@cullenanddykman.com

Noelle M. Kinsch, Esq.
Deputy General Counsel
Iberdrola USA
99 Washington Avenue, Suite 2018
Albany, New York 12210
(518) 434-4977
noelle.kinsch@iberdrolaus.com

*Attorneys for Rochester Gas and
Electric Corporation, Cayuga
Energy, Inc. and Carthage Energy,
LLC*

Dated: June 11, 2013

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

-----X
Iberdrola, S.A., Energy East Corporation, RGS :
Energy Group, Inc., Green Acquisition Capital, :
Inc., New York State Electric & Gas Corporation : Case 07-M-0906
and Rochester Gas and Electric Corporation – :
Petition for the Approval of the Acquisition of :
Energy East Corporation by Iberdrola, S.A. – :
Fossil Auction Filing :
: :
-----X

**VERIFIED JOINT PETITION OF ROCHESTER GAS AND ELECTRIC
CORPORATION, CAYUGA ENERGY, INC., CARTHAGE ENERGY, LLC, ALLIANCE
ENERGY GROUP, LLC, ALLIANCE ENERGY, NEW YORK LLC, AND ALLEGANY
GENERATING STATION, LLC FOR DECLARATORY RULING, AN ORDER
APPROVING TRANSFER PURSUANT TO PUBLIC SERVICE LAW SECTION 70,
AND FOR RELATED APPROVALS**

I. INTRODUCTION

Pursuant to Section 70 of the New York State Public Service Law (“PSL”), Rochester Gas and Electric Corporation (“RG&E”), Cayuga Energy, Inc. (“Cayuga Energy”), Carthage Energy, LLC, (“Carthage Energy”) Alliance Energy Group, LLC (“AEG”), Alliance Energy, New York LLC (“AENY”) and Allegany Generating Station, LLC (“AGS”) (collectively, the “Petitioners”) hereby request New York State Public Service Commission (“Commission”) authorization to transfer RG&E’s Allegany Generating Station¹ and certain related assets

¹ Allegany Station is a nominal 62 MW gas-fired combined-cycle power plant located on a 5.9 acre parcel of land in the Town of Hume, New York. Allegany Station was constructed by Ansaldo Industrial of America and went into commercial operation in December 1994. It was originally owned by Kamine/Besicorp Allegany, L.P. RG&E acquired Allegany Station in 1998. RG&E has received market-based rate authority from the Federal Energy Regulatory Commission (“FERC”) for the Allegany Station and sells its generation solely on a wholesale basis.

(collectively, the “Allegany Station”) from RG&E to AGS.² RG&E also requests that the Commission authorize the transfer in accordance with the rate and accounting treatment proposed herein.

In addition, AENY is purchasing Cayuga Energy’s membership interests in Carthage Energy, which owns Carthage Station. Carthage Station is a 63 MW natural gas/#2 fuel oil combined-cycle cogeneration facility. Carthage Energy is an Exempt Wholesale Generator³ and has received market-based rate authority from the FERC.⁴ Carthage Station was previously operated as a cogeneration facility and, thus, under Section 2(2-a) of the PSL, was exempt from Commission jurisdiction. However, Carthage Station will not produce useful thermal energy for industrial and/or commercial purposes when generating electricity in the future. Should the Commission determine that Carthage Station is not a cogeneration facility under Section 2(2-a), Petitioners request PSL Section 70 approval for the sale of the Carthage Energy membership interests to AENY, and approval of lightened-regulation for AGS and Carthage Energy post-closing.

As Petitioners establish below, an open auction process was utilized that maximized the transfer proceeds and resulted in a purchaser well-qualified to own and operate Allegany Station

² The transfer also includes a steam plant. However, there is currently no steam interconnection or steam customer. The Commission has previously ruled that the transfer of a steam plant does not require approval under PSL § 83 when the steam plant, in its current configuration, is not used to supply steam “for sale to others,” as defined in PSL 2(22), and therefore it is not subject to Commission jurisdiction. Case 09-E-0574 - RPL Holdings, Inc., Order Approving Transfer and Financings (Oct. 26, 2009). Accordingly, this Petition has not requested such approval. Nevertheless, should the Commission determine that PSL § 83 approval of the transfer of the steam plant is required for the proposed transaction, Petitioners respectfully request that this Verified Joint Petition also be treated as a request for PSL § 83 approval to transfer the steam plant.

³ FERC granted Exempt Wholesale Generator status to Carthage Energy, LLC on April 6, 1999, in Docket No. EG99-87. Carthage Energy, LLC, 87 FERC ¶ 62,017 (1999).

⁴ Carthage Energy, LLC, Docket No. ER99-2541-000, Notice of Issuance of Order (June 21, 1999) (MBRA authority).

and Carthage Station. By approving this Verified Joint Petition in an expeditious manner, the Commission will advance the public interest.

This Verified Joint Petition sets forth the information required by 16 NYCRR Parts 18 and 31, including, among other things, a statement of financial condition for RG&E, the original cost of the property to be transferred, and a statement of operating revenues, expenses and taxes relating to the property to be transferred, which are attached to this Verified Joint Petition as Exhibit 1.⁵ Organizational charts, showing the pre-closing and post-closing organization of the involved entities are attached as Exhibit 2. Short Environmental Assessment Forms are attached as Exhibit 3. As required by 16 NYCRR § 3.5(j), a draft State Administrative Procedure Act notice is attached as Exhibit 4. Copies of the confidential Transaction Documents, which are described herein, are Exhibits 5 and 6. These Exhibits have been redacted from the public filing and are being submitted concurrently to the Commission's Records Access Officer along with a request for trade secret protection. Confidential Exhibit 7, which provides a comparison of each bid, is also being submitted concurrently to the Commission's Records Access Officer.

Petitioners intend to consummate the proposed transaction as soon as possible upon receipt of all required approvals. Therefore, Petitioners request that the Commission issue an order in response to this Verified Joint Petition on an expedited basis.

⁵ Should the Commission decide to review the sale and transfer of Cayuga Energy's 100% ownership interest in Carthage Energy to AENY, the Petitioners respectfully request waiver of the filing requirements set forth in 16 N.Y.C.R.R. §§ 18, 31.1 and 39.1 as they relate to that transaction. The Commission has waived such filing requirements in the past for lightly regulated companies. See Case 06-M-0948 - Re Alliance Energy, New York LLC, Order Approving Transfer (Oct. 25, 2006); Case 05-E-0746 - In re Power City Partners, L.P., Order (Sept. 7, 2005); Case 03-E-1694 - Re UtilCo Group Inc., Declaratory Ruling and Order Concerning Transfer of Ownership Interests (Feb. 13, 2004); Case 03-E-0516 - Re Athens Generating Company, L.P., Order Approving Transfer and Providing for Lightened Regulation (Sept. 17, 2003).

II. DESCRIPTION OF THE PARTIES

A. RG&E

RG&E is a New York corporation with its principal office at 89 East Avenue, Rochester, New York. RG&E is engaged in the business of production, purchase, transmission, distribution and sale of electricity and the purchase, distribution, sale and transportation of natural gas in New York State. RG&E provides electric service to customers in a service territory encompassing all or parts of the counties of Allegany, Cayuga, Livingston, Monroe, Ontario, Wayne and Wyoming, and gas service to customers in a service territory encompassing all or parts of the counties of Genesee, Livingston, Monroe, Ontario, Orleans, Wayne and Wyoming. RG&E serves approximately 368,000 electric customers and 305,000 gas customers in a service area having a total population of approximately one million people, including the cities of Rochester and Canandaigua. RG&E is a wholly-owned subsidiary of RGS Energy Group, Inc., which, in turn, is a wholly-owned subsidiary of Iberdrola USA.

B. Cayuga Energy and Carthage Energy

Cayuga Energy is a wholly-owned, subsidiary of Iberdrola USA. Cayuga Energy owns 100% of the membership interests of Carthage Energy, which is a single purpose entity. Carthage Energy owns Carthage Station, which is located in Carthage, New York.

C. AENY and Affiliates

AENY is a wholly-owned subsidiary of AEG. AENY is a limited liability company organized under the laws of the State of New York. AEG is owned by an individual, Samuel G. Nappi. Aside from his holdings in AEG, Mr. Nappi does not own or control any other energy-related facilities.

AENY owns, directly and indirectly, 100% of the partnership interests in: Seneca Power Partners, L.P., the owner of an approximately 68 MW electric generation facility located in Batavia (the “Seneca Facility”); Sterling Power Partners, L.P., the owner of an approximately 64 MW electric generation facility located in Sherrill; Power City Partners, L.P., the owner of an approximately 85 MW combined cycle generation facility located in Massena (“Power City Facility”);⁶ and Lowell Cogeneration Company L.P., a Delaware limited partnership that owns a 32.5 MW (nameplate) natural gas and fuel oil-fired combined-cycle electric generation facility located in Lowell, Massachusetts (the “Lowell Facility”). The Lowell Facility is interconnected to the transmission system owned by New England Power Company and operated by ISO New England, Inc. AENY also owns 100% of the partnership interest in AGENergy, L.P. (“AG-Energy”), which ceased generating electricity in 2007 but continues to operate as a steam corporation serving the St. Lawrence Psychiatric Center in Ogdensburg.⁷ Lastly, AENY owns 100% of the membership interest in AGS, a New York limited liability company recently formed as an operating entity to hold the Allegany Station that is the subject of this Verified Joint Petition.

Through AEG, AENY is affiliated with Alliance NYGT, LLC (“Alliance NYGT”), and AER-NY-Gen, LLC (“AER-NY-Gen”). Alliance NYGT owns the 47 MW Hillburn gas turbine

⁶ See Case 12-E-0211 – Joint Verified Petition of Alliance Energy, New York LLC, MEG Development Company, LLC, Massena Energy Holdings, LLC, Massena Energy Holdings GP, LLC and Power City Partners, LP for a Declaratory Ruling or, in the Alternative, an Order Approving Transfer Pursuant to Public Service Law Section 70, Approval of Financing Pursuant to Public Service Law Section 69, and Continued Lightened Regulatory Regime, Order Approving Transfer Subject to Conditions and Approving Financings (Sept. 17, 2012). The Power City Facility formerly provided steam to a neighboring business, but the steam line has been disconnected and capped, so Power City is not currently either a steam corporation or a steam supplier. Id.

⁷ The Commission previously authorized AENY to purchase Standard Power LLC, the owner of an approximately 50 MW facility, and an attendant 0.2 mile gas pipeline, located in Binghamton. Case 11-M-0117 – Petition of Standard Power LLC and Alliance Energy New York, LLC for Approval of a Transaction Pursuant to PSL Section 70, Order Approving Transfer (Oct. 17, 2011). However, that transaction was not consummated.

located in Hillburn and the 42 MW Shoemaker gas turbine located in Middletown.⁸ AER NY-Gen currently holds no assets.⁹ Through AEG, AENY is also affiliated with Alliance Energy Transmissions, LLC (“AET”), which holds the certificate for an approximately 11.2-mile intrastate natural gas pipeline in upstate New York that is used to transport gas to the Seneca Facility,¹⁰ and Alliance Energy Transmissions–Syracuse LLC (“AET-Syracuse”), which holds the certificate for an approximately 9.5-mile intrastate natural gas pipeline in upstate New York that is used to transport gas to a location within the Syracuse University campus.¹¹

III. THE AUCTION

A. Background

In September 2008, the Commission approved Iberdrola, S.A.’s acquisition of Energy East Corporation, the then-parent corporation of RG&E.¹² The Commission conditioned its approval of the Iberdrola-Energy East merger, among other items, on the divestiture of any and all fossil-fueled generating assets in New York State that Iberdrola, S.A. acquired through the

⁸ See Case 11-E-0701 – Alliance NYGT LLC, Order Approving Transfer and Making Other Findings (Mar. 21, 2012).

⁹ AER NY-Gen previously owned the Hillburn and Shoemaker turbines and the Swinging Bridge hydroelectric facility, a 12 MW (nameplate) hydroelectric generating facility located in Forestburgh, New York that were transferred pursuant to Commission authorization. Id.; see also Case 10-M-0186 – Alliance Energy Renewables LLC, et al., Order Modifying Prior Order and Approving Transfer (Nov. 22, 2010); Case 10-M-0186, Order Approving Transfers Upon Conditions and Making Other Findings (July 23, 2010).

¹⁰ Case 09-T-0489 – Joint Petition of Alliance Energy Transmissions, LLC and Seneca Power Partners, L.P. for Approval of an Amendment to and Transfer of the Certificate of Environmental Compatibility and Public Need Granted to Seneca Power Partners, Order Approving Amendment and Transfer of Certificate (Nov. 17, 2009).

¹¹ Case 11-M-0117, Order Approving Transfer of Ownership and Transfer of Certificate and Providing for Lightened Ratemaking Regulation (Oct. 17, 2011).

¹² Case 07-M-0906 – Joint Petition of Iberdrola, S.A., Energy East Corporation, RGS Energy Group, Inc., Green Acquisition Capital, Inc., New York State Electric & Gas Corporation and Rochester Gas and Electric Corporation for Approval of the Acquisition of Energy East Corporation by Iberdrola, S.A., Abbreviated Order Authorizing Acquisition Subject to Conditions (Sept. 9, 2008); Case 07-M-0906, Order Authorizing Acquisition Subject to Conditions (Jan. 6, 2009).

transaction.¹³ The Commission directed RG&E (and the other petitioners in the case) to “collaborate with all interested parties to develop auction protocols, a timetable for divestiture, and the disposition of above-book proceeds from the sale, including sharing between ratepayers and shareholders.”¹⁴ The parties were directed to file the divestiture plan resulting from the collaborative process within 90 days of the order approving the merger.

On November 18, 2008, RG&E and Cayuga Energy filed the divestiture plan for: a) RG&E Stations 3 and 9 (simple cycle combustion turbines each with a capacity of 18 MW that entered commercial operation in 1969) that were to be sold and removed from the existing sites and salvaged (the “Peaking Units”); b) RG&E’s Russell Station site, a retired coal-fired generating facility; c) Allegany Station; and d) Cayuga Energy’s membership interest in Carthage Energy, which owns Carthage Station.¹⁵ The divestiture plan provided that the assets would be offered for sale as a single bundle, but a bidder also had the option to submit bids for alternatives to the preferred bundling, provided the bidder also submitted a conforming bid on a single bundle. The structure of the divestiture plan was similar to the structure of other power plant auctions conducted by New York State utilities. The Commission approved the divestiture plan, as filed, on November 17, 2009.¹⁶

RG&E and Cayuga Energy conducted a two-phase auction. The auction process provided for notice of the auction to a broad group of potential purchasers. RG&E and Cayuga Energy received no conforming bids and only one timely non-conforming indicative bid. The

¹³ Case 07-M-0906, Order Authorizing Acquisition Subject to Conditions, at 104-105. The two affiliates of Iberdrola USA subject to the divestiture requirement were RG&E and Cayuga Energy, a participant in New York’s competitive wholesale market.

¹⁴ Id. at 105.

¹⁵ Case 07-M-0906, Energy East Fossil Divestiture Plan (Filed Nov. 18, 2008).

¹⁶ Case 07-M-0906, Approved as Recommended and So Ordered by the Commission (Nov. 17, 2009) (the “Auction Plan Order”).

one non-conforming indicative bid did not include offers for the Russell Station site or the Peaking Units, was priced substantially below the floor prices for Allegany Station and Carthage Energy, and was contingent upon the execution of long-term capacity contracts and other non-conforming bid terms and conditions. Based on the unsatisfactory results in the indicative bid stage of the auction, RG&E and Cayuga Energy filed a petition with the Commission on December 29, 2010 recommending termination of the divestiture plan.¹⁷

The Commission ordered RG&E and Cayuga Energy to re-auction the combined-cycle facilities and the Peaking Units.¹⁸ The Commission's Order stated that "[s]eparate bids shall be solicited for each facility, enabling bidders to maximize the value they might see in purchasing one of the facilities but not the other...."¹⁹ The Order also stated that no floor price should be set prior to the commencement of bidding noting that "instead, bidders should be encouraged to submit offers on each facility, and then, to the extent appropriate, RG&E and Cayuga [Energy] can negotiate separately with the most promising bidders."²⁰ The Commission also found that the best alternative for Russell Station was for RG&E to proceed with demolition and environmental remediation. RG&E and Cayuga Energy were directed to file modifications to their divestiture plan.

On October 21, 2011, RG&E and Cayuga Energy filed a modified fossil asset divestiture plan with the Commission (the "Modified Auction Plan").²¹ RG&E and Cayuga Energy unbundled the fossil assets instead of requiring a single bid on all of the fossil assets together.

¹⁷ Case 07-M-0906, Petition to Terminate Auction Process (Filed Dec. 29, 2010).

¹⁸ Case 07-M-0906, Order Modifying Auction Plan and Establishing Further Procedures (July 25, 2011) (the "Auction Modification Order").

¹⁹ Id. at 14.

²⁰ Id. at 15.

²¹ Case 07-M-0906, Iberdrola USA Modified Fossil Asset Divestiture Plan (Filed Oct. 21, 2011).

RG&E and Cayuga Energy proposed that Allegany Station and Carthage Station would be treated as two separate components in one package, while RG&E's Peaking Units being sold for removal would be offered as a second package. RG&E's retired Russell Station was excluded from the re-auctioning of the fossil assets, since the Commission had determined previously that the site would be demolished and remediated. The Modified Auction Plan was approved by the Commission on December 20, 2011.²² A more detailed description of the auction process undertaken by RG&E and Cayuga Energy appears below.

B. Auction Process

RG&E implemented a two-stage auction process in which non-binding indicative bids were reviewed in Stage 1 and binding bids were solicited from qualified bidders in Stage 2. The auction process included the following major features.

1. Early Interest Letter

On June 29, 2012, RG&E and Cayuga Energy issued an Early Interest Letter and Confidentiality Agreement to 230 prospective bidders. Eight prospective bidders signed the Confidentiality Agreement making them eligible to receive the Offering Memorandum and data CDs. RG&E kept staff of the Department of Public Service ("Staff") informed regarding the auction process and provided Staff with copies of the relevant Transaction Documents.

2. Due Diligence

During Stage 1 of the auction process, the Offering Memorandum, which summarized all of the key transaction commercial terms and conditions, was issued to the eight eligible bidders. The Offering Memorandum set forth the proposed schedule for the auction, established a target closing date, and set forth bid instructions and auction objectives. Bidders were invited to meet with RG&E to gain a better understanding of the fossil assets and the auction process.

²² Case 07-M-0906, Order Adopting Modified Auction Plan (Dec. 20, 2011).

Copies of draft Transaction Documents, including the Asset Purchase Agreement, were provided to bidders during Stage 2 of the auction process. RG&E gave bidders the opportunity to comment on the Transaction Documents, reviewed the bidders' comments, and made appropriate revisions to the Transaction Documents.

3. Stage 1 Indicative Bids

On August 31, 2012, two entities submitted indicative bids expressing an interest in Allegany and Carthage Stations. RG&E and Cayuga Energy allowed these two interested bidders to proceed with detailed due diligence, including site visits. On December 17, 2012, two entities submitted binding bids.

4. Stage 2 Binding Bids

Subsequent to receiving the indicative bids, two additional bidders made an unsolicited expression of interest in bidding on the fossil assets. RG&E and Cayuga Energy, after conferring with Staff, elected to allow these new bidders to submit binding proposals by February 15, 2013. Only one of these bidders provided a binding bid.

On a parallel path, RG&E and Cayuga Energy entered into discussions with the two initial bidders in an effort to resolve open issues raised by these bidders with respect to the Asset Purchase Agreement and other supporting documents. These bidders were also given until February 15, 2013 to resolve all open items and provide RG&E and Cayuga Energy with a Best and Final Offer.

5. Bid Evaluation and Recommended Winning Bidder

RG&E evaluated the positive and negative attributes of each bid for Allegany Station. After careful evaluation, RG&E selected the AENY bid, which continues the operation of Allegany Station and avoids the need to unwind the associated agreement with the Allegany County Industrial Development Authority. Cayuga Energy independently evaluated the bids for

Carthage Station and also selected the AENY bid, which continues the operation of Carthage Station. Confidential Exhibit 7 provides a comparison of each bid. It is being submitted concurrently to the Commission's Records Access Officer along with a request for trade secret protection.²³

IV. THE PROPOSED TRANSACTIONS

On May 24, 2013, RG&E and AGS executed an Asset Purchase Agreement ("APA") setting forth the terms and conditions under which RG&E will sell, and AGS will buy, Allegany Station. Also, on May 24, 2013, Cayuga Energy and AENY executed a Membership Interest Purchase Agreement ("MIPA") setting forth the terms and conditions under which Cayuga Energy will sell, and AENY will buy, Carthage Energy. Pursuant to its terms, Cayuga Energy will transfer all of its ownership interests in Carthage Energy to AENY at closing. Following the transfer, AENY will hold a 100% ownership interest in Carthage Energy. The APA and MIPA are collectively referred to as the "Transaction Documents." The transactions contemplated by the Transaction Documents are collectively referred to as the "Proposed Transactions." Charts depicting the upstream ownership of Allegany and Carthage Stations ("the Facilities") before and after the Proposed Transactions are attached to this Verified Joint Petition as Exhibit 2.

The APA and MIPA condition the transfer upon the prior receipt of all necessary regulatory approvals, including, to the extent required, this Commission's authorization under PSL Section 70. The MIPA and APA are Exhibits 5-6, which have been redacted from the public filing and are being filed concurrently with the Commission's Records Access Officer with a request for trade secret protection. The terms for the transfer of Allegany Station and the Carthage Energy membership interest are set forth in the agreements described below.

²³ AENY did not bid on the Peaking Units. RG&E will work with Staff on an expeditious process to salvage the Peaking Units. RG&E may also need to remediate the Peaking Unit sites.

A. APA

The APA describes, in detail, the assets being transferred to AGS and those being retained by RG&E. The assets to be transferred are all of RG&E's right, title and interest in the assets used in, held for use, constituting, or necessary to operate and maintain Allegany Station, including: (a) real property, buildings and improvements; (b) all machinery, equipment (including computer hardware and software and communications equipment), tools, spare parts, fixtures, furniture and furnishings and other personal property relating to or used in the ordinary course of business to operate the facilities, other than property used primarily as part of the transmission assets or that is otherwise excluded from the sale; (c) material agreements listed on schedules to the APA and other non-material contracts; (d) all transferable permits; (e) all books, operating records and other documents relating to the facilities (subject to the right of RG&E to retain copies of same for its use); and (f) all unexpired, transferable warranties and guarantees from third parties with respect to any item of real property or personal property constituting part of the purchased assets.

The APA also describes the liabilities being assumed by AGS and those being retained by RG&E. AGS is only assuming liabilities related to Allegany Station which arise on or after the closing date as a result of or with respect to AGS's operation of the purchased assets after the closing date or inspection of the purchased assets prior to the closing date. RG&E is retaining all other liabilities related to Allegany Station, including environmental liabilities. The sale transfers to AGS the risks associated with the ongoing operation and repair of Allegany Station. By selling its interest in Allegany Station, RG&E is also transferring its responsibility for the future decommissioning of Allegany Station and the surrounding site.

Finally, the APA contains customary representations, warranties, and covenants by each party, and contains a list of actions, including receipt of regulatory approvals in form and

substance reasonably satisfactory to RG&E and which do not result in a materially adverse effect on AGS, that the parties must complete prior to closing the proposed transaction.

B. MIPA

The MIPA governs the sale and transfer of Cayuga Energy's 100% ownership interest in Carthage Energy to AENY. Upon the consummation of the sale, Carthage Energy will be a wholly-owned subsidiary of AENY. Carthage Energy will retain all of its assets and liabilities, including its equitable ownership of Carthage Station under a lease agreement with the Jefferson County Industrial Development Agency. Carthage Energy, as a wholly-owned subsidiary of AENY, will remain responsible for the operation and maintenance of Carthage Station and for the future decommissioning of Carthage Station.

The MIPA also contains customary representations, warranties, and covenants by each party, and contains a list of certain actions, including receipt of regulatory approvals required by AENY, that the parties must complete prior to closing the proposed transaction. Finally, the MIPA provides that the consummation of the transactions contemplated under the MIPA and the APA must occur contemporaneously.

C. The Interconnection Agreements

An Interconnection Agreement ("IA") for Allegany Station will govern the interconnection of the Allegany facilities with RG&E's transmission system. The IA will be modeled on the form of a large generator interconnection agreement issued by FERC in March 2013. Under the IA, RG&E will retain ownership of certain interconnection facilities, and will provide AGS with interconnection service for Allegany Station. The parties will reimburse each other for actual costs incurred for the performance of their respective obligations under the IA.

The interconnection for Carthage Station is governed by an existing interconnection agreement between Carthage Energy and Niagara Mohawk Power Corporation d/b/a National

Grid. The Carthage Station interconnection agreement is on file with FERC, which has approved its contents.²⁴

V. THE COMMISSION SHOULD DECLARE THAT THE CARTHAGE STATION IS A COGENERATION FACILITY NOT SUBJECT TO ITS JURISDICTION OR, IN THE ALTERNATIVE, APPROVE THE TRANSFER OF CARTHAGE ENERGY PURSUANT TO PSL SECTION 70

As noted above, Carthage Station was previously operated as a cogeneration facility and, thus, under Section 2(2-a) of the PSL, was exempt from Commission jurisdiction. However, Carthage Station will not produce useful thermal energy for industrial and/or commercial purposes when generating electricity in the future. Should the Commission determine that Carthage Station is not a cogeneration facility under Section 2(2-a); Petitioners request PSL Section 70 approval for sale of the Carthage Energy membership interests to AENY and, as further discussed in Section VIII below, approval of lightened-regulation for AGS and Carthage Energy post-closing.

VI. THE PROPOSED TRANSACTIONS ARE IN THE PUBLIC INTEREST

The Proposed Transactions are consistent with the public interest. In compliance with the Auction Plan Order, the Proposed Transactions fulfill the commitment to divest the Facilities; maximizes value while providing the best long term prospects for continued operation of the Facilities thereby serving the interests of the local communities and the employees; complies with the horizontal and vertical market power guidelines; advances competition in the wholesale market; and results in the sale of the Facilities to a qualified purchaser.

²⁴ National Grid USA Service Company, Docket Nos. ER08-1175-000, ER08-1175-001 and ER08-1175-002, Letter Order Accepting National Grid USA Service Company, Inc.'s June 27, 2008 filing of First Revised Interconnection Agreement 339 between Niagara Mohawk Power Corporation and Carthage Energy LLC (Sept. 25, 2008); Niagara Mohawk Power Corporation, Docket No. ER05-984-000, Order Accepting Original Service Agreement No. 339 between Niagara Mohawk and Carthage Energy LLC (June 6, 2005).

A. The Proposed Transactions Advance a Competitive Market

The Commission has determined that “[c]ompetition in the electric power industry will further the economic and environmental well-being of New York State. The basic objective of moving to a more competitive structure is to satisfy consumers’ interests....”²⁵ The Commission has previously determined that the divestiture of the Allegany and Carthage Stations is in the public interest in addressing vertical market power.²⁶ Accordingly, the Proposed Transactions are in the public interest under Commission policy and precedent supporting the competitive market.

B. The Auction Established the Fair Market Value of the Facilities

The price paid for the acquisition of the Facilities is sufficient to satisfy the public interest. Consistent with the Commission’s policy relative to a fair market determination, RG&E consulted with Staff and worked to design and implement an open auction process that resulted in a sale agreement that fairly established the market value of Allegany Station and Carthage Energy.²⁷ As discussed above, the Modified Auction Plan implemented by RG&E was reviewed by Staff and approved by the Commission. “[T]he outcome was a price determined by

²⁵ Case 94-E-0952 – In the Matter of Competitive Opportunities Regarding Electric Service, Opinion and Order Adopting Principles to Guide Transition to Competition, Opinion No. 95-7, at 5 (June 7, 1995).

²⁶ Case 07-M-0906, Order Authorizing Acquisition Subject to Conditions, at 106.

²⁷ See e.g., Case No. 96-E-0909 - In the Matter of Central Hudson Gas & Electric Corporation's Plans For Electric Rate/Restructuring Pursuant to Opinion No. 96-12, Order Approving Transfer of the Danskammer and Roseton Generating Stations and Making Other Findings, at 22 (Dec. 20, 2000) (stating the “The [auction] process which led to the sale of the facilities was designed to maximize auction proceeds. The overall \$903 million Dynegy offered was the highest bid received, and the price establishes the market value for the facility.”). In contrast, “a failure for the utilities to determine the market value of the Nine Mile facilities at this time, through an open process, would raise serious prudence questions.” Case 99-E-0933 - Joint Petition of Niagara Mohawk Power Corporation, New York State Electric & Gas Corporation and AmerGen Energy Company, LLC, for Authority Under Public Service Law Section 70 to Transfer Certain Generating and Related Assets and for Related Approvals, Order Allowing Petitions to be Withdrawn, at 7 (Apr. 25, 2000).

participants in an open and free market. The price that a free market generates is presumably reasonable.”²⁸

C. The Commission Will Retain Jurisdiction Over RG&E, AGS and Carthage Energy

The transfer of Allegany Station from RG&E to AGS will not alter the Commission’s jurisdiction over RG&E’s electric distribution and gas services. The Commission will retain its current jurisdiction over RG&E pursuant to the PSL.

On closing, AGS will become an electric corporation under the PSL subject to the Commission’s jurisdiction. AGS and Carthage Energy, even if afforded lighted regulation post-closing as requested herein, would also remain subject to Commission jurisdiction.

D. The Proposed Transactions Comply with the Commission’s Market Power Guidelines

As the Commission has recently determined, neither AEG nor its affiliates currently possess horizontal or vertical market power.²⁹ The additional 125 MW of generation acquired by AENY under the proposed transaction will have no effect on the potential to exercise horizontal or vertical market power. Upon consummation of the transactions, sales from the Facilities will continue to be made solely on a wholesale basis.

²⁸ Case No. 96-E-0909, Order Approving Transfer of the Danskammer and Roseton Generating Stations and Making Other Findings, at 29 (Dec. 20, 2000).

²⁹ Case 12-E-0211 - Petition of Alliance Energy, New York LLC et al., Order Approving a Transfer Subject to Conditions and Approving Financings, at 14 (Sept. 17, 2012):

Even after acquiring Power City, the amount of generation Alliance will own is *de minimis*, at about 1% of the generation capacity available in New York. Consequently, market concentration in New York will not increase cognizably as a result of the transaction. Moreover, the size of Alliance’s interests in generation operating in markets adjacent to New York is also *de minimis*. Nor does the proposed transaction pose the potential for the exercise of vertical market power. Alliance does not exercise control over electric delivery facilities (other than interconnections), or substantial influence over inputs, like fuel, into the production of generation supply within New York, and does not report an affiliation with a power marketer. As a result, those avenues to the undue exercise of vertical market power are foreclosed. Consequently, the proposed transaction does not raise market power concerns.

There are no vertical market concerns because neither AENY nor any of its affiliates own or control any electric transmission or distribution facilities. Similarly, neither Carthage Energy, nor AGS will own or control any electric transmission or distribution facilities in the New York Control Area (“NYCA”).

There are no horizontal market power concerns because the total installed generation capacity in the NYCA is approximately 37,920 MW,³⁰ while the total capacity to be owned or controlled by AENY and its affiliates in the NYCA if this proposed transaction is approved would be 428.5 MW, or a post transaction market share of about 1.13%.³¹ This market share is *de minimis* and would not cause any horizontal market power concerns within the NYCA. The Facilities will continue to sell generation into NYISO wholesale markets at market based rates. The Proposed Transactions do not pose the potential for other harms detrimental to captive ratepayer interests because AENY does not have captive ratepayers.

E. The Transaction Will Benefit the Local Community

AENY and AGS intend to continue operations at Carthage and Allegany Stations, which will sell generation into NYISO wholesale markets. The facilities are an important source of property tax revenues and employment in their respective communities. In 2012, Carthage Energy filed a notice of intent to discontinue operations and retire Carthage Station with the Commission and the NYISO.³² The Proposed Transactions are in the public interest because the local community will benefit from AENY’s and AGS’s desire to continue the operation of

³⁰ New York Independent Service Operator, *2013 Load & Capacity Data “Gold Book”* (Apr. 2013) at p 21. http://www.nyiso.com/public/webdocs/markets_operations/services/planning/Documents_and_Resources/Planning_Data_and_Reference_Docs/Data_and_Reference_Docs/2013_GoldBook.pdf

³¹ This excludes the capacity of the non-operating Ogdensburg Facility (80 MW), for which the turbines have been removed, and Standard Binghamton Facility (50 MW), for which the transaction never closed and the facility has been retired by its existing owner.

³² Case 05-E-0889, Letter from Mark Beaudoin, President, Carthage Energy, LLC to Jeffrey C. Cohen, Acting Secretary, New York State Public Service Commission, Re: Notice of Intent to Discontinue Operations and Retire Carthage Energy Generation Facility (Dated Dec. 31, 2012).

Allegany and Carthage Stations, thereby reversing an otherwise-planned retirement of Carthage Station.

F. The Auction Resulted in a Purchaser Well Qualified to Own and Operate Allegany and Carthage Stations

As required by the Confidential Offering Memorandum, AENY submitted qualification information with its binding bid. This information, among other things: 1) identified the acquiring entities and the ownership structure of AENY's acquisition vehicle; 2) demonstrated AENY's financial capability to acquire and operate the Allegany and Carthage Stations; and 3) provided a description of AENY's experience in the ownership and operation of fossil power plants. AENY is an experienced operator that has track record of successfully managing the operations of facilities such as Allegany and Carthage Stations. Since it acquired the Hillburn and Shoemaker gas turbine facilities in 2007, AENY has decreased their forced outage rate by 50%.

Accordingly, for all of the above reasons, the Commission should find that the auction process was designed to, and did, produce a buyer technically and financially qualified to own and operate Allegany and Carthage Stations and to perform its obligations pursuant to the Transaction Documents and the PSL.

VII. RATE TREATMENT FOR THE PROPOSED TRANSACTION

On December 20, 2011, the Commission adopted the Modified Auction Plan, finding that it met the requirements of the Auction Modification Order.³³ The Modified Auction Plan identified the accounting and rate treatment to be applied to the transfer of Allegany Station. It also specified the treatment of proceeds realized from the auction in the context of a net gain on

³³ Case 07-M-0906, Order Adopting Modified Auction Plan, at 3 (Dec. 20, 2011).

the sale of the asset. Conversely, the Modified Auction Plan identifies the accounting and rate treatment if the auction bids for the asset resulted in a net loss.³⁴

As set forth in Appendix B to Exhibit 1, the sale of Allegany is expected to produce a net loss of \$3,465,558.

The Modified Auction Plan noted that in this scenario, RG&E expected that any net loss amount associated with the sale of Allegany Station “would be established as a regulatory asset on the Company’s books,” and that “the asset would earn a return and would be recovered by the Company over a future time frame.”³⁵ More specifically, the regulatory asset would be recovered consistent with future RG&E rate proceedings.

Such treatment is consistent with the Commission’s previous conclusion that “[i]t might be appropriate for the ratepayers to absorb a price below book value for several reasons. First, a sale would promote the smooth functioning of the generation market. Second, given the peculiar history of the Allegany facility, any substantial price offers should be viewed as the equivalent of a gain for ratepayers.”³⁶

The Commission also found support for the Modified Auction Plan’s treatment of a net loss in the unique nature of the Allegany Station situation. When RG&E first acquired Allegany Station, the Commission acknowledged that ratepayers were “saddled with a loss of \$120 million” because otherwise they would have been “compelled to support nearly \$400 million in overpayments to Allegany Station’s former owners under a power purchase agreement contract that was terminated upon the acquisition”³⁷ and that “[a]ny offset obtained in an auction mitigates

³⁴ Modified Auction Plan at 18.

³⁵ Id.

³⁶ Case 07-M-0906, Order Modifying Auction Plan and Establishing Further Procedures, at 15 (July 25, 2011).

³⁷ Id.

the loss.”³⁸ The Commission also correctly noted that RG&E ratepayers bear the current book value of the Allegany Station and that where earnings from sales of Allegany Station generation do not exceed the level of operating and maintenance expense of continued ownership, then the offset obtained through a substantial bid is superior, “even if the bid is less than book value.”³⁹

The APA remains contingent upon acceptable regulatory treatment of the transaction, including accounting and ratemaking as set forth in Section 8.2(b) and 8.2(c). Satisfactory regulatory treatment of the proposed transaction is therefore required prior to closing and, as a result, Petitioners request Commission adoption of the accounting and ratemaking treatment for the Allegany Station transfer discussed herein and specified in the Modified Auction Plan.

VIII. ALLEGANY GENERATING STATION LLC AND CARTHAGE ENERGY, LLC SHOULD BE SUBJECT TO LIGHTENED REGULATION

Alliance Petitioners respectfully request that the Commission determine that, following the proposed transfers, AGS and Carthage Energy will be afforded lightened regulation, each as an “electric corporation.” Post-closing AGS and Carthage Energy will produce power exclusively for sale at wholesale. Affording these entities lightened regulation is consistent with that afforded previously by the Commission to other similar wholesale generators.⁴⁰ Accordingly, Alliance Petitioners respectfully request that the Commission order that Carthage Energy and AGS be subject to a lightened regulation following consummation of the Proposed Transactions.

³⁸ Id.

³⁹ Id. at 15-16.

⁴⁰ See e.g., Case 98-E-1961 - Power City Partners, L.P., Order Providing for Lightened Regulation (Sept. 30, 1999) (providing for lightened regulation of facility producing electricity for the wholesale market that no longer qualifies for the regulatory exemptions provided for under PURPA and PSL 2(4)); see also Case 11-E-0306 - Joint Petition of Astoria Generating Company, L.P. and USPG DevCoHoldings, LLC for an Order Approving a Transaction Pursuant to Public Service Law § 70 and Continuing Lightened Regulatory Regime, Order Approving Transaction, at 6 (Aug. 23, 2011); Case 06-E-1301 - WPS Empire State, Inc. et al., Order Approving Transfer and Financing, at 7 (Jan. 22, 2007) (the “WPS Empire Order”).

IX. ENVIRONMENTAL QUALITY REVIEW

Under the State Environmental Quality Review Act (“SEQRA”), Article 8 of the Environmental Conservation Law, and its implementing regulations (6 NYCRR Part 617 and 16 NYCRR Part 7), the Commission must determine whether its actions may have a significant impact on the environment. SEQRA requires applicants to submit an Environmental Assessment Form (“EAF”) describing the likely impacts of the actions they propose. Short EAFs for the Proposed Transactions are attached hereto as Exhibit 3.

The Proposed Transactions do not meet the definition of Type 1 or Type 2 actions listed in 6 NYCRR §§ 617.4, 617.5, and 16 NYCRR § 7.2 and are, therefore, classified as an “unlisted” action requiring SEQRA review.⁴¹ The Commission is the only state agency that will be required to take any action in connection with the proposed transfers.

The Proposed Transactions do not involve changes to the operation of either the Allegany or Carthage Stations and, therefore, would not result in any adverse environmental impacts. Accordingly, Petitioners request that the Commission determine that the Proposed Transactions will not have a significant impact on the environment and adopt a negative declaration pursuant to SEQRA.

X. CONCLUSION

For the foregoing reasons, Petitioners respectfully request that the Commission issue an Order: (1) approving the transfer of Allegany Station and related assets pursuant to Section 70 of the PSL with appropriate accounting entries; (2) declining jurisdiction over the proposed Carthage Energy transaction or, alternatively, approving the proposed transaction of AENY acquiring 100% of the membership interest of Carthage Energy; (3) authorizing RG&E to

⁴¹ See e.g., WPS Empire Order at 5.

recover in rates all costs that it will incur in connection with, and as a result of performance of its obligations under, the Transaction Documents; (4) authorizing RG&E to recover all expenses it incurs for the sale of Allegany Station, including, without limitation, costs related to the design and execution of the sale process, the negotiation and execution of the Transaction Documents, and the Closing; authorizing the ratemaking treatment proposed by RG&E to recover the net book loss as shown on Appendix B to Exhibit 1; (5) ordering Carthage Energy and AGS to be subject to lightened regulation following consummation of the Proposed Transactions; and, (6) authorizing Petitioners to perform any other acts required to be performed pursuant to the Transaction Documents for which Commission approval is required or authorized under any law.

Dated: June 11, 2013

/s/ Gregory M. Brown

Gregory M. Brown, Esq.
BROWN & PALUMBO, PLLC
1208 James Street
Syracuse, New York 13203
Tel: (315) 422-9308
Fax: (315) 679-4972
gbrown@bplaw.us.com

*Attorneys for Alliance Energy Group, LLC,
Alliance Energy, New York LLC, Allegany
Generating Station LLC*

Respectfully submitted,



Brian T. FitzGerald, Esq.
Cullen and Dykman, LLP
99 Washington Avenue, Suite 2020
Albany, New York 12210
(518) 788-9401
bfitzgerald@cullenanddykman.com

Noelle M. Kinsch, Esq.
Deputy General Counsel
Iberdrola USA
99 Washington Avenue, Suite 2018
Albany, New York 12210
(518) 434-4977
noelle.kinsch@iberdrolausa.com

*Attorneys for Rochester Gas and Electric
Corporation, Cayuga Energy, Inc. and
Carthage Energy, LLC*

VERIFICATION

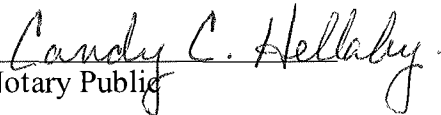
STATE OF NEW YORK)
) ss.:
COUNTY OF MONROE)

Joseph J. Syta, being duly sworn, deposes and says: that he is the Vice President, Controller & Treasurer of Rochester Gas and Electric Corporation, a Petitioner above-named; that he has read the foregoing Verified Joint Petition and knows the contents thereof, and that, as it pertains to Rochester Gas and Electric Corporation, the same is true to his knowledge, information and belief.



Joseph J. Syta
Vice President, Controller & Treasurer
Rochester Gas and Electric Corporation

Sworn to before me this
10th day of June, 2013



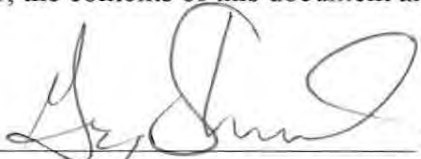
Notary Public

CANDY C. HELLABY
Notary Public - State of New York
No. 01HE6271074
Qualified in Monroe County
My Commission Expires October 29, 2016

VERIFICATION

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

I, Greg Sharland, do hereby affirm that I am an authorized representative of Petitioners Alliance Energy Group, LLC, Alliance Energy, New York LLC, and Allegany Generating Station LLC. I have read the foregoing Verified Joint Petition. I do hereby affirm that, as it pertains to Alliance Energy Group, LLC, Alliance Energy, New York LLC, and Allegany Generating Station LLC, the contents of this document are true to the best of my knowledge.

Signed:  (e-signature)

Date: June 11, 2013

EXHIBITS

1. Requirements Under 16 NYCRR Parts 31 and 18
2. Organizational Charts
3. Short Environmental Assessment Forms
4. Draft State Administrative Procedures Act Notice
5. APA (Confidential Trade Secret)
6. MIPA (Confidential Trade Secret)
7. Confidential Auction Bid Comparison (Confidential Trade Secret)

Exhibit 1

REQUIREMENTS UNDER 16 NYCRR PARTS 31 AND 18

The requirements of a petition pursuant to PSL Section 70 are set forth in Parts 31 and 18 of the Commission's regulations (16 NYCRR Parts 31 and 18). In accordance with the provisions of Parts 31 and 18, Petitioner RG&E states as follows:

Section 31.1(a) -- Financial Condition. This section requires that a petitioner provide the facts called for in subdivisions (f)-(i) and (p) of Section 18.1 applicable to the property to be transferred.¹ The information required by this section is set forth in **Appendix A to Exhibit 1**, attached hereto.

Section 31.1(b) -- General Description of the Facilities to be Transferred. The property to be transferred includes RG&E's Allegany Station and related facilities, which are located in the Town of Hume, New York. Other assets to be transferred include RG&E's interest in inventories and certain other assets and liabilities directly related to the operation of Allegany Station, and contracts (to the extent assignable). A general description of the assets to be transferred is provided in the Verified Joint Petition. A more detailed description of the interests in the real and personal property to be transferred are included in the Schedules to the Asset Purchase Agreement.

Section 31.1(c) -- List of Franchises, Consents and Rights to be Transferred. RG&E's franchised retail operations will not be transferred, merged or consolidated as part of the proposed transaction. All written contracts, licenses, agreements and property interests which

¹ These subdivisions of Section 18.1 require the Petitioner RG&E: to identify the case number and date of any order authorizing any bonds, notes, or other evidences of indebtedness (Section 18.1(f)); to give a brief description of each mortgage upon the property to be transferred (Section 18.1(g)); to provide information for each bond issued (Section 18.1(h)); to submit a separate statement for each affiliated interest as defined by the PSL (Section 18.1(i)); and to provide a detailed income statement and balance sheets for the latest fiscal year, and latest available income statement and balance sheets for 12 months (Section 18.1(p)).

Exhibit 1

are material to the business or operations of the assets to be transferred and which are expected to continue in force and effect after the closing date (other than those specifically excluded) will be listed in Schedules to the Asset Purchase Agreement.

Section 31.1(d) -- Local Approvals. Upon information and belief, no consents or approvals of any municipality in connection with the proposed transfer by RG&E are required.

Section 31.1(e) -- A Copy of the Proposed Agreements to be Approved. The Transaction Documents, Exhibits 5 and 6, are being submitted to the Commission's Records Access Officer concurrent with the filing of the Verified Joint Petition.

Section 31.1(f) and (g) -- Original Cost of the Property to be Transferred. See **Appendix B to Exhibit 1.**

Section 31.1(h) -- Accumulated Depreciation Reserve of the Property to be Transferred.
See **Appendix B to Exhibit 1.**

Sections 31.1(i) -- Cost of the Property to be Transferred. See **Appendix B to Exhibit 1.**

Section 31.1(j) -- Depreciation Reserves of Property to be Transferred. See **Appendix B to Exhibit 1.**

Section 31.1(k) -- Statement of Contributions. RG&E's records reflect no contributions towards construction of any of the interests of RG&E in the facilities to be transferred.

Section 31.1(l) -- Statement of Operating Revenues, Expenses and Taxes Relating to the Property to be Transferred. **Appendix C to Exhibit 1** sets forth an estimate of the revenues, expenses and taxes for the past three calendar years. The balance sheets of RG&E are set forth in **Appendix A to Exhibit 1.**

Exhibit 1
Appendix A

Rochester Gas and Electric Corporation's
Statement of Financial Condition

At 16 NYCRR 18.1 (f) - (i), the Commission's rules call for information pertaining to bonds, notes or other evidence of indebtedness, mortgages, and affiliated interests. RG&E has \$690 million in secured long-term debt and \$68 million in unsecured long-term debt. However, none of these instruments exists solely for the facility. None of these instruments are applicable specifically to the property being sold.

LONG-TERM DEBT (Account 221, 222, 223 and 224)

1. Report by balance sheet account the particulars (details) concerning long-term debt included in Accounts 221, Bonds, 222, Reacquired Bonds, 223, Advances from Associated Companies, and 224, Other long-Term Debt.
2. In column (a), for new issues, give Commission authorization numbers and dates.
3. For bonds assumed by the respondent, include in column (a) the name of the issuing company as well as a description of the bonds.
4. For advances from Associated Companies, report separately advances on notes and advances on open accounts. Designate demand notes as such. Include in column (a) names of associated companies from which advances were received.
5. For receivers, certificates, show in column (a) the name of the court -and date of court order under which such certificates were issued.
6. In column (b) show the principal amount of bonds or other long-term debt originally issued.
7. In column (c) show the expense, premium or discount with respect to the amount of bonds or other long-term debt originally issued.
8. For column (c) the total expenses should be listed first for each issuance, then the amount of premium (in parentheses) or discount. Indicate the premium or discount with a notation, such as (P) or (D). The expenses, premium or discount should not be netted.
9. Furnish in a footnote particulars (details) regarding the treatment of unamortized debt expense, premium or discount associated with issues redeemed during the year. Also, give in a footnote the date of the Commission's authorization of treatment other than as specified by the Uniform System of Accounts.

Line No.	Class and Series of Obligation, Coupon Rate (For new issue, give commission Authorization numbers and dates) (a)	Principal Amount Of Debt issued (b)	Total expense, Premium or Discount (c)
1	Bonds (Account 221)		
2	Series VV - 6.375%	75,000,000	1,652,024
3	Series YY - 5.90%	150,000,000	3,125,390
4	Series WW - 6.47%	100,000,000	2,310,825
5	1st Mortgage Bond - Series XX - 8.00%	150,000,000	3,118,950
6	Series AAA- 4.10%	125,000,000	2,207,902
7	2004 Series A - 4.75%	10,500,000	282,543
8	2004 Series B - Rate Fixed at 5/21/2008 - 5.375%	50,000,000	3,694,895
9	1997 Series A - .40%	34,000,000	1,200,704
10	1997 Series B - .40%	34,000,000	1,200,704
11	PCN Series - 5.00%	29,350,000	1,200,498
12			
13			
14	Less: Variable Interest Rate Debt Expense Deferral		
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			
26			
27			
28			
29			
30			
31			
32			
33	TOTAL	757,850,000	19,994,435

LONG-TERM DEBT (Account 221, 222, 223 and 224) (Continued)

10. Identify separate undisposed amounts applicable to issues which were redeemed in prior years.
11. Explain any debits and credits other than debited to Account 428, Amortization and Expense, or credited to Account 429, Premium on Debt - Credit.
12. In a footnote, give explanatory (details) for Accounts 223 and 224 of net changes during the year. With respect to long-term advances, show for each company: (a) principal advanced during year, (b) interest added to principal amount, and (c) principle repaid during year. Give Commission authorization numbers and dates.
13. If the respondent has pledged any of its long-term debt securities give particulars (details) in a footnote including name of pledgee and purpose of the pledge.
14. If the respondent has any long-term debt securities which have been nominally issued and are nominally outstanding at end of year, describe such securities in a footnote.
15. If interest expense was incurred during the year on any obligations retired or reacquired before end of year, include such interest expense in column (i). Explain in a footnote any difference between the total of column (i) and the total of Account 427, interest on Long-Term Debt and Account 430, Interest on Debt to Associated Companies.
16. Give particulars (details) concerning any long-term debt authorized by a regulatory commission but not yet issued.

Nominal Date of Issue (d)	Date of Maturity (e)	AMORTIZATION PERIOD		Outstanding (Total amount outstanding without reduction for amounts held by respondent) (h)	Interest for Year Amount (i)	Line No.
		Date From (f)	Date To (g)			
						1
09/15/2003	09/01/2033	09/15/2003	09/01/2033	75,000,000	4,781,250	2
6/29/2009	07/15/2019	07/01/2009	07/15/2019	150,000,000	10,940,000	3
07/17/2007	07/15/2032	07/15/2007	07/15/2032	100,000,000	6,134,200	4
12/24/2008	12/15/2033	12/24/2008	12/15/2033	150,000,000	16,013,440	5
07/29/2011	07/29/2021	08/01/2011	07/31/2021	125,000,000	5,125,000	6
08/05/2009	07/1/2016	08/05/2009	7/1/2016	10,500,000	498,750	7
05/21/2008	05/15/2032	05/21/2008	05/15/2032	50,000,000	2,687,500	8
08/01/1997	08/01/2032	08/01/1997	08/01/2032	34,000,000	251,151	9
08/01/1997	08/01/2032	08/01/1997	08/01/2032	34,000,000	141,572	10
08/05/2009	08/01/2032	08/01/2009	08/01/2032	29,350,000	1,467,500	11
						12
						13
					191,498	14
						15
						16
						17
						18
						19
						20
						21
						22
						23
						24
						25
						26
						27
						28
						29
						30
						31
						32
				757,850,000	48,231,861	33

Name of Respondent Rochester Gas and Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2012/Q4
--------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------	---------------------------------------	-----------------------------------------

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	UTILITY PLANT			
2	Utility Plant (101-106, 114)	200-201	2,612,627,760	2,405,995,238
3	Construction Work in Progress (107)	200-201	183,953,147	187,711,217
4	TOTAL Utility Plant (Enter Total of lines 2 and 3)		2,796,580,907	2,593,706,455
5	(Less) Accum. Prov. for Depr. Amort. Depl. (108, 110, 111, 115)	200-201	948,880,345	924,671,013
6	Net Utility Plant (Enter Total of line 4 less 5)		1,847,700,562	1,669,035,442
7	Nuclear Fuel in Process of Ref., Conv., Enrich., and Fab. (120.1)	202-203	0	0
8	Nuclear Fuel Materials and Assemblies-Stock Account (120.2)		0	0
9	Nuclear Fuel Assemblies in Reactor (120.3)		0	0
10	Spent Nuclear Fuel (120.4)		0	0
11	Nuclear Fuel Under Capital Leases (120.6)		0	0
12	(Less) Accum. Prov. for Amort. of Nucl. Fuel Assemblies (120.5)	202-203	0	0
13	Net Nuclear Fuel (Enter Total of lines 7-11 less 12)		0	0
14	Net Utility Plant (Enter Total of lines 6 and 13)		1,847,700,562	1,669,035,442
15	Utility Plant Adjustments (116)		0	0
16	Gas Stored Underground - Noncurrent (117)		0	0
17	OTHER PROPERTY AND INVESTMENTS			
18	Nonutility Property (121)		3,654,831	3,654,831
19	(Less) Accum. Prov. for Depr. and Amort. (122)		939,777	909,519
20	Investments in Associated Companies (123)		0	0
21	Investment in Subsidiary Companies (123.1)	224-225	0	0
22	(For Cost of Account 123.1, See Footnote Page 224, line 42)			
23	Noncurrent Portion of Allowances	228-229	0	0
24	Other Investments (124)		202,422	224,057
25	Sinking Funds (125)		0	0
26	Depreciation Fund (126)		0	0
27	Amortization Fund - Federal (127)		0	0
28	Other Special Funds (128)		8,008,001	8,947,440
29	Special Funds (Non Major Only) (129)		0	0
30	Long-Term Portion of Derivative Assets (175)		0	0
31	Long-Term Portion of Derivative Assets - Hedges (176)		0	0
32	TOTAL Other Property and Investments (Lines 18-21 and 23-31)		10,925,477	11,916,809
33	CURRENT AND ACCRUED ASSETS			
34	Cash and Working Funds (Non-major Only) (130)		0	0
35	Cash (131)		4,302,260	4,032,167
36	Special Deposits (132-134)		0	0
37	Working Fund (135)		259,352	280,904
38	Temporary Cash Investments (136)		0	37,192,360
39	Notes Receivable (141)		0	0
40	Customer Accounts Receivable (142)		118,663,035	117,323,004
41	Other Accounts Receivable (143)		18,298,319	16,773,482
42	(Less) Accum. Prov. for Uncollectible Acct.-Credit (144)		23,605,000	21,867,000
43	Notes Receivable from Associated Companies (145)		46,110,000	0
44	Accounts Receivable from Assoc. Companies (146)		4,254,267	15,349,492
45	Fuel Stock (151)	227	0	132,021
46	Fuel Stock Expenses Undistributed (152)	227	0	0
47	Residuals (Elec) and Extracted Products (153)	227	0	0
48	Plant Materials and Operating Supplies (154)	227	10,496,503	10,712,573
49	Merchandise (155)	227	0	0
50	Other Materials and Supplies (156)	227	0	0
51	Nuclear Materials Held for Sale (157)	202-203/227	0	0
52	Allowances (158.1 and 158.2)	228-229	-2,313	-2,402

Name of Respondent Rochester Gas and Electric Corporation	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of <u>2012/Q4</u>
--------------------------------------------------------------	-----------------------------------------------------------------------------------------------------------------------	---------------------------------------	------------------------------------------------

COMPARATIVE BALANCE SHEET (ASSETS AND OTHER DEBITS)(Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
53	(Less) Noncurrent Portion of Allowances		0	0
54	Stores Expense Undistributed (163)	227	0	0
55	Gas Stored Underground - Current (164.1)		17,225,809	28,157,036
56	Liquefied Natural Gas Stored and Held for Processing (164.2-164.3)		0	0
57	Prepayments (165)		33,530,841	35,466,520
58	Advances for Gas (166-167)		0	0
59	Interest and Dividends Receivable (171)		35,548	26,280
60	Rents Receivable (172)		0	0
61	Accrued Utility Revenues (173)		42,069,838	41,942,095
62	Miscellaneous Current and Accrued Assets (174)		2,503,679	10,774,507
63	Derivative Instrument Assets (175)		0	0
64	(Less) Long-Term Portion of Derivative Instrument Assets (175)		0	0
65	Derivative Instrument Assets - Hedges (176)		0	0
66	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges (176)		0	0
67	Total Current and Accrued Assets (Lines 34 through 66)		274,142,138	296,293,039
68	DEFERRED DEBITS			
69	Unamortized Debt Expenses (181)		13,698,515	14,699,194
70	Extraordinary Property Losses (182.1)	230a	0	0
71	Unrecovered Plant and Regulatory Study Costs (182.2)	230b	0	0
72	Other Regulatory Assets (182.3)	232	512,337,063	475,767,711
73	Prelim. Survey and Investigation Charges (Electric) (183)		873,357	2,638,531
74	Preliminary Natural Gas Survey and Investigation Charges 183.1)		0	0
75	Other Preliminary Survey and Investigation Charges (183.2)		0	0
76	Clearing Accounts (184)		0	0
77	Temporary Facilities (185)		0	0
78	Miscellaneous Deferred Debits (186)	233	1,927,491	8,108,526
79	Def. Losses from Disposition of Utility Plt. (187)		0	0
80	Research, Devel. and Demonstration Expend. (188)	352-353	0	0
81	Unamortized Loss on Reaquired Debt (189)		7,014,839	7,950,646
82	Accumulated Deferred Income Taxes (190)	234	170,389,171	231,570,573
83	Unrecovered Purchased Gas Costs (191)		0	0
84	Total Deferred Debits (lines 69 through 83)		706,240,436	740,735,181
85	TOTAL ASSETS (lines 14-16, 32, 67, and 84)		2,839,008,613	2,717,980,471

Name of Respondent
Rochester Gas and Electric Corporation

This Report is:
(1) An Original
(2) A Resubmission

Date of Report
(mo, da, yr)
/ /

Year/Period of Report
end of 2012/Q4

Exhibit 1
Appendix A
6 of 10

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
1	PROPRIETARY CAPITAL			
2	Common Stock Issued (201)	250-251	194,429,065	194,429,065
3	Preferred Stock Issued (204)	250-251	0	0
4	Capital Stock Subscribed (202, 205)		0	0
5	Stock Liability for Conversion (203, 206)		0	0
6	Premium on Capital Stock (207)		519,192,263	519,192,263
7	Other Paid-In Capital (208-211)	253	25,869,358	25,869,358
8	Installments Received on Capital Stock (212)	252	0	0
9	(Less) Discount on Capital Stock (213)	254	0	0
10	(Less) Capital Stock Expense (214)	254b	15,118,364	15,118,364
11	Retained Earnings (215, 215.1, 216)	118-119	182,288,305	99,066,469
12	Unappropriated Undistributed Subsidiary Earnings (216.1)	118-119	0	0
13	(Less) Reaquired Capital Stock (217)	250-251	117,238,170	117,238,170
14	Noncorporate Proprietorship (Non-major only) (218)		0	0
15	Accumulated Other Comprehensive Income (219)	122(a)(b)	-57,023,316	-60,660,092
16	Total Proprietary Capital (lines 2 through 15)		732,399,141	645,540,529
17	LONG-TERM DEBT			
18	Bonds (221)	256-257	757,850,000	757,850,000
19	(Less) Reaquired Bonds (222)	256-257	0	0
20	Advances from Associated Companies (223)	256-257	0	0
21	Other Long-Term Debt (224)	256-257	0	0
22	Unamortized Premium on Long-Term Debt (225)		0	0
23	(Less) Unamortized Discount on Long-Term Debt-Debit (226)		793,121	845,778
24	Total Long-Term Debt (lines 18 through 23)		757,056,879	757,004,222
25	OTHER NONCURRENT LIABILITIES			
26	Obligations Under Capital Leases - Noncurrent (227)		0	0
27	Accumulated Provision for Property Insurance (228.1)		0	0
28	Accumulated Provision for Injuries and Damages (228.2)		4,700,000	4,627,000
29	Accumulated Provision for Pensions and Benefits (228.3)		162,499,922	130,651,681
30	Accumulated Miscellaneous Operating Provisions (228.4)		186,716,790	191,909,136
31	Accumulated Provision for Rate Refunds (229)		0	0
32	Long-Term Portion of Derivative Instrument Liabilities		0	0
33	Long-Term Portion of Derivative Instrument Liabilities - Hedges		68,050	698,400
34	Asset Retirement Obligations (230)		18,983,379	17,485,159
35	Total Other Noncurrent Liabilities (lines 26 through 34)		372,968,141	345,371,376
36	CURRENT AND ACCRUED LIABILITIES			
37	Notes Payable (231)		0	0
38	Accounts Payable (232)		112,012,349	116,696,890
39	Notes Payable to Associated Companies (233)		0	0
40	Accounts Payable to Associated Companies (234)		9,068,902	16,103,494
41	Customer Deposits (235)		5,354,802	5,726,214
42	Taxes Accrued (236)	262-263	19,880,715	18,464,692
43	Interest Accrued (237)		15,269,469	14,157,445
44	Dividends Declared (238)		0	0
45	Matured Long-Term Debt (239)		0	0

Name of Respondent
Rochester Gas and Electric Corporation

This Report is:
(1) An Original
(2) A Resubmission

Date of Report
(mo, da, yr)
/ /

Year/Period of Report
end of 2012/Q4

COMPARATIVE BALANCE SHEET (LIABILITIES AND OTHER CREDITS) (Continued)

Line No.	Title of Account (a)	Ref. Page No. (b)	Current Year End of Quarter/Year Balance (c)	Prior Year End Balance 12/31 (d)
46	Matured Interest (240)		0	0
47	Tax Collections Payable (241)		-60,123	-49,169
48	Miscellaneous Current and Accrued Liabilities (242)		46,326,768	40,145,653
49	Obligations Under Capital Leases-Current (243)		0	0
50	Derivative Instrument Liabilities (244)		0	0
51	(Less) Long-Term Portion of Derivative Instrument Liabilities		0	0
52	Derivative Instrument Liabilities - Hedges (245)		1,325,993	7,920,586
53	(Less) Long-Term Portion of Derivative Instrument Liabilities-Hedges		0	0
54	Total Current and Accrued Liabilities (lines 37 through 53)		209,178,875	219,165,805
55	DEFERRED CREDITS			
56	Customer Advances for Construction (252)		0	0
57	Accumulated Deferred Investment Tax Credits (255)	266-267	1,241,538	1,945,538
58	Deferred Gains from Disposition of Utility Plant (256)		0	0
59	Other Deferred Credits (253)	269	18,125,441	21,519,053
60	Other Regulatory Liabilities (254)	278	221,119,337	174,628,037
61	Unamortized Gain on Reaquired Debt (257)		0	0
62	Accum. Deferred Income Taxes-Accel. Amort.(281)	272-277	0	0
63	Accum. Deferred Income Taxes-Other Property (282)		399,543,525	335,449,185
64	Accum. Deferred Income Taxes-Other (283)		127,375,736	217,356,726
65	Total Deferred Credits (lines 56 through 64)		767,405,577	750,898,539
66	TOTAL LIABILITIES AND STOCKHOLDER EQUITY (lines 16, 24, 35, 54 and 65)		2,839,008,613	2,717,980,471

STATEMENT OF INCOME

Quarterly

1. Report in column (c) the current year to date balance. Column (c) equals the total of adding the data in column (g) plus the data in column (i) plus the data in column (k). Report in column (d) similar data for the previous year. This information is reported in the annual filing only.
2. Enter in column (e) the balance for the reporting quarter and in column (f) the balance for the same three month period for the prior year.
3. Report in column (g) the quarter to date amounts for electric utility function; in column (i) the quarter to date amounts for gas utility, and in column (k) the quarter to date amounts for other utility function for the current year quarter.
4. Report in column (h) the quarter to date amounts for electric utility function; in column (j) the quarter to date amounts for gas utility, and in column (l) the quarter to date amounts for other utility function for the prior year quarter.
5. If additional columns are needed, place them in a footnote.

Annual or Quarterly if applicable

5. Do not report fourth quarter data in columns (e) and (f)
6. Report amounts for accounts 412 and 413, Revenues and Expenses from Utility Plant Leased to Others, in another utility column in a similar manner to a utility department. Spread the amount(s) over lines 2 thru 26 as appropriate. Include these amounts in columns (c) and (d) totals.
7. Report amounts in account 414, Other Utility Operating Income, in the same manner as accounts 412 and 413 above.

Line No.	Title of Account (a)	(Ref.) Page No. (b)	Total Current Year to Date Balance for Quarter/Year (c)	Total Prior Year to Date Balance for Quarter/Year (d)	Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
1	UTILITY OPERATING INCOME					
2	Operating Revenues (400)	300-301	884,961,258	949,428,122		
3	Operating Expenses					
4	Operation Expenses (401)	320-323	546,591,512	621,462,290		
5	Maintenance Expenses (402)	320-323	40,711,825	49,140,631		
6	Depreciation Expense (403)	336-337	52,960,129	50,842,670		
7	Depreciation Expense for Asset Retirement Costs (403.1)	336-337				
8	Amort. & Depl. of Utility Plant (404-405)	336-337	3,785,858	3,788,109		
9	Amort. of Utility Plant Acq. Adj. (406)	336-337				
10	Amort. Property Losses, Unrecov Plant and Regulatory Study Costs (407)					
11	Amort. of Conversion Expenses (407)					
12	Regulatory Debits (407.3)					
13	(Less) Regulatory Credits (407.4)		17,033,637	25,300,303		
14	Taxes Other Than Income Taxes (408.1)	262-263	101,269,631	103,444,306		
15	Income Taxes - Federal (409.1)	262-263	25,968,752	-15,671,159		
16	- Other (409.1)	262-263	6,064,808	4,288,034		
17	Provision for Deferred Income Taxes (410.1)	234, 272-277	141,317,193	141,313,202		
18	(Less) Provision for Deferred Income Taxes-Cr. (411.1)	234, 272-277	151,129,488	104,356,754		
19	Investment Tax Credit Adj. - Net (411.4)	266				
20	(Less) Gains from Disp. of Utility Plant (411.6)					
21	Losses from Disp. of Utility Plant (411.7)					
22	(Less) Gains from Disposition of Allowances (411.8)					
23	Losses from Disposition of Allowances (411.9)					
24	Accretion Expense (411.10)					
25	TOTAL Utility Operating Expenses (Enter Total of lines 4 thru 24)		750,506,583	828,951,026		
26	Net Util Oper Inc (Enter Tot line 2 less 25) Carry to Pg117,line 27		134,454,675	120,477,096		

STATEMENT OF INCOME FOR THE YEAR (Continued)

- 9. Use page 122 for important notes regarding the statement of income for any account thereof.
- 10. Give concise explanations concerning unsettled rate proceedings where a contingency exists such that refunds of a material amount may need to be made to the utility's customers or which may result in material refund to the utility with respect to power or gas purchases. State for each year effected the gross revenues or costs to which the contingency relates and the tax effects together with an explanation of the major factors which affect the rights of the utility to retain such revenues or recover amounts paid with respect to power or gas purchases.
- 11 Give concise explanations concerning significant amounts of any refunds made or received during the year resulting from settlement of any rate proceeding affecting revenues received or costs incurred for power or gas purchases, and a summary of the adjustments made to balance sheet, income, and expense accounts.
- 12. If any notes appearing in the report to stockholders are applicable to the Statement of Income, such notes may be included at page 122.
- 13. Enter on page 122 a concise explanation of only those changes in accounting methods made during the year which had an effect on net income, including the basis of allocations and apportionments from those used in the preceding year. Also, give the appropriate dollar effect of such changes.
- 14. Explain in a footnote if the previous year's/quarter's figures are different from that reported in prior reports.
- 15. If the columns are insufficient for reporting additional utility departments, supply the appropriate account titles report the information in a footnote to this schedule.

ELECTRIC UTILITY		GAS UTILITY		OTHER UTILITY		Line No.
Current Year to Date (in dollars) (g)	Previous Year to Date (in dollars) (h)	Current Year to Date (in dollars) (i)	Previous Year to Date (in dollars) (j)	Current Year to Date (in dollars) (k)	Previous Year to Date (in dollars) (l)	
595,218,996	638,877,516	289,742,262	310,550,606			2
						3
367,579,092	407,253,222	179,012,420	214,209,068			4
32,256,709	39,100,498	8,455,116	10,040,133			5
34,387,326	32,878,724	18,572,803	17,963,946			6
						7
2,383,232	2,383,935	1,402,626	1,404,174			8
						9
						10
						11
						12
8,193,067	9,859,733	8,840,570	15,440,570			13
68,424,320	69,618,180	32,845,311	33,826,126			14
17,700,906	-12,133,022	8,267,846	-3,538,137			15
4,401,597	3,256,957	1,663,211	1,031,077			16
99,905,611	96,870,922	41,411,582	44,442,280			17
117,521,819	76,009,606	33,607,669	28,347,148			18
						19
						20
						21
						22
						23
						24
501,323,907	553,360,077	249,182,676	275,590,949			25
93,895,089	85,517,439	40,559,586	34,959,657			26

STATEMENT OF INCOME FOR THE YEAR (continued)

Line No.	Title of Account (a)	(Ref.) Page No. (b)	TOTAL		Current 3 Months Ended Quarterly Only No 4th Quarter (e)	Prior 3 Months Ended Quarterly Only No 4th Quarter (f)
			Current Year (c)	Previous Year (d)		
27	Net Utility Operating Income (Carried forward from page 114)		134,454,675	120,477,096		
28	Other Income and Deductions					
29	Other Income					
30	Nonutility Operating Income					
31	Revenues From Merchandising, Jobbing and Contract Work (415)			1,668		
32	(Less) Costs and Exp. of Merchandising, Job. & Contract Work (416)					
33	Revenues From Nonutility Operations (417)		1,029,289	1,029,289		
34	(Less) Expenses of Nonutility Operations (417.1)					
35	Nonoperating Rental Income (418)		-30,258	-30,258		
36	Equity in Earnings of Subsidiary Companies (418.1)	119				
37	Interest and Dividend Income (419)		243,062	168,486		
38	Allowance for Other Funds Used During Construction (419.1)		8,394,188	5,911,933		
39	Miscellaneous Nonoperating Income (421)		1,715,754	3,051,093		
40	Gain on Disposition of Property (421.1)					
41	TOTAL Other Income (Enter Total of lines 31 thru 40)		11,352,035	10,132,211		
42	Other Income Deductions					
43	Loss on Disposition of Property (421.2)					
44	Miscellaneous Amortization (425)					
45	Donations (426.1)		354,245	350,972		
46	Life Insurance (426.2)					
47	Penalties (426.3)		667			
48	Exp. for Certain Civic, Political & Related Activities (426.4)		173,389	154,701		
49	Other Deductions (426.5)		428,986	23,029		
50	TOTAL Other Income Deductions (Total of lines 43 thru 49)		957,287	528,702		
51	Taxes Applic. to Other Income and Deductions					
52	Taxes Other Than Income Taxes (408.2)	262-263	383,981	380,179		
53	Income Taxes-Federal (409.2)	262-263	897,921	3,148,344		
54	Income Taxes-Other (409.2)	262-263	196,070	687,475		
55	Provision for Deferred Inc. Taxes (410.2)	234, 272-277		14,383		
56	(Less) Provision for Deferred Income Taxes-Cr. (411.2)	234, 272-277	142,992			
57	Investment Tax Credit Adj.-Net (411.5)					
58	(Less) Investment Tax Credits (420)		704,000	704,000		
59	TOTAL Taxes on Other Income and Deductions (Total of lines 52-58)		630,980	3,526,381		
60	Net Other Income and Deductions (Total of lines 41, 50, 59)		9,763,768	6,077,128		
61	Interest Charges					
62	Interest on Long-Term Debt (427)		48,231,861	48,350,762		
63	Amort. of Debt Disc. and Expense (428)		1,056,899	959,778		
64	Amortization of Loss on Reaquired Debt (428.1)		935,807	3,207,101		
65	(Less) Amort. of Premium on Debt-Credit (429)					
66	(Less) Amortization of Gain on Reaquired Debt-Credit (429.1)					
67	Interest on Debt to Assoc. Companies (430)					
68	Other Interest Expense (431)		17,790,961	17,736,008		
69	(Less) Allowance for Borrowed Funds Used During Construction-Cr. (432)		7,018,921	4,690,407		
70	Net Interest Charges (Total of lines 62 thru 69)		60,996,607	65,563,242		
71	Income Before Extraordinary Items (Total of lines 27, 60 and 70)		83,221,836	60,990,982		
72	Extraordinary Items					
73	Extraordinary Income (434)					
74	(Less) Extraordinary Deductions (435)					
75	Net Extraordinary Items (Total of line 73 less line 74)					
76	Income Taxes-Federal and Other (409.3)	262-263				
77	Extraordinary Items After Taxes (line 75 less line 76)					
78	Net Income (Total of line 71 and 77)		83,221,836	60,990,982		

Rochester Gas and Electric Corporation
Divestiture of the Allegany Fossil Generation Assets
Net Loss Calculation
Index

<u>Page</u>	<u>Description</u>
1	Index
2	Net Loss Calculation
3	Transaction Costs
4	Income Taxes
5	Net Book Balance of Assets Sold and Associated Deferred Taxes
6	Illustration of Journal Entries to Record the Net Loss

Rochester Gas and Electric Corporation
Divestiture of the Allegheny Fossil Generation Assets
Net Loss Calculation
Based on Estimated September 1, 2013 Closing Date

1 Purchase Price	(a)			\$ 1,800,000
2 Deduct Transaction Costs	(b)	Page 3 of 6	Line 4	<u>(1,634,400)</u>
3 Proceeds Net of Transaction Costs				165,600
4 Federal & State Income Taxes	(c)	Page 4 of 6	Line 7	<u>2,215,971</u>
5 Net Proceeds Available After Income Taxes				2,381,571
6 Deduct Net Book Balance of Assets Sold	(d)	Page 5 of 6	Line 5	(2,928,874)
7 Deduct Accumulated Deferred Income Taxes - Depreciation	(e)	"	Line 6	<u>(1,545,375)</u>
8 After-Tax Net Loss				(2,092,677)
9 Gross-up for Income Taxes		39.615%		<u>(1,372,881)</u>
10 Before-Tax Loss				<u>\$ (3,465,558)</u>

- (a) This calculation relates to the sale of RG&E's Allegheny Station. Russell, Beebee and the two gas peaker plants are not part of the sale. The Russell decommissioning reserve is not in the above balances and is not part of the sale. The Carthage generation plant is not owned by RG&E and the associated proceeds and costs are not included in a regulatory net loss calculation.
- (b) Transaction costs include, among other things, legal, consultant, and other incremental costs. All transaction costs and the associated effect on the net loss calculation will be adjusted to actual through completion of the sale and subsequent closing.
- (c) Federal & State Income Taxes reflect the deduction of any remaining tax basis associated with the assets being sold.
- (d) The Net Book Balance includes, among other things, all of the assets and liabilities being sold and other assets & liabilities, if any, that are deemed no longer used and useful for utility purposes as a result of the sale.
- (e) Since RG&E is an "Option 1" company, pursuant to IRS regulations, any remaining deferred Investment Tax Credits relating to the assets being sold or otherwise disposed of as a result of the sale will be credited to Other Income.
- () indicates reduction of income.

Rochester Gas and Electric Corporation
Divestiture of the Allegany Fossil Generation Assets
Transaction Costs

	Costs Incurred Through April, 2013	Estimated Additional Costs through Closing	Total
1 Legal	\$ 712,264	\$ 173,836	\$ 886,100
2 Contractors & Consultants	483,625	14,975	498,600
3 Other	<u>178,397</u>	<u>71,303</u>	<u>249,700</u>
4 Total Incremental Costs (a)	<u>\$ 1,374,287</u>	<u>\$ 260,113</u>	<u>\$ 1,634,400</u>

(a) All transaction costs will be adjusted to actual through completion of the sale, regulatory filings and closing adjustments.

Rochester Gas and Electric Corporation
Divestiture of the Allegany Fossil Generation Assets
Income Taxes
Based on Estimated September 1, 2013 Closing Date

			Federal	State	Total
1	Proceeds Net of Transaction Costs	Page 2 of 6	Line 3	\$ 165,600	\$ 165,600
Adjustments to Taxable Income					
2	Remaining Tax Basis			(5,140,143)	(5,156,741)
3	Materials & Supplies	Page 5 of 6	Line 3	(617,292)	(617,292)
4	State Income Tax Addition (Deduction) to Federal Taxable Income	"	Line 7	<u>398,199</u>	<u>n/a</u>
5	Taxable Income			(5,193,636)	(5,608,433)
6	Income Tax Rate			<u>35%</u>	<u>7.1%</u>
7	Income Taxes			<u>\$ (1,817,773)</u>	<u>\$ (398,199)</u> <u>\$ (2,215,971)</u>

There is no deduction for land because the land has been conveyed to the Industrial Development Agency as part of the PILOT agreement.

() denotes reduction of taxable income or taxes.

Rochester Gas and Electric Corporation
Divestiture of the Allegany Fossil Generation Assets
Net Book Balance of Assets Sold and Associated Deferred Taxes
Based on Estimated September 1, 2013 Closing Date

1	Gross Plant	\$	17,452,537
2	Depreciation Reserve		(15,142,134)
3	Materials & Supplies		617,292
4	Emission Allowances (a)		<u>1,179</u>
5	Net Book Balance of Assets Sold		2,928,874
6	Accumulated Deferred Income Taxes - Depreciation		<u>1,545,375</u>
7	Total	\$	<u>4,474,249</u>

(a) As of April 24, 2013, the value of the RGGI, CAIR Nox Annual, CARI Nox Ozone and Federal SO2 Emission Allowances was \$4,559. All of these allowances go with the sale. However, only the RGGI allowances have a cost basis on the Balance Sheet and are included in this calculation.

() denotes credit balance.

Rochester Gas and Electric Corporation
Divestiture of the Allegany Fossil Generation Assets
Illustration of Journal Entries to Record the Net Loss
(\$ 000)

<u>Account</u>	<u>Description</u>	<u>Reference</u>	<u>Debit</u>	<u>Credit</u>
1 <u>To Record the Initial Proceeds from the Sale</u>				
131xxx	Cash	Page 2 of 6 Line 1	\$ 1,800	
421221	Loss on Disposition of Property - Electric			\$ 1,800
2 <u>To Unwind the Deferred Transaction Costs</u>				
421221	Loss on Disposition of Property - Electric	Page 2 of 6 Line 2	\$ 1,634	
186255	Transaction Costs			\$ 1,634
3 <u>To Record Income Taxes on the Sale</u>				
131xxx	Cash	Page 2 of 6 Line 4	\$ 2,216	
421221	Loss on Disposition of Property - Electric			\$ 2,216
4 <u>To Write Off the Balances of the Assets Sold</u>				
101000	Gross Plant	Page 5 of 6 Line 1		\$ 17,453
108010	Depreciation Reserve	Page 5 of 6 Line 2	\$ 15,142	
154xxx	Materials & Supplies	Page 5 of 6 Line 3		\$ 617
158xxx	Emission Allowances	Page 5 of 6 Line 4		\$ 1
421221	Loss on Disposition of Property - Electric		\$ 2,929	
5 <u>To Reverse the Accumulated Deferred Taxes on the Assets Sold</u>				
190/282	Accumulated Deferred Income Taxes - Depreciation	Page 5 of 6 Line 6		\$ 1,545
421221	Loss on Disposition of Property - Electric		\$ 1,545	
6 <u>To Defer the Loss on the Sale of Property</u>				
1823xx	Deferred Losses from the Disposition of Utility Plant	Page 2 of 6 Line 8	\$ 2,093	
421221	Loss on Disposition of Property - Electric			\$ 2,093
7 <u>To Gross-up the Loss for Income Taxes</u>				
1823xx	Loss on Disposition of Property - Electric	Page 2 of 6 Line 9	\$ 1,373	
283xxx	Deferred Taxes on the Loss from the Disposition of Utility Plant			\$ 1,373

Exhibit 1

Appendix C

Rochester Gas and Electric Corporation

Statement of Operating Revenues, Expenses and Taxes for the
Property to be Sold (2010 – 2012)

Exhibit 1
Appendix C

Rochester Gas and Electric Corporation
Estimate of Operating Revenues, Expenses, and Taxes
Related to the Sale of Allegany Station
(000)

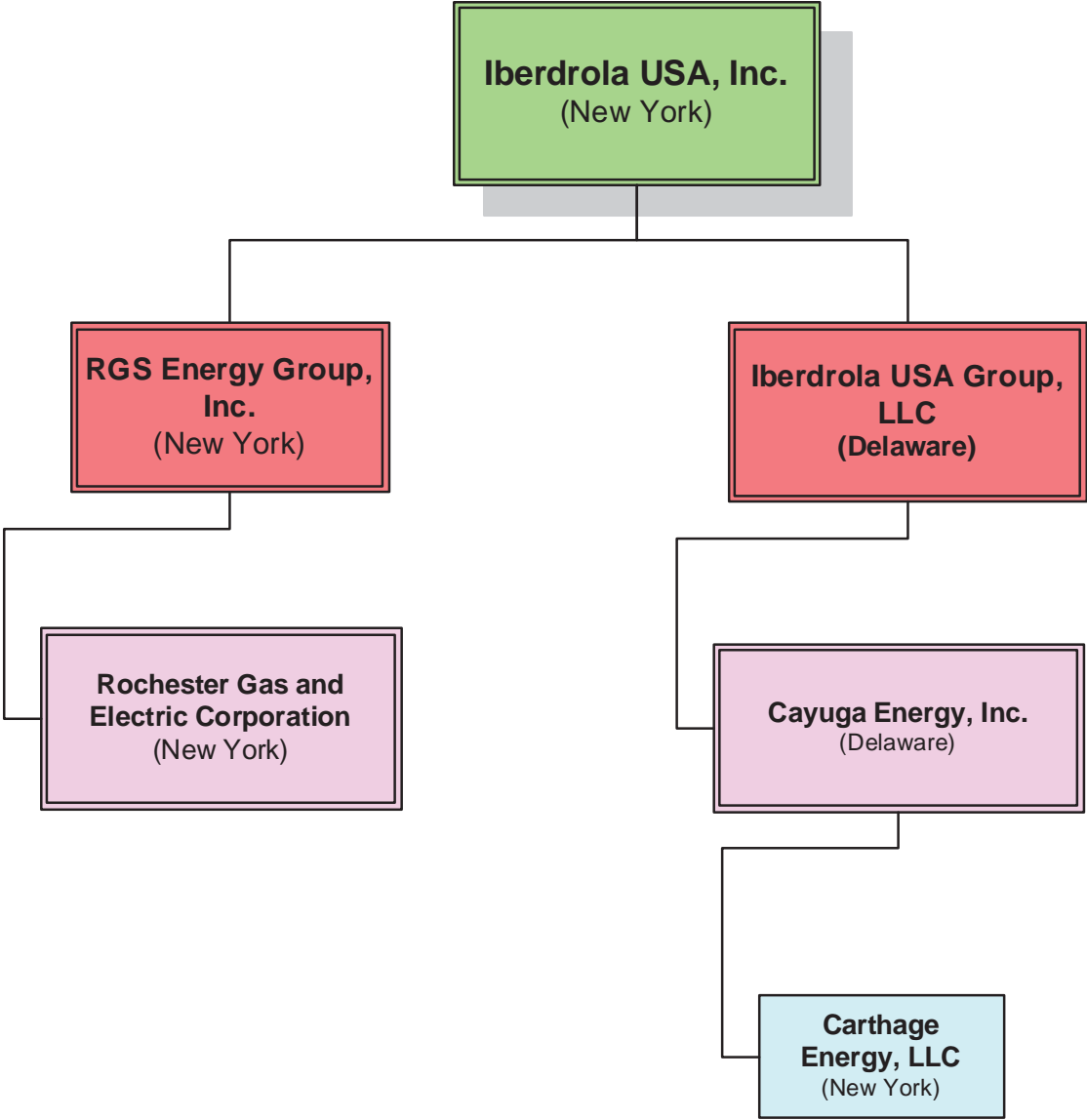
	2010	2011	2012
Revenue (*)	\$3,988	\$4,001	\$3,058
Expenses(**)	\$4,574	\$4,907	\$4,031
Property Taxes (***)	\$27	\$26	\$26
Payments made in Lieu of Taxes	\$450	\$468	\$487

(*) The revenue shown includes UCAP revenue that RG&E would have received if RG&E sold the UCAP in the NYISO monthly auctions, energy and ancillary services revenues. The value of the revenue is passed back to customers.

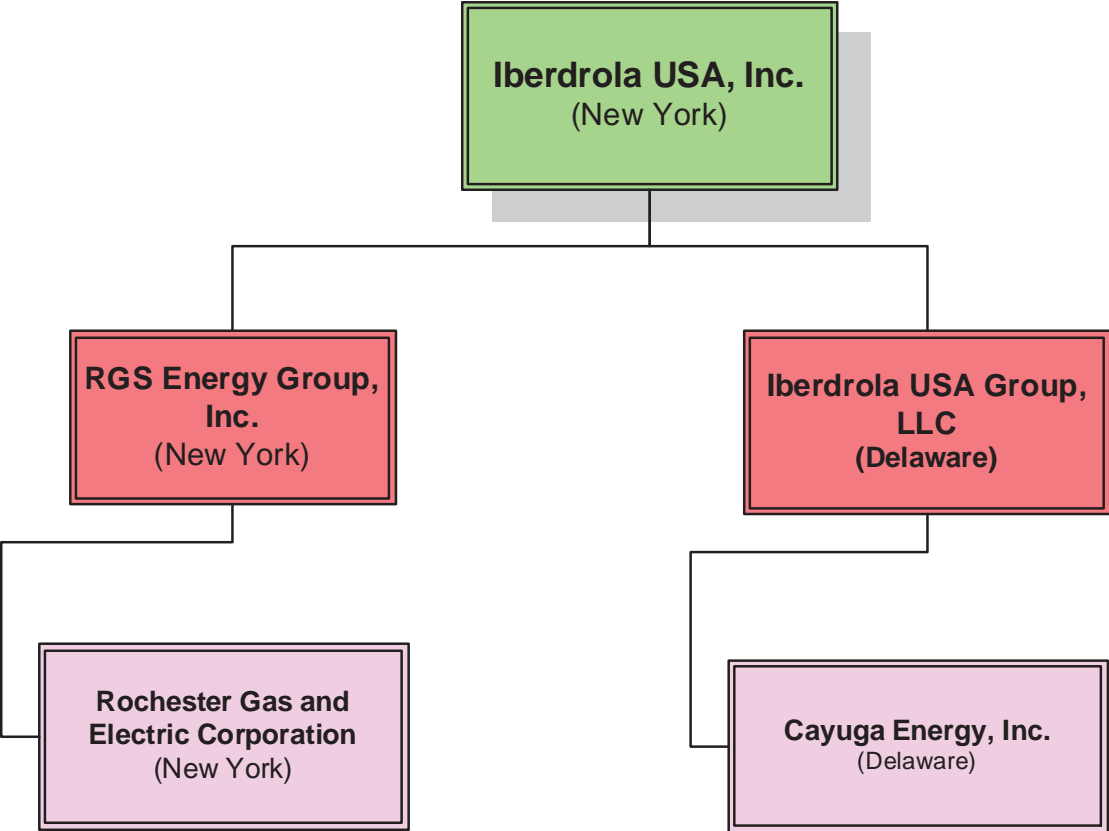
(**) Expenses are Fuel, Power Purchase, and Direct Operating costs

(***) Property Taxes shown above are for Town/County Taxes.

**Pre-Closing Organizational Chart
Iberdrola USA, Inc. (New York)**

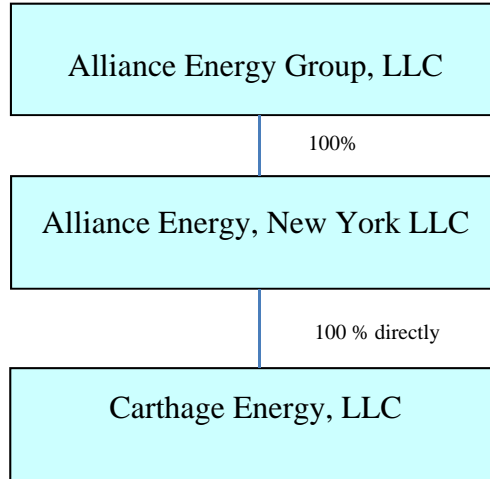


**Post-Closing Organizational Chart
Iberdrola USA, Inc. (New York)**



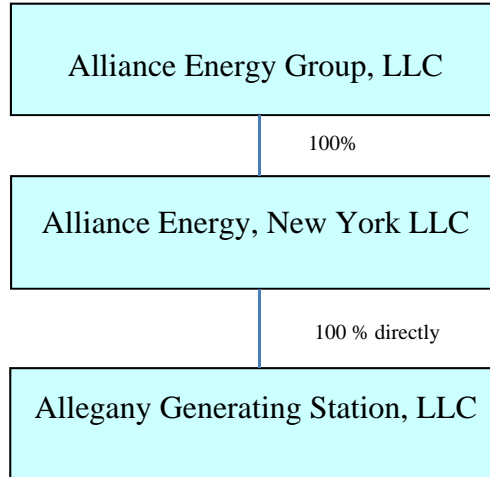
Alliance Energy Group

Carthage Post-Transaction Organizational Chart



Alliance Energy Group

Allegheny Post-Transaction Organizational Chart

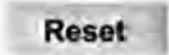


617.20
Appendix C
State Environmental Quality Review
SHORT ENVIRONMENTAL ASSESSMENT FORM
For UNLISTED ACTIONS Only

PART I - PROJECT INFORMATION (To be completed by Applicant or Project Sponsor)

<p>1. APPLICANT/SPONSOR Rochester Gas & Electric (RG&E)</p>	<p>2. PROJECT NAME Allegany Station Sale</p>
<p>3. PROJECT LOCATION: Municipality <u>Hume</u> County <u>Allegany</u></p>	
<p>4. PRECISE LOCATION (Street address and road intersections, prominent landmarks, etc., or provide map) <u>11537 Route 19A, Fillmore, NY</u></p>	
<p>5. PROPOSED ACTION IS: <input type="checkbox"/> New <input type="checkbox"/> Expansion <input checked="" type="checkbox"/> Modification/alteration <u>Action is change of ownership</u></p>	
<p>6. DESCRIBE PROJECT BRIEFLY: Sale of RG&E Allegany Station 62 MW unit to Alliance Energy; the sale of the station will not materially affect the operation of the plant.</p>	
<p>7. AMOUNT OF LAND AFFECTED: Initially <u>5.9</u> acres Ultimately <u>5.9</u> acres</p>	
<p>8. WILL PROPOSED ACTION COMPLY WITH EXISTING ZONING OR OTHER EXISTING LAND USE RESTRICTIONS? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe briefly</p>	
<p>9. WHAT IS PRESENT LAND USE IN VICINITY OF PROJECT? <input type="checkbox"/> Residential <input type="checkbox"/> Industrial <input type="checkbox"/> Commercial <input checked="" type="checkbox"/> Agriculture <input type="checkbox"/> Park/Forest/Open Space <input type="checkbox"/> Other Describe:</p>	
<p>10. DOES ACTION INVOLVE A PERMIT APPROVAL, OR FUNDING, NOW OR ULTIMATELY FROM ANY OTHER GOVERNMENTAL AGENCY (FEDERAL, STATE OR LOCAL)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, list agency(s) name and permit/approvals:</p>	
<p>11. DOES ANY ASPECT OF THE ACTION HAVE A CURRENTLY VALID PERMIT OR APPROVAL? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes, list agency(s) name and permit/approvals: See attached list of permits</p>	
<p>12. AS A RESULT OF PROPOSED ACTION WILL EXISTING PERMIT/APPROVAL REQUIRE MODIFICATION? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p>	
<p style="text-align: center;">I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TRUE TO THE BEST OF MY KNOWLEDGE</p> <p>Applicant/sponsor name: <u>JAMES W RETTBERG</u> Date: <u>6/11/13</u></p> <p>Signature: <u>James W Rettberg</u></p>	

If the action is in the Coastal Area, and you are a state agency, complete the Coastal Assessment Form before proceeding with this assessment



PART II - IMPACT ASSESSMENT (To be completed by Lead Agency)

<p>A. DOES ACTION EXCEED ANY TYPE I THRESHOLD IN 6 NYCRR, PART 617.4? <input type="checkbox"/> Yes <input type="checkbox"/> No</p>	<p>If yes, coordinate the review process and use the FULL EAF.</p>
<p>B. WILL ACTION RECEIVE COORDINATED REVIEW AS PROVIDED FOR UNLISTED ACTIONS IN 6 NYCRR, PART 617.6? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If No, a negative declaration may be superseded by another involved agency.</p>	
<p>C. COULD ACTION RESULT IN ANY ADVERSE EFFECTS ASSOCIATED WITH THE FOLLOWING: (Answers may be handwritten, if legible)</p> <p>C1. Existing air quality, surface or groundwater quality or quantity, noise levels, existing traffic pattern, solid waste production or disposal, potential for erosion, drainage or flooding problems? Explain briefly:</p> <p>C2. Aesthetic, agricultural, archaeological, historic, or other natural or cultural resources; or community or neighborhood character? Explain briefly:</p> <p>C3. Vegetation or fauna, fish, shellfish or wildlife species, significant habitats, or threatened or endangered species? Explain briefly:</p> <p>C4. A community's existing plans or goals as officially adopted, or a change in use or intensity of use of land or other natural resources? Explain briefly:</p> <p>C5. Growth, subsequent development, or related activities likely to be induced by the proposed action? Explain briefly:</p> <p>C6. Long term, short term, cumulative, or other effects not identified in C1-C5? Explain briefly:</p> <p>C7. Other impacts (including changes in use of either quantity or type of energy)? Explain briefly:</p>	
<p>D. WILL THE PROJECT HAVE AN IMPACT ON THE ENVIRONMENTAL CHARACTERISTICS THAT CAUSED THE ESTABLISHMENT OF A CRITICAL ENVIRONMENTAL AREA (CEA)? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, explain briefly:</p>	
<p>E. IS THERE, OR IS THERE LIKELY TO BE, CONTROVERSY RELATED TO POTENTIAL ADVERSE ENVIRONMENTAL IMPACTS? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, explain briefly:</p>	

PART III - DETERMINATION OF SIGNIFICANCE (To be completed by Agency)

INSTRUCTIONS: For each adverse effect identified above, determine whether it is substantial, large, important or otherwise significant. Each effect should be assessed in connection with its (a) setting (i.e. urban or rural); (b) probability of occurring; (c) duration; (d) irreversibility; (e) geographic scope; and (f) magnitude. If necessary, add attachments or reference supporting materials. Ensure that explanations contain sufficient detail to show that all relevant adverse impacts have been identified and adequately addressed. If question D of Part II was checked yes, the determination of significance must evaluate the potential impact of the proposed action on the environmental characteristics of the CEA.

<p><input type="checkbox"/> Check this box if you have identified one or more potentially large or significant adverse impacts which MAY occur. Then proceed directly to the FULL EAF and/or prepare a positive declaration.</p>	
<p><input type="checkbox"/> Check this box if you have determined, based on the information and analysis above and any supporting documentation, that the proposed action WILL NOT result in any significant adverse environmental impacts AND provide, on attachments as necessary, the reasons supporting this determination.</p>	
<p>_____ Name of Lead Agency</p>	<p>_____ Date</p>
<p>_____ Print or Type Name of Responsible Officer in Lead Agency</p>	<p>_____ Title of Responsible Officer</p>
<p>_____ Signature of Responsible Officer in Lead Agency</p>	<p>_____ Signature of Preparer (if different from responsible officer)</p>

Reset

ALLEGANY PERMITS

Title V – Permit ID 9-0258-00018/00023
Effective Date: 05/13/2008 Expiration Date: 05/12/2013

Title IV – Permit ID 9-0258-00018/00025
Effective Date: 05/13/2008 Expiration Date: 05/12/2013

Great Lakes Withdrawal
Permit ID- NYGL09918 Expiration Date: 07/11/2014

Petroleum Bulk Storage Permit
PBS No.: 9-600156 Issued: 04/30/2009 Expiration Date: 06/29/2014

Chemical Bulk Storage Permit
CBS No.: 9-000356 Issued: 11/22/2012 Expiration Date: 12/14/2014

SPDES Permit No.: NY-0242896 DEC ID# 9-0258-00018-00002
Effective Date: 03/01/2013 Expiration Date: 02/28/2018

617.20

Appendix C

State Environmental Quality Review

SHORT ENVIRONMENTAL ASSESSMENT FORM

For UNLISTED ACTIONS Only

PART I - PROJECT INFORMATION (To be completed by Applicant or Project Sponsor)

1. APPLICANT/SPONSOR Cayuga Energy, Inc.	2. PROJECT NAME Sale of Carthage Energy, LLC to Alliance Energy NY, LLC
3. PROJECT LOCATION: Municipality Carthage, NY County Jefferson County	
4. PRECISE LOCATION (Street address and road intersections, prominent landmarks, etc., or provide map) 701 West End Avenue Carthage, NY 13619	
5. PROPOSED ACTION IS: <input type="checkbox"/> New <input type="checkbox"/> Expansion <input checked="" type="checkbox"/> Modification/alteration <i>Action is change of ownership.</i>	
6. DESCRIBE PROJECT BRIEFLY: Sale of Cayuga Energy, LLC's interest in Carthage Energy, LLC to Alliance Energy NY, LLC. The sale of the interest will not materially affect the operation of the plant.	
7. AMOUNT OF LAND AFFECTED: Initially <u>1.63</u> acres Ultimately <u>1.63</u> acres	
8. WILL PROPOSED ACTION COMPLY WITH EXISTING ZONING OR OTHER EXISTING LAND USE RESTRICTIONS? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If No, describe briefly	
9. WHAT IS PRESENT LAND USE IN VICINITY OF PROJECT? <input type="checkbox"/> Residential <input type="checkbox"/> Industrial <input checked="" type="checkbox"/> Commercial <input type="checkbox"/> Agriculture <input type="checkbox"/> Park/Forest/Open Space <input type="checkbox"/> Other Describe: Adjacent to James River Paper Mill complex.	
10. DOES ACTION INVOLVE A PERMIT APPROVAL, OR FUNDING, NOW OR ULTIMATELY FROM ANY OTHER GOVERNMENTAL AGENCY (FEDERAL, STATE OR LOCAL)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If Yes, list agency(s) name and permit/approvals:	
11. DOES ANY ASPECT OF THE ACTION HAVE A CURRENTLY VALID PERMIT OR APPROVAL? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If Yes, list agency(s) name and permit/approvals: See attached list of permits	
12. AS A RESULT OF PROPOSED ACTION WILL EXISTING PERMIT/APPROVAL REQUIRE MODIFICATION? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
I CERTIFY THAT THE INFORMATION PROVIDED ABOVE IS TRUE TO THE BEST OF MY KNOWLEDGE Applicant/sponsor name: <u>Teresa Bradford</u> Date: <u>6/11/2013</u> Signature: <u>Teresa Bradford</u>	

If the action is in the Coastal Area, and you are a state agency, complete the Coastal Assessment Form before proceeding with this assessment

Reset

PART II - IMPACT ASSESSMENT (To be completed by Lead Agency)

A. DOES ACTION EXCEED ANY TYPE I THRESHOLD IN 6 NYCRR, PART 617.4? If yes, coordinate the review process and use the FULL EAF.
 Yes No

B. WILL ACTION RECEIVE COORDINATED REVIEW AS PROVIDED FOR UNLISTED ACTIONS IN 6 NYCRR, PART 617.6? If No, a negative declaration may be superseded by another involved agency.
 Yes No

C. COULD ACTION RESULT IN **ANY** ADVERSE EFFECTS ASSOCIATED WITH THE FOLLOWING: (Answers may be handwritten, if legible)

C1. Existing air quality, surface or groundwater quality or quantity, noise levels, existing traffic pattern, solid waste production or disposal, potential for erosion, drainage or flooding problems? Explain briefly:

C2. Aesthetic, agricultural, archaeological, historic, or other natural or cultural resources; or community or neighborhood character? Explain briefly:

C3. Vegetation or fauna, fish, shellfish or wildlife species, significant habitats, or threatened or endangered species? Explain briefly:

C4. A community's existing plans or goals as officially adopted, or a change in use or intensity of use of land or other natural resources? Explain briefly:

C5. Growth, subsequent development, or related activities likely to be induced by the proposed action? Explain briefly:

C6. Long term, short term, cumulative, or other effects not identified in C1-C5? Explain briefly:

C7. Other impacts (including changes in use of either quantity or type of energy)? Explain briefly:

D. WILL THE PROJECT HAVE AN IMPACT ON THE ENVIRONMENTAL CHARACTERISTICS THAT CAUSED THE ESTABLISHMENT OF A CRITICAL ENVIRONMENTAL AREA (CEA)?
 Yes No If Yes, explain briefly:

E. IS THERE, OR IS THERE LIKELY TO BE, CONTROVERSY RELATED TO POTENTIAL ADVERSE ENVIRONMENTAL IMPACTS?
 Yes No If Yes, explain briefly:

PART III - DETERMINATION OF SIGNIFICANCE (To be completed by Agency)

INSTRUCTIONS: For each adverse effect identified above, determine whether it is substantial, large, important or otherwise significant. Each effect should be assessed in connection with its (a) setting (i.e. urban or rural); (b) probability of occurring; (c) duration; (d) irreversibility; (e) geographic scope; and (f) magnitude. If necessary, add attachments or reference supporting materials. Ensure that explanations contain sufficient detail to show that all relevant adverse impacts have been identified and adequately addressed. If question D of Part II was checked yes, the determination of significance must evaluate the potential impact of the proposed action on the environmental characteristics of the CEA.

- Check this box if you have identified one or more potentially large or significant adverse impacts which **MAY** occur. Then proceed directly to the FULL EAF and/or prepare a positive declaration.
- Check this box if you have determined, based on the information and analysis above and any supporting documentation, that the proposed action **WILL NOT** result in any significant adverse environmental impacts **AND** provide, on attachments as necessary, the reasons supporting this determination

Name of Lead Agency

Date

Print or Type Name of Responsible Officer in Lead Agency

Title of Responsible Officer

Signature of Responsible Officer in Lead Agency

Signature of Preparer (if different from responsible officer)

Reset

Environmental Permits

Carthage Energy

1. Industrial Wastewater Discharge Permit # 0009, Effective Date: 06/01/2009
Expiration date: 05/31/2014
2. Title V Air Permit, Permit ID 6/2260-0024-0007 Effective: 11/08/2010 Expires:
11/27/2015
3. SPDES General Permit: ID NYR00D134 dated 01/29/2007
4. Chemical Bulk Storage Certificate, CBS # 6-000129 Issued 10/01/2008 Expires
12/28/2010
5. Great Lakes Water Withdrawal, ID# NYGLWR-7108, Registration Date:
07/21/2008 Expires 07/21/2010
[NOTE: NYSDEC records show the facility applied for a renewal and has paid
the annual fee for 2013, but has not received a permit as NY is transitioning to a
new permitting program and is not currently issuing renewals.]
6. Petroleum Bulk Storage Certificate, PBS # 6-506559 Issued 04/13/2009 Expires
05/28/2014

For Department of State use only.

Notice of Proposed Rule Making

Public Service Commission
(SUBMITTING AGENCY)

- Approval has been granted by Executive Chamber to propose this rule making.
- This rule making does not require Executive Chamber approval.

NOTE: Typing and submission instructions are at the end of this form. Please be sure to COMPLETE ALL ITEMS. Incomplete forms will be cause for rejection of this notice.

1. A. *Proposed action:*

<hr/>	See Attached	Title _____	NYCRR
<hr/>		Title _____	NYCRR
<hr/>		Title _____	NYCRR
<hr/>		Title _____	NYCRR
<hr/>		Title _____	NYCRR
<hr/>		Title _____	NYCRR

- B. This is a consensus rule making. A statement is attached setting forth the agency's determination that no person is likely to object to the rule as written [SAPA §202(1)(b)(i)].
- C. This rule was previously proposed as a consensus rule making under I.D. No. _____. Attached is a brief description of the objection that caused/is causing the prior notice to be withdrawn [SAPA §202(1)(e)].
- D. This rule is proposed pursuant to [SAPA §207(3)], 5-Year Review of Existing Rules (see also item 16).

2. *Statutory authority under which the rule is proposed:*

New York State Public Service Law Sections 2(12), 5(1)(b) and 70.

3. *Subject of the rule:*

See Attached

4. *Purpose of the rule:*

See Attached

5. *Public hearings* (check box and complete as applicable):

- A public hearing is not scheduled. (*SKIP TO ITEM 8*)
- A public hearing is required by law and is scheduled below. (**Note:** first hearing date must be at least 45 days **after** publication of this notice unless a different time is specified in statute.)
- A public hearing is not required by law, but is scheduled below.

Time:	Date:	Location:

6. *Interpreter services* (check only if a public hearing is scheduled):
 Interpreter services will be made available to hearing impaired persons, at no charge, upon written request to the agency contact designated in this notice.

7. *Accessibility* (check appropriate box only if a public hearing is scheduled):
 All public hearings have been scheduled at places reasonably accessible to persons with a mobility impairment.
 Attached is a list of public hearing locations that are **not** reasonably accessible to persons with a mobility impairment. An explanation is submitted regarding diligent efforts made to provide accessible hearing sites.

8. *Terms of rule* (SELECT ONE SECTION):
A. The full text of the rule is attached because it does not exceed 2,000 words.
B. A summary of the rule is attached because the full text of the rule exceeds 2,000 words.
 Full text is posted at the following State website: _____
 Full text is not posted on a State website.
 Full text is not posted on a State website; this is a consensus rule or a rule defined in SAPA § 102 (2)(a)(ii).
C. Pursuant to SAPA §202(7)(b), the agency elects to print a description of the subject, purpose and substance of the rule as defined in SAPA §102(2)(a)(ii) [Rate Making].

9. *The text of the rule and any required statements and analyses may be obtained from:*
Agency contact _____
Agency Name New York State Public Service Commission
Office address Three Empire State Plaza

Telephone _____ E-mail: _____

10. *Submit data, views or arguments to* (complete only if different than previously named agency contact):
Agency contact Honorable Jeffrey C. Cohen, Acting Secretary
Agency name New York State Public Service Commission
Office address Three Empire Plaza
Albany, New York 12223
Telephone (518) 474-6530 E-mail: secretary@dps.ny.gov

11. Public comment will be received until:

- 45 days after publication of this notice (MINIMUM public comment period when full text is attached because it does not exceed 2000 words or full text of rule has been posted on a State web site or the rule is a consensus rule or a rule defined under SAPA §102[2][a][ii] [Rate Making]).
- 60 days after publication of this notice (MINIMUM public comment period when full text is not attached or full text is not posted on a State web site or the rule is not a consensus rule or a rule defined under SAPA §102[2][a][ii] [Rate Making]).
- 5 days after the last scheduled public hearing required by statute (MINIMUM, with required hearing). This box may not be checked and the minimum 60-day comment period applies if full text is not attached or text is not posted on a State web site or the rule is not a consensus rule or a rule defined under SAPA §102[2][a][ii] [Rate Making]).
- Other: (specify) _____ .

12. A prior emergency rule making for this action was previously published in the _____ issue of the Register, I.D. No. _____ .

13. Expiration date (check only if applicable):

- This proposal will not expire in 365 days because it is for a "rate making" as defined in SAPA §102 (2)(a)(ii).

14. Additional matter required by statute:

- Yes (include below material required by statute).

- No additional material required by statute.

15. Regulatory Agenda (See SAPA §202-d[1]):

- This rule was a Regulatory Agenda item for this agency in the following issue of the State Register:
_____ .
- This rule was not under consideration at the time this agency submitted its Regulatory Agenda for publication in the Register.
- Not applicable.

16. Review of Existing Rules (ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS)

This rule is proposed pursuant to SAPA §207 (item 1D applies) (check applicable boxes):

- Attached is a statement setting forth a reasoned justification for modification of the rule. Where appropriate, include a discussion of the degree to which changes in technology, economic conditions or other factors in the area affected by the rule necessitate changes in the rule.
- Attached is an assessment of public comments received by the agency in response to its publication of a list of rules to be reviewed.
- An assessment of public comments is not attached because no comments were received.
- Not applicable.

17. Regulatory Impact Statement (RIS)

(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS, EXCLUDING SUMMARIES OF STUDIES, REPORTS OR ANALYSES [Needs and Benefits]):

A. The attached RIS contains:

The full text of the RIS.

A summary of the RIS.

A consolidated RIS, because this rule is one of a series of closely related and simultaneously proposed rules or is virtually identical to rules proposed during the same year.

B. A RIS is **not attached**, because this rule is:

subject to a consolidated RIS printed in the *Register* under I.D. No.: _____ - _____;
issue date: _____.

exempt, as defined in SAPA §102(2)(a)(ii) [Rate Making].

exempt, as defined in SAPA §102(11) [Consensus Rule Making].

C. A **statement is attached** claiming exemption pursuant to SAPA § 202-a (technical amendment).

18. Regulatory Flexibility Analysis (RFA) for small businesses and local governments

(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS):

A. The attached RFA contains:

The full text of the RFA.

A summary of the RFA.

A consolidated RFA, because this rule is one of a series of closely related rules.

B. A **statement is attached** explaining why a RFA is not required. This statement is in scanner format and explains the agency's finding that the rule will not impose any adverse economic impact or reporting, recordkeeping or other compliance requirements on small businesses or local governments and the reason(s) upon which the finding was made, including any measures used to determine that the rule will not impose such adverse economic impacts or compliance requirements.

C. A RFA is **not attached**, because this rule:

is subject to a consolidated RFA printed in the *Register* under I.D. No.: _____ - _____;
issue date: _____.

is exempt, as defined in SAPA §102(2)(a)(ii) [Rate Making].

is exempt, as defined in SAPA §102(11) [Consensus Rule Making].

19. Rural Area Flexibility Analysis (RAFA)

(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS):

A. The attached RAFA contains:

The full text of the RAFA.

A summary of the RAFA.

A consolidated RAFA, because this rule is one of a series of closely related rules.

B. A **statement is attached** explaining why a RAFA is not required. This statement is in scanner format and explains the agency's finding that the rule will not impose any adverse impact on rural areas or reporting, recordkeeping or other compliance requirements on public or private entities in rural areas and the reason(s) upon which the finding was made, including what measures were used to determine that the rule will not impose such adverse impact or compliance requirements.

C. A RAFA is **not attached**, because this rule:

is subject to a consolidated RAFA printed in the *Register* under I.D. No.: _____ - _____;
issue date: _____.

is exempt, as defined in SAPA §102(2)(a)(ii) [Rate Making].

is exempt, as defined in SAPA §102(11) [Consensus Rule Making].

20. **Job Impact Statement (JIS)**

(SELECT AND COMPLETE ONE; ALL ATTACHMENTS MUST BE 2,000 WORDS OR LESS):

A. The attached JIS contains:

- The full text of the JIS.
- A summary of the JIS.
- A consolidated JIS, because this rule is one of a series of closely related rules.

B. A **statement is attached** explaining why a JIS is not required. This statement is in scanner format and explains the agency's finding that the rule will not have a substantial adverse impact on jobs and employment opportunities (as apparent from its nature and purpose) and explains the agency's finding that the rule will have a positive impact or no impact on jobs and employment opportunities; except when it is evident from the subject matter of the rule that it could only have a positive impact or no impact on jobs and employment opportunities, the statement shall include a summary of the information and methodology underlying that determination.

A JIS/Request for Assistance [SAPA §201-a(2)(c)] is attached.

C. A JIS is **not attached**, because this rule:

- is subject to a consolidated JIS printed in the *Register* under I.D. No.: _____ ;
issue date: _____ .
- is exempt, as defined in SAPA §102(2)(a)(ii) [Rate Making].
- is proposed by the State Comptroller or Attorney General.

AGENCY CERTIFICATION (To be completed by the person who PREPARED the notice.)

I have reviewed this form and the information submitted with it. The information contained in this notice is correct to the best of my knowledge.

I have reviewed Article 2 of SAPA and Parts 260 through 263 of 19 NYCRR, and I hereby certify that this notice complies with all applicable provisions.

Name _____ Signature _____

Address _____

Telephone _____ E-Mail _____

Date _____

Please read before submitting this notice:

1. Except for this form itself, all text must be typed in the prescribed format as described in the Department of State's Register procedures manual, *Rule Making in New York*.
2. Rule making notices with any necessary attachments should be e-filed via the Department of State website.

**NEW YORK STATE PUBLIC SERVICE COMMISSION
NOTICE OF PROPOSED RULE MAKING**

ATTACHMENT TO DRAFT NOTICE

Proposed action:

The New York State Public Service Commission (the “Commission”) is considering a verified joint petition from Rochester Gas and Electric Corporation (“RG&E”), Cayuga Energy, Inc. (“Cayuga Energy”), Carthage Energy, LLC, Alliance Energy Group, LLC, Alliance Energy New York, LLC (“AENY”) and Allegany Generating Station, LLC (“AGS”) (collectively, the “Petitioners”) for authority under section 70 of the New York State Public Service Law to transfer the Allegany Generating Station, a nominal 62 MW gas-fired combined cycle power plant located in Hume, New York, and related assets from RG&E to AGS. RG&E also requests that the Commission authorize the transfer in accordance with the rate and accounting treatment proposed in the joint verified petition.

The verified joint petition also requests the Commission decline jurisdiction over a proposed transaction resulting in AENY acquiring 100% of the membership interest in Carthage Energy, the owner of Carthage Station, a 63 MW natural gas/#2 fuel oil combined-cycle cogeneration facility located in Carthage, New York. Alternatively, the Petitioners request PSL Section 70 approval for sale of the Carthage Energy membership interests to AENY.

In addition, the verified joint petition requests the Commission approve lightened regulation for AGS and Carthage Energy following the consummation of the proposed transactions.

Subject of rule:

Transfer of property from RG&E to AGS and transfer of 100% of membership interest in Carthage Energy to AENY and lightened regulation of AGS and Carthage Energy, LLC.

Purpose of rule:

To approve the transfer of property two generating stations and lightened regulation of AGS and Carthage Energy, LLC.

Substance of proposed rule:

The Commission is considering a verified joint petition from RG&E and Alliance for authority under section 70 of the New York State Public Service Law to transfer the Allegany Generating Station, a nominal 62-MW gas-fired combined cycle power plant located in Hume, New York, and related assets from RG&E to Alliance. RG&E also requests that the Commission authorize the transfer in accordance with the rate and accounting treatment proposed in the joint verified petition.

The verified joint petition also requests the Commission decline jurisdiction over a proposed transaction resulting in AENY acquiring 100% of the membership interest in Carthage Energy, the owner of Carthage Station, a 63 MW natural gas/#2 fuel oil combined-cycle cogeneration facility located in Carthage, New York. Alternatively, the Petitioners request PSL Section 70 approval for sale of the Carthage Energy membership interests to AENY.

In addition, the verified joint petition requests the Commission approve lightened regulation for AGS and Carthage Energy following the consummation of the proposed transactions.

The divestiture of the Allegany Generating Station and Cayuga Station was a condition of the Commission's Order in Case 07-M-0906 approving Iberdrola, S.A.'s acquisition of Energy East Corporation, the then-parent corporation of RG&E. The proposed transactions are consistent with the Commission's December 20, 2011 Order Adopting Modified Auction Plan issued in Case 07-M-0906.

Following the proposed transactions, both the Allegany Generating Station and the Cayuga Station will remain operational. The Allegany Generating Station will be connected to RG&E's transmission system pursuant to an Interconnection Agreement, under which RG&E will retain ownership of certain interconnection facilities, and will provide AGS with interconnection service for the Allegany Generating Station. The interconnection for Carthage Station is governed by an existing interconnection agreement between Carthage Energy and Niagara Mohawk Power Corporation d/b/a National Grid.

Exhibit 5

Redacted from Public Filing

Contains Confidential Trade Secret Information

Exhibit 6

Redacted from Public Filing

Contains Confidential Trade Secret Information

Exhibit 7

Redacted from Public Filing

Contains Confidential Trade Secret Information