STATE OF NEW YORK

PUBLIC SERVICE COMMISION

---------------------------------------x Verified Petition of Rochester Gas and Electric Corporation for Approval, Pursuant to New York State Public Service Law Section 113(2), of the Proposed Disposition of a Sales Tax Refund ---------------------------------------x	Case 26-M-_________

VERIFIED PETITION OF ROCHESTER GAS AND ELECTRIC CORPORATION FOR APPROVAL, PURSUANT TO NEW YORK STATE PUBLIC SERVICE LAW SECTION 113(2), OF THE PROPOSED DISPOSITION OF A SALES TAX REFUND

Jeffrey A. Rosenbloom
Rochester Gas and Electric Corporation
180 South Clinton Avenue
Rochester, New York, 14607
Tel: (585) 314-4307
jeffrey.rosenbloom@avangrid.com

STATE OF NEW YORK

PUBLIC SERVICE COMMISION

---------------------------------------x
Verified Petition of Rochester Gas
and Electric Corporation for Approval, Case 26-M-_________
Pursuant to New York State Public
Service Law Section 113(2), of the
Proposed Disposition of a Sales Tax Refund
---------------------------------------x

VERIFIED PETITION OF ROCHESTER GAS AND ELECTRIC CORPORATION FOR APPROVAL, PURSUANT TO NEW YORK STATE PUBLIC SERVICE LAW SECTION 113(2), OF THE PROPOSED DISPOSITION OF A SALES TAX REFUND

Rochester Gas and Electric Corporation ("RG&E" or the "Company"), hereby provides notice to the New York State Public Service Commission ("Commission") under Section 89.3 of the Commission's rules and regulations (16 NYCRR § 89.3), of a tax refund determination from the New York State Department of Taxation and Finance ("NYS DT&F") and respectfully submits this Petition for approval, pursuant to New York State Public Service Law ("PSL") §113(2), for the proposed disposition of the sales tax refund as set forth herein (the "Petition").

REQUIREMENTS UNDER PSL § 113(2) AND 16 NYCRR § 89.3

PSL § 113(2) provides that:

> Whenever any public utility company or municipality, whose rates are subject to the jurisdiction of the commission, shall receive any refund of amounts charged and collected from it by any source, the commission shall have power after a hearing, upon its own motion, upon complaint or upon the application of such public utility company or municipality, to determine whether or not such refund should be passed on, in whole or in part, to the consumers of such public utility company or municipality and to order such public utility company or municipality to pass such refunds on to its consumers, in the manner and to the extent determined just and reasonable by the commission.

Under 16 NYCRR § 89.3(b), a utility receiving a tax refund in excess of $1.5 million, or in excess of $1,000 and in excess 0.2% of the utility's operating revenues for the most recent calendar year that ends more than four months before the refund occurs, is required to notify the Commission within sixty (60) days of the refund occurring. A refund is deemed to have occurred on the earlier of the following events: "(1) the refund is authorized by decision of a competent agency or court; or (2) the utility receives it or uses it as an offset to liability." This trigger applies "regardless of the possibility of subsequent audit or litigations…."

THE COMMISSION'S TAX REFUND POLICY

The Commission has a long-standing policy permitting utilities to retain a portion of net refund proceeds, traditionally in the range of between 10 and 25 percent.[1] "[A]s a matter of sound regulatory policy, New York utilities have long been allowed to retain a percentage of tax refunds to encourage them to be aggressive in reducing their tax liabilities."[2] In considering this issue, the Commission will look at the efforts, risks and benefits demonstrated in each case.[3] For the reasons set forth herein, the Company respectfully requests that the Commission accept the Company's proposal with respect to accounting and retainage of a portion of a deemed sales and use tax refund (the "Refund").[4]

THE REFUND; BACKGROUND, CUSTOMER BENEFITS

Background

The Refund that is the subject of this notification and petition relates to tax returns filed by the Company between September 2018 through February 2022 which were examined in the second phase of a NYS DT&F initiated sales & use tax audit of RG&E (the "Audit"). RG&E received a Statement of Proposed Audit Change for Sales and Use Tax ("Statement") for auditor determinations regarding this second phase dated January 8, 2026. Pursuant to the Statement, the NYS DT&F authorized a refund of $30,830,182. This amount includes a gross refundable balance of $37,874,248 and partially offsetting incremental use and sales tax assessments of $6,466,172 and $577,894, respectively. On January 23, 2026, the Company acknowledged (after completing its review and verifying all aspects of the Statement accuracy) its agreement with the Statement. The Company has not received the refund as of the date of this notice and petition. Should the refund amount actually received be different, the Company will supplement this notice and petition.

---

[1] Case 18-W-0554 Petition for Approval, Pursuant to Public Service Law, Section 113(2), of a Proposed Allocation of Certain Tax Refunds between New York American Water Company, Inc. and Ratepayers; Order Adopting Terms of a Joint Proposal (Issued and Effective September 16, 2022).

2 Case 89-M-061 - Consolidated Edison Company of New York, Inc. (Opinion No. 90-1 at 3) (issued and effectiveJanuary 2, 1990); See Case 12-M-0205 - Disposition of Property Tax Benefits Received by Orange and Rockland Utilities, Inc., from the Town of Monroe and the City of Middletown, (Order Adopting Terms of a Joint Proposal and Approving Disposition of Property Tax Benefits) (Issued and Effective July 23, 2013) p.6.

3 Case 04-M-0612 Petition of Central Hudson Gas & Electric Corporation for Approval, Pursuant to Public Service Law Section 113(2), of a Proposed Allocation of an Approximately $6,513,984 Refund from the New York State Department of Taxation and Finance; Order Addressing State Tax Refund (Issued and Effective December 20, 2004)

[4] The refund is referenced as deemed because the refund has not yet been received by the Company.

Customer Benefits

As a result of the Audit, the Company was able to achieved an overall value or benefit for customers of $52.6 million consisting of $14.7 million of refuted audit assessments and $37.9 million of identified refundable taxes. In addition to recovering its cost to achieve the customer benefits ($8,203,751 or 15% of the total benefit of $52.6 million), the Company is proposing to retain a percentage of the net refund portion of the overall customer benefit, consistent with the Commission's policy on refunds. As shown on Attachment 1, RG&E proposes to share the $30,830,182 authorized refund, with customers receiving a net benefit of $23,075,935 and the Company retaining $7,754,247.

After costs to achieve, customers will have a net refundable balance of $14,872,184. This balance has two components, capital, and expense. RG&E proposes to provide customers with an immediate $17,720,269 rate base credit for the capital portion. The Company also proposes to defer and recover $2,848,085 which represents the net incremental sales and use tax audit determination.

As shown on Attachment 1, the $17,720,269 rate base credit has three components; $27,561,000 which represents seventy-eight percent of the gross capital potion of the refundable tax ($35,334,615), reduced by $2,175,382; the capital portion of the audit determined incremental use tax liability, further reduced by $7,665,349, the capital portion of the consultant cost to achieve this refund.

The Commission should allow RG&E to retain the identified portion of the net refund. This request is consistent with past Commission practice, and the requested allocation is supported by the magnitude of the benefit obtained and the fact that it stems directly from the work of the Company and its consultants.

Company effort – The Company's effort produced audit savings of approximately $52.6 million. In achieving this outcome, the Company and its consultants performed a comprehensive documentation review, which included examining thousands of pages of documents and used information gained through this process to refute initial audit assessments, negotiate full or partial non-taxable treatment of certain expenditures and recharacterize additional purchasing activity as non-taxable.

Risks – RG&E anticipated successful outcomes in the audit could be misinterpreted as attributable to over conservative policies rather than the pursuit of savings opportunities. As the audit included a final incremental assessment of $6.5 million and an initial incremental assessment of $21.2 million, the risks associated with such a potential misinterpretation are unjustified.

Benefits and Savings – The $52.6 million audit savings includes $14.7 million of refuted audit assessments and $37.9 million of identified refundable taxes. RG&E saved approximately $14.7 million when the Company and its consultants successfully challenged certain initial audit determinations. These challenges achieved non-taxable treatment of certain transmission, distribution and gas main property replacements, software expenditures, and other expenditure activity. As part of this effort, the consultant examined numerous invoices pertaining to property replacements that were deemed repair and maintenance activity and disaggregated this invoiced activity into capital and expense components such that the Company could use this delineation to prove to the auditor the need to change his initial conclusions for these items. As a direct result, the Company received non-taxable treatment and saved its customers millions of dollars. The consultant performed similar efforts and achieved similar outcomes to eliminate taxation with regard to other expenditure activities and the refundable portion of the audit savings.

CONCLUSION

For the foregoing reasons, the Company respectfully requests that the Commission, as expeditiously as possible: (1) approve the disposition of the Refund proposed herein; and (2) grant such other and further relief that may be required.

Respectfully submitted,

Jeffrey A. Rosenbloom
Rochester Gas and Electric Corporation
180 South Clinton Avenue
Rochester, New York 14607
Tel: (585) 314-4307
jeffrey.rosenbloom@avangrid.com

---------------------------------------x
Verified Petition of Rochester Gas
and Electric Corporation for Approval,
Pursuant to New York State Public
Service Law Section 113(2), of the
Proposed Disposition of a Sales Tax Refund
---------------------------------------x

Case 26-M-_________

VERIFICATION

State of New York)
) Ss:.
County of Monroe)

I, Jeffrey A. Rosenbloom, being first duly sworn, attest that I am Vice President & General Counsel for Rochester Gas and Electric Corporation ("Company"), and that I have authority to verify the foregoing Verified Petition of the Company pursuant to New York State Public Service Law Section 113(2), of the Proposed Disposition of a Sales Tax Refund. I have read the foregoing Verified Petition and I affirm that the facts, representations and statements set forth therein regarding the Company are true and correct to the best of my knowledge, information and belief.

Jeffrey A. Rosenbloom
Vice President and General Counsel

Sworn to and subscribed before me this
9th day of March, 2026

Notary Public

ANDREA KOSEL
Notary Public, State of New York
No. KO6214667
Qualified in Monroe County
Commission Expires December 21, 2029