

2007 OCT 15 PM 4:23



October 15, 2007

The Honorable Jaclyn A. Brillling, Secretary
NYS Department of Public Service
Three Empire State Plaza
Albany, NY 12223

Dear Secretary Brillling:

In compliance with 16 NYCRR 720-6.5(g), Rochester Gas and Electric Corporation ("RG&E") herewith submits the annual computation of the surcharge or refund including supporting data applicable to the gas supply charge as stated in Rule 4.H.5 to P.S.C. No. 16 - Gas.

Beginning with the first billing cycle of January 2008, the Company will surcharge its customers for the next 12 months at the following rate:

Surcharge per therm: \$.023330

RG&E is requesting trade secret protection for confidential data contained in the filing regarding its Gas Cost Incentive Mechanisms ("GCIM"), Exhibits 6 and 6A. Accordingly, RG&E is filing unredacted versions of Exhibit 6 and 6A with the Records Access Officer of the State of New York Department of Public Service. All remaining exhibits are enclosed. Additionally, final optimization data is not available at this time for the period April through August 2007. Therefore, the estimated data included in GCIM Exhibit 6 will be adjusted to actual in next year's annual reconciliation

The Company is also continuing to review its Lost and Unaccounted For ("LAUF") calculation contained in Exhibit 9. The actual LAUF for twelve months ending August 31, 2007 is significantly higher than the LAUF experienced by the RG&E over the last several years. If upon further review the Company discovers any information that would change this calculation, it will notify the Department of Public Service.

Per the terms of the Company's Joint Proposal in Case No. 03-G-0766, the Company will reset its Factor of Adjustment ("FA") on January 1, 2008. The average of the actual lost and unaccounted for volumes from the immediately preceding three 12-month periods ending August 31, per Exhibit 9, falls outside +/- 5% of the FA of 1.0106 that is currently in effect. The updated FA will be 1.0135. (The FA will be updated if further review reveals the need to adjust the LAUF for the twelve months ending August 31, 2007)

Should you have any questions regarding this filing please contact Linda Dent at (585) 771-4701 or Carolyn Sweeney at (585) 771-4809.

Very truly yours,

Christine M. Stratakis/LHD

Christine M. Stratakis
Manager, Pricing and Analysis
Rate and Regulatory Economics

Enclosures

An Equal Opportunity Employer

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ROCHESTER GAS AND ELECTRIC CORPORATION
Computation 21 of Annual Gas Cost Adjustment
Surcharge Rate
12 Months Ended August 31, 2007

Expenses :

Actual gas expense	\$278,989,485	(Exhibit 1)
Adjustment for Gain or loss on LAUF at Commodity Cost of Gas	\$ (2,435,678)	(Exhibit 1A)
Inter-departmental Sales Credit	10,576	(Exhibit 2)
SC#3 and SC#5 Transition Chgs and Balancing	(280,479)	(Exhibit 3)
Research & Development	45,317	(Exhibit 4)
MFC reconciliation	(1,570,054)	(Exhibit 5)
GCIM -Shareholder 20% - ANR - Great Lakes Release	1,389,972	(Exhibit 6)
GCIM -Shareholder - Savings with Alliance	1,164,150	(Exhibit 6A)
Annual Reconciliation 2004-2005	222,282	(Exhibit 7)
Total Gas Expense	\$277,535,571	

Revenues:

Gross GSC Revenues	\$271,067,416	(Exhibit 1)
Interim Reconciliation Refund/ Surcharge	0	
Total GSC Revenues	\$271,067,416	

Under collection of Gas Expense \$6,468,154

Total Interest due Company \$252,344 (Exhibit 8)

Total Surcharge Amount **\$6,720,498**

Surcharge Principal Rate \$0.022454

Surcharge Interest Rate \$0.000876

Total Surcharge Rate **\$0.023330**

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 1
Computation 21
to PSC No. 16 - Gas

Retail Sales in Dekatherms
12 months ended August 31, 2007

	S.C. #1 Sales,dt	LAUF	Calculated Purchases
Sep 06	405,170	1.0114	409,789
Oct 06	1,083,042	1.0114	1,095,389
Nov 06	2,010,076	1.0114	2,032,991
Dec 06	3,133,003	1.0114	3,168,719
Jan 07	3,643,356	1.0110	3,683,434
Feb 07	5,381,550	1.0106	5,442,899
Mar 07	4,843,950	1.0106	4,895,296
Apr 07	3,406,137	1.0106	3,442,242
May 07	1,832,788	1.0106	1,852,216
Jun 07	906,958	1.0106	916,572
Jul 07	562,877	1.0106	568,843
Aug 07	563,738	1.0106	569,714
Total	27,772,646	1.01100	28,078,105

GSC Revenues
12 months ended August 31, 2007

Average Cost of Gas @ City Gate
12 months ended August 31, 2007

	Gross GSC Revenues	CG Delivered Volume, DT	Purchased Gas Expense	Average Cost per DT
Sep 06	3,711,209	544,409	\$7,718,007	\$14.1769
Oct 06	9,183,232	1,784,216	\$16,640,022	\$9.3262
Nov 06	18,349,735	2,468,324	\$27,566,949	\$11.1683
Dec 06	33,649,483	4,066,759	\$35,055,308	\$8.6200
Jan 07	35,491,396	4,805,314	\$40,310,412	\$8.3887
Feb 07	50,050,028	5,453,389	\$50,588,581	\$9.2765
Mar 07	48,314,596	4,217,967	\$38,824,338	\$9.2045
Apr 07	34,940,359	2,890,669	\$27,497,210	\$9.5124
May 07	18,348,949	603,170	\$12,805,525	\$21.2304
Jun 07	8,815,727	612,534	\$8,440,772	\$13.7801
Jul 07	5,269,484	596,843	\$7,061,539	\$11.8315
Aug 07	4,943,219	540,300	\$6,480,821	\$11.9949
Total	271,067,416	28,583,892	\$278,989,485	\$9.7604

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 1 A
Computation 21
to PSC No. 16 - Gas

Gain/ Loss on Lost and Unaccounted for Gas
12 months ended August 31, 2007

sales	27,772,646
allowed factor of adjustment	1.01100
actual factor of adjustment	<u>1.021690</u>
difference	-0.0107
Commodity cost of gas	\$8.203
Loss on LAUF	<u><u>(\$2,435,678)</u></u>

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 1B
 Computation 21
 to PSC No. 16 - Gas

Adjustment to Commodity Cost of Gas (CCOG) Due to Transportation LAUF
12 months ended August 31, 2007

Total SC3, SC5 and SC7 Deliveries, Dekatherms	22,113,950	
Total SC3, SC5 and SC7 Sales, Dekatherms	21,843,067	
Times Factor of Adjustment (Calculated per month)		
Equals Calculated Deliveries		22,080,917
Gas transferred from SC#1 customers		33,033

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 2
 Computation 21
 to PSC No. 16 - Gas

Computation of Interdepartmental Sales Credit for the 12 months ended August 31,2007

Margin given to Gas Customer in GSC

Month	Mo.dt	LAUF	Mo.dt (w/losses)	Margin	Revenue
Sep-06	1,778	1.0114	1,798	\$0.48	\$863
Oct-06	1,840	1.0114	1,861	0.48	\$893
Nov-06	1,887	1.0114	1,908	0.48	\$916
Dec-06	1,840	1.0114	1,861	0.48	\$893
Jan-07	3,352	1.0110	3,389	0.48	\$1,627
Feb-07	4,210	1.0106	4,255	0.48	\$2,042
Mar-07	3,538	1.0106	3,576	0.48	\$1,716
Apr-07	2,216	1.0106	2,239	0.48	\$1,075
May-07	1,108	1.0106	1,120	0.48	\$537
Jun-07	691	1.0106	698	0.48	\$335
Jul-07	3,227	1.0106	3,261	0.48	\$1,565
Aug-07	<u>1,439</u>	1.0106	<u>1,454</u>	0.48	<u>\$698</u>
Total	27,125		27,420		\$13,162

**Difference between margin owed to customer
 and amount received in the GSC**

<u>Description</u>	dollar amount
Amount Owed to Customer	\$13,162
Amount Actually Given in GSC Process	<u>\$23,738</u>
Amount Owed to Company	<u>\$10,576</u>

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 3
 Computation 21
 to PSC No. 16 - Gas

Rochester Gas and Electric Corporation
Reconciliation of Charges to SC3, SC5 and SC7
12 months ended August 31, 2007

ACTUAL				
collected from	<u>SC3/ SC7</u>	<u>SC 5</u>		Total
Balancing	\$ 360,233		n/a	\$ 360,233
PSC Transition Costs	<u>310,023</u>	<u>1,384,595</u>		<u>\$ 1,694,618</u>
	\$ 670,256	\$ 1,384,595		\$ 2,054,851
Passed back to SC#1 in GSC				<u>(1,774,372)</u>
Remaining amount owed to Customer				<u>\$ 280,479</u>

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 3A
Computation 21
to PSC No. 16 - Gas

**Computation of Balancing Revenues from SC3, 5 and 7
12 months ended August 31, 2007**

Month	Pre 11/1/96	Pre 11/1/96	Post 11/1/96	Post 11/1/96	SC 7 Dts Daily Balancing
	SC 3 Dts CSC	SC 3 Dts Daily Balancing	SC 3 Dts CSC	SC 3 Dts Daily Balancing	
Sep-06	390,430	408,561	32,625	2,595	0
Oct-06	502,506	627,092	37,643	8,584	0
Nov-06	523,127	707,394	36,824	8,085	0
Dec-06	613,236	825,942	42,336	9,685	0
Jan-07	729,755	989,490	49,641	13,387	103
Feb-07	698,703	1,070,485	51,051	16,114	901
Mar-07	639,053	910,096	46,598	12,352	1,339
Apr-07	520,313	747,320	39,513	15,293	1,343
May-07	380,122	469,771	34,735	5,943	1,300
Jun-07	375,180	354,702	35,735	4,423	1,188
Jul-07	399,791	346,546	39,006	4,795	1,182
Aug-07	<u>446,400</u>	<u>327,234</u>	<u>39,395</u>	<u>4,358</u>	<u>1,038</u>
Total	6,218,615	7,784,634	485,101	105,614	8,393

Month	SC3/SC7	Total	Total	Total
	Daily Balancing Rate/therm	SC#3 Daily Balancing	SC#7 Daily Balancing	Revenue Refunded to SC#1
Sep-06	\$0.004501	\$18,506	\$0.00	(\$26,303)
Oct-06	\$0.004536	\$28,834	\$0.00	(\$71,301)
Nov-06	\$0.004522	\$32,354	\$0.00	(\$132,169)
Dec-06	\$0.004540	\$37,937	\$0.00	(\$199,429)
Jan-07	\$0.004541	\$45,541	\$4.66	(\$241,330)
Feb-07	\$0.004556	\$49,505	\$41.04	(\$351,178)
Mar-07	\$0.004574	\$42,193	\$61.23	(\$303,359)
Apr-07	\$0.004604	\$35,111	\$61.81	(\$212,188)
May-07	\$0.004625	\$22,002	\$60.11	(\$114,334)
Jun-07	\$0.004608	\$16,548	\$54.73	(\$55,660)
Jul-07	\$0.004603	\$16,172	\$54.43	(\$33,691)
Aug-07	\$0.004599	<u>\$15,143</u>	<u>\$47.74</u>	<u>(\$33,430)</u>
		\$359,847	\$386	(\$1,774,372)

**Reconciliation of R&D Expenditures to Total Collected
For Calendar Year 2006**

	Total Collected
Jan-06	\$43,331
Feb-06	\$27,917
Mar-06	\$42,467
Apr-06	\$30,095
May-06	\$16,914
Jun-06	\$11,283
Jul-06	\$9,427
Aug-06	\$9,038
Sep-06	\$8,136
Oct-06	\$15,196
Nov-06	\$22,903
Dec-06	\$32,000
Total Collected in GSC	\$ 268,706

Total Collected for R&D	\$ 268,706
Total Spent on R&D	\$ 381,886
Total Amount Allowed	\$ 314,023
Total 2006 Amount to be collected	\$ 45,317

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 5
 Computation 21
 to PSC No. 16 - Gas

**Merchant Function Charge Reconciliation
 12 Months Ending December 31, 2006**

Total 2006 MFC Allowed Collections	\$ 9,135,817
Total MFC Revenues	\$ <u>10,705,872</u>
(Refund) / Surcharge MFC Collection	\$ (1,570,054)

2006 MFC Allowed Collections

Gas Supply Uncollectibles	\$ 4,302,487
Gas Inventory Carrying Charge	\$ 3,583,330
Gas Supply Procurement and Administrative	<u>\$1,250,000</u>
	\$ 9,135,817

Calculation of MFC Revenues:

Revenue		
Month		<u>MFC \$</u>
* Jan-06		\$777,991
Feb-06		\$1,644,314
Mar-06		\$1,757,612
Apr-06		\$1,275,064
May-06		\$652,400
Jun-06		\$376,893
Jul-06		\$257,601
Aug-06		\$236,084
Sep-06		\$171,066
Oct-06		\$465,180
Nov-06		\$856,734
Dec-06		\$1,329,777
** Jan-07		<u>\$905,157</u>

Total 2006 \$10,705,872

- * January revenues related to usage billed in January only
- ** December usage billed in January.

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 5
 Computation 21
 to PSC No. 16 - Gas

Calculation of Actual Gas Supply Uncollectibles

2006 Total Customer Billed Gas Revenues	\$393,111,024	
2006 Total Billed GSC Revenues	\$251,754,786	64.04% (a)

2006 gas uncollectible expense	\$7,058,334	
Less POR gas write-offs	<u>(\$340,070)</u>	
	\$6,718,264 (b)	

2006 GSC write-offs \$4,302,487.23 (a) * (b)

Gas Inventory Carrying Charge

<u>Month</u>	DTI <u>Inventory Balance</u> a/c 164102	Union and DSR <u>Inventory Balance</u> a/c 164100	<u>Total</u>
Jan-06	16,250,037	14,800,023	
Feb-06	9,920,672	7,096,015	
Mar-06	5,942,751	2,079,979	
Apr-06	7,344,844	4,220,630	
May-06	10,658,463	8,452,484	
Jun-06	13,606,417	12,212,377	
Jul-06	17,005,562	16,161,581	
Aug-06	20,886,282	20,629,972	
Sep-06	24,824,674	24,859,408	
Oct-06	26,402,789	26,777,455	
Nov-06	25,658,328	25,913,041	
Dec-06	19,919,677	21,962,270	
Average Balance	\$ 16,535,041	\$ 15,430,436	\$ 31,965,478
Before-Tax Carrying Cost Rate	<u>11.21%</u>	<u>11.21%</u>	<u>11.21%</u>
Gas Inventory Carrying Charge	<u>\$1,853,578.13</u>	<u>\$1,729,751.91</u>	<u>\$3,583,330.03</u>

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 7
 Computation 21
 to PSC No. 16 - Gas

Computation of the Over/ Under Collection of the 04-05 Annual Reconciliation

	<u>Amount Due</u> <u>from Customers</u>	
Jan-06	\$ 174,971	
Feb 06	\$ 236,041	
Mar 06	\$ 250,037	
Apr 06	\$ 180,200	
May 06	\$ 91,805	
Jun 06	\$ 52,876	
Jul 06	\$ 36,070	
Aug 06	\$ 33,378	
Sep 06	\$ 23,903	
Oct 06	\$ 64,239	
Nov 06	\$ 119,326	
Dec 06	<u>\$ 185,786</u>	
	\$ 1,448,632	Amount collected from customers
	<u>1,670,914</u>	Surcharge amount per filing
	<u>\$ 222,282</u>	Undercollection - Due Company

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 8
 Computation 21
 to PSC No. 16 - Gas

**Computation of Estimated Interest Applicable on Surcharge Principal
 January 2008 through December 2008**

Month	S.C. #1 Forecasted Therm Sales	Estimated Refund of Principal @ \$0.022454	Declining Principal			Interest On Average Balance*
			Beginning	Ending	Average	
Sep-07			\$6,468,154	\$6,468,154	\$6,468,154	\$29,107
Oct-07			\$6,468,154	\$6,468,154	\$6,468,154	\$29,107
Nov-07			\$6,468,154	\$6,468,154	\$6,468,154	\$29,107
Dec-07			\$6,468,154	\$6,468,154	\$6,468,154	\$29,107
Jan-08	48,071,580	\$1,079,408	\$6,468,154	\$5,388,746	\$5,928,450	\$27,221
Feb-08	50,758,450	\$1,139,739	\$5,388,746	\$4,249,007	\$4,818,877	\$22,127
Mar-08	43,930,450	\$986,422	\$4,249,007	\$3,262,585	\$3,755,796	\$17,245
Apr-08	32,136,710	\$721,604	\$3,262,585	\$2,540,981	\$2,901,783	\$13,324
May-08	19,794,370	\$444,466	\$2,540,981	\$2,096,515	\$2,318,748	\$10,647
Jun-08	8,773,760	\$197,008	\$2,096,515	\$1,899,507	\$1,998,011	\$9,174
Jul-08	6,050,090	\$135,850	\$1,899,507	\$1,763,657	\$1,831,582	\$8,410
Aug-08	5,375,040	\$120,692	\$1,763,657	\$1,642,965	\$1,703,311	\$7,821
Sep-08	5,773,790	\$129,646	\$1,642,965	\$1,513,319	\$1,578,142	\$7,246
Oct-08	11,547,560	\$259,291	\$1,513,319	\$1,254,028	\$1,383,674	\$6,353
Nov-08	22,207,700	\$498,656	\$1,254,028	\$755,373	\$1,004,700	\$4,613
Dec-08	<u>33,640,620</u>	<u>\$755,373</u>	\$755,373	\$0	\$377,686	\$1,734
TOTAL	288,060,120	\$6,468,154				<u>\$252,344</u>

	1/06-12/06	1/07-12/07	1/08-12/08
*Interest Rates:	4.75%	5.40%	5.51%
Monthly	0.3958%	0.4500%	0.4592%

ROCHESTER GAS AND ELECTRIC CORPORATION

Exhibit 9
 Computation 21
 to PSC No. 16 - Gas

LOSS FACTOR CALCULATION
(Volumes in dekatherms)

	Total CG Throughput (CNG & EMP Deliveries)	Local Purchases (Big Tree & GFS)	Total System Deliveries (Calendar Month)	SC1 Retail Sales	SC 3, 5 Sales & 7	Company Use	Total Sent Out (Billing Month)	Loss Rate
Gas Year:								
9/02-8/03	57,124,379	58,469	57,182,848	30,124,397	25,984,716	230,699	56,339,811	0.014743
9/03-8/04	54,636,578	56,633	54,693,211	29,086,859	24,759,714	142,261	53,988,834	0.012879
9/04-8/05	53,637,220	49,505	53,686,725	28,843,840	24,379,728	138,480	53,362,049	0.006048
9/05-8/06	48,453,623	235,070	48,688,693	25,906,793	22,053,094	116,904	48,076,791	0.012568
9/06-8/07	50,601,273	169,003	50,770,276	27,772,646	21,843,067	76,721	49,692,433	0.021230

Three Year Average Loss Rate	0.0133
Conversion to Factor of Adjustment	1.0135
Allowed Factor of Adjustment	1.0106
Allowed Factor Converted to Loss Rate	0.01049
Plus 5%	0.0110
Minus 5%	0.0100
Factor of Adjustment Upper Range	1.01114
Factor of Adjustment Lower Range	1.01006