

Mark O. Marini Director - Regulatory

February 28, 2012

VIA ELECTRONIC FILING

Honorable Jaclyn A. Brilling, Secretary New York State Public Service Commission Three Empire State Plaza Albany, NY 12223-1350

Re: Case Nos. 02-E-0198, 02-G-0199, 09-E-0716, and 09-G-0717

Rochester Gas and Electric Corporation's Annual Report of its Economic

Development Plan for 2011

Dear Secretary Brilling:

Pursuant to the New York State Public Service Commission's ("PSC" or "Commission") Order Establishing Rate Plan, issued and effective September 21, 2010 (the "JP Order"), in Case Nos. 09-E-0716 and 09-G-0717, Rochester Gas and Electric Corporation ("RG&E" or the "Company") respectfully submits its Annual Report of its Electric and Gas Economic Development Plan for 2011 (the "Report"). As approved by the JP Order, this report of annual incentives is submitted in accordance with Section XI.N of the Joint Proposal, which incorporates prior Commission Orders that address economic development, except as modified by the Joint Proposal.

The JP Order approved changes to economic development funding to reduce the annual funding included in the delivery revenue requirement to \$4.985 million per year for electric and gas.

Electric Rate Incentives: \$1.163 million Electric Non-Rate Assistance: \$3.6 million

Gas Rate Incentives: \$122,000 Gas Non-Rate Assistance: \$100,000

89 East Avenue, Rochester, NY 14649-0001 Telephone 585.771.4692, Cell 585.750.1666 Mark_Marini@rge.com The Commission's <u>Order Modifying and Approving Economic Development Plan in Part and Providing For Further Procedures</u>, issued and effective June 2, 2004 in Case Nos. 02-E-0198 and 02-G-0199 (the "June Order"), provided the Guidelines for the Economic Development Reports in Appendix A of the June Order.

Electric

The Company is providing its review of the Economic Development Zone ("EDZ")¹, the Empire Zone Rate ("EZR"), and the Incremental Load Rate ("ILR") incentives, as well as the evaluation of the Non-Rate Assistance Program and Flex Rate Contracts for 2011.

Rate Incentives

RG&E offers two electric rate incentives to businesses who are Empire Zone certified by New York State. The EDZ rate is a grandfathered electricity rate applicable to customers who were Empire Zone certified *prior to January 1, 2005*. For businesses that are Empire Zone certified *after January 1, 2005 up to June 30, 2010*, RG&E offers an EZR, which provides a discount on the delivery portion of the bill. (Note: According to Empire State Development, the Empire Zone Program officially concluded on June 30, 2010.)

The JP Order approved new delivery rates for EZR and ILR. The ILR incentive provides a discount on the delivery portion of the customer's bill. This rate is available to customers who meet certain growth criteria for this program and are classified under certain SIC codes.

Please refer to Attachment A for additional details of RG&E's review for customers enrolled in the EDZ, EZR and ILR rate incentive programs.

Flex Rate Contracts

During 2011 there were no Flex Rate Contracts in effect.

Non-Rate Assistance

Please refer to Attachment B for a progress and activity report of the Non-Rate Assistance distributed during 2011.

In 2011, 39 applications were processed for grant assistance under RG&E's non-rate assistance programs. Approximately \$3.4 million in RG&E assistance will contribute to approximately \$141 million in capital investment by customers and approximately 6,200 kilowatts of expected new electric load. Individual projects are monitored through

¹ On 1/1/05, RG&E revised its rates for customers with Empire Zone certificates that have an eligibility date of 01/01/05 or later and is referred to as the Empire Zone Rate ("EZR"). Customers with Empire Zone certificates prior to 01/01/05 are not affected, as long as their zone certificate remains valid.

RG&E's application process to ensure achievement of program eligibility requirements.

It should be noted that these statistics reflect projects at different stages of completion. Consequently, for a multi-year project, a portion of RG&E assistance may have been either initiated or completed in 2011 and the amounts stated above do not reflect the total amount of assistance. These situations are identified in Attachment B.

In addition to the above benefits, the applicants have reported that these investments will create or retain over 2,875 jobs. It is noted that although job numbers were identified by applicants during the application process, achievement of employment targets is not a requirement for eligibility under RG&E's non-rate assistance programs. Therefore, job verification is not performed by RG&E.

Gas

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

Rate Incentives

In accordance with the JP Order, the Company discontinued the availability of the GZR to new customers effective September 26, 2010. Existing GZR customers are permitted to receive incentives for the remaining term of their Empire zone certification. The GEZ rate is a grandfathered gas delivery rate applicable to customers who were Empire Zone certified *prior to January 1*, 2005.

Please refer to Attachment A for additional details of RG&E's review of the GEZ and GZR incentive programs.

Non-Rate Assistance

Through December 31, 2011, no gas infrastructure assistance was awarded in the Prime Site Utility Infrastructure or the Brownfield/Building Redevelopment Programs..

Conclusion

Electric

In summary, the following table provides the total amount of electric economic incentive rate, non-rate assistance, and flex rate discounts for the calendar year 2011.

Incentive Type (Electric)	2011 Incentive Amount
EDZ	\$1,051,800
EZR	\$271,000
ILR	\$5,700
Flex Rates	[\$]
Non-Rate Program	\$3,355,000
Total	[\$]

Gas

The table below summarizes the total dollars for the calendar year 2011 attributed to RG&E's Gas GEZ and GZR discounts.

Incentive Type (Gas)	2011 Incentive Amount
GEZ	\$7,300
GZR	\$44,100
Total	\$51,400

Finally, the Company is not recommending any changes to its Economic Development programs at this time. Please direct any questions pertaining to this filing to Joe Rizzo (585) 724-8165 or me at (585) 771-4692.

Respectfully submitted,

Mark O Marini
Director, Regulatory

Attachment

ROCHESTER GAS AND ELECTRIC CORPORATION 2011 Summary of Electric Economic Rate Incentives Empire Zone Electric Rate Discount Program (EDZ-Grandfathered Rate)

Intent:

- To support the attraction of new business to RG&E service territory
- To support the expansion efforts of existing businesses

Eligibility Criteria:

- Business must be certified by New York State Empire Zones Program
- Customer must be served under Service Classification Nos. 2, 3, 7, 8 or 9
- Customer must increase their demand or annual energy usage by 25%
- Usage must be measured by RG&E approved metering or submetering

Term of EDZ Rate:

- The EDZ bundled rate (energy and delivery combined) was grandfathered in PSC Case 02-E-0198 issued and effective December 24, 2004.
- This rate is available to customers whose Empire Zone certification is dated *prior* to January 1, 2005.

Discount Term:

• 10 years from date of NYS Certificate of Eligibility as long as certificate remains valid

•	Total number of customers (accounts)	64
•	New customers (accounts) in 2011	0
•	Number of customers whose 10-year term ended	11
•	Number of customers removed from program	
	(moved out of zone, decertified, switched to an ESCO)	3
•	Annual discount kWh	25,968,949
•	Annual discount revenue	\$1,051,768

ROCHESTER GAS AND ELECTRIC CORPORATION 2011 Summary of Electric Economic Rate Incentives Empire Zone Electric Rate Discount Program (EZR)

Intent:

- To support the attraction of new business to RG&E service territory
- To support the expansion efforts of existing businesses

Eligibility Criteria:

- Business must be certified by New York State Empire Zones Program
- Customer must be served under Service Classification Nos. 3, 7, 8 or 9
- Customer must increase their demand or annual energy usage by 25%
- Usage must be measured by RG&E approved metering or submetering

Term of EZR Rate:

- The EZR rate provides a discount on delivery only
- This rate is available to customers whose Empire Zone certification is dated *after* January 1, 2005.

Discount Term:

• 10 years from date of NYS Certificate of Eligibility as long as certificate remains valid

•	Total number of customers (accounts)	68
•	New customers (accounts) in 2011	3
•	Number of customers whose 10-year term ended	0
•	Number of customers removed from program	
	(moved out of zone, decertified)	7
•	Annual discount kWh	12,898,035
•	Annual discount revenue	\$271.024

ROCHESTER GAS AND ELECTRIC CORPORATION 2011 Summary of Electric Economic Rate Incentives Incremental Load Rate (ILR)

Intent:

- To support the attraction of new business to RG&E service territory
- To support the expansion efforts of existing businesses

Eligibility Criteria:

- Customer must be served under Service Classification Nos. 3, 7, 8 or 9
- Customer must add at least 25 kW of demand to the Company's system by
 - a) constructing a new facility
 - b) expanding an existing facility
 - c) adding facilities or equipment to an existing site
 - d) adding facilities through the redevelopment of an existing site which has been vacant for at least six months
- Participation is targeted to prospective or existing customers with specific SIC codes
- Usage must be measured by RG&E approved metering or submetering
- No new customers can be added to this program after December 30, 2012

Term of ILR Rate:

- The ILR provides a discount on delivery only
- Customers are eligible for a four-year term

•	Total number of customers (accounts)	U
•	New customers (accounts) in 2011	0
•	Number of customers removed from program	1
•	Annual ILR discount kWh	520,920
•	Annual discount revenue	\$5,663

ROCHESTER GAS AND ELECTRIC CORPORATION

2011 Summary of Gas Economic Rate Incentives Empire Zone Gas Rate Discount Program (GEZ-Grandfathered Rate)

Intent:

- To support the attraction of new business to RG&E service territory
- To support the expansion efforts of existing businesses

Eligibility Criteria:

- Business must be certified by New York State Empire Zones Program
- Customer must be served under Service Classification No. 1, 3 or 5
- Customer must permanently increase their annual energy usage by 25%
- Usage must be measured by RG&E approved metering or submetering

Term of GEZ Rate:

- The GEZ delivery rate was grandfathered in PSC Case 02-E-0198 issued and effective December 24, 2004.
- This rate is available to customers whose Empire Zone certification is dated *prior* to January 1, 2005.

Discount Term:

• 10 years from date of NYS Certificate of Eligibility as long as certificate remains valid

•	Total number of customers (accounts)	25
•	New customers (accounts) in 2011	0
•	Number of customers whose 10-year term ended	5
•	Number of customers removed from program	
	(moved out of zone, decertified)	3
•	Annual discount therms	481,355
•	Annual discount revenue	\$7,321

ROCHESTER GAS AND ELECTRIC CORPORATION 2011 Summary of Gas Economic Rate Incentives Empire Zone Gas Rate Discount Program (GZR)

Intent:

- To support the attraction of new business to RG&E service territory
- To support the expansion efforts of existing businesses

Eligibility Criteria:

- Business must be certified by New York State Empire Zones Program
- Customer must be served under Service Classification No. 1, 3 or 5
- Customer must permanently increase their annual energy usage by adding new or additional equipment for process use rated at 1.0 therms per hour or more or additional equipment for space conditioning use rated at 2.5 therms per hour or more.
- Usage must be measured by RG&E approved metering or submetering

Term of GZR:

- The GZR delivery rate was approved in PSC Case Nos. 02-E-0198 and 02-G-0199.
- This rate is available to customers whose Empire Zone certification is dated *after* January 1, 2005.

Discount Term:

• 10 years from date of NYS Certificate of Eligibility as long as certificate remains valid

•	Total number of customers (accounts)	70
•	New customers (accounts) in 2011	2
•	Number of customers whose 10-year term ended	0
•	Number of customers removed from program	
	(moved out of zone, decertified)	4
•	Annual discount therms	2,261,115
•	Annual discount revenue	\$44,129

ROCHESTER GAS AND ELECTRIC CORPORATION 2011 SUMMARY OF NON-RATE ASSISTANCE PROJECTS - ELECTRIC (As of December 31, 2011)

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
Brownfield/Building Redevelopment Program (Up to \$500,000 per project)	Company A	\$252,800	\$4,000,000	N/A	 Central NY Region (Monroe County) Business services -Office redevelopment Projected jobs: 12 new, 129 retained Incremental electric load N/A under this funding program Final grant assistance, project completed
	Company B	\$21,000*	\$2,300,000	N/A	 Central NY Region (Monroe County) Manufacturing facility expansion for alternative fuels, railroad and transportation sectors Projected 40 new jobs in next 3 years and 250 jobs retained Incremental electric load N/A under this funding program Final grant assistance, project completed
	Company C	\$178,300	\$1,800,000	N/A	 Central NY Region (Ontario County) Extrusion manufacturing facility relocation Projected jobs: 5 new, 20 retained Incremental electric load N/A under this funding program Final grant assistance, project completed
	Company D	\$96,700	\$2,500,000	N/A	 Central NY Region (Monroe County) Wholesale trade non-durable goods Projected jobs: 5 new, 50 retained Incremental electric load N/A under this funding program Final grant assistance, project completed

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
	Company E	\$42,500	\$2,011,000	N/A	 Central NY Region (Monroe County) Manufacturing Projected jobs: 12 new, 2 retained Incremental electric load N/A under this funding program Final grant assistance, project completed
	Company F	\$250,000	\$14,000,000	N/A	 Central NY Region (Monroe County) Business services Projected jobs: 24 new, 276 retained Incremental electric load N/A under this funding program Final grant assistance, project completed
Program Total		\$841,300	\$26,611,000	N/A	
Utility Infrastructure Investment Program (Up to \$400,000 per project)		\$0	\$0	kW	*
Program Total		\$0	\$0	kW	
Capital Investment Incentive Program (Up to \$300,000 per project)	Company G	\$224,600	\$5,700,000	100kW	 Central NY Region (Monroe County) Business services - office/flex Projected jobs: 20 new, 81 retained Final grant assistance, project completed
	Company H	\$159,300	\$2,000,000	350kW	 Central NY Region (Monroe County) Manufacturing business expansion project Projected jobs: 30 new, 200 retained Final grant assistance, project completed

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
	Company I	\$144,000	\$9,100,000	100 kW	 Central NY Region (Ontario County) Regional warehouse Projected jobs: no. of new jobs evolving over time, 203 jobs retained Final grant assistance, project completed
	Company J	\$62,000	\$1,320,000	120 kW	 Central NY Region (Monroe County) Data Center – National Headquarters Projected 20 new jobs, 40 jobs retained Final grant assistance, project completed
	Company K	\$142,100*	\$24,000,000	950 kW	 Central NY Region (Monroe County) Business services/distribution expansion Projected 950 new jobs Final grant assistance, project completed
	Company L	\$135,100	\$6,000,000	100kW	 Central NY Region (Wayne County) Wholesale trade non-durable goods Projected jobs: 15 new, 25 retained Final grant assistance, project completed
	Company M	\$10,400*	\$6,200,000	3,700 kW	 Central NY Region (Monroe County) Manufacturing facility expansion for new auto shredder Projected 5 new jobs, 7 jobs retained Final grant assistance, project completed
	Company N	\$29,000	\$1,440,000	136kW	 Central NY Region (Monroe County) Manufacturing Projected jobs: 3 new Final grant assistance, project completed

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
	Company O	\$161,100	\$4,000,000	100kW	 Central NY Region (Wayne County) Wholesale trade non-durable goods Projected jobs: 3 new, 5 retained Final grant assistance, project completed
	Company P	\$300,000	\$31,000,000	100kW	 Central NY Region (Monroe County) Real estate Projected jobs: 250 construction Final grant assistance, project completed
	Company Q	\$300,000	\$4,000,000	100kW	 Central NY Region (Ontario County) Manufacturing optical components Projected jobs: 66 new, 150 retained Final grant assistance, project completed
	Company R	\$300,000	\$14,000,000	250kW	 Central NY Region (Monroe County) Manufacturing chemicals Projected jobs: 15 new, 165 retained Final grant assistance, project completed
	Company S	\$82,300	\$1,700,000	100kW	 Central NY Region (Wayne County) Wholesale trade non-durable goods Projected jobs: 1.5 FTE's Final grant assistance, project completed
Program Total		\$2,049,900	\$110,460,000	6,206W	
Business Energy Efficiency Assistance Program	Company T	\$50,000	\$512,000	N/A	 Central NY Region (Monroe County) Manufacturing expansion Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
	Company U	\$20,000*	\$0.00	N/A	 Central NY Region (Monroe County) Major gear manufacturer Energy efficiency assistance for study only Partial grant assistance, assistance for actual implementation of measures expected in 2012/2013
	Company V	\$50,000	\$827,000	N/A	 Central NY Region (Monroe County) Business Services Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed
	Company W	\$10,700	\$150,000	N/A	 Central NY Region (Monroe County) Regional warehouse Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed
	Company X	\$11,600	\$285,000	N/A	 Central NY Region (Monroe County) Business services/distribution expansion Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed
	Company Y	\$17,800	\$200,000	N/A	 Central NY Region (Monroe County) Business Services Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
	Company Z	\$18,600	\$200,000	N/A	 Central NY Region (Monroe County) Business Services Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed
	Company AA	\$18,900	\$200,000	N/A	 Central NY Region (Monroe County) Business Services Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed
	Company BB	\$15,800	\$200,000	N/A	 Central NY Region (Monroe County) Business Services Energy efficiency assistance for implementation of energy saving measures Final grant assistance, project completed
	Company CC	\$54,500	\$1,065,000	N/A	 Central NY Region (Monroe County) Business Services/Health Care Energy efficiency assistance for study and implementation of energy saving measures Final grant assistance, project completed
	Company DD*	\$8,700	\$52,300	N/A	 Central NY Region (Monroe County) Business Services/Health Care Energy efficiency assistance for study and implementation of energy saving measures Partial assistance, remainder expected in 2012/2013
	Company EE	\$6,600	\$39,400	N/A	 Central NY Region (Ontario County) Manufacturing Energy efficiency assistance Final grant assistance, project completed

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
	Company FF	\$25,600	\$128,000	N/A	 Central NY Region (Monroe County) Manufacturing Energy efficiency assistance Final grant assistance, project completed
	Company GG	\$4,400	\$0.00	N/A	 Central NY Region (Monroe County) Manufacturing Energy efficiency assistance for study only Final grant assistance, project completed
	Company HH*	\$1,000	\$115,000	N/A	 Central NY Region (Monroe County) Manufacturing Energy efficiency assistance for study Partial grant assistance, remainder expected in 2012
	Company II*	\$1,400	\$168,000	N/A	 Central NY Region (Monroe County) Manufacturing Energy efficiency assistance for study Partial grant assistance, remainder expected in 2012
	Company JJ*	\$1,300	\$91,000	N/A	 Central NY Region (Monroe County) Manufacturing Energy efficiency assistance for study Partial grant assistance, remainder expected in 2012
Program Total		\$316,900	\$4,232,700	N/A	

^{*} Projects Receiving Multi-Year Funding Assistance

Program Category	Company/ Organization	Grant Award (\$)	Capital Investment (\$)	Projected Incremental Load	Rationale for Grant Award/Progress
Economic Development Outreach Program (Up to \$50,000 per project)	Organization KK	\$50,000	N/A	N/A	 Central NY Region (Monroe County) Marketing assistance to regional economic development organization for attracting new business to the region Final assistance, project completed
	Organization LL	\$32,400	N/A	N/A	 Central NY Region (Monroe County) Marketing assistance to regional economic development organization for attracting new business to the region Final assistance, project completed
Program Total		\$82,400	N/A	N/A	
Power Quality/Reliability Program (Up to \$50,000)	Organization MM	\$50,000	N/A	N/A	 Central NY Region (Monroe County) Business Services-Health Care Assistance for power quality/reliability Final assistance, project completed
Program Total		\$50,000	N/A	N/A	
Targeted Financial Assistance Program (Up to \$1,500,000 over three years per project)		\$0	\$0	kW	*
Program Total		\$0	\$0	kW	
Website Investment / Marketing Program		\$14,500	N/A	N/A	* "Look UpState NY" web portal enhancements and related marketing activities
Program Total		\$14,500	N/A	N/A	
Total All Programs		\$3,355,000	\$141,303,700	6,206kW	

^{*} Projects Receiving Multi-Year Funding Assistance