BEFORE THE
NEW YORK STATE
PUBLIC SERVICE COMMISSION

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Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Electric Service	Case 09-E- ____
Proceeding on Motion of the Commission as to the Rates, Charges, Rules and Regulations of Rochester Gas and Electric Corporation for Gas Service	Case 09-G- ____

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DIRECT TESTIMONY OF THE DELIVERY RATE DESIGN PANEL

James Lahtinen
Mark Marini
Christine Stratakos

January 27, 2009

DELIVERY RATE DESIGN PANEL

Q. Please state the names of the members on this Delivery Rate Design Panel (the "Panel") on behalf of Rochester Gas and Electric Corporation ("RG&E" or "the Company").

A. We are James Lahtinen, Mark Marini and Christine Stratakos.

Q. Mr. Lahtinen, please state your current position and business address.

A. I am Vice President, Rates and Regulatory Economics of RG&E and New York State Electric & Gas Corporation ("NYSEG," collectively with RG&E, "the Companies"). My business address is RG&E, 89 East Avenue, Rochester, New York 14649.

Q. Please summarize your educational background and work experience.

A. I graduated from the State University of Plattsburgh with a B.A. degree in Economics. I also earned an M.A. in Economics from the State University of New York at Albany. In my present position at NYSEG and RG&E, I am responsible for all aspects of rate regulation. Before joining RG&E, I was employed by Duquesne Light Company ("Duquesne") and one of its affiliates for 11 years. At Duquesne, I held the positions of Manager, Transmission Services (1991-1996), General Manager - Rates and Regulatory Analysis (1996-1999), and Vice President - Rates (2001-2002). From 1999-2001, I also held the position of Vice President - Rates and Regulatory Affairs at AquaSource, Inc., an affiliate of Duquesne. I was an economic consultant for Bower Rohr & Associates from 1989-1991. From 1984-1989, I served as Director - Economic and Regulatory Analysis at Central Vermont Public Service. Before entering the private sector, I was employed by the New York State Department of Public Service from 1979-1984 and held the position of Principal Economist. From 1977-1979, I was an Economist at the New York State Consumer Protection Board.

Q. Have you previously testified in other proceedings before the New York State Public Service Commission ("PSC" or the "Commission") or any other state or federal regulatory agency or court?

A. I have testified on several occasions before the Commission, including Cases 02-E-0198, 02-G-0199, 05-E-1222, 07-E-0479 and 07-M-0906. In addition, I have testified before regulatory commissions in Pennsylvania, New Jersey, Vermont, Connecticut, Indiana, the District of Columbia and the Federal Energy Regulatory Commission.

Q. Mr. Marini, please state your current position and business address.

A. I am Manager of Regulatory and Tariffs in the Rates and Regulatory Economics Department for NYSEG and RG&E. My business address is RG&E, 89 East Avenue, Rochester, New York 14649.

Q. Please summarize your educational background and work experience.

A. I graduated from Rochester Institute of Technology with a B.S. degree in Applied Mathematics. In my present position at RG&E, I am responsible for regulatory and tariff related issues for NYSEG and RG&E. I was hired by RG&E in June 1985. My responsibilities have involved rates and regulatory areas, including electric and gas pricing, development and preparation of cost of service studies (both embedded and marginal), load research, revenue allocation, rate design, tariff design, analysis and administration, and participation in regulatory proceedings. During my tenure, I have increasingly gained supervisory and management responsibilities.

Q. Have you previously testified in other proceedings before the Commission or any other state or federal regulatory agency or court?

A. I have testified on several occasions before the Commission. Most recently, I testified in Cases 03-E-0765 and 03-G-0766, Case 05-E-1222 and Case 07-M-0906.

Q. Mrs. Stratakos, please state your current position and business address.

A. I am Manager of Pricing & Analysis in the Rates and Regulatory Economics Department for NYSEG and RG&E. My business address is NYSEG, 18 Link Drive, P.O. Box 5224, Binghamton, New York 13902-5224.

Q. Please summarize your educational background and work experience.

A. I graduated from Cornell University, with a B.S. degree in Natural Resources. I also earned an M.B.A. from Syracuse University. I have been employed by NYSEG for 32 years, the last 28 of which have been in the rate and regulatory area, with increasing supervisory and management responsibilities. My responsibilities have involved rate and regulatory areas, including electric and gas pricing, development and preparation of cost of service studies (both embedded and marginal), revenue allocation, rate design, tariff design, analysis and administration, and participation in regulatory proceedings. In my current position, I am primarily responsible for cost of service and rate-related issues for both NYSEG and RG&E.

Q. Have you previously testified in other proceedings before the Commission or any other state or federal regulatory agency or court?

A. I have presented testimony before the Federal Energy Regulatory Commission and I have testified on several occasions before the Commission, including Cases 01-E-0359, 05-E-1222, 07-E-0479 and 07-M-0906.

Q. What is the overall purpose of the Panel's testimony?

A. The primary purpose of this testimony is to present the Company's electric and gas delivery revenue allocation and rate design proposals. These proposals are designed to recover the revenue increases that are supported by the Revenue Requirements Panel. For electric service, the proposed delivery rates[1] are designed to produce an overall revenue increase of $65,582,000 (excluding revenue taxes) or 11.1% of total electric revenues or 24.2% of total electric delivery revenues, effective March 1, 2009. For gas service, the proposed delivery rates are designed to produce an overall revenue increase of $32,777,000 (excluding revenue taxes) or 5.0% of total gas revenues or 23.8% of total gas delivery revenues, effective March 1, 2009. We reiterate the Company's commitment to energy efficiency programs and propose ways for the Company to move forward with such programs. We also set forth proposals for electric and

[1] The Company's commodity program is not addressed in this filing. The Company will address such program in a March 1, 2009 filing in compliance with the Commission's January 20, 2009 Order Establishing Filing Requirements in Cases 07-E-0479 and 03-E-0765.

gas revenue decoupling mechanisms ("RDM"). We will then describe the Company's approach for this proceeding. As the Policy Panel testifies, immediate rate relief is necessary to address the severe financial pressures facing the Company resulting from a combination of the high cost of capital, low liquidity and deteriorating overall financial performance. As such, the Company is seeking a Commission decision on revenue requirement matters only on an expedited basis with non-revenue requirement matters addressed in a second, subsequent Commission decision. By May 29, 2009, the Company will submit the results of its embedded and marginal cost of service studies to support any adjustments to the service class revenue allocations and any necessary rate design changes, along with supporting testimony. Those studies will also provide the justification for unbundled rate design for competitive services. In addition, the Company will: a) provide targets, developed from the rate design from the non-revenue requirement portion of this proceeding, necessary to implement the electric and gas RDMs (to become effective at the same time as final rate design); b) propose any updates to unbundled rates for competitive services; c) propose modifications to the development and application of the Bill Issuance and Payment Processing charge ("BIPP"); d) present any proposed changes to the Company's existing economic development programs; e) address revenue allocation and rate design impacts of any changes to low income programs; and f) discuss the Company's consideration of rate design changes for the Company's gas rates for distributed generation pursuant to the Commission's June 20, 2007 Order Approved As Recommended and So Ordered in Case 02-M-0515.

Q. Is this Panel sponsoring any exhibits?

A. Yes. Exhibit __ (RGEDRDP-1) contains four schedules related to the Company's electric delivery rate filing. Schedule A provides a list of the service classifications, kWh, forecast revenues at existing rates, proposed delivery rate increase, and forecast revenues at the proposed rates. Schedule B shows the present and proposed rates for each service classification. Schedule C provides bill comparisons for all standard service classifications, showing the impact of the proposed rate increase on the overall bill of customers. Finally, Schedule D sets forth bill comparisons, showing the impact of the proposed rate increase on the delivery bill of customers. Exhibit __ (RGEDRDP-2) provides a similar set of schedules for the proposed gas rates.

THE COMPANY'S PROPOSED RATES

Q. How were the Company's proposed rates developed?

A. The Company's proposed delivery rates to be effective March 1, 2009 for both gas and electric delivery service were developed in the same manner. Based on the proposed delivery revenue requirement increase supported by the Revenue Requirements Panel, we calculated an overall percentage delivery increase by dividing the proposed delivery revenue requirement increase by the 2009 base delivery revenues calculated at existing rates for those units subject to the increase. We then applied that resulting percentage increase equally to the delivery rate components for each of the Company's affected service classifications. Exhibits __ (RGEDRDP-1) and __ (RGEDRDP-2) show, for electric and gas respectively, the resulting delivery increases by service class, list present and proposed rates by class, and provide bill comparisons for each class based on overall and delivery-only bills.

Q. Would you please generally describe the proposed delivery rate increase?

A. As shown on Schedule A of Exhibit __ (RGEDRDP-1), the overall proposed increase to the 2009 forecast base electric delivery revenues at current rates is 24.2%. However, because the rate increase does not apply to certain Power for Jobs ("PFJ") customer loads and special contract customers, the increases by service classification vary slightly. As shown on Schedule C of Exhibit __ (RGEDRDP-1), the proposed increase would result in an $8.80 increase per month on the bill of a typical (600 kWh) residential customer. As shown on Schedule A of Exhibit __ (RGEDRDP-2), the proposed increase to the 2009 forecast gas delivery revenues at current rates is 23.8%. As shown on Schedule C of Exhibit __ (RGEDRDP-2), the proposed increase would result in a $7.88 increase per month on the bill of a typical residential gas heating customer.

Q. Why did the Company design the proposed delivery rates based on an equal percentage increase basis?

A. As mentioned earlier, the Policy Panel testifies to the need for immediate rate relief as a result of the financial crisis and the combination of negative events that have severely impacted the Company's short-term liquidity, access to the capital markets and financial performance. Applying an equal percentage increase to the delivery rate components permits an immediate rate increase to alleviate the acute financial pressures that the Company is facing, while ensuring that the existing relationships within classes and among classes are maintained until cost of service studies are completed by the Company. The Company will utilize the cost of service studies, to be filed as part of the non-revenue requirement portion of this proceeding, to determine whether class revenue allocations and/or rate re-design within service classifications are necessary for the proposed rates.

Q. Why is the Company proposing to not increase delivery rates for PFJ customers?

A. The Company's proposal to maintain the currently effective rates for PFJ customers is based on the expectation that there would be continued recovery of lost margins through the currently effective GRT credit. Should that mechanism no longer be adequate or available and if no other means of annual recovery of lost margins is established legislatively, the margins lost through PFJ service should be included in the lost revenue recovery mechanism to be established in the non-revenue requirement portion of this proceeding.

Q. Why doesn't the rate increase apply to special contract customers?

A. These customers are served under individually negotiated agreements, the provisions of which generally preclude such modifications during the term of the agreement.

ENERGY EFFICIENCY AND RDM

Q. Does the Company support economic energy efficiency programs?

A. Yes, it does.

Q. Please explain what actions the Company has taken regarding energy efficiency?

A. The Company has been an active participant in the Commission's Energy Efficiency Portfolio Standards ("EEPS") proceeding (Case 07-M-0548). It has actively participated in the proceeding's Working Groups I-VIII, various workshops, and plenary sessions since May 2007. In addition, the Company filed its gas fast track energy efficiency plan on August 22, 2008, reply comments on its gas fast track plan on January 7, 2009, and its electric energy efficiency plan on September 22, 2008. In the case of the gas fast track, the Company initially proposed to open the program to customers on October 1, 2008, within two months of filing the plan. The extended regulatory process for the gas track has deferred that start date; however, in the January 7 comments, the Company again offered to initiate the program on an accelerated basis, depending on the magnitude of the changes in scope that may be required by the Commission. The Company was the only utility to include the pursuit of ancillary gas savings in its September 22, or 90-day, electric plan to maximize energy efficiency savings. The Company also proposed an in-service date of June 2009 in that plan and issued requests for proposals in October 2008 in order to achieve that goal. This target date was based on a critical path assumption that Commission approval would occur in January 2009. When it became clear that this date would not be met, the Company suspended its competitive procurement process in November 2008.

Q. Is the Company offering to take additional actions here in order to expedite the implementation of energy efficiency programs in its service territory?

A. Yes. As part of the non-revenue requirement portion of this proceeding, the Company will provide changes to its 90-day plan to follow a model that will emphasize agility and responsiveness, in order to maximize savings, take advantage of emerging market and technological opportunities, and better accommodate changing customer demands for energy efficiency services and products. Rather than design programs to remain essentially unchanged for years at a time, this model will allow the Company to respond promptly when data demonstrates that changes would make programs more attractive to customers. It will also reduce the risk associated with testing program modifications and new options, by enabling the Company to build upon successful trials more rapidly, and to abandon less successful approaches more quickly. The key to this model's success will be strong partnerships with versatile implementation contractors, real-time learning, and flexible outreach and education and marketing. The overarching goal of these proposed changes is to provide our customers energy efficiency opportunities as quickly as possible.

Q. Hasn't the Commission in other cases indicated a preference to examine energy efficiency programs under the EEPS proceeding as opposed to individual rate case proceedings?

A. Yes. However, the orders in Case 07-M-0548 were issued before the Governor's State of the State address on January 7, 2009 where he clearly expressed a policy that energy efficiency and renewable investments should be given prominence in New York State's energy strategy. In addition, the focus of the EEPS proceeding is upon consistency. The Company believes that the ambitious energy efficiency objectives of New York State make statewide consistency and uniformity a high-risk strategy when applied universally and without exception. The proposed agile model is designed to provide an opportunity for constant learning and growth, which will allow successes to be leveraged by other utilities, and allow the Company to more easily and quickly accommodate lessons learned both within and outside the State. The Company is volunteering to develop and test this model to benefit both its customers, and New York State generally.

Q. Are there any costs from the proposed energy efficiency programs included in the revenue requirements you are seeking to recover through your proposed rate increase?

A. None other than the amounts already being collected through the System Benefits Charge.

DELIVERY RATE DESIGN PANEL

Q. Would you please provide a brief background regarding revenue decoupling as it relates to RG&E?

A. Yes. In April 2007, the Commission issued an Order Requiring Proposals for Revenue Decoupling Mechanisms in Case 03-E-0640 ("RDM Order"). In the RDM Order, the Commission stated that the purpose of an RDM is to "significantly reduce or eliminate any disincentives caused by the recovery of utility fixed costs via volumetric rates or marginal consumption blocks." The Commission found that such disincentives "may discourage utilities from actively promoting energy efficiency, renewable technologies and distributed generation" because utilities' revenues are directly tied to the throughput of electricity and gas sold on their system. Through the use of an RDM, the utility is protected from revenue losses that result from decreased sales due to efficiency, conservation, and other similar programs. Pursuant to its Order Authorizing Acquisition Subject to Conditions, issued January 6, 2009 in Case 07-M-0906, the Commission determined that the requirements for NYSEG and RG&E RDMs should be considered in the Companies' rate cases.

Q. What is the Company's RDM proposal?

A. While we address the rationale for and the general parameters of an RDM herein, the methodology and actual targets will be provided when the Company proposes its revenue allocation and rate design as part of the non-revenue requirement portion of this proceeding.

DELIVERY RATE DESIGN PANEL

Q. Could you describe the general parameters for the Company's electric and gas RDMs?

A. The Company proposes to use a consistent methodology for both the gas and electric RDMs. At least in the near term, the RDM would be applicable to all residential customers and to a vast majority of the non-residential customers. To the extent that rates for large commercial and industrial customers are modified over time such that fixed delivery costs are collected from a fixed rate component, the exclusion of such customers from an RDM could be reconsidered. The RDMs would include an annual reconciliation unless the accrued adjustment became too large during the year. In that case, the Company would implement an interim credit or surcharge. The RDMs would also include an annual indexing of targets to avoid the need for frequent rate filings to recover general increases in delivery costs.

Q. You mention that the RDM would apply to a "vast majority" of the non-residential customers. Which classes would be excluded from the RDM?

A. Generally speaking, it is important that the RDM be broadly applied in order to stabilize rate impacts. However, the Company proposes to exclude 1) service classes that serve customers on an interruptible basis; 2) service classes that serve customers through individual service agreements; and 3) standby customers. Certain service classifications may be grouped into categories for the purpose of setting RDM targets and reconciliation ("RDM Service Groups").

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Q. What is the Company's rationale for creating RDM Service Groups?

A. One of the Commission's stated criteria for RDMs is that the mechanism should not, in and of itself, produce inter-class revenue re-allocation. RDM Service Groups are consistent with this criterion. At the same time, however, an RDM should be designed to mitigate the potential for significant price volatility due to major unanticipated changes, especially in a service class with a relatively small number of customers. An example of such a change would be the addition of a new, large customer into a small class. Additionally, there are cases in which the Company's tariff allows customers to switch between service classes. The RDM should be designed to consider the potential impact of such switching so as to avoid unintended rate consequences.

Q. Would the Company include an annual index of RDM targets?

A. Yes. The RDMs would provide for an automatic "true-up" mechanism (i.e., either a credit or surcharge) that adjusts rates between rate cases based on the over- or under-recovery of the established targets. However, the RDM design must also enable the maintenance of reliable service. It should not be designed in a way that all but guarantees that utilities will suffer revenue insufficiency unless they file a rate case on an annual basis to recover inflationary cost increases. To the extent that the RDM revenue adjustments more closely track changes in delivery service costs, there would be less need for regular time-consuming and costly rate cases in the future. In the long run, the primary drivers of the utilities' delivery costs stem from increased demand for electricity/gas service and the impact of inflation on the utilities' cost structure. Increases in demand ultimately stress the infrastructure and necessitate significant investment in pipes, wires, substations and so forth. In the short run, or between rate cases, the primary drivers of the utilities' delivery costs are created by inflationary cost pressures and potential increases in customers. Currently, the Company is able to capture revenues based on average rates in effect at the time system load and the number of customers increase between rate cases. This captured "growth" revenue helps to offset short-run cost increases during the "regulatory lag" between rate cases. With the implementation of an RDM mechanism, these "growth" revenue increases are significantly reduced, but cost increases continue. Therefore, to ensure that an RDM functions in the intended way, it must address the impacts associated with these short-run cost drivers. RG&E strongly believes that in order to appropriately cover inflationary costs, largely outside the Company's control, RDM targets should be subject to an annual adjustment.

Q. Does the Company's RDM proposal include any other parameters?

A. Yes. As mentioned above, major changes in customer classes can cause volatility in the RDM rate reconciliation amounts. One of those changes is the change in or expiration of special contracts. Such changes should not result in automatic increases or decreases to the rates of other customers within a particular RDM Service Group during the next reconciliation. The Company therefore proposes to adjust the RDM targets for a particular RDM Service Group to reflect significant changes in special contracts. Additionally, if for any reason a RDM Service

Group no longer has any customers, the RDM target for that discontinued group, plus any excess or shortfall, would be reallocated to the remaining RDM Service Groups to provide for equitable treatment of RDM deficiencies or surpluses from the discontinued RDM Service Group.

Q. Would the Company propose that such changes require a filing with the Commission?

A. Yes. Before a change to a RDM target would be made, the Company would file notification of the change 30 days prior to the effective date.

Q. Does the Company support an extension of the RDM to electric commodity revenues?

A. No, it does not. The RDM should not extend to electric commodity revenues for three reasons. First, the economics of the commodity and delivery businesses are fundamentally different in that commodity costs are predominantly variable for the Company, while delivery costs are predominantly fixed. The issue that the RDM is designed to address is that the delivery rate collects a substantial portion of the fixed delivery costs through volumetric charges. Therefore, incremental usage results in significant contributions to fixed cost recovery. The Company's fixed price commodity programs (the "FPO") do not share this attribute. Supply costs are almost entirely variable for the Company. Changes in usage by FPO customers can cause the Company to incur expense through purchases of power at market prices. Therefore, the economics of the delivery business and the commodity business are fundamentally different. Second, contrary to the

Commission's statement in the January 20, 2009 Order Establishing Filing Requirements in Cases 07-E-0479 and 03-E-0765, the Company does not see an incentive to increase sales of electricity under its FPO commodity program. Increased usage by customers above forecasts creates actual costs to the Company, especially during on-peak periods when the procurement of power in the wholesale markets occurs at prices that likely exceed the retail fixed price charged to the customer. Third, an RDM would be inappropriate for the FPO because of the other program design features. The design of the Company's commodity program requires that the customer affirmatively elect a fixed price from the Company during a two-month enrollment period. For 2008, only approximately 16% of the RG&E load was taking service under the FPO and customers had the freedom to switch to an energy service company ("ESCO") at any time during the one-year commodity period. These parameters of the commodity program create risk for the Company with no additional upside opportunity. In summary, the FPO does not run counter to the Commission's energy efficiency initiatives. The Company has no incentive to increase commodity sales because increased usage creates increased costs to be absorbed by the Company. The Company therefore proposes to limit the RDM to its delivery component of service due to the unique parameters of the FPO commodity program and the fundamentally different cost causation economics between delivery and commodity businesses.

NON-REVENUE REQUIREMENT MATTERS

Q. What items will be addressed in the non-revenue requirement portion of this proceeding?

A. As we mentioned earlier, by May 29, 2009, the Company intends to submit testimony and other support on non-revenue requirement matters including the following:

- The results of the unbundled, fully allocated Embedded Cost of Service ("ECOS") studies for electric and gas service;
- The results from the Marginal Cost of Service ("MCOS") studies for electric and gas service;
- Proposed modifications to the March 1, 2009 service class revenue allocations and rate design, if warranted;
- Updates to unbundled rates for Commission-designated competitive services (Supply Procurement, BIPP and Competitive Metering), an unbundled rate for electric Supply Procurement (Merchant Function Charge), and mechanisms for recovering lost revenues;
- Modification of the BIPP to a per-bill charge that is the same whether the customer is a single commodity service customer or a dual electric and gas commodity service customer;
- Methodology for establishing targets and resulting targets based on the service class rates, resulting from the non-revenue requirement portion of the proceeding, for the RDM mechanism;

- Any design changes to the Company's current economic development programs; and
- Revenue allocation and rate design impacts of any changes to low income programs.[2]

Q. Will the information presented in the non-revenue requirement portion of the proceeding alter the base delivery revenue requirements that are presented in this case?

A. No. Any proposed changes to service class revenues and rate design would be made in a manner that is consistent with the overall base delivery revenue requirements that are presented by the Revenue Requirements Panel. No changes to base delivery revenue requirements will result from the RDM proposal or any economic development program modifications. In short, the non-revenue requirement portion of the proceeding will not change the revenue requirements supported by the Revenue Requirements Panel.

Q. What is the purpose of the ECOS and MCOS studies?

A. Historically, RG&E has utilized the results of the ECOS and MCOS studies as guides for revenue allocation among the service classifications and rate design. Fully allocated and unbundled ECOS studies are required in response to the Statement of Policy on Unbundling and Order Directing Tariff Filings, issued August 25, 2004 by the Commission in Case 00-M-0504 (the "Unbundling Track"), which required utilities to file embedded cost studies in new rate

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[2] The Company will also review its suspension fees.

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proceedings and include proposed competitive service rates based on those studies and a mechanism to recover lost revenues. Accordingly, consistent with past practice RG&E will use the results of the ECOS and MCOS studies to propose any reallocation of revenues among service classifications and any delivery rate design changes within each service classification. Customer bill impacts will also be taken into consideration with any proposed rate design modifications.

Q. Does RG&E currently have unbundled rates for competitive services, as required by the Commission in the Unbundling Track proceeding?

A. RG&E has unbundled rates for competitive services currently in effect for everything except electric supply procurement. Regarding electric service, unbundled rates are in place for BIPP and competitive metering. Regarding gas service, unbundled rates are in place for supply procurement (referred to as the Merchant Function Charge ("MFC")) and BIPP. RG&E has implemented these charges in accordance with all Commission orders in the Unbundling Track proceeding, including those related to unbundled cost of service and rate design and those related to the unbundled bill format, and the Company's recent gas rate order (Case 03-G-0766).

Q. Will any modifications be made to these competitive rates in the non-revenue requirement submission?

A. The Company will propose updated prices for these competitive services, based on the results of the ECOS.

Q. Why doesn't the Company currently have an electric MFC?

A. The Company has not yet completed a full rate unbundling for competitive services. Pursuant to RG&E's current electric rate plan and its effective tariffs, RG&E provides a 4 mills/kWh Retail Access Credit ("RAC") to customers taking service from an ESCO, thus creating a charge for delivery services that excludes the negotiated credit for supply procurement and associated customer care. The majority of the dollars provided through the RAC are collected through a Retail Access Surcharge ("RAS") on all customer load.

Q. Does the Company intend to address an MFC in the non-revenue requirement portion of this proceeding?

A. Yes. The Company would shift from a backout credit applied to bills of customers who take supply from an ESCO to an unbundled charge applied to bills of customers that take supply from RG&E. Consistent with providing updated prices for currently unbundled competitive services, as discussed above, the Company would base the electric MFC on the results of the ECOS study. The MFC will be applied to the bills of customers that take electric supply from RG&E. Simultaneously, with the implementation of the electric MFC, the RAS will be eliminated.

Q. What is the Panel proposing for the BIPP?

A. The Company instituted separate BIPP charges for electric and gas service, consistent with Commission orders in the Unbundling Track proceeding. In the Iberdrola/Energy East merger proceeding, the Staff Policy Panel recommended that the Company convert its BIPP charge from a per-meter charge to a per-bill charge that is the same whether the customer is a single commodity service customer or a dual electric and gas commodity service customer. The Company's Rate Design and Retail Access Panel testified that any conversion to a per-bill charge should be addressed in the Company's next rate proceeding, because the proper forum for modifying established BIPP costs and charges is when revenue requirements and rates are reset. Accordingly, the Company proposes to update the BIPP charge to a per-bill charge based on the results of the electric and gas ECOS studies.

Q. The Panel previously discussed the parameters of an RDM proposal. What will be submitted in the non-revenue requirement portion of the proceeding with respect to the RDM?

A. The Company will finalize its proposal for an RDM mechanism to be applicable to both electric and gas. In addition, once any final modifications to rates have been made as a result of allocation or rate design established in the non-revenue requirement portion of the proceeding, monthly targets by RDM Service Groups will be established by the Company.

Q. When does the Company propose that the modified rates and the RDMs become effective?

A. The Company proposes that any alternative revenue allocation or rate design, any updated competitive service rates based on the results of the cost studies discussed above, and the RDMs become effective 60 days after the issuance of a final order by the Commission in the non-revenue requirement portion of this proceeding, to allow for any necessary system changes and outreach efforts. Any rate modifications as a result of allocation and rate design would be applied on a prospective basis only.

Q. What changes does the Company envision with respect to its economic development programs?

A. At this time, the Company is not proposing any modifications to its economic development programs. The amount included in delivery revenue requirement for economic development would be used to fund the current economic development programs. Should the Company determine that changes to the current economic development programs would be beneficial to customers and the communities served by RG&E, such proposed changes would be presented in the Company's submission regarding non-revenue requirement matters. However, should any program modifications be proposed, the Company would not propose any changes to the revenue requirement for economic development, as presented by the Revenue Requirements Panel in this proceeding.

Q. Does this complete your direct testimony at this time?

A. Yes, it does.