

STATE OF NEW YORK

# Public Service Commission

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## **PSC Votes to Approve Electric and Gas Rate Plans for RG&E, Ginna Generating Station Sale –Customers Benefit from Delivery Rate Freezes, Over \$343 Million from Ginna Sale Net Proceeds–**

Rochester, NY– 5/19/04 – The New York State Public Service Commission today voted to approve multi-year plans governing Rochester Gas and Electric Corporation (RG&E) electric and gas rates and the proposed sale of RG&E's Robert E. Ginna Nuclear Generating Station (Ginna Station) to R.E. Ginna Nuclear Power Plant, LLC, a member of the Constellation Energy Group, Inc. (Constellation).

"These rate plans and their benefits, including those associated with the sale of the Ginna Station, are good news for RG&E customers and the greater Rochester area's economy," Commission Chairman William M. Flynn said. "Years of stable delivery rates, improved opportunities for customers to shop for energy, customer refunds, the potential to share in company earnings, measures to ensure customer service quality, a significant reduction in future customer obligations, and other benefits can only help families and businesses in the region. I commend all who worked to forge these rate plans, including representatives of large energy users, Commission staff, the state Consumer Protection Board, customer advocate Charles Straka, and RG&E."

Under the rate plans, RG&E will freeze electric and gas base delivery rates through 2008. The company also will be allowed to make certain changes in the way it collects supply costs and costs associated with retail access programs that enable customers to purchase natural gas and electricity from competitive suppliers. The rate plans approved today avoid the 14.9% and 6.2% bill impacts for typical electric and gas heating customers, respectively, proposed in the original rate increase request filed by RG&E and limit bill impacts to about 1.1% and 2.7%, for electric and gas customers, respectively. Further, the electric plan provides that \$343 million of the \$360 million in net proceeds from the sale of the Ginna Station will be used for ratepayer benefits, including \$110 million in customer refunds over the next three years.

## **The Electric and Gas Rate Plans Avoid Large RG&E Rate Increase Requests**

On May 16, 2003, RG&E filed a request with the Commission to increase its electric and natural gas revenues, effective May 1, 2004, by \$105.0 million (16.2%) and \$25.3 million (7.6%), respectively. In January 2004, RG&E reduced its requests to \$80.3 million and \$20.5 million for electric and gas, respectively. Subsequently, a number of parties in the rate cases developed the plans governing both electric and gas rates that were considered by the Commission today.

The rate plans voted on today will freeze RG&E's electric and gas base delivery rates through at least December 31, 2008. In addition, the plans limit overall increases in RG&E electric and gas revenues to \$7.4 million (about 1.4%) and \$7.2 million (2.2%), respectively. The additional revenues, to be collected through surcharges rather than base rates, are designed to recover costs associated with facilitating competitive electric supply choices for customers and gas supply costs currently recovered in existing gas delivery rates.

The electric rate plan will limit to about 1% the increase in the typical residential electric bill for a customer using approximately 600 kilowatt-hours of electricity in a month, and the gas rate plan will limit to about 2.7% the increase in the typical residential gas heating bill for a customer using about 1,100 therms of gas per year. Bill impacts will vary depending on electricity and gas usage.

Other key features of the electric and gas rate plans include: stronger service quality and reliability standards; infrastructure investment goals; an earnings sharing mechanism that will ensure customers receive a share of company earnings above specified thresholds; gas safety incentives; and, the creation and expansion of initiatives to promote competition and to facilitate the ability of energy services companies (ESCOs) to provide new choices to customers for energy supplies.

Beginning in the summer of 2004, customers' electric bills will be adjusted monthly to reflect the actual amount RG&E pays for electric supply. RG&E gas bills are already unbundled. On January 1, 2005, RG&E will "unbundle" its electric bills and simultaneously provide customers additional pricing options. At that time, customers will have the option to select a fixed-price option, variable price option, or, as is the case now, switch to a competitive supplier. Unbundling is the process of separating out the different charges that make up an overall bill, the two principle components of which are the price of the commodity itself (in this case, electricity) and the cost of delivering it. Unbundling makes it easier for consumers who

wish to shop for their electric supply to compare the price of electricity among RG&E and competing energy services companies (ESCOs).

### **Customer Benefits from the Ginna Nuclear Power Station Sale**

Under terms of the Ginna Station sale that the Commission today voted to approve, 90% of Ginna's available output would be sold to RG&E for 10 years. Constellation would offer employment to RG&E's Ginna plant work force (currently 440 employees). For 18 months, Constellation would be required to provide the transferred employees total compensation that is comparable to what they were receiving prior to the transfer. Moreover, Constellation would be required to extend identical employee pension benefits for a minimum of 54 months.

The proceeds from the sale of Ginna Station exceed the value of the plant that RG&E reports on its financial statements. As a result, the new electric rate plan places the excess proceeds in an Asset Sale Gain Account (ASGA) that will be used for the benefit of ratepayers. Under the new rate plan, the ASGA will be used to provide, \$110 million in cash refunds through 2008 from the approximately \$360 million in net gain from RG&E's auction of the generating facility. Of that total, \$60 million will be refunded immediately after the Ginna Station sale is consummated. The remaining \$50 million will be refunded as follows: \$25 million at the beginning of 2005, \$15 million at the beginning of 2006, and \$10 million at the beginning of 2007. Exact refund amounts for each customer class will be calculated based on a variety of considerations, including usage and each customer class' contributions to Ginna costs. RG&E will distribute refund checks to customers of record on the date of the sale.

The \$223 million remaining in the ASGA will be retained for future customer benefits and will accrue interest. Portions of the ASGA will be used to: cover the costs of replacement purchased power incurred during the 2003 Ginna Station refueling outage, offset a \$2 million annual increase in electric delivery rates, and moderate the effect of the Ginna Station sale on fuel and purchased power costs. At the end of 2008, RG&E estimates that there will be approximately \$121 million remaining in the ASGA, which may be used at the discretion of the Commission for rate moderation, among other things. Finally, approximately \$16.7 million (\$10 million after taxes) of the net proceeds will be used to compensate RG&E for maximizing the sale value of the Ginna Station for customers through a credit to the company of \$3.3 million annually over the term of the rate plan.

RG&E petitioned the Commission for approval to sell its Ginna Station on December 18, 2003. Ginna Station is a single-unit 495-megawatt pressured-water nuclear reactor that has been in operation since 1970 in Ontario, Wayne County. Its current operating license with the Nuclear Regulatory Commission (NRC) expires in September 2009. RG&E has submitted a 20-year license extension application that is pending with the NRC.

According to RG&E, receipt of NRC approval of the company's license renewal application is a condition of the Ginna Station sale to Constellation, a diversified energy company that owns a distribution company (Baltimore Gas & Electric), a power marketer (Constellation Power Source, Inc.), competitive electric and gas service providers, and merchant electric generating stations. Constellation owns and operates four nuclear generating units: Calvert Cliffs Unit 1 and 2 in Lusby, Maryland, and Nine Mile Point Units 1 and 2 in Oswego County, New York.

The Commission will issue written decisions detailing today's votes. The decisions in Commission Cases 03E0765/02E0198/03G0766 (RG&E Electric and Gas Rate Plans) and Case 03E1231 (Sale of Ginna Station), when available, can be obtained from the Commission's website at <http://www.dps.state.ny.us> by accessing the Commission Documents section of the homepage. Many libraries offer free Internet access. Commission orders can also be obtained from the Files Office, 14<sup>th</sup> floor, 3 Empire State Plaza, Albany, NY 12223 (518-474-2500).

RG&E serves approximately 350,000 electric and 280,000 natural gas customers in Allegany, Cayuga, Genesee, Livingston, Monroe, Ontario, Orleans, Wayne and Wyoming counties in upstate New York.