



News Release

NYSEG AND RG&E: ELECTRICITY AND NATURAL GAS DELIVERY RATE INCREASES
NECESSARY TO COVER INCREASING COST OF PROVIDING SAFE, RELIABLE SERVICE

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Increases Would Be the First for the Companies Since the Mid-1990s

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Lower Electricity and Natural Gas Supply Costs Will Moderate Changes in Delivery Rates

FOR IMMEDIATE RELEASE

Rochester, NY, September 18, 2009 – NYSEG and RG&E have asked the New York State Public Service Commission (PSC) for approval to increase the rates the companies charge to deliver electricity and natural gas to customers.

If approved, the proposed rates would ensure that the companies can meet the increasing cost of providing safe and reliable service. In addition, the proposed rates would make possible significant investments to modernize infrastructure in line with the recommendations of the draft State Energy Plan. The increases would be the first for the companies since the mid-1990s.

"While our electricity service rates have declined and our natural gas rates have remained essentially flat since 1996, the expenses necessary to provide safe and reliable service to our customers have climbed year after year," said Michael Conroy, senior vice president and chief operating officer of NYSEG and RG&E. "These ever-increasing operating and maintenance costs make this rate request essential in order for us to continue providing the level of service our customers expect and deserve."

Conroy said the companies have implemented aggressive spending controls across all operations, but that after more than a decade of declining and flat service rates the need for the rate increases is unavoidable. Austerity measures at the companies have included salary and hiring freezes, sharply reduced business travel and elimination of all non-essential external services.

Adding to the challenge of operating and maintaining complex energy delivery systems across more than 40% of upstate New York, NYSEG and RG&E have experienced higher costs of and, at times, limited access to capital as a result of the companies' "BBB" level bond ratings. The companies' credit ratings have been recently downgraded as a result of their weak financial performance. The PSC has

historically targeted an “A” level credit rating for New York State utilities. The proposed rate increases would begin moving the companies toward “A” level ratings.

Under the proposed delivery rates, the increase in the typical total NYSEG residential electricity bill would be approximately \$12.39 per month (18.6%) and the typical total NYSEG residential natural gas heating bill would increase approximately \$25.34 per month (17.4%). The increase in the typical total RG&E residential electricity bill would be approximately \$11.86 per month (16.1%) and the typical total RG&E residential natural gas heating bill would increase approximately \$21.03 per month (15.2%).

“We recognize that this is a difficult time to request these increases,” Conroy said. “However, electricity and natural gas supply costs have declined and are forecast to remain lower than in 2008, which would moderate the effect of the proposed rate increases on customers’ total bills. In fact, if the new rates are approved and supply prices remain at current levels, many customers may see lower average bills than in 2008.”

Bills would continue to be among the lowest in the state. Even with the proposed increases typical NYSEG and RG&E residential electricity bills would continue to be the lowest among regulated utilities in the state; typical NYSEG and RG&E residential natural gas bills would continue to be some of the lowest among regulated utilities in the state.

What would delivery rate increases make possible? In addition to boosting investment in aging infrastructure to enhance reliability and accommodate future needs, the proposed delivery rate requests would enable the companies to offer additional assistance to 95,000 Home Energy Assistance Program-eligible customers in the form of bill credits (\$15 per month per meter) and arrears forgiveness; improve online outage management and information systems; expand vegetation management programs (trees are a leading cause of power interruptions); and commit funds to continue the environmental clean-up of manufactured gas plant and other sites in cooperation with the state Department of Environmental Conservation.

To complement the infrastructure work the new rates would make possible, NYSEG and RG&E have requested federal stimulus funds for two smart grid projects. These projects would also help meet the objectives of the draft State Energy Plan.

What operating and maintenance costs have increased? Inflation from 1996 through 2009 totaled more than 37%, driving up the overall cost of doing business. And virtually all of the expenses NYSEG and RG&E incur to ensure safety and reliability have gone up, in some cases in dramatic fashion. For example, the companies own, operate and maintain almost 61,000 miles of power lines; more than 1 million poles to carry those lines; and 370,000 transformers to regulate voltage. As compared to 1996 costs, the cost of copper power lines is up 67%; a utility pole is up 39%; and a typical pole-mounted transformer is up 149%.

These and many other operating and maintenance items require substantial and continuous spending outlays in order to ensure safe, reliable service.

Where do customers' energy payments go? NYSEG and RG&E delivery service accounts for only 1/3 or less of what customers pay in their energy bills. The other 2/3 or more is for electricity and natural gas (the supply or commodities) and state and local taxes and fees.

NYSEG and RG&E delivery costs are regulated by the PSC; the price of electricity and natural gas supply, largely sold by entities other than NYSEG and RG&E but often included in NYSEG and RG&E bills, are set by the market.

The proposed rates are subject to approval by the PSC. If approved, the new rates are expected to go into effect next summer.

About NYSEG and RG&E: NYSEG and RG&E are subsidiaries of Energy East Corporation, a super-regional energy services and delivery company in the Northeast. NYSEG serves 873,000 electricity customers and 259,000 natural gas customers across more than 40 percent of upstate New York. RG&E serves 362,000 electricity customers and 299,000 natural gas customers in a nine-county region centered on the City of Rochester. By providing outstanding customer service and meeting customers' energy requirements in an environmentally-responsible manner, NYSEG and RG&E will continue to be valuable assets to the communities they serve. For more information, visit nyseg.com and rge.com.

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