

UNITED STATES OF AMERICA
BEFORE THE
NUCLEAR REGULATORY COMMISSION

ROCHESTER GAS AND ELECTRIC CORPORATION)

) Docket Nos. 50-410 and 50-244
) Facility Operating Licenses
) Nos. NPF-69 and DPR-18

NOTICE OF
CORPORATE REORGANIZATION

Rochester Gas and Electric Corporation ("RG&E," the "Company") hereby notifies the Nuclear Regulatory Commission (the "Commission") that, pursuant to authorization by the Commission under 10 C.F.R. Section 50.80, the Company will undertake a corporate reorganization resulting in the indirect transfer of control of two licenses granted by the Commission.

RG&E is a New York corporation engaged principally in the generation, purchase, transmission, distribution and sale of electric power, and the purchase, transportation, distribution and sale of natural gas in service territories in western New York State, under the general regulatory supervision of the New York State Public Service Commission (the "NYPSC"). RG&E also sells electricity on the wholesale bulk power market, transmits electricity in interstate commerce, and operates hydroelectric generating facilities, all of which activities are subject to regulation by the Federal Energy Regulatory Commission ("FERC"). RG&E is an "electric utility" within the meaning of the Commission's regulations (10 C.F.R.



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Section 50.2). In addition, RG&E holds a possessory license for its 14% ownership interest in the Nine Mile Point Nuclear Station, Unit No. 2 ("Nine Mile 2") located in Scriba, New York (NRC License No. NPF-69) (the "Nine Mile 2 license"), and an operating license for its wholly-owned nuclear generating facility, the R.E. Ginna Nuclear Power Plant ("Ginna") located in Ontario, New York (NRC License No. DPR-18) (the "Ginna license").

In conjunction with the restructuring of its regulated electric service business pursuant to the policy direction of the NYPSC, and in accordance with the provisions of the Amended and Restated Settlement Agreement, dated October 23, 1997 and thereafter approved by the NYPSC, concerning electric rate and restructuring matters (the "Settlement"), RG&E is undertaking a corporate reorganization, through which RG&E will become a wholly-owned subsidiary of a holding company named RGS Energy Group, Inc. ("RGS").

In light of prior Commission determinations, this formal change in corporate structure would be deemed to involve a change in control of RG&E, and thus entails an indirect transfer to RGS of the Commission licenses held by RG&E. Accordingly, by a petition dated July 31, 1998 (the "RG&E Petition"), the Company sought the Commission's approval for this planned corporate reorganization, and for the resulting indirect transfer of RG&E's licenses. By orders issued on December 14, 1998, the Commission granted RG&E's petition with respect to both the Nine Mile 2 license and the Ginna license, on the condition that the Company shall notify the Commission if it should propose to transfer to RGS, or to any affiliate, facilities having a depreciated book value greater than ten percent of RG&E's net utility plant book value. Matter of Rochester Gas and Electric Corporation (Nine Mile Point Nuclear Station Unit No. 2), Docket No. 50-410, Order Approving Application Regarding Restructuring of Rochester Gas and Electric Corporation by Establishment of a Holding Company Affecting License No. NPF-69,



Nine Mile Point Nuclear Station, Unit No. 2, issued December 14, 1998, and Matter of Rochester Gas and Electric Corporation (R.E. Ginna Power Plant), Docket No. 50-244, Order Approving Application Regarding Restructuring of Rochester Gas and Electric Corporation by Establishment of a Holding Company Affecting License No. DPR-18, R.E. Ginna Nuclear Power Plant, issued December 14, 1998 (collectively, the "License Transfer Orders").

In the manner described in the RG&E Petition, and consistent with the terms and conditions of the License Transfer Orders, RG&E will now complete the planned corporate reorganization. Under a share exchange plan pursuant to Section 913 of the New York Business Corporations Law, on August 2, 1999 all outstanding common stock of RG&E will be exchanged on a share-for-share basis for the shares of common stock of RGS. Each holder of RG&E common stock immediately prior to the share exchange will thereafter own a corresponding number of shares of RGS common stock, and RGS will own all the outstanding shares of RG&E common stock.¹ RG&E will then be a wholly-owned subsidiary of RGS, which will in turn be owned by the present shareholders of RG&E.²

As a wholly-owned subsidiary of RGS, RG&E will retain its separate existence. It will continue to be an "electric utility" under Section 50.2 of the Commission's regulations, engaged in the business of generating, transmitting and distributing electric power. It will continue to be subject to ratemaking and other regulation by the NYPSC and FERC. It will continue to own its present interests in the Nine Mile 2 and Ginna facilities, and will continue to be a possessory-only licensee under the Nine Mile 2 license and an operating licensee under the Ginna license. RG&E will continue to recover its investment in those facilities through its rates for service,

¹ The Company's preferred stock and existing debt will remain outstanding securities of RG&E.

² The 100 organizational shares of RGS common stock held initially by RG&E will either be canceled or retained by RG&E, depending upon certain income tax consequences.



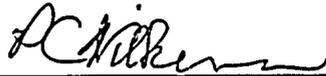
subject to the provisions of the Settlement during its term, and thereafter subject to the ratemaking authority of the NYPSC. RGS, and not RG&E, will be the owner (whether directly or indirectly) of any non-utility entities engaged in unregulated business activities. The Settlement does not require RG&E to divest any utility facilities, and in particular does not require divestiture of RG&E's interests in Nine Mile 2 and the Ginna facility; nor does it permit the transfer of utility assets by RG&E without NYPSC consent.

RG&E will inform the Director of Nuclear Reactor Regulation sixty days before any transfer from it to RGS, or to any direct or indirect subsidiary of RGS, of facilities for the production, transmission or distribution of electricity (but excluding grants of security interests therein or liens thereon) having a depreciated book value, in total as determined during any twelve-month period, in excess of ten percent of the depreciated book value of RG&E's consolidated net utility plant, as recorded on the Company's books of account.

RG&E would be pleased to provide any further information that the Commission may require concerning this corporate reorganization.

Respectfully submitted,

ROCHESTER GAS AND ELECTRIC
CORPORATION

By: 
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Title: Senior Vice President - Generation

Dated: July 28, 1999
Rochester, New York



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