

PSC No: 16 - Gas  
Rochester Gas and Electric Corporation  
Initial Effective Date: October 17, 2009

Leaf No. 74  
Revision: 3  
Superseding Revision: 2

## GENERAL INFORMATION

### 4. METERING AND BILLING (Cont'd)

#### H. ADJUSTMENT OF RATES DUE TO CHANGES IN COST OF GAS (Cont'd)

##### (14) Merchant Function Charge (MFC):

The MFC includes the following: 1) gas supply uncollectibles; 2) an allocated portion of general and common plant; 3) administrative and general expenses related to commodity; 4) customer care costs related to commodity; 5) supply procurement expenses; 6) working capital on purchase power; 7) working capital on underground storage costs; and 8) working capital for commodity hedge margin costs

Beginning October 17, 2010, the following components of the MFC will be reconciled and reset annually:

1. Gas Supply Uncollectibles: collections during the period will be reconciled to actual costs and this component of the MFC rate will be reset based on recent twelve month history
2. Working capital on purchase power, working capital on underground storage and working capital for commodity hedge margin costs: collections during the period will be reconciled to actual costs and these components of the MFC rate will be reset based on recent twelve month history
3. Allocated portion of general and common plant, administrative and general expenses related to commodity, customer care costs related to commodity, and supply procurement expenses: collections will be reconciled to the amounts most recently approved by the PSC for inclusion in the MFC. The reconciliation will capture over/under-collections due to variance in actual sales and those used to establish the amounts approved by the PSC for inclusion in the MFC. The unavoidable costs embedded in the MFC consist of the following components: Credit and collection costs, customer care costs (FERC accounts 901, 903 and 905), customer service costs (FERC accounts 908-916), administrative and general costs (FERC accounts 920-935), depreciation expenses and taxes.
4. The sales units used to derive the annual MFC rate will be based on the most recently available forecast data

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