

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

Leaf No. 127.46.3
Revision: 0

GENERAL INFORMATION

14. REVENUE DECOUPLING MECHANISM RATE ADJUSTMENT ("RDM RATE ADJUSTMENT")

Applicable to:

All customers taking firm service under Service Classification Nos. 1, 3, and 5 will be subject to a RDM Rate Adjustment as described below.

1. Definitions

- a. "Initial Target Delivery Revenue" for each service classification is based on service classification base delivery revenues for each month, as approved by the Public Service Commission.
- b. "Delivery Revenues" For the purpose of RDM, "Delivery Revenues" will be measured as the sum of the billed base delivery revenues from all customers for each service classification. For purposes of this calculation, revenues related to the System Benefits Charge (SBC), Merchant Function Charge (MFC), Transition Charge (NBC), Deferral Recovery Mechanism (DRM), Temporary State Assessment Surcharge (TSAS), economic incentive discounts, low income discounts and gross receipts taxes are excluded.

2. Each month, the difference (if any) between the Initial Target Delivery Revenue and actual Delivery Revenues for each service classification shall be accumulated and deferred. At the end of the calendar year, the deferral balance will be refunded or surcharged to the each service classification via an individual service classification RDM Rate Adjustment.

If at any time during the year the value of the deferral account exceeds \$2.2 million (positive or negative), the Company will file an interim RDM Rate Adjustment for each service classification in the following month on not less than ten (10) days' notice.

The deferral account will be subject to a carrying charge at the other customer deposit rate most recently accepted by the Commission.

3. The Target Delivery Revenue for each service classification is calculated on a monthly basis for each of the service classifications identified above.

- a. If a customer taking service under a service classification not subject to the RDM Adjustment switches to a service classification that is subject to the RDM Adjustment, the Target Delivery Revenue for such service classification will be increased to reflect the increase in base delivery revenues associated with such customer.
- b. On an annual basis, the Target Delivery Revenue for each service classification will be adjusted by an amount equal to the change in the Gross Domestic Product-Implicit Price Deflator, less a 0.5% productivity offset factor.
- c. A negative adjustment to the Target Delivery Revenue will not be applied.

4. A Revenue Decoupling Mechanism (RDM) Statement setting forth the rate adjustment will be filed with the Public Service Commission on not less than ten (10) days' notice. Such statement can be found at the end of this Schedule (PSC 16 – Gas).

ISSUED BY: James A. Lahtinen, Vice President Rates and Regulatory Economics, Rochester, New York