

PSC No: 19 - Electricity  
Rochester Gas and Electric Corporation  
Initial Effective Date: October 17, 2009

Leaf No. 81.1  
Revision: 7  
Superseding Revision: 5

**GENERAL INFORMATION**  
**4. METERING AND BILLING (Cont'd)**

**K. SURCHARGES (Cont'd)**

**Merchant Function Charge (MFC) (Cont'd):**

Beginning October 17, 2010, the unavoidable allocated portion of general and common plant, Administrative and General Expenses related to commodity, customer care costs related to commodity, and supply procurement expenses 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. The over/under-collections will be passed back or collected from all customers

**Revenue Decoupling Mechanism Adjustment ("RDM Adjustment")**

Applicable to:

All customers taking service under Service Classification Nos. 1, 2, 3, 4, 7, 9, 8-Secondary, 8-Substation (Large General Service – Secondary), 8-Sub Trans Industrial, 8-Sub Trans Commercial, and 8-Primary (Large General Service Primary and Above), whether receiving electricity supply from RG&E or an ESCO, will be subject to a RDM 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. Base delivery revenues include revenues related to the Customer Charge, Demand Charge (per kW), and the Energy Charge for delivery (per kWh). For purposes of this calculation, revenues related to the System Benefits Charge (SBC), Renewable Portfolio Standard charge (RPS), Merchant Function Charge (MFC), Transition Charge (NBC), Deferral Recovery Mechanism (DRM), Temporary State Assessment Surcharge (TSAS), and New York Power Authority (NYPA)-supplied usage are excluded. Also excluded are economic development discounts, low income bill credits and gross receipts taxes.
2. Each month, the difference (if any) between the Target Delivery Revenue and actual Delivery Revenue 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 overall deferral account exceeds \$5 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.

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