

PSC No: 18 - Electricity
Rochester Gas and Electric Corporation
Initial Effective Date: October 17, 2009

Leaf No. 11.1
Revision: 1
Superseding Revision: 0

GENERAL INFORMATION

4. METERING AND BILLING (Cont'd)

4.4 SURCHARGES (cont'd)

Merchant Function Charge (MFC):

The MFC includes the following: 1) electric commodity related 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; and 5) cash working capital on purchased power.

The MFC will be applicable to only those customers taking supply service from the Company (*i.e.*, RSS and Hourly Pricing) and is set forth in a statement at the end of this Schedule (PSC No. 18 – Electricity).

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

1. Commodity uncollectibles: collections during the period will be reconciled to actual costs and this component of the MFC rate will be reset based on a recent twelve month history;
2. Working Capital: 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
3. The units used to derive the MFC rate will be updated based on the most recently available forecast data

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

4.5 INCREASE IN RATES APPLICABLE IN MUNICIPALITY WHERE SERVICE IS SUPPLIED

The rates and charges for service under all service classifications, including any adjustments and minimum charge, shall be increased by the effective aggregate percentage rate based on the aggregate percentage rate of the taxes imposed on the Company's electric revenues pursuant to Sections 210 and 186-a of the Tax Law; Section 20-b of the General City Law; and Section 5-530 of the Village Law. These surcharges are subdivided into rates applicable to revenues from (1) transportation, (2) commodity and (3) net income.

The applicable aggregate percentage rate and surcharge factor shall be set forth on statements filed with the Public Service Commission. Whenever a city or village levies a new tax on the Company's gross revenue, repeals such a tax or changes the rate of such a tax, the Company will file a new statement. Every such statement shall be filed not less than fifteen business days before the date on which it is proposed to be effective, and no sooner than the date of the tax enactment to which the statement responds; shall become effective no sooner than the date when the tax enactment is filed with the Secretary of State; shall be applicable to bills subject to the tax enactments that are rendered on or after the effective date of the statement; and shall be canceled not more than five business days after the tax enactment either ceases to be effective or is modified so as to reduce the tax rate. Such statements will be duly filed with the Public Service Commission, apart from this rate schedule, and will be available to the public at Company offices at which applications for service may be made.

The effective aggregate percentage rate is computed as follows:

$$\frac{\text{tax imposed (\%)}}{1 - \text{taxes imposed (\%)}}$$

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