

PSC NO: 90 GAS
 NEW YORK STATE ELECTRIC & GAS CORPORATION
 INITIAL EFFECTIVE DATE: 09/26/10
 Issued in compliance with Order in Case 09-G-0716 dated 09/21/10

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 SUPERSEDING REVISION:

GENERAL INFORMATION

22. REVENUE DECOUPLING MECHANISM (RDM) ADJUSTMENT

1. Applicable to:

All customers taking firm service under PSC No. 87 Service Classification Nos. 1 and 2, and PSC No. 88 Service Classification Nos. 1, 5, 13, and 14 will be subject to a RDM Adjustment as described below.

2. Definitions

- a. Revenue per Customer (RPC) Targets – monthly weather-normalized targets will be developed based on delivery revenue requirement established in Case No 09-G-0716. Residential customers taking service under PSC No. 87 Service Classification No. 1 and PSC No. 88 Service Classification No.13 will be combined into monthly RPC Targets. Non-residential customers taking service under PSC No. 87 Service Classification No. 2 and PSC No. 88 Service Classification No.14 will be combined into monthly RPC Targets. RPC Targets for each of the Rate Years are set forth in the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718, and approved by the Commission on September 21, 2010. The RPC Target for Rate Year 3 will repeat annually until changed by the Commission. The Company shall verify service class customer counts at the end of each Rate Year by dividing actual rate year minimum charge revenues for each service classification by the applicable minimum charge for the period.
- 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 (customer charges and per therm delivery rates). For purposes of this calculation, revenues related to the System Benefits Charge (SBC), Merchant Function Charge (MFC), Transition Charge, Temporary State Assessment Surcharge (TSAS), and gross receipts taxes are excluded. All sales to economic incentive rate incentive customers and low income customers will be priced out at standard service classification rates in developing the RPC Targets.
- c. "Rate Year" – for the purposes of RDM, Rate Year 1 will be effective through August 31, 2011. Each Rate Year thereafter will begin on September 1 in all subsequent 12-month periods.

3. Calculation

Beginning October 1, 2010:

- a. Each month, actual billed delivery service revenues per customer will be reconciled to allowed weather normalized delivery service revenues per customer. Actual delivery service revenues are defined as the revenue received from base delivery rates (customer charges and per-therm delivery rates). Actual delivery service revenues will reflect the weather normalization adjustment clause eliminating the current deadband.
- b. At the end of the Rate Year, actual billed revenues per customer by service class for the entire rate year will be compared to the cumulative monthly targets for the entire rate year. Any variance from the cumulative monthly targets for the rate year will be either surcharged or credited to customers over the twelve monthly periods of the immediately succeeding rate year. Surcharges or credits will be developed on a service class basis. Any surcharge or credit amount will reflect interest at the then effective other customer deposit rate. Any such surcharge or credit under the annual reconciliation or interim reconciliation process (refer to 3.d. below) will be recovered or returned through service class specific rates. Surcharges or credits arrived at in the annual reconciliation will reflect amounts already surcharged or refunded through the interim reconciliation process.
- c. The first two months of the Rate Year will be adjusted upward to reverse the effect of proration of changes in effective delivery rates.
- d. If at any time during the Rate Year the cumulative difference between the actual billed revenues per customer and the cumulative target revenues per customer is 1.25% or more, the Company will file an interim RDM Adjustment for each service classification. For the Rate Years listed below, the amounts by Rate Year (positive or negative) will trigger an interim RDM Adjustment for each service classification:
 - (i) Rate Year 1: \$1.65 million;
 - (ii) Rate Year 2: \$1.90 million
 - (iii) Rate Year 3: \$2.04 million

Such interim RDM Adjustment will be limited to no more than one per Rate Year and will occur over four (4) months or until the end of the Rate Year, whichever is longer.

4. Filing of Statements

- a. A Revenue Decoupling Mechanism (RDM) Statement setting forth the rate adjustment will be filed with the Public Service Commission on not less than thirty (30) days notice.
- b. Should the Company file an interim RDM Adjustment as described above, such filing will occur on not less than ten (10) days notice.
- c. Such statements can be found at the end of each Schedule (PSC No. 87 – Gas and PSC No. 88 - Gas).

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