

PSC No: 16 - Gas
 Rochester Gas and Electric Corporation
 Initial Effective Date: September 26, 2010
 Issued in compliance with Order in Case 09-G-0718 dated September 21, 2010

Leaf No. 74
 Revision: 4
 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) Mendon Heater Charge

The costs of gas used to pre-heat city gate natural gas throughput at RG&E's Mendon Gate Station will be recovered as part of RG&E's overall purchased gas costs and will be recovered through the Gas Supply Charge and Transportation Rate Adjustments.

(15) Gas Supply Charge ("GSC", also called Net Cost of Gas)

Each monthly GSC will be the sum of the Average Cost of Gas, the Inter-Departmental Sales Credit, the Gas Cost Reconciliation, the Gas cost Reconciliation – Interim, the Gas Cost Refund, the Capacity Cost Incentive, the Refund of Revenues Collected for PSC Transition Cost from Service Classification Nos. 3, 5, 7, and 9, the Research and Development Surcharge, the Equivalent Cost of Gas, the Refund of Revenues Collected Under the Provisions of Balancing and Cashout Charges of Service Classification Nos. 3, 5, 7, and 9, revenues collected through the Gas Reliability Surcharge, and other PSC approved adjustments.

The net cost of gas per therm, computed as provided in the Monthly GSC Statement, shall become effective commencing (the first day of the month following the computation date,) provided however, that the net cost of gas will be adjusted whenever there is a change in the pipelines' rates. The net cost of gas shall continue in effect until changed.

(16) Merchant Function Charge (MFC):

The MFC will be applicable to only those customers taking gas supply service from the Company. A separate MFC will be calculated for residential and non residential customers

i) The MFC will include the following rate components as described in the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718.

- a) Commodity-related Uncollectible Costs;
- b) Commodity-related Credit and Collections and Call Center costs;
- c) Commodity-related Administrative costs;
- d) Cash Working Capital on Commodity Hedge Margin costs; and
- e) Cash Working Capital on Storage Inventory Carrying Costs.

ii.) The MFC components will be updated and reconciled as stated below in accordance with the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718.

- a) Commodity-related Uncollectible Costs
 - The commodity related uncollectible percentage rate will be reset annually based on the most recent available twelve-month period of actual uncollectibles
 - The commodity-related uncollectible component of the MFC will be calculated each month by multiplying the uncollectible percentage rate for each of the groups described above by the associated monthly gas supply cost.
- b) Commodity-related Credit and Collections and Call Center costs
 - Any over/under collections related to the credit and collections and call center costs component will be added to any over/under collections related to the credit and collections and call center costs component charged through the POR Administration Charge and POR Discount and reconciled through both the POR Discount and MFC in the subsequent rate year. The unit rate will be reset annually based on recent MFC and POR sales forecasts.
- c) Commodity-related Administrative costs
 - The Administrative Component will be reconciled annually for differences in actual versus design sales only. The unit rate will be reset annually based on recent sales forecasts.
- d) Cash Working Capital on Commodity Hedge Margin costs
 - The cash working capital on Commodity Hedge cost component will be based on the Companies' pre-tax rate of return and will be reconciled to actual costs annually. Additionally, this component will be updated annually to reflect actual costs from the most recent available twelve month period and the most recent sales forecast.
- e) Cash Working Capital on Storage Inventory Carrying Costs.
 - The carrying charge used in the determination of monthly storage working capital costs will be the Company's authorized pre-tax rate of return on the base storage level and the Commission's currently-effective Other Customer Capital rate on monthly amounts above the base storage level. The base storage level is defined as the lowest monthly balance.
 - This component will be reconciled annually to actual applicable costs for the period.
 - Additionally, this component will be updated annually to reflect actual costs from the most recent available twelve month period and the most recent sales forecast.

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