

PSC No: 16 - Gas
Rochester Gas and Electric Corporation
Initial Effective Date: January 1, 2006
Issued in compliance with order in Cases 03-E-0765, 02-E-0198, and 03-G-0766 dated May 20, 2004

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Revision: 3
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GENERAL INFORMATION

4. METERING AND BILLING (Cont'd)

H. ADJUSTMENT OF RATES DUE TO CHANGES IN COST OF GAS (Cont'd)

(2) Average Cost of Gas (Cont'd)

2. GCIM 2 - Energy East LDCs Activities - There will be a 50%/50% sharing between customers and shareholders of the first \$2.0 million of gas cost savings attained through the joint optimization of the gas supply portfolios of the Energy East LDCs and an 80%/20% sharing between customers and shareholders of any such gas cost savings exceeding \$2.0 million. Joint optimization activities include: (1) storage optimization; (2) transport optimization; and (3) joint optimization demand and variable savings associated with turnback of capacity.

(f) By dividing the total cost of gas, (a) plus (b) minus (d) minus (e), by (c) the gas delivered to customers.

(3) Factor of Adjustment

The rates for gas service under Service Classification No. 1 shall be subject each month to an addition or a deduction for each \$.000001, or major fraction thereof, increase or decrease in the average cost of gas per therm. Such increase or decrease shall be multiplied by the factor of adjustment ratio of 1.0114 and rounded to the nearest \$.000001 per therm.

The factor of adjustment used in determining the average cost of gas shall be established in the Company's rate case proceedings before the Public Service Commission.

(4) Inter-Departmental Sales Credit

The interdepartmental rate per dekatherm shall be defined as \$.48* per dekatherm.

* Except for gas used in the Company's gas turbine where the adder shall be \$.44 per dekatherm.

(5) Gas Cost Reconciliation

A surcharge to collect GSC under-collections or refund GSC over-collections shall be computed and applied as follows:

- (a) By taking the cost of purchased gas adjusted for supplier refunds for the 12 months ended August 31 of each year and subtracting therefrom an amount equal to the sum of (1) the average cost of gas as defined in Rule 4.H.2 multiplied by the quantities of gas purchased for the Company's own customers, (2) the GSC revenues exclusive of Rule 4.H.3 revenues and Gas Cost refunds, (3) the costs assignable to gas used by other Company departments, and (4) either (i) the previous year's over-collection with interest to the extent not refunded, or (ii) adding the previous year's under-collection with interest to the extent not recovered. The previous year referred to above in (4) (i) and (ii) is the 12 months ended August 31 of the second preceding year prior to the year for which the calculation is being made.
- (b) A surcharge or refund rate to be shown on the GSC statement shall be determined by dividing the amount derived in (a) above by the quantities of gas purchased for the Company's own customers during the determination period, and by applying the factor of adjustment as stated in Rule 4. H.(3) in effect on the date the surcharge or refund becomes effective to the amount so determined.
- (c) The surcharge or refund computation shall be filed with the Public Service Commission on or before October 15 of each year to become effective with the first January billing cycle date.

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