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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)

(6) Gas Cost Reconciliation-Interim

The Gas Cost Reconciliation-Interim may be applied during the period ending August 31 to provide for interim refunds or surcharges. Interim refunds or surcharges will be permitted for the purpose of preventing a large over-collection or under-collection balance from accruing at August 31.

(7) Gas Cost Refund (also called Supplier Refunds)
In the event that the rates and charges of the Company's gas supplier or suppliers are retroactively reduced, the total amount of refund, including interest, related to sales subject to the GSC, shall be credited to customers as follows:

(a) All refunds received each month will be combined for purposes of determining the refund credit. The rate of refund shall be computed by dividing the total amount to be refunded by the corresponding estimated sales for the next successive 12 calendar months provided, however, such refund credit rate shall be subject to adjustment in the twelfth month if actual sales have varied significantly from estimated sales. All refunds concluded during the 12 months ending August 31 of each year will be reconciled with amounts intended to be refunded during that period with any difference applied to the Annual Surcharge or Refund Computation.

(b). Interest shall be computed on the unrefunded balance from the date of receipt of the refund until the refund is returned to the customers at the rate prescribed by the Commission.

(c). If gas supply credits (e.g., supplier refunds) received by RG&E in any month exceed $7.5 million, such credits will be returned through a delivery charge mechanism. If monthly gas supply credits are equal to or less than $7.5 million, such credits will be returned through the GSC. RG&E will not retain any gas supply credits. Gas supply credits exceeding $7.5 million in any month will be passed back as follows:

1) All Service Classification (“SC”) No. 3 customers that receive balancing service from RG&E would receive a 10% allocation of any refund received from Dominion Transmission Pipeline (DTI).
2) ESCOs serving SC 5 customers would receive credits or refunds directly from DTI. Therefore, SC 5 customers will not share in any supplier credits received by RG&E from DTI.
3) Any other pipeline refunds will be shared proportionally between SC No. 1, SC No. 5 and post 11/1/96 SC No. 3 customers. Pre 11/1/96 SC No. 3 customers will not receive a portion of any pipeline refunds other than stated in (7)(c) 1) above.

(d). Where exceptional circumstances warrant, the utility may petition the Commission for waiver of the above refund plan.

(8) Capacity Cost Incentive

In accordance with the Commission order issued February 28, 2001 in Case No. 98-G-1589, pursuant to the Capacity Cost Incentive, RGE & its customers would share any savings or increased costs between a base level of capacity costs and the actual capacity costs RG&E achieved.

(9) Refund of Revenues Collected for PSC Transition Cost from Service Classification Nos. 3, 5, and 7.
Sales to customers taking service under Service Classification No. 1, Service Classification No. 4 and Service Classification No. 6 who are subject to the GSC, will be subject to a credit to reflect revenues collected through the PSC Transition Cost Surcharge in Service Classification No. 3, Service Classification No. 5, and Service Classification No. 7. Each billing month, the sales credit per therm shall be determined by dividing the annual amount collected by annual normalized sales to the above customers and such rate shall be included as a separate line item on the GSC statement for that month. Any difference between the total amount to be credited and the actual amount credited will be included as an adjustment in the Company’s next annual reconciliation of gas costs.

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

Cancelled by 5 Rev. Leaf No. 71 Effective 11/03/2004