

PSC No: 18 - Electricity
Rochester Gas and Electric Corporation
Initial Effective Date: January 1, 2005
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: 0
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SERVICE CLASSIFICATION NO. 3
TRAFFIC SIGNAL SERVICE (Cont'd)

3. RG&E Fixed Price Option (FPO) (Cont'd)

Transition Charge ("TC", or Non-Bypassable Charge ["NBC"]):

The Transition Charge (TC) is a per kilowatt-hour charge that will recover specific generation and purchased power-related costs net of credits for the value of generation and purchased power controlled by the Company.

Fixed components of the TC include the fixed costs of RG&E owned-generation and generation related regulatory assets.

The remaining components of the TC will be forecast and established on October 1, 2004, to be effective January 1, 2005, and fixed for the first commodity rate period, and then reforecast and established on October 1 of each subsequent commodity rate period, to be effective January 1 of the next commodity rate period, and fixed for that next commodity rate period:

- (a) Variable costs of RG&E-owned generation,
- (b) Transmission-related costs and revenues, and allocated uncollectible costs associated with electric supply,
- (c) The value of the output of the RG&E-owned generation,
- (d) Ancillary services (excluding Schedule 4 - Energy Imbalance) and New York Power Authority ("NYPA") Transmission Adjustment Charge ("NTAC") costs,
- (e) The net value of NYPA, Nine Mile 2 and Ginna purchased power contracts. The net value will be based on a forecast of the output and contract costs, and the market prices used in the development of the FPO. The value of the NYPA power will be streamed to residential customers as required.

A Transition Charge – Fixed (TCF) Statement setting forth the annual Residential and Non-Residential Transition Charges will be filed with the Public Service Commission on not less than three (3) days' notice prior to January 1 of each year. Such statement can be found at the end of this Schedule (PSC 18 - Electricity).

Electricity Supply Charge

Pursuant to RG&E's Electric Rate Joint Proposal, as defined at Rule 12 of Schedule PSC 19 - Electricity, the fixed commodity component of the FPO will be determined each October 1, to be effective January 1 of the upcoming Commodity Rate Period, as defined at Rule 12 of Schedule PSC 19 - Electricity. For an existing customer starting service at a new location or for a new customer after April 1 of any Commodity Rate Period, the fixed commodity component of the FPO will be adjusted every April to reflect any increase in the cost of fixed price service that may have occurred since October 1 of the year preceding each Commodity Rate Period, but in no instance will the adjusted fixed commodity component be lower than the original fixed commodity component.

An FPO Statement setting forth the Fixed Commodity Component of the FPO will be filed with the Public Service Commission on not less than three (3) days' notice prior to January 1 of each year.

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