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NEW YORK STATE ELECTRIC & GAS CORPORATION

REVISION: 5

INITIAL EFFECTIVE DATE: 09/09/16

SUPERSEDING REVISION: 4

Issued in compliance with Order in Case 15-G-0284, dated June 15, 2016.

GENERAL INFORMATION

22. REVENUE DECOUPLING MECHANISM (RDM) ADJUSTMENT

1. Applicable to:

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

2. Definitions

- a. Revenue per Customer (RPC) Targets – monthly weather-normalized targets shall be developed based on delivery revenue requirement established in Case No 15-G-0284. Residential customers taking service under P.S.C. No. 87 Service Classification No. 1 and P.S.C. No. 88 Service Classification No.13 shall be combined into monthly RPC Targets. Non-residential customers taking service under P.S.C. No. 87 Service Classification No. 2 and P.S.C. No. 88 Service Classification Nos. 1, 5, and 14 shall be combined into monthly RPC Targets. RPC Targets for each of the Rate Years are set forth in the Joint Proposal dated February 19, 2016 in Case Nos.15-E-0283, 15-G-0284, 15-E-0285, and 15-G-0286, and approved by the Commission on June 15, 2016. The RPC Target for Rate Year 3 shall 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.
 - (i) The Company shall have two RDM classes for reconciliation purposes: one residential class consisting of residential P.S.C. No. 87 Service Classification No. 1 and P.S.C. No. 88 Service Classification No. 13 customers; and one consolidated non-residential class consisting of non-residential P.S.C. No. 87 Service Classification No. 2, and P.S.C. No. 88 Service Classification Nos. 1, 5, and 14 customers.
- b. “Delivery Revenues” - For the purpose of RDM, Delivery Revenues shall 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), Rate Adjustment Mechanism (RAM), 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 shall be priced out at standard service classification rates in developing the RPC Targets.
- c. “Rate Year” – for the purposes of RDM, Rate Year 1 shall be effective through April 30, 2017. Each Rate Year thereafter shall begin on May 1 in all subsequent 12-month periods.

3. Calculation

- a. Each month, actual billed delivery service revenues per customer shall be reconciled to allow 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 shall reflect the weather normalization adjustment clause.
- b. At the end of the Rate Year, actual billed revenues per customer by service class for the entire Rate Year shall be compared to the cumulative monthly targets for the entire Rate Year. Any variance from the cumulative monthly targets for the Rate Year shall be either surcharged or credited to customers over the twelve monthly periods of the immediately succeeding Rate Year. Surcharges or credits shall be developed on a service class basis. Any surcharge or credit amount shall 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) shall be recovered or returned through service class specific rates. Surcharges or credits arrived at in the annual reconciliation shall reflect amounts already surcharged or refunded through the interim reconciliation process.

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