

Effective Date: 07/21/2016

PSC No: 16 - Gas
 Rochester Gas and Electric Corporation
 Initial Effective Date: June 19, 2015

Leaf No. 127.46.3
 Revision: 3
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GENERAL INFORMATION

14. REVENUE DECOUPLING MECHANISM (RDM) ADJUSTMENT (Cont'd)

3. Calculation

Beginning October 1, 2010:

- 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 eliminating the current deadband.
- 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 12-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.
 - (i) The Company shall compare the revenues the RDM mechanisms would have yielded if not modified as indicated in 14.2.a.(i) with the revenues obtained from the mechanisms as modified in 14.2.a.(i). If the comparison demonstrates the 5% materiality test would not have been met had the RDM mechanisms as adopted in the Rate Plan remained in effect, then the Company shall cancel the modification and reinstate the original mechanism as set forth in 14.2.a.
 - (ii) If the implementation of the modified mechanisms as stated in 14.2.a.(i) results in additional RDM reconciliation revenues from the affected rate groups, and the Company is earning in excess of its allowed return on equity (ROE) provided for in the Rate Plan, the ROE exceedance attributable to the additional RDM reconciliation revenues, whatever the size of that exceedance, shall be deferred and recaptured for the benefit of customers. These benefits shall be returned to the affected classes in the following RDM reconciliation periods. This process shall be repeated until the RDM mechanism is changed and provides otherwise.
- c. The first two months of the Rate Year shall be adjusted upward to reverse the effect of proration of changes in effective delivery rates. If at any time during the Rate Year the cumulative difference between the actual billed revenues per customer and the cumulative target revenues per customer is 2.5% or more, the Company shall file an interim RDM Adjustment for each service classification.

Such interim RDM Adjustment shall be limited to no more than one per Rate Year and shall occur over four months or until the end of the Rate Year, whichever is longer.

4. Filing of Statements

- a. A Revenue Decoupling Mechanism (RDM) Statement setting forth the rate adjustment shall be filed with the Public Service Commission on not less than 30 days' notice.
- b. Should the Company file an interim RDM Adjustment as described above, such filing shall occur on not less than 10 days' notice.
- c. Such statement can be found at the end of this Schedule (P.S.C. No. 16 Gas).

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