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PSC No: 19 - Electricity
 Rochester Gas and Electric Corporation
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 Revision: 11
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GENERAL INFORMATION
4. METERING AND BILLING (Cont'd)

K. SURCHARGES (Cont'd)

Revenue Decoupling Mechanism Adjustment ("RDM") (Cont'd)

3. Calculation:

Beginning October 1, 2010:

- a. The RDM shall reconcile per service class actual billed delivery service revenue to allowed delivery service revenue.
- b. For each service classification or sub classification subject to the RDM, each month, the Company shall compare the Actual Billed Delivery Service Revenue and the Delivery Service Revenue Target. If the monthly Actual Billed Delivery Service Revenue exceeds the Delivery Service Revenue Target, the delivery service revenue excess shall be accrued for refund to customers at the end of the Rate Year. Likewise, if the monthly Actual Billed Delivery Service Revenue is less than the Delivery Service Revenue Target, the delivery revenue shortfall shall be accrued for recovery from customers at the end of the Rate Year.
- c. At the end of the Rate Year, total delivery service revenues shall be compared to cumulative monthly target revenues for each service classification or sub classification. Any variance from cumulative target revenues shall be either refunded or surcharged to customers over the 12-monthly periods of the immediately succeeding Rate Year. Any surcharge or credit amount shall reflect interest at the then effective other customer deposit rate and shall be either recovered or returned on a service classification or sub classification basis. The surcharge or credit for each applicable service classification or sub classification shall be determined by dividing the amount to be refunded or surcharged to customers in that service classification or sub classification by estimated kWh or kW deliveries to customers in that service classification or sub classification over a 12-month period. A per kW surcharge or credit shall be applied for those classes that do not have a kWh delivery charge. A per kWh surcharge or credit shall apply for all other service classifications.
- d. Following each RDM Adjustment period, any difference between the amounts required to be charged or credited to customers in each service classification or sub classification and amounts actually charged or credited shall be charged or credited to customers in that service classification or sub classification, with interest, over the subsequent RDM Adjustment period, or as determined by the Public Service Commission, if no RDM is in effect. Credits applied to Customer accounts pursuant to Rule P shall be excluded at the subsequent annual reconciliation.
- e. The first two months of the Rate Year shall be adjusted upward to reverse the effect of proration of changes in effective delivery rates.
- f. If a customer qualifies for and takes service under Service Classification Nos. 10 or 11, or receives an allocation of NYPA Power, or if a customer taking service under Service Classification Nos. 10 or 11 switches to another service classification subject to the RDM, or has an allocation of NYPA power that expires, such customer migration shall be treated symmetrically using the following methodology:
 - i. If a customer moves from a flexible rate contract to an RDM class, the RDM target shall increase by the level of revenue forecast for that customer in the rate year under the flexible rate contract pro-rated by the number of months in the new service class, making the Company whole for delivery revenues below the level forecast in the rate year. Any revenue in excess of the forecast shall be credited to the RDM class.
 - ii. If a customer moves from a RDM class to a flexible rate contract, the RDM target shall be decreased by that customer's sales in the flexible rate contract priced out at full tariff rates, making the RDM class whole for delivery revenues from the migrating customer.
 - iii. In situation (a) and (b) above, the Companies shall adjust the RDM targets for the remaining months of the current rate year, and in the subsequent rate years.
- g. If at any time during Rate Year, the actual total accumulated billed delivery service revenues vary plus or minus 2.5% or more from the total accumulated Delivery Service Revenue Targets, the Company shall file an interim RDM Adjustment for each service classification and sub 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. 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 to be effective November 1. Should the Company file an interim RDM Adjustment as described above, such filing shall occur on not less than 10-days' notice. Such statement can be found at the end of this Schedule (P.S.C. No. 19 – Electricity).

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