

PSC No: 16 - Gas
Rochester Gas and Electric Corporation
Initial Effective Date: October 2, 2006

Leaf No. 69
Revision: 7
Superseding Revision: 6

GENERAL INFORMATION

4. METERING AND BILLING (Cont'd)

H. ADJUSTMENT OF RATES DUE TO CHANGES IN COST OF GAS

(1) Monthly GSC Statement

- (a) Not less than three days prior to any change in the net cost of gas resulting from this provision for adjustment of rates according to changes in the net cost of gas, a statement showing the present average cost of gas and the date at which and the period for which the average was determined, together with the period the net cost of gas per therm will remain in effect, will be duly filed with the Public Service Commission apart from this Rate Schedule. Such statement will be available to the public at Company offices at which applications for service may be made.
- (b) A new GSC statement, may be filed on one (1) day's notice to become effective not more than five (5) days after the effective date of the initial statement if the replacement of cost estimates in the initial statement with actual costs results in a change in the average cost of gas of more than five percent (5%). The applicable GSC, per Therm of usage, will be charged to customers by prorating the GSCs in effect for heating load during the billing period based on the number of degree days each GSC was in effect during the billing period. For non-heating load, the applicable GSC, per Therm of usage will be charged by prorating the GSCs in effect during the billing period based on the number of calendar days each GSC was in effect during the billing period..

(2) Average Cost of Gas

The average cost of gas shall be computed monthly as follows:

- (a) By applying the estimated rates and charges of the Company's gas suppliers to the respective quantities of gas purchased from each supplier for delivery to customers during the 12 calendar months immediately preceding the computation dates; and
- (b) By applying the average unit cost of gas in storage (including charges for gas storage services provided by the Company's storage suppliers but not including carrying charges) at the date of the computation to the quantities of gas withdrawn from storage during the same 12-month period; and
- (c) From the total quantity of gas delivered to customers, other than customers taking service under Service Classifications Nos. 3, 5 and 7, subtracting the quantity of gas delivered for use by the other departments during the same 12-month period; and
- (d) Reducing the total cost of gas purchased and withdrawn from storage, as computed in (a) and (b) above, by an amount determined by applying the interdepartmental rate per dekatherm, to the interdepartmental quantities in (c) above; and
- (e) Included in the Average Cost of Gas are the Gas Cost Incentive Mechanisms ("GCIMs"). The GCIMs provide a means of sharing gas supply cost savings between customers and shareholders. As more fully described below, the GCIMs are designed to address two distinct categories of gas supply cost savings: GCIM 1 relates to activities conducted by RG&E on a stand-alone basis; GCIM 2 relates to activities from the joint optimization of the gas supply portfolios of the Energy East local distribution companies. GCIM 1 and GCIM 2 savings will be shared as specified below.
 1. GCIM 1 - RG&E Stand-Alone Activities - One hundred percent (100%) of the savings attributable to migration capacity release will be for the benefit of customers. There will be an 80%/20% sharing between customers and shareholders of: (1) RG&E non-migration capacity release; (2) RG&E off-system sales net of gas costs; and (3) savings from local production

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