

PSC No: 18 - Electricity
Rochester Gas and Electric Corporation
Initial Effective Date: October 1, 2008
Issued in compliance with order in Case 03-E-0765 issued and effective August 28, 2008

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Revision: 3
Superseding Revision: 2

**SERVICE CLASSIFICATION NO. 3
TRAFFIC SIGNAL SERVICE (Cont'd)**

1. ESCO Price Option (EPO) (Cont'd)

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

Effective through December 31, 2008:

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 and allocated uncollectible costs associated with electric supply.

The remaining components of the TC will be flowed through the TC as actually incurred on a monthly basis, subject to true-up in subsequent months:

- (a) Variable costs of RG&E-owned generation,
- (b) Transmission-related costs and revenues,
- (c) The value of the output of the RG&E-owned generation,
- (d) Ancillary services (excluding Schedule 4 - Energy Imbalance) and NTAC costs will vary and be reconciled on a monthly basis,
- (e) The net value of NYPA, Nine Mile 2 and Ginna purchased power contracts. The net value will be based on the actual output and contract costs, and the actual NYISO locational market prices. The value of the NYPA power will be streamed to residential customers as required.

A Transition Charge – Variable (TCV) Statement setting forth the monthly Residential and Non-Residential Transition Charges will be filed with the Public Service Commission on not less than one (1) day's notice prior to the effective date. Such statement can be found at the end of this Schedule (PSC 18 - Electricity).

Effective beginning January 1, 2009:

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, subject to annual true-up and established after the 20 trading days prior to the final trading day in October, to be effective January 1, 2009, and fixed for the Commodity Rate Period. Thereafter, the remaining components of the TC will be reforecast and established after the 20 trading days prior to the final trading day in October 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 prior to January 1 of each year. Such statement can be found at the end of this Schedule (PSC 19 - Electricity).

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