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GENERAL INFORMATION

12. ELECTRICITY SUPPLY PRICING OPTION ENROLLMENTS (Cont'd)

A. Electricity Supply Pricing Options (Cont'd)

4. RG&E's Fixed Price Option (FPO): This Non-Retail Access choice includes a fixed component for RG&E delivery service, a fixed Transition Charge (TC, as described below), and a fixed commodity charge for electricity supply provided by RG&E. The fixed commodity charge will be reset on January 1 of each Commodity Rate Period and may be adjusted on April 1 of each Commodity Rate Period, pursuant to RG&E's Electric Rate Joint Proposal; however, the adjusted rate will be applicable only to a customer starting service at a new location after April 1 of any Commodity Rate Period and receiving such service under RG&E's Fixed Price Option (FPO).

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

All customers, whether receiving electricity supply from RG&E or an ESCO, will be required to pay a Transition Charge (also known as the Non-Bypassable Charge [NBC] in the Electric Rate Joint Proposal).

1. Transition Charge calculated annually applicable to the FPO and the EOSA:

As further specified in RG&E's Electric Rate Joint Proposal, in addition to a fixed rate component, the following costs and values will be forecast on October 1, 2004, to be effective January 1, 2005, and fixed for the first commodity rate period, and then reforecast and established on October 1 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, which costs are fuel, emissions costs net of emissions allowance values and applicable taxes;
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, which is energy, capacity and ancillary service value. The value will be based on a forecast of output applying the market prices used in the development of the FPO option;
d. Ancillary services (Excluding Schedule 4 – Energy Imbalance) and New York Power Authority ("NYPA") Transmission Charge ("NTAC") costs. RG&E will reimburse ESCOs for NTAC costs and for the following NYISO ancillary services: a) Scheduling, System Control and Dispatch ("Schedule 1"); b) Reactive Supply and Voltage Control ("Schedule 2"); c) Regulation and Frequency Response ("Schedule 3"), d) Operating Reserve, Spinning Reserve and Supplemental Reserve ("Schedule 5"); and e) Black Start ("Schedule 6"). RG&E will reimburse ESCOs for each of these services at the same rate charged to RG&E by the NYISO. RG&E will not reimburse an ESCO for those charges or penalties assessed to the ESCO because of the individual ESCO practices; and
e. The net value of NYPA, Nine Mile 2 and Ginna purchased power contracts. The value of the NYPA power will be streamed to residential customers served under Service Classification ("SC") Nos. 1 and 4.

The fixed TC will be reduced by the amortization of the ASGA as illustrated in Appendix J of RG&E's Electric Rate Joint Proposal.

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