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Rochester Gas and Electric Corporation   Revision: 0
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SERVICE CLASSIFICATION NO. 10

PRICING (Cont'd):

The monthly adjustment factor is defined as:

$$kWh_{current} * (MR_{total} - AR_{total})/kWh_{total}$$

Where: $kWh_{current}$ = The Customer's kWh usage in the current billing month.

         MR_{total} = The monthly marginal cost revenues, as defined below, for the Customer, summed over the 12 calendar months immediately preceding the month in which the bill is rendered.

         AR_{total} = The monthly actual revenues for the Customer, summed over the previous 12 billing months, where the actual revenues are the base revenues received in that month from the Customer under the Service Agreement. The monthly actual revenues do not include any revenues paid through this adjustment mechanism.

         kWh_{totoal} = The Customer's monthly kWh usage summed over the previous 12 billing months.

The monthly marginal cost revenues referred to above are defined as:

$$MR_{trans} + MR_{dist} + MR_{energy} + MR_{ICAP} + MR_{ancillary} + MR_{adder}$$

Where: MR_{trans} = The Corporation's FERC-approved Transmission Service Charge (TSC) for the month multiplied by the Customer's total usage for the month.

         MR_{dist} = The Corporation's marginal distribution costs

         MR_{energy} = The RG&E system load weighted average day-ahead market (DAM) location-based marginal price (LBMP) for the month, multiplied by the Customer's total usage for the month.

         MR_{ICAP} = The New York Independent System Operator (NYISO) six-month strip auction price per kW-month for installed capacity (ICAP), multiplied by Customer's billing demand in the month.

         $MR_{ancillary}$ = The RG&E system load weighted average of the NYISO ancillary services charges for Schedule 1 (fixed and variable), 2, 3, 5, and 6, and NTAC, multiplied by the Customer's total usage for the month.

         MR_{adder} = $0.01/kWh multiplied by the Customer's total usage for the month.

The application of the adjustment factor shall commence in the first month following the end of the first 12-month period during which the Service Agreement was in effect, and continue until the termination of the service agreement. In the event that, after the termination of the Service Agreement, the Corporation and the Customer enter into a subsequent Service Agreement, the application of the adjustment factor will begin immediately upon commencement of the new agreement.

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