

PSC No: 16 - Gas
Rochester Gas and Electric Corporation
Initial Effective Date: July 1, 2016
Issued in compliance with Order in Case 15-G-0286, dated June 15, 2016

Leaf No. 127.46.4
Revision: 4
Superseding Revision: 3

GENERAL INFORMATION

15. RATE ADJUSTMENT MECHANISM ("RAM")

A. Applicable to all customers taking gas delivery service.

B. RAM Eligible Deferrals and Costs:

All RAM Eligible Deferrals and Costs shall be the difference between actual costs and the amounts provided for in base rates. RAM Eligible Deferrals and Costs shall include:

- (1) Property Taxes;
- (2) Gas Leak Prone Pipe Replacement; and
- (3) Reforming the Energy Vision ("REV") costs and fees which are not covered by other recovery mechanisms.

All RAM revenues and deferrals are subject to reconciliation.

C. Annual RAM Recovery / Return Limits:

The annual RAM recovery / return shall be limited to \$4.4 million for gas. The RAM shall only be implemented for the Company once the limit is reached from netting the RAM Eligible Deferrals. Any net RAM Eligible Deferral value in excess of the limit shall remain deferred and shall be carried forward to the calculation of the RAM limits in the following year. Any net regulatory asset or liability in excess of the Company's annual RAM recovery / return limit shall be carried forward to the calculation of the RAM in the following year.

D. Deferred Regulatory Asset and Liability Balances:

The Company shall measure the deferred regulatory asset and liability balances for the items specified as RAM Eligible Deferrals and Costs (listed above) as of December 31 for each year. The RAM shall be identified in the Company's respective RAM Compliance Filings submitted on March 31 of each year and shall be implemented in rates on July 1 of each year for collection over the 12 months from July 1 to June 30. The RAM Compliance Filings shall include proposed RAM rates by service classification. Annually, the Company shall submit RAM tariff statements effective on July 1.

The first RAMs shall be effective July 1, 2017 based on eligible deferred balances as of December 31, 2016.

E. RAM Annual Recovery / Return Allocation:

The gas RAM annual recovery / return amounts shall be allocated to service classifications based on delivery service revenues and recovered from customers on a per therm basis.

F. Carrying Costs:

The Company shall accrue carrying costs on RAM Eligible Deferrals and costs as follows:

- (1) During the period that the RAM is in effect for those deferral balances being specifically collected or returned, carrying costs shall be based on the Commission's authorized Other Customer Capital Rate.
- (2) RAM Eligible Deferral Balances not in the RAM tariff due to the annual dollar amount restrictions set forth above shall accrue carrying charges as follows:
 - (a) Net Deferral amounts at or under the annual RAM recovery / return limits shall accrue carrying charges at the Other Customer Capital Rate;
 - (b) Additional deferral amounts over the annual RAM recovery / return limits, up to one year's worth of value, shall accrue carrying costs at the Other Customer Capital Rate; and
 - (c) Additional deferral amounts over the annual RAM recovery / return limits in Rule 15.F.(2)(a) and (2)(b) above, shall accrue carrying costs at the Company's respective Pre-Tax Weighted Cost of Capital, applied to the after-tax balance.

G. Filings and Statements:

- a. A RAM Compliance Filing setting forth the RAM rates by Service Classification shall be filed with the Commission by March 31 on an annual basis.
- b. A RAM Statement setting forth the RAM rates shall be filed with the Commission on not less 30 days' notice to be effective July 1. Such statement may be found at the end of this Schedule.

16. Reserved for Future Use

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