

Effective Date: 07/21/2016

PSC No: 16 - Gas
 Rochester Gas and Electric Corporation
 Initial Effective Date: June 19, 2015

Leaf No. 69.1
 Revision: 0
 Superseding Revision:

GENERAL INFORMATION

4. METERING AND BILLING (Cont'd)

H. ADJUSTMENT OF RATES DUE TO CHANGES IN COST OF GAS (Cont'd)

(4) 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 forecasted 12 calendar months; 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Company's storage suppliers but not including carrying charges) at the date of the computation to the quantities of gas withdrawn from storage during the same 12-month period; and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- (d) Reducing the total cost of gas purchased and withdrawn from storage, as computed in (a) and (b) above, by an amount determined by applying the interdepartmental rate per dekatherm, to the interdepartmental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 market price compensation costs that the Company paid to ESCOs for gas diverted during a curtailment situation. Defined in Leaf 127.19.1.D 5(g)6; and
- (f) Plus/minus applicable fixed risk management costs.
- (g) Included in the Average Cost of Gas is the Gas Cost Incentive Mechanism ("GCIM"):
 - (i) 100% of the savings attributable to migration capacity release shall be for the benefit of customers.
 - (ii) There shall be an 85%/15% sharing between customers and shareholders of:
 - (1) Company non-migration capacity release; and
 - (2) Company off-system sales net of gas costs.
 - (iii) There shall be an 80%/20% sharing between customers and shareholders for savings from local production.
- (h) By dividing the total cost of gas, (a) plus (b) minus (d) minus (e), by (c) the gas delivered to customers.

(5) Factor of Adjustment (FOA)

- (a) The rates for gas service under Service Classification No. 1 shall be subject each month to an addition or a deduction for each \$.000001, or major fraction thereof, increase or decrease in the average cost of gas per therm. Such increase or decrease shall be multiplied by the factor of adjustment ratio of 1.0100 and rounded to the nearest \$.000001 per therm.

The FOA shall be reset on January 1 based on an average of the actual lost and unaccounted volumes for the immediately preceding three 12-month periods ending August 31. This provision is effective through August 31, 2016.

The FOA shall not be reset if the average result from those periods is within plus or minus 5% of the FOA then in effect. This provision is effective through August 31, 2016.

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