

SERVICE CLASSIFICATION NO. 7

FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW AVAILABLE:

In all of the Gas Control Area served by the Company.

CHARACTER OF SERVICE:

Transportation service of Customer-owned, pipeline quality, odorized gas on a firm basis from a delivery point within the Company's Control Area to facilities at the Customer's metering point. Customer-owned gas will be natural gas of not less than 1,000 Btu per cubic foot, supplied at pressures within the limits prescribed by the Public Service Commission. Gas service provided hereunder shall be daily metered and billed separately from gas service provided under any other service classification of the Company, and the use of gas measured by this separate meter for other than the use described herein is expressly prohibited.

OBLIGATION TO SERVE:

It shall be the Company's obligation to deliver the Customer's gas from the Distribution Point(s) of Receipt to the Distribution Point(s) of Delivery. However, the Company shall have no obligation or responsibility for making arrangements for the Customer's supply of gas from the Customer's supply source to the Distribution Point(s) of Receipt.

RATE CHOICES AVAILABLE TO CUSTOMERS:

Pursuant to Rule 10, General Retail Access – Multi-Retailer Model, of this Schedule, customers will choose either a Retail Access Rate or a non-Retail Access Rate. This S.C. No. 7 is a Retail Access Rate, under which RG&E will provide Delivery Service. Commodity Service will be provided by an ESCO.

MONTHLY RATE FOR TRANSPORTATION SERVICE:

For each service agreement, the monthly rate shall consist of the minimum charge, service-point transportation charges, including the Transportation Rate Adjustment, and applicable taxes, as found in each Service Classification.

MINIMUM CHARGE:

For each service agreement, see the applicable Service Classification for the minimum charge, exclusive of transportation rate adjustment charges.

SYSTEM BENEFITS CHARGE (SBC):

The customer shall be subject to the SBC, as explained in Rule 12. The SBC is provided in the SBC Statement, as filed with the Public Service Commission.

SURCHARGE TO COLLECT TEMPORARY STATE ASSESSMENT (TSAS):

All customers will be charged the Temporary State Assessment per Therm of gas delivered as explained in General Information Section 13 of PSC No. 16 – Gas, or superseding issues thereof.

INCREASE IN RATES AND CHARGES:

The rates and charges under this Schedule, including any minimum charge, are increased by the applicable effective aggregate percentage shown in Rule 4.I for service supplied within the municipality where the Customer is taking service.

OTHER CHARGES:

A. Interdepartmental Sales Credit

The interdepartmental sales credit shall be calculated as follows:

- (1) The interdepartmental rate per dekatherm shall be defined as the equivalent alternate fuel price less \$.05 per dekatherm, but that price shall not be less than a price which is the commodity cost of purchased gas plus \$.48* per dekatherm, or greater than the average cost of purchased gas plus \$.48* per dekatherm.

* Except for gas used in the Company's gas turbine where the adder shall be \$.44 per dekatherm.

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(2) The interdepartmental rate per dekatherm in (1) shall be applied to the total quantity of gas delivered for use by the other departments during the 12 calendar months immediately preceding the computation dates to arrive at the total interdepartmental sales credit; and

(3) The total interdepartmental sales credit in (2) shall be divided by the total normalized quantity of gas delivered to all Customers served under this tariff to arrive at the interdepartmental sales credit.

B. FERC Order 636 Transition Cost Surcharge

The delivery rates per therm as herein provided shall be subject to a surcharge calculated according to the New York State Public Service Commission's Opinion and Order 94-26 in Case 93-G-0932, issued and effective December 20, 1994, for the recovery of FERC Order 636 Transition Costs.

C. PSC Transition Cost Surcharge

(1) Surcharge for Service Classification No. 7 Customers whose annual gas use is less than 35,000 therms and whose generating capacity is less than 5 MW

For those service points served under Service Classification No. 7, whose annual gas use is less than 35,000 therms and whose generating capacity is less than 5 MW, the rates per therm herein provided shall be subject each month to a surcharge to collect a pro-rata share of upstream capacity costs that would otherwise be unrecovered as a result of customer migration to other suppliers .

(a) The total capacity costs to be recovered through this PSC Transition Cost Surcharge shall be computed monthly according to the following formula:

$$\text{\$cap} = (\text{tcap} / \text{ucap}) * \text{ucap}\$$$

Where:

\\$cap = The total capacity costs to be recovered through this PSC Transition Cost Surcharge.

tcap = The sum of:

- (i) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 3, and who converted to service under that service classification from Service Classification No. 5 or Service Classification No. 1, after November 1, 1996. The amount attributable to each such Customer shall be sufficient to meet the customer's winter season design day requirement. New load added by such a customer after November 1, 1996 by constructing a new facility or expanding an existing facility shall not be included in this determination; and
- (ii) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 5. The amount attributable to each such Customer shall be that customer's winter season design day requirement.
- (iii) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 7. The amount attributable to each such Customer shall be that customer's winter season design day requirement.

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ucap = The Company's total unreleased upstream pipeline capacity less the amount of DTI FTNN and FTNNGSS capacity used for balancing Service Classification No. 3 customers under the Daily Balancing Service.

ucap\$ = The Company's total upstream pipeline capacity costs, less:

- i) Revenues achieved by the Company from releases of capacity; and
- ii) Charges associated with capacity that is either a) assigned to ESCOs through the Retail Access Capacity Program detailed in Service Classification No. 5; or b) used by the ESCO to provide retail service under Service Classification No. 1; or c) used by the Company to provide Daily Balancing Service to Service Classification No. 3 or Service Classification No. 7 customers.

- (b) The total capacity cost per therm is calculated by dividing the total cost in (a), above, by the total normalized volumes of gas delivered to the following Customers:
 - i) Customers being served by ESCOs taking service under Service Classification No. 3 who converted to such service from Service Classification No. 5 or Service Classification No. 1, after November 1, 1996, excluding gas delivered to new load as defined in 1.(a)(i), above; and
 - ii) Customers taking service under Service Classification No. 1 or Service Classification No. 6; and
 - iii) Customers taking service under Service Classification No. 4, who are subject to the gas cost adjustment; and
 - i) Customers being served by ESCOs taking service under Service Classification No. 5 or Service Classification No. 7.

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Rochester Gas and Electric Corporation
Initial Effective Date: November 1, 2008

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SERVICE CLASSIFICATION NO. 7

FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW
(Cont'd)

Reserved for Future Use

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SERVICE CLASSIFICATION NO. 7

FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES <50 MW
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Reserved for Future Use

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(Cont'd)

- (2) **Surcharge for Service Classification No. 7 Service Points, who do not meet the requirements in 1.**
For those service points served under Service Classification No. 7 which do not meet the criteria in 1. above, the rates per therm herein provided shall be subject each month to a surcharge to collect a pro-rata share of upstream capacity costs that would otherwise be unrecovered as a result of customer migration to other suppliers.

- a) The total capacity costs to be recovered through this PSC Transition Cost Surcharge shall be computed monthly according to the following formula:

$$\$cap = (tcap / ucap) * ucap\$$$

Where:

\$cap = The total capacity costs to be recovered through this PSC Transition Cost Surcharge.

tcap = The sum of:

- (i) The amount of capacity attributable to each Customer who is being served by an ESCO under Service Classification No. 3, and who converted to service under that service classification from Service Classification No. 5 or Service Classification No. 1, after November 1, 1996. The amount attributable to each such Customer shall be sufficient to meet the customer's winter season design day requirement. New load added by such a customer after November 1, 1996 by constructing a new facility or expanding an existing facility shall not be included in this determination; and
- (ii) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 5. The amount attributable to each such Customer shall be that customer's winter season design day requirement.
- (iii) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 7. The amount attributable to each such Customer shall be that customer's winter season design day requirement.

ucap = The Company's total unreleased upstream pipeline capacity less the amount of DTI FTNN and FTNNGSS capacity used for balancing Service Classification No. 3 customers under the Daily Balancing Service.

ucap\$ = The Company's total upstream pipeline capacity costs, less:

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- i) Revenues achieved by the Company from releases of capacity; and
 - ii) Charges associated with capacity that is either a) assigned to ESCOs through the Retail Access Capacity Program detailed in Service Classification No. 5; or b) used by the ESCO to provide retail service under Service Classification No. 1; or c) used by the Company to provide Daily Balancing Service to Service Classification Nos. 3 or 7 customers.
- (b) The upstream capacity portion of this PSC transition cost per therm is calculated by dividing the total capacity cost in (a), above, by the total normalized volumes of gas delivered to the following Customers:
- i) Customers being served by ESCOs taking service under Service Classification No. 3 who converted to such service from Service Classification No. 5 or Service Classification No. 1, after November 1, 1996, excluding gas delivered to new load as defined in D.2.(a)(i), above; and
 - ii) Customers taking service under Service Classification No. 1 or SC 6; and
 - iii) Customers taking service under Service Classification No. 4, who are subject to the GSC; and
 - iii) Customers being served by ESCOs taking service under Service Classification No. 5; and
 - iv) Customers being served by ESCOs taking service under Service Classification No. 7.

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SERVICE CLASSIFICATION NO. 7

FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES <50 MW
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D. Research and Development Surcharge

The rates per therm as herein provided shall be subject each month to a surcharge to collect funds to support medium and long term gas research and development programs.

The amount of the surcharge will be calculated yearly by dividing the total amount that RG&E paid to upstream pipelines for GRI funding in calendar year 1998, less any amounts to be paid to upstream pipelines for GRI funding in the calendar year for which the surcharge is being calculated, by the total normalized volumes delivered to customers taking service under all Service Classifications.

The total amount collected annually under this surcharge will be reconciled to ensure that it does not exceed the amount that RG&E paid to upstream pipelines for GRI funding in calendar year 1998. Any amounts collected through this surcharge which are not spent on R&D programs will be refunded to the customers.

TERMS OF PAYMENT:

All bills are rendered at the rate set forth in this service classification. A late payment charge of one and one-half percent (1 ½%) per month shall become due and payable if payment is not made on or before the "last day to pay" date specified on the bill in accordance with the provisions of Rule 4.D.2.

BALANCING SERVICE:

The ESCO/DC must take balancing service under Rule 10.J for each service point for which it is taking transportation service. The ESCO/DC will indicate the type of balancing service to be used for each of its service agreements, consistent with Rule 10.J and the applicable Service Classifications.

Each of the ESCO's/DC's service agreements will be assigned to a Balance Control Account. A separate Balance Control Account will be established for each type of Balancing Service elected for the ESCO's Customers or the DC.

Retail Access Capacity Program

A) General

ESCOs serving Customers with annual use less than 35,000 therms under this service Classification will be required to participate in the Retail Access Capacity Program, as defined in this Section whereby transportation capacity from liquid trading points - Dawn and Southpoint (i.e. all receipt points on the Dominion Transmission Incorporated (DTI) system south of DTI's Valley Production Compressor Station) - to the Company's city gates at Mendon and Caledonia, respectively, and storage capacity, will be released to ESCOs serving Customers under this service Classification with annual use less than 35,000 therms.

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Retail Access Capacity Program (Cont'd)

B) Capacity to Be Released

Capacity to be released between Dawn and Mendon shall include transportation capacity on TransCanada PipeLine Limited (TCPL) and Empire State Pipeline (Empire). Storage capacity in the Delivery and Storage Redelivery Service ("DSR Service") will be made available to the ESCO for release under the following choices:

- (1) 100% of its DSR Service peak day requirements;
- (2) 66% of its DSR Service peak day requirements; or
- (3) 0% of its DSR Service peak day requirements, if it can demonstrate it has non-recallable primary point capacity from the Dawn Hub to the citygate for its firm customers, or a firm supply contract with a reliable counterparty for delivery to Empire at Chippawa or a point downstream of Chippawa.

In the event an ESCO elects a DSR Service quantity less than 100% of its DSR Service peak day requirements, the quantity of TCPL capacity available to the ESCO will be adjusted in accordance with the Company's GTOP Manual.

An ESCO taking over service to an existing set of customers being served pursuant to this service classification shall, upon such take over, assume the DSR Service choice of the preceding ESCO.

An ESCO that is new to RG&E's service territory shall submit an application to become qualified to serve customers under this service classification. If DSR service capacity is available, for applications submitted between:

- (1) March 16 and October 31, the ESCO must elect one of the DSR Service choices set forth above at the time of application. The DSR Service capacity shall be released and storage gas shall be transferred on November 1.
- (2) November 1 and March 15, the ESCO shall elect DSR Service in accordance with paragraph (f), Release of Empire Capacity, stated below.

To accommodate for the difference in released assets between Empire and TCPL, the ESCO must demonstrate it has non-recallable primary point capacity from the Dawn Hub to the citygate for its customers, or a firm supply contract with a reliable counterparty for delivery to Empire at Chippawa or a point downstream of Chippawa.

TCPL, Empire, and DSR Service assets shall be termed "Empire Capacity".

Capacity to be released between Southpoint and Caledonia shall include transportation and storage capacity on DTI. These assets shall be termed "DTI Capacity".

The total capacity available for release may be sufficient to meet the design day load of all Customers eligible for service under this service classification, as determined from time to time by the Company, as well as to meet the operational design requirements of the Company's distribution system. References to "release" of capacity are intended to include all transfers to ESCOs of rights and obligations pertaining to capacity held by the Company unless the context requires otherwise.

C) Methodology for Release

The Company shall release transportation and storage capacity on both the Empire and DTI systems to ESCOs serving customers under this service classification based on winter season design day requirements of the retail load served by each ESCO, as calculated by the Company. The allocation methodology shall provide for the Company's operational distribution system requirements, including, but not limited to, maintaining the appropriate ratio of Empire deliveries to DTI deliveries to ensure system integrity.

D) Administration of Released Assets

The Company shall administer release of assets so as to maintain a correspondence between winter season design day requirements of the retail load served by each ESCO and capacity released to that ESCO on a periodic basis. As load served by an ESCO changes, the Company shall periodically make corresponding adjustments to the quantity of capacity released to the ESCO. The procedure for effectuating such adjustments is specified in the Company's GTOP manual. In any situation where the Company is required to repute the recalled capacity entitlements to the ESCO, the ESCO waives its rights to such repute.

E) Recall of Capacity Entitlements

If the ESCO becomes unqualified to sell gas on the Company's system or transport gas on pipelines upstream of its city gates, the Company shall recall all capacity released to the ESCO. If the ESCO fails to deliver supplies of gas adequate to serve its Customers, or if required for system reliability purposes, the Company shall have the right to recall all capacity released to the ESCO. References to "recall" of capacity are intended to include all returns to the Company of rights and obligations pertaining to capacity previously released to an ESCO, unless the context requires otherwise.

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FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW (Cont'd)

Retail Access Capacity Program (Cont'd)

D) Administration of Released Assets

The Company shall administer release of assets so as to maintain a correspondence between winter season design day requirements of the retail load served by each ESCO and capacity released to that ESCO on a periodic basis. As load served by an ESCO changes, the Company shall periodically make corresponding adjustments to the quantity of capacity released to the ESCO. The procedure for effectuating such adjustments is specified in the Company's GTOP manual. In any situation where the Company is required to repute the recalled capacity entitlements to the ESCO, the ESCO waives its rights to such reputs.

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F) Release of Empire Capacity

Release of capacity on Empire will be carried out pursuant to the terms and conditions of Empire's Tariff on file with the Commission, as such Tariff may be amended from time to time, and the terms and conditions of any separate agreement between the Company and Empire pertaining to this subject. In the event of any conflict between the terms and conditions of Empire's Tariff and any separate agreement, the terms and conditions of the latter shall control. Release of capacity on TCPL and the DSR Service shall be carried out by the Company consistent with the terms and conditions of the Company's agreements with TCPL and the DSR Service provider.

DSR Service capacity release shall become effective April 1 of each year; the ESCO must notify RG&E of its election by March 15.

G) Release of DTI Capacity

Release of capacity on DTI shall be carried out in a manner consistent with FERC requirements pertaining to capacity release.

H) Rates for Released Capacity

The rates to be paid by an ESCO taking released capacity shall be the Company's maximum contract rates pursuant to the tariffs and/or agreements applicable to the released capacity.

I) Transfer of Storage Gas and Capacity to the ESCO

Where storage assets are released to an ESCO in conjunction with this Retail Access Capacity Program after the commencement of the storage injection season (April 1 of each year), the Company shall transfer to the ESCO a quantity of gas equivalent to a pro-rata share of gas that the Company has acquired to provide service to the migrated Customers. The quantity of gas transferred shall be the storage capacity to be released multiplied by a percentage (published in Company's GTOP) representing the planned degree to which the Company's storage will be filled at the beginning of the month during which the release is made.

As detailed below, there will be an ESCO Charge and an ESCO Credit associated with transfers of gas in storage.

ESCO Charge:

The ESCO shall pay the Company: 1) the weighted average commodity cost of gas in storage multiplied by the quantity of gas transferred; plus 2) a contribution to storage capacity costs calculated as shown below.

The weighted average cost of commodity will be billed for each transfer of DTI storage and will be billed in November for the cumulative gas transfer of the DSR Service.

The contribution to storage capacity will be calculated differently for east side and west capacity as indicated below. The calculations for the east side and west side will be added together to derive a total cost.

Applicable to DTI pipeline for the months May – March

East side = $(rscapdti * wacos_3 * months_{APR}) + (rscapdti * months_{NOV} * (ftnngss\$/cgdeliv_{DTI}))$

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FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW (Cont'd)

Retail Access Capacity Program (Cont'd)

Applicable to TCPL Pipeline and Empire Pipeline for the months May – March:

West side = $(rscapun * wacos_3 * months_{APR})$

Applicable to the DSR Service for the month of November

West side = $(rscapun * wacos_4 * months_{Apr/oct})$

Where:

- West side = The DSR Service and related storage transportation on TCPL and Empire
- East side = DTI storage and related storage transportation
- rscapdti = The amount of storage deliverability from DTI storage at city gate released to the ESCO (in DT).
- rscapun = The amount of storage deliverability from the DSR Service at city gate released to the ESCO (in DT).
- wacos₁ = The Company's monthly weighted average cost of storage assets, including the DSR Service and associated TCPL and Empire transportation, and DTI GSS storage (capacity and demand) (in \$/DT).
- wacos₂ = The Company's monthly weighted average cost of storage assets, including FTNNGSS, the DSR Service and associated TCPL and Empire transportation, and DTI GSS storage (capacity and demand) (in \$/DT).
- wacos₃ = The Company's monthly weighted average cost of storage assets, including associated TCPL and Empire transportation (but excluding the DSR Service), and DTI GSS storage (capacity and demand) (in \$/DT).
- wacos₄ = $Wacos_1 - Wacos_3$
- months_{APR} = The number of months from April to the month prior to the transfer month, inclusive.
- months_{NOV} = The number of months from November to the month prior to the transfer month, inclusive.
- months_{Apr/Oct} = The number of months from April to October.
- ftnngss\$ = The Company's total monthly costs for DTI's FTNNGSS transportation service (in \$/month).
- cgdeliv_{DTI} = The Company's total DTI storage deliverability at city gate (in DT). (Continued on next leaf)

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FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW (Cont'd)

Retail Access Capacity Program (Cont'd)

ESCO Credit:

The Company will provide a credit to the ESCO for amounts previously paid towards the released storage assets through the balancing charge and/or bundled Customer rates, equal to the sum, over all months in the period beginning with April and ending at the transfer month, of the monthly credits calculated as follows:

$$\text{rscap} * \text{wacos}_2 * (\text{nmt}/\text{amt})$$

Where: rscap	=	The amount of storage deliverability at city gate released to the ESCO (in DT)
wacos ₂	=	The Company's monthly weighted average cost of storage assets, including the DSR Service and associated TCPL and Empire transportation, DTI GSS storage (demand and capacity), and DTI FTNNGSS transportation (in \$/DT).
nmt	=	The normalized throughput for the month for all Customers served by ESCOs taking service under Service Classification No. 5, or all customers served by ESCOs taking service under Service Classification No. 7 whose annual use is less than 35,000 therms or served by the Company under Service Classification No. 1 (in DT).
amt	=	The normalized annual throughput for all Customers served by ESCOs taking service under Service Classification No. 5, or all customers served by ESCOs taking service under Service Classification No. 7 whose annual use is less than 35,000 therms or served by the Company under Service Classification No. 1, divided by 12 (in DT).

J) Transfer of Storage Gas and Capacity to the Company

In the event that an ESCO's load declines, necessitating a return of capacity to the Company, the ESCO will transfer to the Company an amount of gas equal to the returned storage capacity multiplied by a percentage representing the planned degree to which the Company's storage will be filled at the beginning of the month during which the return is made. The Company will reimburse the ESCO at the Company's weighted average commodity cost of gas in storage for the above-calculated amount. If the ESCO does not have a quantity of gas in storage equal to the above-calculated amount, the ESCO must procure an amount of gas in storage and available for immediate withdrawal by the Company, to meet this requirement. This gas must be transferred to RG&E's account on the first calendar day of the appropriate month. If the ESCO does not transfer the required gas in storage on the first calendar day of the appropriate month, the ESCO will be subject to a penalty of \$2.50/therm/day for each therm of required storage gas not available to the Company.

As detailed below, there will be an ESCO Credit and an ESCO Charge associated with transfers of gas in storage.

ESCO Credit:

The Company will credit the ESCO: 1) the weighted average commodity cost of gas in storage multiplied by the quantity of gas transferred; plus 2), a contribution to storage capacity costs calculated as shown below.

The Company will credit the ESCO at the Company's weighted average commodity cost of gas in storage for the transferred gas. The weighted average cost of commodity will be credited monthly for gas purchased from DTI storage and will be credited in November for gas purchased from the DSR Service. If the ESCO does not have a quantity of gas in storage equal to the above calculated amount, the ESCO must procure an amount of gas in storage and available for immediate withdrawal by the Company, to meet this requirement. In the event, the ESCO does not provide the required gas; the Company will bill the ESCO the higher of: 1) the costs associated with replacement of the gas supplies, or 2) the cost determined by applying the Weighted Average Cost of Gas per therm, as stated on the Small General Service Transportation Rate Adjustment Statement.

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Rochester Gas and Electric Corporation
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SERVICE CLASSIFICATION NO. 7

FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW (Cont'd)

Retail Access Capacity Program (Cont'd)

The calculation of the ESCO credit for capacity costs is:

Applicable to DTI for the Months of May through March

East side = $(rscapdti * wacos_3 * months_{APR}) + (rscapdti * months_{NOV} * (ftnngss\$/cgdeliv_{DTI}))$

Applicable to TCPL and Empire for the months of May – March

West side = $(rscapun * wacos_3 * months_{APR})$

Applicable to DSR Service (for the month of November)

West side = $(rscapun * wacos_4 * months_{APR/oct})$

ESCO Charge:

East side = $rscapdti * wacos_2 * (nmt/amt)$

West side = $rscapun * wacos_2 * (nmt/amt)$

k) Term of Release

Releases of capacity pursuant to this Retail Access Capacity Program shall be made in accordance with the procedures set forth in the Company's GTOP manual.

l) Pipeline, Service Provider, and Regulatory Requirements

ESCOs to whom capacity is to be, or has been, released pursuant to this Retail Access Capacity Program shall cooperate with the Company, meet all applicable requirements of the respective pipelines, service providers, and governmental entities having jurisdiction over the relevant assets, and make all required payments to the respective pipelines and service providers.

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FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW
(Cont'd)

1. APPLICABLE TO THE USE OF SERVICE FOR:

Firm Transportation Service to any new or existing gas fueled baseload distributed generation facility that represents generating units designed to provide electricity to a single customer or specific customers within a defined geographical location with generating capacity of less than 50 Megawatts (MW) that maintains a load factor of 50% or more. (Load factor is defined herein as annual usage divided by the (peak winter day demand times 365 days).] Such baseload distributed generation facilities may include, but not be limited to, reciprocating engines, gas turbines and emerging gas technologies such as fuel cells and microturbines. Where multiple units are installed at one location, the total size of all units metered through one meter shall govern the rates that will apply. Service under this service classification is available throughout the Company's service territory to which this Schedule applies, providing the Company has facilities available and adequate for the load.

2. Gas Transportation Service Rates and Charges:

The Company's charges are:

(1) Gas Delivery Charges:

A. Small DG Customer – DG < 5MW

Annual use < 35,000 therms:

First 3 therms or less (All months) \$15.00

Winter Rate: (November – March)

Next 97 therms, per therm	\$.06596
Next 400 therms, per therm	\$.05920
Next 500 therms, per therm	\$.05341
Over 1,000 therms, per therm	\$.03084

Summer Rate: (April – October)

Next 97 therms, per therm	\$.05583
Next 400 therms, per therm	\$.05206
Next 500 therms, per therm	\$.04602
Over 1,000 therms, per therm	\$.02692

B. Small DG Customer – DG < 5MW

Annual use > or = 35,000 therms:

Basic Service Charge:

First 1000 therms or less (All months) \$410.00

Winter Rate: (November – March)

Next 29,000 therms, per therm	\$.05499
Next 70,000 therms, per therm	\$.04476
Next 900,000 therms, per therm	\$.01733
Over 1,000,000 therms, per therm	\$.00906

Summer Rate: (April – October)

Next 29,000 therms, per therm	\$.04663
Next 70,000 therms, per therm	\$.03695
Next 900,000 therms, per therm	\$.01429
Over 1,000,000 therms, per therm	\$.00737

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FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW
(Cont'd)

C. Large DG Customer – DG 5MW - < 50 MW

All usage levels:

First 1000 therms or less (All months) \$410.00

Winter Rate: (November – March)

Over 1000 therms, per therm \$0.0089

Summer Rate: (April – October)

Over 1000 therms, per therm \$0.0074

Demand Charge per therm of MDQ > 47 therms (All months): \$0.84

2. **Minimum Charge:**

The minimum monthly charge is the charge for the first 3 therms or less or the first 1000 therms or less as noted under the Gas Delivery Charges. Additionally for a Large DG Customer, the minimum charge will also include the Demand Charge per therm of Maximum Daily Quantity (MDQ) excluding the therms included in the Basic Service Charge. The MDQ is the customer's highest estimated daily usage. The Minimum Charge will appear on the Customer's bill whether or not any gas was used during the billing period.

3. **Transportation Rate Adjustment:**

The transportation rates set forth in this service classification shall be subject to a transportation rate adjustment per therm of gas distributed. The total Transportation Rate Adjustment for this service classification will be made up of the following components:

- i) The Interdepartmental Sales Credit; and
- ii) The PSC Transition Cost Surcharge; and
- iii) The Research and Development Surcharge.
- iv) Low Income Program

4. **Transportation Rate Adjustment Statement**

Not less than three days prior to the first day of each billing period, the Distribution Provider shall file with the Public Service Commission a Statement showing the Service Classification No. 7 charges listed in items i) through iv) of Section 3, above. The Statement will also list the charges per therm for the various balancing options and storage costs. Such charges may be combined for billing purposes.

SERVICE CLASSIFICATION NO. 7

FIRM GAS TRANSPORTATION SERVICE FOR DISTRIBUTED GENERATION FACILITIES < 50 MW
(Cont'd)

5. Term:

The term of this service classification shall be one (1) year with one-year renewals thereafter. Renewals will only be provided if the Customer maintains at least a 50% load factor unless there are mitigating circumstances as determined by the Company. The Company shall review the customer usage annually beginning with the anniversary of the commercial operation of the retail customer's DG unit and advise the Customer if the load factor falls below 50%. If the load factor falls below 50%, the customer will be removed from this rate for a period of 12 months at which time they may reapply, provided they have satisfied the Company that the 50% load factor will be met.

6. Additional Provisions:

- A. Separate service lines for DG usage and non-DG usage shall not be required. However, if existing facilities are inadequate to deliver the additional supplies, the customer shall be responsible for all incremental costs incurred by the Company. DG customers shall pay for system reinforcements pursuant to Rochester Gas and Electric's existing rules set forth in General Information Rule 3.
- B. DG customers with annual usage greater than or equal to 35,000 therms, are required to pay for daily metering equipment.
- C. DG rates shall apply only to DG usage. Non-DG gas use shall be measured and billed separately from this service classification.
- D. The quantity to be billed under this service classification is the quantity delivered to the Company less the allowance for losses in accordance with General Information 10. of this Schedule.
- E. Daily imbalances, underruns and overruns under this service classification will be calculated and reconciled as set forth in General Information 10 of this Schedule.
- F. Where multiple units are installed at one location, the total size of all units metered through one meter shall govern the rates that will apply.

PSC No. 16 Gas
Rochester Gas and Electric Corporation
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SERVICE CLASSIFICATION NO. 8

**RESIDENTIAL DISTRIBUTED GENERATION
FIRM GAS SALES SERVICE**

APPLICABLE TO THE USE OF SERVICE FOR:

Firm Sales Service to any residential customer described below who has or installs a gas-fueled distributed generation (DG) facility that represents generating units designed to provide electricity to the customer and that maintains a load factor of 50% or more. (Load factor is defined herein as annual gas use divided by winter peak day gas usage multiplied by 365 days). The annual gas and peak day volumes used in the load factor calculation will be based on the customer's historical usage combined with the estimated usage of the prospective DG unit. For new applicants for whom the company does not have historical data, annual gas and peak day volumes will be estimated based on the prospective DG unit and other gas appliances in service. Such distributed generation facilities may include, but not be limited to, reciprocating engines, steam turbines, gas turbines and emerging gas technologies such as fuel cells and microturbines. Service under this service classification is available throughout the Company's service territory to which this schedule applies, providing the Company has facilities available and adequate for the load.

Residential service is applicable to individual private dwellings, including two-family dwellings where the customer is a resident, flats or apartments. It is applicable to all gas utilized exclusively in connection with religious purposes by any corporation, association or school organized and conducted in good faith for religious purposes; or any post or hall owned or leased by a not-for-profit corporation that is a veterans' organization. Residential service is also applicable to use exclusively in connection with a community residence for the mentally disabled, as defined in Subdivision 28, 28-a, or 28-b of Section 1.03 of the Mental Hygiene Law, provided that such residence is operated by a not-for-profit corporation and, if supervisory staff is on site twenty-four (24) hours a day, that the residence provides living accommodations for fourteen (14) or fewer residents.

CHARACTER OF SERVICE:

Continuous - natural gas or a mixture of natural gas and other gas with a Btu content of not less than 1,000 Btu per cubic foot, supplied at limits prescribed by the Public Service Commission.

RATE (per month):

The Company's charges are:

(1) Gas Delivery Charges:

First 3 therms or less (All months)	\$14.74
Over 3 therms, per therm	\$.0839

Minimum Monthly Charge:	\$14.74
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(2) Gas Supply Charge (GSC):

The customer shall be subject to a GSC, as explained in Rule 4H. The GSC is provided in the GSC Statement, as filed with the Public Service Commission each month.

SERVICE CLASSIFICATION NO. 8

**RESIDENTIAL DISTRIBUTED GENERATION FIRM GAS SALES SERVICE
(Cont'd)**

RATE (per month) (Cont'd):

(3) Merchant Function Charge (MFC):

The customer shall be subject to an MFC, as explained in Rule 4.H. The MFC is provided in the GSC statement, as filed with the Public Service Commission each month.

(4) Weather Normalization Adjustment (WNA):

All space-heating customers will also be charged the applicable WNA pursuant to General Information Section 11 of this tariff.

(5) System Benefits Charge (SBC):

The customer shall be subject to the SBC, as explained in Rule 12. The SBC is provided in the SBC Statement, as filed with the Public Service Commission.

SURCHARGE TO COLLECT TEMPORARY STATE ASSESSMENT (TSAS):

All customers will be charged the Temporary State Assessment per Therm of gas delivered as explained in General Information Section 13 of PSC No. 16 – Gas, or superseding issues thereof.

INCREASE IN PRICES AND CHARGES APPLICABLE WHERE SERVICE IS SUPPLIED:

The prices and charges under this service classification, including the Minimum Charge and GSC, will be increased by a surcharge pursuant to General Information Section 4 of this Schedule to reflect the tax rates applicable within the municipality where the Customer takes service.

TERMS OF PAYMENT:

All bills are rendered at the above rate. A late payment charge at the rate of one and one-half percent (1 1/2%) per month shall become due and payable if payment is not made on or before the “last day to pay” date specified on the bill in accordance with the provisions of Rule 4.D.2.

TERM:

One year, and thereafter until discontinued upon three days’ written notice.

SPECIAL PROVISIONS:

- A. Separate service lines for DG usage and non-DG usage shall not be required. However, if existing facilities are inadequate to deliver the additional supplies, the customer shall be responsible for all incremental costs incurred by the Company. DG customers shall pay for system reinforcements pursuant to Rochester Gas and Electric’s existing rules set forth in General Information Rule 3.
- B. Rates established herein are ceilings which are fixed for at least three years.

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SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE

AVAILABLE:

In all of the Gas Control Area served by the Company.

APPLICABLE TO THE USE OF SERVICE FOR:

1. Firm Transportation Service to any residential customer described below who has or installs a gas fueled distributed generation (DG) facility that represents generating units designed to provide electricity to the customer that maintains a load factor of 50% or more. (Load factor is defined herein as annual gas use divided by winter peak day gas usage multiplied by 365 days). The annual gas and peak day volumes used in the load factor calculation will be based on the customer's historical usage combined with the estimated usage of the prospective DG unit. For new applicants for whom the company does not have historical data, annual gas and peak day volumes will be estimated based on the prospective DG unit and other gas appliances in service. Such distributed generation facilities may include, but not be limited to, reciprocating engines, steam turbines, gas turbines and emerging gas technologies such as fuel cells and microturbines. Service under this service classification is available throughout the Company's service territory to which this schedule applies, providing the Company has facilities available and adequate for the load; and
2. Residential service in individual private dwellings, including two-family dwellings where the customer is a resident, flats or apartments. Also for all gas utilized exclusively in connection with religious purposes by any corporation, association or school organized and conducted in good faith for religious purposes; or any post or hall owned or leased by a not-for-profit corporation that is a veterans' organization. Applicable also to use exclusively in connection with a community residence for the mentally disabled, as defined in Subdivision 28, 28-a, or 28-b of Section 1.03 of the Mental Hygiene Law, provided that such residence is operated by a not-for-profit corporation and, if supervisory staff is on site twenty-four (24) hours a day, that the residence provides living accommodations for fourteen (14) or fewer residents; and
3. All purposes in the entire territory by a Customer whose annual use at a given service point is greater than 3500 dekatherms, or by a group of Customers whose total annual use is greater than 5000 dekatherms that are served by a common ESCO. The customer must abide by all Company Tariff provisions and all other applicable laws, rules and provisions.

CHARACTER OF SERVICE:

Transportation service of Customer-owned, pipeline quality, odorized gas on a firm basis from a delivery point within the Company's Control Area to facilities at the Customer's metering point. Customer-owned gas will be natural gas of not less than 1,000 Btu per cubic foot, supplied at pressures within the limits prescribed by the Public Service Commission.

OBLIGATION TO SERVE:

It shall be the Company's obligation to deliver the Customer's gas from the Distribution Point(s) of Receipt to the Distribution Point(s) of Delivery. However, the Company shall have no obligation or responsibility for making arrangements for the Customer's supply of gas from the Customer's supply source to the Distribution Point(s) of Receipt.

RATE CHOICES AVAILABLE TO CUSTOMERS:

Pursuant to Rule 10, General Retail Access – Multi-Retailer Model, of this Schedule, customers will choose either a Retail Access Rate or a non-Retail Access Rate. This S.C. No. 9 is a Retail Access Rate, under which RG&E will provide Delivery Service. Commodity Service will be provided by an ESCO.

MONTHLY RATE FOR TRANSPORTATION SERVICE:

For each service agreement, the monthly rate shall consist of the minimum charge, service-point transportation charges, including the Transportation Rate Adjustment, Weather Normalization Adjustment, and applicable taxes, as found in each Service Classification.

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

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SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

MINIMUM CHARGE:

For each service agreement, see the applicable Service Classification for the minimum charge, exclusive of transportation rate adjustment charges.

SURCHARGE TO COLLECT ADVANCED METERING INFRASTRUCTURE (AMI) COSTS:

The minimum charge listed within this service classification (First 3 therms or less) will be increased to include the associated AMI surcharge listed in the AMI Surcharge Statement of this tariff, pursuant to Rule 12.

SURCHARGE TO COLLECT TEMPORARY STATE ASSESSMENT (TSAS):

All customers will be charged the Temporary State Assessment per Therm of gas delivered as explained in General Information Section 13 of PSC No. 16 – Gas, or superseding issues thereof.

INCREASE IN RATES AND CHARGES:

The rates and charges under this Schedule, including any minimum charge, are increased by the applicable effective aggregate percentage shown in Rule 4.I for service supplied within the municipality where the Customer is taking service.

OTHER CHARGES:

A. Interdepartmental Sales Credit

The interdepartmental sales credit shall be calculated as follows:

- (1) The interdepartmental rate per dekatherm shall be defined as the equivalent alternate fuel price less \$.05 per dekatherm, but that price shall not be less than a price which is the commodity cost of purchased gas plus \$.48* per dekatherm, or greater than the average cost of purchased gas plus \$.48* per dekatherm.

* Except for gas used in the Company's gas turbine where the adder shall be \$.44 per dekatherm.

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE

(Cont'd)

- (2) The interdepartmental rate per dekatherm in (1) shall be applied to the total quantity of gas delivered for use by the other departments during the 12 calendar months immediately preceding the computation dates to arrive at the total interdepartmental sales credit; and
- (3) The total interdepartmental sales credit in (2) shall be divided by the total normalized quantity of gas delivered to all Customers served under this tariff to arrive at the interdepartmental sales credit.

B. FERC Order 636 Transition Cost Surcharge

The delivery rates per therm as herein provided shall be subject to a surcharge calculated according to the New York State Public Service Commission's Opinion and Order 94-26 in Case 93-G-0932, issued and effective December 20, 1994, for the recovery of FERC Order 636 Transition Costs.

C. PSC Transition Cost Surcharge

Surcharge for Service Classification No. 9 Service Points

For those service points served under Service Classification No. 9, the rates per therm herein provided shall be subject each month to a surcharge to collect a pro-rata share of upstream capacity costs that would otherwise be unrecovered as a result of customer migration to other suppliers.

- (a) The total capacity costs to be recovered through this PSC Transition Cost Surcharge shall be computed monthly according to the following formula:

$$\text{\$cap} = (\text{tcap} / \text{ucap}) * \text{ucap}\$$$

Where:

\\$cap = The total capacity costs to be recovered through this PSC Transition Cost Surcharge.

tcap = The sum of:

- (i) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 3, and who converted to service under that service classification from Service Classification No. 5 or Service Classification No. 1, after November 1, 1996. The amount attributable to each such Customer shall be sufficient to meet the customer's winter season design day requirement. New load added by such a customer after November 1, 1996 by constructing a new facility or expanding an existing facility shall not be included in this determination; and
- (ii) The amount of capacity attributable to each Customer served by an ESCO taking service under Service Classification No. 5. The amount attributable to each such Customer shall be that customer's winter season design day requirement.
- (iii) The amount of capacity attributable to each customer served by an ESCO taking service under service classification Nos. 7 and 9.

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

ucap = The Company's total unreleased upstream pipeline capacity less the amount of DTI FTNN and FTNNGSS capacity used for balancing Service Classification No. 3 customers under the Daily Balancing Service.

ucap\$ = The Company's total upstream pipeline capacity costs, less:

- i) Revenues achieved by the Company from releases of capacity; and
- ii) Charges associated with capacity that is either a) assigned to ESCOs through the Retail Access Capacity Program detailed in Service Classification No. 5 or 9; or b) used by the ESCO to provide retail service under Service Classification No. 1, 6 or 8; or c) used by the Company to provide Daily Balancing Service to Service Classification No. 3 or Service Classification No. 7 customers.

(b). The total capacity cost per therm is calculated by dividing the total cost in (a), above, by the total normalized volumes of gas delivered to the following Customers:

- i) Customers being served by ESCOs taking service under Service Classification No. 3 who converted to such service from Service Classification No. 5 or Service Classification No. 1, after November 1, 1996, excluding gas delivered to new load as defined in 1.(a)(i), above; and
- ii) Customers taking service under Service Classification No. 1; and
- iii) Customers taking service under Service Classification No. 4, who are subject to the GSC; and
- iv) Customers being served by ESCOs taking service under Service Classification No. 5.
- v) Customers taking service under Service Classification Nos. 6, 7, 8 or 9.

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SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

Reserved for Future Use

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE

(Cont'd)

D. Research and Development Surcharge

The rates per therm as herein provided shall be subject each month to a surcharge to collect funds to support medium and long term gas research and development programs.

The amount of the surcharge will be calculated yearly by dividing the total amount that RG&E paid to upstream pipelines for GRI funding in calendar year 1998, less any amounts to be paid to upstream pipelines for GRI funding in the calendar year for which the surcharge is being calculated, by the total normalized volumes delivered to customers taking service under all Service Classifications.

The total amount collected annually under this surcharge will be reconciled to ensure that it does not exceed the amount that RG&E paid to upstream pipelines for GRI funding in calendar year 1998. Any amounts collected through this surcharge which are not spent on R&D programs will be refunded to the customers.

E. System Benefits Charge (SBC)

The customer shall be subject to the SBC, as explained in Rule 12. The SBC is provided in the SBC Statement, as filed with the Public Service Commission.

TERMS OF PAYMENT:

All bills are rendered at the rate set forth in this service classification. A late payment charge of one and one-half percent (1 ½%) per month shall become due and payable if payment is not made on or before the "last day to pay" date specified on the bill in accordance with the provisions of Rule 4.D.2.

TERM:

One year, and thereafter until discontinued upon three days' written notice.

BALANCING SERVICE:

The ESCO/DC must take balancing service under Rule 10.J for each service point for which it is taking transportation service. The ESCO/DC will indicate the type of balancing service to be used for each of its service agreements, consistent with Rule 10.J and the applicable Service Classifications.

Each of the ESCO's/DC's service agreements will be assigned to a Balance Control Account. A separate Balance Control Account will be established for each type of Balancing Service elected for the ESCO's Customers or the DC.

SPECIAL PROVISIONS:

- A. Separate service lines for DG usage and non-DG usage shall not be required. However, if existing facilities are inadequate to deliver the additional supplies, the customer shall be responsible for all incremental costs incurred by the Company. DG customers shall pay for system reinforcements pursuant to Rochester Gas and Electric's existing rules set forth in General Information Rule 3.
- B. Rates established herein are ceilings which are fixed for at least three years.

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SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

Gas Transportation Service Rates and Charges:

1. Delivery Rates:

S.C.No. 9 Monthly Usage	Transportation Rate
First 3 therms or less	\$14.74
Over 3 therms, per therm	\$0.0839
Minimum Monthly Charge:	\$14.74

2. Transportation Rate Adjustment:

The transportation rates set forth in this Service Classification for this service classification shall be subject to a transportation rate adjustment per therm of gas distributed. The total Transportation Rate Adjustment for this service classification will include the following components:

- i) The Interdepartmental Sales Credit; and
- ii) The FERC Order 636 Transition Cost Surcharge; and
- iii) The PSC Transition Cost Surcharge; and
- iv) The Research and Development Surcharge.

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd):

3. Small General Service Transportation Rate Adjustment Statement

Not less than three days prior to the first day of each billing period, the Company shall file with the Public Service Commission a Statement showing the Service Classification No. 5 and Service Classification No. 9 charges listed in items i) through v) of Section 4, above. The Statement will also list the charges per therm for Small Volume Customer Balancing Service, the Company's Weighted Average Costs of Storage (WACOS₁, WACOS₂, WACOS₃, and WACOS₄), and Weighted Average Cost of Stored Gas (WACOSG). Such charges as are applicable may be combined for billing purposes.

4. Weather Normalization Adjustment (WNA):

All space-heating customers will also be charged the applicable WNA pursuant to General Information Section 11 of this tariff.

5. System Benefits Charge (SBC):

The customer shall be subject to the SBC, as explained in Rule 12. The SBC is provided in the SBC Statement, as filed with the Public Service Commission.

6. Retail Access Capacity Program

a) General

ESCOs serving Customers under this service Classification will be required to participate in the Retail Access Capacity Program, as defined in this section, whereby transportation capacity from liquid trading points - Dawn and Southpoint (i.e. all receipt points on the Dominion Transmission Incorporated (DTI) system south of DTI's Valley Production Compressor Station) - to the Company's city gates at Mendon and Caledonia, respectively, and storage capacity, will be released to ESCOs serving Customers under this service Classification.

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

b) Capacity to Be Released

Capacity to be released between Dawn and Mendon shall include transportation capacity on TransCanada PipeLine Limited (TCPL) and Empire State Pipeline (Empire). Storage capacity in the Delivery and Storage Redelivery Service ("DSR Service") will be made available to the ESCO for release under the following choices:

- (1) 100% of its DSR Service peak day requirements;
- (2) 66% of its DSR Service peak day requirements; or
- (3) 0% of its DSR Service peak day requirements, if it can demonstrate it has non-recallable primary point capacity from the Dawn Hub to the citygate for its firm customers, or a firm supply contract with a reliable counterparty for delivery to Empire at Chippawa or a point downstream of Chippawa.

In the event an ECO elects a DSR Service quantity less than 100% of its DSR Service peak day requirements, the quantity of TCPL capacity available to the ESCO will be adjusted in accordance with the Company's GTOPI Manual.

To accommodate for the difference in released assets between Empire and TCPL, the ESCO must demonstrate it has non-recallable primary point capacity from the Dawn Hub to the citygate for its customers, or a firm supply contract with a reliable counterparty for delivery to Empire at Chippawa or a point downstream of Chippawa.

TCPL, Empire, and DSR Service assets shall be termed "Empire Capacity".

Capacity to be released between Southpoint and Caledonia shall include transportation and storage capacity on DTI. These assets shall be termed "DTI Capacity".

The total capacity available for release may be sufficient to meet the design day load of all Customers eligible for service under this service classification, as determined from time to time by the Company, as well as to meet the operational design requirements of the Company's distribution system. References to "release" of capacity are intended to include all transfers to ESCOs of rights and obligations pertaining to capacity held by the Company unless the context requires otherwise.

c) Methodology for Release

The Company shall release transportation and storage capacity on both the Empire and DTI systems to ESCOs serving customers under this service classification based on winter season design day requirements of the retail load served by each ESCO, as calculated by the Company. The allocation methodology shall provide for the Company's operational distribution system requirements, including, but not limited to, maintaining the appropriate ratio of Empire deliveries to DTI deliveries to ensure system integrity.

d) Administration of Released Assets

The Company shall administer release of assets so as to maintain a correspondence between winter season design day requirements of the retail load served by each ESCO and capacity released to that ESCO on a periodic basis. As load served by an ESCO changes, the Company shall periodically make corresponding adjustments to the quantity of capacity released to the ESCO. The procedure for effectuating such adjustments is specified in the Company's GTOPI manual. In any situation where the Company is required to repute the recalled capacity entitlements to the ESCO, the ESCO waives its rights to such repute.

e) Recall of Capacity Entitlements

If the ESCO becomes unqualified to sell gas on the Company's system or transport gas on pipelines upstream of its city gates, the Company shall recall all capacity released to the ESCO. If the ESCO fails to deliver supplies of gas adequate to serve its Customers, or if required for system reliability purposes, the Company shall have the right to recall all capacity released to the ESCO. References to "recall" of capacity are intended to include all returns to the Company of rights and obligations pertaining to capacity previously released to an ESCO, unless the context requires otherwise.

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

f) Release of Empire Capacity

Release of capacity on Empire will be carried out pursuant to the terms and conditions of Empire's Tariff on file with the Commission, as such Tariff may be amended from time to time, and the terms and conditions of any separate agreement between the Company and Empire pertaining to this subject. In the event of any conflict between the terms and conditions of Empire's Tariff and any separate agreement, the terms and conditions of the latter shall control. Release of capacity on TCPL and the DSR Service shall be carried out by the Company consistent with the terms and conditions of the Company's agreements with TCPL and the DSR Service provider.

For DSR Service capacity release effective September 1, 2004, the ESCO must notify RG&E of its election by August 17, 2004. For DSR Service capacity release effective April 1 of each year, the ESCO must notify RG&E of its election by March 15.

g) Release of DTI Capacity

Release of capacity on DTI shall be carried out in a manner consistent with FERC requirements pertaining to capacity release.

h) Rates for Released Capacity

The rates to be paid by an ESCO taking released capacity shall be the Company's maximum contract rates pursuant to the tariffs and/or agreements applicable to the released capacity.

i) Transfer of Storage Gas and Capacity to the ESCO

Where storage assets are released to an ESCO in conjunction with this Retail Access Capacity Program after the commencement of the storage injection season (April 1 of each year), the Company shall transfer to the ESCO a quantity of gas equivalent to a pro-rata share of gas that the Company has acquired to provide service to the migrated Customers. The quantity of gas transferred shall be the storage capacity to be released multiplied by a percentage (published in Company's GTOP) representing the planned degree to which the Company's storage will be filled at the beginning of the month during which the release is made.

DSR Service for the Period September 1, 2004 to November 1, 2004

1) September 1, 2004 Release of DSR Service:

Effective for September 1, 2004, the Company shall release a pro-rata share of storage capacity in the DSR Service to the ESCO, who shall reimburse RG&E for storage service demand charges for April, May, June, July, and August, 2004, consistent with the terms and conditions of RG&E's agreement with the DSR Service provider.

2) September 1, 2004 Transfer of Gas in Storage in the DSR Service to the ESCO:

Effective for September 1, 2004, the Company shall transfer to the ESCO a quantity of gas equivalent to a pro-rata share of gas in the DSR Service that the Company has acquired in April, May, June, July, and August, 2004, to provide service to the migrated Customers. The quantity of gas transferred in the DSR Service shall be the storage capacity released multiplied by a percentage (published in Company's GTOP) representing the planned degree to which the Company's storage will be filled at September 1, 2004. The ESCO shall pay the Company the weighted average commodity cost of gas in storage multiplied by the quantity of gas transferred.

3) November 1, 2004 Transfer of Gas in Storage in the DSR Service to the ESCO:

Effective for November 1, 2004, only, the weighted average commodity cost of gas in storage and the contribution to storage capacity costs shall be based on the months of September and October, 2004.

As detailed below, there will be an ESCO Charge and an ESCO Credit associated with transfers of gas in storage to the ESCO.

ESCO Charge:

The ESCO shall pay the Company: 1) the weighted average commodity cost of gas in storage multiplied by the quantity of gas transferred; plus 2) a contribution to storage capacity costs calculated as shown below.

The weighted average cost of commodity will be billed for each transfer of DTI storage and will be billed in November for the cumulative gas transfer of the DSR Service.

The contribution to storage capacity will be calculated differently for east side and west capacity as indicated below. The calculations for the east side and west side will be added together to derive a total cost.

Applicable to DTI pipeline for the months May – March

East side = $(rscapdti * wacos_{\$} * month_{\$APR}) + (rscapdti * month_{\$NOV} * (ftnngss_{\$}/cgdeliv_{DTI}))$

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

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SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

Applicable to TCPL Pipeline and Empire Pipeline for the months May – March:

West side = $(rscapun * wacos_3 * months_{APR})$

Applicable to the DSR Service for the month of November

West side = $(rscapun * wacos_4 * months_{Apr/oct})$

Where:

West side = The DSR Service and related storage transportation on TCPL and Empire

East side = DTI storage and related storage transportation

rscapdti = The amount of storage deliverability from DTI storage at city gate released to the ESCO (in DT).

rscapun = The amount of storage deliverability from the DSR Service at city gate released to the ESCO (in DT).

wacos₁ = The Company's monthly weighted average cost of storage assets, including the DSR Service and associated TCPL and Empire transportation, and DTI GSS storage (capacity and demand) (in \$/DT).

wacos₂ = The Company's monthly weighted average cost of storage assets, including FTNNGSS, the DSR Service and associated TCPL and Empire transportation, and DTI GSS storage (capacity and demand) (in \$/DT).

wacos₃ = The Company's monthly weighted average cost of storage assets, including associated TCPL and Empire transportation (but excluding the DSR Service), and DTI GSS storage (capacity and demand) (in \$/DT).

wacos₄ = $Wacos_1 - Wacos_3$

months_{APR} = The number of months from April to the month prior to the transfer month, inclusive.

months_{NOV} = The number of months from November to the month prior to the transfer month, inclusive.

months_{Apr/Oct} = The number of months from April to October

ftnngss\$ = The Company's total monthly costs for DTI's FTNNGSS transportation service (in \$/month).

cgdeliv_{DTI} = The Company's total DTI storage deliverability at city gate (in DT).(Continued on next leaf)

SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

ESCO Credit:

The Company will provide a credit to the ESCO for amounts previously paid towards the released storage assets through the balancing charge and/or bundled Customer rates, equal to the sum, over all months in the period beginning with April and ending at the transfer month, of the monthly credits calculated as follows:

$$\text{rscap} * \text{wacos}_2 * (\text{nmt}/\text{amt})$$

Where: rscap	=	The amount of storage deliverability at city gate released to the ESCO (in DT)
wacos ₂	=	The Company's monthly weighted average cost of storage assets, including the DSR Service and associated TCPL and Empire transportation, DTI GSS storage (demand and capacity), and DTI FTNNGSS transportation (in \$/DT).
nmt	=	The normalized throughput for the month for all Customers served by ESCOs taking service under Service Classification No. 5 and Service Classification No. 9 or served by the Company under Service Classification No. 1 (in DT).
amt	=	The normalized annual throughput for all Customers served by ESCOs taking service under Service Classification No. 5 and Service Classification No. 9 or served by the Company under Service Classification No. 1, divided by 12 (in DT).

j) Transfer of Storage Gas and Capacity to the Company

In the event that an ESCO's load declines, necessitating a return of capacity to the Company, the ESCO will transfer to the Company an amount of gas equal to the returned storage capacity multiplied by a percentage representing the planned degree to which the Company's storage will be filled at the beginning of the month during which the return is made. The Company will reimburse the ESCO at the Company's weighted average commodity cost of gas in storage for the above-calculated amount. If the ESCO does not have a quantity of gas in storage equal to the above-calculated amount, the ESCO must procure an amount of gas in storage and available for immediate withdrawal by the Company, to meet this requirement. This gas must be available on or before the 1st calendar day of the appropriate month. As detailed below, there will be an ESCO Credit and an ESCO Charge associated with transfers of gas in storage to the Company.

ESCO Credit:

The Company will credit the ESCO: 1) the weighted average commodity cost of gas in storage multiplied by the quantity of gas transferred; plus 2), a contribution to storage capacity costs calculated as shown below.

The Company will credit the ESCO at the Company's weighted average commodity cost of gas in storage for the transferred gas. The weighted average cost of commodity will be credited monthly for gas purchased from DTI storage and will be credited in November for gas purchased from the DSR Service. If the ESCO does not have a quantity of gas in storage equal to the above calculated amount, the ESCO must procure an amount of gas in storage and available for immediate withdrawal by the Company, to meet this requirement. In the event, the ESCO does not provide the required gas; the Company will bill the ESCO the higher of: 1) the costs associated with replacement of the gas supplies, or 2) the cost determined by applying the Weighted Average Cost of Gas per therm, as stated on the Small General Service Transportation Rate Adjustment Statement.

PSC No: 16 - Gas
Rochester Gas and Electric Corporation
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SERVICE CLASSIFICATION NO. 9

RESIDENTIAL DISTRIBUTED GENERATION GAS TRANSPORTATION SERVICE (Cont'd)

The calculation of the ESCO credit for capacity costs is:

Applicable to DTI for the Months of May through March

East side = $(rscapdti * wacos_3 * months_{APR}) + (rscapdti * months_{NOV} * (ftnngss\$/cgdeliv_{DTI}))$

Applicable to TCPL and Empire for the months of May – March

West side = $(rscapun * wacos_3 * months_{APR})$

Applicable to the DSR Service (for the month of November)

West side = $(rscapun * wacos_4 * months_{APR/oct})$

ESCO Charge:

East side = $rscapdti * wacos_2 * (nmt/amt)$

West side = $rscapun * wacos_2 * (nmt/amt)$

k) Term of Release

Releases of capacity pursuant to this Retail Access Capacity Program shall be made in accordance with the procedures set forth in the Company's GTOP manual.

l) Pipeline, Service Provider, and Regulatory Requirements

ESCOs to whom capacity is to be, or has been, released pursuant to this Retail Access Capacity Program shall cooperate with the Company, meet all applicable requirements of the respective pipelines, service providers, and governmental entities having jurisdiction over the relevant assets, and make all required payments to the respective pipelines and service providers.