

GENERAL INFORMATION

12. SUPPLY SERVICE OPTIONS

A. Supply Service Options

RG&E will offer a Retail Access choice and a Non-Retail Access choice, as described below. These Supply Service Options are available to all customers, except as noted.

1. ESCO Supply Service (ESS):

This Retail Access choice includes fixed components for RG&E delivery service, a Transition Charge (Non-Bypassable Charge ["NBC"] as described in Section 12.B.), and a Bill Issuance Charge, if applicable. An ESCO provides Electric Power Supply to the customer..

2. RG&E Supply Service (RSS):

This Non-Retail Access choice includes fixed components for RG&E delivery service, a Transition Charge (Non-Bypassable Charge ["NBC"] as described in Section 12.B), a Bill Issuance Charge, a fluctuating commodity charge for electricity supplied by RG&E, and a Merchant Function Charge (MFC) as described in Section 12.D. The commodity charge fluctuates with the market price of electricity and consists of energy, capacity, capacity reserves, losses, unaccounted for energy, ancillary services and a NYPA Transmission Access Charge (NTAC).

- a. The commodity charge for customers billed at a non-demand metered rate, which includes residential Service Classification Nos. 1, 4, and 6, non-residential Service Classification Nos. 2, 6 and non-demand billed Service Classification Nos. 1, 2, and 3 customers within PSC No. 18 - Street Lighting, will reflect a managed mix of supply resources.
- b. The commodity charge for customers billed at a demand metered rates, which includes non-residential Service Classification Nos. 3, 7, 8, and 9 who are not mandatorily participating in Hourly Pricing will reflect the market price of electricity.

3. Hourly Pricing :

This choice is for customers billed at a demand metered rates, which includes non-residential Service Classification Nos. 8 and 14. Customers may take service with an ESCO or with RG&E under this choice.

- a. For customers taking service with an ESCO, such customers will be responsible for fixed charges for RG&E delivery, a Transition Charge (Non-Bypassable Charge ["NBC"] as described in Section 12.B), and an incremental meter charge as further described in the applicable Service Classification.
- b. For customers taking service with RG&E, such customers will be responsible for fixed charges for RG&E delivery, a Transition Charge (Non-Bypassable Charge ["NBC"] as described in Section 12.B), a commodity charge for electricity supply that fluctuates hourly with the market price (including losses, unaccounted for energy, capacity and capacity reserve, and an incremental meter charge as further described in the applicable Service Classification.

B. Transition Charge (Non-Bypassable Charge or ["NBC"])

1. Calculation of the Transition Charge (Non-Bypassable Charge ["NBC"]):

The Transition Charge is a per kilowatt-hour charge that will recover specific generation and purchased power-related costs net of credits for the value of generation and purchased power controlled by the Company.

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B. Transition Charge (Non-Bypassable Charge or ["NBC"])

1. Calculation of the Transition Charge (Non-Bypassable Charge ["NBC"]) (Cont'd):

The components of the Transition Charge will be set monthly based on a forecast and subject to a monthly true-up for all components based on the actual after-the-fact costs and load subject to the NBC.

- a. Variable costs of RG&E owned generation
- b. Transmission-related costs and revenues,
- c. The value of the output of the RG&E-owned generation
- d. The net value of NYPA, Nine Mile 2 and Ginna purchased power contracts. The net value will be based on a forecast of the output and contract costs, and market prices. The value of the NYPA power will be streamed to residential customers as required.
- e. Any remaining over- or under-collections from the Retail Access Surcharge.

All service classes will pay the same charge on a volumetric basis, except customer classes who will also receive the benefits, if any, of NYPA purchased power provided for customer classes consistent with RG&E's contract with NYPA

All items collected through the NBC will be reconciled and true-up monthly. The credits or charges related to the reconciliation will be included in a subsequent monthly NBC.

2. Transition Charge (TC) Statement:

A Transition Charge ("TC") Statement setting forth the Transition Charge (NBC) will be filed with the Public Service Commission on not less than one (1) day's notice.

C. Calculation of the Commodity Charge

1. Non-Demand Metered Customers:

S.C. Nos. 1, 2 (Non-Demand), 4, 6 and PSC No. 18 Street Lighting

The charge for Electric Power Supply provided by RG&E will fluctuate with the market price of electricity and will include the following components; Energy, Energy Losses, Unaccounted For Energy ("UFE"), Capacity, Capacity Reserves, Capacity Losses, ancillary services, NTAC, hedge adjustment and a Supply Adjustment Charge. The methodology for calculating the Energy and Capacity components of the charge for Electric Power Supply is as follows:

Energy Component:

For each day of the customer's billing cycle, a daily average value of market supply is derived from forward trading market prices of electricity for the region and previous true-ups, weighted to reflect hourly usage based on service classification load profiles for the calendar month and day-type (Weekday, Saturday or Sunday). Separate calculations will be made for each metered time period for the Customer's individual Service Classification.

The daily load weighted market price of energy will be adjusted to reflect losses. These daily average market supply values are used in conjunction with the service classification profile to develop a weighted average value of market supply for each metered time period within the Customer's specific billing period. The weighted average of market supply is multiplied by the Customer's metered kWh usage for each metered time period to determine the value of market supply.

Capacity Component:

The Capacity component is calculated using the market-clearing price of capacity converted to \$/kWh as determined from the NYISO's monthly and spot capacity auctions. The capacity price will also include capacity losses and reserves. The service class profile will be used to determine the customer's capacity responsibility of state-wide system peak demand. A new capacity responsibility amount will be effective each May 1st. The service class profile contribution to the system peak demand may need to be adjusted for a growth factor.

Capacity Charge = UCAP Charge + Demand Curve Reserve Charge

UCAP Charge = $(UCAP_{req} * (1 + Reserve_{req})) * Price_{monthlyauc}$

$UCAP_{req}$ = The demand for the customer's service class that occurred at the time of the New York system peak of the prior year, grossed up for losses and a growth factor.

$Reserve_{req}$ = Additional reserve requirement as required by NYISO.

$Price_{monthlyauc}$ = Monthly NYISO auction price.

Demand Curve Reserve Charge = $(UCAP_{req} * DemandCurveReserve_{req}) * Price_{spotauc}$

$UCAP_{req}$ = Described above.

$DemandCurveReserve_{req}$ = Allocation of additional capacity requirement as required by the NYISO's demand curve.

$Price_{spotauc}$ = Monthly NYISO SPOT auction price.

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C. Calculation of the Commodity Charge

1. Non-Demand Metered Customers:

S.C. Nos. 1, 2 (Non-Demand), 4, 6 and PSC No. 18 Street Lighting (Cont'd)

Ancillary Services/NYPA Transmission Adjustment Charge (NTAC) Component:

The ancillary services/NTAC will be forecasted each month and included in the supply price and subsequently reconciled.

Hedge Adjustment:

The hedge adjustment will pass through to customers the impact of any hedge position entered into on behalf of such customers.

Supply Adjustment Charge Component:

Unaccounted for energy and all costs incurred related to supply will be reconciled and recovered or refunded through a subsequent Supply Adjustment Charge incorporated in the supply charge.

2. Non-Hourly Pricing Demand Metered Customers:

S.C. Nos. 3, 7, 8, 9

The charge for Electric Power Supply provided by RG&E will fluctuate with the market price of electricity and will include the following components: Energy, Energy Losses, Unaccounted for Energy ("UFE"), Capacity, Capacity Reserves, Capacity Losses, ancillary services, NTAC, and a Supply Adjustment Charge. The methodology for calculating the Energy and Capacity components of the charge for Electric Power Supply is as follows:

Energy Component:

For each day of the customer's billing cycle, a daily average value of market supply is derived from the day ahead NYISO posted Locational Based Marginal Prices (LBMP) of electricity for the region weighted to reflect hourly usage based on service classification load profiles for the calendar month and day-type (Weekday, Saturday or Sunday). Separate calculations will be made for each metered time period for the Customer's individual Service Classification.

The daily load weighted market price of energy will be adjusted to reflect losses and Unaccounted For Energy. These daily average market supply values are used in conjunction with the service classification profile to develop a weighted average value of market supply for each metered time period within the Customer's specific billing period. The weighted average value of market supply is multiplied by the Customer's metered kWh usage for each metered time period to determine the value of market supply.

Capacity Component:

The Capacity component is calculated using the market-clearing price of capacity in \$/kWh as determined from the NYISO's monthly capacity auction price. The Capacity Component will be revised in accordance with each monthly UCAP auction held by the NYISO. The capacity price will also include capacity losses and reserves based on the NYISO monthly and spot capacity auctions. The service class profile will be used to determine the customer's capacity responsibility of state-wide system peak demand. A new capacity responsibility amount will be effective each May 1st. The service class profile contribution to the system peak demand may need to be adjusted for a growth factor.

Capacity Charge = UCAP Charge + Demand Curve Reserve Charge

$UCAP_{req} = (UCAP_{req} * (1 + Reserve_{req})) * Price_{monthlyauc}$

$UCAP_{req}$ = The demand for the customer's service class that occurred at the time of the New York system peak of the prior year, grossed up for losses and a growth factor.

$Reserve_{req}$ = Additional reserve requirement as required by NYISO.

$Price_{monthlyauc}$ = Monthly NYISO auction price.

$Demand Curve Reserve Charge = (UCAP_{req} * DemandCurveReserve_{req}) * Price_{spotauc}$

$UCAP_{req}$ = Described above.

$DemandCurveReserve_{req}$ = Allocation of additional capacity requirement as required by the NYISO's demand curve.

$Price_{spotauc}$ = Monthly NYISO SPOT auction price.

Ancillary Services/NYPA Transmission Adjustment Charge (NTAC) Component:

The ancillary services/NTAC will be forecasted each month and included in the supply price and subsequently reconciled.

Supply Adjustment Charge Component:

All costs incurred related to supply will be reconciled and recovered or refunded through a subsequent Supply Adjustment Charge incorporated in the supply charge.

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2. Non-Hourly Pricing Demand Metered Customers:

S.C. Nos. 3, 7, 8, 9 (Cont'd)

b. Capacity Component:

The Capacity component is calculated using the market-clearing price of capacity in \$/kWh as determined from the NYISO's monthly capacity auction price. The Capacity Component will be revised in accordance with each monthly UCAP auction held by the NYISO. The capacity price will also include capacity losses and reserves based on the NYISO monthly and spot capacity auctions.

c. Ancillary Services/NYPA Transmission Adjustment Charge (NTAC) Component:

The ancillary services/NTAC will be forecasted each month and included in the supply price and subsequently reconciled.

d. Supply Adjustment Charge Component:

All costs incurred related to supply will be reconciled and recovered or refunded through a subsequent Supply Adjustment Charge incorporated in the supply charge.

D. Merchant Function Charge (MFC):

The MFC will be applicable to only those customers taking supply service from the Company (*i.e.*, RSS and Hourly Pricing) and is set forth in a statement at the end of this Schedule (PSC No. 19 – Electricity). A separate MFC will be calculated for small (SC Nos. 1, 2, 4, and 6 and street lighting) and large (SC Nos. 3, 7, 8 & 9) customers. For Service Classification Nos. 10, 11, and 14, the customer's otherwise applicable service classification will determine the applicable MFC.

1.) The MFC will include the following rate components as described in the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718.

- a) Commodity-related Uncollectible Costs
- b) Commodity-related Credit and Collections and Call Center costs;
- c) Commodity-related Administrative costs;
- d) Cash Working Capital on Purchased Power costs, if the New York Independent System Operator moves to weekly billing and
- e) Cash Working Capital on Commodity Hedge Margin costs.

2.) The MFC components will be updated and reconciled as stated below in accordance with the Joint Proposal dated July 14, 2010 in Case Nos. 09-E-0715, 09-G-0716, 09-E-0717, and 09-G-0718.

a) Commodity-related Uncollectible Costs

- The commodity related uncollectible percentage rate will be reset annually based on the most recent available twelve-month period of actual uncollectibles
- The commodity-related uncollectible component of the MFC will be calculated each month by multiplying the uncollectible percentage rate for each of the groups described above by the associated monthly electric supply cost.

b) Commodity-related Credit and Collections and Call Center costs

- Any over/under collections related to the credit and collections and call center costs component will be added to any over/under collections related to the credit and collections and call center costs component charged through the POR Administration Charge and POR Discount and reconciled through both the POR Discount and MFC in the subsequent rate year. The unit rate will be reset annually based on recent MFC and POR sales forecasts.

c) Commodity-related Administrative costs

- The Administrative Component will be reconciled annually for differences in actual versus design sales only. The unit rate will be reset annually based on recent sales forecasts.

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D. Merchant Function Charge (MFC) (Cont'd):

d) Cash Working Capital on Purchased Power costs

- If the New York Independent System Operator starts weekly billing, the electric MFC will include a component for Cash Working Capital on Purchase Power.
- Working Capital on Purchase Power will be calculated based on the Companies' pre-tax rate of return.
- The Companies will reconcile the Working Capital on Purchased Power to actual applicable costs. This component will be updated annually to reflect actual costs from the most recently available twelve month period and the most recent sales forecast.

e) Cash Working Capital on Commodity Hedge Margin costs

- The cash working capital on Commodity Hedge cost component will be based on the Companies' pre-tax rate of return and will be reconciled to actual costs annually. Additionally, this component will be updated annually to reflect actual costs from the most recently available twelve month period and the most recent sales forecast.

E. Customer Eligibility Criteria

1. Customers Applying for Service:

If a customer applying for service has not elected a Supply Service option by the time of billing, RG&E will bill the customer at the appropriate default option as explained in 12.E. When a customer contacts RG&E with their choice, that Supply Service option will be applicable to usage on and after the next regularly-scheduled estimated or actual meter reading date after such contact.

2. Incentive Rate Customers:

Customers receiving an Economic Incentive, may select a Supply Service option as specified in the applicable Special Provision for Economic Incentives of the respective service classification. The customer must choose the same Supply Service option for their entire load.

3. Service Classification No. 10 ("SC10") Contracts:

A customer taking service under a special contract, or receiving an incentive or discounted rate which by its terms would preclude eligibility, may not select an electricity supply pricing option. A customer may select an electricity supply service option upon expiration of such contract.

4. Service Classification No. 12 ("SC12") Power for Jobs ("PFJ"):

Customer who receive a portion of their Electric Power Supply from NYPA (Power for Jobs or "PFJ"), with standard load (non-NYPA load), shall be permitted to take service under any Supply Service option for their Standard Load. The NYPA load will continue to be billed at the appropriate NYPA rate as specified in the Special Provision of Service Classification No. 12. If the NYPA allocation expires or is terminated, the customer will have 30 days to elect a Supply Service option for that load. If the customer does not elect a Supply Service option, the NYPA load will be billed at the appropriate default option.

5. Service Classification No. 14 ("SC14") Standby Service:

A customer taking service under SC14 as an Existing Customer having elected the Phase-In, or as a Designated Technology Customer having elected the one-time exemption (both as defined in SC 14), will be billed at the otherwise applicable service classification ("OASC") rate. Such customers are eligible for: 1) the RG&E Supply Service (RSS), unless the customer is required to participate in mandatory Hourly Pricing or voluntarily elects Hourly Pricing, or 2) the ESCO Supply Service (ESS).

6. Hourly Pricing:

Hourly Pricing is mandatory for certain non-residential demand billed customers in Service Classification Nos. 8 and 14. A customer billed at an Hourly Pricing rate is eligible to select a Supply Service option as defined in Rule 12.A.3.

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12. SUPPLY SERVICE OPTIONS (Cont'd)

F. Default Process

1. Default Process:

- a. A non-retail access customer as of December 31, 2009, will default to the RG&E Supply Service option (RSS) effective January 1, 2010.
- b. A retail access customer as of December 31, 2009, will default to the ESCO Supply Service option (ESS) effective January 1, 2010.
- c. If a customer applying for service has not elected a Supply Service option as of December 31, 2009, RG&E will bill the customer under the RG&E Supply Service option or Hourly Pricing, as appropriate.

2. Temporary Rate Assignment:

- a. Non-retail access customer switching to retail access:
A non-retail access customer who has selected to enroll with an ESCO, but whose first scheduled, estimated or Special Meter Reading date effectuating the switch will not occur until after January 1, 2010, will be billed at the RG&E Supply Service option (RSS) until the customer's first scheduled, estimated or Special Meter Reading date. After that meter read, usage will be billed at the ESCO Supply Service option (ESS).
- b. Retail access customer switching to non-retail access:
A retail access customer who has selected to return to RG&E non-retail access service, but whose first scheduled, estimated or Special Meter Reading date effectuating the switch will not occur until after January 1, 2010, will be billed at the ESCO Supply Service option (ESS) until the customer's first scheduled, estimated or Special Meter Reading date. After that meter read, usage will be billed at the RG&E Supply Service option (RSS).

G. Changing Supply Service Options

1. Switching Rules:

- a. A customer can switch to and from retail access at any time subject to the requirements set forth in the General Information Section 11 General Retail Access – Multi Retailer Model and the Uniform Business Practices, and as detailed below:
 - 1) ESCO Supply Service (ESS)
A customer taking service under the ESS option may switch to the RG&E Supply Service (RSS).
 - 2) RG&E Supply Service (RSS)
A customer taking service under the RSS may switch to the ESCO Supply Service (ESS) unless otherwise ineligible as described in Rule 12.D.
 - 3) Hourly Pricing
A customer mandatorily participating in Hourly Pricing, who is taking service under the ESS option, may only switch to Hourly Pricing with RG&E under the RSS option

A customer mandatorily participating in Hourly Pricing, who is taking service under the RSS option, may switch to the ESS option.

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F. Changing Supply Service Options (Cont'd)

2. Process for Changing to a Retail Access Supply Service Option

To effectuate the switch to Retail Access, the customer's ESCO must contact RG&E to submit the customer's Retail Access enrollment information as described in General Information Section 11 Retail Access – Multi Retailer Model. Upon RG&E's receipt of notice that the customer is enrolling in Retail Access, RG&E will notify the customer of such enrollment by sending the customer a letter.

3. Process for Changing to a Non-Retail Access Supply Option

A customer that is participating in Retail Access who would like to switch to RG&E for their Electric Power Supply (Non-Retail Access) may do so by first contacting its ESCO to discontinue Retail Access service.

Alternatively, a customer may switch to RG&E for its Electric Power Supply by calling RG&E, not less than fifteen (15) calendar days prior to their next scheduled or Special Meter Reading date.

Upon RG&E's receipt of the ESCO's notice that the customer is canceling Retail Access, RG&E will notify the customer of such cancellation by sending the customer a letter. The customer will be placed on the RSS option effective with the switch date.

4. ESCO Discontinuance of Sales to an Individual Customer

If an ESCO cancels a customer's Retail Access service, such ESCO must follow the procedures set forth in the UBP Addendum to this Schedule. Upon receipt of the notice of discontinuance from the ESCO, RG&E will verify this request with the customer by sending a letter to the customer. The customer may choose another ESCO or return to the RSS Non-Retail Access option. The customer will be placed on the RSS option effective with the switch date if a new Retail Access enrollment has not been completed by the switch date.

5. Service Classification No. 10 ("SC10") Contract Expiration

- a. A customer required to take mandatory Hourly Pricing:
A customer taking service under SC10, who would otherwise qualify for mandatory Hourly Pricing, will be billed at Hourly Pricing rates upon expiration of their SC10 contract, unless a Retail Access enrollment is received from an ESCO at least 15 calendar days prior to the contract end date. If such retail access enrollment has been received, the customer will be billed at the ESCO Supply Service (ESS) option effective with the contract end date meter reading.
- b. Customers not required to take mandatory Hourly Pricing:
If the customer is not required to be served at Hourly Pricing, upon expiration of their SC10 contract, the customer would be eligible to select a Supply Service Option described in Section 12.A. If the customer does not enroll in a Supply Service option, and no retail access enrollment has been received from an ESCO at least 15 calendar days prior to the contract end date, the customer will be billed at the RG&E Supply Service (RSS) option effective with the contract end date meter reading.

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Rochester Gas and Electric Corporation

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