

ACT 129 COMPLIANCE RIDER – PHASE 2

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A Phase 2 Act 129 Compliance Rider (ACR 2) shall be applied, on a non-bypassable basis, to charges for electricity supplied to customers who receive distribution service from the Company under this Tariff. The Rider will be implemented beginning June 1, 2013; however, the ACR 2 charge to the bills of customers will be applied beginning July 1, 2013.

The ACR 2 shall be computed separately for each of the following three customer classes:

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- (1) Residential: Consisting of Rate Schedules RS and RTS (R),
- (2) Small Commercial and Industrial (Small C&I): Consisting of Rate Schedules GS-1, GS-3, BL, SA, SM (R), SHS, SLE, SE, TS (R), and GH-2 (R), and
- (3) Large Commercial and Industrial (Large C&I): Consisting of Rate Schedules LP-4, LP-5, LPEP, and L5S.

The ACR 2 will be computed for each customer receiving distribution service from the Company using the formulae described below. For residential customers, the ACR 2 charge shall be included in the distribution charges of the monthly bill. For all other customers, the ACR charge shall be listed as a separate charge on the monthly bill. All charges shall be reconciled on an annual basis for undercollections and overcollections experienced during the previous year. Charges set forth in the residential rate schedules in this tariff have been adjusted to reflect application of the currently effective ACR 2.

The ACR 2 for the Residential class and the Small C&I class shall be computed using the following formula:

$$\text{ACR 2} = [\text{ACc/S} - \text{E/S}] \times 1 / (1-\text{T})$$

The ACR 2 for the Large C&I class shall be computed using the following formula:

$$\text{ACR 2} = [\text{ACc/D} - \text{E/D}] \times 1 / (1-\text{T})$$

Where:

ACc = A levelized annual budget of all costs required for the Company to implement its Commission-approved Phase 2 Energy Efficiency and Conservation (EE&C) Plan during a compliance year. A compliance year is the 12-month period beginning June 1 of each calendar year and ending May 31 of the following calendar year. The levelized annual budget amount is the sum of all direct and indirect costs (including all deferred design and development costs, general administrative costs, and applicable statewide evaluator costs) required to implement the Company's EE&C Plan divided by the number of months during which the Company's EE&C Plan will be in effect multiplied by the number of months in the compliance year.

The costs of each EE&C program available to only one customer class will be directly assigned to that customer class. Costs of EE&C programs which cannot be directly assigned to one customer class will be allocated to the customer classes benefiting from those programs using an allocation factor determined by dividing the EE&C costs directly assigned to each customer class by the total of the Company's EE&C Plan costs directly assigned to all customer classes.

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ACT 129 COMPLIANCE RIDER – PHASE 2 (CONTINUED)

- D = For the Large C&I customer class, the total of the monthly billing demands for all customers in the class, projected for the computation year. The peak demand will be based on the customer's peak load contribution to the PJM peak load during the prior year of the PJM Planning Year.
- E = Net over or undercollection of the ACR 2 charges as of the end of the 12-month period (except in the first reporting year, the 10-month period) ending April 30 immediately preceding the next compliance year. Reconciliation of the ACR 2 will be conducted separately for each of the three customer classes based upon the annual EE&C budget for each customer class. No interest shall be computed monthly on over or undercollections. The reconciliation of ACR 2 revenues and expenses shall be adjusted during the 2016-2017 ACR 2 application year to reflect actual data for the month of May 2016, as well as any expenses incurred prior to May 31, 2016, but paid after that date.
- S = The Company's total billed KWH sales in each customer class who receive distribution service under this tariff (including distribution losses), projected for the computation year.
- T = The total Pennsylvania gross receipts tax rate in effect during the billing period, expressed in decimal form.

The ACR 2 shall be filed with the Pennsylvania Public Utility Commission (Commission) by May 1 of each year. The ACR 2 charge shall become effective for distribution service provided to all customers on or after the following June 1, unless otherwise ordered by the Commission, and shall remain in effect for a period of one year, unless revised on an interim basis subject to the approval of the Commission. Upon determination that a customer class's ACR 2, if left unchanged, would result in a material over or undercollection of Phase 2 Act 129 Compliance costs incurred or expected to be incurred during the current 12-month period ending May 31, the Company may file with the Commission for an interim revision of the ACR 2 to become effective ten (10) days from the date of filing, unless otherwise ordered by the Commission.

At the conclusion of the Phase 2 EE&C Plan on May 31, 2016, collections under the ACR 2 for each customer class will be reconciled to the total cost of the EE&C Plan allowed by the Commission for that customer class. Overcollections or undercollections will be reflected in the E factor, defined above, and will be refunded or recovered through application of the ACR 2 E factor through May 31, 2017. If any over/under collection balance is expected to remain after May 31, 2017, the collection period may be extended beyond May 31, 2017 to ensure the balance is eliminated.

Minimum bills shall not be reduced by reason of the ACR 2 nor shall charges hereunder be a part of the monthly rate schedule minimum. The ACR 2 shall not be subject to any credits or discounts. The State Tax Adjustment Surcharge (STAS) included in this Tariff is applied to charges under this Rider. Charges under ACR 1 and ACR 2 will be combined for billing purposes only.

The Company shall file a report of collections under the ACR 2 within thirty (30) days following the conclusion of each compliance-year quarter. These reports will be in a form prescribed by the Commission. The third-quarter report shall be accompanied by a preliminary forecast of the ACR 2 for the next compliance year.

Application of the ACR 2 shall be subject to review and audit by the Commission at intervals it shall determine. The Commission shall review the level of charges produced by the ACR 2 and the costs included therein.

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ACT 129 COMPLIANCE RIDER – PHASE 2 (CONTINUED)

ACT 129 COMPLIANCE RIDER – PHASE 2 CHARGE

Charges under the ACR 2 for the period June 1, 2016 through May 31, 2017, as set forth in the applicable Rate Schedules. **(C)**

Customer Class	Large C&I - Transmission	Large C&I - Primary	Small C&I	Residential
Rate Schedule / Charge	L5S, LP-5, and LPEP \$0.000/KW (D)	LP-4 \$0.000/KW (D)	GS-1, GS-3, BL, and GH-2 (R) \$0.0000/KWH (D)	RS and RTS (R) \$0.00000/KWH (D)

Small C&I – Street Lights										
Rate Schedule/ Charge	SA		SM (R)		SHS		SLE		SE	TS (R)
	Nominal Lumens	Charge	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Fixture	\$/KWH	\$/Watt
HPS 9,500	0.000 \$/Lamp	3,350	0.000	5,800	0.000	2,600	0.000	0.00000	0.00000	
		6,650	0.000	9,500	0.000	3,300	0.000			
		10,500	0.000	16,000	0.000	3,800	0.000			
	LED 4,300	0.000 \$/Fixture	20,000	0.000	25,500	0.000	4,900			0.000
			34,000	0.000	50,000	0.000	7,500			0.000
			51,000	0.000			15,000			0.000
						20,000	0.000			

(I) Indicates Increase **(D)** Indicates Decrease **(C)** Indicates Change