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August 25, 2011

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

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2011 AUG 25 PM 4:04
SECRETARY'S BUREAU

RE: Petition of PPL Electric Utilities Corporation for Approval to Implement a Reconciliation Rider for Default Supply Service
Docket No. P-2011-2256365

Dear Secretary Chiavetta:

Enclosed please find the Amended Petition of PPL Electric Utilities Corporation for Approval to Implement a Reconciliation Rider and Competitive Transition Rider for Default Supply Service. PPL Electric initially filed the above-referenced Petition on August 3, 2011. The enclosed Amended Petition, and its accompanying appendices, supersedes and replaces the initial Petition filed on August 3, 2011, in its entirety. The primary change reflected in the Amended Petition is to add a proposed Competitive Transition Rider, which is a temporary non-bypassable Section 1307(e) reconcilable rider that provides a method to refund or recoup historic over or under collections related to transmission service and generation supply service that were incurred prior to the effective date of the proposed Reconciliation Rider.

Copies of the Amended Petition are being served as indicated in the attached Certificate of Service. Please do not hesitate to contact me should you have any questions or concerns regarding this matter.

Respectfully Submitted,

David B. MacGregor

DBM/skr
Enclosures

Rosemary Chiavetta

August 25, 2011

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cc: Bohdan Pankiw
David Screven
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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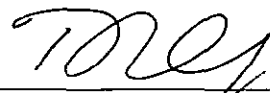
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Date: August 25, 2011



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SECRETARY'S BUREAU

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval to Implement a Reconciliation : Docket No. P-2011-2256365
Rider for Default Supply Service. :

SECRETARY'S BUREAU
PA PUC

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**AMENDED PETITION OF
PPL ELECTRIC UTILITIES CORPORATION FOR APPROVAL TO
IMPLEMENT A RECONCILIATION RIDER AND COMPETITIVE
TRANSITION RIDER FOR DEFAULT SUPPLY SERVICE**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby files this Amended Petition¹ and requests approval from the Pennsylvania Public Utility Commission (“Commission”) to submit a revised tariff supplement to Tariff Electric-Pa. P.U.C. No. 201, to implement a Reconciliation Rider and a Competitive Transition Rider (“CTR”) to become effective June 1, 2012. As more fully described herein, the proposed Reconciliation Rider and CTR will provide a competitively neutral method to refund and recoup over and under collections related to transmission service and generation supply service. The proposed Reconciliation Rider and CTR will help assure accurate and timely recovery of transmission service and generation supply costs in a fair and equitable manner.

Act No. 129 provides that provider of last resort service (“POLR” or “default service”) providers are entitled to recover on a full and current basis all reasonable costs incurred in providing default service through a reconcilable surcharge. 66 Pa.C.S. § 2807(e)(3.9).

¹ PPL Electric initially filed the above-captioned Petition on August 3, 2011. This Amended Petition, and its accompanying appendices, supersedes and replaces the initial Petition filed on August 3, 2011, in its entirety. The primary change reflected in this Amended Petition is to add the proposed CTR.

Consistent with this statutory requirement, the Commission has allowed reconciliation of over or under collection of costs related to default service supply. However, PPL Electric's tariff currently does not contain a mechanism to recover or credit such over and under collection balances from customers who were default service customers when an over/under collection was created, but who are shopping customers when the over/under collection is refunded or recouped. Instead, these over/under collections are refunded to, or recouped from, those customers who are default service customers during the reconciliation period regardless of whether or not they were default service customers when the over/under collection was created.

Further, since the expiration of the generation rate caps, PPL Electric has experienced a higher than anticipated number of customers taking competitive supply from an electric generation supplier ("EGS") and has incurred significant over and under collections, which have distorted the Price to Compare. As a result of the small number of remaining non-shopping customers that currently take default service from PPL Electric, the reconciliation of these over/under collections has a significant impact on the transmission service and generation supply rates that customers will pay.

As a solution to the impact of the reconciliation of over/under collections related to transmission service and generation supply charges, PPL Electric seeks to implement a Reconciliation Rider and CTR. The Reconciliation Rider provides a method to refund or recover net over and under collections related to transmission service and generation supply service to and from customers who were taking default service from PPL Electric after the Reconciliation Rider become effective. The proposed Reconciliation Rider is similar to the methodology approved for, and adopted by, the natural gas distribution companies in Pennsylvania. The proposed CTR is a temporary non-bypassable Section 1307(e) reconcilable rider that provides a

method to refund or recoup historic over or under collections related to transmission service and generation supply service that were incurred prior to the effective date of the Reconciliation Rider. Both the proposed Reconciliation Rider and CTR will provide a competitively neutral method to refund and recoup over and under collections and to reduce the impact of reconciliation on customers who take default service from PPL Electric.

The proposed Reconciliation Rider and CTR will help PPL Electric more accurately recover or refund under and over collected transmission service and generation supply charges collected while customers received default service from PPL Electric. At the same time, the Reconciliation Rider and CTR will help assure that shopping customers who return to default service are not subject to reconciliation impacts that arose while those customers were taking competitive supply from EGSs. Further, PPL Electric believes that the Reconciliation Rider and CTR will help stabilize the Price to Compare, which, in turn, should assist customers in making intelligent and informed shopping decisions and thereby promote retail competition.

The primary change reflected in this Amended Petition is to add the proposed CTR. The CTR is needed, in PPL Electric's view, because it is not clear that the Reconciliation Rider will fully address the timely refund or recovery of over and under collections incurred prior to the effective date of the Reconciliation Rider due to the levels of customer shopping on PPL Electric's system at this time. The CTR, which is a temporary non-bypassable Section 1307(e) reconcilable rider, will be separately calculated and applied to all rate schedules to refund or recoup the net historic over or under collections related to the transmission service charges and generation supply charges that were incurred prior to the effective date of the Reconciliation Rider. The CTR will help PPL Electric eliminate the existing historic under and over collected transmission service and generation supply charges that were incurred during the period January

1, 2010 through May 31, 2012. PPL Electric believes that the CTR will help minimize the uncertainty and effect on rates caused by reconciling the historic over and under collection balances. Further, PPL Electric believes that the CTR will help stabilize the Price to Compare, which, in turn, should assist customers in making intelligent and informed shopping decisions and thereby promote retail competition.

In support of this Petition, and attached hereto, is the proposed Reconciliation Rider and CTR. For the reasons that follow, approval of the proposed Reconciliation Rider and CTR are proper, in the public interest, and should be approved.

I. INTRODUCTION

1. PPL Electric is a “public utility” and an “electric distribution company” as those terms are defined under the Public Utility Code, 66 Pa.C.S. §§ 102 and 2803, subject to the regulatory jurisdiction of the Commission.

2. PPL Electric’s address is Two North Ninth Street, Allentown, Pennsylvania 18101.

3. PPL Electric’s attorneys are:

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PPL Electric's attorneys are authorized to receive all notices and communications regarding this Petition.

3. PPL Electric furnishes electric distribution, transmission, and POLR electric supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania.

4. As explained in more detail below, PPL Electric experiences net over and under collections associated with the cost incurred to provide transmission service and generation supply to its default service customers. Under its currently effective tariff, PPL Electric reconciles any applicable over or under collections related to the Transmission Service Charge ("TSC"), Generation Supply Charge-1 ("GSC-1"), and Generation Supply Charge-2 ("GSC-2"). The results of that reconciliation are included in rates paid by customers that take default service from PPL Electric in the next application period. This process creates two potential mismatches. First, customers who take default service from PPL Electric in one application period and then shop in the next application period do not receive over collections or pay under collections created during the period they took default service. Second, customers who were shopping in one application period and then return to default service in the next application period pay under collections or receive a credit for over collections that they did not create. As explained in more detail below, the current process has had a significant impact on the rates for these customers and has distorted PPL Electric's Price to Compare.

5. PPL Electric herein requests approval to implement a Reconciliation Rider and CTR to address this mismatch in a competitively neutral way, which will promote retail competition and assure just and reasonable rates to customers.

6. This Petition includes the following accompanying appendices:

- Appendix A Proposed Reconciliation Rider, *pro forma* Tariff Supplement to Tariff Electric-Pa. P.U.C. No. 201.
- Appendix B Proposed modifications to the Transmission Service Charge.
- Appendix C Proposed modifications to the Generation Supply Charge-1.
- Appendix D Proposed modifications to the Generation Supply Charge-2.
- Appendix E Proposed modifications to the Merchant Function Charge.
- Appendix F Proposed Competitive Transition Rider, *pro forma* Tariff Supplement to Tariff Electric-Pa. P.U.C. No. 201.

7. For the reasons set forth herein, approval of the proposed Reconciliation Rider and CTR is proper and in the public interest.

II. DISCUSSION

A. **Overview of the Impact of Over and Under Collections.**

8. On August 2, 2006, PPL Electric filed the *Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Plan*, Docket No. P-00062227, requesting Commission approval of a plan for acquisition of supply for default service as a one-year “bridge” between the expiration of its generation rate caps on December 31, 2009, and a fully competitive, statewide market beginning January 1, 2011. By order entered May 17, 2007, the Commission approved PPL Electric’s Competitive Bridge Plan (“CBP”).

9. The CBP established a process for obtaining generation supply needed to serve the Company’s default service customers in 2010. Under the CBP, PPL Electric charged a TSC and 2010 Generation Supply Charge (“2010 GSC”) associated with obtaining generation supply needed to serve the Company’s default service customers beginning January 1, 2010 and continuing through December 31, 2010.

10. The TSC provides for the recovery from all default service customers the transmission costs incurred for delivery of the default service supply within the PPL Zone of PJM Interconnection, LLC (“PJM”). The TSC is applied to the monthly bill of each customer receiving default service from PPL Electric. Historically, any over or under collections for the TSC are reconciled annually on a calendar year basis.²

11. The 2010 GSC was based on the results of six competitive market solicitations made in 2007, 2008, and 2009, plus administrative costs of conducting and implementing these solicitations.

12. On August 28, 2008, PPL Electric filed the *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 Through May 31, 2013*, Docket No. P-2008-2060309 (“DSP Plan”).³ The DSP Plan established the terms and conditions under which PPL Electric would provide default service and obtain generation supply for that service for the period January 1, 2011 through May 31, 2013. The DSP Plan was approved by the Commission by order entered on June 30, 2009.

13. Under the Commission-approved DSP Plan, PPL Electric established a GSC-1 for Residential and Small C&I Customer Classes⁴ and a GSC-2 for the Large C&I Customer Class,⁵

² As explained in Paragraph 14, *infra*, the calculation and reconciliation of the TSC recently was revised from a calendar year basis to a PJM Planning Year basis (June 1 through May 31).

³ On October 15, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129, which established, *inter alia*, certain new requirements for the acquisition of default supply by electric distribution companies. Because the legislation was passed after PPL Electric filed its DSP Plan, the Company, without objection of the parties, requested and was granted the right to file revisions to the DSP Plan. On November 3, 2008, PPL Electric filed its amended DSP Plan.

⁴ The GSC-1 is charged to residential customers who take default service from the Company under Rate Schedules RS, RTS (R), RTD (R), and small commercial and industrial customers who take basic utility supply service from the Company under Rate Schedules GS-1, GS-3, GH-1 (R), GH-2 (R), IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R) and SI-1 (R), and standby service for the foregoing rate schedules. The GSC-1 does not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but the GSC-1 does apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW.

⁵ The GSC-2 is charged to large commercial and industrial customers who take default service from the Company
(Continued on next page...)

who have not elected to take service from an EGS and continue to take default service from PPL Electric. As approved in the DSP Plan, the GSC-1 is revised and reconciled on a quarterly basis, and the GSC-2 is revised and reconciled annually on a calendar year basis.

14. On November 1, 2010, PPL Electric filed Supplement No. 97 to Tariff-Electric Pa. P.U.C. No. 201 (“Supplement No. 97”), proposing to change the calculation and reconciliation of the GSC-1, GSC-2, and TSC from a calendar year basis to a PJM Planning Year basis (June 1 through May 31). On December 16, 2010, the Commission entered an order approving Supplement No. 97, which became effective January 1, 2011.

15. Under PPL Electric’s Commission-approved tariff, PPL Electric reconciles applicable net over or under collections related to the transmission service and generation supply charges for customers who take default service from PPL Electric under GSC-1, GSC-2 and TSC. The costs are recovered or refunded through an E-factor applied to the GSC-1, GSC-2, and TSC rates paid by customers who take default service from PPL Electric in the next application period.

16. Under PPL Electric’s Commission-approved tariff, any net under collections related to transmission service and generation supply service during an application period are reflected in the E-factor for the next application period, which, all else being equal, will increase the applicable GSC-1, GSC-2, and TSC rates paid by the customers who continue to take or return to default service in the next application period. Similarly, any net over collections related to transmission service and generation supply charges during an application period will be reflected as a credit in the E-factor for the next application period, which, all else being equal,

under Rate Schedules LP-4, IS-P (R), LP-5, LP-6, LPEP, IS-T(R), and standby service for the foregoing rate schedules. The GSC-2 does not apply to Rate Schedule LP-4 customers that have a peak demand of less than 500 kW, but the GSC-2 does apply to Rate Schedule GS-3 customers that have a peak demand of 500 kW or greater.

will decrease the applicable GSC-1, GSC-2, and TSC rates paid by the customers who continue to take default service from PPL Electric or return to default service in the next application period.

17. Initially, it was argued that reconciliation of generation supply costs for default service plans was not necessary because the amount to be reconciled was anticipated to be small or non-existent. Indeed, the Commission initially denied a proposal of the Pennsylvania Power Company (“Penn Power”) to reconcile its POLR costs. *See Petition of Pennsylvania Power Company for Approval of Interim POLR Supply Plan*, Docket No. P-00052188, Slip Op. at p. 100-02 (April 28, 2006) (concluding that “a competitive market will not develop if an incumbent utility has the ability to reconcile its POLR costs”). On appeal, the Commonwealth Court reversed and remanded, concluding that Penn Power is entitled to full recovery of its reasonable costs as a provider of last resort, and that the use of a reconciliation mechanism does not violate Section 2807(e)(3) of the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. § 2807(e)(3). *Pa. Power Co. v. Pa. PUC*, 932 A.2d 300, 307 (Pa. Cmwlth. 2007). Consistent therewith, Act No. 129 provides that default service providers shall have the right to recover on a full and current basis all reasonable costs incurred in providing default service through a reconcilable surcharge. 66 Pa.C.S. § 2807(e)(3.9).

18. Since the expiration of the generation rate caps on December 31, 2009, a significant number of customers in PPL Electric’s service territory have begun taking competitive supply from EGSs. Approximately 85% of PPL Electric’s Large C&I customers take competitive supply from EGSs. As of July 23, 2011, in PPL Electric’s service territory, 488,347 residential customers (or 39.8% of the total number of residential customers) and 86,456 Small C&I customers (or 48.8% of the total number of Small C&I customers) were either taking

service from an EGS or signed up to begin competitive supply pending the issuance of their next bill. Further, PPL Electric anticipates that additional customers in its service territory will elect to take competitive supply from EGSs in 2011.

19. Customers may switch from default service to competitive supply at any time during the application period. Importantly, however, the E-factor for the TSC, GSC-1 and GSC-2 is only charged or credited to those customers who take default service during the application reconciliation period regardless of whether they were default service customers during the application period in which the over or under collection was created.

20. The amounts of under and over collections under the TSC, GSC-1 and GSC-2 have been substantial. For example, in calendar year 2010, PPL Electric experienced an under collection of approximately \$8 million for generation supply charges associated with Large C&I default service customers under the 2010 GSC.⁶ The Company also experienced an under collection of approximately \$3.5 million in the 2010 TSC for Rate Schedule LP-4 customers.⁷

21. Under PPL Electric's Commission-approved tariff, PPL Electric is required to reconcile these under collections through the E-factor applied to the transmission and generation rates for the customers that take default service from PPL Electric. However, as a result of the

⁶ These under collections resulted primarily from January 2010, when the generation rate caps expired and the generation prices PPL Electric had to pay suppliers in January 2010 were substantially higher than those paid in December 2009 under capped rates. Because many default service customer bills issued in January 2010 were prorated for usage which occurred in December 2009, or prior to implementation of the 2010 GSC, billed revenue under the 2010 GSC for January 2010 reflected only about half of the revenue that typically would be derived from a full, non-prorated billing month. However, generation supply-related costs incurred for January 2010 reflected a full month of customer electricity usage. This difference between prorated billed revenue and actual incurred costs created a significant under collection for the month of January 2010. The effect of this under collection was exacerbated due to the significant number of customers that subsequently elected to take competitive supply from EGSs in 2010.

⁷ Likewise, the Company also experienced under collections for the Residential, Small C&I, and Time of Use rate classes through the May 31, 2011 application period, the reconciliation of which significantly increased the transmission and generation rates that each of the remaining default service customers in these rate classes would have otherwise paid.

small number of remaining non-shopping customers that currently take default service from PPL Electric, the reconciliation of these under collections has a significant impact on the transmission service and generation supply rates that customers will pay. For example, the reconciliation of the GSC-2 through the May 31, 2011 application period added approximately 2.63 cents per kilowatt-hour to the generation rates that each of the remaining GSC-2 customers would have otherwise paid.

22. As demonstrated in the example above, recovery of an under collection will have a substantial impact to the TSC and GSC rates of rate classes with only a small number of remaining non-shopping customers under the current reconciliation mechanism. Further, recovering under collections related to transmission service and generation supply charges from such a small number of non-shopping default service customers can inflate the Price to Compare. An anticipated result is that additional customers will switch to competitive supply from EGSs, which, in turn, will further compound the impact of reconciliation on the remaining non-shopping customers in the subsequent period. Further, these inflated prices for generation supply would have a significant impact on customers that are returned to default service, *i.e.*, customers that are dropped from competitive supply for whatever reason and are returned to default service.

23. Similar problems arise in connection with net over collections. For example, in 2010, PPL Electric experienced an over collection of approximately \$2 million in the 2010 TSC for Rate Schedule LP-5 and LP-6 customers, each of which are Large C&I default service customers under the 2010 GSC. The reconciliation of the 2010 TSC reduced the prices by approximately 1.8 cents per kilowatt-hour that each of the Rate Schedule LP-5 and LP-6 customers would have otherwise paid through May 31, 2011.

24. As demonstrated in the example above, under the current reconciliation mechanism, the refund of an over collection will result in a large windfall to rate classes with only a small number of customers remaining on default service. Further, the refund of over collections related to transmission service and generation supply charges can reduce the applicable Price to Compare, which could potentially encourage shopping customers to return to default service. The refund of over collections and an unanticipated number of customers returning to default service during the application period may cause a substantial under collection of transmission service and generation supply charges for the next reconciliation period.

25. In short, as explained above, the current reconciliation mechanism has resulted in a distorted and unstable Price to Compare that clearly has complicated shopping decisions for customers and has promoted shifting between default service and competitive supply for reasons unrelated to actual competitive market conditions. Further, as a result of the small number of remaining non-shopping customers that currently take default service from PPL Electric, the reconciliation of these over/under collections has a significant impact on the transmission service and generation supply rates that customers will pay.

26. As a solution to the impact of the reconciliation of over/under collections related to transmission service and generation supply charges, PPL Electric seeks to implement a Reconciliation Rider and CTR. The Reconciliation Rider provides a method to refund or recover net over and under collections related to transmission service and generation supply service to and from customers who were taking default service from PPL Electric after the Reconciliation Rider become effective. The proposed CTR is a temporary non-bypassable Section 1307(e) reconcilable rider that provides a method to refund or recoup historic over or under collections

related to transmission service and generation supply service that were incurred prior to the effective date of the Reconciliation Rider. Both the proposed Reconciliation Rider and CTR will provide a competitively neutral method to refund and recoup over and under collections and to reduce the impact of reconciliation on customers who take default service from PPL Electric. The proposed Reconciliation Rider and CTR are described below.

B. Description of the Proposed Reconciliation Rider

27. As a solution to the impact of the reconciliation of over or under collections related to transmission service and generation supply charges, PPL Electric seeks to implement a Reconciliation Rider, similar to the mechanisms employed by the natural gas industry in Pennsylvania, to become effective June 1, 2012. A *pro forma* draft of the Reconciliation Rider is included with this Petition as “**Appendix A.**”

28. As explained in Section II.A, *supra*, under PPL Electric’s current mechanism, the reconciliation of over or under collections and an unanticipated number of customers switching between default service and competitive supply during an application period may cause a substantial over or under collection of transmission service and generation supply charges for the next reconciliation period. The current reconciliation mechanism has resulted in a distorted and unstable Price to Compare that, as explained above, complicates shopping decisions for customers, and promotes shifting between default service and competitive supply for reasons unrelated to actual competitive market conditions.

29. In this petition, PPL Electric is requesting revisions to the GSC-1, GSC-2, TSC, and the Merchant Function Charge Rider (“MFC”) to facilitate implementation of the Reconciliation Rider. First, the Company proposes to modify the reconciliation sections of those rates to provide that the results of the reconciliation calculations will be reflected in the Reconciliation Rider rather than in the GSC-1, GSC-2, or TSC. This change simply supports

implementation of the Reconciliation Rider as described in this Petition. Second, PPL Electric proposes to modify the reconciliation provisions under GSC-1 to permit reconciliation on an annual PJM Planning Year basis (June 1 through May 31), rather than on a quarterly basis.⁸ This change should reduce the volatility of the Reconciliation Rider, reduce the number of calculations required, and reduce customer confusion regarding this issue. Although the GSC-1 and GSC-2 would be reconciled annually under PPL Electric's proposal, the Company would continue to revise GSC-1 and GSC-2 rates on a quarterly basis to reflect changes in the cost of purchasing default service supplies. Finally, the Company proposes to modify the MFC to reflect that the MFC shall be applied to the refund or recovery of experienced net over and under collections transmission service and generation supply costs reflected in the Reconciliation Rider and CTR. This change simply supports implementation of the Reconciliation Rider and CTR as described in this Petition. The *pro forma* drafts of the revised TSC, GSC-1, GSC-2, and MFC are attached hereto as "**Appendices B, C, D, and E**" respectively.

30. The Reconciliation Rider will be calculated and reconciled on an annual basis pursuant to the reconciliation provisions for TSC, GSC-1, and GSC-2 included in PPL Electric's retail tariff. The resulting Reconciliation Rider will be the total of the transmission service and generation supply reconciliation adjustments for the relevant application period and will reflect different rates for different customer classes.⁹ The Reconciliation Rider will be shown as a separate line item on customers' bills. The Reconciliation Rider will be either an additional charge or a credit on the customer's monthly bill under the applicable rate schedule depending on whether PPL Electric is reconciling an under or over collection of transmission service and

⁸ The TSC and GSC-2 currently are reconciled annually on a PJM Planning Year basis (June 1 through May 31).

⁹ Separate rates will be reflected in the Reconciliation Rider for the following three customer classes: Residential, Small C&I, and Large C&I.

generation supply charges. The Reconciliation Rider will not be a part of PPL Electric's Price to Compare.

31. The Reconciliation Rider will become effective June 1, 2012, and will refund or recoup over or under collections associated with default service provided on and after that date. As explained below in Section II.C, *infra*, the CTR will provide for a temporary non-bypassable Section 1307(e) reconcilable rider to refund or recoup the net historic over or under collections related to transmission service and generation supply charges that were incurred prior to the effective date of the Reconciliation Rider. If the CTR is approved by the Commission, the Reconciliation Rider initially would be set at zero for service rendered on and after June 1, 2012. Thereafter, the applicable Reconciliation Rider will be calculated and reconciled as explained in Paragraph 30, *supra*. If, on the other hand, the CTR is not approved, the Reconciliation Rider would include under/over collections existing at the date of its inception.

32. The Reconciliation Rider will change annually every June 1 and customers will be charged the currently effective Reconciliation Rider. Specifically, if a customer's responsibility to pay the Reconciliation Rider bridges June 1, the customer would be subject to the old Reconciliation Rider through May 31 and the new Reconciliation Rider beginning June 1.

33. Application of the Reconciliation Rider will be determined each time a customer's status changes between default service and shopping based on the customer's status during the period immediately preceding the customer's status change. If a customer switches from default service to shopping, the customer will be subject to the Reconciliation Rider for a period equal to the number of consecutive months, not to exceed twelve months, that the customer took default service immediately prior to becoming a shopping customer. If a customer switches from shopping to default service, the customer will be exempt from the

Reconciliation Rider for a period equal to the number of consecutive months, not to exceed twelve months, that the customer was a shopping customer immediately prior to switching to default service. The applicability of the Reconciliation Rider is re-determined anytime a customer's status changes between default service and shopping.

34. For example, if a customer's status changes from default service to shopping in June 2012, application of the Reconciliation Rider will be determined by the consecutive number of months that the customer took default service immediately prior to the June 2012 change in status.¹⁰ Likewise, if a customer's status changes from shopping to default service in June 2012, forgiveness of the Reconciliation Rider will be determined by the consecutive number of months that the customer was a shopping customer immediately prior to the June 2012 change in status. Thereafter, application of the Reconciliation Rider would be determined if and when the customer's status changed.

35. All new PPL Electric customers are required to be default service customers for a one-month period prior to taking competitive supply service from an EGS. As a result, the Reconciliation Rider initially will be applicable to any new PPL Electric customers. Thereafter, application of the Reconciliation Rider would be determined if and when the customer's status changed consistent with the procedures set forth in Paragraphs 33 and 34, *supra*.

36. If a customer moves within PPL Electric's service territory, he or she will be treated as a new customer as described in Paragraph 35, *supra*. Thereafter, application of the Reconciliation Rider would be determined if and when the customer's status changed.

¹⁰ If the CTR is approved by the Commission, the Reconciliation Rider initially would be set at zero for service rendered on and after June 1, 2012. Thereafter, the applicable Reconciliation Rider will be calculated and reconciled as explained above in Paragraph 30, *supra*. If, on the other hand, the CTR is not approved, the Reconciliation Rider would include under/over collections existing at the date of its inception.

37. If a customer moves from PPL Electric's service territory, he or she will no longer be subject to the Reconciliation Rider.

38. With regard to landlord tenant arrangements, when a tenant's service is terminated and placed in the landlord's name/account, the landlord will be treated as a new customer subject to the Reconciliation Rider, as set forth in Paragraph 35, *supra*, unless and until a status changes or a new tenant initiates service. The new tenant would be treated as a new customer subject to the Reconciliation Rider, as set forth in Paragraph 35, *supra*.

C. Description of the Competitive Transition Rider

39. As a solution to the impact of the reconciliation of historic over or under collections related to transmission service and generation supply charges, PPL Electric seeks to implement the CTR. The CTR will be a temporary non-bypassable Section 1307(e) reconcilable rider to refund or recoup the net historic over or under collections related to transmission service and generation supply charges that were incurred prior to the effective date of the Reconciliation Rider. A *pro forma* draft of the CTR is included with this Petition as "**Appendix F.**"

40. As explained in Section II.A, *supra*, PPL Electric has incurred substantial over and under collections under its current transmission service and generation supply charges reconciliation mechanisms. In addition, a significant number of customers have switched to competitive supply from EGSs. As a result, there are fewer non-shopping customers from which to refund or collect these historic over and under collections. This has resulted in a distorted and unstable Price to Compare that clearly has complicated shopping decisions for customers, and has promoted shifting between default service and competitive supply for reasons unrelated to actual competitive market conditions.

41. As explained above, PPL Electric is proposing to implement the Reconciliation Rider to provide a prospective mechanism to refund or recover the experienced net over or under

collections related to transmission service and generation supply charges from customers who previously took default service from PPL Electric and switched to taking competitive supply from EGSs after the effective date of the Reconciliation Rider. However, because of the levels of customer shopping on PPL Electric's system at this time, it is not clear that the Reconciliation Rider will fully address the timely refund or recovery of the historic over and under collections incurred prior to the effective date of the Reconciliation Rider. Therefore, PPL Electric believes it is necessary and appropriate to establish a temporary non-bypassable rate mechanism to recover these prudently incurred costs from customers.

42. Given the magnitude of the over and under collections and the small number of non-shopping customers, it may not be possible or reasonable to refund or recover these large historic over and under collections from a very small number of customers. If PPL Electric were to attempt to recover significant under collections from a small subset of customers, rates would increase so significantly that all customers would shop and there would be no customers left to pay the outstanding under collection.¹¹ This could create the classic "death spiral" whereby rates would increase so significantly that customers would leave just to avoid paying any under collection and there would be no customers left to pay the under collection.

43. By creating a non-bypassable Section 1307(e) reconcilable rider, PPL Electric will recover the costs from all customers, which will result in much lower rates to customers. The proposed CTR will avoid any "death spiral" issues and allow PPL Electric to recover its costs. In addition, PPL Electric believes that the non-bypassable Section 1307(e) reconcilable

¹¹ See, e.g., *The Office of Small Business Advocate v. PPL Electric Utilities Corporation*, Docket Nos. C-2011-2245906, M-2011-2243137 (Complaint challenging the reconciliation of PPL Electric's 2010 GSC for the period January 1, 2010 through November 30, 2010, and the reconciliation of its 2011 GSC-1 for the period December 1, 2010 through May 31, 2011).

rider better reflects the customer base that created the historic over and under collections as opposed to its existing default service customer base, which has many less customers.

44. The proposed CTR will refund or recover the total net balance of all over or under collections related to transmission service and generation supply charges as of May 31, 2012. The temporary non-bypassable rider will be applicable to all customers, both default service and shopping customers, and will reflect different rates for different customer classes.¹² The CTR will be shown as a separate line item on customers' bills. The CTR will be either an additional charge or a credit on the customer's monthly bill under the applicable rate schedule depending on whether PPL Electric is reconciling a net historic under or over collection of transmission service and generation supply charges.

45. The proposed CTR will become effective June 1, 2012, and will remain in effect for a twelve-month period. At the end of the twelve-month period, the CTR will be reconciled. The CTR then will continue for the minimum number of months necessary to true-up any remaining balance of the over or under collections existing as of May 31, 2012, that were not refunded or recouped during the initial twelve-month period. Once the balance of any remaining over or under collections has been fully reconciled, the CTR will be discontinued.

D. The Proposed Reconciliation Rider and Competitive Transition Rider Are in the Public Interest.

46. As explained above, PPL Electric has experienced an unanticipated level of net over or under collections related to transmission service and generation supply charges from customers who took default service from PPL Electric under GSC-1, GSC-2, and TSC. As a solution to the impact of the reconciliation of over/under collections related to transmission

¹² Separate rates will be reflected in the CTR for the following three customer classes: Residential, Small C&I, and Large C&I.

service and generation supply charges, PPL Electric seeks to implement a Reconciliation Rider and CTR. The proposed Reconciliation Rider provides a method to refund or recover net over and under collections related to transmission service and generation supply service to and from customers who were taking default service from PPL Electric after the Reconciliation Rider become effective. The proposed CTR is a temporary non-bypassable Section 1307(e) reconcilable rider that provides a method to refund or recoup historic over or under collections related to transmission service and generation supply service that were incurred prior to the effective date of the Reconciliation Rider. Both the proposed Reconciliation Rider and CTR will provide a competitively neutral method to refund and recoup over and under collections and to reduce the impact of reconciliation on customers who take default service from PPL Electric. For the reasons that follow, the proposed Reconciliation Rider and CTR are proper and in the public interest.

47. Under its currently effective tariff, PPL Electric reconciles any applicable over or under collections related to the TSC, GSC-1, and GSC-2. The results of that reconciliation are included in rates paid by customers who take default service from PPL Electric in the next application period. This process creates two potential mismatches. First, customers who take default service from PPL Electric in one application period and then shop in the next application period do not receive over collections or pay under collections created during the period they took default service. Second, customers who were shopping in one application period and then return to default service in the next application period pay under collections or receive a credit for over collections which they did not create. As explained above, the current process has had a substantial impact on the rates for these customers and has distorted PPL Electric's Price to Compare.

48. As a prospective solution to the impact of the reconciliation of future over or under collections related to transmission service and generation supply charges, PPL Electric seeks to implement a Reconciliation Rider, similar to the mechanism employed by the natural gas industry in Pennsylvania, to become effective on June 1, 2012. As explained in the sections above, the proposed Reconciliation Rider provides a prospective mechanism to refund or recover the future experienced net over or under collections related to transmission service and generation supply charges from customers who previously took default service from PPL Electric and switched to taking competitive supply from EGSs after the effective date of the Reconciliation Rider. At the same time, the Reconciliation Rider will help assure that returning default service customers are not subject to reconciliation impacts that arose while those customers were taking competitive supply from EGSs.

49. If the CTR is approved by the Commission, the Reconciliation Rider initially would be set at zero for service rendered on and after June 1, 2012. Thereafter, the applicable Reconciliation Rider will be calculated and reconciled as explained above in Paragraph 30, *supra*. If, on the other hand, the CTR is not approved, the Reconciliation Rider would include under/over collections existing at the date of its inception.

50. As explained above in Paragraph 41, *supra*, the Reconciliation Rider is not likely to fully address the timely recovery of the historic over or under collections related to transmission service and generation supply charges that were incurred prior to the effective date of the Reconciliation Rider. PPL Electric therefore also is proposing to establish a temporary non-bypassable rate mechanism to refund or recoup the net historic over or under collections.

51. As a solution to the impact of the reconciliation of historic over or under collections, PPL Electric seeks to implement the CTR which is a temporary non-bypassable

Section 1307(e) reconcilable rider to refund or recoup the net historic over or under collections related to transmission service and generation supply charges that were incurred prior to the effective date of the Reconciliation Rider. PPL Electric believes that the refund or recovery of these over or under collections through the CTR applicable to all customers, rather than the remaining default service customers, is just and reasonable.

52. For example, as explained above, the reconciliation of the under collection of the GSC-2 through the May 31, 2011 application period added approximately 2.63 cents per kilowatt-hour (excluding Gross Receipts Tax) to the generation rates that each of the remaining GSC-2 customers would have otherwise paid. This substantial increase for GSC-2 customers is approximately 75 % of the default rate for these customers. PPL Electric has been attempting to recover these costs from GSC-2 customers; however, there are relatively few remaining GSC-2 default service customers to pay for this under collection. By recovering this under collection from all Large C&I customers through the non-bypassable CTR, PPL Electric anticipates that the CTR rate for these customers would be approximately 0.034 cents per kilowatt-hour (excluding Gross Receipts Tax). This is a much lower rate and, because the CTR will be non-bypassable, PPL Electric will be assured recovery of its costs. Likewise, because the CTR will not be included in the Price to Compare, it will not impact customer's shopping decisions.¹³

53. The CTR will help eliminate the existing historic under and over collected transmission service and generation supply charges that were incurred during the period January 1, 2010 through May 31, 2012. Further, PPL Electric believes that the Reconciliation Rider,

¹³ Likewise, the reconciliation of the under collections for the Residential, Small C&I, and Time of Use rate classes through the May 31, 2011 application period significantly increased the transmission and generation rates that each of the remaining default service customers in these rate classes would have otherwise paid.

together with the CTR, will help minimize the uncertainty and effect on default service rates caused by reconciling the historic over and under collection balances.

54. The proposed Reconciliation Rider will help assure that switching customers bear their fair share of under collected transmission service and generation supply charges or receive their fair share of any refund of over collected of transmission service and generation supply charges created while the switching customers took default service from PPL Electric. The proposed Reconciliation Rider will minimize the impact of the reconciliation of transmission service and generation supply charges, thus avoiding avoid rate shock to non-shopping customers.

55. Further, PPL Electric believes that the Reconciliation Rider will help stabilize the Price to Compare, which, in turn, should assist customers in making supply decisions and promote competition. Through the Reconciliation Rider, PPL Electric will be assured of recovery of costs associated with transmission service and generation supply charges. Further, the Reconciliation Rider will avoid inflated or deflated prices to compare. As a result, the Reconciliation Rider will promote competition on a fair and equitable basis.

56. The Reconciliation Rider is conceptually similar to a migration rider which the Commission previously has approved as a reasonable and appropriate means to recover under collection from or refund over collections to customers who switch from natural gas sales service to transportation service. For example, the Commission approved a migration rider for Peoples Natural Gas Company LLC, concluding as follows:

The Migration Rider, by design, addresses a unique situation. With the advent of retail choice for residential and small commercial customers, purchased gas cost under or over-recoveries may be severely impacted by customers switching to transportation service. The Migration Rider appears to appropriately address the extraordinary situation where many

customers leave sales service in a relatively short time period while the application of the E-factor to new customers appropriately recognizes the limited effect of normal customer additions and deletions on the E-factor. Accordingly, we find that Peoples' Migration Rider does not allow Peoples to double recover for gas reconciliations associated with sales customer's overall experience.

On consideration of the positions of the parties, we find that the Migration Rider is a reasonable and appropriate means to recover or credit purchased gas costs under or over collections from customers who switch from sales service to transportation service. The Rider ensures that the migrating customer is responsible for the purchased gas costs that Peoples incurred to serve that customer while on retail service. Because these costs were already incurred at the time that the customer switched to transportation service, the Migration Rider is an attempt to ensure that those customers that caused Peoples to incur those costs are responsible for paying them, or in the alternative, receive a credit in the event of an over-recovery.

Enron Capital & Trade Resources Corporation v. The Peoples Natural Gas Company, et al., Docket No. R-00973928C0001, 1998 Pa. PUC LEXIS 199 at *20-22 (August 24, 1998) (citing to the Reply Brief of the Office of Consumer Advocate). The Commission further concluded that a migration rider is not unduly discriminatory and does not inhibit competition or confer an unfair advantage. *Id.* at *28-29, *35-37.¹⁴ PPL Electric's Reconciliation Rider proposed herein is similar to the methodology previously approved by the Commission and adopted by the natural gas distribution companies in Pennsylvania.

57. PPL Electric will provide customer notice and education at the time the Commission acts on this petition, before implementation of the Reconciliation Rider and CTR and during their implementation period. If this petition is approved by the Commission, PPL

¹⁴ See also *Pennsylvania Public Utility Commission, et al. v. The Equitable Gas Company*, Docket Nos. R-00963858, *et al.*, 1997 Pa. PUC LEXIS 92 at *105, *108 (December 4, 1997) (approving a migration rider for Equitable Gas Company, noting "at the outset that we have approved other migration riders similar to that proposed by Equitable for other utilities such as The Peoples Natural Gas Company, National Fuel Distribution Corporation (Continued on next page...)

Electric will include a detailed description of the Reconciliation Rider and CTR in PPL Electric's monthly newsletter, Connect. That description also will include a toll free telephone number and a website address where customers can obtain additional information and receive answers to specific questions. Complete information also will be posted on PPL Electric's website. Finally, the Company's Customer Service Representatives will be thoroughly trained on the details of the Reconciliation Rider and CTR so that they can respond to any calls received at the Company's Customer Contact Center.

58. For these reasons, PPL Electric believes that the proposed Reconciliation Rider and CTR are proper and provide important public benefits and, therefore, should be approved.

and Columbia Gas of Pennsylvania.”).

III. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests approval to submit a revised tariff supplement to Tariff Electric-Pa. P.U.C. No. 201 to implement a Reconciliation Rider and Competitive Transition Rider as explained in this Petition and the appendices attached hereto.

Respectfully submitted,



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Of Counsel:
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Dated: August 25, 2011

Attorneys for PPL Electric Utilities Corporation

VERIFICATION

I, Dennis A. Urban, Jr., hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect that PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: 8-25-2011

Dennis A. Urban, Jr.
Dennis A. Urban, Jr.

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SECRETARY'S BUREAU

Appendix A

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SECRETARY'S BUREAU

RECONCILIATION RIDER

PURPOSE

Beginning June 1, 2012, the Reconciliation Rider (RR) provides a method to refund or recover the experienced net over/under collections of generation supply and transmission service costs, which result from the reconciliation of the GSC-1, GSC-2 and TSC riders under this Tariff, from customers. The RR shall be applied, on a non-bypassable basis, to the kWh delivered to customers consistent with the application provisions of this Rider.

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

- (1) Residential Fixed and TOU: Consisting of Rate Schedules RS, RTS (R), and RTD (R),
- (2) Small Commercial and Industrial (Small C&I) Fixed and TOU: Consisting of Rate Schedules GS-1, GS-3, IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R), SI-1 (R), GH-1 (R), and GH-2 (R), and
- (3) Large Commercial and Industrial (Large C&I): Consisting of Rate Schedules LP-4, IS-P (R), LP-5, LP-6, LPEP, IS-T (R), and L5S.

For these computations, the reconciliation amounts associated with the GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but it will apply to Rate Schedule LP-4 and IS-P (R) customers who have a peak demand of less than 500 kW. In addition, the reconciliation amounts associated with the GSC-2 will not apply to Rate Schedule LP-4 and IS-P (R) customers who have a peak demand of less than 500 kW, but it will apply to Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater.

The RR, as computed using the formula described below, shall be a separate, non-bypassable charge on the monthly bill for each customer consistent with the application provisions described below. The RR shall be reconciled on an annual basis for undercollections and over collections of the RR from the previous application period.

PRICING PROVISIONS

The RR shall be computed using the following formula:

$$RR = [E_R / S] \times 1 / (1-T)$$

Where:

- E_E = Net over or under collection of the respective reconciliations of the GSC-1, GSC-2, and TSC for the period June 1, 2012 through May 31, 2013, and as of the end of the 12-month period ended one month prior to the beginning of each subsequent application year. An application year is the 12-month period beginning June 1 of each calendar year and ending May 31 of the following calendar year. All outstanding net over/under collection balances, which result from the reconciliation of the generation supply and transmission service costs under the GSC-1, GSC-2 and TSC riders in this Tariff, as of May 31, 2012, will be recovered through the Competitive Transition Rider. Interest shall be computed monthly at the legal rate of interest from the month the over or under collection occurs to the effective month that the over collection is refunded or the under collection is recouped.
- S = The Company's total projected KWH deliveries to customers in each customer class who the Company projects will be responsible to pay the RR during the application year adjusted for the number of months such payments are required and further adjusted for the number of affected customers expected to close their accounts during the application year.
- T = The total Pennsylvania gross receipts tax rate in effect during the billing period, expressed in decimal form.

(Continued)

PPL Electric Utilities Corporation

RECONCILIATION RIDER (CONTINUED)

APPLICATION PROVISIONS

Based on the 12-month period immediately preceding the customer's decision to change status to or from default service:

- (1) Any customer that switches from default service to competitive supply after receiving default service for twelve (12) consecutive months or more will be charged the RR for a period of twelve (12) months,
- (2) Any customer that switches from default service to competitive supply after receiving default service for fewer than twelve (12) consecutive months will be charged the RR for a period of months equal to the number of consecutive months that the customer received default service immediately prior to switching to competitive supply,
- (3) Any customer that has received competitive supply for twelve (12) consecutive months or more and then returns to default service will not be charged the RR for a period of twelve (12) months after returning to default service,
- (4) Any customer that has received competitive supply for fewer than twelve (12) consecutive months and then returns to default service will not be charged the RR for a period of months equal to the number of consecutive months that the customer received competitive supply immediately prior to switching to default service,
- (5) Any new customer coming into PPL Electric's service territory as a default service customer will be charged the RR,
- (6) Any new customer leaving default service to purchase competitive supply will be charged the RR in accordance with (1) and (2) above, and
- (7) Any customer that moves within PPL Electric's service territory will not be required to pay any RR associated with his or her prior account. At the customer's new location, he or she will be treated as a new customer, as described above. If a customer moves from PPL Electric's service territory, he or she will not be required to pay any RR associated with his or her prior account.

RECONCILIATION RIDER CHARGE

Charges under the RR for the period June 1, 2012 through May 31, 2013, are set forth below.

Customer Class	Large C&I	Small C&I	Residential
Rate Schedule / Charge	LP-4, IS-P (R), LP-5, LP-6, LPEP, IS-T (R), and L5S	GS-1, GS-3, IS-1 (R), BL, SA, SM(R), SHS, SE, TS(R), SI-1(R), GH-1 (R), and GH-2 (R) Non-TOU	RS, RTS (R), and RTD (R) Non-TOU
	\$X.XXX/kW	\$X.XXXXXX/KWH	\$X.XXXXXX/KWH
		GS-1, GS-3 (<500 kW), IS-1 (R), GH-1 (R), and GH-2 (R) TOU	RS and RTS (R) TOU
		\$X.XXXXXX/KWH	\$X.XXXXXX/KWH

(Continued)

PPL Electric Utilities Corporation

RECONCILIATION RIDER (CONTINUED)

RECONCILIATION RIDER CHARGE (Continued)

Small C&I – Street Lights Non-TOU									
Rate Schedule/ Charge	SA	SM (R)		SHS		SE	TS (R)	SI-1 (R)	
	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	\$/KWH	\$/Watt	Lumens	\$/Lamp
X.XXX		3,350	X.XXX	5,800	X.XXX	X.XXXXXX	X.XXXXXX	600	X.XXX
		6,650	X.XXX	9,500	X.XXX			1,000	X.XXX
		10,500	X.XXX	16,000	X.XXX			4,000	X.XXX
		20,000	X.XXX	25,000	X.XXX				
		34,000	X.XXX	50,000	X.XXX				
		51,000	X.XXX						

RECONCILIATION PROVISIONS

The RR shall be filed with the Pennsylvania Public Utility Commission (Commission) by May 1 of each year. The RR charge shall become effective for service 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 RR, if left unchanged, would result in a material over or undercollection of the net amount of the "E" factor amounts of the GSC-1, GSC-2, and TSC, which were incurred in the prior application period of these riders, the Company may file with the Commission for an interim revision of the RR to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

Minimum bills shall not be reduced by reason of the RR, nor shall charges hereunder be a part of the monthly rate schedule minimum. The RR shall not be subject to any credits or discounts. The State Tax Adjustment Surcharge (STAS) included in this Tariff is applied to charges under the RR.

The Company shall file a report of collections under the RR within thirty (30) days following the conclusion of each application year quarter. These reports will be in a form prescribed by the Commission.

Application of the RR 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 RR included therein.

TRANSMISSION SERVICE CHARGE (C)

A Transmission Service Charge (TSC) shall be applied to charges for electricity supplied to customers who receive Basic Utility Supply Service ("BUSS"), as defined in Rule 1B(1), from the Company under this Tariff.

The TSC shall be computed separately for each of the following four customer classes: (C)

- (1) Residential: Consisting of Rate Schedules RS, RTS (R), and RTD (R),
- (2) Small Commercial and Industrial: Consisting of Rate Schedules GS-1, GS-3, IS-1 (R), BL, SA, SM, SHS, SE, TS (R), SI-1 (R), GH-1 (R), and GH-2 (R) (Small C&I),
- (3) Large Commercial and Industrial – Primary: Consisting of Rate Schedules LP-4 and IS-P (R) (Large C&I – Primary), and
- (4) Large Commercial and Industrial – Transmission: Consisting of Rate Schedules LP-5, LP-6, LPEP IS-T (R), and L5S (Large C&I – Transmission). (C)

The TSC, computed using the formulae described below, shall be applied to the monthly bill of each customer receiving BUSS service from the Company and shall be reconciled on an annual basis for undercollections and overcollections experienced during the previous year.

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

$$TSC = [TCe/S + TCd/S] \times 1/(1-T)$$

The TSC for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formulae:

$$TSC = TSCd + TSCe$$

The demand – related portion of the TSC (TSCd) for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formula:

$$TSCd = [TCd/D] \times 1/(1-T)$$

The other portion of the TSC (TSCe) for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formula:

$$TSCe = [TCe/S] \times 1/(1-T)$$

Where:

- TCd = The demand-related (kW) portion of the charges that the Company incurs to provide transmission service (including ancillary service charges) to customers who receive BUSS service from the Company. These charges are all Federal Energy Regulatory Commission (FERC)-approved charges imposed by PJM Interconnection, LLC (PJM) on a kW basis. These charges are allocated to each customer class based upon the contribution of that class to the 5 coincident peaks used by PJM to establish such demand – related charges.
- TCe = All other charges not recovered through TCd that the Company incurs to provide transmission service (including ancillary service charges) to customers who receive BUSS service from the Company. These charges are all FERC-approved charges imposed by PJM on any basis other than a kW basis. These charges are allocated to each customer class based upon the projected kWh usage of that class, including estimated distribution system losses during the computation year. (C)

(Continued)

TRANSMISSION SERVICE CHARGE (CONTINUED)

- D = For the Large C&I – Primary customer class, the total of the monthly billing demands for all customers in the class, projected for the computation year. For the Large C&I – Transmission customer class, the total of the monthly contributions of all customers in the class to the Company's 5 coincident peaks used by PJM to establish such demand – related charges. (C)
- S = The Company's total retail KWH sales to customers in each customer class who receive BUSS under this tariff (including distribution losses), projected for the computation year. (C)
- T= The total Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing period, expressed in decimal form. (C)

The TSC shall be filed with the Pennsylvania Public Utility Commission (Commission) by December 1, 2010 to become effective on January 1, 2011, and remain in effect until May 31, 2011. Beginning June 1, 2011, the TSC computation year shall be changed to the PJM Planning Year that covers the 12-month period June 1 through May 31 over which the TSC, as computed, shall apply. Accordingly, the TSC then shall be filed with the Commission by May 1 of each year. Any over or undercollection for the period January 1, 2011 through May 31, 2011, will be included in the calculation of the TSC to be effective June 1, 2011. The TSC rate shall become effective for transmission service acquired on behalf of BUSS customers and rendered to those 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 TSC, if left unchanged, would result in a material over or undercollection of all transmission service charges incurred or expected to be incurred during the current 12-month period ending April 30, the Company may file with the Commission for an interim revision of the TSC to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission. (C)

Minimum bills shall not be reduced by reason of the TSC, nor shall charges hereunder be a part of the monthly rate schedule minimum. The TSC shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply. (C)

RECONCILIATION PROVISIONS

The reconciliation of the experienced net over or undercollection of costs associated with the acquisition of transmission service (TCe and TCd) for the period June 1, 2012 through May 31, 2013, and as of the end of the calendar month ended one month prior to the beginning of each subsequent computation year, including applicable interest ("E" factor amounts), are calculated and recovered through application of the Reconciliation Rider in this Tariff. All experienced net over or undercollection of costs associated with the acquisition of transmission service as of May 31, 2012 will be recovered through the Competitive Transition Rider in this Tariff. Reconciliation of the TSC will be conducted separately for each of the four customer classes. The "E" factor amounts for the Residential customer class shall be allocated between the Reconciliation Rider TOU and non-TOU sub-classes on the basis of KWH sales for each sub-class in the application year. The "E" factor amounts for the Small C&I customer class shall be allocated between the Reconciliation Rider TOU and non-TOU sub-classes on the basis of KWH sales for each sub-class in the application year. The "E" factor amounts for the Large C&I - Primary customer class and the Large C&I - Transmission customer class shall be combined into the Reconciliation Rider Large C&I customer class. Interest shall be computed monthly at the appropriate rate, as provided for in Section 1308(d) of the Public Utility Code, from the month the over or undercollections occurs to the effective month that the overcollection is refunded or the undercollection is recouped. (C)

The Company shall file a report of collections under the TSC within thirty (30) days following the conclusion of each computation-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 TSC for the next computation year.

Application of the TSC shall be subject to review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the TSC and the costs included therein. (C)

(Continued)

Appendix C

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SECRETARY'S BLAZER

GENERATION SUPPLY CHARGE-1

(C)

Beginning on January 1, 2011, the Generation Supply Charge-1 (GSC-1) shall be applied to each kilowatt-hour supplied to residential customers who take Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules RS, RTS (R), RTD (R), and small commercial and industrial customers who take BUSS service under Rate Schedules GS-1, GS-3, GH-1 (R), GH-2 (R), IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R) and SI-1 (R), and standby service for the foregoing rate schedules. The GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but the GSC-1 will apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW. This peak demand will be based on the customer's peak load contribution to PJM peak load in the 2008-2009 PJM Planning Year. The GSC-1 shall have two service provisions: Fixed Price Service and the Time-of-Use Program.

PURPOSE

(C)

FIXED PRICE SERVICE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL

The Fixed Price Service provides eligible customers in the Residential and Small Commercial & Industrial Customer Class with default electric service for those customers who have not selected an *alternative generation supplier*.

PRICING PROVISIONS

The Fixed Price GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

(C)

$$\text{Fixed Price GSC-1} = \left[\frac{GS_{fp}}{S} \right] \times \frac{1}{(1-T)}$$

Where:

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial (taking service at secondary voltage levels) as designated above.

GS_{fp} = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers in the applicable Customer Class. These costs shall be reduced by any revenue received by the Company from the sale of Alternative Energy Credits that otherwise would have expired.

(C)

The computation quarter (c) shall be each quarter of the PJM Planning Year over which the Fixed Price GSC-1, as computed, will apply except that the initial computation quarter shall cover the 5-month period January 1, 2011 through May 31, 2011. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs. Any costs incurred prior to January 1, 2011, shall be amortized ratably over the 29-month period January 1, 2011, through May 31, 2013, and the quarterly amortization amount shall be included in the computation of the GSC-1. In addition, the initial computation quarter will include any applicable over or undercollection related to the Generation Supply Charge (GSC) for the Residential and Small Commercial and Industrial Customer Classes.

(C)

(Continued)

PPL Electric Utilities Corporation

GENERATION SUPPLY CHARGE – 1 (Continued)

(C)

FIXED PRICE SERVICE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

S = The Company's total retail KWH sales to participating BUSS customers in the applicable Customer Class, projected for the computation quarter (c).

T = The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing month, expressed in decimal form.

(C)

For customers served under Rate Schedule RTS (R), the GSC-1, as calculated above, shall be reduced by 0.675 cents per KWH for the period January 1, 2011 through December 31, 2011. For customers served under Rate Schedules RS and RTD (R), the GSC-1, as calculated above, shall be increased during the period January 1, 2011 through December 31, 2011 by an amount equal to the estimated revenue shortfall resulting from this adjustment to the GSC-1 for Rate Schedule RTS (R).

Minimum bills shall not be reduced by reason of the GSC-1, nor shall GSC-1 charges be a part of the monthly rate schedule minimum. The GSC-1 shall not be subject to any credits or discounts other than the credit to Rate Schedule RTS (R) described above, but Part 2 of the STAS shall apply.

(C)

GENERATION SUPPLY CHARGE – 1

(C)

The following GSC-1 charges apply for Fixed Price Service during the period January 1, 2011 through May 31, 2011.

Customer Class	Small I&C	Residential
Rate Schedule / Charge	GS-1, GS-3 (< 500 kW), LP-4 (< 500 kW) IS-1 (R), BL, GH-1 (R), and GH-2 (R)	RS and RTD (R) \$0.09205/KWH (D)
	\$0.09276/KWH (D)	RTS (R) \$0.08530/KWH (D)

Small I&C – Street Lights									
Rate Schedule/ Charge	SA	SM (R)		SHS		SE	TS (R)	SI-1 (R)	
	\$/Lamp (D)	Nominal Lumens	\$/Lamp (D)	Nominal Lumens	\$/Lamp (D)	\$/KWH (D)	\$/Watt (D)	Lumens	\$/Lamp (D)
	6.085		3,350	4.553	5,800	2.760	0.09276	0.06777	600
		6,650	7.112	9,500	3.958			1,000	3.424
		10,500	9.941	16,000	5.821			4,000	10.868
		20,000	15.754	25,000	10.513				
		34,000	26.854	50,000	16.496				
		51,000	37.112						

(Continued)

(D) Indicates Decrease

GENERATION SUPPLY CHARGE -1 (Continued)

TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL

PURPOSE

Beginning on January 1, 2011, this Time-of-Use (TOU) Program provides for the voluntary participation of eligible existing and new residential and small commercial & industrial customers in a year-round TOU Program. Eligible customers must meet the APPLICATION PROVISIONS of this TOU Program. The objective of this TOU Program is to provide eligible residential and small commercial & industrial customers with an opportunity to shift energy usage away from the on-peak periods, when wholesale electricity demand and prices are high, to off-peak periods, when demands and prices are lower.

PRICING PROVISIONS

The TOU GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$\text{TOU GSC-1} = \left[\frac{\text{GS}_{\text{TOU}}}{\text{S}} \right] \times \frac{1}{(1-\text{T})}$$

Where:

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial (taking service at secondary voltage levels) as designated above.

GS_{TOU} = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers in the applicable Customer Class.

The computation quarter (c) shall be each quarter of the PJM Planning Year over which the TOU GSC-1, as computed, will apply. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs.

S = The Company's total retail KWH sales to participating BUSS customers in the applicable Customer Class, projected for the computation quarter (c).

T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)
TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

APPLICATION PROVISIONS

Beginning January 1, 2011, this TOU Program is available to existing and new residential and small commercial & industrial customers who are served, or qualify to be served, under Rate Schedules RS, RTS (R), GS-1, GS-3 (customers with peak demands less than 500 KW), GH-1 (R), GH-2 (R), and IS-1 (R). Customers taking service under the above-referenced rate schedules, who also participate in the Company's OnTrack, Net-Metering or Renewable Energy Development Rider programs, are eligible for the TOU Program.

Customers served under this TOU Program must receive Basic Utility Supply Service (BUSS) as defined in Rule 1 of this Tariff.

Residential customers served under Rate Schedule RTD (R) may participate in this TOU Program by accepting service under Rate Schedule RS. However, if these residential customers terminate participation under this TOU Program at any time, they would remain on Rate Schedule RS and would not be returned to service provided under Rate Schedule RTD (R). Also, small commercial & industrial customers served under Rate Schedules GS-1, GS-3 (customers with peak demands less than 500 KW), GH-1 (R), GH-2 (R), and IS-1 (R), may participate in this TOU Program. This includes Volunteer/Non-Profit organizations (Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services) served under Rate Schedules GS-1 and GS-3.

Customers in the Company's OnTrack program who participate in the TOU Program will continue to receive a billing credit that reflects their payment arrangement under that program. The effect of their participation in the TOU Program will be reflected on their bill after the OnTrack credit has been applied. Customers served under the Company's rider for Net Metering for Renewable Customer-Generators who participate in the TOU Program, and who carry excess generation from one billing month to the next billing month, will have that excess applied to on-peak and off-peak periods on a pro rata basis consistent with metering that has been installed and the information obtained from that metering. In the event that a Net Metering customer has excess generation for the annual reporting period ending May 31, the customer will receive a credit calculated at the Company's Price to Compare for the applicable rate schedule.

ON-PEAK HOURS

The on-peak hours will vary by season and will include the following two seasons designated as Summer and Non-Summer Periods.

Summer Period (June 1 through September 30): On-peak hours for billing purposes are shown on the following table and reflect eastern prevailing time, Mondays to Fridays. Off-peak hours are all other weekday hours, weekends, Independence Day and Labor Day.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

GSC – 1 RECONCILIATION PROVISIONS -

The GSC-1 for Fixed Price Service and the on/off-peak TOU Program shall be filed with the Pennsylvania Public Utility Commission (Commission) ten (10) days prior to the effective date of the rate for each computation quarter. The rate shall become effective for BUSS service rendered during the computation quarter, unless otherwise ordered by the Commission, and shall remain in effect for one quarter.

The reconciliation of the experienced net over or undercollection of costs associated with the acquisition of generation supply for participating GSC-1 customers for the period June 1, 2012 through May 31, 2013, and as of the end of the calendar month ended one month prior to the beginning of each subsequent computation year, including applicable interest ("E" factor amounts) are calculated and recovered through application of the Reconciliation Rider in this Tariff. All experienced net over or under collection of costs associated with the acquisition of generation supply for participating GSC-1 customers as of May 31, 2012, will be recovered through the Competitive Transition Rider in this Tariff. Reconciliation of the GSC-1 for Fixed Price Service and the on/off-peak TOU Program will be conducted separately, on an annual basis, for each of the two Customer Classes. The reconciliation will include a calculation of the amount required to refund or recover previous application period over or under recoveries of the generation supply acquisition costs. The reconciliation will be the difference between actual generation supply acquisition costs and the projected generation supply acquisition costs estimated for the GSC-1. (C)

Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest. Interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest. (C)

The Company shall file a report regarding GSC-1 over/under collections within thirty (30) days following the conclusion of each computation period. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC-1 for the next computation period.

Application of the GSC-1 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-1 and the costs included therein.

Appendix D

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PPL Electric Utilities Corporation

GENERATION SUPPLY CHARGE-2 (CONTINUED)

(C)

The GSC-2 for OMPS, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for OMPS provided during the billing month:

$$GSC-2_{OMPS} = \left[\frac{GSc}{S} \right] \times \frac{1}{(1-T)}$$

Where:

$GSC-2_{OMPS}$ = The Generation Supply Charge-2, stated in cents per kilowatt hour, shall be calculated for the customers electing OMPS as designated above.

GSc = The total of estimated costs incurred by the Company to acquire generation supply from any source on behalf of OMPS customers.

Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for each month of the computation quarter shall include all costs of generation supply to be acquired by the Company from any source to provide OMPS plus a pro rata portion of all generation supply-related procurement and administration costs for the Large Commercial and Industrial Class, calculated on a monthly basis. Any costs incurred prior to January 1, 2011 shall be amortized ratably over the 29-month period January 1, 2011 through May 31, 2013, and the monthly amortization amount shall be included in the computation of the $GSC-2_{OMPS}$. In addition, the initial computation quarter, which shall cover the 5-month period January 1, 2011 through May 31, 2011, will include a pro rata portion of any applicable over or undercollection related to the Generation Supply Charge (GSC) for the Large Commercial and Industrial Customer Class, calculated on a monthly basis.

(C)

S = The Company's total retail KWH sales to OMPS customers in the Large Commercial & Industrial Customer Class, projected for each separate month of the computation quarter (c).

T = The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) under this tariff) in effect during the billing month, expressed in decimal form.

The $GSC-2_{OMPS}$ shall be filed with the Pennsylvania Public Utility Commission (Commission) ten (10) days prior to each computation quarter, and such filing shall provide separate monthly rates for each month of the computation quarter. Each monthly rate shall become effective for OMPS service rendered beginning with the first of the month for each month in the computation quarter, unless otherwise ordered by the Commission.

(C)

(Continued)

GENERATION SUPPLY CHARGE-2 (CONTINUED)

(C)

RECONCILIATION PROVISIONS

The reconciliation of the experienced net over or undercollection of costs associated with the acquisition of generation supply for participating GSC-2_{OMPS} customers for the period June 1, 2012 through May 31, 2013, and as of the end of the calendar month ended one month prior to the beginning of each subsequent computation year, including applicable interest ("E" factor amounts) are calculated and recovered through application of the Reconciliation Rider in this Tariff. All experienced net over or under collection of costs associated with the acquisition of generation supply for participating GSC-2_{OMPS} customers as of May 31, 2012, will be recovered through the Competitive Transition Rider in this Tariff. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest. Interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest.

(C)

The Company will file a reconciliation report with the Commission ten (10) days prior to each computation period of the GSC-2_{OMPS} for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation will include a calculation of the amount required to refund or recover previous application period over or under recoveries of the GSC-2_{OMPS}. The reconciliation will be the difference between actual generation supply acquisition costs and the projected generation supply acquisition costs estimated for the GSC-2_{OMPS}. This report shall be in a form prescribed by the Commission. Any over/under collection will be reflected in the Reconciliation Rider.

(C)

Minimum bills shall not be reduced by reason of the GSC-2_{OMPS}, nor shall GSC-2_{OMPS} charges be a part of the monthly rate schedule minimum. Participating customers will be responsible for all other charges contained in their applicable rate schedules. The GSC-2_{OMPS} shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply.

(C)

Application of the GSC-2_{OMPS} shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-2_{OMPS} and the costs included therein.

(C)

CUSTOMER PARTICIPATION

An eligible customer served by an EGS or receiving Hourly Default Service may elect OMPS, effective with the next billing cycle beginning fifteen (15) days or more from the date of election. However, if solicitations are not fully subscribed, OMPS will not be available for that quarter and customers who have selected OMPS will be assigned to the Hourly Default Service Rate Option. If OMPS becomes available again in the future, eligible customers who wish to receive OMPS will have to elect that option pursuant to these Customer Participation provisions.

Following election of the OMPS, the customer will remain on OMPS, unless OMPS becomes unavailable, or until another service option is selected and becomes effective. Customers may leave OMPS in any calendar month effective with the next billing cycle beginning fifteen (15) days or more from the date of election, but a customer on OMPS will not be permitted to switch to Hourly Default Service until first shopping with an EGS for at least one month. However, if the OMPS is unavailable because solicitations were not fully subscribed, customers on the OMPS, who do not elect an EGS, will be switched to Hourly Default Service.

Appendix E

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SECRETARY'S BUREAU

MERCHANT FUNCTION CHARGE RIDER

(C)

The Merchant Function Charge (MFC) Rider, stated as a percentage, shall be applied to the generation supply and transmission services charges billed, under the GSC-1, GSC-2, and TSC, respectively, as set forth in this Tariff, to each residential and small commercial & industrial (Small C&I) customer taking Basic Utility Supply Service (BUSS) under the following rate schedules: Rate Schedule RS, RTS (R), RTD (R), GS-1, GS-3, GH-1 (R), GH-2 (R), IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R), and SI (R), and stand-by service for the foregoing rate schedules. The MFC applied to the GSC-1, GSC-2, and TSC, respectively, will be reflected in the Company's Price To Compare. **(C)**

In addition, the MFC shall be applied to the refund or recovery of experienced net over and under collections of generation supply and transmission service costs reflected in the Competitive Transition Rider (CTR) and Reconciliation Rider (RR) in this Tariff, which result from the reconciliation of the GSC-1, GSC-2, and TSC riders under this Tariff. **(C)**

The MFC, which will not be subject to reconciliation, is designed to make the Company's Price To Compare more comparable to electric supply service prices offered by EGSs by reflecting anticipated generation supply-related uncollectible accounts expense in default service rates. In addition, the MFC will be applied to the TSC to reflect the applicable transmission service-related uncollectible accounts expense previously recovered through PPL Electric's distribution rates. The MFC is calculated by multiplying the generation supply charges billed under the GSC-1, GSC-2, and transmission service charges billed under the TSC, to each customer in the applicable class by the following uncollectible accounts expense percentages.

Residential Customer Class: 1.80%

Small C&I Customer Class: 0.1%

To eliminate the potential for a double-recovery of generation supply-related and transmission service-related uncollectible accounts expense, the distribution charges for the applicable Rate Schedules have been reduced by the amount of bundled generation supply-related, and transmission service-related, uncollectible accounts expense established in the Company's most recent distribution rate case at Docket No. R-2010-2161694.

The MFC Rider will continue until its terms and conditions are changed in a subsequent distribution rate case.

Appendix F

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COMPETITIVE TRANSITION RIDER

PURPOSE

Beginning on June 1, 2012, the Competitive Transition Rider (CTR) shall be applied, on a non-bypassable basis to the kWh delivered to all customers, as a temporary mechanism to refund or recover all outstanding net over/under collection balances, which result from the reconciliation of the generation supply and transmission service costs under the GSC-1, GSC-2 and TSC riders in this Tariff, as of May 31, 2012. The CTR will be effective for a period of one (1) year or until those net over/under collection balances are fully refunded or recovered. All net over/under collection balances, which result from the reconciliation of the generation supply and transmission service costs under the GSC-1, GSC-2 and TSC riders in this Tariff, after May 31, 2012, will be recovered through the Reconciliation Rider.

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

- (1) Residential Fixed and TOU: Consisting of Rate Schedules RS, RTS (R), and RTD (R),
- (2) Small Commercial and Industrial (Small C&I) Fixed and TOU: Consisting of Rate Schedules GS-1, GS-3, IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R), SI-1 (R), GH-1 (R), and GH-2 (R), and
- (3) Large Commercial and Industrial (Large C&I): Consisting of Rate Schedules LP-4, IS-P (R), LP-5, LP-6, LPEP, IS-T (R), and L5S.

For these computations, the reconciliation amounts associated with the GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but it will apply to Rate Schedule LP-4 and IS-P (R) customers who have a peak demand of less than 500 kW. In addition, the reconciliation amounts associated with the GSC-2 will not apply to Rate Schedule LP-4 and IS-P (R) customers who have a peak demand of less than 500 kW, but it will apply to Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater.

The CTR shall be a separate, non-bypassable charge on the monthly bill for each customer consistent with the provisions described below. The CTR shall be reconciled at the end of the application year for under collections and over collections of the CTR during that application year.

PRICING PROVISIONS

The CTR shall be computed using the following formula:

$$CTR = [E_E / S] \times 1 / (1-T)$$

Where:

- $E_E =$ Net over or under collection of the respective reconciliations of the GSC-1, GSC-2, and TSC for the period ending May 31, 2012, which is one month prior to the beginning of application year June 1, 2012 through May 31, 2013. Any over/under collections of the CTR will be recovered in the subsequent application period beginning June 1, 2013. Interest shall be computed monthly at the legal rate of interest from the month the over or under collection occurs to the effective month that the over collection is refunded or the under collection is recouped.
- $S =$ The Company's total projected KWH deliveries to customers in each customer class who receive distribution service under this Tariff (including distribution losses) projected for application year.
- $T =$ The total Pennsylvania gross receipts tax rate in effect during the billing period, expressed in decimal form