

ACT 129 COMPLIANCE RIDER

Appendix G

An Act 129 Compliance Rider (ACR) shall be applied, on a non-bypassable basis, to charges for electricity supplied to customers who receive distribution service from the Company under this Tariff. The Rider will be implemented by applying a charge to bills of customers beginning January 1, 2010.

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

- (1) Residential: Consisting of Rate Schedules RS, RTS (R), and RTD (R),
- (2) Small Commercial and Industrial (Small C&I): 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), 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.

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

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

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

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

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

Where:

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

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

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D = For the Large C&I customer class, the total of the monthly billing demands for all customers in the class, projected for the computation year. The peak demand will be based on the customer's peak load contribution to the PJM peak load during the prior year of the PJM Planning Year.

E = Net over or undercollection of the ACR charges as of the end of the 12-month period ending April 30 immediately preceding the next compliance year. Phase I ACR revenues and expenses shall be accounted for and reconciled separately from Phase II revenues and expenses. Reconciliation of the ACR will be conducted separately for each of the three customer classes based upon the annual EE&C budget for each customer class. No interest shall be computed monthly on over or undercollections. The reconciliation of Phase I revenues and expenses shall be adjusted during the 2013-2014 ACR application year to reflect actual data for the month of May 2013 and any expenses incurred during Phase I but not paid until after the end of Phase I.

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S = The Company's total retail KWH sales to customers in each customer class who receive distribution service under this tariff (including distribution losses), projected for the computation year.

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

The ACR shall be filed with the Pennsylvania Public Utility Commission (Commission) by May 1 of each year. The ACR charge shall become effective for distribution service provided to all customers on or after the following June 1, unless otherwise ordered by the Commission, and shall remain in effect for a period of one year, unless revised on an interim basis subject to the approval of the Commission. Upon determination that a customer class's ACR, if left unchanged, would result in a material over or undercollection of Act 129 Compliance costs incurred or expected to be incurred during the current 12-month period ending May 31, the Company may file with the Commission for an interim revision of the ACR to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

At the conclusion of each EE&C Plan, collections under the ACR for each customer class will be reconciled to the total cost of the EE&C Plan allowed by the Commission for that customer class. Overcollections or undercollections will be reflected in the E factor, defined above, and will be refunded or recovered through the ACR calculated for the first compliance year of the subsequent EE&C Plan. If the Company does not implement a subsequent EE&C Plan, the current ACR will be continued for an additional year to refund any overcollections or recover any undercollections.

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

The Company shall file a report of collections under the ACR 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 ACR for the next computation year.

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

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