

COMPETITIVE TRANSITION CHARGE RECONCILIATION RIDER

PURPOSE

This rider provides for the annual reconciliation of the Competitive Transition Charge (CTC) revenue recovery.

APPLICATION

This rider applies to the Competitive Transition Charges included in each Rate Schedule in this Tariff.

COMPETITIVE TRANSITION CHARGE

A non-bypassable CTC is included in each Rate Schedule to recover, over the period January 1, 1999 through December 31, 2009, the total amount of transition costs authorized by the Commission, plus an annual 10.86% pre-tax return compounded monthly on the unamortized balance of transition costs and the applicable Pennsylvania Gross Receipts Tax. The Company and the customer may mutually agree on an alternative payment method that provides full recovery of CTC responsibility, without bypass by the customer or under/overcollection by the Company.

ANNUAL RECONCILIATION

The Company will file with the Pennsylvania Public Utility Commission by December 1 of each year an annual reconciliation of the CTC revenue recovery during the immediately preceding application period pursuant to 66 Pa. C.S. §1307. The reconciliation shall become effective for service rendered on and after January 1 and shall remain in effect for a period of one year, or until new CTC rates are approved by the Commission.

Reconciliation of the annual CTC revenue requirement will be conducted separately for each of the following three Customer Classes: (1) residential; (2) small commercial and industrial, including street lighting customers; and (3) large commercial and industrial. Any over/under collection for a Customer Class will be allocated to each individual Rate Schedule included within that Customer Class based upon the ratio of (1) the cumulative CTC over/under collection applicable to the Customer Class to (2) the projected CTC revenues for the Customer Class for the period during which the CTC reconciliation factor will be applied. The reconciliation will include a calculation of the adjustments to the CTC rates, in cents per KWH, by Rate Schedule, required to refund or recover previous application period over or under recoveries of the annual CTC revenue requirement. The reconciliation will be based on the difference between CTC revenue based on actual usage and the level of CTC revenue based on the level of projected total sales for that previous application period and shall reflect any prepayment of CTC charges under special payment agreements. Any over/under collection allocated to an individual Rate Schedule will be reflected in the CTC rates for that Rate Schedule during the application period. Any amount of underrecovery that will not be recovered will be collected in the subsequent application period before the annual CTC revenue requirement for such subsequent application period is collected. If the rate cap imposed by the Electricity Generation Customer Choice and Competition Act limits any upward adjustment necessary to recover previous underrecoveries, the CTC recovery period may be extended beyond December 31, 2009 to recover any CTC underrecovery unrecovered on that date.

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The adjustments to the CTC rates will be calculated to produce the level of CTC revenue that will result in the unamortized transition cost principal balance at the next reconciliation date being equal to the projected balance at that date as set forth in Appendices A and K of the Joint Petition for Full Settlement of PP&L, Inc.'s Restructuring Plan and Related Court Proceedings at Docket No. R-00973954, including the 10.86% pre-tax return compounded monthly on the unamortized balance of transition costs, including any prior period over/under recoveries, and applicable Pennsylvania Gross Receipts Tax. Each annual reconciliation will be based on total annual retail sales and CTC revenue requirements as set forth Appendices A and K of the Joint Petition for Full Settlement of PP&L, Inc.'s Restructuring Plan and Related Court Proceedings at Docket No. R-00973954, for the period 1999 through 2009.