

**DEMAND SIDE INITIATIVE RIDER
(EXPERIMENTAL)**

PURPOSE

This experimental Rider provides an option for eligible existing and new commercial and industrial customers to adjust their load requirements in response to market prices of energy.

APPLICATION PROVISIONS

This Rider is applicable to commercial and industrial customers who have a monthly maximum demand of 1000 KW or greater year round and are served under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R). An electric service contract, or supplement to an existing electric service contract, is required for billing under this Rider.

Service under this Rider will end on January 1, 2011.

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DEFINITIONS

1. Customer Reference Load (CRL) -- is the customer's normal historic hourly KWH usage under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R) for one complete year. The CRL represents the customer's electricity consumption pattern and typical level of operation.

If less than one complete year of billing history is available, the Company initially will determine an appropriate CRL level prior to the application of this Rider. Agreement on the CRL level by the customer and the Company is a precondition for customer participation under this Rider. The Company will adjust the CRL if, on a calendar month basis, the customer's total monthly KWH usage changes by more than plus or minus ten (10) percent.

2. Customer Reference Load Adjustment Factor (CRLAF) -- is the portion of the CRL elected by the customer to be billed under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R). The remainder of the CRL will be billed under this Rider. The customer may select values for the CRLAF, ranging from zero (0) to one hundred (100) percent, in ten (10) percent increments. The CRLAF, expressed as a decimal fraction, is fixed for twelve consecutive months. The customer may change the CRLAF annually by December 31 for application to service billed on and after April 1 of the following year under this Rider.

3. Adjusted Customer Reference Load (Adjusted CRL) -- is the CRL multiplied by the CRLAF.

4. Marginal Energy Cost -- is an hourly marginal cost based on the PJM Locational Marginal Price for the PPL zone.

5. Loss Adjustment Factor -- is an adjustment for losses between the generator and the customer's metering point.

6. Market Price (MP) -- is an hourly price determined by the Company from its estimated Marginal Energy Cost and Loss Adjustment Factor. For informational purposes only, the Company will make available on the Internet, by 5:00 p.m. each day, 24 forecasted hourly MP rates for the next day's service. Billing for service under this Rider is based on actual PJM Locational Marginal Prices for the PPL zone, multiplied by the Loss Adjustment Factor, multiplied by the Market Adjustment Factor.

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DEMAND SIDE INITIATIVE RIDER (CONTINUED)

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The customer will provide a dedicated telephone line to the Company's meter for the Company to read the meter remotely. The customer must have access to the Internet for the purpose of obtaining metering and MP data made available on the Internet by the Company.

The Company is not responsible for the failure of the customer to access the Internet and act upon the forecasted day-ahead hourly MP rates.

7. Market Adjustment Factor -- is a factor which provides a twenty-five (25) percent market adjustment of costs for incremental and decremental energy usage. This factor will be 1.25 for hours of incremental KWH usage and 0.75 for hours of decremental KWH usage.

NET MONTHLY RATE (Effective 6-1-01)

$$\text{Bill}_{\text{Total}} = \text{Bill}_A + \text{Bill}_{\text{CRL}} + \sum_{t=1}^n [(\text{KWH}_{\text{Real-Time}_t} - \text{KWH}_{\text{CRL}_t}) \times \text{LMP}_t]$$

Where:

- a) $\text{Bill}_{\text{Total}}$ is the net monthly bill under this Rider. Bills will be prepared on a calendar month basis.
- b) Bill_A is the portion of the net monthly bill calculated by applying the Distribution Charge, Competitive Transition Charge, and Intangible Transition Charge under current Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R), plus the associated charges for transmission and, where applicable, ancillary services, to the actual KWH usage and Billing KW for the current billing month.
- c) Bill_{CRL} is the portion of the net monthly bill calculated by applying the Capacity and Energy Charge under current Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R) to the actual Billing KW and Adjusted CRL of the current billing month.
- d) $\text{KWH}_{\text{Real-Time}_t}$ is the actual KWH used by the customer in the hour t of the billing month.
- e) $\text{KWH}_{\text{CRL}_t}$ is the Adjusted CRL for the corresponding hour t of the billing month.
- f) LMP_t is the actual PJM Locational Marginal Price for the PPL zone for the corresponding hour t of the billing month, multiplied by the Loss Adjustment Factor, multiplied by the Market Adjustment Factor.
- g) n is the number of hours in the billing month.

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DEMAND SIDE INITIATIVE RIDER (CONTINUED)

PROGRAM CHARGE

In addition to charges under the NET MONTHLY RATE, the customer shall pay a charge of \$349.27 per billing month to compensate the Company for the additional cost of metering equipment, price transmission equipment, software, program development, and administration required for billing under this Rider.

GROSS RECEIPTS TAX

The Pennsylvania gross receipts tax in effect during the billing month is applied to additional revenue or credits received under the above rate from incremental or decremental KWH usage and the Program Charge.

OBLIGATION TO INTERRUPT

- a) Customers will be required to interrupt in accordance with Rate Schedule IS-P(R) or IS-T(R). Failure to interrupt during emergencies and emergency tests will subject the customer to the applicable penalties.
- b) During an interruption, the Adjusted CRL will be reduced to the customer's Firm Power level after a two-hour notice.

APPLICATION OF RIDERS

The Economic Development Initiatives Rider and Industrial Development Initiatives Rider included in this Tariff are applied to the Adjusted CRL under Rate Schedule LP-4 or LP-5, but are not applied to incremental or decremental KW or KWH usage.

The Generation Rate Adjustment Rider included in this Tariff is applied to the Adjusted CRL under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R), but is not applied to incremental or decremental KWH usage.

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STATE TAX ADJUSTMENT SURCHARGE

The State Tax Adjustment Surcharge included in this Tariff is applied to charges under this Rider.

PAYMENT

The above net rate applies when bills are paid on or before the due date specified on the bill, which is not less than 15 days from the date the bill is mailed. When not so paid, the gross rate applies which is the above net rate plus 5% on the first \$200.00 of the then unpaid balance of the monthly bill and 2% on the remainder thereof.

CONTRACT PERIOD

Service under this Rider is for an initial term of one (1) year from the date service is first rendered, unless the Company and the customer mutually agree to a different term in the contract for service.

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(C) Indicates Change