

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

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:

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

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_{rp} = 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.

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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.

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GENERATION SUPPLY CHARGE – 1 (Continued)

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

- E** = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers as of the end of the calendar month ended one month prior to the beginning of the computation quarter, including applicable interest. 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.
- 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.

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.

GENERATION SUPPLY CHARGE – 1

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The following GSC-1 charges apply for Fixed Price Service during the period March 1, 2012 through May 31, 2012.

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) \$0.05511/KWH (D)	RS, RTS (R) and RTD (R) \$0.06203/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)
	3.615		3,350	2.706	5,800	1.642	0.05511	0.04026	600
		6,650	4.227	9,500	2.353	1,000			2.034
		10,500	5.908	16,000	3.461	4,000			6.459
		20,000	9.358	25,000	6.244				
		34,000	15.954	50,000	9.799				
		51,000	22.050						

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

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:

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

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_{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.

E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers as of the end of the calendar quarter ended two months prior to the computation quarter, including applicable interest. 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.

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

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

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

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.

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GENERATION SUPPLY CHARGE -1 (Continued)

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TIME-OF-USE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

ON-PEAK HOURS (Continued)

Non-Summer Period (October 1 through May 31): 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, New Year’s Day, Memorial Day, Thanksgiving Day, and Christmas Day.

Customers will participate in accordance with their billing cycles and not calendar months. The Summer Period will begin with bills rendered during the period mid-May to mid-June and will end with bills rendered during the period mid-September through mid-October. The Non-Summer Period will begin with bills rendered during the period mid-September through mid-October and will end with bills rendered during the period mid-May to mid-June.

TIME-OF-USE GENERATION SUPPLY CHARGES

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The following Generation Supply Charges apply for service under the TOU Program during the period March 1, 2012 through August 31, 2012.

Rate Schedule RS	Non-Summer Peak Hours (5:00 PM to 7:00 PM) 3/01/12- 5/31/12	Summer Peak Hours (1:00 PM to 6:00 PM) 6/01/12- 8/31/12
On-Peak Hours	11.651 cts per kWh	11.651 cts per kWh
Off Peak Hours	9.928 cts per kWh	9.928 cts per kWh

Rate Schedule RTS (R)	Non-Summer Peak Hours (5:00 PM to 9:00 PM) 3/01/12- 5/31/12	Summer Peak Hours (1:00 PM to 6:00 PM) 6/01/12- 8/31/12
On-Peak Hours	11.651 cts per kWh	11.651 cts per kWh
Off Peak Hours	9.928 cts per kWh	9.928 cts per kWh

Rate Schedules GS-1, GS-3 (< 500 kW), GH-1 (R), GH-2 (R), and IS-1(R)	Non-Summer Peak Hours (7:00 AM to 7:00 PM) 3/01/12- 5/31/12	Summer Peak Hours (7:00 AM to 7:00 PM) 6/01/12- 8/31/12
On-Peak Hours	15.389 cts per kWh	15.389 cts per kWh
Off Peak Hours	11.588 cts per kWh	11.588 cts per kWh

TERMINATING PARTICIPATION

A customer may leave this TOU Program in any calendar month after providing notice to the Company 16 days prior to the end of the billing cycle. The customer, if still receiving BUSS, will return to the standard GSC-1. This change will commence at the beginning of the customer’s next billing cycle. The TOU Program set forth herein will expire on May 31, 2013.

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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.

For Fixed Price Service and the on/off peak TOU Program, the Company will file with the Commission ten (10) days prior to each computation quarter, a quarterly reconciliation of the GSC-1 revenue recovery for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation quarter and shall remain in effect for a period of one quarter, or until new GSC-1 rates are approved by the Commission.

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Reconciliation of the GSC-1 for Fixed Price Service and the on/off-peak TOU Program will be conducted separately for each of the two Customer Classes. The reconciliation will include a calculation of the adjustment to the GSC-1, in cents per kWh, required to refund or recover previous application period over or under recoveries of the quarterly 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 computation quarter. Any over/under collection will be reflected in the GSC-1 charges for the subsequent computation quarter.

The Company shall file a report regarding GSC-1 over/under collections within thirty (30) days following the conclusion of each computation quarter. 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 quarter.

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.