

**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:

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

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:

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

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) (C)**

- 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)
- E = Net over or undercollection of the TCe and TCd charges associated with the acquisition of transmission service as of the end of the 12-month period ending April 30 immediately preceding the computation year, including applicable interest. Reconciliation of the TSC will be conducted separately for each of the four customer classes. 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 undercollection occurs to the effective month that the overcollection is refunded or the undercollection is recouped. (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)

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)

**TRANSMISSION SERVICE CHARGE (CONTINUED)**

**(C)**

**TRANSMISSION SERVICE CHARGE**

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Changes under the TSC for the period June 1, 2011 through May 31, 2012, as set forth in the applicable Rate Schedules.

| <b>Customer Class</b>  | <b>Large I&amp;C - Transmission</b> | <b>Large I&amp;C - Primary</b> | <b>Small I&amp;C</b>                             | <b>Residential</b>       |
|------------------------|-------------------------------------|--------------------------------|--|--------------------------|
| Rate Schedule / Charge | L5S, LP-5, LP-6, LPEP, and IS-T (R) | LP-4 and IS-P (R)              | GS-1, GS-3, IS-1 (R), BL, GH-1 (R), and GH-2 (R) | RS, RTS (R), and RTD (R) |
| Energy Rate (\$/kWh)   | 0.00041 <b>(I)</b>                  | 0.00041 <b>(D)</b>             | 0.00894 <b>(I)</b>                               | 0.00752 <b>(I)</b>       |
| Demand Rate (\$/kW)    | 1.254 <b>(D)</b>                    | 0.954 <b>(D)</b>               |  |                          |

| <b>Small I&amp;C – Street Lights</b> |                    |                |                    |                |                    |                   |                    |          |                    |
|--------------------------------------|--------------------|----------------|--------------------|----------------|--------------------|-------------------|--------------------|----------|--------------------|
| Rate Schedule/ Charge                | SA                 | SM (R)         |                    | SHS            |                    | SE                | TS (R)             | SI-1 (R) |                    |
|                                      | \$/Lamp <b>(I)</b> | Nominal Lumens | \$/Lamp <b>(I)</b> | Nominal Lumens | \$/Lamp <b>(I)</b> | \$/KWH <b>(I)</b> | \$/Watt <b>(I)</b> | Lumens   | \$/Lamp <b>(I)</b> |
|                                      | 0.586              |                | 3,350              | 0.439          | 5,800              | 0.266             | 0.00894            | 0.00653  | 600                |
|                                      |                    | 6,650          | 0.686              | 9,500          | 0.382              | 1,000             |                    |          | 0.330              |
|                                      |                    | 10,500         | 0.958              | 16,000         | 0.561              | 4,000             |                    |          | 1.048              |
|                                      |                    | 20,000         | 1.518              | 25,000         | 1.013              |                   |                    |          |                    |
|                                      |                    | 34,000         | 2.588              | 50,000         | 1.590              |                   |                    |          |                    |
|                                      |                    | 51,000         | 3.577              |                |                    |                   |                    |          |                    |

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