

**ACT 129 COMPLIANCE RIDER – PHASE 3**

A Phase 3 Act 129 Compliance Rider (ACR 3) 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 ACR 3 will be implemented beginning June 1, 2016.

The ACR 3 shall be computed separately for each of the following three customer classes:

- (1) Residential: Consisting of Rate Schedules RS and RTS (R),
- (2) Small Commercial and Industrial (Small C&I): Consisting of Rate Schedules GS-1, GS-3, BL, SA, SM (R), SHS, SLE, SE, TS (R), and GH-2 (R), and
- (3) Large Commercial and Industrial (Large C&I): Consisting of Rate Schedules LP-4, LP-5, LPEP, and L5S.

The ACR 3 will be computed for each customer receiving distribution service from the Company using the formulae described below. For residential customers, the ACR 3 charge shall be included in the distribution charges on a kWh basis 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 3.

The ACR 3 for the Residential class and the Small C&I class shall be computed using the following formula:

$$\text{ACR 3} = [\text{ACc/S} - \text{E/S}] \times 1 / (1-\text{T})$$

The ACR 3 for the Large C&I class shall be computed using the following formula:

$$\text{ACR 3} = [\text{ACc/D} - \text{E/D}] \times 1 / (1-\text{T})$$

Where:

ACc = An annual budget of all costs required for the Company to implement its Commission-approved Phase 3 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 annual project program cost 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 in the Company's EE&C Plan for the given application year. All deferred design and development cost, general administrative costs, and applicable statewide evaluator costs will be amortized over a 60 month period.

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 PJM Planning Year.
- E = Net over or undercollection of the ACR 3 charges as of the end of the 12-month period ending March 31 immediately preceding the next compliance year. Reconciliation of the ACR 3 will be conducted separately for each of the three customer classes based upon the actual expenses incurred and actual revenues received for each customer class. No interest shall be computed monthly on over or undercollections. The reconciliation of ACR 3 revenues and expenses shall be adjusted during the 2017-2018 ACR 3 application year to reflect actual data for the months of April and May 2015, as well as any expenses incurred prior to May 31, 2016, but paid after that date.
- S = The Company's total billed KWH sales 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 3 shall be filed with the Pennsylvania Public Utility Commission (Commission) by May 1 of each year. The ACR 3 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 3, if left unchanged, would result in a material over or undercollection of Phase 3 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 3 to become effective ten (10) days from the date of filing, unless otherwise ordered by the Commission.

At the conclusion of the Phase 2 EE&C Plan on May 31, 2016, collections under the ACR 2 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 as a separate line item in the E factor calculation and will be refunded or recovered through application of the ACR 3 rate effective June 1, 2016 through May 31, 2017. If any over/under collection balance is expected to remain after March 31, 2017, the collection will be included in the ACR 3 rate going forward.

Minimum bills shall not be reduced by reason of the ACR 3 nor shall charges hereunder be a part of the monthly rate schedule minimum. The ACR 3 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. Charges under ACR 1, and ACR 2, and ACR 3 will be combined for billing purposes only.

The Company shall file a report of collections under the ACR 3 within thirty (30) days following the conclusion of each compliance-year.

Application of the ACR 3 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 3 and the costs included therein.

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**ACT 129 COMPLIANCE RIDER – PHASE 3 (CONTINUED)**

**(C)**

**ACT 129 COMPLIANCE RIDER – PHASE 3 CHARGE**

Charges under the ACR 3 for the period June 1, 2018 through May 31, 2019, as set forth in the applicable Rate Schedules.

<b>Customer Class</b>	<b>Large I&amp;C -</b>	<b>Small I&amp;C</b>	<b>Residential</b>
Rate Schedule / Charge	LP4, L5S, LP-5, and LPEP	GS-1, GS-3, BL, and GH-2 (R)	RS and RTS (R)
	\$0.928/KW <b>(I)</b>	\$0.00075/KWH <b>(I)</b>	\$0.00217/KWH <b>(I)</b>

<b>Small C&amp;I – Street Lights</b>										
Rate Schedule/ Charge	SA		SM (R)		SHS		SLE		SE	TS (R)
	Nominal Lumens	Charge	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Fixture	\$/KWH	\$/Watt
HPS 9,500	0.049 \$/Lamp	3,350	0.037	5,800	0.022	2,600	0.010	0.00075	0.00055	
		6,650	0.058	9,500	0.032	3,300	0.014			
		10,500	0.080	16,000	0.047	3,800	0.014			
	LED 4,300	0.012 \$/Fixture	20,000	0.127	25,500	0.085	4,900			0.019
			34,000	0.217	50,000	0.133	7,500			0.025
			51,000	0.300			15,000			0.046
						20,000	0.072			