

SMART METER RIDER – PHASE 1

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A Phase 1 Smart Meter Rider (SMR 1) 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.

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The SMR 1 shall be computed separately for each of the following three customer classes:

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- (1) Residential: Consisting of Rate Schedules RS and RTS (R),
- (2) Small Commercial and Industrial (Small C&I): Consisting 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 SMR 1, as computed using the formulae described below, shall be included in the distribution charges of the monthly bill for each customer receiving distribution service from the Company and shall be reconciled on an annual basis for undercollections and overcollections experienced during the previous year. Charges set forth in the applicable rate schedules in this tariff have been adjusted to reflect application of the currently effective SMR 1.

The SMR 1 for the Residential class and the Small C&I class shall be computed using the following formula:

$$SMR\ 1 = [SM_c / S - E_s / S] \times 1 / (1-T)$$

The SMR 1 for the Large C&I class shall be computed using the following formula:

$$SMR\ 1 = [SM_c / N - E_s / N] \times 1 / (1-T)$$

Where:

SM_c = An annual budget amount of all costs required for the Company to implement its Commission-approved Smart Meter Plan (SMP) during a compliance year. A compliance year is the 12-month period beginning January 1 of each calendar year and ending December 31 of the same calendar year, except the first compliance year which will also include all smart meter costs incurred prior to January 1, 2011. The annual budget amount is the sum of all direct and indirect capital (e.g., return of and return on applicable smart meter-related investment) and operating (e.g, applicable O&M and taxes) costs, including all deferred design and development costs, and general administrative costs, required to implement the Company's SMP in the compliance year.

The capital and operating costs of each SMP initiative available to only one customer class will be directly assigned to that customer class. The costs of SMP initiatives which cannot be directly assigned to one customer class will be assigned based on the ratio of number of meters assigned to the classes, divided by the number of meters for the entire system.

N = Number of Bills (Customers X 12) per Year

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(C) Indicates Change

SMART METER RIDER – PHASE 1 (CONTINUED)

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- Es = Net over or undercollection of the SMR 1 charges as of the end of the 12-month period ending June 30 of each year. Reconciliation of the SMR 1 will be conducted separately for each of the three customer classes based upon the annual EE&C and SMP budgets for each customer class. Interest shall be computed monthly at the legal rate of interest of 6% from the month the over or undercollection occurs to the effective month that the overcollection is refunded or the undercollection is recouped.
- S = The Company's total delivered KWH sales to customers 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 SMR 1 shall be filed with the Pennsylvania Public Utility Commission (Commission) by August 1 of each year. The SMR 1 charge shall become effective for distribution service provided to all customers on or after the following January 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 SMR 1, if left unchanged, would result in a material over or undercollection of Smart Meter costs incurred or expected to be incurred during the current 12-month period ending December 31, the Company may file with the Commission for an interim revision of the SMR 1 to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

Minimum bills shall not be reduced by reason of the SMR 1, nor shall charges hereunder be a part of the monthly rate schedule minimum. The SMR 1 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.

The Company shall file a report of collections under the SMR 1 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 SMR 1 for the next computation year.

Application of the SMR 1 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 SMR 1 and the costs included therein.

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SMART METER RIDER – PHASE 1 (CONTINUED)

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SMART METER RIDER CHARGE

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Charges under the SMR for the period January 1, 2016 through December 31, 2016, as set forth in the applicable Rate Schedules.

Customer Class	Large C&I	Small C&I	Residential
Rate Schedule / Charge	LP-4, LP-5, LPEP, and L5S \$0.00/Bill	GS-1, GS-3, BL, and GH-2 (R) \$0.00000/KWH	RS and RTS (R) \$0.00000/KWH

Small C&I – Street Lights										
Rate Schedule/ Charge	SA		SM (R)		SHS		SLE		SE	TS (R)
	Nominal Lumens	Charge (C)	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Fixture (C)	\$/KWH	\$/Watt
HPS 9,500	0.000 \$/Lamp	3,350	0.000	5,800	0.000	2,600	0.000	0.00000	0.00000	
		6,650	0.000	9,500	0.000	3,300	0.000			
		10,500	0.000	16,000	0.000	3,800	0.000			
	LED 4,300	0.000 \$/Fixture	20,000	0.000	25,500	0.000	4,900			0.000
			34,000	0.010	50,000	0.000	7,500			0.000
			51,000	0.000			15,000			0.000
						20,000	0.000			

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