

**MERCHANT FUNCTION CHARGE RIDER**

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The Merchant Function Charge (MFC) Rider, stated as a percentage, shall be applied to the generation supply and transmission services charges billed, under the GSC-1 and TSC, respectively, as set forth in this Tariff, to each residential and small commercial & industrial (Small C&I) customer taking Basic Utility Supply Service (BUSS) under these Rate Schedules: RS, RTS (R), GS-1, GS-3, BL, SA, SM (R), SHS, SLE, SE, TS (R), and GH-2 (R), and stand-by service for the foregoing rate schedules. The MFC will be reflected in the Company's Price To Compare.

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The MFC, which will not be subject to reconciliation, is designed to make the Company's Price To Compare more comparable to electric supply service prices offered by EGSs by reflecting anticipated generation supply-related uncollectible accounts expense in default service rates. In addition, the MFC will be applied to the TSC to reflect the applicable transmission service-related uncollectible accounts expense previously recovered through PPL Electric's distribution rates. The MFC is calculated by multiplying the generation supply charges billed under the GSC-1, and transmission service charges billed under the TSC, to each customer in the applicable class by the following uncollectible accounts expense percentages.

Residential Customer Class: 2.31%

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Small C&I Customer Class: 0.23%

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To eliminate the potential for a double-recovery of generation supply-related and transmission service-related uncollectible accounts expense, the distribution charges for the applicable Rate Schedules have been reduced by the amount of bundled generation supply-related, and transmission service-related, uncollectible accounts expense established in the Company's most recent distribution rate case at Docket No. R-2015-2469275.

The MFC Rider will continue until its terms and conditions are changed in a subsequent distribution rate case.