

MERCHANT FUNCTION CHARGE RIDER

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 default service under these Rate Schedules: RS, RTS (R), GS-1, GS-3, BL, SA, SM (R), SHS (R), SLE, and SE and stand-by service for the foregoing rate schedules. The MFC will be reflected in the Company's Price To Compare.

The MFC, which will not be subject to reconciliation, is designed to make the Company's Price To Compare (PTC) 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: 1.80%

Small C&I Customer Class: 0.26%

The values provided in the MFC Rider will be in place until changed in a subsequent distribution rate case.