

**STORM DAMAGE EXPENSE RIDER**

**PURPOSE**

The Storm Damage Expense Rider (SDER) shall be applied to bills of all retail customers of the Company. The SDER provides for recovery of qualified storm damage expenses incurred by the Company from storms reportable to the Pennsylvania Public Utility Commission (Commission) that are not otherwise currently recovered through its base rates.

**STORM DAMAGE EXPENSES**

Storm damages for purposes of this SDER are those resulting from direct physical loss or damage to property from wind, tornado, hurricane, tropical storm, tropical depression, rain, snow, hail, sleet, ice, lightning, flood, fire resulting from any of these perils, and similar causes. Storm damage expenses consist of those expenses incurred to remediate storm damage to the Company's distribution system, including, but not limited to, overtime and premium wages of the Company's employees, costs of outside service providers and mutual aid utilities employed by the Company during storm restoration efforts, materials and supplies used to repair or replace damaged property, overhead charges associated with storm damage expenses, including wages and benefits, transportation, purchasing and stores charges, expediting expenses for the reasonable and extra costs to make temporary repairs and to expedite the permanent repair or replacement of damaged property, and expenses of providing services to customers whose electric service has been interrupted by any of the perils listed above. Straight-time wages and benefits and expenses reimbursed by others will be excluded from the SDER, and capitalized costs of repairing or replacing facilities damaged by the perils listed above, will be excluded from the SDER.

**FACTOR DEFINITION**

Net storm damage expenses to be recovered in the SDER shall be equal to:

$$SDER = ( C - R ) + E,$$

Where C equals the Cost factor, R equals the Base Rate factor and E equals the Experience factor.

The C Factor = For purposes of calculating SDER charges, storms will be categorized as reportable or non-reportable storms. Reportable storms are those that cause unscheduled service interruptions in a single event to 2,500 or more customers for 6 or more consecutive hours; non-reportable storms are all other storms. See 52 Pa. Code § 67.1(b). Storm damage expenses from non-reportable storms will be recovered through base rates and not through the SDER.

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STORM DAMAGE EXPENSE RIDER (Continued)

FACTOR DEFINITION (Continued)

In order to calculate the C factor for each application year starting with 2015, the Company will include in the SDER all qualifying storm damage expenses caused by reportable storms incurred during the 12-month period ending two months prior to the application year, except that all qualifying expenses caused by major storm events, defined as an interruption of electric service resulting from conditions beyond the control of the Company which affects at least 10% of the Company's customers during the course of the event for a duration of 5 minutes each or greater (see 52 Pa. Code §57.192), will be recovered over three years and reflected in SDER rates commencing in the application year after the storm occurred. (C)

Qualifying expenses from major storm events occurring during 2012 that were the subject of deferral petitions which subsequently were approved by the Commission shall be recovered over three application years commencing in 2015. The C factor will include interest for major storm events that are subject to amortization, as provided above. Such interest shall be computed monthly at the average rate of interest specified for residential mortgage lending by the Secretary of Banking in accordance with the Act of January 30, 1974 (P.L. 13, No. 6 referred to as the Loan Interest and Protection law, 41 P.S. §§ 101 et seq.), from the month the amortization begins to the effective month that the full amount of the amortization is recovered.

The R Factor = The R factor is the amount of applicable storm damage expense reflected in the Company's base rates. The R factor for 2014 and thereafter, unless modified by the Commission in a subsequent base rate case, shall equal \$14,700,000, which for purposes of this SDER constitutes the amount of expense from reportable storms currently recovered through base rates, excluding previously approved amortization allowances for expenses for extraordinary storms that currently are reflected in the Company's base rates.

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**STORM DAMAGE EXPENSE RIDER (Continued)**

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**FACTOR DEFINITION (Continued)**

The E Factor = The E factor is the amount of any under or over collections during the year prior to the application year resulting from differences between actual and projected billing units. Interest shall be computed monthly at the average rate of interest specified for residential mortgage lending by the Secretary of Banking in accordance with the Act of January 30, 1974 (P.L. 13, No. 6 referred to as the Loan Interest and Protection law, 41 P.S., §§ 101 et seq.), from the month the over or under collection occurs to the effective month that the over or under collection is recouped or refunded.

**PRICING PROVISION**

The SDER shall be computed separately for each of the following four 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),
- (3) Large Commercial and Industrial - Primary (Large C&I - Primary): Consisting of Rate Schedule LP-4, and
- (4) Large Commercial and Industrial – Transmission (Large C&I – Transmission): Consisting of Rate Schedules LP-5, LPEP, and L5S.

Per the Company’s most recent approved distribution base rate case at Docket No. R-2015-2469275, the following Allocation Schedule percentages apply for the following four customer classes.

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<b>Customer Class</b>	<b>Residential</b>	<b>Small C&amp;I</b>	<b>Large Primary C&amp;I</b>	<b>Large Transmission C&amp;I</b>
<b>Allocation Schedule</b>	70.15% <b>(I)</b>	24.53% <b>(D)</b>	4.82% <b>(I)</b>	0.50% <b>(I)</b>

The SDER, as computed using the formula 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 SDER.

Net storm damage expenses to be recovered in each application year (C-R+E) will be allocated among these four customer classes using the method in the cost allocation study approved by the Commission in the Company’s most recent base rate proceeding.

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STORM DAMAGE EXPENSE RIDER (Continued)

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PRICING PROVISION (Continued)

The SDER for the Residential class shall be computed using the following formula:

$$\text{SDER} = [\text{RASDE} / \text{D}] \times 1 / (1-\text{T})$$

The SDER for the Small C&I class shall be computed using the following formula:

$$\text{SDER} = [\text{SASDE} / \text{D}] \times 1 / (1-\text{T})$$

The SDER for the Large C&I - Primary class shall be computed using the following formula:

$$\text{SDER} = [\text{LASDEP} / \text{N}] \times 1 / (1-\text{T})$$

The SDER for the Large C&I – Transmission class shall be computed using the following formula:

$$\text{SDER} = [\text{LASDET} / \text{N}] \times 1 / (1-\text{T})$$

Where:

RASDE = Net storm damage expenses allocated to Residential customers

SASDE = Net storm damage expenses allocated to Small C&I customers

LASDEP = Net storm damage expenses allocated to Large C&I - Primary customers

LASDET = Net storm damage expenses allocated to Large C&I – Transmission customers.

D = The Company's total billed kWh sales in each customer class that receives distribution service under this Tariff (including distribution losses), projected for the computation year.

N = Number of Customers per Year

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T = The total Pennsylvania gross receipts tax rate in effect during the billing period, expressed in decimal form.

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STORM DAMAGE EXPENSE RIDER (Continued)

RECOVERY PERIOD

For 2015 and subsequent years, the SDER charges together with supporting data will be filed with the Commission no later than December 1 of the preceding year. The SDER charges shall become effective for service rendered on and after the following January 1.

Upon a determination that an SDER charge, if left unchanged, would result in a material over or under-collection of all SDER expenses incurred or expected to be incurred during the current 12-month application period, the Company may file with the Commission a request for an interim revision of the SDER to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

ACCOUNTING

Beginning on December 1, 2013, the Company will record any qualifying storm damage expenses from reportable storms in excess of the \$14,700,000 included in base rates, to a regulatory asset for inclusion in the SDER. If the amount of storm damage expense incurred is less than the \$14,700,000 included in base rates, the Company will record a regulatory liability for inclusion in the SDER.

CUSTOMER SAFEGUARDS

Cap: Total annual revenues collected under the SDER will be capped at an amount not to exceed 3% of the total intrastate operating revenues billed to customers, exclusive of amounts recovered under the State Tax Adjustment Surcharge. If storm damage expense for recovery exceeds 3%, the excess expenses will be deferred and available for recovery in the Company's next base rate case under Section 1308.

Audit/Reconciliation: The SDER is subject to audit at intervals determined by the Commission. Any cost determined by the Commission not to comply with any provision of 66 Pa C.S. §§ 1307, *et seq.*, shall be credited to customer accounts. The SDER is subject to annual reconciliation based on a reconciliation period ending October 31 of each year. The revenue received under the SDER for the reconciliation (C) period will be compared to PPL Electric's eligible costs for that period. The difference between revenue and costs will be recouped or refunded, as appropriate, in accordance with Section 1307(e), over a one-year period.

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**STORM DAMAGE EXPENSE RIDER (Continued)**

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**STORM DAMAGE EXPENSE RIDER CHARGE**

Beginning January 1, 2020 and continuing through the period December 31, 2020, the SDER charges will be applied as set forth in the applicable Rate Schedules, unless otherwise ordered by the Pennsylvania Public Utility Commission (Commission).

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Customer Class	Large C&I - Transmission	Large C&I - Primary	Small C&I	Residential
Rate Schedule / Charge	L5S, LP-5, and LPEP	LP-4	GS-1, GS-3, BL, and GH-2 (R)	RS and RTS (R)
	\$1.21/Bill <b>(D)</b>	\$1.09/Bill <b>(D)</b>	\$0.0001/KWH <b>(D)</b>	\$0.00003/KWH <b>(D)</b>

Small C&I – Street Lights										
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	0.001 \$/Lamp	3,350	0.000	5,800	0.000	2,600	0.000	0.00001	0.00001	
		6,650	0.001	9,500	0.000	3,300	0.000			
		10,500	0.001	16,000	0.001	3,800	0.000			
LED 4,300	0.000 \$/Fixture	20,000	0.002	25,500	0.001	4,900	0.000	0.00001	0.00001	
		34,000	0.003	50,000	0.002	7,500	0.000			
		51,000	0.004			15,000	0.001			
						20,000	0.001			

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