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**RATE TRANSITION SURCHARGE**

To stabilize the transition to market based electric supply, the charges to residential Customers taking Service under Rate Schedule R shall include, in addition to the charges specified in this tariff, a Rate Transition Surcharge at rates set forth below.

| <u>Effective for Service<br/>rendered from</u> | <u>Rate per kWh</u> |
|--|---------------------|
| June 7, 2007 through December 31, 2007         | \$0.00602           |
| January 1, 2008 through December 31, 2008      | \$0.01813           |
| January 1, 2009 through May 31, 2009           | -\$0.00662          |
| June 1, 2009 through September 30, 2009        | -\$0.02110          |
| October 1, 2009 through December 31, 2009      | -\$0.00937          |
| January 1, 2010 through May 31, 2010           | -\$0.01189          |
| June 1, 2010 through September 30, 2010        | -\$0.01177          |
| October 1, 2010 through Surcharge termination  | -\$0.00517          |

Applicable bills rendered shall include an amount equal to the rate times the number of distribution kilowatt-hours used in the billing period. The resulting charge is in addition to any minimum charge set out in the Rate Schedule and is added to the Customer's bill before any surcharge is levied against the Customer's bill.

Beginning January 1, 2009, money collected from the Rate Transition Surcharge along with accrued interest, net of taxes, will be returned to the residential Customer class in the form of per kilowatt-hour credits until December 31, 2010, or until all money has been completely refunded. Interest will accrue at the average rate the Company earns on external cash investments.

Eligibility for the Rate Transition Surcharge and subsequent credits is limited to residential Customers receiving electric Service from the Company no later than October 31, 2008. All residential Customers connected and receiving electric Service from the Company on or after November 1, 2008 will not be eligible for the Rate Transition Surcharge and subsequent credits.

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ISSUED BY RODNEY L. DICKENS, PRESIDENT

Issued December 1, 2009

To become effective on  
all service rendered on  
or after January 1, 2010

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**RATE TRANSITION SURCHARGE (Continued)**

Refunds

Refunds of amounts paid from the Rate Transition Surcharge will be available for residential Customers that have moved out of the Company's franchised Service territory in Maryland, or to the estate of deceased residential Customers.

To validate eligibility, residential Customers of record that move out of the Company's franchised Service territory in Maryland must submit to the Company a copy of another electric utility bill in the same Customer name. In the case of deceased Customers, the estate must submit to the Company a copy of the death certificate of the residential Customer of record. The eligibility validation must be received by the Company within ninety days of finalization of the Customer's account with the Company, or by December 31, 2010, whichever occurs first.

The amount of the refund is based upon a residential average, including interest, for each of the month(s) that the Rate Transition Surcharge was applied to the eligible residential Customer, as set forth below. Partial months will be pro-rated. In addition, for any refund sought after January 1, 2009, the total will be offset by subsequent credits paid to the Customer.

Non-electric heating Customers billed on Company rate codes 100, 102 or 105:

| <u>Effective Revenue Months</u> | <u>Refund</u>     | <u>Refund Offset</u> |
|---------------------------------|-------------------|----------------------|
| June through December 2007      | \$6.09 per month  |                      |
| January through December 2008   | \$18.71 per month |                      |
| January through May 2009        |                   | -\$8.12 per month    |
| June through September 2009     |                   | -\$22.96 per month   |
| October through December 2009   |                   | -\$9.21 per month    |
| January through May 2010        |                   | -\$11.85 per month   |
| June through September 2010     |                   | -\$12.94 per month   |
| October through December 2010   |                   | -\$5.17 per month    |

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**RATE TRANSITION SURCHARGE (Concluded)**

Refunds (Continued)

Electric heating Customers billed on Company rate code 103:

| <u>Effective Revenue Months</u> | <u>Refund</u>     | <u>Refund Offset</u> |
|---------------------------------|-------------------|----------------------|
| June through October 2007       | \$7.89 per month  |                      |
| November through December 2007  | \$11.63 per month |                      |
| January through March 2008      | \$35.25 per month |                      |
| April through October 2008      | \$24.53 per month |                      |
| November through December 2008  | \$35.25 per month |                      |
| January through May 2009        |                   | -\$13.83 per month   |
| June through September 2009     |                   | -\$24.93 per month   |
| October through December 2009   |                   | -\$15.64 per month   |
| January through May 2010        |                   | -\$20.14 per month   |
| June through September 2010     |                   | -\$14.09 per month   |
| October through December 2010   |                   | -\$8.78 per month    |

In the alternative to the above average refunds, eligible residential Customers may receive an individual refund by submitting billing documentation establishing the actual Rate Transition Surcharge amounts paid and credits received as a Customer of the Company. Once an individual refund is requested and refunded to the Customer, no attempts to seek the above average refunds shall be entertained by the Company.

In any event, Company arrears incurred by the residential Customer for the provision of electric Service must be satisfied prior to the issuance of a refund.

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