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**ENERGY EFFICIENCY AND CONSERVATION (“EE&C”) SURCHARGE**

In addition to the charges provided in this Tariff and in accordance with 66 Pa. C.S. §2806.1, there shall be a surcharge as set forth below to recover the costs associated with Company-sponsored programs for energy efficiency and conservation programs as approved by the Commission. This surcharge is applied to designated Rate Schedules to recover costs allocated to that Rate Schedule. This surcharge will be applied each month until changed by the Commission. The resulting surcharge is in addition to any minimum charge set out in the Rate Schedule and is added to the Customer's bill before any tax surcharge is levied against the Customer's total bill. Amounts billed hereunder shall be subject to late payment charges.

**CALCULATION OF SURCHARGE**

The EE&C Surcharge is calculated as a levelized surcharge through May 2013. The surcharge is calculated by separating the Program Costs allocated to each Rate Schedule into an energy-related portion and a demand-related portion, and dividing by forecasted distribution energy and distribution demand sales, respectively, for the same Rate Schedule. The calculation includes an Annual Reconciliation Factor adjustment and an adjustment for gross receipts tax. The Annual Reconciliation Factor adjustment will be filed by March 31 to become effective the forthcoming June 1. Upon determination that the surcharge, if left unchanged, would result in a material over/under-collection, the Company may file a proposed interim revision of the surcharge for Commission approval.

For Customers receiving service under Schedule 10, the EE&C Surcharge is added to the Distribution Charge for billing purposes. For all other Customers, the EE&C Surcharge shall be set out separately on the Customer's bill.

Bills shall include an amount equal to the surcharge rate times the number of distribution energy and capacity sales as follows:

EE&C SURCHARGE			
Rate Schedule	Rate per kWh	Rate per kW	Rate per kW PLC
10	\$0.00175		
20	\$0.00123		
22	\$0.00111		
30 (small)*	\$0.00087	\$0.41	
30 (large)*			\$0.55
40			\$0.36
41			\$0.36
44			\$0.36
46			\$0.37

(D)  
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(I)

\*Rate Schedule 30 (small) defined as Customers receiving service under Rate Schedule 30 with a Kilowatt Demand less than 500 kilowatts, and Rate Schedule 30 (large) defined as Customers receiving service under Rate Schedule 30 with a Kilowatt Demand greater than or equal to 500 kilowatts. The Company will categorize Customers as those with Kilowatt Demands less than 500 kilowatts and those with a Kilowatt Demand greater than or equal to 500 kilowatts.

(I) Indicates Increase  
(D) Indicates Decrease

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**ENERGY EFFICIENCY AND CONSERVATION ("EE&C") SURCHARGE (Concluded)**

**ELIGIBLE COSTS**

Costs eligible for recovery through the EE&C Surcharge are approved by the Commission and include:

Program Costs -- Program Costs are the estimated costs for research, development, implementation, and operation of programs to be incurred by the Company and approved by the Commission. Program costs include, but are not limited to, Company labor, rebates and incentives, payments to third parties for program administration and implementation, direct marketing and advertising costs incurred by the Company, market research costs, program development, monitoring and evaluation, consultant and contractor fees, applicable software and software licenses, program measurement and monitoring hardware, and all other administrative activities associated with program development and implementation.

Annual Reconciliation Factor -- The Annual Reconciliation Factor corrects for over/under-collection of Program Costs and may reflect items such as an update of forecasted billing determinants, re-evaluation or re-design of EE&C programs, and re-allocation of Program Costs to the designated Rate Schedules. The Company will submit to the Commission by March 31 of each year: (1) a comparison between forecasted revenues billed and actual revenues billed through February, as adjusted for removal of gross receipts tax; (2) any adjustment to the forecasted revenues anticipated to be billed during March through May, as adjusted for removal of gross receipts tax; (3) any adjustment to the Program Costs levelized through May 2013 based upon actual costs incurred through February and any revised estimates for future months, subject to this Tariff's allocation portion of the amount permitted to be recovered under 66 Pa. C.S.A. §2806.1; and (4) the subsequent reconciliation effect to the EE&C Surcharge adjusted for gross receipts tax, and levelized over the period of the upcoming June 1 and continuing through the remaining months of the surcharge. There shall also be a final reconciliation of amounts to be collected or refunded after May 31, 2013.

(C)

(C) Indicates Change