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**GENERATION RATE ADJUSTMENT ("GRA")****(N)****PURPOSE**

The Generation Rate Adjustment ("GRA") provides Nonresidential Customers increased flexibility in gaining access to the Competitive Energy Supply market following a return to default Provider of Last Resort ("PLR") Service, including Customers who choose to sell the electric output of on-site self-generation into the generation market, in accordance with the Guidelines Addressing Return of Customer to Provider of Last Resort Service adopted by Commission Order at Docket No. M-00960890F0017.

**APPLICATION**

Applies to Nonresidential PLR Service provided under all rate schedules and special contracts.

**CONDITIONS**

A Nonresidential Customer returning to default PLR Service shall have sixty (60) days from the date of return to select and switch to an Electric Generation Supplier. Customers electing this option shall be subject to a GRA in addition to the PLR Generation Charges billed under the applicable rate schedule or special contract. Nonresidential Customers not selecting a new Electric Generation Supplier within sixty (60) days shall remain on default PLR Service for not less than twelve (12) consecutive Months and a GRA shall not apply.

**MONTHLY RATE**

The GRA shall be calculated Monthly as the difference of the Generation Market Price less the Generation Charges for PLR service under the applicable rate schedule or special contract, but in no case shall the Monthly GRA be less than zero.

$$\text{GRA} = [\text{GMP} \times 1/(1-T)] - \text{PLRGC}$$

Where:

GRA = Generation Rate Adjustment

GMP = Generation Market Price

T = PA Gross Receipts Tax rate

PLRGC = Provider of Last Resort Generation Charge under the appropriate rate schedule or special contract.

**GENERATION MARKET PRICE**

$$\text{GMP} = \sum_{i=1}^n (\text{GMHIP} \times \text{KWH} \times \text{LF})_i$$

Where:

GMP = Generation Market Price

(N) Indicates New

Concluded on Page No. 5-8

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**GENERATION RATE ADJUSTMENT ("GRA") (Concluded)****(N)**

GMHIP = Generation Market Hourly Index Price expressed in dollars per kilowatt-hour. The Generation Market Hourly Index Price shall be established based on the day-ahead Megawatt Daily peak index for the PJM Western Hub and Into Cinergy delivery points and the actual hourly PJM Western Hub Locational Marginal Price ("LMP") as published on the PJM Interconnection, L.L.C. ("PJM") web site at [www.pjm.com](http://www.pjm.com). When the published day-ahead Megawatt Daily peak index for PJM Western Hub is higher than the published Megawatt Daily peak index for Into Cinergy, the PJM Western Hub actual hourly LMP will be used as the Generation Market Hourly Index Price. When the published day-ahead Megawatt Daily peak index for Into Cinergy is greater than the published day-ahead Megawatt Daily peak index for PJM Western Hub, a multiplication factor will be calculated by dividing the published day-ahead Megawatt Daily peak index for Into Cinergy by the published day-ahead Megawatt Daily peak index for PJM Western Hub. The multiplication factor will then be applied to the PJM Western Hub actual hourly LMP to determine the Generation Market Hourly Index Price for a given day.

KWH = metered kilowatt-hours

LF = service voltage line loss factor

i = hourly interval

n = number of hourly intervals in the Monthly billing period

As shown in the above calculations, the Generation Market Hourly Index Prices shall be multiplied by the actual hourly usage for a Customer over a billing Month. For a Customer without interval metering, a load shape corresponding to the Customer's class shall be applied to the Customer's total monthly metered kilowatt-hours to determine the hourly usage. At the end of the billing Month the hourly GRA Customer charges, including PA Gross Receipts Tax and losses, will be summed and compared to the applicable monthly charges under the Customer's applicable tariff. If the resulting net figure is positive, it shall be the GRA for that Month. If, however, the resulting net figure is negative, the GRA for that particular Month shall be zero.

**SELF-GENERATION**

GRA shall apply to PLR Service under any rate schedule or special contract provided to a Nonresidential Customer with on-site self-generation during any period in which, at the sole determination of the Company, the Customer sells, into a generation market or other third party, the electric output of the self-generation that would normally serve the Customer's internal electric requirements. The GRA shall apply to all kilowatt-hours which, at the sole determination of the Company, are supplied under PLR Service to the Customer to replace the self-generation sold into a generation market or other third party.

(N) Indicates New