

Pennsylvania Power Company
Price to Compare Default Service Rider Rate Calculation¹
Commercial Class: September - November 2012
Rate Effective September 1, 2012 through November 30, 2012

Line No.	Commercial Class	Number of	Auction Clearing	Summer 1.06	Winter 0.97	Weighting
	Fixed Price Tranche Purchases (\$ per M	Tranches	Price			
1	Jan 2012 Auction	3	41.97	1	2	377.73
2	Mar 2012 Auction	4	42.07	1	2	504.84
3		7	3	21		882.57
4	Total Average Fixed Price Tranche				\$ 42.03	
5	Times Fixed portion of Commercial Load				90%	<i>Fixed Portion</i>
6	Total Fixed Price Commercial Cost				\$ 37.82	<i>dollar cost</i>
7	Average Variable Hourly Price Tranche including fixed Anc. Serv. adder (\$9/MWh)				\$ 39.31	
8	Times Variable portion of Commercial Load				10%	<i>Variable Portion</i>
9	Total Variable Priced Hourly Commercial Cost				\$ 3.93	<i>dollar cost</i>
10	Price to Compare Weighted Average Price				\$ 41.76	<i>per MWh</i>
11	PTC _{Current Cost Component} (line 10 / 1000)				\$ 0.04176	<i>per kWh</i>
12	Times Loss Factor				1.0661	
13	Subtotal (line 11 x line 12)				\$ 0.04452	<i>per kWh</i>
14	Admin Costs including estimated interest @ 6%				\$ 0.00031	<i>per kWh</i>
15	NITS charge				\$ 0.00200	<i>per kWh</i>
16	Subtotal (line 13 + line 14 + line 15)				\$ 0.04682	<i>per kWh</i>
17	Multiplied by [1/(1-T)] (4.4% Gross Receipts Tax)				1.046025	
18	PTC_{Current} Commercial Class (line 16 x line 17)				\$ 0.04898	<i>per kWh</i>
19	E Reconciliation Rate				(0.00437)	<i>per kWh</i>
20	Multiplied by [1/(1-T)] (4.4% Gross Receipts Tax)				1.046025	
21	E Reconciliation Rate x GRT				(0.00457)	
22	PTC_{Default} Commercial Class (line 18 + line 21)				\$ 0.04440	<i>per kWh</i>

Note 1: All Price to Compare rate computations will be pursuant to terms of Company's "Price to Compare Default Service Rate Rider".

**Pennsylvania Power Company
PTC Default Service Rate Calculation
Commercial Class**

**Computation of Commercial Class Reconciliation Factor Rate
Effective September 1, 2012 Through November 30, 2012**

Line No.	Description	Amounts
1	Cumulative Commercial Class (Over) / Under Collection as of July 31, 2012	\$ (1,666,411) See Schedule 1, Page 3 for support
2	Projected Commercial Class kilowatt-hour sales - September 1, 2012 through November 30, 2012	95,272,183 kWhs
3	Commercial Class Reconciliation Factor Rate before PA Gross Receipts Tax (Line 1 / Line 2)	\$ (0.01749) per kWh
4	Commercial Class Reconciliation Rate Adjustment Factor (A)	<u>25.00%</u>
5	Commercial Class Reconciliation Rate with Adjustment before PA Gross Receipts Tax (Line 3 X Line 4)	\$ (0.00437) per kWh
6	PA Gross Receipt Gross-Up [1/(1-T) with T = 4.4% Gross Receipts Tax]	<u>1.046025</u>
7	Commercial Class Reconciliation Factor Rate with PA Gross Receipts Tax (Line 3 X Line 4)	<u>\$ (0.00457) per kWh</u>

(A) In order to mitigate the unintentional pricing signal of a large negative Reconciliation Rate Charge being billed to the Commercial Class for the three months ending November 30, 2012 and to maintain an adequate reserve for MISO costs billed to the Company on MISO/PJM re-settlement billing statements that occur 55 and 105 days following the conclusion of the billing month, Penn Power is adjusting the supported Reconciliation Rate Charge. The reconciliation of actual revenues billed to actual costs incurred will continue for the three months ending November 30, 2012, including the accrual of interest on the

Penn Power Default Service Program Reconciliation
Commercial Customer Class Deferral
September 1, 2012 Through November 30, 2012

<u>Line No.</u>		<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
1	Cumulative (Over) Under Collections at Beginning of Month Including Interest	\$ (2,358,955)	\$ (2,035,875)	\$ (2,217,205)
2	POLR II / IDSSP Revenues With Pa GRT	\$ 1,561,662	\$ 1,716,375	\$ 1,585,792
3	Uncollectible Expense Revenues with Pa GRT Included in Line 2	\$ -	\$ -	\$ -
4	POLR II / IDSSP Revenues With Pa GRT excluding Uncollectible Expense Revenues (line 2 - line 3)	\$ 1,561,662	\$ 1,716,375	\$ 1,585,792
5	Pa GRT Included in "	\$ 68,713	\$ 75,520	\$ 69,775
6	POLR II / IDSSP Revenues Including E Factor Revenues, Excluding Uncollectible Revenues and Pa GRT (Line 4 - Line 5)	\$ 1,492,949	\$ 1,640,855	\$ 1,516,017
	<u>Expenses</u>			
7	Amortization of Start Up Costs Through 05/31/2008/ Through 5/31/2011 starting 6/1/2011 {DSexp1}	\$ 4,054	\$ 4,054	\$ 4,054
8	Payments to RFP Bidders [DSexp2]	\$ 1,671,126	\$ 1,304,494	\$ 1,924,722
9	Current Month Administration Costs [DSexp2]			
10	Amortization of POLR I (Over)/Under Collections [DSexp3]			
11	Cumulative Costs for month of Network Integration Transmission Service (NITS) cost incurred by the Company	\$ 155,450	\$ 165,108	\$ 150,938
12	Total Expenses for Month	\$ 1,830,630	\$ 1,473,656	\$ 2,079,714
13	Monthly (Over)/Under Collections	\$ 337,681	\$ (167,199)	\$ 563,697
14	Cumulative (Over)/Under Collections and Prior Months' Interest Before Current Month Interest Calculation	\$ (2,021,274)	\$ (2,203,074)	\$ (1,653,508)
15	Interest for Current Month	\$ (14,601)	\$ (14,131)	\$ (12,903)
16	Cumulative (Over) / Under Collections at End of Month Including Interest	\$ (2,035,875)	\$ (2,217,205)	\$ (1,666,411)