

**Pennsylvania Power Company
 Hourly Pricing Service Charge Calculation
 Industrial Class:September - November 2012
 Rates Effective September 1, 2012 through November 30, 2012**

Line No.	Industrial Class			
	<u>HP Energy Charge</u>			
1		$\sum (kWh_t \times$		kWh for each hour in billing period
2		$(LMP_t + HP_{Anc})$		LMP = Real Time PJM Load Weighted average LMP for ME Zone for each hc
3				HPAnc = \$.002 per kWh for Ancillary Services
4		<hr/> HP _{Energy Charge} (Line 1 x Line (2+3)		t = An hour in the Billing Period
5		x Loss Adjustment Factor		Up to, but not including, 23 kV = 3.0%
				23 kV up to, but not including, 69 kV = 0.1%
				69 kV or greater = 0%
6		<hr/> HP Energy Charge Line 4 x Line 5		
	<i>PLUS</i>			
	<u>HP Cap-AEPS-Other Purchases (\$/MWh)</u>	Clearing Price		
7	Estimate	\$ 6.76		\$/MWh
		\$ 0.00676		per kWh
		x Loss Adjustment Factor		Up to, but not including, 23 kV = 3.0%
	Grossed up for Line Losses			23 kV up to, but not including, 69 kV = 0.1%
				69 kV or greater = 0%
	<i>PLUS</i>			
8	HP Administrative Charge	\$ 0.00007		per kWh
	<i>PLUS</i>			
9	HP NTS	\$ 0.00186		per kWh
	<i>PLUS</i>			
10	HP Reconciliation Charge	\$ (0.00855)		per kWh
11	Hourly Pricing Service Charge (Line 6 + 7 + 8 + 9 + 10)	<hr/> <u>\$ x.xxxxx</u>		

(A) All Hourly Pricing Service Charge computations will be pursuant to the terms of the Company's "Hourly Pricing Default Service Rider".
 (B) All Adders are subject to Quarterly Updates

**Pennsylvania Power Company
Hourly Pricing Service Rider**

**Computation of Hourly Pricing Service (HPS) Reconciliation Rate Charge
Effective June 1, 2012 Through August 31, 2012**

Line No.	Description	Amounts
1	Cumulative HPS Class (Over) / Under Collection as of April 30, 2012	\$ (340,806) Page 3, line 15
2	Projected HPS kilowatt-hour sales - September 1, 2012 through November 30, 2012	9,969,008 kWhs
3	HPS Classes Reconciliation Rate before PA Gross Receipts Tax (Line 1 / Line 2)	\$ (0.03419) per kWh
4	HPS Classes Reconciliation Rate Adjustment Factor (A)	<u>25.00%</u>
5	HPS Classes Reconciliation Rate with Adjustment before PA Gross Receipts Tax (Line 3 X Line 4)	\$ (0.00855) per kWh
6	PA Gross Receipt Gross-Up [1/(1-T) with T = 4.4% Gross Receipts Tax Rate]	<u>1.046025</u>
7	Hourly Pricing Service Classes Reconciliation Rate with PA Gross Receipts Tax (Line 5 X Line 6)	<u>\$ (0.00894) per kWh</u>

(A) In order to mitigate the unintentional pricing signal of a large negative Reconciliation Rate Charge being billed to Hourly Pricing Service Classes for the three months ending May 31, 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 May 31, 2012, including the accrual of interest on the cumulative net over or under collected balance, as described in Penn Power's Hourly Pricing Service Default Service Rider.

Sep-12	3,329,830
Oct-12	3,323,270

Penn Power Default Service Program Reconciliation

Hourly Pricing Service Customer Class Deferrals

May 1, 2012 Through July 31, 2012

<u>Line No.</u>		<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
1	Cumulative (Over) Under Collection at Beginning of Month Including Interest	\$ (428,227)	\$ (417,067)	\$ (395,776)
2	POLR II / IDSSP Revenues With Pa GRT	\$ 106,048	\$ 107,176	\$ 59,490
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)	\$ 106,048	\$ 107,176	\$ 59,490
5	Pa GRT Included in "C"	\$ 4,666	\$ 4,716	\$ 2,618
6	POLR II / IDSSP Revenues Including E Factor Revenues, Excluding Uncollectible Revenues and Pa GRT (line 4 - line 5)	\$ 101,382	\$ 102,460	\$ 56,872
	<u>Expenses</u>			
7	Amortization of Start Up Costs Through 05/31/2008 [DShpsexp1]	\$ 178	\$ 178	\$ 178
8	Payments to MISO [DShpsexp2]	\$ 99,078	\$ 111,938	\$ 106,425
9	Current Month Administration Costs [DShpsexp2]	\$ -	\$ -	\$ -
10	Amortization of POLR I (Over)/Under Collections [DShpsexp3]			
	Cumulative Costs for month of Network Integration Transmission Service (NITS) cost incurred by the Company	\$ 16,093	\$ 14,336	\$ 7,687
11	Total Expenses for Month	\$ 115,349	\$ 126,452	\$ 114,290
12	Monthly (Over)/Under Collections	\$ 13,967	\$ 23,992	\$ 57,417
13				
	Cumulative (Over)/Under Collections and Prior Months' Interest Before Current Month Interest Calculation	\$ (414,259)	\$ (393,075)	\$ (338,359)
14	Interest for Current Month	\$ (2,808)	\$ (2,701)	\$ (2,447)
15	Cumulative (Over) / Under Collections at End of Month Including Interest	\$ (417,067)	\$ (395,776)	\$ (340,806)