

**Pennsylvania Power Company**  
**PTC Default Rate Sample Calculation<sup>1</sup>**  
**Residential Class: September 2012 - November 2012**

**Line  
No.**

**Residential Class**

	<b>Number of Tranches</b>	<b>Auction Clearing Price</b>	<b>Summer 1.06</b>	<b>Winter 0.97</b>	<b>Weighting</b>
1	2	60.29	1	2	361.74
2	2	56.49	1	2	338.94
3	2	41.25	1	2	247.50
4	1	40.84	1	2	122.52
5	7	3	21		1,070.70
6	Total Average Fixed Price Tranche			\$	50.99
7	Times Fixed portion of Residential Load				100% <i>Fixed Portion</i>
8	Total Fixed Price Residential Cost			\$	50.99 <i>dollar cost</i>
9	Percentage of Total Load				75%
10	<b>Total Cost Fixed Price Tranche</b>			\$	<b>38.24</b>
				<b>Auction Clearing Price</b>	<b>Load Weighted Clearing Price</b>
		<b>MWhs</b>			
11	Mar 2011 On-Peak Average Price			\$45.48	-
12	Mar 2011 Off-Peak Average Price			\$35.62	-
13	48 Month Block Price			\$47.20	47.20
14				54,600	47.20
15	Total Average Fixed Price Block & Spot			\$	47.20
16	Times Fixed portion of Residential Load				64% <i>Fixed Portion</i>
17	Total Fixed Price Residential Cost			\$	30.07 <i>dollar cost</i>
18	Average Variable Hourly Price Tranche			\$	33.27 <i>Estimate</i>
19	Times Variable portion of Residential Load				36% <i>Variable Portion</i>
20	Total Variable Priced Hourly Residential Cost			\$	12.07 <i>dollar cost</i>
21	Capacity Adder			\$	8.09 <i>Estimate</i>
22	AEPS Adder			\$	0.09 <i>Estimate</i>
23	Ancillary Service Adder			\$	2.54 <i>Estimate</i>
24	Block & Spot Subtotal			\$	52.86
25	Percentage of Total Load				25%
26	<b>Total Cost - Block and Spot</b>			\$	<b>13.22</b>
27	<b>Price to Compare Weighted Average Price</b>			\$	<b>51.46</b> <i>per MWh</i>
28	PTC <sub>Current</sub> Cost Component (line 27 / 1000)			\$	0.05146 <i>per kWh</i>
29	Times Loss Factor				1.0661
30	Subtotal (line 28 x line 29)			\$	0.05486 <i>per kWh</i>
31	Admin Costs including estimated interest @ 6%			\$	0.00025 <i>per kWh</i>
32	NITS charge			\$	0.00212 <i>per kWh</i>
33	Subtotal (line 30 + line 31 + line 32)			\$	0.05723 <i>per kWh</i>
34	Multiplied by [1/(1-T)] (4.4% Gross Receipts Tax)				1.046025
35	<b>PTC <sub>Current</sub> Residential Class (line 33 x line 34)</b>			\$	<b>0.05987</b> <i>per kWh</i>
36	E Reconciliation Rate			\$	(0.00499) <i>per kWh</i>
37	Multiplied by [1/(1-T)] (4.4% Gross Receipts Tax)				1.046025
38	E Reconciliation Rate x GRT				(0.00522)
39	<b>PTC <sub>Default</sub> Residential Class (line 35 + line 38)</b>			\$	<b>0.05465</b> <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 Rate Calculation  
 Residential Class**

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

<b>Line No.</b>	<b>Description</b>	<b>Amounts</b>
1	Cumulative Residential Class (Over) / Under Collection as of January 31, 2012	\$ (1,273,168) See Schedule 2, Page 3 for support
2	Projected Residential Class kilowatt-hour sales - September 1, 2012 through November 30, 2012	255,138,035 kWhs
3	Residential Class Reconciliation Factor Rate before PA Gross Receipts Tax (Line 4 / Line 5)	\$ (0.00499) per kWh
4	PA Gross Receipt Gross-Up [1/(1-T) with T = 4.4% Gross Receipts Tax]	<u>1.046025</u>
5	<b>Residential Class Reconciliation Factor Rate with PA Gross Receipts Tax (Line 6 X Line 7)</b>	<b><u>\$ (0.00522) per kWh</u></b>

**Penn Power Default Service Program  
Reconciliation  
Residential Customer Class Deferrals  
May 1, 2012 Through July 31, 2012**

<u>Line No.</u>		<u>Aug-11</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>	<u>Mar-12</u>	<u>Apr-12</u>	<u>May-12</u>	<u>Jun-12</u>	<u>Jul-12</u>
1	Cumulative (Over) Under Collections at Beginning of Month Including Interest	\$ 3,093,001	\$ 3,352,906	\$ 1,517,850	\$ 1,763,757	\$ 1,151,037	\$ 657,107	\$ (757,919)	\$ (3,072,471)	\$ (4,460,661)	\$ (3,858,443)	\$ (2,899,460)	\$ (2,923,587)
2	POLR II / IDSSP Revenues With Pa GRT	9,321,253	8,302,347	6,570,349	\$ 6,903,433	\$ 8,339,643	\$ 9,746,837	\$ 10,198,188	\$ 8,188,829	\$ 5,748,242	\$ 5,000,680	\$ 5,571,044	\$ 6,453,387
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)	\$ 9,321,253	\$ 8,302,347	\$ 6,570,349	\$ 6,903,433	\$ 8,339,643	\$ 9,746,837	\$ 10,198,188	\$ 8,188,829	\$ 5,748,242	\$ 5,000,680	\$ 5,571,044	\$ 6,453,387
5	Pa GRT Included in line 4	\$ 410,135	\$ 365,303	\$ 289,095	\$ 303,751	\$ 366,944	\$ 428,861	\$ 448,720	\$ 360,308	\$ 252,923	\$ 220,030	\$ 245,126	\$ 283,949
6	POLR II / IDSSP Revenues Including E Factor Revenues, Excluding Uncollectible Revenues and Pa GRT (line 4 - line 5)	\$ 8,911,118	\$ 7,937,044	\$ 6,281,254	\$ 6,599,682	\$ 7,972,699	\$ 9,317,976	\$ 9,749,468	\$ 7,828,521	\$ 5,495,319	\$ 4,780,650	\$ 5,325,918	\$ 6,169,438
	<u>Expenses</u>												
7	Amortization of Start Up Costs Through 05/31/2008 / 5/31/2011 starting 6/1/2011 [DSexp1]	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200	\$ 10,200
8	Payments to RFP Bidders [DSexp2]	8,612,687	5,602,146	6,039,825	\$ 5,508,557	\$ 6,972,122	\$ 6,933,051	\$ 6,556,290	\$ 5,542,905	\$ 5,281,148	\$ 4,835,759	\$ 4,601,333	\$ 7,071,679
9	Current Monthly Administration Costs [DSexp2]			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	Amortization of POLR I (Over)/Under Collections [DSexp3]	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11	Transmission Service (NITS) cost incurred by the Company	532,061	477,495	468,952	\$ 460,936	\$ 491,938	\$ 960,034	\$ 881,153	\$ 912,254	\$ 833,829	\$ 916,127	\$ 709,605	\$ 751,921
11	Total Expenses for Month	\$ 9,154,948	\$ 6,089,841	\$ 6,518,977	\$ 5,979,693	\$ 7,474,260	\$ 7,903,285	\$ 7,447,643	\$ 6,465,359	\$ 6,125,177	\$ 5,762,086	\$ 5,321,138	\$ 7,833,800
12	Monthly (Over)/Under Collections	\$ 243,830	\$ (1,847,203)	\$ 237,723	\$ (619,989)	\$ (498,439)	\$ (1,414,691)	\$ (2,301,825)	\$ (1,363,162)	\$ 629,858	\$ 981,436	\$ (4,780)	\$ 1,664,362
13	Cumulative (Over)/Under Collections and Prior Months' Interest Before Current Month Interest Calculation	\$ 3,336,831	\$ 1,505,703	\$ 1,755,573	\$ 1,143,768	\$ 652,598	\$ (757,584)	\$ (3,059,745)	\$ (4,435,633)	\$ (3,830,803)	\$ (2,877,007)	\$ (2,904,240)	\$ (1,259,225)
14	Interest for Current Month	\$ 16,075	\$ 12,147	\$ 8,184	\$ 7,269	\$ 4,509	\$ (335)	\$ (12,726)	\$ (25,028)	\$ (27,640)	\$ (22,453)	\$ (19,347)	\$ (13,943)
15	<b>Cumulative (Over) / Under Collections at End of Month Including Interest</b>	<b>\$ 3,352,906</b>	<b>\$ 1,517,850</b>	<b>\$ 1,763,757</b>	<b>\$ 1,151,037</b>	<b>\$ 657,107</b>	<b>\$ (757,919)</b>	<b>\$ (3,072,471)</b>	<b>\$ (4,460,661)</b>	<b>\$ (3,858,443)</b>	<b>\$ (2,899,460)</b>	<b>\$ (2,923,587)</b>	<b>\$ (1,273,168)</b>