

Pennsylvania Power Company
Price to Compare Default Service Rider Rate Calculation¹
Residential Class: December 2012 - February 2013

Line No.	<u>Residential Class</u>	Number of Tranches	Auction Clearing Price	Summer 1.06	Winter 0.97	Weighting
	Fixed Price Tranche Purchases (\$ per MWh)					
1	Jan 2011 Auction	1	55.39	0	3	161.18
2	March 2011 Auction	2	56.49	0	3	328.77
3	Jan 2012 Auction	2	41.25	0	3	240.08
4	March 2012 Auction	1	40.84	0	3	118.84
5		6	3	18		848.88
6	Total Average Fixed Price Tranche				\$ 47.16	
7	Times Fixed portion of Residential Load				100%	<i>Fixed Portion</i>
8	Total Fixed Price Residential Cost				\$ 47.16	<i>dollar cost</i>
9	Percentage of Total Load				75%	
10	Total Cost Fixed Price Tranche				\$ 35.37	
	Fixed Price Block & Spot Purchases (\$ per MWh)					
			MWhs	Auction Clearing Price		Load Weighted Clearing Price
11	Mar 2011 On-Peak Average Price		16,775	\$45.48		7.06
12	Mar 2011 Off-Peak Average Price		37,225	\$35.62		12.28
13	48 Month Block Price		54,000	\$47.20		23.60
14	Total		108,000			42.94
15	Total Average Fixed Price Block & Spot				\$ 42.94	
16	Times Fixed portion of Residential Load				112.74%	<i>Fixed Portion</i>
17	Total Fixed Price Residential Cost				\$ 48.41	<i>dollar cost</i>
18	Average Variable Hourly Price Tranche				\$ 28.64	
19	Times Variable portion of Residential Load				-12.74%	<i>Variable Portion</i>
20	Total Variable Priced Hourly Residential Cost				\$ (3.65)	<i>dollar cost</i>
21	Capacity Adder				\$ 5.87	
22	AEPS Adder				\$ 0.09	
23	Ancillary Service Adder				\$ 1.92	
24	Block & Spot Subtotal				\$ 52.65	
25	Percentage of Total Load				25%	
26	Total Cost - Block and Spot				\$ 13.16	
27	Price to Compare Weighted Average Price				\$ 48.53	<i>per MWh</i>
28	PTC Current Cost Component (line 27 / 1000)				\$ 0.04853	<i>per kWh</i>
29	Times Loss Factor				1.0661	
30	Subtotal (line 28 x line 29)				\$ 0.05174	<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)				\$ 0.05411	<i>per kWh</i>
34	Multiplied by [1/(1-T)] (4.4% Gross Receipts Tax)				1.046025	
35	PTC Current Residential Class (line 33 x line 34)				\$ 0.05661	<i>per kWh</i>
36	E Reconciliation Rate				\$ 0.00173	<i>per kWh</i>
37	Multiplied by [1/(1-T)] (4.4% Gross Receipts Tax)				1.046025	
38	E Reconciliation Rate x GRT				\$ 0.00181	
39	PTC Default Residential Class (line 35 + line 38)				\$ 0.05842	<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
Price to Compare Default Service Rider Rate Calculation
Residential Class
Computation of Commercial Class Reconciliation Factor
Effective December 1, 2012 Through February 28, 2013

Line No.	Description	Amounts
1	Cumulative Residential Class (Over) / Under Collection as of October 31, 2012	\$ (1,168,942) See Schedule 2, Page 3 for support
2	Projected November 2012 through January 2013 (Over) / Under Collection adjustment	1,770,966
3	Total Cumulative Class (Over) / Under Collection as of October 31, 2012, including adjustment	\$ 602,024
4	Projected Residential Class kilowatt-hour sales - December 1, 2012 through February 28, 2013	347,458,473 kWhs
5	Residential Class Reconciliation Factor Rate before PA Gross Receipts Tax (Line 3 / Line 4)	\$ 0.00173 per kWh
6	PA Gross Receipt Gross-Up [1/(1-T) with T = 4.4% Gross Receipts Tax]	<u>1.046025</u>
7	Residential Class Reconciliation Factor Rate with PA Gross Receipts Tax (Line 5 X Line 6)	<u>\$ 0.00181 per kWh</u>

**Pennsylvania Power Company Default Service Program Reconciliation
Residential Customer Class Deferrals
August 2012 through October 2012**

<u>Line No.</u>		<u>Aug-12</u>	<u>Sep-12</u>	<u>Oct-12</u>
1	Cumulative (Over) Under Collections at Beginning of Month Including Interest	\$ (1,271,908)	\$ (1,880,959)	\$ (1,866,798)
2	POLR II / IDSSP Revenues With Pa GRT	\$ 6,802,948	\$ 5,736,136	\$ 4,465,902
3	Uncollectible Expense Revenues with Pa GRT Included in Line 2	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
4	POLR II / IDSSP Revenues With Pa GRT excluding Uncollectible Expense Revenues (line 2 - line 3)	\$ 6,802,948	\$ 5,736,136	\$ 4,465,902
5	Pa GRT Included in line 4	<u>\$ 299,330</u>	<u>\$ 252,390</u>	<u>\$ 196,500</u>
6	POLR II / IDSSP Revenues Including E Factor Revenues, Excluding Uncollectible Revenues and Pa GRT (line 4 - line 5)	\$ 6,503,618	\$ 5,483,746	\$ 4,269,402
	<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
8	Current Month cost to provide Default Service [DSexp2]	\$ 5,208,785	\$ 4,939,386	\$ 4,404,850
9	Current Monthly 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	<u>\$ 686,057</u>	<u>\$ 560,773</u>	<u>\$ 562,294</u>
11	Total Expenses for Month	\$ 5,905,042	\$ 5,510,359	\$ 4,977,344
12	Monthly (Over)/Under Collections	\$ (598,576)	\$ 26,613	\$ 707,942
13	Cumulative (Over)/Under Collections and Prior Months' Interest Before Current Month Interest Calculation	\$ (1,870,484)	\$ (1,854,346)	\$ (1,158,856)
14	Interest for Current Month	<u>\$ (10,475)</u>	<u>\$ (12,452)</u>	<u>\$ (10,086)</u>
15	Cumulative (Over) / Under Collections at End of Month Including Interest	<u>\$ (1,880,959)</u>	<u>\$ (1,866,798)</u>	<u>\$ (1,168,942)</u>