

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

Day-ahead hourly price service provides large commercial and industrial customers with the ability to purchase their electric supply requirements on a day-ahead hourly basis. Beginning June 1, 2017, the Company will supply electricity under this rider by obtaining the requirements based on a request for proposal (“RFP”). This rider is also available for the supply of electricity to generating stations that are not otherwise self-supplying and where the generating station is not otherwise receiving service from an EGS. Metering equipment must be installed at the generating station at the expense of the customer. (C)
(C)
(C)

MONTHLY CHARGES

Energy charges are hourly and provided at the day-ahead PJM locational marginal prices (“LMP”) based on the customer’s real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, plus a fixed retail administrative charge. PJM posts the day-ahead locational marginal price on their web site at 4:00 PM EPT. Capacity charges are equal to the full PJM Reliability Pricing Model (“RPM”) capacity price for the Duquesne Zone, and shall recover the charges associated with the customer’s share of the Company’s capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. Energy and capacity charges will be calculated using the following formula and adjusted for the Pennsylvania Gross Receipts Tax (GRT) in effect. (C)
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End Hour

$$\sum_{t=Start\ Hour}^{End\ Hour} L_{RTt} * (1 + ADJ_t) * (LMP_{DA_t} + OR_{DA_t}) + \quad (C)$$

t=Start Hour

End Hour

$$\sum_{t=Start\ Hour}^{End\ Hour} [(L_{RTt} * (1 + ADJ_t)) * (SR_{RTt} + REG_{RTt} + SCN_{RTt} + S1A) + L_{RTt} * (PJM_S + FRA)] + \quad (C)$$

t=Start Hour

End Day

$$\sum_{D=Start\ Day}^{End\ Day} [(CO_D * CChg_D) + NPLC_D * (R_D + B_D)]$$

D=Start Day

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MONTHLY CHARGES – (Continued)

Where:

t = Particular clock hour in the Billing Period from start hour to end hour for energy charges.**D** = Particular day in the Billing Period from start day to end day for capacity charges.Customer Load**L_{RTt}** = Actual (Real-Time) metered load of the customer, measured in MW. (C)**ADJ_t** = Adjustments to the customer load at the retail meter using the same methodology used to determine the hourly load obligations of a customer served by an EGS pursuant to Duquesne's Supplier Coordination Tariff. The hourly load adjustments shall be the sum of the percentage distribution and transmission (if applicable) losses of the applicable schedule as specified in Duquesne's Supplier Coordination Tariff. The Company will also adjust the customer load for the loss de-rating factor defined by PJM.Energy Charges**LMP_{DA}** = Day-Ahead hourly locational marginal price (LMP) in \$/MWH including energy, congestion and marginal losses for the Duquesne Zone or Duquesne Residual Zone as applicable. (C)PJM Ancillary Service Charges and Other PJM Charges**SR_{RTt}** = Hourly real-time synchronous reserve charge in \$/MWH as calculated by PJM for supporting the customer's load. (C)**OR_{DAt}** = Hourly Day-Ahead operating reserve (supplemental) charge in \$/MWh as calculated by PJM for supporting the customer's load. (C)**REG_{RTt}** = Hourly real-time regulation charge in \$/MWH as calculated by PJM for supporting the customer's load. (C)**SCN_{RTt}** = Real-time Synchronous Condensing Charge in \$/MWH for supporting the customer's load if this charge is billed separately by PJM to the Company.**S1A** = PJM Schedule 1A rate in \$/MWH applicable to the Duquesne Zone.

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****MONTHLY CHARGES – (Continued)****PJM Ancillary Service Charges and Other PJM Charges – (Continued)**

- PJM_S**= PJM Surcharge is a pass-through of the charges incurred by the Company for grid management and administrative costs associated with membership and operation in PJM. These are the charges incurred by the Company under PJM Schedules 9 and 10 to provide hourly price service.
- R_D** = Reactive supply service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 2.
- B_D** = Blackstart service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 6A.

Fixed Retail Administrative Charge

- FRA** = The Fixed Retail Administrative Charge in \$ per MWh. The Fixed Retail Administrative Charge consists of the sum of administrative charges for the suppliers providing hourly price service (as determined by a competitive solicitation process) and for the Company to obtain supply and administer this service. Default service supply-related costs shall include the cost of preparing the company's default service plan filing and working capital costs associated with default service supply. The Company will recover these costs over the default service plan period as defined in the Commission's order at Docket No. P-2016-2543140.

The supplier charges shall be based on the winning bids in the Company's most recent solicitation for supply of hourly price default service.

The Company's administrative charges shall be based on an amortization of the costs incurred by the Company to acquire generation supply from any source for the Large C&I Customer Class during the most recent twelve-month (12-month) period ended May 31st (as determined by amortizing such costs over a 12-month period) plus the amortization of the cost of administering the hourly price service over the duration of the default service plan, including any unbundled costs of preparing the Company's default service plan filing and working capital costs associated with default service supply.

This charge shall also include the Company's costs associated with any Commission approved solar contracts and its administration, if applicable, in \$ per MWh. The proceeds of any solar energy, capacity, ancillary services and solar AECs that are acquired and in excess of those allocated to default service suppliers, and sold into the market, will be netted against solar contract costs.

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****MONTHLY CHARGES – (Continued)****Customer's Capacity Obligation and Network Service Peak Load**

CO_D = Capacity Obligation in MW for each day associated with supporting the customer's load as described in the section "Determination of Capacity Obligation."

NPLC_D = The customer's daily network service coincident peak load contribution in MW. This quantity is determined based on the customer's load coincident with the annual peak of the Duquesne Zone (single coincident peak) as defined in the PJM Tariff Section 34.1.

Capacity Charges

CChg_D= The demand charge in \$/MW-day, which is equal to the full PJM RPM Final Zonal Capacity Price for the Duquesne Zone.

PJM bills these charges to the Company as a function of the load measured in megawatts (MW) and expresses these charges as \$/MW, \$/MWH and \$/MW-day. The Company measures the customer's load and energy usage in kilowatts (kW) and will convert the above charges to \$/kW, \$/kWh and \$/kW-day for the purposes of computing the customer's monthly bill.

PROCUREMENT PROCESS**(C)**

The Company will conduct a competitive request for proposal ("RFP") to obtain day-ahead hourly price service under this rider. The winning bidder(s) will be responsible for providing default service supply at PJM day-ahead energy prices, capacity, ancillary services, and other PJM management charges as defined above. The winning supplier(s) will be the supplier(s) who bids the lowest price(s) in this solicitation in \$/MWH to cover the costs of renewable energy supply, energy balancing, and supplier administrative costs.

(C)**CONTINGENCY PLAN****(C)**

In the event Duquesne does not receive bids, the Commission does not approve the submitted bid(s) or a supplier defaults, Duquesne will provide default supply for commercial and industrial customers through purchases in accordance with the above formula and process. The Company will pass-through the costs it incurs to provide the renewable energy requirements, energy balancing and any administrative costs in addition to those costs otherwise recovered through the Fixed Retail Administrative Charge described in the "Monthly Charges" section of this rider. All revenue and expense associated with the contingency plan will be reconciled as described in the "Annual Reconciliation" section of this rider.

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STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****LOCATIONAL MARGINAL PRICE****(C)**

The "Duquesne Zone" is the PJM-defined area encompassing the franchised service territory of the Duquesne Light Company. The pricing for the Duquesne Zone contains every transmission load bus on the Company's system. PJM will determine the locational marginal price for the Duquesne Zone and an hourly nodal locational marginal price for each load bus. Load Serving Entities (LSE's) and wholesale transmission customers have the option of electing energy settlement at the hourly nodal prices.

The "Duquesne Residual Zone" is the pricing zone determined by PJM in the event that LSE's or other wholesale transmission customers in the Duquesne Zone elect settlement based on nodal locational marginal energy prices. In such event the Duquesne Zone locational marginal price will be replaced by the Duquesne Residual Zone locational marginal price and:

- (i) the pricing for such zone will be calculated by PJM using a load-weighted average of the nodal locational marginal prices of all load buses within the Duquesne Zone, but excluding from such calculation the weighting at the respective nodal prices of the load served by LSE's or other wholesale transmission customers who have elected nodal settlement; and
- (ii) settlement for all LSE's and wholesale transmission customers in the Duquesne Zone that have not elected nodal settlement, will have their load obligations settled on an hourly day-ahead, hourly real-time or other periodic basis at the respective PJM-determined price for the Duquesne Residual Zone for such period.

DETERMINATION OF CAPACITY OBLIGATION

The capacity obligation subject to the Demand Charges in this rider will be the customer's share of the Company's capacity obligation determined by PJM. The Company's capacity obligation will be calculated by PJM based on the Company's peak system load and will be the basis for the capacity obligation for the following planning year.

In determining the customer's share of the capacity obligation, the Company will calculate the customer's peak load contribution. The peak load contribution is based on the customer's load coincident with the peak hour of the five peak days as determined by PJM. The customer load in each of these five hours, adjusted for the Company's transmission and distribution line losses and the customer's share of unaccounted for energy will be averaged to calculate the customer's peak load contribution. Customers may participate as a Demand Resource or as an Interruptible Load Resource ("ILR") under RPM in PJM. Any and all charges or credits associated with the customer's participation as an ILR will be applied to the customer's bill.

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****NOTIFICATION AND ELECTION OF SERVICE****(C)**

Customers may elect to purchase their supply requirements through this rider at any time according to the requirements of Rule No. 45. Customers that do not elect service with an EGS will default to hourly price service under this rider.

(C)**ANNUAL RECONCILIATION****(C)**

The Company will file with the Commission a reconciliation statement of the revenues, expenses and resulting over and under recovery for the eight (8) months beginning June 1, 2017, and ending January 31, 2018, in accordance with 66 Pa. C.S. § 1307(e), by March 1, 2018. Thereafter, the Company will file with the Commission an annual reconciliation statement of the revenues, expenses and resulting over and under recovery for the twelve (12) months beginning February 1 and ending January 31 of the following year, in accordance with 66 Pa. C.S. § 1307(e), by March 1. The reconciliation statement will reconcile actual revenue and actual expense associated with the Company's portion of the FRA.

(C)**GENERAL**

The Supply Charges are intended to recover the market costs of providing Default Service to customers in PJM as these costs may change or be redefined from time to time. The Supply Charges shall be calculated using the formula and prices referenced above, but may be revised from time to time, as necessary, to reflect changes in PJM rules and charges. The Company is required to include renewable energy sources as a component of providing POLR service. The Company will pass-through the charges required to comply with the Alternative Energy Portfolio Standards (AEPS) as those compliance requirements change. The formula is illustrative to reflect the charges in the PJM tariff and is subject to change at any time, as PJM rules, charges or market parameters change.