

**STATE TAX ADJUSTMENT CLAUSE**

In addition to the net charges provided for in this tariff, a surcharge credit value of 0.26% will apply to all PaPUC jurisdictional charges, exclusive of Energy and Capacity Charges, in the Base Rates and riders effective for scheduled billing cycles beginning after January 1, 2010. (I)

Whenever any of the tax rates used in the calculation of the surcharge are changed, or recoveries are authorized under Sections 2806, 2809 or 2810 of the Competition Act, the surcharge will be recomputed as prescribed by the Commission. The recalculation will be submitted to the Commission within ten days after the change occurs and the effective date shall be ten days after filing.

In addition, if a recalculation is submitted as a result of a tax rate change (including the Revenue Neutral Reconciliation rate) the Company will thereafter file each year by December 21 annual updates or revisions with the Commission which will reflect only this tax change. These annual updates will be effective ten days after filing and will continue until such time as the effect of the change in tax rates has been included in base rates.

(I) Denotes Increase