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GENERAL RULES

28. Transition Adjustment for Competitive Services - Continued

28.3 Calculation of the Transition Adjustment

The Transition Adjustment that commences March 2014 will be in effect for a 10-month period and will be based on the nine months ending December 2013. Any Reconciliation Amounts and prior period deferrals due to the calculation of the Transition Adjustment determined in accordance with the Commission's Order in Case 09-E-0428 will be collected in that Transition Adjustment, subject to reconciliation.

The Transition Adjustment that commences January 2015, and each January thereafter, will be in effect for a 12-month period and will be based on the 12 months ending December of the prior year.

Each Transition Adjustment will include any Reconciliation Amounts from the Transition Adjustment in effect for prior periods and prior period deferrals. The Reconciliation Amount is the difference between the amount to be recovered through the Transition Adjustment and the actual amount recovered through the Transition Adjustment, plus interest (calculated at the Other Customer Capital Rate). The Transition Adjustment commencing January 2015 will also collect differences in the targeted level of revenues and recoveries for components (a) and (d) and revenue shortfalls for components (b) and (c) of General Rule 28.2 that result from extension of the Case 13-E-0030 suspension period, plus interest at the Company's pre-tax rate of return.

The Company may adjust the Transition Adjustment for the remaining months of a collection period on not less than three days' prior notice if the total deferred debit or credit amount exceeds $5 million.

Half of the amount to be collected from or credited to Customers through the Transition Adjustment will be assigned to Full Service Customers; the balance will be collected from or credited to both Full Service and Retail Access Customers. To determine the per-kwhr Transition Adjustment (which will be expressed to the nearest 0.0001 cent per kWhr), the amounts to be collected from or credited to Customers will be divided by the estimated kilowatthour deliveries for the total period in which the Transition Adjustment is to be in effect. If the above calculation results in a Transition Adjustment of less than 0.0001 cent per kWhr, the total amount to be recovered from or credited to Customers will be deferred, with interest, for later recovery or refund through application to Customers' bills in a subsequently determined Transition Adjustment.

The Transition Adjustment will be calculated on an annual or more frequent basis, as provided herein. The per-kilowatthour adjustment to be put into effect for Full Service and Retail Access Customers will be passed through the Adjustment Factor – MAC described in General Rule 26.1. The per-kilowatthour adjustment to be put into effect for Full Service Customers will be passed through the Merchant Function Charge described in General Rule 25.3.