

**RIDER PE
PURCHASED ELECTRICITY**

Applicable to Rate BES

APPLICABILITY.

This rider is applicable to retail customers taking service under Rate BES - Basic Electric Service (Rate BES).

PURPOSE.

Bundled electric service is the provision to the retail customer of electric power and energy by the Company. Such provision includes the procurement of all the component services the Company requires to meet retail customer instantaneous electric power and energy requirements at any given time under the Company's tariffs, applicable tariffs on file with the Federal Energy Regulatory Commission (FERC), and other applicable law, including, without limitation, all required electric energy, energy to satisfy losses, electric generation capacity, volumetric risk management, transmission services, ancillary transmission services, administrative services, and other necessary services procured by the Company. Under this rider, the Company "recover[s] its costs of procuring power and energy" pursuant to Section 16-111.5 of the Public Utilities Act (Act). In particular, this rider provides for the recovery of the Company's "costs of procuring power that are incurred pursuant to the [Illinois Commerce] Commission-approved procurement plan" through a "formula rate or charge" "with no mark-up or return on the price paid by the [Company] for that supply, plus any just and reasonable costs that the [Company] incurs in arranging and providing for the supply of electric power and energy." Moreover, in accordance with such Section 16-111.5, "[The Company] shall recover through [this rider] all reasonable costs incurred to implement or comply with any procurement plan that is developed and put into effect pursuant to Section 1-75 of the Illinois Power Agency Act and this Section [16-111.5], including any fees assessed by the Illinois Power Agency, costs associated with load balancing, and contingency plan costs." This rider also recognizes that the Illinois Commerce Commission (ICC) may determine the reasonableness of the Company's costs of arranging and providing for supply in periodic review proceedings and expressly provides for the adjustments that may result from such proceedings. Costs incurred by the Company related to procurement activities that are contrary to or inconsistent with the procurement plan approved by the ICC are not recoverable under this rider unless such costs are independently found by the ICC to be prudently incurred.

- * Other purposes of this rider are to set forth the Company's obligations with respect to (a) the planning process associated with procurement plans in accordance with Section 16-111.5(d)(1) of the Act; (b) the contingency procurement of electric power and energy in accordance with Sections 16-111.5(e)(5)(i) and 16-111.5(e)(5)(iii) of the Act; and (c) the mechanisms employed to ensure that the Company does not over, or under, recover the costs it incurs in procuring electric power and energy for retail customers taking service under the tariff to which this rider is applicable.

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Filed with the Illinois Commerce Commission on
July 10, 2017. Issued pursuant to
Illinois Commerce Commission Order dated
June 28, 2017, in Docket No. 17-0278.
Asterisk (*) indicates change.

Date Effective: July 11, 2017
Issued by A. R. Pramaggiore, President and CEO
Post Office Box 805379
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**RIDER PE
PURCHASED ELECTRICITY**

(Continued from Sheet No. 311)

* **DEFINITIONS.**

Generally, definitions of terms used in this rider are provided in the Definitions part of the General Terms and Conditions of the Company's Schedule of Rates. The following acronyms and terms are defined for use in this rider:

IPA

IPA means Illinois Power Agency.

NITS

NITS means Network Integration Transmission Service.

PJM Services Price

PJM Services Price (PSP) means the expected average unit cost, in dollars per megawatt-hour (\$/MWh), for all applicable PJM Interconnection L.L.C., or its successor (PJM) component services the Company is required to procure to meet retail customers' instantaneous electric power and energy requirements provided under Rate BES, including but not limited to, NITS and other applicable PJM-associated expenses.

Purchased Electricity Adjustment Factor

Purchased Electricity Adjustment (PEA) Factor means a unit credit or charge that, through its application, periodically equalizes applicable revenues from retail customers taking service under Rate BES for electric power and energy procured for them by the Company and the expenses incurred by the Company related to the procurement of such electric power and energy, thereby ensuring that the Company does not over or under recover its costs related to the procurement of electric power and energy for its retail customers "due to changes in customer usage and demand patterns" in accordance with Section 16-111.5(l) of the Act.

Purchased Electricity Prices

Purchased Electricity Prices (PEPs) mean the expected load weighted average time of use unit costs, in \$/MWh, for all applicable supply-related component services the Company is required to procure and requires to meet retail customers' instantaneous electric power and energy requirements provided under Rate BES, applicable tariffs on file with the FERC, and other applicable law. PEPs are determined in accordance with the Purchased Electricity Prices section of this rider.

Retail PJM Services Charge

Retail PJM Services Charge means an electric transmission service related unit price that, through its application, allows the Company to recover from retail customers applicable costs the Company incurs in procuring certain services from PJM, including but not limited to, NITS and other PJM-associated expenses in accordance with applicable tariffs on file with the FERC and other applicable law that are not included in the development of the PEPs.

Retail Purchased Electricity Charges

Retail Purchased Electricity Charges (RPECs) mean electric supply service unit prices that, through their application, allow the Company to recover from retail customers the costs the Company incurs in procuring applicable component services it is required to procure and requires to meet such retail customers' instantaneous electric power and energy requirements at any given time under Rate BES, applicable tariffs on file with the FERC, and other applicable law.

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(Continued from Sheet No. 312)

PLANNING PROCESS OBLIGATIONS.

* Each year, by July 15 or such other date as may be required by the ICC or the IPA, the Company must provide a range of electric load forecasts to the IPA. Such load forecasts must be for the five (5) year planning period for the next procurement plan developed in accordance with Section 16-111.5 of the Act and must include three (3) separate sets of hourly data. The first such set must be representative of a high load scenario, the second set must be representative of a low load scenario, and the third set must be representative of an expected load scenario. Such load forecasts are determined for only those retail customers expected to be taking service under Rate BES during such five (5) year planning period. Such load forecasts account for losses on the distribution system located in the Company's service territory. Such load forecasts also account for losses on the transmission system located in the Company's service territory. Along with the provision of such load forecasts, the Company must submit to the IPA the supporting data and assumptions it used to develop each forecast and electric load scenario.

PROCUREMENT OBLIGATIONS.

For retail customers taking bundled electric service under Rate BES, the Company is obligated to procure all the component services the Company requires to meet such retail customers' instantaneous electric power and energy requirements at any given time under the Company's tariffs, applicable tariffs on file with the FERC, and other applicable law, including, without limitation, all required electric energy, energy to satisfy losses, electric generation capacity, volumetric risk management, transmission services, ancillary transmission services, administrative services, and other necessary services procured by the Company. Such obligations are met by the Company through contractual arrangements and purchases in the PJM-administered markets or wholesale electricity markets, as applicable.

IPA Contracts

The Company must enter into binding contractual arrangements with the winning suppliers selected at the conclusion of a procurement event for the procurement of electric power and energy in accordance with a procurement plan developed pursuant to Section 16-111.5 of the Act. Such contractual arrangements are herein designated as IPA Contracts. The Company must enter into such IPA Contracts within three (3) business days after the ICC approves the results of such procurement event. Such IPA Contracts are for the provision of "standard wholesale products" that, in accordance with the provisions of Section 16-111.5(b)(3)(iii) of the Act, may be executed "separately or in combination to meet that portion of [the Company's] load requirements not met through preexisting contracts, including but not limited to monthly 5 x 16 peak period block energy, monthly off-peak wrap energy, monthly 7 x 24 energy, annual 5 x 16 energy, annual off-peak wrap energy, annual 7 x 24 energy, monthly capacity, annual capacity, peak load capacity obligations, capacity purchase plan, and ancillary services."

Load Balancing

The Company must procure electric load balancing services during the procurement period in accordance with the procedure for balancing load contained in the applicable procurement plan approved by the ICC. In accordance with Section 16-111.5(b)(4) of the Act, such plan includes "the process for (i) hourly balancing of supply and demand and (ii) the criteria for portfolio rebalancing in the event of significant shifts in load."

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PROCUREMENT OBLIGATIONS (CONTINUED).

Residual Procurement

The Company must procure electric power and energy component services the Company requires to meet retail customers' instantaneous electric power and energy requirements at any given time that are not procured through contractual arrangements or mechanisms previously described in this Procurement Obligations section. The Company must also procure, or arrange for the procurement on behalf of retail customers, such transmission services and ancillary transmission services not otherwise provided that are required to serve such retail customers. The Company makes such procurements in PJM-administered markets and/or in accordance with tariffs on file with the FERC. Notwithstanding the previous provisions of this paragraph, if any such component service that must be procured by the Company is not available in PJM-administered markets, the Company purchases any such component service in the wholesale electricity market. The Company must also pay such other charges under tariffs regulated by the FERC as may be applicable to the Company by virtue of the fact that the Company provides electric service to retail customers.

- * Nothing in this Procurement Obligations section relieves the Company of any otherwise applicable obligation under the law to prudently administer any contractual arrangements into which it enters in accordance with this Procurement Obligations section.

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Filed with the Illinois Commerce Commission on
July 10, 2017. Issued pursuant to
Illinois Commerce Commission Order dated
June 28, 2017, in Docket No. 17-0278.
Asterisk (*) indicates change.

Date Effective: July 11, 2017
Issued by A. R. Pramaggiore, President and CEO
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* **CONTINGENCY OBLIGATIONS.**

Pursuant to the provisions of Section 16-111.5(e)(5)(i) of the Act, in the event of default by a supplier with which the Company entered into an IPA Contract in accordance with the provisions of the Procurement Obligations section of this rider, the Company reviews such contract to determine (a) the amount of electric power and energy such supplier was contracted to supply, and (b) the number of days remaining in the term of the contract. If the result of the default is the termination of the contract, the amount of electric power and energy the defaulting supplier was contracted to supply is at least two hundred megawatts (200 MWs), and more than sixty (60) calendar days would have otherwise remained in the contract term, then the Company must immediately notify the IPA that a request for proposals must be issued for the procurement of electric power and energy to replace the electric power and energy such defaulting supplier was contracted to supply. Otherwise, if the result of the default is the termination of the contract, then the Company procures electric power and energy to replace the electric power and energy such defaulting supplier was contracted to supply in PJM-administered markets. Notwithstanding the provisions of the previous sentence, if any component of such replacement electric power and energy is not available in PJM-administered markets, the Company purchases any such component in the wholesale electricity market.

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CONTINGENCY OBLIGATIONS (CONTINUED).

- * Pursuant to the provisions of Section 16-111.5(e)(5)(iii) of the Act, in any case in which there is insufficient electric power and energy procured under contracts awarded through the procurement process to fully meet the Company's electric load requirement identified in the procurement plan, the Company procures the necessary electric power and energy to make up for such insufficiency in PJM-administered markets. Notwithstanding the provisions of the previous sentence, if any component of the electric power and energy that must be procured by the Company to make up for such insufficiency is not available in PJM-administered markets, the Company purchases any such component in the wholesale electricity market.

Nothing in this Contingency Obligations section relieves the Company of any otherwise applicable obligation under law to prudently administer any contractual arrangements into which it enters in accordance with this Contingency Obligations section or to prudently purchase electric power and energy components in response to a contingency as required in this Contingency Obligations section.

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Filed with the Illinois Commerce Commission on
June 23, 2015. Issued pursuant to the
Illinois Commerce Commission Order dated
December 18, 2013, in Docket No. 13-0318.
Asterisk (*) indicates change.

Date Effective: August 7, 2015
Issued by A. R. Pramaggiore, President and CEO
Post Office Box 805379
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**RIDER PE
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(Continued from Sheet No. 316)

PURCHASED ELECTRICITY PRICE.

- * For the purpose of developing Retail Purchased Electricity Charges (RPECs), as described in the Retail Purchased Electricity Charges section of this rider, that allow the Company to recover the costs it incurs in procuring certain component services the Company is required to procure and requires to meet retail customers' instantaneous electric power and energy requirements at any given time under the Company's tariffs, applicable tariffs on file with the FERC, and other applicable law, the Company determines four Purchased Electricity Prices (PEPs). Specifically, the four PEPs are (1) the Summer Peak PEP, (2) the Summer Off-Peak PEP, (3) the Nonsummer Peak PEP, and (4) the Nonsummer Off-Peak PEP. Each PEP is equal to the load weighted average time of use unit cost, in dollars per megawatt-hour (\$/MWh), for all such component services pertaining to the corresponding monthly billing periods for which RPECs are being determined.

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Filed with the Illinois Commerce Commission on
June 23, 2015. Issued pursuant to the
Illinois Commerce Commission Order dated
December 18, 2013, in Docket No. 13-0318.
Asterisk (*) indicates change.

Date Effective: August 7, 2015
Issued by A. R. Pramaggiore, President and CEO
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**RIDER PE
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(Continued from Sheet No. 317)

PURCHASED ELECTRICITY PRICE (CONTINUED).

The PEPs include the following costs expected to be incurred by the Company:

- (a) applicable costs to meet the Company's obligations in accordance with the Procurement Obligations section of this rider;
- (b) costs to arrange and provide for the supply of electric power and energy in accordance with the Procurement Obligations section of this rider, including but not necessarily limited to,
 - (i) costs to meet collateral requirements or other forms of security requirements solely as a result of the Company's procurement activities pursuant to the procurement plan approved by the ICC, with such costs reflecting credit activities that have been previously reviewed by Company representatives with personnel from the Finance Department of the ICC Staff in accordance with the provisions of the Reporting and Annual Audit section of this rider,
 - (ii) costs of working capital used to arrange or procure such supply, with such costs determined in a manner consistent with the methodology used to determine costs of working capital approved by the ICC in its order in the Company's most recent rate or Rate DSPP - Delivery Service Pricing and Performance (Rate DSPP) annual update case, or as otherwise provided by law, as applicable, and
 - * (iii) costs identified through the use of a wages and salaries allocator calculated as initially directed by the ICC in its Order in Docket No. 11-0721, dated May 29, 2012, with any subsequent value of such allocator as approved by the ICC in its order in the Company's most recent rate or Rate DSPP annual update case, or as otherwise provided by law, as applicable, and taking into account reconciliation adjustments made in accordance with Section 16-108.5(d) of the Act, as applicable, whereby such costs are equal to the portion of the Company's overall costs to which such allocator is applied that are (A) not recovered through the application of delivery service charges; (B) not recovered through the application of the Retail PJM Services Charge determined in accordance with the Retail PJM Services Charge section of this rider; (C) not associated with arranging or procuring electric power and energy directly from PJM-administered markets to provide electric supply service under Rate BESH - Basic Electric Service Hourly Pricing (Rate BESH); (D) not costs incurred by the Company in association with arranging and providing for the supply of renewable energy credits to meet the requirements of both subsection 1-75(c) of the Illinois Power Agency (IPA) Act and Section 16-111.5 of the Act in accordance with the Determination of the Renewable Energy Adjustment Section of Rider REA - Renewable Energy Adjustment (Rider REA); and (E) not costs incurred by the Company in association with arranging and providing for the supply of zero emission credits to meet the requirements of subsection 1-75(d-5) of the IPA Act in accordance with the Determination of the Zero Emission Adjustment Section of Rider ZEA – Zero Emission Adjustment (Rider ZEA);

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- (c) customer service related costs allocated to only retail customers taking service under Rate BES in accordance with the ICC's order in the Company's most recent rate or Rate DSPP annual update case, as applicable;
- (d) collection agency costs allocated to only retail customers taking service under Rate BES in accordance with the ICC's order in the Company's most recent rate or Rate DSPP annual update case, as applicable; and
- (e) costs related to the development, approval, implementation of, or compliance with any preexisting contract or any procurement plan that is put into effect pursuant to Section 1-75 of the IPA Act and Section 16-111.5 of the Act, including any fees assessed by the IPA, and including attorney, consultant, and expert witness fees.

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(Continued from Sheet No. 317.2)

PURCHASED ELECTRICITY PRICE (CONTINUED).

Each year, in the initial determination of PEPs used to compute RPECs that are expected to be applicable beginning with that year's June monthly billing period, any cumulative balance of deferrals associated with the computation of previous Purchased Electricity Adjustment (PEA) Factors existing at the end of the most recent month for which applicable data are available prior to the date such PEPs are determined is included in the determination of such PEPs. Such balance continues to be reflected in PEPs and their associated RPECs that are applicable through the May monthly billing period following such June monthly billing period.

The Company's internal administrative and operational costs solely arising from meeting the obligations set forth in the Procurement Obligations section of this rider are included in the PEPs.

Including costs of working capital in the PEPs provides for the recovery of costs the Company incurs for working capital used to arrange or procure electric power and energy supply, such as the funds required to finance the lag between the purchase of electric power and energy supply resources and the recovery of the costs of such resources from retail customers. Such costs are determined in a manner consistent with a methodology used to determine costs of working capital approved by the ICC in its order in the Company's most recent rate or Rate DSPP annual update case, or as otherwise provided by law, as applicable. Such methodology is applied using a cost of capital equal to that established by the ICC in its order in such most recent case, or as otherwise provided by law, as applicable. All other data, including applicable leads and lags, are updated annually to reflect current electric power and energy supply procurement working capital costs. Company representatives must review such calculated costs with personnel from the Accounting Department of the ICC Staff in accordance with the provisions of the Reporting and Annual Audit section of this rider. A cost of capital established by the ICC in its order in such most recent case or as otherwise provided by law, as applicable, is applied in determining the costs of working capital component of the PEPs only for PEPs used to determine Purchased Electricity Charges described in Rate BES that become applicable after the date of such order or law, as applicable.

In accordance with Section 16-111.5(l) of the Act, the Company recovers "the costs incurred by the [Company] in procuring a supply of electric power and energy for the applicable customer classes with no mark-up or return on the price paid by the [Company] for that supply."

Costs incurred by the Company to procure certain services from PJM, including but not limited to, Network Integration Transmission Service (NITS) and PJM-associated expenses, are not included in the development of the PEPs. Instead, such costs are addressed in the PJM Services Price section of this rider.

The aforementioned PEPs must be recomputed each time the ICC approves the results of a procurement event; generally procurement events are expected to occur on an annual basis and correspond to a given PJM Planning Year. In addition, the PEPs must be recomputed in accordance with directives in ICC orders in Company rate or Rate DSPP annual update cases, or as otherwise provided by law, as applicable. In addition, the PEPs may be recomputed at such times that FERC-approved or accepted changes in charges related to costs identified for inclusion in the PEPs become effective.

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**RIDER PE
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(Continued from Sheet No. 318)

* **PJM SERVICES PRICE.**

For the purpose of developing the Retail PJM Services Charge as described in the Retail PJM Services Charge section of this rider that allows the Company to recover the costs it incurs in procuring certain services from PJM, including but not limited to, NITS and other PJM-associated expenses that are not included in the development of the PEPs, with such costs incurred in accordance with applicable tariffs on file with the FERC, and other applicable law, the Company determines a PJM Services Price (PSP). The PSP is equal to the expected average unit cost, in \$/MWh, for all applicable PJM component services expected to be required for the applicable PJM Planning Year. The PSP is developed using the electricity usage expected to be provided to retail customers taking service under Rate BES for a period of twelve (12) monthly billing periods extending from the start of a June monthly billing period and extending through the following May monthly billing period, corresponding to such PJM Planning Year. Costs included in the determination of the PSP are calculated based on the same prices, terms, and conditions as set forth in applicable rates on file with the FERC. The Company is not allowed to mark-up or include a return on such costs.

Generally, the aforementioned PSP is expected to be determined on an annual basis. However, the PSP may be recomputed at such time that the ICC approves the results of a procurement event. In addition, the PSP may be recomputed at such time that FERC-approved or accepted changes in charges related to costs identified for inclusion in the PSP become effective.

* **RETAIL PURCHASED ELECTRICITY CHARGES.**

The application of RPECs allows the Company to recover from retail customers the costs the Company incurs in procuring all applicable component services it is required to procure and requires to meet such retail customers' instantaneous electric power and energy requirements at any given time under the Company's tariffs, applicable tariffs on file with the FERC, and other applicable law. The development of RPECs is based upon the PEPs determined in accordance with the provisions of the Purchased Electricity Price section of this rider and the electricity usage characteristics of the different customer supply groups applicable to such retail customers to reflect each such group's responsibility for such costs.

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**RIDER PE
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(Continued from Sheet No. 319)

* **RETAIL PURCHASED ELECTRICITY CHARGES (CONTINUED).**

The Summer Retail Purchased Electricity Charge (SRPEC_g), in cents per kilowatt-hour (¢/kWh) rounded to the thousandths of a cent, for each applicable customer supply group is computed in accordance with the following equation:

$$SRPEC_g = \frac{(SPPEP \times SPE_g) + (SOPEP \times SOE_g)}{SE_g} \times Exp_g \times \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \times \frac{100 \text{ ¢}}{\$1}$$

Where:

- SPPEP = Summer Peak Purchased Electricity Price, in \$/MWh, equals the Summer Peak PEP determined in accordance with the provisions of the Purchased Electricity Price section of this rider.
- SOPEP = Summer Off-Peak Purchased Electricity Price, in \$/MWh, equals the Summer Off-Peak PEP determined in accordance with the provisions of the Purchased Electricity Price section of this rider.
- SPE_g = Summer Peak Energy, in MWh, equals the total expected forecasted electric consumption pertaining to the expected load scenario, as described in the Planning Process Obligations section of this rider, for the Wholesale Peak Periods for the months of June, July, August, and September for customer supply group, g.
- SOE_g = Summer Off-Peak Energy, in MWh, equals the total expected forecasted electric consumption pertaining to the expected load scenario, as described in the Planning Process Obligations section of this rider, for the Wholesale Off-Peak Periods for the months of June, July, August, and September for customer supply group, g.
- SE_g = Summer Energy, in MWh, equals the total expected forecasted electric consumption pertaining to the expected load scenario, as described in the Planning Process Obligations section of this rider, for the months of June, July, August, and September for customer supply group, g.
- Exp_g = Expansion Factor, in decimal format, equals one plus the Distribution Loss Factor (DLF), as provided in Informational Sheet No. 33 corresponding to customer supply group, g.

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**RIDER PE
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RETAIL PURCHASED ELECTRICITY CHARGES (CONTINUED).

The Nonsummer Retail Purchased Electricity Charge (NRPEC_g), in ¢/kWh rounded to the thousandths of a cent, for each such customer supply group is computed in accordance with the following equation:

$$\text{NRPEC}_g = \frac{(\text{NPPEP} \times \text{NPE}_g) + (\text{NOPEP} \times \text{NOE}_g)}{\text{NE}_g} \times \text{Exp}_g \times \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \times \frac{100 \text{ ¢}}{\$1}$$

Where:

- NPPEP = Nonsummer Peak Purchased Electricity Price, in \$/MWh, equals the Nonsummer Peak PEP determined in accordance with the provisions of the Purchased Electricity Price section of this rider.
- NOPEP = Nonsummer Off-Peak Purchased Electricity Price, in \$/MWh, equals the Nonsummer Off-Peak PEP determined in accordance with the provisions of the Purchased Electricity Price section of this rider.
- NPE_g = Nonsummer Peak Energy, in MWh, equals the total expected forecasted electric consumption pertaining to the expected load scenario, as described in the Planning Process Obligations section of this rider, for the Wholesale Peak Periods for the months of January, February, March, April, May, October, November, and December for customer supply group, g.
- NOE_g = Nonsummer Off-Peak Energy, in MWh, equals the total expected forecasted electric consumption pertaining to the expected load scenario, as described in the Planning Process Obligations section of this rider, for the Wholesale Off-Peak Periods for the months of January, February, March, April, May, October, November, and December for customer supply group, g.
- NE_g = Nonsummer Energy, in MWh, equals the total expected forecasted electric consumption pertaining to the expected load scenario, as described in the Planning Process Obligations section of this rider, for the months of January, February, March, April, May, October, November, and December for customer supply group, g.

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* **RETAIL PURCHASED ELECTRICITY CHARGES (CONTINUED).**

The customer supply groups for which SRPEC_gs and NRPEC_gs are determined include the Residential Customer Group, Dusk to Dawn Lighting Customer Group, and General Lighting Customer Group. For nonresidential retail customers, SRPEC_gs and NRPEC_gs are determined for the Watt-Hour Non-Electric Space Heating Customer Subgroup, Demand Non-Electric Space Heating Customer Subgroup, and Nonresidential Electric Space Heating Customer Subgroup by segmenting the Watt-Hour Customer Group and Demand Customer Group, as applicable. Notwithstanding the previous provisions of this Retail Purchased Electricity Charges section, the percentage change in overall supply costs to be incurred by the Company resulting from future procurements of electric power and energy is used to determine changes in the SRPEC_gs and the NRPEC_gs determined for retail customers in the Nonresidential Electric Space Heating Customer Subgroup, Dusk to Dawn Lighting Customer Group, and General Lighting Customer Group without regard to the cost of serving such retail customers. To the extent that subsidies are thereby provided to such retail customers, such subsidies are provided at the expense of other nonresidential retail customers in the Watt-Hour Non-Electric Space Heating Customer Subgroup and Demand Non-Electric Space Heating Customer Subgroup.

The Residential Customer Group includes any nonresidential retail customer to which the Watt-Hour Customer Group or Demand Customer Group is applicable that was eligible to take service on January 1, 2007, under a then effective residential service rate, and any successor to such nonresidential retail customer to which the Watt-Hour Customer Group or Demand Customer Group is applicable. The Nonresidential Electric Space Heating Customer Subgroup includes any nonresidential retail customer to which the Watt-Hour Customer Group or Demand Customer Group is applicable that was eligible to take service on January 1, 2007, under the then effective Rider 25 - Electric Space Heating (Rider 25), and any successor to such nonresidential retail customer. The Watt-Hour Non-Electric Space Heating Customer Subgroup includes any other nonresidential retail customer to which the Watt-Hour Customer Group is applicable that is not included in the Residential Customer Group or the Nonresidential Electric Space Heating Customer Subgroup. The Demand Non-Electric Space Heating Customer Subgroup includes any nonresidential retail customer to which the Demand Customer Group is applicable that is not included in the Residential Customer Group or the Nonresidential Electric Space Heating Customer Subgroup.

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* **RETAIL PJM SERVICES CHARGE.**

The application of the Retail PJM Services Charge allows the Company to recover from retail customers applicable costs the Company incurs in procuring certain services from PJM, including but not limited to, NITS and other PJM-associated expenses in accordance with applicable tariffs on file with the FERC and other applicable law that are not included in the development of the PEPs. The development of the Retail PJM Services Charge is based upon the PSP determined in accordance with the provisions of the PJM Services Price section of this rider and the electricity usage expected to be provided to retail customers taking service under Rate BES.

The Retail PJM Services Charge, in ¢/kWh rounded to the thousandths of a cent, is computed in accordance with the following equation:

$$\text{Retail PJM Services Charge} = \text{PSP} \times \text{Exp}_s \times \frac{1 \text{ MWh}}{1,000 \text{ kWh}} \times \frac{100 \text{ ¢}}{\$1}$$

Where:

Exp_s = Expansion Factor, in decimal format, equals one plus the weighted average of the DLFs, as provided in Informational Sheet No. 33 applicable to customers taking service under Rate BES.

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PURCHASED ELECTRICITY ADJUSTMENT FACTOR.

- * In accordance with Section 16-111.5(l) of the Act that states the application of the RPECs must not result in over or under recovery of the Company's costs related to the procurement of electric power and energy for its retail customers "due to changes in customer usage and demand patterns," the Purchased Electricity Adjustment (PEA) Factor periodically equalizes the revenues from retail customers taking service under Rate BES for electric power and energy procured for them by the Company and the expenses incurred by the Company related to the procurement of such electric power and energy. A PEA Factor, in ¢/kWh rounded to the thousandths of a cent, is determined and applied to each kilowatt-hour (kWh) provided by the Company under Rate BES during a given effective period.

The PEA Factor is determined and applied in each effective period in accordance with the following equation:

$$\text{PEA Factor} = \frac{[AE - AR + AB + A]_{\text{amortized}} + \sum APRA}{U} \times \frac{100¢}{\$1}$$

Where:

- PEA Factor = Purchased Electricity Adjustment Factor, in ¢/kWh rounded to the thousandths of a cent, applied as a credit or charge to kWhs provided to retail customers taking service under Rate BES during the effective period.
- AE = Accrued Expenses, in \$, equal to the sum of the accrued net expenses incurred by the Company in accordance with this rider related to the procurement of electric power and energy for retail customers taking service under Rate BES during the determination period(s). Accrued Expenses may reflect the amortization of certain expenses, such as legal and consultative fees associated with the procurement of electric power and energy and ICC proceedings concerning the procurement of electric power and energy, over multiple determination periods.
- AR = Accrued Revenues, in \$, equal to the accrued net revenues recognized for retail customers taking service under Rate BES during the determination period(s) in accordance with this rider. Accrued Revenues may reflect the amortization of certain revenues, such as liquidated damage payments from suppliers in the event of default, over multiple determination periods.
- * AB = Automatic Balancing Factor, in \$, equal to the cumulative debit or credit balance resulting from the application of the PEA Factor through the determination period(s). Such balance includes interest at the rate established by the ICC in accordance with 83 Illinois Administrative Code Section 280.40(g).

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RIDER PE
PURCHASED ELECTRICITY

(Continued from Sheet No. 324)

PURCHASED ELECTRICITY ADJUSTMENT FACTOR (CONTINUED).

- * A = Adjustment, in \$, equal to an amount (a) ordered by the ICC, or (b) determined by the Company, that is to be refunded to or collected from retail customers to correct for errors associated with the computation of previously applied PEA Factors. Such amount includes interest at the rate established by the ICC in accordance with 83 Illinois Administrative Code Section 280.40(g). Such interest is calculated for the period of time beginning on the first day of the effective period during which such PEA was applied and extending through the day prior to the start of the effective period in which the A is applied. Such amount may be amortized over multiple effective periods with interest.

- []_{amortized} = Amortization of the quantity included in the brackets, as necessary, for a period not to exceed twelve (12) effective periods. For a situation in which amortization is not necessary, there is no amortization period.

- * APRA = Amortized Procurement Revenue Adjustment Amount, in \$, equal to a previously amortized quantity (AE - AR + AB + A). Each such APRA includes interest at the rate established by the ICC in accordance with 83 Illinois Administrative Code Section 280.40(g), and such interest is calculated for an amortization period not to exceed twelve (12) effective periods, beginning on the first day of the effective period during which such APRA is applied and extending through the day prior to the start of the last effective period during which such APRA is applied. Each such APRA is applied only during effective periods that correspond to such APRA's amortization period.

- U = Usage, in kWh, forecasted to be provided to retail customers taking service under Rate BES during the effective period.

- * Notwithstanding the previous provisions of this Purchased Electricity Adjustment Factor section, each year in the initial determination of PEPs used to compute RPECs that are expected to be applicable beginning with that year's June monthly billing period, any cumulative balance of deferrals associated with the computation of previous PEA Factors existing at the end of the most recent month for which applicable data are available prior to the date such PEPs are determined is included in the determination of such PEPs and is no longer included in the determination of PEA Factors.

For the purposes of the computation of a PEA, a determination period means the calendar month for which the PEA is determined for retail customers taking service under Rate BES for which the Company procures electric power and energy.

For the purposes of the application of a PEA, an effective period means the monthly billing period during which a PEA is applied to kWhs provided to retail customers taking service under Rate BES. The effective period is the first monthly billing period beginning no earlier than fifteen (15) calendar days after the final reconciliation of the PJM-conducted settlement process for electric supply for the determination period(s).

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**RIDER PE
PURCHASED ELECTRICITY**

(Continued from Sheet No. 325)

* **INFORMATIONAL FILINGS.**

RPECs, Retail PJM Services Charges, and PEA Factors are revised periodically in accordance with the provisions of the Retail Purchased Electricity Charges section, Retail PJM Services Charge section, and Purchased Electricity Adjustment Factor section, respectively, of this rider. In the event that (a) RPECs and/or Retail PJM Services Charges are revised or (b) applicable uncollectible factors determined in accordance with Rider UF – Uncollectible Factors (Rider UF) are revised, then the corresponding Purchased Electricity Charges (PECs) and/or PJM Services Charges, as described in Rate BES, must be revised. The Company must file revised PECs and PJM Services Charges with the ICC for informational purposes in accordance with applicable provisions of this Informational Filings section. For a situation in which the PEA Factor is revised, the Company must file such revised PEA Factor with the ICC for informational purposes in accordance with applicable provisions of this Informational Filings section.

Purchased Electricity Charges

Within two (2) business days after the ICC approves the results of a procurement event, the Company must file with the ICC for informational purposes revised PECs to incorporate the results of such procurement event. The commencement of the applicability of such revised PECs corresponds to the commencement of the procurement of electric power and energy under the binding contractual arrangements effectuated as a result of the procurement event.

The Company must file revised PECs with the ICC for informational purposes either (a) concurrently with the Company's filing made in compliance with the ICC's Order entered in accordance with the provisions of the Annual Updates section of Rate DSPP or (b) no later than December 20 in the event that no proceeding is initiated in accordance with the provisions of such Annual Updates section. Such revised PECs are to be applicable beginning with the January monthly billing period and must incorporate applicable base supply uncollectible cost factors determined in accordance with the provisions of Rider UF.

In the event that the PEPs are recomputed pursuant to a FERC-approved or accepted change in charges related to costs identified for inclusion in the PEPs, as described in the Purchased Electricity Price section of this rider, the Company must file with the ICC for informational purposes revised PECs that reflect such recomputed PEPs. Such informational filing of such revised PECs must be made no later than the twentieth day of the month prior to the start of the monthly billing period during which such revised PECs become applicable.

No later than the twentieth day of May, the Company must file with the ICC for informational purposes revised PECs to be applicable beginning with the June monthly billing period. Such revised PECs must incorporate incremental supply uncollectible cost factors determined in accordance with the provisions of Rider UF that are applicable beginning with such June monthly billing period.

No later than the twentieth day of August, the Company must file with the ICC for informational purposes revised PECs to be applicable beginning with the September monthly billing period. Such revised PECs must incorporate incremental supply uncollectible cost factors determined in accordance with the provisions of Rider UF that are applicable beginning with such September monthly billing period.

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**RIDER PE
PURCHASED ELECTRICITY**

(Continued from Sheet No. 326)

* **INFORMATIONAL FILINGS (CONTINUED).**

PJM Services Charges

Within two (2) business days after the ICC approves the results of a procurement event and the Company recomputes the PSP in accordance with the provisions of the PJM Service Price section of this rider to be reflective of the results of such procurement event, the Company must file with the ICC for informational purposes revised PJM Services Charges that reflect such recomputed PSP. The commencement of the applicability of such revised PJM Services Charges corresponds to the commencement of the procurement of electric power and energy under the binding contractual arrangements effectuated after the ICC's approval of the results of the procurement event.

The Company must file revised PJM Services Charges with the ICC for informational purposes either (a) concurrently with the Company's filing made in compliance with the ICC's Order entered in accordance with the provisions of the Annual Updates section of Rate DSPP or (b) no later than December 20 in the event that no proceeding is initiated in accordance with the provisions of such Annual Updates section. Such revised PJM Services Charges are to be applicable beginning with the January monthly billing period and must incorporate applicable base supply uncollectible cost factors determined in accordance with the provisions of Rider UF.

In the event that the PSP is recomputed pursuant to a FERC-approved or accepted change in charges related to costs identified for inclusion in the PSP, as described in the PJM Services Price section of this rider, the Company must file with the ICC for informational purposes revised PJM Services Charges that reflect such recomputed PSP. Such informational filing of such revised PJM Services Charges must be made no later than the twentieth day of the month prior to the start of the monthly billing period during which such revised PJM Services Charges become applicable.

No later than the twentieth day of May, the Company must file with the ICC for informational purposes revised PJM Services Charges to be applicable beginning with the June monthly billing period. Such revised PJM Services Charges must incorporate the incremental supply uncollectible cost factors determined in accordance with the provisions of Rider UF that are applicable beginning with such June monthly billing period.

No later than the twentieth day of August, the Company must file with the ICC for informational purposes revised PJM Services Charges to be applicable beginning with the September monthly billing period. Such revised PJM Services Charges must incorporate the incremental supply uncollectible cost factors determined in accordance with the provisions of Rider UF applicable beginning with such September monthly billing period.

Purchased Electricity Adjustment Factors

No later than the twentieth day of the month prior to the start of each effective period, the Company must file with the ICC for informational purposes the revised PEA Factor to be applicable during such effective period.

(Continued on Sheet No. 328)

**RIDER PE
PURCHASED ELECTRICITY**

(Continued from Sheet No. 327)

* **INFORMATIONAL FILINGS (CONTINUED).**

Any submission of a revised PEC, PJM Services Charge, or PEA Factor, after the applicable deadline identified in this Informational Filings section but prior to the start of the period during which such revised PEC, PJM Services Charge, or PEA Factor, as applicable, is to be applicable is acceptable only if such submission corrects an error or errors from a timely submitted revised PEC, PJM Services Charge, or PEA Factor for such period. Any other such submission made after such applicable deadline is acceptable only if such submission is made in accordance with the special permission provisions of Section 9-201(a) of the Act.

Each time the Company files any PEC, PJM Services Charge, or PEA Factor with the ICC for informational purposes, such filing must be accompanied by work papers supporting the determination of such PEC and its associated RPEC, PJM Services Charge and its associated Retail PJM Services Charge, or PEA Factor, as applicable.

* **REPORTING AND ANNUAL AUDIT.**

At the earliest reasonable date after the ICC approves a procurement plan, with such date occurring prior to the procurement event associated with such procurement plan, credit activities intended to meet collateral requirements or other forms of security requirements incurred by the Company, if any, solely as a result of its procurement activities pursuant to the procurement plan approved by the ICC must be reviewed by Company representatives with personnel from the Finance Department of the ICC Staff.

At the earliest reasonable date after the ICC approves a procurement plan, with such date occurring prior to the procurement event associated with such procurement plan, internal administrative and operational costs expected to be incurred by the Company solely as a result of its electric power and energy supply procurement activities pursuant to the procurement plan approved by the ICC must be reviewed by Company representatives with personnel from the Accounting Department of the ICC Staff.

At the earliest reasonable date after the ICC approves a procurement plan, with such date occurring prior to the procurement event associated with such procurement plan, costs of working capital used to arrange or procure electric power and energy supply in accordance with the provisions of this rider that are expected to be incurred by the Company must be reviewed by Company representatives with personnel from the Accounting Department of the ICC Staff.

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**RIDER PE
PURCHASED ELECTRICITY**

(Continued from Sheet No. 328)

* **REPORTING AND ANNUAL AUDIT (CONTINUED).**

Each year, the Company must conduct an audit of its costs for the previous PJM Planning Year and recoveries of such costs pursuant to this rider. Such audit must examine (a) costs recovered pursuant to this rider to verify that such costs are recovered only pursuant to this rider and to confirm that any such costs are not also being recovered inappropriately through charges imposed under other tariffs, (b) charges and adjustments determined pursuant to this rider that are included in retail customers' bills for electric service provided under Rate BES to verify that such charges and adjustments are properly applied, (c) revenues resulting from the application of this rider to verify that such revenues are correctly stated, (d) the Company's costs of implementing or complying with the procurement plan approved by the ICC, including any fees assessed by the IPA, costs associated with load balancing, and contingency plan costs, (e) the Company's internal administrative and operational costs associated with the procurement of electric power and energy pursuant to Section 16-111.5 of the Act to verify that such internal administrative and operational costs are reasonable, and (f) the Company's costs of working capital associated with expenditures for electric power and energy supply to ensure such costs were determined in a manner consistent with the methodology used to determine costs of working capital approved by the ICC in its order in the then most recent rate or Rate DSPP annual update case, or as otherwise provided by law, as applicable, using the cost of capital established by the ICC in its order in such most recent case or as otherwise provided by law, as applicable. The Company must also prepare a report each year that summarizes the results of such audit. Such report must be submitted to the ICC in an informational filing, with copies of such report provided to the Manager of the Staff's Accounting Department and the Director of the Staff's Financial Analysis Division within sixty (60) calendar days after the end of the effective period associated with the May determination period of such PJM Planning Year. Such report must be verified by an officer of the Company.

* **ANNUAL RECONCILIATION.**

Each year, no earlier than ninety (90) calendar days after the end of the effective period associated with the May determination period of such year, a proceeding must commence in accordance with Section 16-111.5(l) of the Act to "provide for the correction, on at least an annual basis, of any accounting errors that may occur" in the application of the provisions of this rider. Such proceeding may also provide for the determination of the reasonableness of the Company's internal administrative and operational costs associated with the procurement of electric power and energy pursuant to Section 16-111.5 of the Act and other costs of implementing or complying with the procurement plan approved by the ICC to the extent that they are properly reviewable in such proceeding pursuant to Section 16-111.5(l) of the Act. With respect to the costs of working capital incurred by the Company, the actual costs of working capital must be determined in a manner consistent with the methodology used to determine costs of working capital approved by the ICC in its order in the then most recent rate or Rate DSPP annual update case, or as otherwise provided by law, as applicable. The actual costs of working capital must be calculated using the cost of capital established by the ICC in its order in such most recent case or as otherwise provided by law, as applicable using actual expenses to arrange or procure electric power and energy and applicable updated lead and lag days. Such calculated costs of working capital are subject to review and adjustment in the annual proceeding described in this Annual Reconciliation section. To the extent that any such error is identified or any such reviewable cost is found to be unreasonable by the ICC, an applicable adjustment is determined and applied in accordance with lawful orders issued by the ICC in such proceeding and effectuated through the Adjustment (A) component of the PEA Factor in accordance with the provisions of the Purchased Electricity Adjustment Factor section of this rider.

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**RIDER PE
PURCHASED ELECTRICITY**

(Continued from Sheet No. 329)

* **MISCELLANEOUS GENERAL PROVISIONS.**

The Company is not required to obtain any consent or other approval, whether prospective, contemporaneous, or retrospective, from the ICC or any other entity in order to issue bills containing any RPEC, Retail PJM Services Charge, or PEA Factor determined in accordance with the provisions of this rider or in order to collect any such RPEC, Retail PJM Services Charge, or PEA Factor provided, however, that any such PEA Factor is subject to adjustment in accordance with Section 16-111.5(l) of the Act.

In accordance with Section 16-111.5(l) of the Act, the provisions of this rider are not subject to review under, or in any way limited by, Section 16-111(i) of the Act.

The Company must maintain confidentiality of all bidder and supplier information associated with any procurement plan to which it has access in a manner consistent with all applicable laws, rules, regulations, and tariffs.

The Company's Schedule of Rates, of which this rider is a part, includes General Terms and Conditions and other tariffs. Service hereunder is subject to the General Terms and Conditions and such other tariffs, as applicable.