



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

October 16, 2009

CORRECTED

TO ALL JURISDICTIONAL FIXED UTILITIES SUBJECT TO STAS:

On October 9, 2009, Governor Edward G. Rendell signed into law the 2009-2010 state budget, which included several tax changes effecting businesses in Pennsylvania. Among the tax changes was the postponement of the scheduled phase-out of the Capital Stock and Franchise Tax rate. The tax rate was scheduled to decrease from 1.89 mills to .89 mills, effective January 1, 2010. The 2009-2010 budget states the Capital Stock and Franchise tax rate will be set at 2.89 mills, retroactive to January 1, 2009, and remain at that rate through December 31, 2011.

This new tax law change may allow for the filing of a State Tax Adjustment Surcharge (STAS) if you currently have such a rider in your utility tariff. The Capital Stock and Franchise Tax change requires that a STAS change be filed within ten days of the signing of the law. However, in view of the timing of this change in tax law vis-à-vis the required annual STAS filing, we are waiving the ten day filing period requirement and allowing the tax changes to be reflected in your next annual STAS filing. The one-mill increase in the Capital Stock and Franchise Tax rate shall be applied to the most recent valuation placed on the utility for that tax. If your STAS currently reflects the previous 1.89 mill rate for 2009 years, the 1.0 mill rate difference can be applied to the updated annual STAS calculation. As usual, this filing should include an annual reconciliation of tax payments and collections from ratepayers.

If you need more information regarding the effect upon customer rates of this change to your tax liability, please contact staff members Karl Germick at (717) 787-6476 or Erin Laudenslager at (717) 787-5155.

Very truly yours,

A handwritten signature in black ink, appearing to read "James J. McNulty", written in a cursive style.

James J. McNulty
Secretary