

Bidding Rules

**To Procure Default Service Products for
Metropolitan Edison Company (“Met-Ed”)
Pennsylvania Electric Company (“Penelec”)
Pennsylvania Power Company (“Penn Power”)
West Penn Power Company (“West Penn
Power”)**

Exhibit BAM-1

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1. INTRODUCTION

These Bidding Rules apply to the auctions to procure Default Service products for Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn Power") (each of which may be referred to as a "Company", and/or in combinations as "Companies") for all of their retail customers that take retail generation service from the Companies.

Default Service products for residential and commercial customers will be procured in a separate auction ("Residential/Commercial Auction") from the auction for industrial customers ("Industrial (Hourly Priced) Auction"). There is a Supplier Master Agreement ("SMA") for the Residential/Commercial Auction and a separate SMA for the Industrial (Hourly Priced) Auction. Unless otherwise noted, these Bidding Rules apply to both auctions.

Bidders need to be familiar with the applicable SMA, the Bidding Rules, and all other documents for the auctions, including the Part 1 Application and the Part 2 Application which apply to both auctions. Bidders should visit the Information Website regularly for up-to-date information, including information specific to each auction. The Information Website contains relevant data, the schedule and key dates for participating in the auction process, frequently asked questions, and other information.

The following documents are appended to, and shall be considered integral parts of, these Bidding Rules:

- Appendix 1 Part 1 Application for Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products
- Appendix 2 Part 2 Application for Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products
- Appendix 3 Sample Pre-Bid Letter of Credit
- Appendix 4 Sample Letter of Intent to Provide a Guaranty
- Appendix 5 Sample Bank Letters of Reference for Pre-Bid Security

Unless noted otherwise, "days" refer to business days and times refer to prevailing Eastern Time. Capitalized terms in this document, which are not defined explicitly herein, are defined in each of the Default Service SMAs. In accordance with the SMAs, "Default Service" and "DS" are equivalent (e.g., "Default Service Load" in these Bidding Rules corresponds to "DS Load" in the SMAs).

Examples in these Bidding Rules are illustrative only.

These Bidding Rules may be modified from time to time by the Independent Evaluator in order to: (i) facilitate a more competitive auction process, (ii) make any necessary corrections and/or clarifications, (iii) account for any change in auction products, (iv) conform to any change in state or federal law or rule, and (v) apply any change deemed necessary at the discretion of the Independent Evaluator. All modifications will be posted to the Information Website and carried out in consultation with the Companies.

1.1 Independent Evaluator

The Independent Evaluator is CRA International, Inc. The Independent Evaluator can be contacted by sending an email to fepaauction@crai.com. The full contact information for the Independent Evaluator is as follows:

CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092
Phone: 617.425.3384
Fax: 617.425.6574
fepaauction@crai.com
Attn: Brad Miller, Vice President / Independent Evaluator

2. THE PRODUCTS BEING PROCURED

This section summarizes the common elements of the products to be procured in the auctions. The Information Website provides details about the products to be procured in a specific auction, including the delivery periods, the number of tranches, the nominal MW size of the tranches, and any seasonal price factors.

2.1 Default Service Load

Default Service Load is each Company's aggregate requirement to serve its Default Service customers. For purposes of these Bidding Rules, a "Default Service Customer" is a retail customer of a Company taking Default Service.

2.2 Full Requirements Service

The auctions are designed to procure full requirements generation service for Default Service Customers of the Companies. Winning bidders will assume all responsibilities of a Load Serving Entity ("LSE"). Suppliers will provide Default Supply under the SMAs, which includes all energy, capacity, ancillary services, transmission (including Network Integration Transmission Service ("NITS") but excluding Regional Transmission Expansion Plan charges ("RTEPs") and PJM Expansion Cost Recovery charges), and Alternative Energy Portfolio Standards Act ("AEPS Act" or "AEPS") credits needed to meet the requirements of the Companies' Default Service Load as more specifically described in the SMAs.

Note that the obligations of Default Service Suppliers to provide AECs under the SMAs vary between the Companies. Each supplier to Met-Ed, Penelec and Penn Power must provide non-solar Tier I and Tier II AECs to meet AEPS requirements for the load it serves, but those Companies will satisfy all Tier I solar AEPS requirements associated with their Default Service load using solar AECs obtained through separate procurements. Each supplier to West Penn Power will be required to provide all Tier I (including solar) and Tier II AECs associated with AEPS requirements for the default service load served by the supplier, less a specified number of Tier I solar AECs and Tier I non-solar AECs obtained by West Penn Power under separate long-term contracts. Prior to each auction, West Penn Power will calculate the amount of West Penn Power AECs that will be applied to each supplier's AEPS obligations. AECs will not be transferred to suppliers by any Company but used only to reduce the number of AECs that suppliers must transfer to a Company. More details are found in the SMA.

2.3 Tranches

Default Service Load will be divided into identical units called tranches, each representing a defined percentage of Default Service Load. For example, if there are 25 tranches for a given customer class, then each tranche equals one divided by twenty-five, or four percent of that class's load. This includes four percent (4%) of the actual hourly energy required for Default Service Load for the applicable delivery period as well as four percent (4%) of the PJM capacity requirement for the applicable delivery period.

The number of tranches intended to be procured in the auction for a product is referred to as the "tranche target" for that product. The Independent Evaluator may reduce the tranche targets prior to the auction if indications of interest in the auction are such that doing so is required to promote more competitive bidding.

3. PRICES PAID TO DEFAULT SERVICE SUPPLIERS

3.1 Prices Paid to Winning Suppliers in the Residential/Commercial Auction

The Default Service Suppliers from the Residential/Commercial Auction will be paid a price with a fixed component and a variable component. The fixed price will be applied for 90 percent (90%) of the delivered supply each hour in dollars per megawatt-hour (\$/MWh), and will be established through the Companies' competitive procurement process and included in the SMA's Appendix E. For the remaining 10 percent (10%), the supplier will receive a "spot" payment equal to the sum of the real time hourly total locational marginal price ("LMP") established by PJM Interconnection L.L.C. ("PJM"), the Companies' regional transmission organization, for the PJM delivery point of the applicable Company (i.e., the PJM designated METED, PENELEC, PENN POWER or APS Zone), plus an additional \$20/MWh. This additional amount is designed to cover costs for other supply components associated with the LMP-priced portion of the default service supply, including capacity, ancillary services, and AEPS Act compliance. This adder will be included in Appendix E of the SMA for the Residential/Commercial Auction.

The fixed price paid to Default Service Suppliers from the Residential/Commercial Auction will be adjusted for each MWh of load by a seasonal billing factor, representing anticipated seasonal differences in energy prices. The seasonal billing factors are included in Appendix E of the SMA for these Suppliers. One seasonal billing factor applies in the summer months (June-August) and the other seasonal billing factor applies in the non-summer months (September-May) for each delivery period.

3.2 Prices Paid to Winning Suppliers in the Industrial (Hourly Priced) Auction

Default Service Suppliers from the Industrial (Hourly Priced) Auction will be paid a variable price equal to the real-time hourly total LMP for the applicable PJM delivery point, plus an additional \$5/MWh to capture the costs of other supply components, including ancillary services, and AEPS compliance. This adder will be included in Appendix D of the SMA for the Industrial (Hourly Priced) Auction. The seasonal billing factors described above for Default Service Suppliers from the Residential/Commercial Auction do not apply to Default Service Suppliers from the Industrial (Hourly Priced) Auction.

4. PRIOR TO THE START OF BIDDING

4.1 Information Provided to Bidders

The Companies will make available certain information to suppliers in advance of qualification. This information will be posted on the Information Website.

4.1.1 Data

Load and other data that are posted to the Information Website are described in a data description document on the Information Website.

4.1.2 Minimum and Maximum Starting Prices

The Independent Evaluator will announce a minimum starting price and a maximum starting price for each product in the auction. The minimum and maximum starting prices establish the range for the possible round 1 prices for the auction.

4.1.3 Tranche Size, Tranche Targets

No later than eight (8) days prior to the Part 1 Application Due Date, the Independent Evaluator will announce for each product in the auction:

- The tranche targets or the number of tranches being procured for each product.
- The size (%) and MW-measure of the tranches in the auction.

No later than four (4) days prior to the Part 2 Application Due Date, the Independent Evaluator will announce:

- Any update to the MW-measure of the tranches in the auction.

4.2 Qualification Process

There are two parts to the bidder application and qualification process. In Part 1, prospective bidders apply to become Qualified Bidders. In Part 2, each Qualified Bidder provides certifications and its indicative offer and pre-bid security in order to become a Registered Bidder.

If two auctions with similar products are held within a fairly short time period (for example, within one month of each other), a prospective bidder who submitted a completed Part 1 Application for the first auction need not complete and submit another Part 1 Application for the subsequent auction. The Qualified Bidder still needs to complete a separate Part 2 Application for each auction. In any case, a prospective bidder is obligated to inform the Independent Evaluator of any change in its status related to the information the prospective bidder previously provided in its Part 1 Application or its Part 2 Application.

4.2.1 Part 1 Application: Certifications and Other Qualified Bidder Requirements

In the Part 1 Application process, prospective bidders will be required to:

- Submit an application from a person with the power to bind the bidder.
- Agree to comply with all rules of the auction.
- Agree that if they become winning bidders, they will execute the applicable SMA with the Companies within 3 business days following the date of the Commission's approval of the auction results.
- Show either that they are a PJM Market Participant and Load Serving Entity in PJM, or that there exist no impediments to them becoming a PJM Market Participant and Load Serving Entity in PJM by the start of the applicable delivery period.
- Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the SMA.
- Certify that if they qualify to participate, they will not disclose information regarding the list of Qualified Bidders or confidential information that may be obtained during the bidding process about Qualified Bidders.
- Certify that if they qualify to participate, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as Qualified Bidders to another entity.

Part 1 Applications must be submitted to the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date. Prospective bidders will be notified by the Independent Evaluator no later than three (3) days after the Part 1 Application Due Date whether they succeeded in becoming Qualified Bidders.

A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder. The Independent Evaluator will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders. The relevant parties that will receive this list of Qualified Bidders are as follows:

- Each Qualified Bidder.
- Other parties as necessary to oversee the proper conduct of the auction, including representatives from the Companies and Commission Staff.

All parties receiving a list of Qualified Bidders will be subject to the confidentiality requirements as specified below and in the section, "Communications Protocols," in these Bidding Rules.

4.2.2 Part 2 Application: Certifications, Indicative Offer, and Pre-Bid Security

For each auction, a Qualified Bidder must successfully complete the Part 2 Application process in order to become a Registered Bidder that can bid in the auction. Only Qualified Bidders may submit a Part 2 Application.

Part 2 Applications must be submitted to the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date. Qualified Bidders will be notified by the Independent Evaluator whether they succeeded in the Part 2 Application process no later than three (3) days after the Part 2 Application Due Date.

Certifications

In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding associations to ensure that they are participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction.

A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the Independent Evaluator relies on a number of factors to assess and promote competitive bidding, including the number of independent competitors, using inaccurate information or insufficient disclosure of associations in the Part 2 Application is prohibited.

Indicative Offer

With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer and to post pre-bid security sufficient for this indicative offer. A Qualified Bidder's indicative offer specifies two (2) numbers of tranches for each product in the auction. For each product, the first number represents the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for the product and the second number represents the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for the product. For each product, the number of tranches specified

in the indicative offer at the minimum starting price cannot exceed the number of tranches specified at the maximum starting price.

Indicative offers are important in two respects. First, the Independent Evaluator may use the indicative offers to inform the setting of the starting price for each product (i.e., round 1 announced price). Second, the total number of tranches indicated by the Qualified Bidder at the maximum starting prices is used to determine the Qualified Bidder's initial eligibility (i.e., the maximum total number of tranches the Qualified Bidder can bid across all products in round 1 of the auction): the Qualified Bidder's initial eligibility is set to the sum of the number of tranches at the maximum starting prices across all products in the Qualified Bidder's indicative offer. During the auction, bidders are free to switch their tranches among products in response to changes in announced prices (subject to any bidding restrictions). However, a bidder will never be able to bid a total number of tranches across products that exceeds the bidder's initial eligibility. Thus, the number of tranches for each product at the maximum starting prices in the Qualified Bidder's indicative offer does not limit the number of tranches the Qualified Bidder can bid on a particular product, but the total number of tranches at the maximum starting prices across all products in the indicative offer must be equal to the Qualified Bidder's desired initial eligibility across all products.

Restrictions on the Indicative Offer

Each Qualified Bidder will be subject to a load cap that limits the number of tranches the bidder can bid on and win. Thus, the Qualified Bidder's indicative offer at the maximum starting prices across all products is not allowed the load cap. The load cap will be 50 percent on an aggregated load basis across all auction products for each auction such that no bidder may bid on and win more tranches than the load cap. The load cap will be implemented by ensuring that each bidder's initial eligibility does not exceed the load cap in an auction.

Pre-Bid Security

Each Qualified Bidder must post pre-bid security sufficient for its indicative offer at the maximum starting prices. Each Qualified Bidder must post pre-bid security in an amount equal to \$250,000 per tranche for all products included in the bidder's indicative offer at the maximum starting prices. Either cash or a letter of credit will be accepted as pre-bid security. Some bidders may be subject to additional credit requirements or may be required to submit a letter of intent to provide a guaranty from a Guarantor or a letter of reference from a bank. Interest will not be paid on cash posted as pre-bid security. The standard form of the letter of credit and other security documents that are in a form acceptable to the Companies will be posted to the Information Website.

If a draft letter of credit, alternate guaranty, letter of intent to provide a guaranty, letter of reference, or any alternate security submitted by the prospective bidder with the Part 1 Application does not conform to the standard form, the prospective bidder shall indicate clearly any and all modifications in electronic, redlined format from the standard form. The Companies will assess, in their sole and exclusive discretion, whether such modifications are acceptable. Modifications that are accepted by the Companies will be posted on the Website. In its Part 2 Application, a Qualified Bidder must provide the required executed credit documents that either use the standard form or incorporate only those modifications to the standard form accepted by the Companies upon review of the bidder's Part 1 Application.

The following is an example calculation of the pre-bid security.

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Example 1. Pre-Bid Security

A Qualified Bidder rated investment grade submits an indicative offer of 5 tranches for the Met-Ed 24-month residential product at the minimum starting price and 10 tranches for the Met-Ed 24-month residential product at the maximum starting price, 3 tranches for the Penelec 12-month residential product at the minimum starting price and 6 tranches for the Penelec 12-month residential product at the maximum starting price, and 2 tranches for the Penn Power 6-month commercial product at the minimum starting price and 4 tranches for the Penn Power 6-month commercial product at the maximum starting price. The Qualified Bidder must submit with this indicative offer of 20 tranches at the maximum starting prices cash or a letter of credit of \$250,000 per tranche. The Qualified Bidder thus posts cash or a letter of credit of \$5 million (20 tranches X \$250,000 per tranche).

Depending on whether the Qualified Bidder is relying on its own financial standing or on that of a Guarantor, and depending on the results of the creditworthiness assessment at the time of the Part 1 Application, the Qualified Bidder may be required additionally to submit a letter of intent to provide a guaranty from its Guarantor or to provide a letter of reference from its bank. Any such additional requirements would be communicated to the Qualified Bidder at the time of qualification during the Part 1 Application process.

For a Part 2 Application to be accepted, it must be complete, including the Qualified Bidder's indicative offer, letter of credit or cash, and additional security (if required). After its Part 2 Application is accepted, a Qualified Bidder becomes a Registered Bidder. The Independent Evaluator will send each Registered Bidder a summary of its indicative offer, pre-bid security amount, and the Registered Bidder's initial eligibility.

The Independent Evaluator also will send simultaneously to each Registered Bidder, and to those other parties as necessary to oversee the proper conduct of the auction, a list of Registered Bidders, and the total initial eligibility aggregated across all Registered Bidders. The list of Registered Bidders and the total initial eligibility will not be released publicly. Qualified Bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of Registered Bidders and the total initial eligibility, and to destroy documents including electronic files with this information provided by the Independent Evaluator within five (5) days following the conclusion of the auction, as explained further in the Part 2 Application.

Letters of credit and additional security (if required) will remain in full force, at a minimum, until the fifth calendar day after the conclusion of the auction. Subsequently, a bidder's financial guaranty will be marked cancelled and returned:

- As soon as practicable if the bidder has won no tranches.
- After the bidder has signed the SMA and has complied with all creditworthiness requirements of the SMA for the tranches that it has won.

The Companies can collect on the financial guarantees of bidders that win tranches but that fail to sign the SMA or fail to comply with the creditworthiness requirements immediately following the close of the auction.

4.2.3 Sanctions for Failing to Comply with the Part 1 and Part 2 Applications

Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the SMA, loss of all rights to provide supply for the Companies to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future solicitations, and other sanctions that may be appropriate. For any failure to disclose information or for any violation of the certifications, the Independent Evaluator will make a recommendation on a possible sanction.

4.3 Starting Prices (Round 1 Prices)

No later than three (3) days before bidding starts for an auction, the Independent Evaluator will inform all Registered Bidders of the starting price for each product in the auction, which is the announced price that will be in effect for round 1. For each product, the starting price will be no higher than the maximum starting price and no lower than the minimum starting price for the product. The Independent Evaluator will set the starting prices.

4.4 Extraordinary Events

The Independent Evaluator, in consultation with the Companies, may determine that, due to extraordinary events, the minimum starting prices and the maximum starting prices require revision. In this event, the schedule for the auction process also may be revised. If the indicative offers have already been received, the Independent Evaluator will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process had not been completed) revise their indicative offers on the basis of the revised minimum starting prices and the revised maximum starting prices.

For such a revision to be necessary, an extraordinary event must occur between the time at which the minimum starting prices and the maximum starting prices are announced and the day on which bidding starts. An extraordinary event must be agreed to by the Companies and the Independent Evaluator. Such events could include, but are not limited to, the advent of war, the disruption of a major supply source for potentially extended periods, or other events that could affect significantly the cost of supply.

If an extraordinary event occurs during that time, the Independent Evaluator in consultation with the Companies will determine revised minimum starting prices and revised maximum starting prices. New indicative offers based on these prices will be required from bidders. To the extent practicable, the determination of new minimum and maximum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the schedule, the Independent Evaluator in consultation with the Companies and Commission staff, will determine a revised schedule.

5. BIDDING FORMAT

In order to participate in the auction, bidders must have been successful in the Part 1 Application process and the Part 2 Application process. Only Registered Bidders are permitted to participate in the auction. Registered Bidders will bid in the auction by accessing the Independent Evaluator's secure Bidding Website.

5.1 Descending-Price Clock Format

The auction format is a simultaneous, multiple-round, descending-price clock format for "N" rounds. The number of rounds "N" for the auction is not pre-determined. Instead, it is determined by the closing rule for the auction (described below). All products are available to bid on simultaneously in the auction. Bids are submitted during bidding rounds. Prices are announced for the products prior to each bidding round, and during a bidding round, a bidder submits for each product the number of tranches it would supply at the product's announced price. If the total number of tranches bid on a product exceeds the product's tranche target — i.e., the product is over-subscribed — the announced price for the product will be reduced for the next round. Announced prices will tend to decline round by round until the number of tranches bid falls sufficiently so that no product is over-subscribed and the auction closes.

An important rule is that a bidder cannot reduce the number of tranches it bids on a product if the product's announced price does not fall from one round to the next; in this case, the bidder can only maintain or increase the number of tranches it bids on the product (subject to other rules).

5.1.1 Rounds

Each bidding round has a specified start time and a specified end time. These start and end times are enforced by the Bidding Website. Prior to the start of the auction, the initial schedule of rounds will be available on the Bidding Website. As the auction progresses, the Independent Evaluator will keep bidders informed of the start and end times of subsequent rounds through the Bidding Website. The Independent Evaluator retains the option of pausing a round, delaying the start or end of a round, or otherwise adjusting the round times. The Independent Evaluator will inform bidders through the Bidding Website if it exercises this discretion to change the start time or end time of a round.

Bidders submit bids only during a round. When a round ends, the bids submitted during that round are processed and results of that round are reported to all bidders as explained in the section "Reporting Round Results" below. Each bidder then prepares to submit a bid for the next round if the auction remains open.

5.1.2 The Announced Prices and a Bid

Prior to the start of each round, the Independent Evaluator announces the price that will be in effect for each product for the round. The announced prices are specified in dollars per MWh or \$/MWh. The price announced by the Independent Evaluator for a product applies to all of the product's tranches. Each bidder decides how many tranches it is willing and able to supply for each product at the product's announced price. A bid by a bidder is, for each product, the number of tranches that the bidder is willing to supply at that announced price for the product. All bids are irrevocable and binding upon the bidders.

At sufficiently high announced prices there will be excess supply for a product causing it to be over-subscribed; that is, the number of tranches bid on the product will exceed the product's tranche target. Excess supply for a product is measured as the total number of tranches bid across all bidders on the product in the round minus the product's tranche target.

5.1.3 Reservation Prices and Starting Prices

There are reservation prices for the auction. The reservation price for a product is the price above which tranches for the product will not be purchased. If, at the conclusion of the auction, the reservation price for a product has not been met, no tranches for that product will be awarded. At the conclusion of the auction, the Independent Evaluator will inform bidders through the Bidding Website if the reservation price for a product has not been met.

Starting prices for the auction are determined after reservation prices are determined. The starting price for a product will be no lower than the reservation price for the product. The starting price may be the same as or higher than the reservation price for the product. The Independent Evaluator will not announce the reservation prices to bidders in advance of an auction.

5.1.4 Restrictions on What a Bidder Can Bid

The total number of tranches a bidder bids across all products in a round cannot exceed the bidder's eligibility for that round. That is, a bidder's eligibility to bid in a round is the maximum number of tranches it is allowed to bid across all products in that round. A bidder's eligibility for a round simply is the number of tranches the bidder bid across all products in the preceding round. Thus, a bidder cannot increase its eligibility from round to round; its eligibility can only stay the same or decrease from round to round.

A bidder is not allowed to bid more tranches on a product in a round than the product's tranche target.

A bidder is not allowed to bid a number of tranches that would violate any applicable load cap.

If the announced price for a product has been reduced from one round to the next round, the bidder can reduce the number of tranches it bid on that product.

If the announced price for a product has not been reduced from one round to the next round, the bidder cannot reduce the number of tranches it bid on that product.

Subject to the rules above, in each round a bidder is free to bid its tranches of eligibility across products however it would like to. Thus, subject to the rules above, bidders are free to reduce the tranches they bid and/or to switch tranches across products from round to round in response to changes in the announced prices for the products.

As discussed above, a bidder's initial eligibility is its eligibility for round 1 of the auction and is determined by the total number of tranches across products at the maximum starting prices in the bidder's indicative offer. During the course of the auction, the bidder's eligibility will decline or remain unchanged depending on the total number of tranches bid by the bidder across all products in each round of the auction.

If a bidder's eligibility falls to zero tranches, it will not be allowed to bid in any more rounds of the auction.

5.1.5 Multiple Bids by a Bidder

Because a bidder may decide to change a bid it submitted previously within the current open round, a bidder is allowed to make multiple bid submissions in a round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in a round, the only bid considered in the round for that bidder is the last confirmed bid it submitted in the round.

5.1.6 Default Bid

After the end of a round, a default bid is submitted automatically on behalf of a bidder if the bidder:

- Entered the round with positive eligibility, and
- Did not submit a confirmed bid in the round.

If the announced price for a product declined from the prior round, then zero tranches will be the default bid for that product.

If the announced price for a product did not decline from the prior round, then the number of tranches that the bidder bid on the product in the prior round as determined by the end-of-round ("EOR") procedure following the prior round will be the default bid for the product.

Each bidder is solely responsible for ensuring it submits a confirmed bid prior to the end of the round in order to avoid a default bid of being submitted on the bidder's behalf.

5.1.7 The EOR Procedure

At the end of each round, the EOR procedure is used to process the confirmed bids submitted during the round. The EOR procedure includes the following steps.

- (a) The supply for each product is measured by summing up — across the confirmed bids for all bidders — the number of tranches bid for each product.
- (b) The subscription level for each product is measured by comparing the supply for the product to the tranche target for the product. A product is over-subscribed, subscribed, or under-subscribed if supply (i.e., the number of tranches bid) is greater than, equal to, or less than the product's tranche target, respectively.
- (c) If a product has become under-subscribed in a round after being over-subscribed or subscribed in the preceding round, then tranches will be rolled back to the point that the product is subscribed. That is, at least some of the tranches that were bid on the product in the preceding round but that were not bid on the product this round will be deemed to still be bid on the product. The price at which a rolled-back tranche is deemed to have been bid simply is the announced price at which the bidder had bid the tranche. There is a priority for selecting tranches to roll back: tranches that otherwise would no longer be bid on any product in the auction and therefore would be reductions in bidders' eligibilities are rolled back first (referred to as "eligibility reduction tranches"), and then if needed, tranches that were switched from being bid on the product to being bid on another product are selected next for rollbacks (referred to as "switched tranches"). Eligibility reduction tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. Likewise, switched tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. More precisely, because integer tranches are needed, the actual selection mechanism uses a random number generator to select rollbacks tranche by tranche (first for eligibility reduction tranches and then for switched tranches), but on average the selection process results in proportional rollbacks (with priority given to rolling back eligibility reduction tranches first and then switched tranches second). All tranches that are rolled back maintain their eligibility for the bidder. Any bidder subjected to a rollback will be notified through the Bidding Website that a rollback has taken place and will be informed about the number of tranches deemed bid on each product and the price at which those tranches have been deemed bid.

For example, suppose a bidder bids five tranches on a product and no tranches on other products in round 8, and the price for that product is reduced for round 9 and the bidder bids only 1 tranche on the product and no tranches on other products for round 9. Absent any EOR rollbacks following round 9, the bidder's eligibility would fall from 5 tranches to 1 tranche. But during the EOR procedure, suppose two of the bidder's 4 "eligibility reduction tranches" are rolled back on the product, so after the EOR procedure the bidder is deemed to have bid 3 tranches on the product — one at the announced price of the round just ended and two at the announced price of the preceding round — and therefore the bidder is deemed to have 3 tranches of eligibility for round 10.

- (d) "Free eligibility tranches" are determined as follows. A product's "bid stack" is a list of the tranches currently deemed bid on the product and the price at which each tranche was bid for the product. Because of rollbacks, a product's bid stack could have tranches bid at two different prices: some tranches bid at the earlier, higher announced price and some tranches bid at the current, lower announced price. Any new tranche bid on such a product necessarily will be bid at the current, lower announced price. This new tranche will displace a tranche in the product's bid stack at the earlier, higher announced price. The displaced tranche becomes a "free eligibility tranche". The free eligibility tranche counts as eligibility for the bidder and the bidder can bid the tranche on any product next round, or the bidder can choose not to bid the tranche at all. But if the bidder does not bid the free eligibility tranche next round, the tranche will be withdrawn from the auction permanently and will reduce the bidder's eligibility by one tranche after the next round.
- (e) In some cases, the Independent Evaluator may reduce the tranche targets. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce a product's tranche target because of insufficient supply will be eliminated. Thus, any tranche target reduction would more likely occur in the earlier rounds of the auction. If the Independent Evaluator reduces the tranche target for a product, bidders will be informed of the revised tranche target. Any bidder that otherwise would have eligibility exceeding the new tranche targets will have its eligibility reduced so as not to exceed the new tranche targets.
- (f) The closing rule determines whether the auction has concluded. The closing rules is that the auction concludes if either case (1) or case (2) holds as follows:
- (1) If no product is over-subscribed and no bidder has free eligibility tranches, then the auction has concluded. Note that it is possible for the auction to continue with no reductions in announced prices: if no product is over-subscribed there will be no reductions in announced prices but if there are free eligibility tranches (which "expire" after one round), the auction will remain open for one more round (subject to case (2) described next), allowing bidders with free eligibility to bid those tranches.
 - (2) If this is the Nth consecutive round in which no product is over-subscribed, and the number of tranches of free eligibility across all bidders as a percentage of the sum of the tranche targets across all products is less than or equal to X percent, then the auction has concluded. The parameter values for N and X will be determined before the auction. The likelihood that this case (2) would occur in a particular auction is expected to be low.
- (g) If the auction has concluded, the winning tranches, winning bidders, and winning prices are determined as described below.
- (h) If the auction has not concluded, then each bidder's eligibility is determined for the next round and the price decrement (if any) is determined for each product for the next round.

5.1.8 Price Decrements

The announced prices will decrease round by round by a price decrement for over-subscribed products. Pre-specified price guidelines are used to determine the price decrements. Generally the price decrement for a product will be larger for the earlier rounds in the auction and when the excess supply for the product is greater. The price decrement is expected to be between 0.5 percent and 5 percent of the announced price for the most recently completed round.

The Independent Evaluator reserves the right to override the price decrement guidelines. The exercise of that right is expected to occur rarely and only if doing so is believed to facilitate timely progression of the bidding process.

5.2 Determination of Winning Tranches, Winning Bidders, and Winning Prices

At the close of the auction, the winning tranches, winning bidders, and winning prices will be determined as follows.

As a result of the EOR procedure as described above, there are two possible scenarios for a product at the close of the auction.

5.2.1 Bid Stack for a Product has All Tranches at the Same Price

In this scenario, there are no rolled-back tranches in the product's bid stack: all tranches in the bid stack were bid at the last announced price, including any tranches bid on the product in the last round of the auction as determined by the EOR procedure. That announced price is the product's clearing price, and all tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product. Note that this scenario includes the case in which a product was over-subscribed at some point in the auction and later became subscribed, as well as the case in which a product was always under-subscribed in the auction (i.e., it was never subscribed or over-subscribed in the auction).

5.2.2 Bid Stack for a Product has Tranches at Two Different Prices

In this scenario, there are rolled-back tranches in the product's bid stack: some tranches in the bid stack were bid at the last announced price (including any tranches bid on the product in the last round of the auction as determined by the EOR procedure), and some tranches in the bid stack were bid at the next most recent announced price. In this case, the product's clearing price is the next most recent announced price — which necessarily is higher than the last announced price for the product. All tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product.

5.3 Example of Round-by-Round Bidding

Appendix A provides an illustrative example of round-by-round bidding.

5.4 Reporting Round Results

During a round, a bidder can see the current status of the auction and the status of the current round including the announced price for each product as well as the bidder's own bidding status. A bidder will not see information about other bidders.

Between rounds the Bidding Website will report the results for the most recently completed round. Results for all prior rounds also will be accessible. The round results for each completed round in the auction will show:

- The announced price for each product and a range of total supply across all bidders and all products (that is, a range that includes the total number of tranches bid). The range of total supply will be defined by two different integers. Actual total supply will not be reported but will be at least as high as the lower of the two integers and no higher than the higher of the two integers. There is an exception to reporting total supply as a range of two integers: if and when total supply has declined below a pre-determined level, total supply will be reported simply as being below that level. The reporting ranges will be made available to bidders in advance of each auction.
- For each bidder, that bidder's bid for the round — i.e., the number of tranches bid on each product — and the bidder's eligibility for the next round. (Each bidder does not see information about other bidders.)
- The announced price for each product for the next round if the auction will continue with the next round.

5.5 Frequency of Rounds

The early rounds of bidding may be longer in duration than later rounds. The duration of a bidding round will be at least five (5) minutes.

The time between early rounds of bidding may be longer in duration than for later rounds. The time between bidding rounds will be at least five (5) minutes.

The schedule of rounds and any changes to the schedule will be made available to bidders through the Bidding Website.

5.6 Auction Pause Declared by Independent Evaluator

At any time during the auction, the Independent Evaluator may decide to pause the auction. This is not expected to happen often if at all. If the Independent Evaluator pauses the auction or changes the round schedule in any way, bidders will be notified.

6. AFTER THE AUCTION CLOSES

6.1 Notification of Results

At the close of the auction, the Independent Evaluator will notify the Companies, the Commission, and the bidders as follows.

- The Independent Evaluator will notify the Companies and the Commission of the identities of the winning bidders, the number of tranches won by each winning bidder, the prices for the tranches won, and other aggregated information on the bidding process.
- The Independent Evaluator will notify each winning bidder of how many tranches the bidder has won and at what prices. The Independent Evaluator also will notify the unsuccessful bidders that they have not won any tranches.

The names of the winning bidders, the number of tranches won by each bidder, and the winning prices will remain confidential until released publicly by the Commission or as required by law.

The auction results are tentative subject to Commission approval.

After the conclusion of the auction and provision of the auction results to the Commission by the Independent Evaluator, the Commission will have one business day to approve or reject the auction results.

6.2 Execution of SMA

The winning bidders and the Companies will execute the SMAs within three (3) business days following the Commission's approval of the auction results. Each winning bidder must demonstrate compliance with the creditworthiness requirements set forth in the SMA.

6.3 Sanctions for Failure to Execute the SMA

A winning bidder's financial guaranty posted with its Part 2 Application may be forfeited if the winning bidder does not execute the SMA within three (3) business days following the Commission's approval of the auction result, if it fails to demonstrate compliance with the creditworthiness requirements set forth in the SMA, or if it fails to agree to any of the terms of the SMA. In addition, the winning bidder will be liable for damages incurred by the Companies, which will be determined in accordance with the terms of the SMA as though the winning bidder were a defaulting party to the SMA.

7. USE OF THE BIDDING WEBSITE

Bidders will bid in the auction by accessing the Independent Evaluator's secure Bidding Website. A bidder will access the Bidding Website using their own Web browser. The URL address for the Bidding Website, as well as usernames and passwords, will be provided to Registered Bidders prior to the start of the auction.

The Bidding Website allows a Registered Bidder to submit and confirm bids, to verify its status, to view results from prior rounds, to view the schedule of rounds, and to view messages from the Independent Evaluator.

7.1 Importance of Confirmed Bids

Submitting a bid on the Bidding Website involves three steps:

- (1) Web page for entry and submission of the bid quantities. The bidder enters its desired bid and then submits the bid in order to proceed to the next step.
- (2) Web page for validation of the bid. The bidder is asked to review the bid it submitted in the first step before proceeding to the confirmation step.
- (3) Web page showing confirmation of the bid. The bidder receives a unique confirmation ID for the bid and the time-stamp at which the bid was recorded by the Bidding Website server.

It is important to note that a bid is not accepted and recorded as an accepted bid until and unless the bidder reaches the third step in which the bid confirmation Web page displays the unique confirmation ID and time-stamp for the bid.

7.2 Requirements for Using the Bidding Website

Access to the Bidding Website requires all of the following:

- Username and password provided by the Independent Evaluator.
- Access to the Internet.
- Use of one of the more recent versions of a standard Web browser.
- Status as a Registered Bidder.

A bidder loses access to the Bidding Website after it no longer is possible for the bidder to win tranches in the auction.

7.3 Messaging

The Bidding Website displays messages from the Independent Evaluator. These messages from the Independent Evaluator are displayed for all bidders with access to the Bidding Website.

8. BACKUP BIDDING PROCEDURE

In case a bidder has technical difficulties, and as a result is not able to submit a bid via the Bidding Website in a round, a backup bidding procedure will be provided as follows. The bidder uses the Backup Bidding Fax Number to submit its bid via facsimile. It is recommended that the bidder call the Help Desk and inform the operator that it has submitted a bid using the backup bidding procedure. Reasonable efforts will be made to contact the bidder if the backup bid is not received via facsimile in the time expected. Once the backup bid is received via facsimile, a member of the Independent Evaluator team will attempt to enter the bid on the Bidding Website on behalf of the bidder.

Prior to the auction, bidders will be provided with the Backup Bidding Fax Number and with forms to use for faxing a bid using the backup bidding procedure.

Bidders must be aware and understand that there is no guarantee or other assurance that if it submits a bid using the backup bidding procedure that its bid will be submitted and confirmed on its behalf by the Independent Evaluator team consistent with the intentions of the bidder and in time before the round ends.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website because the round has ended, a default bid will be entered for the bidder as described above in the sections on default bids.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website for other reasons (e.g., the number of tranches bid is greater than a bidder's eligibility or violates the bidder's credit-based tranche limit or applicable load cap), the Independent Evaluator team will use reasonable efforts to inform the bidder that a new bid must be submitted.

If a backup bid submitted by a bidder is confirmed by the Bidding Website, the Independent Evaluator team will contact the bidder by faxing confirmation of the accepted bid to the bidder.

Bidders use the backup bidding procedure at their own risk. In all cases involving backup bids, the Independent Evaluator team does not accept any responsibility, obligation, or liability for errors, omissions, timeliness, or otherwise, related to whether a backup bid is entered into and confirmed by the Bidding Website on behalf of the bidder or as intended by the bidder.

9. WHO TO CONTACT IN CASE OF PROBLEMS DURING THE AUCTION

A bidder should contact the Help Desk if it has questions or problems. The phone number for the Help Desk will be provided to bidders prior to the start of the auction.

10. CONTINGENCY PLAN

There is a contingency plan to cover two scenarios:

- At least one of the products in an auction is not fully subscribed.
- At least one of the winning suppliers defaults prior to the start of the delivery period or at any time during the delivery period.

10.1 If an Auction is Not Fully Subscribed

In the event that an auction is not fully subscribed, the Companies will rebid the unfilled tranches from that auction provided a minimum of 30 calendar days exists prior to the start of the delivery period. The unfilled tranches will be rebid in the next scheduled auction where supply is sought with the same delivery start date. If there is no such scheduled auction, then the unfilled tranches will be rebid in a separate solicitation no later than 30 days before the original delivery start date. For any remaining unfilled tranches, the Companies will purchase the necessary physical supply through PJM administered markets and meet any AEPS compliance requirements through purchases at market prices.

10.2 If a Winning Bidder Defaults

If a winning bidder defaults prior to the start of or during the delivery period, the Companies will offer the unfilled tranches to the other qualified bidders who participated in the most recent solicitation. The Companies will enter into an agreement with the qualified bidder or bidders offering the best terms for the unfilled tranches resulting from the default, provided the prices offered by such bidder or bidders are consistent with the original prices under which the unfilled tranches were procured and changes in market conditions from the time when the original tranches were procured. If the Companies are not able to enter into such agreement and a minimum of 30 calendar days exists prior to the start of the delivery period, the Companies will seek to bid the defaulted tranches in the next scheduled solicitation for supply with the same start date as the unfilled tranches or in a separate supplemental competitive solicitation. As with other unfilled tranches described above, if insufficient time exists to conduct an additional competitive solicitation, or if the supplemental solicitation is unsuccessful, the Companies will supply the tranches using PJM-administered markets. In addition to damages to which the Companies may be entitled, costs incurred by the Companies in implementing this contingency plan for supply and AEPS requirements will be assessed against the defaulting supplier's credit security, to the extent available.

11. COMMUNICATIONS PROTOCOLS

The communications protocols described here are intended to promote a fair, open, transparent, objective, and non-discriminatory auction. These protocols also are intended to protect proprietary information of participants and information that, should it be released, would be detrimental to the outcome of the auction process or future solicitations.

11.1 The Companies and Affiliates

11.1.1 Internal Communications

The Companies will designate individuals to work on the auction process. These individuals directly or indirectly will not have communication with, or exchange information with, any individuals of an affiliate of the Companies that may bid in the auction process where such communication or information is related directly or indirectly to this auction process.

11.1.2 Communications with Bidders

The Companies will not communicate with bidders prior to the selection of winning bids. When the Independent Evaluator informs the Companies about the prices and tranches of the winning bids and the identity of winning bidders in accordance with Section 6.1 of the Bidding Rules, representatives from the Companies then will communicate with the winning bidders in order to execute the necessary documents.

If a bidder attempts to contact the Companies regarding the auction process by phone call, email, fax, or other means, the Companies will direct the bidder to the Information Website and/or to the Independent Evaluator.

11.1.3 Part 1 Application Process

For the Part 1 Application process, the Independent Evaluator will need to provide the names of applicants to the Companies' credit department for purposes of confirming the applicants' credit requirements.

11.1.4 Part 2 Application Process

For the Part 2 Application process, the Independent Evaluator will need to provide the aggregate eligibility and other information from the Part 2 Applications to the Companies with the names of applicants redacted.

11.2 General Public and Media

While bidding is in progress, there is to be no communication with the media or the public. After the auction process is completed, results are determined, and bidders have been notified, all media inquiries will be forwarded to the Companies.

11.2.1 The Information Website

The central source of information made available publicly and to bidders is the Information Website. The Independent Evaluator will manage the information flow on the Information Website and will be designated on the Website as the contact for any questions or inquiries from parties. Any party will have access to the public sections of the Information Website.

11.2.2 Frequently Asked Questions

Among other information and resources on the Information Website, there will be an FAQ (frequently asked questions) section with posted questions and answers. As inquiries are received, they will be converted into an FAQ and posted on the Information Website without revealing the identity of the party posing the inquiry.

Inquiries to be answered by the Companies will be forwarded by the Independent Evaluator to the Companies. Inquiries to be answered by the Independent Evaluator will be forwarded to the Companies with a draft response. Any inquiry or draft response forwarded by the Independent Evaluator to the Companies will not identify the party posing the inquiry. Both the Companies and the Independent Evaluator will review any inquiry and response before the FAQ is posted to the Information Website.

11.2.3 Registered Users

If a party wishes to receive notices and updates regarding public information and new postings to the Information Website, then the party can register through the Information Website to become a Registered User.

Any information the Independent Evaluator has concerning the auction process that is relevant and that can be disclosed publicly will be made available equally to all Registered Users in a timely manner. The method of such communication likely will be via the Information Website and/or emails to Registered Users using the BCC email field so identification of Registered Users is not disclosed to other Registered Users.

11.2.4 Press Releases

The Companies and/or the Independent Evaluator may issue one or more press releases or may place news items in the trade press with the intent to disseminate information about the auction process in an efficient, fair, and timely manner.

11.2.5 Answering Inquiries from the General Public or Media

Inquiries from the general public or the media to the Independent Evaluator will be directed to the Information Website.

11.3 Bidders

11.3.1 Communications Among Bidders

Bidders are prohibited from communicating with each other in ways that would compromise the integrity and competitiveness of the auction process. Sanctions will be applied if these rules are violated.

11.3.2 Communications between the Independent Evaluator and Bidders

The central source of information made available to bidders is the Information Website. The Website facilitates making information available equally to bidders in a timely manner.

Bidders are encouraged to become Registered Users of the Information Website to receive ongoing information about the auction process. As discussed above, once registered through the Information Website, Registered Users will receive notifications from the Independent Evaluator about updates to the auction process and to the Information Website.

If the Independent Evaluator receives an inquiry from a party and prepares a response that would be relevant for other parties, the Independent Evaluator will ensure the information will be made available equally to all Registered Users in a timely manner and will post the information on the Information Website and/or will email the Registered Users without revealing the identity of parties.

In addition to posting information to the Information Website, the Independent Evaluator may contact bidders directly in order to seek or provide information about the auction process in a way that does not advantage any bidder.

Any communications from the Independent Evaluator to a bidder will not reveal the identity of other bidders.

11.3.3 Bidding Process

During the auction, the Independent Evaluator, the Commission, and Companies' personnel may monitor the bidding process.

The Independent Evaluator will ensure the bids submitted by bidders conform to the rules of the auction process.

The Bidding Rules and pre-determined bid selection criteria will be applied to determine which bids, if any, are winning bids.

11.3.4 Limitations on Disclosures by Bidders

Bidders are not allowed to disclose they are participating in the Residential/Commercial Auction or the Industrial (Hourly Priced) Auction, and winning bidders are not allowed to disclose that they have won any tranches in the Residential/Commercial Auction or the Industrial (Hourly Priced) Auction until the Commission publicly reports the results of the auction. Such limitation on public disclosure by bidders is waived if disclosure is required by law.

11.4 Public Utility Commission of Pennsylvania

11.4.1 Communications with the Independent Evaluator

During the bidding process, the identity of bidders, prices, and the number of tranches bid will be kept confidential. This information may be released to the Commission after the auction results are finalized.

11.4.2 Communications with the Companies

The Commission may communicate with the Companies regarding the auction process. However, the Companies will not disclose any proprietary information until after the final round of the auction is completed and bidders are informed of the results of the auction.

11.4.3 Communications with Bidders

The Commission will not communicate with bidders about the auction process prior to the determination of winning bids. If a bidder attempts to contact the Commission by phone call, email, fax, or other means, the Commission will direct the bidder to the Information Website and/or to the Independent Evaluator.

11.4.4 Information on Auction Participation

In order to maintain confidential and proprietary information provided by bidders as part of the auction process, the identity of all bidders that submitted Part 1 and/or Part 2 Applications in the auction and the indicative offers will be kept confidential until released publicly by the Commission. The Commission may elect to keep these data confidential at its sole discretion.

11.4.5 Round-by-Round Bids

Round-by-round bids by bidders will be kept confidential pursuant to the confidentiality provisions of the Bidding Rules and the SMA for as long as the Companies continue to procure Default Service.

12. ASSOCIATION AND CONFIDENTIAL INFORMATION RULES

The Association and Confidential Information rules are described below.

12.1 Process for Reporting Associations, Identifying Concerns and Remedies

A prospective bidder applying to qualify to bid will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of Qualified Bidders. A prospective bidder also will be required to certify that it accepts the terms of the SMA and, should it win tranches, it will sign the applicable SMA and comply with all creditworthiness requirements by the stated deadline.

Once entities are qualified to bid, each Qualified Bidder will be asked in its Part 2 Application to make a number of certifications, each detailed in the Part 2 Application, and each bidder may be required to provide additional information to the Independent Evaluator if a certification cannot be made. Each Qualified Bidder will be asked to certify that it will undertake steps to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the auction. A Qualified Bidder also will be asked to certify that it has not and will not come to any agreement with another Qualified Bidder with respect to bidding in the auction, except as disclosed and approved by the Independent Evaluator in its Part 1 Application.

Before obtaining sealed documentation necessary to participate in the auction, Registered Bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the auction.

12.2 Confidential Information

Confidential Information relative to bidding strategy means information relating to a bidder's bid(s) in the auction, whether transmitted in writing or verbally, which if it were to be made public likely would have an effect on any of the bids that another bidder would be willing to submit. Confidential Information relative to bidding strategy includes (but is not limited to): a bidder's strategy; a bidder's indicative offer; the quantities that a bidder wishes to supply; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with serving the load for the auction; and a bidder's contractual arrangements for purchasing power to serve such load were the bidder to win tranches in the auction.

Confidential Information regarding the auction means information that is not released publicly by the Commission, the Companies or the Independent Evaluator and that a bidder acquires as a result of participating in the auction, whether transmitted in writing or verbally, which if it were to be made public could impair the integrity of current or future solicitations, impair the ability of the Companies to hold future solicitations, or harm consumers, bidders or applicants. Confidential Information regarding the auction includes (but is not limited to): the list of Qualified Bidders, the list of Registered Bidders, the initial eligibility, the status of a bidder's participation, and all non-public reports of results and announcements made by the Independent Evaluator to any or all bidders in this auction.

Absolute protection from public disclosure of the bidders' data and information filed in this auction process cannot be provided. By participating in this auction process, each bidder acknowledges and agrees to the confidentiality provisions set forth herein, as well as any limitations thereto.

In addition, the bidder agrees the bidder's data and information submitted in this auction process will be disclosed if required by any federal, state or local agency (including, without limitation, the Commission) or by a court of competent jurisdiction. However, the Companies will endeavor to notify the bidder in advance of such disclosure. In any event, neither the Companies nor the Independent Evaluator, nor any of their employees or agents, will be responsible to the bidders or any other party, or liable for any disclosure of such designated materials before, during or subsequent to this auction. Notwithstanding the above, the Companies and the Independent Evaluator reserve the right to use and communicate publicly and/or to third parties any and all information/data submitted as part of this auction process in any proceedings before FERC, the Commission, and any other regulatory body and the courts, if necessary, without the prior consent/approval of, or notice to, any such bidder. The bidder expressly agrees that the Companies may provide bidder information on a confidential basis to the Commission, the Pennsylvania Office of the Consumer Advocate, and the Office of Small Business Advocate as necessary for compliance with any default service procurement reporting obligations.

12.3 Certifications and Disclosures to Be Made

A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the auction. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the auction, or a bidding consortium, or any other arrangement pertaining to participating in the auction. A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the auction.

In addition, a prospective bidder will be required to make the certifications listed in the Part 1 and Part 2 Applications.

The Commission may publicly release the winning prices and the names of the winning bidders from the auction. The Commission may choose to release additional information. After the auction, a winning bidder itself may release information regarding the number of tranches it has won, and a non-winning bidder itself may release information only regarding the fact that it participated in the auction. The winning bidders and the non-winning bidders otherwise continue to be bound by their certifications as described previously. In particular, no winning bidder and no non-winning bidder itself can reveal the winning prices of the auction prior to these being publicly released by the Commission.

12.4 Actions to Be Taken if Certifications Cannot Be Made

If a bidder cannot make all the certifications above, the Independent Evaluator will decide within five (5) days following the deadline to submit the Part 2 Application on a course of action on a case-by-case basis. To decide on this course of action, the Independent Evaluator may make additional inquiries to understand the reason for the inability of the bidder to make the certification.

If Qualified Bidders do not comply with additional information requests by the Independent Evaluator regarding certifications required in the Part 2 Application, the Independent Evaluator may reject the application.

13.4 Bidder's Acceptance

Through its participation in the auction process, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the SMA.

13.5 Permits, Licenses, Compliance with the Law and Regulatory Approvals

Bidders shall obtain all licenses, permits and status that may be required by any governmental body, agency or organization necessary to conduct business or to perform hereunder. Bidders' subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.

13.6 Auction Intellectual Property

All title, interests and other intellectual property rights in and to the auction design, the auction format and methodology, the auction software, the source code (including all modifications, enhancements, customization, adaptations and derivative works made by the Independent Evaluator) and associated documentation, including but not limited to these Bidding Rules, and the screen formats and forms designed by the Independent Evaluator (the "Auction Software"), are proprietary to the Independent Evaluator and all rights, title, and interest to the Auction Software remain with the Independent Evaluator. The Independent Evaluator grants Qualified Bidders a non-exclusive, non-transferable, limited license to use the Auction Software, solely for use in connection with the auction, subject to the terms and conditions set forth herein, and not for copying, relicensing, sublicensing, distribution or marketing by the Qualified Bidder. No other interest is conveyed to the Qualified Bidder other than the license expressly granted herein. The foregoing use license shall immediately terminate upon disqualification of the Qualified Bidder or upon termination or completion of the auction process. If at any time it is determined in the Independent Evaluator's sole discretion that the Qualified Bidder is in breach of this Section 13.6, the Independent Evaluator shall be entitled to terminate the Qualified Bidder's access rights to the Auction Software.

Notwithstanding anything herein to the contrary, and without limiting the Qualified Bidder's other obligations herein, the Qualified Bidder shall not, nor shall it permit any third party to: (i) modify, translate or otherwise create derivative works of the Auction Software; (ii) reverse engineer, decompile, decode, disassemble or translate any Auction Software, or output thereof, or otherwise attempt to reduce to human readable form or derive the source code, protocols or architecture of any Auction Software; (iii) use or study any Auction Software, or output thereof, for the purpose of developing any software that is intended to replace, or that has functions, structure or architecture similar to, such Auction Software, or any part thereof; (iv) publish, or otherwise make available to any third party, any benchmark or other testing information or results concerning the Auction Software; (v) permit any other person who is not authorized to access or use all or any part of the Auction Software or (vi) copy the Auction Software, distribute the Auction Software, remove or obscure any proprietary labeling on or in the Auction Software, create any derivative works based on the Auction Software, or modify the Auction Software, in each case, except to the extent expressly permitted by the Independent Evaluator in writing.

In using the Auction Software, a Qualified Bidder shall take steps to prevent any virus, worm, built-in or use-driven destruction mechanism, algorithm, or any other similar disabling code, mechanism, software, equipment, or component designated to disable, destroy or adversely affect the Auction Software from being introduced into the systems.

APPENDIX A — EXAMPLE OF ROUND-BY-ROUND BIDDING

The illustrative example below shows for two bidders (BidderA and BidderB) and two products (Product-1 and Product-2) the confirmed bids (pre-EOR) and the post-EOR results for each round. In the example, the auction closes after round 4.

Round 1

For round 1, the announced prices are \$75.00 and \$82.00 for Product-1 and Product-2, respectively. At those announced prices, BidderA bids 55 tranches and 85 tranches on Product-1 and Product-2, respectively. BidderB bids 80 tranches and 27 tranches on Product-1 and Product-2, respectively.

When the round closes the EOR procedure is executed. Each product is over-subscribed: 135 tranches were bid on Product-1 which has a tranche target of 100, and 112 tranches were bid on Product-2 which has a tranche target of 100.

The announced price for Product-1 will be reduced from \$75.00 to \$72.50 for round 2. The announced price for Product-2 will be reduced from \$82.00 to \$78.60 for round 2.

BidderA will have eligibility of $55+85 = 140$ tranches for round 2, and BidderB will have eligibility of $80+27 = 107$ tranches for round 2.

Round 2

At the announced prices for round 2, BidderA bids 40 tranches and 85 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 55 to 40 tranches. BidderB bids 50 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB switched 30 tranches from Product-1 to Product-2.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 10 tranches: only 90 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 15 tranches, while BidderB's bid maintained its eligibility. Thus, 10 of the 15 eligibility reduction tranches of BidderA are rolled back on Product-1. Those 10 tranches are priced at the announced price for Product-1 at which they were bid in round 1: \$75.00. The announced price for Product-1 will remain at \$72.50 for round 3.

Product-2 is over-subscribed by 42 tranches. The announced price for Product-2 will be reduced from \$78.60 to \$76.10 for round 3.

BidderA will have eligibility of $50+85 = 135$ tranches for round 3 (including the 10 tranches rolled back on Product-1), and BidderB will have eligibility of $50+57 = 107$ tranches for round 3.

Round 3

At the announced prices for round 3, BidderA bids 99 tranches and 36 tranches on Product-1 and Product-2, respectively. Thus, BidderA is switching 49 of the tranches bid from Product-2 to Product-1. BidderB bids 50 tranches and 35 tranches on Product-1 and Product-2, respectively. Thus, BidderB is reducing its tranches bid on Product-2 from 57 to 35 tranches.

When the round closes the EOR procedure is executed. Product-1 is over-subscribed by 49 tranches. Product-2 is under-subscribed by 29 tranches: only 71 tranches bid against the tranche target of 100 tranches: BidderA's bid maintained its eligibility while BidderB's bid represents a reduction in its eligibility by 22 tranches. Thus, all 22 of the eligibility reduction tranches of BidderB are rolled back on Product-2. Those 22 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60. Even after rolling back those 22 eligibility reduction tranches of BidderA, Product-2 still is under-subscribed — by 7 tranches. So 7 tranches that BidderA had switched from Product-2 to Product-1 are rolled back to Product-2. Those 7 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60.

After rolling back 7 tranches from Product-1 to Product-2 for BidderA, BidderA still has increased the number of tranches it is bidding on Product-1: from 50 tranches bid in round 2 (10 tranches at \$75.00 and 40 tranches at \$72.50) to 92 tranches bid in round 3 (10 tranches at \$75.00 and 82 tranches at \$72.50). Product-1 is over-subscribed as a result, so higher-priced tranches in Product-1's bid stack can be removed. All 10 of BidderA's higher-priced tranches are removed from Product-1's bid stack, and these 10 tranches become BidderA's free eligibility for round 4. In round 4, BidderA can bid any of the 10 tranches on any product, but to the extent those 10 tranches are not bid on a product in round 4, those free eligibility tranches and their associated eligibility for BidderA will be permanently removed from the auction after round 4.

Because Product-1 is over-subscribed, the announced price for Product-1 will be reduced from \$72.50 to \$70.15 for round 4. Because Product-2 is not over-subscribed, the announced price for Product-2 will remain at \$76.10 for round 4.

BidderA will have eligibility of $82+43+10 = 135$ tranches for round 4, and BidderB will have eligibility of $50+57 = 107$ tranches for round 4 (including the 22 tranches rolled back on Product-2).

Round 4

At the announced prices for round 4, BidderA bids 46 tranches and 43 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 82 to 46 tranches. BidderB bids 32 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB reduced its tranches bid on Product-1 from 50 to 32 tranches.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 22 tranches: only 78 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 36 tranches, while BidderB's bid represents a reduction in its eligibility by 18 tranches. Of the 54 fewer tranches bid on Product-1, 36 were eligibility reductions from BidderA and 18 were eligibility reductions from BidderB. Of those 54 fewer tranches bid, $100-78 = 22$ tranches need to be rolled back on Product-1. The selection of which tranches are rolled back is done by assigning random numbers tranche by tranche (not bidder by bidder) to each of the 54 fewer tranches bid on Product-1. On average, the selection of the rolled back tranches will be proportional based on the number of tranches by which each bidder reduced its bid on the product. Thus, if the assignment of random numbers and selection of rolled back tranches were repeated many times, the number of rolled back tranches for BidderA on Product-1 would be expected to be 15 on average or $(82-46)/(132-78)*(100-78) = 36/54*22$, rounded, and the number of rolled back tranches for BidderB on Product-1 would be expected to be 7 on average: $(50-32)/(132-78)*(100-78) = 18/54*22$, rounded.

Auction Close

After the rollback is done for Product-1, it is determined that no product is over-subscribed and no bidder has free eligibility tranches. Thus, the criteria are met for closing the auction.

Product-1's bid stack has tranches bid at \$72.50 and tranches bid at \$70.15. So Product-1's clearing price is the higher of the two, or \$72.50. BidderA wins 61 tranches and BidderB wins 39 tranches for Product-1. All 100 tranches procured for Product-1 are paid the price of \$72.50.

Product-2's bid stack has tranches bid at \$78.60 and tranches bid at \$76.10. So Product-2's clearing price is the higher of the two, or \$78.60. BidderA wins 43 tranches and BidderB wins 57 tranches for Product-2. All 100 tranches procured for Product-2 are paid the price of \$78.60.

Example 2. Round-by-Round Bidding with Pre-EOR and Post-EOR Results

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
1	\$75.00					\$82.00						
Pre-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00			140
BidderB			80	@ \$75.00				27	@ \$82.00			107
Post-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00			140
BidderB			80	@ \$75.00				27	@ \$82.00			107
2	\$72.50					\$78.60						
Pre-EOR		100	90		(10)		100	142		42		
BidderA			40	@ \$72.50				85	@ \$78.60			125
BidderB			50	@ \$72.50				57	@ \$78.60			107
Post-EOR		100	100		0		100	142		42		
BidderA			50	10 @ \$75.00 40 @ \$72.50				85	@ \$78.60			135
BidderB			50	@ \$72.50				57	@ \$78.60			107

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
3	\$72.50					\$76.10						
Pre-EOR		100	149		49		100	71		(29)		
BidderA			99	10 @ \$75.00 89 @ \$72.50				36	@ \$76.10			135
BidderB			50	50 @ \$72.50				35	@ \$76.10			85
Post-EOR		100	132		32		100	100		0		
BidderA			82	@ \$72.50				43	7 @ \$78.60 36 @ \$76.10		10	135
BidderB			50	@ \$72.50				57	22 @ \$78.60 35 @ \$76.10			107
4	\$70.15					\$76.10						
Pre-EOR		100	78		(22)		100	100		0		
BidderA			46	@ \$70.15				43	7 @ \$78.60 36 @ \$76.10			89
BidderB			32	@ \$70.15				57	22 @ \$78.60 35 @ \$76.10			89
Post-EOR		100	100		0		100	100		0		
BidderA			61	15 @ \$72.50 46 @ \$70.15				43	7 @ \$78.60 36 @ \$76.10			104
BidderB			39	7 @ \$72.50 32 @ \$70.15				57	22 @ \$78.60 35 @ \$76.10			96

	Product-1			Product-2			Tranches Won
	Clearing Price	Tranche Target	Tranches Won	Clearing Price	Tranche Target	Tranches Won	
Results	\$72.50	100	100	\$78.60	100	100	100
BidderA			61			43	104
BidderB			39			57	96

Part 1 Application

**For Residential/Commercial and Industrial
(Hourly Priced) Auctions**

To Procure Default Service Products for

Metropolitan Edison Company (“Met-Ed”)

Pennsylvania Electric Company (“Penelec”)

Pennsylvania Power Company (“Penn Power”)

**West Penn Power Company (“West Penn
Power”)**

Appendix 1 to Bidding Rules

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

**PART 1 APPLICATION
AUCTIONS TO PROCURE DEFAULT SERVICE PRODUCTS FOR MET-
ED/PENELEC/PENN POWER/WEST PENN POWER**

INSTRUCTIONS

There are two parts to the application process.

Part 1 Application: Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Residential/Commercial auction (“Residential/Commercial Auction”) and/or the Industrial (Hourly-Priced) auction (“Industrial (Hourly Priced) Auction”) to procure default service products for Met-Ed, Penelec, Penn Power, and West Penn Power (“Companies”).

- **Part 2 Application:** Qualified Bidders for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction submit the Part 2 Application, in which they will: (a) agree to comply with the Bidding Rules, (b) agree to accept the terms of the Supplier Master Agreement(s) (“SMA”) should they become a winning supplier, (c) make certifications regarding associations and handling of Confidential Information, (d) submit Indicative Offers, and (e) post Pre-Bid Security to become Registered Bidders.

This document is the Part 1 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in the SMA. “Communications Protocols” refers to the section “Communications Protocols” and related sections in the Bidding Rules.

PART 1 APPLICATION SUBMISSION

To become a Qualified Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Applicants must submit the following to the Independent Evaluator electronically through the Secure Online Application Process and in hardcopy format to the address below by the Part 1 Application Due Date:

- **Electronic Application Form:** Completed Part 1 Application submitted online;

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

- **Hardcopy Application Form:** One (1) printed Part 1 Application document with original signatures, notarized signatures where applicable, and the name of the Applicant on every page of the Application;
- **Supporting Documentation:** One (1) copy of required financial statements and other requested documents supporting the Application as specified in Appendix A; and
- **Changes to Credit Documents (Optional):** Any suggested modifications to the templates for the Pre-Bid Letter of Credit, the Letter of Intent to Provide a Guaranty, or the Letter of Reference ("Credit Documents") must be provided to the Independent Evaluator in an electronic, red-lined version.

Proposed modifications to the Credit Documents and any other inquiries may be directed to the Independent Evaluator by email at fepaauction@crai.com. Inquiries can also be made through the Information Website.

Photocopies and facsimiles of completed documents will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

The completed Part 1 Application and any modifications to the Credit Documents MUST be received by the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date as posted in the timeline on the Information Website.

Hardcopies must be addressed to:

Independent Evaluator
c/o Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092

Phone: 617-425-3384

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

CONFIDENTIALITY OF PART 1 APPLICATION SUBMISSIONS

Confidentiality requirements specific to the Part 1 Application are provided below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 1 Application may be provided on a confidential basis to the Independent Evaluator Team and the Pennsylvania Public Utility Commission ("Commission") and their representatives. Information that you provide in this Part 1 Application, except for information regarding bidding agreements provided in Section 1.11, may be provided on a confidential basis to representatives of the Companies for a creditworthiness assessment.

CONFIDENTIALITY OF QUALIFIED BIDDERS

Upon completion of the Part 1 Application process, the names of Qualified Bidders will be provided to other Qualified Bidders on a confidential basis. As part of this Part 1 Application, you are required to certify that you agree to release your name to other Qualified Bidders and that you will keep confidential the list of Qualified Bidders that is provided to you.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

PART 1 APPLICATION
Residential/Commercial Auction and Industrial (Hourly Priced)
Auction
To Procure Default Service Products

This Part 1 Application is the application form to become a Qualified Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

I. Background Information

Before completing this form, please review the Bidding Rules document, the SMA, and other documents posted on the Information Website so that you understand the conditions under which the Residential/Commercial Auction and Industrial (Hourly Priced) Auction will be conducted.

II. Confirmation of Receipt

Online Delivery: If your Part 1 Application is submitted online, an email will be sent to the Authorized Representative and Delegate of the Applicant to confirm receipt of the completed online application. You will still be required to submit a hardcopy of the Part 1 Application with original signatures via post or hand delivery.

Delivery by Post or Hand Delivery: If your Part 1 Application is received only by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.

III. Incomplete Applications

If your Part 1 Application is incomplete or requires clarification, the Independent Evaluator will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 1 Application may be rejected and you may be unable to participate in the Residential/Commercial Auction or the Industrial (Hourly Priced) Auction. All corrections to remedy deficiencies within an Applicant's Part 1 Application must be

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

submitted online. The Authorized Representative needs to sign and date next to the correction(s) to the Part 1 Application and send a copy as an email attachment to the Independent Evaluator at fepaauction@crai.com, followed by hardcopy to the Independent Evaluator.

IV. Late Applications

Part 1 Applications received after the Part 1 Application Due Date will NOT be accepted under any circumstances.

V. Rejection of Applications

If your Part 1 Application is rejected, your application form and all supporting documents will be returned to you.

VI. Notification to Qualified Bidders

If you become a Qualified Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, the Independent Evaluator will send a Notification of Qualification to your Authorized Representative by email after the Part 1 Application Due Date. The Notification of Qualification also will be sent to your Authorized Representative via courier.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

Please select one or both of the following. This application is for:

The Residential/Commercial Auction

The Industrial (Hourly Priced) Auction

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

PART 1 APPLICATION FORMS

1.1 Applicant Basic Information

Name of Applicant (Company Name)

Legal Name of Applicant (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the Applicant is a corporation, partnership, etc

Years in Business

URL for Applicant's Website

Has the Applicant participated in a prior Met-Ed, Penelec, Penn Power, or West Penn Power Default Service solicitation?

If yes, indicate the most recent auction date (month, year):

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

1.2 Authorized Representative

The Authorized Representative is authorized to represent the Applicant in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. The Authorized Representative will receive all documentation related to the relevant auction(s) if and when the Applicant becomes a Qualified Bidder and subsequently a Registered Bidder, including any auction procedures and Confidential Information required for the submission of bids in any trial auction(s) and in the actual auction(s). The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. The Authorized Representative is the only person authorized to distribute auction procedures and Confidential Information and should do so in accordance with the Communications Protocols. The integrity of the Residential/Commercial Auction and the Industrial (Hourly Priced) Auction depends upon each Authorized Representative safeguarding Confidential Information and passwords used in the auctions. The Independent Evaluator will communicate exclusively with the Authorized Representative or, if instructed by the Authorized Representative, with a Delegate, as designated in this Part 1 Application.

The person designated below is the Applicant's Authorized Representative.

Last Name	Given Name(s)	Mr/Mrs/Ms/Dr/(other)	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Title			
<input type="text"/>			
Street Address 1			
<input type="text"/>			
Street Address 2			
<input type="text"/>			
City	State	Zip Code	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Telephone No.	Cell Phone No.	Fax No.	Email Address
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Communications with the Authorized Representative for purposes of the Part 1 Application are typically done via email and courier.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

The Applicant hereby acknowledges that any notification or other communication given by the Independent Evaluator to the Applicant with respect to the Part 1 Application shall be delivered by courier to the address provided above or emailed to the email address above and shall be deemed received by the Applicant at the time of delivery, provided that where delivery occurs after 5:00 p.m. prevailing Eastern Time on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 8:00 a.m. prevailing Eastern Time on the following Business Day.

This certification must be signed by the Authorized Representative and the signature must be notarized.

I hereby certify that I am authorized by the Applicant to serve as Authorized Representative, to represent the Applicant both (i) in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, and (ii) for purposes of this Part 1 Application. I further certify that I will be responsible for all Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction and I will distribute Confidential Information only to other individuals who are authorized to act on behalf of the Applicant according to the Communications Protocols.

Signature of Authorized Representative

Date

Signature and Seal from Notary Public

Date

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

The person designated in this section by the Applicant is the Delegate.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Company Name

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

1.3 Designation of the Applicant’s Authorized Representative and Delegate for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction

This certification should be signed by an officer or director of the Applicant and should either be notarized or attested with the corporate seal. The person making this certification cannot be either the Authorized Representative or the Delegate.

I certify that I am an officer or director of the Applicant, empowered to undertake contracts and bind the Applicant. I have read and accept the Bidding Rules, the provisions contained in the SMA, and the provisions of the Communications Protocols pertaining to bidders in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

All the information contained in this Application is true and correct to the best of my knowledge. If there are material changes to the Applicant’s information provided in this Part 1 Application, I agree to notify the Independent Evaluator. I designate _____ to act as the Authorized Representative of the Applicant in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction and _____ to act as Delegate for the Authorized Representative. I am not designating myself as Authorized Representative or Delegate.

Signature of Officer or Director of the Applicant

Date

Printed Name

Title

Signature and Seal from Notary Public

Date

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Name of Applicant

1.4 Applicant's Legal Representative in Pennsylvania

Please check here if the Applicant's Authorized Representative is also the Applicant's Legal Representative.

The Applicant's Legal Representative in Pennsylvania must:

- be a legal counsel or a representative agent;
- have an address in Pennsylvania; and
- be authorized and agree to accept service of process on the Applicant's behalf.

The person designated below is the Applicant's Legal Representative or Representative Agent.

Last Name	Given Name(s)	Mr/Mrs/Ms/Dr/(other)
<input type="text"/>	<input type="text"/>	<input type="text"/>

Company Name	Title
<input type="text"/>	<input type="text"/>

Street Address 1

Street Address 2

City	State	Zip Code
<input type="text"/>	<input type="text"/>	<input type="text"/>

Telephone No.	Cell Phone No.	Fax No.	Email Address
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

This certification must be signed by the Legal Representative and the signature must be notarized.

I agree to serve as Legal Representative of the Applicant. I am authorized and I agree to receive service of process on the Applicant's behalf.

Signature of Legal Representative

Date

Signature and Seal from Notary Public

Date

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1.5 Applicant's Credit Representative

The Applicant's Credit Representative is the Applicant's in-house Credit Representative who can answer questions or provide information about the Applicant's credit with respect to the requirements for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

The person designated below is the Applicant's Credit Representative.

Last Name []	Given Name(s) []	Mr/Mrs/Ms/Dr/(other) []
------------------	----------------------	-----------------------------

Title
[]

Street Address 1
[]

Street Address 2
[]

City []	State []	Zip Code []
-------------	--------------	-----------------

Telephone No. []	Cell Phone No. []	Fax No. []	Email Address []
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Name of Applicant

4. Further, please certify that:

- a) The Applicant and its corporate officers have no indictments or pending criminal litigation in any federal, state or local jurisdiction relating to the Applicant;
- b) The Applicant and its corporate officers have no criminal convictions;
- c) The Applicant has no civil penalties, judgments, sanctions or consent decrees arising out of the violation of any law, rule, regulation or ordinance in connection with its business activities;
- d) The Applicant has not had any permit or authority to do business in any jurisdiction revoked or suspended; and
- e) The Applicant has never been barred from public bidding or sanctioned for unauthorized disclosure of Confidential Information.

Signature of Authorized Representative

Date

If you are unable to make these certifications in Section 1.6, subsections (1) to (4), please state which certifications you are unable to make and explain all reasons in the space given below.

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Name of Applicant

1.7 Financial and Credit Information for the Applicant

Please provide the following information for the Applicant:

- a) If the Applicant is not an SEC registrant, provide the most recent Annual Report;
- b) If the Applicant is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement);
- d) If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide the most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e) The following financial information along with page references to the relevant financial filings submitted:

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

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- f) Applicant's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

- g) If the Applicant has not been incorporated or otherwise formed under the laws of the United States, the Applicant is asked to provide in addition to a)-f) above:
- i. A legal opinion acceptable to the Companies of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the SMA will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed.
 - ii. Any additional information that the Applicant wishes to include that could provide comparable credit assurances to those that are provided by other Applicants that have been incorporated or otherwise formed under the laws of the United States.

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Name of Applicant

An Applicant that has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if such Applicants become Default Service Suppliers, they will be required to submit additional documents as detailed in Article 6 of the SMA, including:

- A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Default Service Supplier is incorporated or otherwise formed that this Agreement is, or upon the completion of execution formalities will become, the binding obligation of the Default Service Supplier in the jurisdiction in which it has been incorporated or otherwise formed;
- The sworn certificate of the corporate secretary (or similar officer) of such Default Service Supplier that the person executing the Agreement on behalf of the Default Service Supplier has the authority to execute the Agreement and that the governing board of such Default Service Supplier has approved the execution of the Agreement; and
- The sworn certificate of the corporate secretary (or similar officer) of such Default Service Supplier that the Default Service Supplier has been authorized by its governing board to enter into agreements of the same type as the SMA.

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Name of Applicant

Is the Applicant and/or its parent:

	Applicant		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Applicant's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status.

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Name of Applicant

1.8 Guarantor Information

The Guarantor information is required only if the Applicant expects to have a third party act as a Guarantor should the Applicant become a Default Service Supplier.

Please check here and proceed to the next section if this section does not apply to you because you will not have a third party act as a Guarantor.

Basic Information for the Guarantor

Name of Guarantor

Legal Name of Guarantor (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the Guarantor is a corporation, partnership, etc

Years in Business

Guarantor's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

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Name of Applicant

Telephone No.

Cell Phone No.

Fax No.

Email Address

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Name of Applicant

The Guarantor's Credit Representative

The Guarantor's in-house Credit Representative is the individual who can answer questions or provide information about the Guarantor's credit with respect to the requirements for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

The person designated below is the Guarantor's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

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Name of Applicant

Please provide the following information for the Guarantor:

- a) If the Guarantor is not an SEC registrant, provide the most recent Annual Report;
- b) If the Guarantor is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement);
- d) If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide the most recent annual or quarterly financial data accompanied by an attestation by the Guarantor’s Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant’s financial condition;
- e) The following financial information along with page references to the relevant financial filings submitted:

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

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- f) Guarantor's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

- g) If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, the Guarantor is asked to provide in addition to a)-f) above:
- i. A legal opinion acceptable to the Companies of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed.
 - ii. Any additional information that the Guarantor wishes to include that could provide comparable credit assurances to those that are provided by other Guarantors that have been incorporated or otherwise formed under the laws of the United States.

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An Applicant whose Guarantor has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if an Applicant with such a Guarantor becomes a Default Service Supplier, the Guarantor will be required to submit additional documents as detailed in Article 6 of the SMA, including:

- A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that this Guaranty is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty; and
- The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the Guaranty.

Is the Guarantor and/or its parent (if applicable):

	Guarantor		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Guarantor's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Name of Applicant

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status of the Guarantor.

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Name of Applicant

1.9 Additional Certifications

The Bidding Rules, the SMA, and the Information Website include important information that an Applicant should understand prior to participating in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

- a) Please certify that you have read the Bidding Rules for the Auction(s) in which you intend to participate (the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction) and that you will comply with these rules.

Signature of Authorized Representative _____
Date

- b) Please certify that you have read the SMA and that you accept its terms. Please also certify that if you become a winning bidder, you will execute the SMA within three (3) Business Days following the date of the Commission's approval of the auction results:

Signature of Authorized Representative _____
Date

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- c) Please certify that if you qualify to participate in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, you will not disclose at any time information regarding the list of Qualified Bidders in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, including but not limited to the number of Qualified Bidders, the identity of any one of the Qualified Bidders (including yourself), or the fact that an entity has not qualified for participation in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Further, please certify that you will destroy any document distributed by the Independent Evaluator that lists the Qualified Bidders within five (5) days of the close of the bidding, or earlier if so instructed by the Independent Evaluator.

Signature of Authorized Representative

Date

- d) No Qualified Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction shall substitute another party, transfer its rights to another party, or otherwise assign its status as a Qualified Bidder to another party. Any such substitutions, transfers, or assignments shall be null and void and will result in the exclusion of the Qualified Bidder from the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Please certify that you agree to the limitation set forth in this paragraph.

Signature of Authorized Representative

Date

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The Bidding Rules and Communications Protocols include restrictions on the disclosure of Confidential Information. For purposes of the following certifications, the definition of Confidential Information relative to bidding strategy is defined according to Section 12.2 of the Bidding Rules:

- e) Please certify that you agree not to disclose any Confidential Information relative to bidding strategy to any party that may have an effect on the participation of another bidder, prospective bidder, or on any of the bids that another bidder would be willing to submit.

Signature of Authorized Representative _____
Date

- f) Please certify that, to the extent Confidential Information relative to bidding strategy is disclosed within your organization or to a third party, you will ensure that sufficient precautions are taken to ensure that such Confidential Information is not made public or made available to another bidder. Such precautions include, but are not limited to confidentiality agreements, non-disclosure agreements, firewalls, and other contractual or structural protections that would maintain the confidential nature of a bidder's bidding strategy.

Signature of Authorized Representative _____
Date

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If unable to make the certifications requested above please identify the nature of your need to disclose Confidential Information without sufficient precautions to ensure that such Confidential Information is not made public or made available to another bidder.

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Name of Applicant

1.10 Alternate Guaranty Forms

A prospective Default Service Supplier that wishes to rely on a Guarantor can use the standard form of guaranty (Appendix C to the SMA for the Residential/Commercial Auction, and Appendix B to the SMA for the Industrial (Hourly Priced) Auction) and be assured that the standard form of guaranty is acceptable to the Companies. Alternatively, the Companies will consider alternate forms of guaranty if they are submitted with this Part 1 Application. Also, you may submit an alternate form of guaranty that was previously approved by the Companies in a prior solicitation.

The Alternate Guaranty Form must be a financial guaranty for unlimited liability. Additional requirements are specified in Appendix B of this Part 1 Application.

Please check here and proceed to the next section if this section does not apply to you because you are not submitting an alternate form of guaranty. Otherwise please read Appendix B and complete this section.

The Authorized Representative acknowledges by signing below that he/she has read the requirements of Appendix B and that he/she believes that the proposed Alternate Guaranty Form complies with these requirements:

Signature of Authorized Representative

Date

Please check below to show that you are including all required documents.

- The proposed form of alternate guaranty;
- Certification that the alternate guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months;
- An enforceability opinion with respect to the alternate form of guaranty from counsel; and
- Previously approved alternate form of guaranty.

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1.11 Bidding Agreements

Please note that the Companies will not review information provided in this section.

Please check here and proceed to the next section if you will be bidding independently and not as a party to any bidding agreement with another party or through any other arrangement involving joint or coordinated bidding with any other party.

Otherwise, please indicate below whether you are a party to or a part of a bidding agreement, a joint venture, a bidding consortium, or other arrangements for purposes of participating in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction or pertaining to bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Please also provide the names of the other parties to the bidding agreement or other arrangement.

Other parties to the arrangement:

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- Bidding Agreement Bidding Consortium
 Joint Venture Other (define) _____

If you are part of a bidding agreement, bidding consortium or joint venture, you must nominate a single party to the bidding agreement, bidding consortium or joint venture to fulfill the creditworthiness requirements. This party may have a Guarantor. Please indicate below which party from the bidding agreement, bidding consortium, or joint venture will be fulfilling the creditworthiness requirements:

Name of the single party fulfilling the creditworthiness requirements:

The Authorized Representative of the party named above must sign here to acknowledge the fact that this party has agreed to fulfill the creditworthiness requirements:

Signature of Authorized Representative

Date

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1.12 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 1 Application, please justify fully any omissions in the space provided below.

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Appendix A – Enclosures to the Part 1 Application

This is a checklist of documents to be enclosed with this Part 1 Application. Please submit only one copy of required supporting documents to the application unless noted otherwise.

A copy of the completed Part 1 Application with original signatures and original notarized signatures of Sections 1.2, 1.3 and 1.4 [Instructions Part 1]

For the Applicant:

- A copy of the signature page of the applicable PJM Agreements as that term is defined in the SMA [Section 1.6]
- If the Applicant is not an SEC registrant, provide the most recent Annual Report [Section 1.7]
- If the Applicant is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide the most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.7]
- Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.7]
- If the Applicant has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to Companies of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the SMA will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Applicant wishes to give that could provide comparable credit assurances to those that

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are provided by other Applicants that have at least two credit ratings from accepted credit ratings agencies. [Section 1.7]

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For the Guarantor:

- If the Guarantor is not an SEC registrant, provide the most recent Annual Report [Section 1.8]
- If the Guarantor is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.8]
- Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.8]
- If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to the Companies of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Guarantor wishes to give about the Guarantor's financial standing that could provide comparable credit assurances to those that are provided by other Guarantors that have at least two credit ratings from accepted credit rating agencies. [Section 1.8]

If the Applicant is proposing an Alternate Guaranty Form:

- Proposed form of alternate guaranty [Section 1.10]
- Certification that the alternate guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months [Section 1.10]
- An enforceability opinion with respect to the alternate form of guaranty from counsel [Section 1.10]

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Proposed form of alternate guaranty [Section 1.10]

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Appendix B – Alternate Guaranty Forms (Optional)

The criteria used to review the alternate form of guaranty are as follows:

1. The alternate guaranty must be a financial guaranty; performance guarantees are not acceptable.
2. The Companies will consider alternate forms of guaranty only if the guaranty is for unlimited liability.
3. The alternate guaranty must be an unconditional guaranty of payment of all amounts due by the Default Service Supplier to the Companies under the SMA. The SMA must be expressly identified and the satisfaction of obligations through performance may not be authorized.
4. The alternate guaranty may be terminated upon not less than thirty (30) days advance written notice to the Companies and termination shall not discharge liabilities and obligations of the Guarantor that have been incurred before the effective date of the termination.
5. The alternate guaranty must not be subject to any monetary limit.
6. The alternate guaranty must be accompanied by a certification that this form of guaranty, subject to changes needed to conform to the specific requirements of the Companies, has been in general use by the submitting party in its ordinary course of business over the past twelve months.
7. The alternate guaranty must be a guaranty of payment and not of collection.
8. Assignment of the alternate guaranty shall not be permitted except with the prior written consent of the Companies.
9. The Applicant must provide an enforceability opinion with respect to the alternate form of guaranty from its counsel. The accompanying enforceability opinion must be from a law firm of national (i.e., United States) standing, must not be weaker than would be industry norm and must contain only those qualifications that would be typical. The opinion shall name the Companies and explicitly state that the Companies are entitled to rely on the opinion.

The alternate forms of guaranty will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the Independent Evaluator will redact the proposed alternate form of guaranty to remove any information identifying the Applicant. The Independent Evaluator will then forward the redacted version to a credit and legal representative of the Companies.

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- The credit and legal representative will determine whether the alternate form of guaranty provides sufficient assurances of payment, taking into account the following considerations:
 - (i) whether the alternate form of guaranty conforms with the specific requirements identified by the Companies (listed above);
 - (ii) whether the alternate form of guaranty provides substantially similar credit protections to the credit protections provided to Companies by the standard form of guaranty; and
 - (iii) whether the alternate form of guaranty includes defenses in favor of the Guarantor not found in the standard form of guaranty. The Companies representative may also identify specific changes that would permit the alternate form of guaranty to be acceptable, if such changes are of a limited nature.
- The credit and legal representative shall inform the Independent Evaluator of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of the Companies' decision, the Independent Evaluator will notify the Applicant of the Companies' decision. The Companies' decision will state one of the following:
 - (i) The proposed alternate guaranty is acceptable to the Companies in the form in which it was submitted.
 - (ii) The proposed alternate guaranty is not acceptable to the Companies in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Independent Evaluator will set forth the required changes.
 - (iii) The proposed alternate guaranty is not acceptable to the Companies.
- If specific changes are required to the proposed alternate guaranty, the Applicant will be required to resubmit the alternate guaranty form with changes identified by the Companies on the Business Day following the Business Day during which the Independent Evaluator notified the Applicant of the Companies' decision. No later than three (3) Business Days after the Applicant's resubmission, the Independent Evaluator will notify the Applicant of the Companies' final decision.

A potential bidder that had secured approval for an alternate form of guaranty from any previous Default Service procurement auction held by one or more of

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

the Companies and wishes to use the same alternate form of guaranty can renew this by submitting the following:

1. The alternate form of guaranty from any previous Default Service procurement auction by the Companies;
2. The enforceability opinion from any previous Default Service procurement auction by the Companies;
3. A certification that the text of the alternate form of guaranty is exactly the same as the alternate form of guaranty that had been previously approved from any previous Default Service procurement auction by the Companies;
4. A certification that the text of the enforceability opinion is exactly the same as the enforceability opinion that had been previously approved from any previous Default Service procurement auction by the Companies.

If a potential bidder submits the materials as specified above, the alternate form of guaranty will be approved for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction without further re-evaluation. If a potential bidder had secured approval for an alternate form of guaranty from any previous Default Service procurement auction by the Companies but is unable to provide the materials as specified above, the potential bidder must resubmit the alternate form of guaranty and all supporting documentation as specified in the Alternate Form of Guaranty section above and these materials will be re-evaluated according to the criteria set forth in this document.

All proposing parties that become Qualified Bidders under the Part 1 Application process, but whose alternate guaranty is rejected by the Companies, are required to submit with their Part 2 Application a supplemental certification that the Applicant unconditionally accepts all terms and conditions of the SMA.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

Appendix C – Draft Pre-Bid Letter of Credit for the Pre-Bid Security (Optional)

The standard form of the Pre-Bid Letter of Credit presented in this section is in a form acceptable to the Companies and will be posted to the Information Website. However, an Applicant has the option to submit a draft Pre-Bid Letter of Credit clearly identifying proposed changes in an electronic, redlined version by email with their Part 1 Application to fepaauction@crai.com.

The Companies will assess, in their sole and exclusive discretion, whether such modifications are acceptable. The Qualified Bidder, in its Part 2 Application, must provide the required executed Pre-Bid Letter of Credit that either uses the standard form or incorporates only those modifications to the standard form accepted by the Companies upon review of the Part 1 Application. The draft Pre-Bid Letter of Credit will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the Independent Evaluator will redact the draft Pre-Bid Letter of Credit to remove any information identifying the Applicant. The Independent Evaluator will then forward the redacted version to a credit and legal representative of the Companies.
- The credit and legal representative will determine whether such modifications are acceptable. The credit and legal representative shall inform the Independent Evaluator of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of the Companies' decision, the Independent Evaluator will notify the Applicant of the Companies' decision. The Companies' decision will either state:
 - The draft Pre-Bid Letter of Credit is acceptable to the Companies in the form in which it was submitted.
 - The draft of Pre-Bid Letter of Credit is not acceptable to the Companies in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Independent Evaluator will set forth the required changes.
 - The draft Pre-Bid Letter of Credit is not acceptable to the Companies.
- If specific changes are required to the draft Pre-Bid Letter of Credit, the Applicant will be required to resubmit the draft Letter of Credit with changes identified by the Companies on the Business Day following the Business Day Companies' decision. No later than three (3) Business Days after the Applicant's resubmission, the Independent Evaluator will notify the Applicant of the final decision.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Name of Applicant

End of Part 1 Application

Part 2 Application

**For Residential/Commercial and Industrial
(Hourly Priced) Auctions**

To Procure Default Service Products for

Metropolitan Edison Company (“Met-Ed”)

Pennsylvania Electric Company (“Penelec”)

Pennsylvania Power Company (“Penn Power”)

**West Penn Power Company (“West Penn
Power”)**

Appendix 2 to Bidding Rules

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

PART 2 APPLICATION AUCTIONS TO PROCURE DEFAULT SERVICE PRODUCTS FOR MET- ED/PENELEC/PENN POWER/WEST PENN POWER

INSTRUCTIONS

There are two parts to the application process.

- **Part 1 Application:** Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Residential/Commercial auction (“Residential/Commercial Auction”), and/or the Industrial (Hourly Priced) auction (“Industrial (Hourly Priced) Auction”) to procure default service products for Met-Ed, Penelec, Penn Power, and West Penn Power (the “Companies”).
- **Part 2 Application:** Qualified Bidders for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction submit the Part 2 Application, in which they will: (a) agree to comply with the Bidding Rules, (b) agree to accept the terms of the Supplier Master Agreement (“SMA”) should they become a winning supplier, (c) make certifications regarding associations and handling of Confidential Information, (d) submit Indicative Offers, and (e) post Pre-Bid Security to become Registered Bidders.

This document is the Part 2 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in the SMA. “Communications Protocols” refers to the section “Communications Protocols” and related sections in the Bidding Rules.

PART 2 APPLICATION SUBMISSION

To become a Registered Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Applicants must submit the following to the Independent Evaluator electronically through the Secure Online Application Process and in hardcopy format to the address below by the Part 2 Application Due Date:

- **Electronic Application Form:** Completed Part 2 Application submitted online;

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

- **Hardcopy Application Form:** One (1) printed Part 2 Application document with original signatures and the name of the Applicant on every page of the Application;

In addition to the completed Part 2 Application Forms, each Qualified Bidder must:

- Submit an Indicative Offer for each auction that it is applying for — either the Residential/Commercial Auction, the Industrial (Hourly Priced) Auction, or both auctions;
- Submit a Pre-Bid Letter of Credit, cash, and additional Pre-Bid Security (if required) to support the Indicative Offer; and
- Make required certifications on Applicant Associations and Confidential Information and, if unable to do so, make required information disclosures.

Please note that interest will not be paid by the Companies for cash posted as Pre-Bid Security. Photocopies and facsimiles of completed documents will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

The completed Part 2 Application and any the supporting Credit Documents MUST be received by the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date as posted in the timeline on the Information Website.

Hardcopies must be addressed to:

Independent Evaluator
c/o Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092

Phone: 617-425-3384

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

CONFIDENTIALITY OF PART 2 APPLICATION SUBMISSIONS

Confidentiality requirements specific to the Part 2 Application are reiterated below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 2 Application may be provided on a confidential basis to the Independent Evaluator Team and the Pennsylvania Public Utility Commission (the "Commission") and their representatives. Representatives from the Companies will decide whether the form of Pre-Bid Security submitted is acceptable; Pre-Bid Security documents will be redacted prior to the closing of the bidding process so as not to reveal an Applicant's identity or the amount of the Applicant's Indicative Offer.

CONFIDENTIALITY OF REGISTERED BIDDERS AND INITIAL ELIGIBILITY

Upon completion of the Part 2 Application process, the names of Registered Bidders will be provided to other Registered Bidders on a confidential basis for each auction independently, as well as the total Initial Eligibility aggregated across all Registered Bidders and products for each auction. As part of this Part 2 Application, you are required to certify that you agree to release your name to other Registered Bidders and that you will keep confidential the list of Registered Bidders and total Initial Eligibility that is provided to you.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

PART 2 APPLICATION
Residential/Commercial Auction and Industrial (Hourly Priced)
Auction
To Procure Default Service Products

This Part 2 Application is the application form to become a Registered Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

I. Background Information

Before completing this form, please review the Bidding Rules document, the SMA, and other documents posted on the Information Website so that you understand the conditions under which the Residential/Commercial Auction and Industrial (Hourly Priced) Auction will be conducted.

II. Confirmation of Receipt

Online Delivery: If your Part 2 Application is submitted online through the Secure Online Application Process, an email will be sent to the Authorized Representative and Delegate to confirm receipt. You will still be required to submit a hardcopy of the Part 2 Application with original signatures via post or hand delivery.

Delivery by Post or Hand Delivery: If your Part 2 Application is received by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.

III. Incomplete Applications

If your Part 2 Application is incomplete or requires clarification, the Independent Evaluator will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 2 Application may be rejected and you may be unable to participate in the Residential/Commercial Auction or the Industrial (Hourly Priced) Auction. All corrections to remedy deficiencies within an Applicant's Part 2 Application must be submitted online. The Authorized Representative needs to sign and date next to the

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

correction(s) to the Part 2 Application and send a copy as an email attachment to the Independent Evaluator at fepaauction@crai.com, followed by hardcopy to the Independent Evaluator.

IV. Late Applications

Part 2 Applications received after the stated Part 2 Application Due Date will NOT be accepted under any circumstances.

V. Changes to Part 1 Application

If changes to the Part 1 Application are warranted in order to fulfill the requirements of the Part 2 Application, those changes to the Part 1 Application must be received by the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time seven (7) Business Days prior to the Part 2 Application Due Date. All changes to an Applicant's Part 1 Application must be signed and dated by the Authorized Representative and sent as an email attachment to the Independent Evaluator at fepaauction@crai.com, followed by hardcopy to the Independent Evaluator.

VI. Deficient Pre-Bid Security

If your Credit Documents are not in a form acceptable to the Companies, your Authorized Representative will be emailed a deficiency notice and you will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you fail to meet this deadline, your Part 2 Application will be rejected.

If your Credit Documents are insufficient for your Indicative Offer, or if your other Pre-Bid Security is in a form that is not acceptable to the Companies, your Authorized Representative will be emailed a deficiency notice. You will have until the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you cannot correct the deficiency, your Application may be rejected or your Initial Eligibility may be reduced by the Independent Evaluator so that your Pre-Bid Security is sufficient to cover your Indicative Offer.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

VII. Certifications Regarding Associations

You may be required to provide additional information to the Independent Evaluator and to the Commission and its representatives if you are unable to make the certifications in this Part 2 Application.

VIII. Rejection of Applications

If your Part 2 Application is rejected, your application form and all supporting documents will be returned to you.

IX. Notification to Registered Bidders

If you become a Registered Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, the Independent Evaluator will send your Authorized Representative a Notice of Registration by email after the Part 2 Application Due Date. The Notice of Registration will also be sent to your Authorized Representative by courier. If there are material changes to the Applicant's information provided in this Part 2 Application, you are obligated to notify the Independent Evaluator.

Prior to the auction date, Registered Bidders will receive information on how to participate in the auction(s) using the Independent Evaluator's secure Bidding Website(s).

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

Please select one or both of the following. This application is for: _____

The Residential/Commercial Auction

The Industrial (Hourly Priced) Auction

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

PART 2 APPLICATION FORMS

2.1 Applicant Information

Name of Applicant (Company Name)

Authorized Representative's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

Delegate's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Company Name

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

NOTE: The contact information for the Authorized Representative and Delegate in the Part 2 Application should be the same contact information that was provided in the Part 1 Application. Please email fepaauction@crai.com if there are any changes to this information prior to the deadline for making changes as outlined in Section V above.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

2.2 Indicative Offer and Pre-Bid Security

Provide your Indicative Offer in Table 1 and Table 2 below. You will provide an indicative offer at the Minimum Starting Price and you will provide an Indicative Offer at the Maximum Starting Price for each product in the auction(s) that you are applying for. Your Indicative Offer should be the maximum number of tranches that you would be willing to supply at the applicable starting price subject to the limitations of any applicable load cap for the auction. In each auction itself, you are not required to bid the number of tranches in your Indicative Offer. However, your Initial Eligibility to bid in each auction will be determined by the total number of tranches across the products in your Indicative Offer at the Maximum Starting Price for that auction.

For the Residential/Commercial Auction, you are required to submit cash or a Pre-Bid Letter of Credit for an amount equal to \$250,000 multiplied by the total number of tranches in your Indicative Offer at the Maximum Starting Prices for the Residential/Commercial Auction.

For the Industrial (Hourly Priced) Auction, you are required to submit cash or a Pre-Bid Letter of Credit for an amount equal to \$250,000 multiplied by the total number of tranches in your Indicative Offer at the Maximum Starting Prices for the Industrial (Hourly Priced) Auction.

If you are required to do so, please provide additional Pre-Bid Security in an acceptable form. Instructions regarding the amount of the Letter of Reference and the amount of the Letter of Intent to Provide a Guaranty are provided in Table 2. Credit Documents in support of your Pre-Bid Security should be in the form provided on the Information Website or as approved in modified form during the Part 1 Application process.

Please check here if you are submitting a cash deposit as Pre-Bid Security.

Please check here if you are submitting a Pre-Bid Letter of Credit as Pre-Bid Security.

Please check here if you are submitting a Letter of Intent to Provide a Guaranty from the named Guarantor in Section 1.8 of the Part 1 Application as additional Pre-Bid Security.

Please check here if you are submitting a Letter of Reference from a bank as additional Pre-Bid Security.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

Complete Table 2 to include the amounts of the cash deposits, Pre-Bid Letter of Credit, and/or other additional Pre-Bid Security (if required) that you are providing in support of this Part 2 Application.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant _____

Table 1. Indicative Offer at Minimum Starting Prices (prices in \$/MWh)

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)
Commercial 6-months								
Residential 12-months								
Commercial 12-months								
Residential 24-months								

Enter Your Indicative Offer for the Residential/Commercial Auction at the Minimum Starting Prices:

<-- Does not need to be the sum of the tranches above at the minimum starting prices. This can be less than the sum of the tranches at minimum prices across the Companies.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant _____

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)
Industrial 24-months	<input type="text"/>	<input type="text"/>						

Enter Your Indicative Offer for the Industrial (Hourly Priced) Auction at the Minimum Starting Prices:

<-- Does not need to be the sum of the tranches above at the minimum starting prices This can be less than the sum of the tranches at maximum prices across the Companies.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant _____

Table 2. Indicative Offer at Maximum Starting Prices (prices in \$/MWh)

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)
Commercial 6-months								
Residential 12-months								
Commercial 12-months								
Residential 24-months								

In Box [A] Enter Your Indicative Offer for the Residential/Commercial Auction at the Maximum Starting Prices:

[A] <-- This needs to be the sum of the tranches above across all products at the maximum starting prices.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant _____

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)
Industrial 24-months	<input type="text"/>	<input type="text"/>						

In Box [B] Enter Your Indicative Offer for the Industrial (Hourly Priced) Auction at the Maximum Starting Prices:

[B] <-- This needs to be the sum of the tranches above across all products at the maximum starting prices.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant _____

Cash: _____ LOC: _____

Amount of cash deposit or Pre-Bid Letter of Credit
This amount is equal to \$250,000 multiplied by your Indicative Offer in box [A], plus \$250,000 multiplied by your Indicative Offer in box [B]

--

Amount of Additional Pre-Bid Security
If required, this amount is equal to \$500,000 multiplied by your Indicative Offer in box [A] plus \$500,000 multiplied by your Indicative Offer in box [B]
NOTE: Stand-alone investment-grade companies with a sufficient Independent Credit Threshold (ICT) to cover the amount of additional Pre-Bid Security calculated above are not required to post additional security. Investment grade is defined as BBB- and above from S&P or Fitch, and Baa3 from Moody's. All other bidders are required to post additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty and/or a Letter of Reference for an amount not to exceed their ICT. If necessary, an additional \$250,000 in cash or a letter of credit may be provided in lieu of a Letter of Reference.

--

Enter the amount of additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty in the box on the left.
NOTE: This is an option for companies with an investment-grade guarantor.

--

Enter the amount of additional Pre-Bid Security in the form of a Letter of Reference in the box on the left.
NOTE: This is an option for companies without an investment grade rating and/or with a below-investment grade guarantor.

Cash: _____ LOC: _____

Enter the amount of additional Pre-Bid Security in the form of cash deposit or Pre-Bid Letter of Credit in the box on the left.
NOTE: This is an option for companies unable to provide a Letter of Reference of sufficient magnitude to cover the additional Pre-Bid Security amount.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

If you are submitting a Pre-Bid Letter of Credit, in the space below, please provide instructions for returning the Pre-Bid Letter of Credit once it can be cancelled.

If you are submitting a cash deposit, you must attach a copy of your W9 (for tax ID) and a copy of your banking information on your company's letterhead, signed and dated. Furthermore, in the space below, please provide wiring instructions for returning your cash deposit.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

2.3 Certifications by Authorized Representative

Please consult the list of Qualified Bidders for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction provided to you upon qualification. The following certifications are those contained in the "Association and Confidential Information Rules" of the Bidding Rules. Please consult the criteria for associations and the definition of Confidential Information in the Bidding Rules.

Please make the following certifications. All Qualified Bidders, including each party to a Bidding Consortium, Bidding Agreement or Joint Venture for the purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, must make these certifications. The following certifications (1) to (8) will apply from the time of qualification until the results of the Default Service Auctions, are finalized. Completion of the following certifications also signifies your acknowledgement that you do not know of or cannot reasonably anticipate, at the time of this Part 2 Application, any events that might cause these certifications to become untrue during the period to which each certification applies. If you cannot make one or more of these certifications, please disclose the necessary information to explain why you cannot make these certifications.

- (1) Please certify that you are not associated with another Qualified Bidder according to the criteria as defined in the Bidding Rules.

Signature of Authorized Representative

Date

If unable to make certification (1) requested above, please identify the Qualified Bidder(s) in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, with whom you are associated along with the nature of the association.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

- (2) Please certify that, other than parties explicitly named in Section 1.11 of your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Bidding Consortium or other arrangement pertaining to bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, you have not entered into any agreement with another Qualified Bidder, directly or indirectly, regarding bids in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, including, but not limited to, the amount to bid at certain prices, when or at what prices bids are to be withdrawn, or the amount of exit prices.

Signature of Authorized Representative

Date

- (3) Please certify that any person who will be advising or assisting you with bidding strategy in the Residential/Commercial Auction and/or the Industrial (Hourly-Price) Auction, with estimation of the value of tranches, or with the estimation of the risks associated with serving Default Service Load (an **advisor**) will either (i) not provide any similar advice or assistance to any other Qualified Bidder; or (ii) if such person will provide similar advice or assistance to another Qualified Bidder, or if such person will be privy to Confidential Information relative to any other Qualified Bidder's bidding strategy, that appropriate protections have been put into place to ensure that the advisor does not serve as a conduit of information between, or as a coordinator of the bidding strategies of, multiple bidders, and please describe such appropriate protections in the space below.

Signature of Authorized Representative

Date

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

If unable to make certification (3) requested above, please name the advisor(s) and the Qualified Bidder(s) concerned.

- (4) Please certify that you are not a party to any contract for the purchase of power that might be used as a source of supply for Default Service, and that (i) would require the disclosure of any Confidential Information (Confidential Information relative to the bidding strategy or Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction) to the counterparty under such a contract; or (ii) that would require the disclosure of any Confidential Information (Confidential Information relative to the bidding strategy or Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction) to any other party; or (iii) that would provide instructions, direct financial incentives, or other inducements for the Bidder to act in a way determined by the counterparty in the agreement and/or in concert with any other Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Notwithstanding the above, you may, during negotiations prior to the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction for contractual arrangements for power to serve Default Service Load were you to be a winner at the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, discuss with the counterparty to such arrangements the nature of the standard products to be purchased, the volume, and the price at which you are willing to buy these products, so long as such arrangements do not result in violation of (i), (ii) or (iii) above.

Signature of Authorized Representative

Date

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

If unable to make certification (4) requested above please disclose the contractual terms that prevent you from making the certification. Please identify the counterparty and if applicable, the party to whom information disclosure must be made under the terms of the contract.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

- (5) Please certify that you do not have any knowledge of Confidential Information that is relevant to the bidding strategy of any other Qualified Bidder.

Signature of Authorized Representative

Date

If unable to make certification (5) requested above please name the other Qualified Bidder(s) and the nature of the Confidential Information

- (6) Please certify that you will not disclose Confidential Information relative to your bidding strategy except to bidders that were explicitly named in your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, or Bidding Consortium or other arrangement pertaining to bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Bidders with which you are associated as disclosed through certification (1), to your advisors, and to your financial institution.

Signature of Authorized Representative

Date

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

If unable to make certification (6) requested above, please explain.

- (7) Please certify that, other than entities with which you are affiliated and other than bidders with which you have entered a Bidding Agreement, or Joint Venture for purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, or Bidding Consortium, or other arrangement pertaining to the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, no party has agreed to defray any of the costs of participating in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, including the cost of preparing the bid, the cost of any financial guarantees, the cost to be paid upon winning a tranche, and any other participation cost.

Signature of Authorized Representative

Date

If unable to make certification (7) requested above, please explain.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

- (8) Please certify your agreement that the submission of any bid in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction creates a binding and irrevocable offer to provide service under the terms set forth in the SMA and that a binding and enforceable contract to provide service with respect to the number of tranches for which you were a winner in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction shall arise under the SMA. Please note that failure to execute the SMA within three (3) Business Days following the date of the Commission's approval of the auction results may result in the forfeiture of the Pre-Bid Letter of Credit.

Signature of Authorized Representative

Date

If unable to make certification (8) requested above, please explain.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

(11) Please certify that you will continue to abide by your prior confidentiality certifications. You will not disclose any Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction to any party except to your advisor and Bidders with which you are associated. Please certify that you will destroy all documents, written or electronic, provided by the Independent Evaluator that contain Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction within five (5) days of the close of the bidding, or earlier if so instructed by the Independent Evaluator

Signature of Authorized Representative

Date

If unable to make certification (11) requested above, please explain.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

2.4 Ongoing Obligations

Please note that all obligations, terms and conditions set forth in the Bidding Rules and SMA remain in effect and apply to the certifications made herein, including but not limited to the following:

- Section 4.2.3 of the Bidding Rules - Sanctions may be imposed on a Bidder for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the SMA, loss of all rights to provide supply for the Companies to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future Competitive Bidding Processes, and other sanctions that may be appropriate.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

2.5 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 2 Application, please justify fully any omissions in the space provided below.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Name of Applicant

Appendix A – Enclosures to the Part 2 Application

This is a checklist of documents to be enclosed with this Part 2 Application.

- One copy of completed Part 2 Application forms (with original signatures)
- One copy of W9 Form (for Tax ID) and one copy of banking information on your company's letterhead (signed and dated) (if submitting Cash Deposit as Pre-Bid Security) [Section 2.2]
- Pre-Bid Letter of Credit (if applicable) [Section 2.2]
- Letter of Intent to Provide a Guaranty (if applicable) [Section 2.2]
- Letter of Reference (if applicable) [Section 2.2]
- Other forms of alternative security (if applicable) [Section 2.2]

End of Part 2 Application

Appendix 3 to Bidding Rules

Sample Pre-Bid Letter of Credit

[On Issuing Bank's Letterhead]

IRREVOCABLE STANDBY LETTER OF CREDIT

_____ ("Date of Issuance")

Letter of Credit No. _____

Beneficiary:

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company,
West Penn Power Company ("The Companies")

C/O Independent Evaluator – Brad Miller
CRA International
John Hancock Tower
200 Clarendon Street, T 33
Boston, MA 02116-5092

Applicant:

[Name of Bidder]

[Address]

1. We, _____ (the "Issuing Bank") hereby establish in your favor this irrevocable Letter of Credit (this "Letter of Credit") for the account of _____ (the "Bidder"), in the amount of USD \$_____, effective immediately and available to you at sight upon demand by all of you at our counters at _____ [Location]. This Letter of Credit, unless terminated earlier in accordance with the provisions hereof or otherwise extended, shall remain in full force and effect at least until (i) the PaPUC has accepted the results of the Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction and the Bidder does not hold a winning Bid in the respective auction; or (ii) the PaPUC has accepted the results of the Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction, and the Bidder holds a winning Bid, the Bidder has executed the Default Service Supplier Master Agreement ("Default Service SMA") associated with its winning Bid, and the Bidder has satisfied the creditworthiness standards of such Default Service SMA; or (iii) the PaPUC has rejected the results of the Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction;

- or (iv) the expiration date of this Letter of Credit, _____ which is at least thirty (30) days following the Bid Date.
2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate, in the form of Annex 1, stating that the Bidder:
- a) "has made a material omission or misrepresentation in its Part 1 Application or in its Part 2 Application to participate in the Companies' Default Service Residential/Commercial Auction and/or Default Service Industrial (Hourly Priced) Auction"; or
 - b) "has disclosed information relating to its Application or its Bids publicly or to any other party before the PaPUC has rendered a decision on the results of the Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction"; or
 - c) "has won one or more tranches and has failed to execute the Default Service SMA(s) within three (3) business days of the PaPUC's approval of the results of the Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction"; or
 - d) "has won one or more tranches and has failed to meet the creditworthiness requirements of the Default Service SMA(s) at the time of their execution".
3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (prevailing Eastern Time¹) on such Business Day to _____ (Issuing Bank), _____ (address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each Company and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of each Company. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to your account at such bank in the United States as you may specify in your draft delivered to us pursuant to

¹ If the issuer of the Letter of Credit is located in an area that is not in the Eastern time zone, this time, all other times in this Letter of Credit, and the definition of a business day should be adjusted accordingly.

Paragraph 3 hereof, by 3:00 PM (prevailing Eastern Time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 AM (prevailing Eastern Time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (prevailing Eastern Time) on any Business Day pursuant to Paragraph 3 hereinabove.

5. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be made prior to expiry in accordance with the terms of this Letter of Credit.
6. This Letter of Credit shall automatically terminate and be cancelled on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder; (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.
7. As used herein:

"Authorized Officer" shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

"Bid Date" shall mean the day when the Default Service auctions are conducted.

"Bidder" shall mean a party that submits a Part 1 Application and a Part 2 Application to the Companies in response to the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York, New York and any day on which payments can be effected on the Fedwire system.

"Default Service Supplier Master Agreement" shall mean each of the agreements by which the Companies will be contracting for the provision of Default Service Supply.

"Residential/Commercial Auction" shall mean the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company Default Service Residential/Commercial Auction.

"Industrial (Hourly Priced Auction)" shall mean the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company Default Service Industrial (Hourly Priced) Auction.

"PaPUC" shall mean Pennsylvania Public Utility Commission.

"Rules" shall mean the rules that govern the conduct of the Residential/Commercial Auction and the Industrial (Hourly Priced) Auction as filed and approved by the PaPUC.

8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practices for Documentary Credits – 2007 revision, ICC Publication No. 600, or any successor publication thereto (the "UCP"). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.
9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
10. We certify that as of _____ (date) we _____ (Issuing Bank) satisfy the minimum senior unsecured debt rating of at least "A" from Standard & Poor's or Fitch, or "A2" from Moody's.
11. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. _____. Partial drawings are permitted hereunder.

12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ and confirmed by telephone to telephone number _____.
13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.
14. This original Letter of Credit has been sent to the Independent Evaluator at 'Independent Evaluator — c/o Brad Miller, CRA International, 200 Clarendon street, T-33, Boston, MA, 02116-5092' (as per Bidder's instructions, the Independent Evaluator holds the Letter of Credit for the benefit of the Companies). The aggregate amount paid to the Companies during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of the Companies. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Representative of the Independent Evaluator on behalf of the Companies. An Authorized Representative of the Independent Evaluator means any Vice President or Senior Vice President of the Independent Evaluator.

Very truly yours,

(Issuing Bank)

By: _____
Name:
Title:

By: _____
Name:
Title:

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

To: (Issuing Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned is making a drawing under the above-referenced Letter of Credit in the amount specified below and hereby certifies to you as follows:

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. Pursuant to Paragraph 2 of the Letter of Credit No. _____, dated _____, 20__, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ _____, inasmuch as the Bidder has _____ (state reason from conditions (a) – (d) of Paragraph 2).
3. The amounts to be received by Company are \$ _____ for Metropolitan Edison Company \$ _____ for Pennsylvania Electric Company, \$ _____ for Pennsylvania Power Company, and \$ _____ West Penn Power Company.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

METROPOLITAN EDISON COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA ELECTRIC COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA POWER COMPANY

By _____
Name:
Title:
Date:

WEST PENN POWER COMPANY

By _____
Name:
Title:
Date:

cc: _____ (Bidder)

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

ON [Business Day pursuant to Paragraph 3]

PAY TO: [METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY,
PENNSYLVANIA POWER COMPANY, OR WEST PENN POWER COMPANY]

Attn:

\$ _____

For credit to the account of _____.

FOR VALUE RECEIVED AND CHARGE TO ACCOUNT OF LETTER OF CREDIT NO. _____
OF

(Issuing Bank)

(Address)

METROPOLITAN EDISON COMPANY

By _____

Name:

Title:

Date:

PENNSYLVANIA ELECTRIC COMPANY

By _____

Name:

Title:

Date:

PENNSYLVANIA POWER COMPANY

By _____

Name:

Title:

Date:

WEST PENN POWER COMPANY

By _____

Name:

Title:

Date:

Annex 3 to Letter of Credit

CERTIFICATE OF EXPIRATION
OF LETTER OF CREDIT NO. _____

_____, 20__

To: (Issuing Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

METROPOLITAN EDISON COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA ELECTRIC COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA POWER COMPANY

By _____
Name:
Title:
Date:

WEST PENN POWER COMPANY

By _____
Name:
Title:
Date:

cc: _____ (Bidder)

Appendix 4 to Bidding Rules

Sample Letter of Intent to Provide a Guaranty

_____ (Date)

To: **METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY, AND WEST PENN POWER COMPANY ("THE COMPANIES")**

C/O INDEPENDENT EVALUATOR

Ladies and Gentlemen,

We have been asked to provide a financial guaranty on behalf of _____ (the "Bidder") should Bidder become a Default Service Supplier pursuant to its bid in the Metropolitan Edison Company's, Pennsylvania Electric Company's, Pennsylvania Power Company's, and West Penn Power Company's Default Service Residential/Commercial Auction and/or Industrial (Hourly Priced) Auction. Our relationship with Bidder is that of _____ (parent, affiliate, etc.). Our senior unsecured debt rating meets the Minimum Rating as defined in the Default Service Supplier Master Agreements.

We have confidence in Bidder's management and in its project development, implementation and operational capabilities.

Should there be no material change in affairs, we would consider providing a financial guaranty on behalf of Bidder, such that our liability does not exceed \$_____ (amount). This letter, however, should not and cannot be taken as an indication of financing commitment of any kind whatsoever, or an absolute commitment to provide a financial guaranty.

Please feel free to call us if you require any additional information.

Sincerely,

Name of Officer of Guarantor (please PRINT)

Title (please PRINT)

Signature of Officer of Guarantor

Signature of Notary Public (with seal)

Ladies and Gentlemen,

We _____(the "Bidder") certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly impair _____(the "Guarantor")'s assessment or its ability to provide us with the support described above.

Name of Officer of Bidder (please PRINT)

Title (please PRINT)

Signature of Officer of Bidder

Appendix 5 to Bidding Rules

Samples for Letter of Reference

SAMPLE 1

_____ [Date]

Letter of Reference No. _____

To: Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company ("The Companies").

Ladies and Gentlemen,

We _____ ("the Bank") are currently the agent on a \$ _____ [amount] revolving credit facility to _____ ("Bidder"). At this time, there is sufficient unused availability under the credit facility to issue a letter of credit in the amount of \$ _____ [amount] on behalf of Bidder in support of their bid in the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction for purposes of procuring default service products under the Supplier Master Agreement.

Deleted: Fixed-Price
Deleted: Hourly-Priced

We have had a relationship with Bidder since _____ [date]. Our relationship with Bidder remains in good standing.

We certify that we, the Bank, satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.

Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
Bank
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly alter the unused availability under the credit facility mentioned above, or otherwise impair _____ [Bank]'s ability to provide us with the support described above.

Authorized signature
Bidder
[name] [title]

SAMPLE 2

_____ [Date]

Letter of Reference No. _____

To: Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company ("The Companies").

Ladies and Gentlemen:

We _____ ("the Bank") are currently the Agent on the Credit Agreements to _____ ("Bidder"). Bidder has _____ [amount] of unused credit facilities at our bank available for borrowing under the terms and conditions of these credit agreements. Such a loan could be used as a cash deposit in support of Bidder's bid in the Companies' Default Service ~~Residential/Commercial~~ Auction and/or the Default Service ~~Industrial (Hourly Priced)~~ Auction for purposes of procuring default service products under the Supplier Master Agreement.

Deleted: Fixed-Price
Deleted: Hourly-Priced

We have had a relationship with Bidder since _____ [date]. Our relationship with Bidder remains in good standing.

We certify that we, the Bank, satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.

Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
[Bank]
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly alter the amount of unused credit facilities mentioned above, or otherwise impair _____ [Bank]'s ability to provide us with the support described above.

Authorized signature
[Bidder]
[name] [title]

SAMPLE 3

_____ [Date]

Letter of Reference No. _____

To: Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company ("The Companies").

Ladies and Gentlemen,

Deleted:

We have been asked to provide a letter of reference on behalf of _____ ("Bidder") relative to their intentions to bid in the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction for purposes of procuring default service products, under the Supplier Master Agreement.

Deleted: Fixed-Price

Deleted: Hourly-Priced

Deleted:

We have confidence in Bidder's management and in their project development, implementation and operational capabilities. Our relationship with Bidder has been extensive and has included involvement in a credit facility for \$_____ [amount] with aggregate lending commitments in excess of \$_____ [amount].

Deleted: _

Should there be no material change in affairs, we would consider extending a letter of credit to Bidder in an amount not to exceed \$_____ [amount]. This letter, however, should not and cannot be taken as an indication of financing commitment or guaranty of any kind whatsoever, or an absolute commitment to provide any other services.

We certify that we _____ ("Bank") satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.

Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
[Bank]
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly impair _____ [Bank]'s assessment or its ability to provide us with the support described above.

Authorized signature
[Bidder]
[name] [title]

**BLACKLINE
VERSION**



Bidding Rules

To Procure Default Service Products for

Metropolitan Edison Company ("Met-Ed")

Pennsylvania Electric Company ("Penelec")

Pennsylvania Power Company ("Penn Power")

**West Penn Power Company ("West Penn
Power")**

Exhibit BAM-1

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1. INTRODUCTION

These Bidding Rules apply to the auctions to procure Default Service products for Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn Power") (each of which may be referred to as a "Company", and/or in combinations as "Companies") for all of their retail customers that take retail generation service from the Companies.

Default Service products for residential and commercial customers will be procured in a separate auction ("~~Residential/Commercial~~ Auction") from the auction for industrial customers ("~~Industrial (Hourly Priced)~~ Auction"). There is a Supplier Master Agreement ("SMA") for the ~~Residential/Commercial~~ Auction and a separate SMA for the ~~Industrial (Hourly Priced)~~ Auction. Unless otherwise noted, these Bidding Rules apply to both auctions.

Bidders need to be familiar with the applicable SMA, the Bidding Rules, and all other documents for the auctions, including the Part 1 Application and the Part 2 Application which apply to both auctions. Bidders should visit the Information Website regularly for up-to-date information, including information specific to each auction. The Information Website contains relevant data, the schedule and key dates for participating in the auction process, frequently asked questions, and other information.

The following documents are appended to, and shall be considered integral parts of, these Bidding Rules:

- Appendix 1 Part 1 Application for ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products
- Appendix 2 Part 2 Application for ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products
- Appendix 3 Sample Pre-Bid Letter of Credit
- Appendix 4 Sample Letter of Intent to Provide a Guaranty
- Appendix 5 Sample Bank Letters of Reference for Pre-Bid Security

Unless noted otherwise, "days" refer to business days and times refer to prevailing Eastern Time. Capitalized terms in this document, which are not defined explicitly herein, are defined in each of the Default Service SMAs. In accordance with the SMAs, "Default Service" and "DS" are equivalent (e.g., "Default Service Load" in these Bidding Rules corresponds to "DS Load" in the SMAs).

Examples in these Bidding Rules are illustrative only.

Deleted:

Deleted: hourly-priced auction" or "HP

Deleted:

Deleted: Commercial/Residential

Deleted: FP

Deleted:

Deleted: HP

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Deleted: Fixed-Price

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These Bidding Rules may be modified from time to time by the Independent Evaluator in order to: (i) facilitate a more competitive auction process, (ii) make any necessary corrections and/or clarifications, (iii) account for any change in auction products, (iv) conform to any change in state or federal law or rule, and (v) apply any change deemed necessary at the discretion of the Independent Evaluator. All modifications will be posted to the Information Website and carried out in consultation with the Companies.

1.1 Independent Evaluator

The Independent Evaluator is CRA International, Inc. The Independent Evaluator can be contacted by sending an email to fepaauction@crai.com. The full contact information for the Independent Evaluator is as follows:

CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092
Phone: 617.425.3384
Fax: 617.425.6574
fepaauction@crai.com
Attn: Brad Miller, Vice President / Independent Evaluator

2. THE PRODUCTS BEING PROCURED

This section summarizes the common elements of the products to be procured in the auctions. The Information Website provides details about the products to be procured in a specific auction, including the delivery periods, the number of tranches, the nominal MW size of the tranches, and any seasonal price factors.

2.1 Default Service Load

Default Service Load is each Company's aggregate requirement to serve its Default Service customers. For purposes of these Bidding Rules, a "Default Service Customer" is a retail customer of a Company taking Default Service.

2.2 Full Requirements Service

The auctions are designed to procure full requirements generation service for Default Service Customers of the Companies. Winning bidders will assume all responsibilities of a Load Serving Entity ("LSE"). Suppliers will provide Default Supply under the SMAs, which includes all energy, capacity, ancillary services, transmission (including Network Integration Transmission Service ("NITS"), but excluding Regional Transmission Expansion Plan charges ("RTEPs"), and PJM Expansion Cost Recovery charges), and Alternative Energy Portfolio Standards Act ("AEPS Act" or "AEPS") credits needed to meet the requirements of the Companies' Default Service Load as more specifically described in the SMAs.

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Note that the obligations of Default Service Suppliers to provide AECs under the SMAs vary between the Companies. Each supplier to Met-Ed, Penelec and Penn Power must provide non-solar Tier I and Tier II AECs to meet AEPS requirements for the load it serves, but those Companies will satisfy all Tier I solar AEPS requirements associated with their Default Service load using solar AECs obtained through separate procurements. Each supplier to West Penn Power will be required to provide all Tier I (including solar) and Tier II AECs associated with AEPS requirements for the default service load served by the supplier, less a specified number of Tier I solar AECs and Tier I non-solar AECs obtained by West Penn Power under separate long-term contracts. Prior to each auction, West Penn Power will calculate the amount of West Penn Power AECs that will be applied to each supplier's AEPS obligations. AECs will not be transferred to suppliers by any Company but used only to reduce the number of AECs that suppliers must transfer to a Company. More details are found in the SMA.

2.3 Tranches

Default Service Load will be divided into identical units called tranches, each representing a defined percentage of Default Service Load. For example, if there are 25 tranches for a given customer class, then each tranche equals one divided by twenty-five, or four percent of that class's load. This includes four percent (4%) of the actual hourly energy required for Default Service Load for the applicable delivery period as well as four percent (4%) of the PJM capacity requirement for the applicable delivery period.

The number of tranches intended to be procured in the auction for a product is referred to as the "tranche target" for that product. The Independent Evaluator may reduce the tranche targets prior to the auction if indications of interest in the auction are such that doing so is required to promote more competitive bidding.

3. PRICES PAID TO DEFAULT SERVICE SUPPLIERS

3.1 Prices Paid to Winning Suppliers in the Residential/Commercial Auction

The Default Service Suppliers from the Residential/Commercial Auction will be paid a price with a fixed component and a variable component. The fixed price will be applied for 90 percent (90%) of the delivered supply each hour in dollars per megawatt-hour (\$/MWh), and will be established through the Companies' competitive procurement process and included in the SMA's Appendix E. For the remaining 10 percent (10%), the supplier will receive a "spot" payment equal to the sum of the real time hourly total locational marginal price ("LMP") established by PJM Interconnection L.L.C. ("PJM"), the Companies' regional transmission organization, for the PJM delivery point of the applicable Company (i.e., the PJM designated METED, PENELEC, PENN POWER or APS Zone), plus an additional \$20/MWh. This additional amount is designed to cover costs for other supply components associated with the LMP-priced portion of the default service supply, including capacity, ancillary services, and AEPS Act compliance. This adder will be included in Appendix E of the SMA for the Residential/Commercial Auction.

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The fixed price paid to Default Service Suppliers from the Residential/Commercial Auction will be adjusted for each MWh of load by a seasonal billing factor, representing anticipated seasonal differences in energy prices. The seasonal billing factors are included in Appendix E of the SMA for these Suppliers. One seasonal billing factor applies in the summer months (June-August) and the other seasonal billing factor applies in the non-summer months (September-May) for each delivery period.

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3.2 Prices Paid to Winning Suppliers in the Industrial (Hourly Priced) Auction

Default Service Suppliers from the Industrial (Hourly Priced) Auction will be paid a variable price equal to the real-time hourly total LMP for the applicable PJM delivery point, plus an additional \$5/MWh to capture the costs of other supply components, including ancillary services, and AEPS compliance. This adder will be included in Appendix D of the SMA for the Industrial (Hourly Priced) Auction. The seasonal billing factors described above for Default Service Suppliers from the Residential/Commercial Auction do not apply to Default Service Suppliers from the Industrial (Hourly Priced) Auction.

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4. PRIOR TO THE START OF BIDDING

4.1 Information Provided to Bidders

The Companies will make available certain information to suppliers in advance of qualification. This information will be posted on the Information Website.

4.1.1 Data

Load and other data that are posted to the Information Website are described in a data description document on the Information Website.

4.1.2 Minimum and Maximum Starting Prices

The Independent Evaluator will announce a minimum starting price and a maximum starting price for each product in the auction. The minimum and maximum starting prices establish the range for the possible round 1 prices for the auction.

4.1.3 Tranche Size, Tranche Targets

No later than eight (8) days prior to the Part 1 Application Due Date, the Independent Evaluator will announce for each product in the auction:

- The tranche targets or the number of tranches being procured for each product.
- The size (%) and MW-measure of the tranches in the auction.

No later than four (4) days prior to the Part 2 Application Due Date, the Independent Evaluator will announce:

- Any update to the MW-measure of the tranches in the auction.

4.2 Qualification Process

There are two parts to the bidder application and qualification process. In Part 1, prospective bidders apply to become Qualified Bidders. In Part 2, each Qualified Bidder provides certifications and its indicative offer and pre-bid security in order to become a Registered Bidder.

If two auctions with similar products are held within a fairly short time period (for example, within one month of each other), a prospective bidder who submitted a completed Part 1 Application for the first auction need not complete and submit another Part 1 Application for the subsequent auction. The Qualified Bidder still needs to complete a separate Part 2 Application for each auction. In any case, a prospective bidder is obligated to inform the Independent Evaluator of any change in its status related to the information the prospective bidder previously provided in its Part 1 Application or its Part 2 Application.

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4.2.1 Part 1 Application: Certifications and Other Qualified Bidder Requirements

In the Part 1 Application process, prospective bidders will be required to:

- Submit an application from a person with the power to bind the bidder.
- Agree to comply with all rules of the auction.
- Agree that if they become winning bidders, they will execute the applicable SMA with the Companies within 3 business days following the date of the Commission's approval of the auction results.
- Show either that they are a PJM Market Participant and Load Serving Entity in PJM, or that there exist no impediments to them becoming a PJM Market Participant and Load Serving Entity in PJM by the start of the applicable delivery period.
- Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the SMA.
- Certify that if they qualify to participate, they will not disclose information regarding the list of Qualified Bidders or confidential information that may be obtained during the bidding process about Qualified Bidders.
- Certify that if they qualify to participate, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as Qualified Bidders to another entity.

Part 1 Applications must be submitted to the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date. Prospective bidders will be notified by the Independent Evaluator no later than three (3) days after the Part 1 Application Due Date whether they succeeded in becoming Qualified Bidders.

A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder. The Independent Evaluator will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders. The relevant parties that will receive this list of Qualified Bidders are as follows:

- Each Qualified Bidder.
- Other parties as necessary to oversee the proper conduct of the auction, including representatives from the Companies and Commission Staff.

All parties receiving a list of Qualified Bidders will be subject to the confidentiality requirements as specified below and in the section, "Communications Protocols," in these Bidding Rules.

4.2.2 Part 2 Application: Certifications, Indicative Offer, and Pre-Bid Security

For each auction, a Qualified Bidder must successfully complete the Part 2 Application process in order to become a Registered Bidder that can bid in the auction. Only Qualified Bidders may submit a Part 2 Application.

Part 2 Applications must be submitted to the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date. Qualified Bidders will be notified by the Independent Evaluator whether they succeeded in the Part 2 Application process no later than three (3) days after the Part 2 Application Due Date.

Certifications

In the Part 2 Application, each Qualified Bidder will make a number of certifications regarding associations to ensure that they are participating independently of other Qualified Bidders and to ensure the confidentiality of information regarding the auction.

A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other. The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that associations facilitate. As the Independent Evaluator relies on a number of factors to assess and promote competitive bidding, including the number of independent competitors, using inaccurate information or insufficient disclosure of associations in the Part 2 Application is prohibited.

Indicative Offer

With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer and to post pre-bid security sufficient for this indicative offer. A Qualified Bidder's indicative offer specifies two (2) numbers of tranches for each product in the auction. For each product, the first number represents the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for the product and the second number represents the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for the product. For each product, the number of tranches specified

in the indicative offer at the minimum starting price cannot exceed the number of tranches specified at the maximum starting price.

Indicative offers are important in two respects. First, the Independent Evaluator may use the indicative offers to inform the setting of the starting price for each product (i.e., round 1 announced price). Second, the total number of tranches indicated by the Qualified Bidder at the maximum starting prices is used to determine the Qualified Bidder's initial eligibility (i.e., the maximum total number of tranches the Qualified Bidder can bid across all products in round 1 of the auction): the Qualified Bidder's initial eligibility is set to the sum of the number of tranches at the maximum starting prices across all products in the Qualified Bidder's indicative offer. During the auction, bidders are free to switch their tranches among products in response to changes in announced prices (subject to any bidding restrictions). However, a bidder will never be able to bid a total number of tranches across products that exceeds the bidder's initial eligibility. Thus, the number of tranches for each product at the maximum starting prices in the Qualified Bidder's indicative offer does not limit the number of tranches the Qualified Bidder can bid on a particular product, but the total number of tranches at the maximum starting prices across all products in the indicative offer must be equal to the Qualified Bidder's desired initial eligibility across all products.

Restrictions on the Indicative Offer

Each Qualified Bidder will be subject to a load cap that limits the number of tranches the bidder can bid on and win. Thus, the Qualified Bidder's indicative offer at the maximum starting prices across all products is not allowed the load cap. The load cap will be ~~50 percent on an aggregated load basis across all auction products for each auction such that no bidder may bid on and win more tranches than the load cap.~~ The load cap will be implemented by ensuring that each bidder's initial eligibility does not exceed the load cap in an auction.

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Pre-Bid Security

Each Qualified Bidder must post pre-bid security sufficient for its indicative offer at the maximum starting prices. Each Qualified Bidder must post pre-bid security in an amount equal to \$250,000 per tranche for all products included in the bidder's indicative offer at the maximum starting prices. Either cash or a letter of credit will be accepted as pre-bid security. Some bidders may be subject to additional credit requirements or may be required to submit a letter of intent to provide a guaranty from a Guarantor or a letter of reference from a bank. Interest will not be paid on cash posted as pre-bid security. The standard form of the letter of credit and other security documents that are in a form acceptable to the Companies will be posted to the Information Website.

If a draft letter of credit, alternate guaranty, letter of intent to provide a guaranty, letter of reference, or any alternate security submitted by the prospective bidder with the Part 1 Application does not conform to the standard form, the prospective bidder shall indicate clearly any and all modifications in electronic, redlined format from the standard form. The Companies will assess, in their sole and exclusive discretion, whether such modifications are acceptable. Modifications that are accepted by the Companies will be posted on the Website. In its Part 2 Application, a Qualified Bidder must provide the required executed credit documents that either use the standard form or incorporate only those modifications to the standard form accepted by the Companies upon review of the bidder's Part 1 Application.

The following is an example calculation of the pre-bid security.

The following is an example calculation of the pre-bid security.

Example 1. Pre-Bid Security

A Qualified Bidder rated investment grade submits an indicative offer of 5 tranches for the Met-Ed 24-month residential product at the minimum starting price and 10 tranches for the Met-Ed 24-month residential product at the maximum starting price, 3 tranches for the Penelec 12-month residential product at the minimum starting price and 6 tranches for the Penelec 12-month residential product at the maximum starting price, and 2 tranches for the Penn Power 6-month commercial product at the minimum starting price and 4 tranches for the Penn Power 6-month commercial product at the maximum starting price. The Qualified Bidder must submit with this indicative offer of 20 tranches at the maximum starting prices cash or a letter of credit of \$250,000 per tranche. The Qualified Bidder thus posts cash or a letter of credit of \$5 million (20 tranches X \$250,000 per tranche).

Depending on whether the Qualified Bidder is relying on its own financial standing or on that of a Guarantor, and depending on the results of the creditworthiness assessment at the time of the Part 1 Application, the Qualified Bidder may be required additionally to submit a letter of intent to provide a guaranty from its Guarantor or to provide a letter of reference from its bank. Any such additional requirements would be communicated to the Qualified Bidder at the time of qualification during the Part 1 Application process.

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For a Part 2 Application to be accepted, it must be complete, including the Qualified Bidder's indicative offer, letter of credit or cash, and additional security (if required). After its Part 2 Application is accepted, a Qualified Bidder becomes a Registered Bidder. The Independent Evaluator will send each Registered Bidder a summary of its indicative offer, pre-bid security amount, and the Registered Bidder's initial eligibility.

The Independent Evaluator also will send simultaneously to each Registered Bidder, and to those other parties as necessary to oversee the proper conduct of the auction, a list of Registered Bidders, and the total initial eligibility aggregated across all Registered Bidders. The list of Registered Bidders and the total initial eligibility will not be released publicly. Qualified Bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of Registered Bidders and the total initial eligibility, and to destroy documents including electronic files with this information provided by the Independent Evaluator within five (5) days following the conclusion of the auction, as explained further in the Part 2 Application.

Letters of credit and additional security (if required) will remain in full force, at a minimum, until the fifth calendar day after the conclusion of the auction. Subsequently, a bidder's financial guaranty will be marked cancelled and returned:

- As soon as practicable if the bidder has won no tranches.
- After the bidder has signed the SMA and has complied with all creditworthiness requirements of the SMA for the tranches that it has won.

The Companies can collect on the financial guarantees of bidders that win tranches but that fail to sign the SMA or fail to comply with the creditworthiness requirements immediately following the close of the auction.

4.2.3 Sanctions for Failing to Comply with the Part 1 and Part 2 Applications

Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the SMA, loss of all rights to provide supply for the Companies to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future solicitations, and other sanctions that may be appropriate. For any failure to disclose information or for any violation of the certifications, the Independent Evaluator will make a recommendation on a possible sanction.

4.3 Starting Prices (Round 1 Prices)

No later than three (3) days before bidding starts for an auction, the Independent Evaluator will inform all Registered Bidders of the starting price for each product in the auction, which is the announced price that will be in effect for round 1. For each product, the starting price will be no higher than the maximum starting price and no lower than the minimum starting price for the product. The Independent Evaluator will set the starting prices.

4.4 Extraordinary Events

The Independent Evaluator, in consultation with the Companies, may determine that, due to extraordinary events, the minimum starting prices and the maximum starting prices require revision. In this event, the schedule for the auction process also may be revised. If the indicative offers have already been received, the Independent Evaluator will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process had not been completed) revise their indicative offers on the basis of the revised minimum starting prices and the revised maximum starting prices.

For such a revision to be necessary, an extraordinary event must occur between the time at which the minimum starting prices and the maximum starting prices are announced and the day on which bidding starts. An extraordinary event must be agreed to by the Companies and the Independent Evaluator. Such events could include, but are not limited to, the advent of war, the disruption of a major supply source for potentially extended periods, or other events that could affect significantly the cost of supply.

If an extraordinary event occurs during that time, the Independent Evaluator in consultation with the Companies will determine revised minimum starting prices and revised maximum starting prices. New indicative offers based on these prices will be required from bidders. To the extent practicable, the determination of new minimum and maximum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the schedule, the Independent Evaluator in consultation with the Companies and Commission staff, will determine a revised schedule.

5. BIDDING FORMAT

In order to participate in the auction, bidders must have been successful in the Part 1 Application process and the Part 2 Application process. Only Registered Bidders are permitted to participate in the auction. Registered Bidders will bid in the auction by accessing the Independent Evaluator's secure Bidding Website.

5.1 Descending-Price Clock Format

The auction format is a simultaneous, multiple-round, descending-price clock format for "N" rounds. The number of rounds "N" for the auction is not pre-determined. Instead, it is determined by the closing rule for the auction (described below). All products are available to bid on simultaneously in the auction. Bids are submitted during bidding rounds. Prices are announced for the products prior to each bidding round, and during a bidding round, a bidder submits for each product the number of tranches it would supply at the product's announced price. If the total number of tranches bid on a product exceeds the product's tranche target — i.e., the product is over-subscribed — the announced price for the product will be reduced for the next round. Announced prices will tend to decline round by round until the number of tranches bid falls sufficiently so that no product is over-subscribed and the auction closes.

An important rule is that a bidder cannot reduce the number of tranches it bids on a product if the product's announced price does not fall from one round to the next; in this case, the bidder can only maintain or increase the number of tranches it bids on the product (subject to other rules).

5.1.1 Rounds

Each bidding round has a specified start time and a specified end time. These start and end times are enforced by the Bidding Website. Prior to the start of the auction, the initial schedule of rounds will be available on the Bidding Website. As the auction progresses, the Independent Evaluator will keep bidders informed of the start and end times of subsequent rounds through the Bidding Website. The Independent Evaluator retains the option of pausing a round, delaying the start or end of a round, or otherwise adjusting the round times. The Independent Evaluator will inform bidders through the Bidding Website if it exercises this discretion to change the start time or end time of a round.

Bidders submit bids only during a round. When a round ends, the bids submitted during that round are processed and results of that round are reported to all bidders as explained in the section "Reporting Round Results" below. Each bidder then prepares to submit a bid for the next round if the auction remains open.

5.1.2 The Announced Prices and a Bid

Prior to the start of each round, the Independent Evaluator announces the price that will be in effect for each product for the round. The announced prices are specified in dollars per MWh or \$/MWh. The price announced by the Independent Evaluator for a product applies to all of the product's tranches. Each bidder decides how many tranches it is willing and able to supply for each product at the product's announced price. A bid by a bidder is, for each product, the number of tranches that the bidder is willing to supply at that announced price for the product. All bids are irrevocable and binding upon the bidders.

At sufficiently high announced prices there will be excess supply for a product causing it to be over-subscribed; that is, the number of tranches bid on the product will exceed the product's tranche target. Excess supply for a product is measured as the total number of tranches bid across all bidders on the product in the round minus the product's tranche target.

5.1.3 Reservation Prices and Starting Prices

There are reservation prices for the auction. The reservation price for a product is the price above which tranches for the product will not be purchased. If, at the conclusion of the auction, the reservation price for a product has not been met, no tranches for that product will be awarded. At the conclusion of the auction, the Independent Evaluator will inform bidders through the Bidding Website if the reservation price for a product has not been met.

Starting prices for the auction are determined after reservation prices are determined. The starting price for a product will be no lower than the reservation price for the product. The starting price may be the same as or higher than the reservation price for the product. The Independent Evaluator will not announce the reservation prices to bidders in advance of an auction.

5.1.4 Restrictions on What a Bidder Can Bid

The total number of tranches a bidder bids across all products in a round cannot exceed the bidder's eligibility for that round. That is, a bidder's eligibility to bid in a round is the maximum number of tranches it is allowed to bid across all products in that round. A bidder's eligibility for a round simply is the number of tranches the bidder bid across all products in the preceding round. Thus, a bidder cannot increase its eligibility from round to round; its eligibility can only stay the same or decrease from round to round.

A bidder is not allowed to bid more tranches on a product in a round than the product's tranche target.

A bidder is not allowed to bid a number of tranches that would violate any applicable load cap.

If the announced price for a product has been reduced from one round to the next round, the bidder can reduce the number of tranches it bid on that product.

If the announced price for a product has not been reduced from one round to the next round, the bidder cannot reduce the number of tranches it bid on that product.

Subject to the rules above, in each round a bidder is free to bid its tranches of eligibility across products however it would like to. Thus, subject to the rules above, bidders are free to reduce the tranches they bid and/or to switch tranches across products from round to round in response to changes in the announced prices for the products.

As discussed above, a bidder's initial eligibility is its eligibility for round 1 of the auction and is determined by the total number of tranches across products at the maximum starting prices in the bidder's indicative offer. During the course of the auction, the bidder's eligibility will decline or remain unchanged depending on the total number of tranches bid by the bidder across all products in each round of the auction.

If a bidder's eligibility falls to zero tranches, it will not be allowed to bid in any more rounds of the auction.

5.1.5 Multiple Bids by a Bidder

Because a bidder may decide to change a bid it submitted previously within the current open round, a bidder is allowed to make multiple bid submissions in a round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in a round, the only bid considered in the round for that bidder is the last confirmed bid it submitted in the round.

5.1.6 Default Bid

After the end of a round, a default bid is submitted automatically on behalf of a bidder if the bidder:

- Entered the round with positive eligibility, and
- Did not submit a confirmed bid in the round.

If the announced price for a product declined from the prior round, then zero tranches will be the default bid for that product.

If the announced price for a product did not decline from the prior round, then the number of tranches that the bidder bid on the product in the prior round as determined by the end-of-round ("EOR") procedure following the prior round will be the default bid for the product.

Each bidder is solely responsible for ensuring it submits a confirmed bid prior to the end of the round in order to avoid a default bid of being submitted on the bidder's behalf.

5.1.7 The EOR Procedure

At the end of each round, the EOR procedure is used to process the confirmed bids submitted during the round. The EOR procedure includes the following steps.

- (a) The supply for each product is measured by summing up — across the confirmed bids for all bidders — the number of tranches bid for each product.
- (b) The subscription level for each product is measured by comparing the supply for the product to the tranche target for the product. A product is over-subscribed, subscribed, or under-subscribed if supply (i.e., the number of tranches bid) is greater than, equal to, or less than the product's tranche target, respectively.
- (c) If a product has become under-subscribed in a round after being over-subscribed or subscribed in the preceding round, then tranches will be rolled back to the point that the product is subscribed. That is, at least some of the tranches that were bid on the product in the preceding round but that were not bid on the product this round will be deemed to still be bid on the product. The price at which a rolled-back tranche is deemed to have been bid simply is the announced price at which the bidder had bid the tranche. There is a priority for selecting tranches to roll back: tranches that otherwise would no longer be bid on any product in the auction and therefore would be reductions in bidders' eligibilities are rolled back first (referred to as "eligibility reduction tranches"), and then if needed, tranches that were switched from being bid on the product to being bid on another product are selected next for rollbacks (referred to as "switched tranches"). Eligibility reduction tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. Likewise, switched tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. More precisely, because integer tranches are needed, the actual selection mechanism uses a random number generator to select rollbacks tranche by tranche (first for eligibility reduction tranches and then for switched tranches), but on average the selection process results in proportional rollbacks (with priority given to rolling back eligibility reduction tranches first and then switched tranches second). All tranches that are rolled back maintain their eligibility for the bidder. Any bidder subjected to a rollback will be notified through the Bidding Website that a rollback has taken place and will be informed about the number of tranches deemed bid on each product and the price at which those tranches have been deemed bid.

For example, suppose a bidder bids five tranches on a product and no tranches on other products in round 8, and the price for that product is reduced for round 9 and the bidder bids only 1 tranche on the product and no tranches on other products for round 9. Absent any EOR rollbacks following round 9, the bidder's eligibility would fall from 5 tranches to 1 tranche. But during the EOR procedure, suppose two of the bidder's 4 "eligibility reduction tranches" are rolled back on the product, so after the EOR procedure the bidder is deemed to have bid 3 tranches on the product — one at the announced price of the round just ended and two at the announced price of the preceding round — and therefore the bidder is deemed to have 3 tranches of eligibility for round 10.

- (d) "Free eligibility tranches" are determined as follows. A product's "bid stack" is a list of the tranches currently deemed bid on the product and the price at which each tranche was bid for the product. Because of rollbacks, a product's bid stack could have tranches bid at two different prices: some tranches bid at the earlier, higher announced price and some tranches bid at the current, lower announced price. Any new tranche bid on such a product necessarily will be bid at the current, lower announced price. This new tranche will displace a tranche in the product's bid stack at the earlier, higher announced price. The displaced tranche becomes a "free eligibility tranche". The free eligibility tranche counts as eligibility for the bidder and the bidder can bid the tranche on any product next round, or the bidder can choose not to bid the tranche at all. But if the bidder does not bid the free eligibility tranche next round, the tranche will be withdrawn from the auction permanently and will reduce the bidder's eligibility by one tranche after the next round.
- (e) In some cases, the Independent Evaluator may reduce the tranche targets. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce a product's tranche target because of insufficient supply will be eliminated. Thus, any tranche target reduction would more likely occur in the earlier rounds of the auction. If the Independent Evaluator reduces the tranche target for a product, bidders will be informed of the revised tranche target. Any bidder that otherwise would have eligibility exceeding the new tranche targets will have its eligibility reduced so as not to exceed the new tranche targets.
- (f) The closing rule determines whether the auction has concluded. The closing rules is that the auction concludes if either case (1) or case (2) holds as follows:
- (1) If no product is over-subscribed and no bidder has free eligibility tranches, then the auction has concluded. Note that it is possible for the auction to continue with no reductions in announced prices: if no product is over-subscribed there will be no reductions in announced prices but if there are free eligibility tranches (which "expire" after one round), the auction will remain open for one more round (subject to case (2) described next), allowing bidders with free eligibility to bid those tranches.
 - (2) If this is the Nth consecutive round in which no product is over-subscribed, and the number of tranches of free eligibility across all bidders as a percentage of the sum of the tranche targets across all products is less than or equal to X percent, then the auction has concluded. The parameter values for N and X will be determined before the auction. The likelihood that this case (2) would occur in a particular auction is expected to be low.
- (g) If the auction has concluded, the winning tranches, winning bidders, and winning prices are determined as described below.
- (h) If the auction has not concluded, then each bidder's eligibility is determined for the next round and the price decrement (if any) is determined for each product for the next round.

5.1.8 Price Decrements

The announced prices will decrease round by round by a price decrement for over-subscribed products. Pre-specified price guidelines are used to determine the price decrements. Generally the price decrement for a product will be larger for the earlier rounds in the auction and when the excess supply for the product is greater. The price decrement is expected to be between 0.5 percent and 5 percent of the announced price for the most recently completed round.

The Independent Evaluator reserves the right to override the price decrement guidelines. The exercise of that right is expected to occur rarely and only if doing so is believed to facilitate timely progression of the bidding process.

5.2 Determination of Winning Tranches, Winning Bidders, and Winning Prices

At the close of the auction, the winning tranches, winning bidders, and winning prices will be determined as follows.

As a result of the EOR procedure as described above, there are two possible scenarios for a product at the close of the auction.

5.2.1 Bid Stack for a Product has All Tranches at the Same Price

In this scenario, there are no rolled-back tranches in the product's bid stack: all tranches in the bid stack were bid at the last announced price, including any tranches bid on the product in the last round of the auction as determined by the EOR procedure. That announced price is the product's clearing price, and all tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product. Note that this scenario includes the case in which a product was over-subscribed at some point in the auction and later became subscribed, as well as the case in which a product was always under-subscribed in the auction (i.e., it was never subscribed or over-subscribed in the auction).

5.2.2 Bid Stack for a Product has Tranches at Two Different Prices

In this scenario, there are rolled-back tranches in the product's bid stack: some tranches in the bid stack were bid at the last announced price (including any tranches bid on the product in the last round of the auction as determined by the EOR procedure), and some tranches in the bid stack were bid at the next most recent announced price. In this case, the product's clearing price is the next most recent announced price — which necessarily is higher than the last announced price for the product. All tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product.

5.3 Example of Round-by-Round Bidding

Appendix A provides an illustrative example of round-by-round bidding.

5.4 Reporting Round Results

During a round, a bidder can see the current status of the auction and the status of the current round including the announced price for each product as well as the bidder's own bidding status. A bidder will not see information about other bidders.

Between rounds the Bidding Website will report the results for the most recently completed round. Results for all prior rounds also will be accessible. The round results for each completed round in the auction will show:

- The announced price for each product and a range of total supply across all bidders and all products (that is, a range that includes the total number of tranches bid). The range of total supply will be defined by two different integers. Actual total supply will not be reported but will be at least as high as the lower of the two integers and no higher than the higher of the two integers. There is an exception to reporting total supply as a range of two integers: if and when total supply has declined below a pre-determined level, total supply will be reported simply as being below that level. The reporting ranges will be made available to bidders in advance of each auction.
- For each bidder, that bidder's bid for the round — i.e., the number of tranches bid on each product — and the bidder's eligibility for the next round. (Each bidder does not see information about other bidders.)
- The announced price for each product for the next round if the auction will continue with the next round.

5.5 Frequency of Rounds

The early rounds of bidding may be longer in duration than later rounds. The duration of a bidding round will be at least five (5) minutes.

The time between early rounds of bidding may be longer in duration than for later rounds. The time between bidding rounds will be at least five (5) minutes.

The schedule of rounds and any changes to the schedule will be made available to bidders through the Bidding Website.

5.6 Auction Pause Declared by Independent Evaluator

At any time during the auction, the Independent Evaluator may decide to pause the auction. This is not expected to happen often if at all. If the Independent Evaluator pauses the auction or changes the round schedule in any way, bidders will be notified.

6. AFTER THE AUCTION CLOSES

6.1 Notification of Results

At the close of the auction, the Independent Evaluator will notify the Companies, the Commission, and the bidders as follows.

- The Independent Evaluator will notify the Companies and the Commission of the identities of the winning bidders, the number of tranches won by each winning bidder, the prices for the tranches won, and other aggregated information on the bidding process.
- The Independent Evaluator will notify each winning bidder of how many tranches the bidder has won and at what prices. The Independent Evaluator also will notify the unsuccessful bidders that they have not won any tranches.

The names of the winning bidders, the number of tranches won by each bidder, and the winning prices will remain confidential until released publicly by the Commission or as required by law.

The auction results are tentative subject to Commission approval.

After the conclusion of the auction and provision of the auction results to the Commission by the Independent Evaluator, the Commission will have one business day to approve or reject the auction results.

6.2 Execution of SMA

The winning bidders and the Companies will execute the SMAs within three (3) business days following the Commission's approval of the auction results. Each winning bidder must demonstrate compliance with the creditworthiness requirements set forth in the SMA.

6.3 Sanctions for Failure to Execute the SMA

A winning bidder's financial guaranty posted with its Part 2 Application may be forfeited if the winning bidder does not execute the SMA within three (3) business days following the Commission's approval of the auction result, if it fails to demonstrate compliance with the creditworthiness requirements set forth in the SMA, or if it fails to agree to any of the terms of the SMA. In addition, the winning bidder will be liable for damages incurred by the Companies, which will be determined in accordance with the terms of the SMA as though the winning bidder were a defaulting party to the SMA.

7. USE OF THE BIDDING WEBSITE

Bidders will bid in the auction by accessing the Independent Evaluator's secure Bidding Website. A bidder will access the Bidding Website using their own Web browser. The URL address for the Bidding Website, as well as usernames and passwords, will be provided to Registered Bidders prior to the start of the auction.

The Bidding Website allows a Registered Bidder to submit and confirm bids, to verify its status, to view results from prior rounds, to view the schedule of rounds, and to view messages from the Independent Evaluator.

7.1 Importance of Confirmed Bids

Submitting a bid on the Bidding Website involves three steps:

- (1) Web page for entry and submission of the bid quantities. The bidder enters its desired bid and then submits the bid in order to proceed to the next step.
- (2) Web page for validation of the bid. The bidder is asked to review the bid it submitted in the first step before proceeding to the confirmation step.
- (3) Web page showing confirmation of the bid. The bidder receives a unique confirmation ID for the bid and the time-stamp at which the bid was recorded by the Bidding Website server.

It is important to note that a bid is not accepted and recorded as an accepted bid until and unless the bidder reaches the third step in which the bid confirmation Web page displays the unique confirmation ID and time-stamp for the bid.

7.2 Requirements for Using the Bidding Website

Access to the Bidding Website requires all of the following:

- Username and password provided by the Independent Evaluator.
- Access to the Internet.
- Use of one of the more recent versions of a standard Web browser.
- Status as a Registered Bidder.

A bidder loses access to the Bidding Website after it no longer is possible for the bidder to win tranches in the auction.

7.3 Messaging

The Bidding Website displays messages from the Independent Evaluator. These messages from the Independent Evaluator are displayed for all bidders with access to the Bidding Website.

8. BACKUP BIDDING PROCEDURE

In case a bidder has technical difficulties, and as a result is not able to submit a bid via the Bidding Website in a round, a backup bidding procedure will be provided as follows. The bidder uses the Backup Bidding Fax Number to submit its bid via facsimile. It is recommended that the bidder call the Help Desk and inform the operator that it has submitted a bid using the backup bidding procedure. Reasonable efforts will be made to contact the bidder if the backup bid is not received via facsimile in the time expected. Once the backup bid is received via facsimile, a member of the Independent Evaluator team will attempt to enter the bid on the Bidding Website on behalf of the bidder.

Prior to the auction, bidders will be provided with the Backup Bidding Fax Number and with forms to use for faxing a bid using the backup bidding procedure.

Bidders must be aware and understand that there is no guarantee or other assurance that if it submits a bid using the backup bidding procedure that its bid will be submitted and confirmed on its behalf by the Independent Evaluator team consistent with the intentions of the bidder and in time before the round ends.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website because the round has ended, a default bid will be entered for the bidder as described above in the sections on default bids.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website for other reasons (e.g., the number of tranches bid is greater than a bidder's eligibility or violates the bidder's credit-based tranche limit or applicable load cap), the Independent Evaluator team will use reasonable efforts to inform the bidder that a new bid must be submitted.

If a backup bid submitted by a bidder is confirmed by the Bidding Website, the Independent Evaluator team will contact the bidder by faxing confirmation of the accepted bid to the bidder.

Bidders use the backup bidding procedure at their own risk. In all cases involving backup bids, the Independent Evaluator team does not accept any responsibility, obligation, or liability for errors, omissions, timeliness, or otherwise, related to whether a backup bid is entered into and confirmed by the Bidding Website on behalf of the bidder or as intended by the bidder.

9. WHO TO CONTACT IN CASE OF PROBLEMS DURING THE AUCTION

A bidder should contact the Help Desk if it has questions or problems. The phone number for the Help Desk will be provided to bidders prior to the start of the auction.

10. CONTINGENCY PLAN

There is a contingency plan to cover two scenarios:

- At least one of the products in an auction is not fully subscribed.
- At least one of the winning suppliers defaults prior to the start of the delivery period or at any time during the delivery period.

10.1 If an Auction is Not Fully Subscribed

In the event that an auction is not fully subscribed, the Companies will rebid the unfilled tranches from that auction provided a minimum of 30 calendar days exists prior to the start of the delivery period. The unfilled tranches will be rebid in the next scheduled auction where supply is sought with the same delivery start date. If there is no such scheduled auction, then the unfilled tranches will be rebid in a separate solicitation no later than 30 days before the original delivery start date. For any remaining unfilled tranches, the Companies will purchase the necessary physical supply through PJM administered markets and meet any AEPS compliance requirements through purchases at market prices.

10.2 If a Winning Bidder Defaults

If a winning bidder defaults prior to the start of or during the delivery period, the Companies will offer the unfilled tranches to the other qualified bidders who participated in the most recent solicitation. The Companies will enter into an agreement with the qualified bidder or bidders offering the best terms for the unfilled tranches resulting from the default, provided the prices offered by such bidder or bidders are consistent with the original prices under which the unfilled tranches were procured and changes in market conditions from the time when the original tranches were procured. If the Companies are not able to enter into such agreement and a minimum of 30 calendar days exists prior to the start of the delivery period, the Companies will seek to bid the defaulted tranches in the next scheduled solicitation for supply with the same start date as the unfilled tranches or in a separate supplemental competitive solicitation. As with other unfilled tranches described above, if insufficient time exists to conduct an additional competitive solicitation, or if the supplemental solicitation is unsuccessful, the Companies will supply the tranches using PJM-administered markets. In addition to damages to which the Companies may be entitled, costs incurred by the Companies in implementing this contingency plan for supply and AEPS requirements will be assessed against the defaulting supplier's credit security, to the extent available.

11. COMMUNICATIONS PROTOCOLS

The communications protocols described here are intended to promote a fair, open, transparent, objective, and non-discriminatory auction. These protocols also are intended to protect proprietary information of participants and information that, should it be released, would be detrimental to the outcome of the auction process or future solicitations.

11.1 The Companies and Affiliates

11.1.1 Internal Communications

The Companies will designate individuals to work on the auction process. These individuals directly or indirectly will not have communication with, or exchange information with, any individuals of an affiliate of the Companies that may bid in the auction process where such communication or information is related directly or indirectly to this auction process.

11.1.2 Communications with Bidders

The Companies will not communicate with bidders prior to the selection of winning bids. When the Independent Evaluator informs the Companies about the prices and tranches of the winning bids and the identity of winning bidders in accordance with Section 6.1 of the Bidding Rules, representatives from the Companies then will communicate with the winning bidders in order to execute the necessary documents.

If a bidder attempts to contact the Companies regarding the auction process by phone call, email, fax, or other means, the Companies will direct the bidder to the Information Website and/or to the Independent Evaluator.

11.1.3 Part 1 Application Process

For the Part 1 Application process, the Independent Evaluator will need to provide the names of applicants to the Companies' credit department for purposes of confirming the applicants' credit requirements.

11.1.4 Part 2 Application Process

For the Part 2 Application process, the Independent Evaluator will need to provide the aggregate eligibility and other information from the Part 2 Applications to the Companies with the names of applicants redacted.

11.2 General Public and Media

While bidding is in progress, there is to be no communication with the media or the public. After the auction process is completed, results are determined, and bidders have been notified, all media inquiries will be forwarded to the Companies.

11.2.1 The Information Website

The central source of information made available publicly and to bidders is the Information Website. The Independent Evaluator will manage the information flow on the Information Website and will be designated on the Website as the contact for any questions or inquiries from parties. Any party will have access to the public sections of the Information Website.

11.2.2 Frequently Asked Questions

Among other information and resources on the Information Website, there will be an FAQ (frequently asked questions) section with posted questions and answers. As inquiries are received, they will be converted into an FAQ and posted on the Information Website without revealing the identity of the party posing the inquiry.

Inquiries to be answered by the Companies will be forwarded by the Independent Evaluator to the Companies. Inquiries to be answered by the Independent Evaluator will be forwarded to the Companies with a draft response. Any inquiry or draft response forwarded by the Independent Evaluator to the Companies will not identify the party posing the inquiry. Both the Companies and the Independent Evaluator will review any inquiry and response before the FAQ is posted to the Information Website.

11.2.3 Registered Users

If a party wishes to receive notices and updates regarding public information and new postings to the Information Website, then the party can register through the Information Website to become a Registered User.

Any information the Independent Evaluator has concerning the auction process that is relevant and that can be disclosed publicly will be made available equally to all Registered Users in a timely manner. The method of such communication likely will be via the Information Website and/or emails to Registered Users using the BCC email field so identification of Registered Users is not disclosed to other Registered Users.

11.2.4 Press Releases

The Companies and/or the Independent Evaluator may issue one or more press releases or may place news items in the trade press with the intent to disseminate information about the auction process in an efficient, fair, and timely manner.

11.2.5 Answering Inquiries from the General Public or Media

Inquiries from the general public or the media to the Independent Evaluator will be directed to the Information Website.

11.3 Bidders

11.3.1 Communications Among Bidders

Bidders are prohibited from communicating with each other in ways that would compromise the integrity and competitiveness of the auction process. Sanctions will be applied if these rules are violated.

11.3.2 Communications between the Independent Evaluator and Bidders

The central source of information made available to bidders is the Information Website. The Website facilitates making information available equally to bidders in a timely manner.

Bidders are encouraged to become Registered Users of the Information Website to receive ongoing information about the auction process. As discussed above, once registered through the Information Website, Registered Users will receive notifications from the Independent Evaluator about updates to the auction process and to the Information Website.

If the Independent Evaluator receives an inquiry from a party and prepares a response that would be relevant for other parties, the Independent Evaluator will ensure the information will be made available equally to all Registered Users in a timely manner and will post the information on the Information Website and/or will email the Registered Users without revealing the identity of parties.

In addition to posting information to the Information Website, the Independent Evaluator may contact bidders directly in order to seek or provide information about the auction process in a way that does not advantage any bidder.

Any communications from the Independent Evaluator to a bidder will not reveal the identity of other bidders.

11.3.3 Bidding Process

During the auction, the Independent Evaluator, the Commission, and Companies' personnel may monitor the bidding process.

The Independent Evaluator will ensure the bids submitted by bidders conform to the rules of the auction process.

The Bidding Rules and pre-determined bid selection criteria will be applied to determine which bids, if any, are winning bids.

11.3.4 Limitations on Disclosures by Bidders

Bidders are not allowed to disclose they are participating in the ~~Residential/Commercial~~ Auction or ~~the Industrial (Hourly Priced)~~ Auction, and winning bidders are not allowed to disclose that they have won any tranches in the ~~Residential/Commercial Auction or the Industrial (Hourly Priced) Auction~~ until the Commission publicly reports the results of the auction. Such limitation on public disclosure by bidders is waived if disclosure is required by law.

- Deleted: FPRESIDENTIAL/COMMERCIAL
- Deleted: HP
- Deleted: INDUSTRIAL
- Deleted: L
- Deleted: FP

11.4 Public Utility Commission of Pennsylvania

11.4.1 Communications with the Independent Evaluator

During the bidding process, the identity of bidders, prices, and the number of tranches bid will be kept confidential. This information may be released to the Commission after the auction results are finalized.

11.4.2 Communications with the Companies

The Commission may communicate with the Companies regarding the auction process. However, the Companies will not disclose any proprietary information until after the final round of the auction is completed and bidders are informed of the results of the auction.

11.4.3 Communications with Bidders

The Commission will not communicate with bidders about the auction process prior to the determination of winning bids. If a bidder attempts to contact the Commission by phone call, email, fax, or other means, the Commission will direct the bidder to the Information Website and/or to the Independent Evaluator.

11.4.4 Information on Auction Participation

In order to maintain confidential and proprietary information provided by bidders as part of the auction process, the identity of all bidders that submitted Part 1 and/or Part 2 Applications in the auction and the indicative offers will be kept confidential until released publicly by the Commission. The Commission may elect to keep these data confidential at its sole discretion.

11.4.5 Round-by-Round Bids

Round-by-round bids by bidders will be kept confidential pursuant to the confidentiality provisions of the Bidding Rules and the SMA for as long as the Companies continue to procure Default Service.

12. ASSOCIATION AND CONFIDENTIAL INFORMATION RULES

The Association and Confidential Information rules are described below.

12.1 Process for Reporting Associations, Identifying Concerns and Remedies

A prospective bidder applying to qualify to bid will be required to disclose in its Part 1 Application any bidding agreement or arrangement in which it may have entered. A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of Qualified Bidders. A prospective bidder also will be required to certify that it accepts the terms of the SMA and, should it win tranches, it will sign the applicable SMA and comply with all creditworthiness requirements by the stated deadline.

Once entities are qualified to bid, each Qualified Bidder will be asked in its Part 2 Application to make a number of certifications, each detailed in the Part 2 Application, and each bidder may be required to provide additional information to the Independent Evaluator if a certification cannot be made. Each Qualified Bidder will be asked to certify that it will undertake steps to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the auction. A Qualified Bidder also will be asked to certify that it has not and will not come to any agreement with another Qualified Bidder with respect to bidding in the auction, except as disclosed and approved by the Independent Evaluator in its Part 1 Application.

Before obtaining sealed documentation necessary to participate in the auction, Registered Bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the auction.

12.2 Confidential Information

Confidential Information relative to bidding strategy means information relating to a bidder's bid(s) in the auction, whether transmitted in writing or verbally, which if it were to be made public likely would have an effect on any of the bids that another bidder would be willing to submit. Confidential Information relative to bidding strategy includes (but is not limited to): a bidder's strategy; a bidder's indicative offer; the quantities that a bidder wishes to supply; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with serving the load for the auction; and a bidder's contractual arrangements for purchasing power to serve such load were the bidder to win tranches in the auction.

Confidential Information regarding the auction means information that is not released publicly by the Commission, the Companies or the Independent Evaluator and that a bidder acquires as a result of participating in the auction, whether transmitted in writing or verbally, which if it were to be made public could impair the integrity of current or future solicitations, impair the ability of the Companies to hold future solicitations, or harm consumers, bidders or applicants. Confidential Information regarding the auction includes (but is not limited to): the list of Qualified Bidders, the list of Registered Bidders, the initial eligibility, the status of a bidder's participation, and all non-public reports of results and announcements made by the Independent Evaluator to any or all bidders in this auction.

Absolute protection from public disclosure of the bidders' data and information filed in this auction process cannot be provided. By participating in this auction process, each bidder acknowledges and agrees to the confidentiality provisions set forth herein, as well as any limitations thereto.

In addition, the bidder agrees the bidder's data and information submitted in this auction process will be disclosed if required by any federal, state or local agency (including, without limitation, the Commission) or by a court of competent jurisdiction. However, the Companies will endeavor to notify the bidder in advance of such disclosure. In any event, neither the Companies nor the Independent Evaluator, nor any of their employees or agents, will be responsible to the bidders or any other party, or liable for any disclosure of such designated materials before, during or subsequent to this auction. Notwithstanding the above, the Companies and the Independent Evaluator reserve the right to use and communicate publicly and/or to third parties any and all information/data submitted as part of this auction process in any proceedings before FERC, the Commission, and any other regulatory body and the courts, if necessary, without the prior consent/approval of, or notice to, any such bidder. The bidder expressly agrees that the Companies may provide bidder information on a confidential basis to the Commission, the Pennsylvania Office of the Consumer Advocate, and the Office of Small Business Advocate as necessary for compliance with any default service procurement reporting obligations.

12.3 Certifications and Disclosures to Be Made

A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the auction. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, or a joint venture for the purpose of participating in the auction, or a bidding consortium, or any other arrangement pertaining to participating in the auction. A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the auction.

In addition, a prospective bidder will be required to make the certifications listed in the Part 1 and Part 2 Applications.

The Commission may publicly release the winning prices and the names of the winning bidders from the auction. The Commission may choose to release additional information. After the auction, a winning bidder itself may release information regarding the number of tranches it has won, and a non-winning bidder itself may release information only regarding the fact that it participated in the auction. The winning bidders and the non-winning bidders otherwise continue to be bound by their certifications as described previously. In particular, no winning bidder and no non-winning bidder itself can reveal the winning prices of the auction prior to these being publicly released by the Commission.

12.4 Actions to Be Taken if Certifications Cannot Be Made

If a bidder cannot make all the certifications above, the Independent Evaluator will decide within five (5) days following the deadline to submit the Part 2 Application on a course of action on a case-by-case basis. To decide on this course of action, the Independent Evaluator may make additional inquiries to understand the reason for the inability of the bidder to make the certification.

If Qualified Bidders do not comply with additional information requests by the Independent Evaluator regarding certifications required in the Part 2 Application, the Independent Evaluator may reject the application.

12.5 Sanctions for Failure to Comply

Sanctions may be imposed on a Qualified Bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder without disclosing this fact, for releasing Confidential Information or disclosing information during the auction (aside from only the specific exceptions provided above with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement, to an Advisor; or bidders with which it is associated), and in general for failing to abide by any of the communications protocols in the section, "Communications Protocols," of these Bidding Rules. Such sanctions can include, but are not limited to, any one or more of the following: termination of the SMA; the loss of all rights to provide tranches won by such bidder; the forfeiture of letters of credit and other fees posted or paid; action (including prosecution) under applicable state and/or federal laws; attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure; debarment from participation in future solicitations; and/or other sanctions that may be appropriate. Should such an event occur, the Independent Evaluator will make a recommendation to the Companies regarding sanctions. The imposition of such sanctions will be at the discretion of the Companies.

13. MISCELLANEOUS

13.1 Warranty on Information

The information provided for the auction, including but not limited to information provided on the Information Website, has been prepared to assist bidders in evaluating the auction process. It does not purport to contain all the information that may be relevant to a bidder in satisfying its due diligence efforts. Neither the Companies nor the Independent Evaluator make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information, and shall not, either individually or as a corporation, be liable for any representation expressed or implied in the auction process or any omissions from the auction process, or any information provided to a bidder by any other source. A bidder should check the Information Website frequently to ensure it has the latest documentation and information. Neither the Companies, nor the Independent Evaluator, nor any of their representatives, shall be liable to a bidder or any of its representatives for any consequences relating to or arising from the bidder's use of information.

13.2 Hold Harmless

Bidder shall hold the Companies and the Independent Evaluator harmless of and from all damages and costs, including but not limited to legal costs, in connection with all claims, expenses, losses, proceedings or investigations that arise in connection with the auction process or the award of a bid pursuant to the auction process.

13.3 Bid Submissions Become the Companies' Property

All bids submitted by bidders participating in the auction will become the exclusive property of the Companies upon conclusion of the auction process.

13.4 Bidder's Acceptance

Through its participation in the auction process, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the SMA.

13.5 Permits, Licenses, Compliance with the Law and Regulatory Approvals

Bidders shall obtain all licenses, permits and status that may be required by any governmental body, agency or organization necessary to conduct business or to perform hereunder. Bidders' subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.

13.6 Auction Intellectual Property

All title, interests and other intellectual property rights in and to the auction design, the auction format and methodology, the auction software, the source code (including all modifications, enhancements, customization, adaptations and derivative works made by the Independent Evaluator) and associated documentation, including but not limited to these Bidding Rules, and the screen formats and forms designed by the Independent Evaluator (the "Auction Software"), are proprietary to the Independent Evaluator and all rights, title, and interest to the Auction Software remain with the Independent Evaluator. The Independent Evaluator grants Qualified Bidders a non-exclusive, non-transferable, limited license to use the Auction Software, solely for use in connection with the auction, subject to the terms and conditions set forth herein, and not for copying, relicensing, sublicensing, distribution or marketing by the Qualified Bidder. No other interest is conveyed to the Qualified Bidder other than the license expressly granted herein. The foregoing use license shall immediately terminate upon disqualification of the Qualified Bidder or upon termination or completion of the auction process. If at any time it is determined in the Independent Evaluator's sole discretion that the Qualified Bidder is in breach of this Section 13.6, the Independent Evaluator shall be entitled to terminate the Qualified Bidder's access rights to the Auction Software.

Notwithstanding anything herein to the contrary, and without limiting the Qualified Bidder's other obligations herein, the Qualified Bidder shall not, nor shall it permit any third party to: (i) modify, translate or otherwise create derivative works of the Auction Software; (ii) reverse engineer, decompile, decode, disassemble or translate any Auction Software, or output thereof, or otherwise attempt to reduce to human readable form or derive the source code, protocols or architecture of any Auction Software; (iii) use or study any Auction Software, or output thereof, for the purpose of developing any software that is intended to replace, or that has functions, structure or architecture similar to, such Auction Software, or any part thereof; (iv) publish, or otherwise make available to any third party, any benchmark or other testing information or results concerning the Auction Software; (v) permit any other person who is not authorized to access or use all or any part of the Auction Software or (vi) copy the Auction Software, distribute the Auction Software, remove or obscure any proprietary labeling on or in the Auction Software, create any derivative works based on the Auction Software, or modify the Auction Software, in each case, except to the extent expressly permitted by the Independent Evaluator in writing.

In using the Auction Software, a Qualified Bidder shall take steps to prevent any virus, worm, built-in or use-driven destruction mechanism, algorithm, or any other similar disabling code, mechanism, software, equipment, or component designated to disable, destroy or adversely affect the Auction Software from being introduced into the systems.

APPENDIX A — EXAMPLE OF ROUND-BY-ROUND BIDDING

The illustrative example below shows for two bidders (BidderA and BidderB) and two products (Product-1 and Product-2) the confirmed bids (pre-EOR) and the post-EOR results for each round. In the example, the auction closes after round 4.

Round 1

For round 1, the announced prices are \$75.00 and \$82.00 for Product-1 and Product-2, respectively. At those announced prices, BidderA bids 55 tranches and 85 tranches on Product-1 and Product-2, respectively. BidderB bids 80 tranches and 27 tranches on Product-1 and Product-2, respectively.

When the round closes the EOR procedure is executed. Each product is over-subscribed: 135 tranches were bid on Product-1 which has a tranche target of 100, and 112 tranches were bid on Product-2 which has a tranche target of 100.

The announced price for Product-1 will be reduced from \$75.00 to \$72.50 for round 2. The announced price for Product-2 will be reduced from \$82.00 to \$78.60 for round 2.

BidderA will have eligibility of $55+85 = 140$ tranches for round 2, and BidderB will have eligibility of $80+27 = 107$ tranches for round 2.

Round 2

At the announced prices for round 2, BidderA bids 40 tranches and 85 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 55 to 40 tranches. BidderB bids 50 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB switched 30 tranches from Product-1 to Product-2.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 10 tranches: only 90 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 15 tranches, while BidderB's bid maintained its eligibility. Thus, 10 of the 15 eligibility reduction tranches of BidderA are rolled back on Product-1. Those 10 tranches are priced at the announced price for Product-1 at which they were bid in round 1: \$75.00. The announced price for Product-1 will remain at \$72.50 for round 3.

Product-2 is over-subscribed by 42 tranches. The announced price for Product-2 will be reduced from \$78.60 to \$76.10 for round 3.

BidderA will have eligibility of $50+85 = 135$ tranches for round 3 (including the 10 tranches rolled back on Product-1), and BidderB will have eligibility of $50+57 = 107$ tranches for round 3.

Round 3

At the announced prices for round 3, BidderA bids 99 tranches and 36 tranches on Product-1 and Product-2, respectively. Thus, BidderA is switching 49 of the tranches bid from Product-2 to Product-1. BidderB bids 50 tranches and 35 tranches on Product-1 and Product-2, respectively. Thus, BidderB is reducing its tranches bid on Product-2 from 57 to 35 tranches.

When the round closes the EOR procedure is executed. Product-1 is over-subscribed by 49 tranches. Product-2 is under-subscribed by 29 tranches: only 71 tranches bid against the tranche target of 100 tranches: BidderA's bid maintained its eligibility while BidderB's bid represents a reduction in its eligibility by 22 tranches. Thus, all 22 of the eligibility reduction tranches of BidderB are rolled back on Product-2. Those 22 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60. Even after rolling back those 22 eligibility reduction tranches of BidderA, Product-2 still is under-subscribed — by 7 tranches. So 7 tranches that BidderA had switched from Product-2 to Product-1 are rolled back to Product-2. Those 7 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60.

After rolling back 7 tranches from Product-1 to Product-2 for BidderA, BidderA still has increased the number of tranches it is bidding on Product-1: from 50 tranches bid in round 2 (10 tranches at \$75.00 and 40 tranches at \$72.50) to 92 tranches bid in round 3 (10 tranches at \$75.00 and 82 tranches at \$72.50). Product-1 is over-subscribed as a result, so higher-priced tranches in Product-1's bid stack can be removed. All 10 of BidderA's higher-priced tranches are removed from Product-1's bid stack, and these 10 tranches become BidderA's free eligibility for round 4. In round 4, BidderA can bid any of the 10 tranches on any product, but to the extent those 10 tranches are not bid on a product in round 4, those free eligibility tranches and their associated eligibility for BidderA will be permanently removed from the auction after round 4.

Because Product-1 is over-subscribed, the announced price for Product-1 will be reduced from \$72.50 to \$70.15 for round 4. Because Product-2 is not over-subscribed, the announced price for Product-2 will remain at \$76.10 for round 4.

BidderA will have eligibility of $82+43+10 = 135$ tranches for round 4, and BidderB will have eligibility of $50+57 = 107$ tranches for round 4 (including the 22 tranches rolled back on Product-2).

Round 4

At the announced prices for round 4, BidderA bids 46 tranches and 43 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 82 to 46 tranches. BidderB bids 32 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB reduced its tranches bid on Product-1 from 50 to 32 tranches.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 22 tranches: only 78 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 36 tranches, while BidderB's bid represents a reduction in its eligibility by 18 tranches. Of the 54 fewer tranches bid on Product-1, 36 were eligibility reductions from BidderA and 18 were eligibility reductions from BidderB. Of those 54 fewer tranches bid, $100-78 = 22$ tranches need to be rolled back on Product-1. The selection of which tranches are rolled back is done by assigning random numbers tranche by tranche (not bidder by bidder) to each of the 54 fewer tranches bid on Product-1. On average, the selection of the rolled back tranches will be proportional based on the number of tranches by which each bidder reduced its bid on the product. Thus, if the assignment of random numbers and selection of rolled back tranches were repeated many times, the number of rolled back tranches for BidderA on Product-1 would be expected to be 15 on average or $(82-46)/(132-78)*(100-78) = 36/54*22$, rounded, and the number of rolled back tranches for BidderB on Product-1 would be expected to be 7 on average: $(50-32)/(132-78)*(100-78) = 18/54*22$, rounded.

Auction Close

After the rollback is done for Product-1, it is determined that no product is over-subscribed and no bidder has free eligibility tranches. Thus, the criteria are met for closing the auction.

Product-1's bid stack has tranches bid at \$72.50 and tranches bid at \$70.15. So Product-1's clearing price is the higher of the two, or \$72.50. BidderA wins 61 tranches and BidderB wins 39 tranches for Product-1. All 100 tranches procured for Product-1 are paid the price of \$72.50.

Product-2's bid stack has tranches bid at \$78.60 and tranches bid at \$76.10. So Product-2's clearing price is the higher of the two, or \$78.60. BidderA wins 43 tranches and BidderB wins 57 tranches for Product-2. All 100 tranches procured for Product-2 are paid the price of \$78.60.

Example 2. Round-by-Round Bidding with Pre-EOR and Post-EOR Results

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
1	\$75.00	100	135		35	\$82.00	100	112		12		
Pre-EOR												
BidderA												
BidderB			80	@ \$75.00			27	@ \$82.00				107
Post-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00			140
BidderB			80	@ \$75.00				27	@ \$82.00			107
2	\$72.50	100	90		(10)	\$78.60	100	142		42		
Pre-EOR												
BidderA												
BidderB			50	@ \$72.50			57	@ \$78.60				107
Post-EOR		100	100		0		100	142		42		
BidderA			50	10 @ \$75.00 40 @ \$72.50				85	@ \$78.60			135
BidderB			50	@ \$72.50				57	@ \$78.60			107

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
3	\$72.50	100	149			\$76.10	100	71				
Pre-EOR					49					(29)		
BidderA			99	10 @ \$75.00 89 @ \$72.50				36	@ \$76.10			135
BidderB			50	50 @ \$72.50				35	@ \$76.10			85
Post-EOR		100	132		32		100	100		0		
BidderA			82	@ \$72.50				43	7 @ \$78.60 36 @ \$76.10		10	135
BidderB			50	@ \$72.50				57	22 @ \$78.60 35 @ \$76.10			107
4	\$70.15	100	78			\$76.10	100	100				
Pre-EOR					(22)					0		
BidderA			46	@ \$70.15				43	7 @ \$78.60 36 @ \$76.10			89
BidderB			32	@ \$70.15				57	22 @ \$78.60 35 @ \$76.10			89
Post-EOR		100	100		0		100	100		0		
BidderA			61	15 @ \$72.50 46 @ \$70.15				43	7 @ \$78.60 36 @ \$76.10			104
BidderB			39	7 @ \$72.50 32 @ \$70.15				57	22 @ \$78.60 35 @ \$76.10			96

	Product-1			Product-2			Tranches Won
	Clearing Price	Tranche Target	Tranches Won	Clearing Price	Tranche Target	Tranches Won	
Results	\$72.50	100	100	\$78.60	100	100	100
BidderA			61			43	104
BidderB			39			57	96

Exhibit BAM-1

Field Code Changed

Field Code Changed

Part 1 Application

For Residential/Commercial and Industrial
(Hourly Priced) Auctions

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To Procure Default Service Products for
Metropolitan Edison Company (“Met-Ed”)
Pennsylvania Electric Company (“Penelec”)
Pennsylvania Power Company (“Penn Power”)
West Penn Power Company (“West Penn
Power”)

Appendix 1 to Bidding Rules

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

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Name of Applicant

**PART 1 APPLICATION
AUCTIONS TO PROCURE DEFAULT SERVICE PRODUCTS FOR MET-ED/PENELEC/PENN POWER/WEST PENN POWER**

INSTRUCTIONS

There are two parts to the application process.

Part 1 Application: Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Residential/Commercial auction ("Residential/Commercial Auction") and/or the Industrial (Hourly-Priced) auction ("Industrial (Hourly Priced) Auction") to procure default service products for Met-Ed, Penelec, Penn Power, and West Penn Power ("Companies").

- Deleted: fixed-price
- Deleted: ("FP Auction")
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- Deleted: ("HP Auction")
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- Deleted: HP

- **Part 2 Application:** Qualified Bidders for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction submit the Part 2 Application, in which they will: (a) agree to comply with the Bidding Rules, (b) agree to accept the terms of the Supplier Master Agreement(s) ("SMA") should they become a winning supplier, (c) make certifications regarding associations and handling of Confidential Information, (d) submit Indicative Offers, and (e) post Pre-Bid Security to become Registered Bidders.

This document is the Part 1 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in the SMA. "Communications Protocols" refers to the section "Communications Protocols" and related sections in the Bidding Rules.

PART 1 APPLICATION SUBMISSION

To become a Qualified Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Applicants must submit the following to the Independent Evaluator electronically through the Secure Online Application Process and in hardcopy format to the address below by the Part 1 Application Due Date:

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- **Electronic Application Form:** Completed Part 1 Application submitted online;

Part 1 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly-Priced)~~ Auctions to Procure Default Service Products

Deleted: Fixed-Price

Name of Applicant

- **Hardcopy Application Form:** One (1) printed Part 1 Application document with original signatures, notarized signatures where applicable, and the name of the Applicant on every page of the Application;
- **Supporting Documentation:** One (1) copy of required financial statements and other requested documents supporting the Application as specified in Appendix A; and
- **Changes to Credit Documents (Optional):** Any suggested modifications to the templates for the Pre-Bid Letter of Credit, the Letter of Intent to Provide a Guaranty, or the Letter of Reference ("Credit Documents") must be provided to the Independent Evaluator in an electronic, red-lined version.

Proposed modifications to the Credit Documents and any other inquiries may be directed to the Independent Evaluator by email at fepaauction@crai.com. Inquiries can also be made through the Information Website.

Photocopies and facsimiles of completed documents will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the ~~Residential/Commercial~~ Auction and/or the ~~Industrial (Hourly Priced)~~ Auction.

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The completed Part 1 Application and any modifications to the Credit Documents MUST be received by the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date as posted in the timeline on the Information Website.

Hardcopies must be addressed to:

Independent Evaluator
c/o Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092

Phone: 617-425-3384

Part 1 Application: FE-PA ~~Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure~~
Default Service Products

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Name of Applicant

CONFIDENTIALITY OF PART 1 APPLICATION SUBMISSIONS

Confidentiality requirements specific to the Part 1 Application are provided below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 1 Application may be provided on a confidential basis to the Independent Evaluator Team and the Pennsylvania Public Utility Commission ("Commission") and their representatives. Information that you provide in this Part 1 Application, except for information regarding bidding agreements provided in Section 1.11, may be provided on a confidential basis to representatives of the Companies for a creditworthiness assessment.

CONFIDENTIALITY OF QUALIFIED BIDDERS

Upon completion of the Part 1 Application process, the names of Qualified Bidders will be provided to other Qualified Bidders on a confidential basis. As part of this Part 1 Application, you are required to certify that you agree to release your name to other Qualified Bidders and that you will keep confidential the list of Qualified Bidders that is provided to you.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

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Name of Applicant _____

PART 1 APPLICATION
Residential/Commercial Auction and Industrial (Hourly Priced) Auction
To Procure Default Service Products

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This Part 1 Application is the application form to become a Qualified Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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I. Background Information

Before completing this form, please review the Bidding Rules document, the SMA, and other documents posted on the Information Website so that you understand the conditions under which the Residential/Commercial Auction and Industrial (Hourly Priced) Auction will be conducted.

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II. Confirmation of Receipt

Online Delivery: If your Part 1 Application is submitted online, an email will be sent to the Authorized Representative and Delegate of the Applicant to confirm receipt of the completed online application. You will still be required to submit a hardcopy of the Part 1 Application with original signatures via post or hand delivery.

Delivery by Post or Hand Delivery: If your Part 1 Application is received only by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.

III. Incomplete Applications

If your Part 1 Application is incomplete or requires clarification, the Independent Evaluator will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 1 Application may be rejected and you may be unable to participate in the Residential/Commercial Auction or the Industrial (Hourly Priced) Auction. All corrections to remedy deficiencies within an Applicant's Part 1 Application must be

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Part 1 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly-Priced)~~ Auctions to Procure Default Service Products

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Name of Applicant

submitted online. The Authorized Representative needs to sign and date next to the correction(s) to the Part 1 Application and send a copy as an email attachment to the Independent Evaluator at fepaauction@crai.com, followed by hardcopy to the Independent Evaluator.

IV. Late Applications

Part 1 Applications received after the Part 1 Application Due Date will NOT be accepted under any circumstances.

V. Rejection of Applications

If your Part 1 Application is rejected, your application form and all supporting documents will be returned to you.

VI. Notification to Qualified Bidders

If you become a Qualified Bidder for the ~~Residential/Commercial~~ Auction and/or the ~~Industrial (Hourly Priced)~~ Auction, the Independent Evaluator will send a Notification of Qualification to your Authorized Representative by email after the Part 1 Application Due Date. The Notification of Qualification also will be sent to your Authorized Representative via courier.

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Part 1 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly-Priced)~~ Auctions to Procure Default Service Products

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Name of Applicant

Please select one or both of the following. This application is for: _____

The ~~Residential/Commercial~~ Auction

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The ~~Industrial (Hourly Priced)~~ Auction

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Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Name of Applicant

PART 1 APPLICATION FORMS

1.1 Applicant Basic Information

Name of Applicant (Company Name)

Legal Name of Applicant (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the Applicant is a corporation, partnership, etc

Years in Business

URL for Applicant's Website

Has the Applicant participated in a prior Met-Ed, Penelec, Penn Power, or West Penn Power Default Service solicitation?

If yes, indicate the most recent auction date (month, year):

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Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

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Name of Applicant _____

1.2 Authorized Representative

The Authorized Representative is authorized to represent the Applicant in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. The Authorized Representative will receive all documentation related to the relevant auction(s) if and when the Applicant becomes a Qualified Bidder and subsequently a Registered Bidder, including any auction procedures and Confidential Information required for the submission of bids in any trial auction(s) and in the actual auction(s). The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. The Authorized Representative is the only person authorized to distribute auction procedures and Confidential Information and should do so in accordance with the Communications Protocols. The integrity of the Residential/Commercial Auction and the Industrial (Hourly Priced) Auction depends upon each Authorized Representative safeguarding Confidential Information and passwords used in the auctions. The Independent Evaluator will communicate exclusively with the Authorized Representative or, if instructed by the Authorized Representative, with a Delegate, as designated in this Part 1 Application.

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The person designated below is the Applicant's Authorized Representative.

Last Name Given Name(s) Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City State Zip Code

Telephone No. Cell Phone No. Fax No. Email Address

Communications with the Authorized Representative for purposes of the Part 1 Application are typically done via email and courier.

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Name of Applicant

The Applicant hereby acknowledges that any notification or other communication given by the Independent Evaluator to the Applicant with respect to the Part 1 Application shall be delivered by courier to the address provided above or emailed to the email address above and shall be deemed received by the Applicant at the time of delivery, provided that where delivery occurs after 5:00 p.m. prevailing Eastern Time on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 8:00 a.m. prevailing Eastern Time on the following Business Day.

This certification must be signed by the Authorized Representative and the signature must be notarized.

I hereby certify that I am authorized by the Applicant to serve as Authorized Representative, to represent the Applicant both (i) in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, and (ii) for purposes of this Part 1 Application. I further certify that I will be responsible for all Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction and I will distribute Confidential Information only to other individuals who are authorized to act on behalf of the Applicant according to the Communications Protocols.

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Signature of Authorized Representative

Date

Signature and Seal from Notary Public

Date

Part 1 Application: FE-PA ~~Residential/Commercial~~ and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Name of Applicant

The person designated in this section by the Applicant is the Delegate.

Last Name	Given Name(s)	Mr/Mrs/Ms/Dr/(other)	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Company Name	Title		
<input type="text"/>	<input type="text"/>		
Street Address 1			
<input type="text"/>			
Street Address 2			
<input type="text"/>			
City	State	Zip Code	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
Telephone No.	Cell Phone No.	Fax No.	Email Address
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

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Name of Applicant

1.3 Designation of the Applicant's Authorized Representative and Delegate for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction

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This certification should be signed by an officer or director of the Applicant and should either be notarized or attested with the corporate seal. The person making this certification cannot be either the Authorized Representative or the Delegate.

I certify that I am an officer or director of the Applicant, empowered to undertake contracts and bind the Applicant. I have read and accept the Bidding Rules, the provisions contained in the SMA, and the provisions of the Communications Protocols pertaining to bidders in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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All the information contained in this Application is true and correct to the best of my knowledge. If there are material changes to the Applicant's information provided in this Part 1 Application, I agree to notify the Independent Evaluator. I designate _____ to act as the Authorized Representative of the Applicant in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction and _____ to act as Delegate for the Authorized Representative. I am not designating myself as Authorized Representative or Delegate.

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Signature of Officer or Director of the Applicant

Date

Printed Name

Title

Signature and Seal from Notary Public

Date

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Name of Applicant

1.4 Applicant's Legal Representative in Pennsylvania

Please check here [] if the Applicant's Authorized Representative is also the Applicant's Legal Representative.

The Applicant's Legal Representative in Pennsylvania must:

- be a legal counsel or a representative agent;
have an address in Pennsylvania; and
be authorized and agree to accept service of process on the Applicant's behalf.

The person designated below is the Applicant's Legal Representative or Representative Agent.

Form fields for Last Name, Given Name(s), Mr/Mrs/Ms/Dr/(other), Company Name, Title, Street Address 1, Street Address 2, City, State, Zip Code, Telephone No., Cell Phone No., Fax No., Email Address.

This certification must be signed by the Legal Representative and the signature must be notarized.

I agree to serve as Legal Representative of the Applicant. I am authorized and I agree to receive service of process on the Applicant's behalf.

Signature of Legal Representative Date
Signature and Seal from Notary Public Date

Part 1 Application: FE-PA Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Name of Applicant

1.5 Applicant's Credit Representative

The Applicant's Credit Representative is the Applicant's in-house Credit Representative who can answer questions or provide information about the Applicant's credit with respect to the requirements for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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The person designated below is the Applicant's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

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Name of Applicant

4. Further, please certify that:

- a) The Applicant and its corporate officers have no indictments or pending criminal litigation in any federal, state or local jurisdiction relating to the Applicant;
- b) The Applicant and its corporate officers have no criminal convictions;
- c) The Applicant has no civil penalties, judgments, sanctions or consent decrees arising out of the violation of any law, rule, regulation or ordinance in connection with its business activities;
- d) The Applicant has not had any permit or authority to do business in any jurisdiction revoked or suspended; and
- e) The Applicant has never been barred from public bidding or sanctioned for unauthorized disclosure of Confidential Information.

Signature of Authorized Representative

Date

If you are unable to make these certifications in Section 1.6, subsections (1) to (4), please state which certifications you are unable to make and explain all reasons in the space given below.

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 Name of Applicant

1.7 Financial and Credit Information for the Applicant

Please provide the following information for the Applicant:

- a) If the Applicant is not an SEC registrant, provide the most recent Annual Report;
- b) If the Applicant is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement);
- d) If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide the most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e) The following financial information along with page references to the relevant financial filings submitted:

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

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Name of Applicant _____

- f) Applicant's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

- g) If the Applicant has not been incorporated or otherwise formed under the laws of the United States, the Applicant is asked to provide in addition to a)-f) above:
 - i. A legal opinion acceptable to the Companies of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the SMA will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed.
 - ii. Any additional information that the Applicant wishes to include that could provide comparable credit assurances to those that are provided by other Applicants that have been incorporated or otherwise formed under the laws of the United States.

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Name of Applicant

An Applicant that has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if such Applicants become Default Service Suppliers, they will be required to submit additional documents as detailed in Article 6 of the SMA, including:

- A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Default Service Supplier is incorporated or otherwise formed that this Agreement is, or upon the completion of execution formalities will become, the binding obligation of the Default Service Supplier in the jurisdiction in which it has been incorporated or otherwise formed;
- The sworn certificate of the corporate secretary (or similar officer) of such Default Service Supplier that the person executing the Agreement on behalf of the Default Service Supplier has the authority to execute the Agreement and that the governing board of such Default Service Supplier has approved the execution of the Agreement; and
- The sworn certificate of the corporate secretary (or similar officer) of such Default Service Supplier that the Default Service Supplier has been authorized by its governing board to enter into agreements of the same type as the SMA.

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Name of Applicant

Is the Applicant and/or its parent:

	Applicant		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Applicant's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status.

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Name of Applicant

1.8 Guarantor Information

The Guarantor information is required only if the Applicant expects to have a third party act as a Guarantor should the Applicant become a Default Service Supplier.

Please check here and proceed to the next section if this section does not apply to you because you will not have a third party act as a Guarantor.

Basic Information for the Guarantor

Name of Guarantor

Legal Name of Guarantor (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the Guarantor is a corporation, partnership, etc

Years in Business

Guarantor's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

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Name of Applicant

Telephone No.

Cell Phone No.

Fax No.

Email Address

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Name of Applicant

The Guarantor's Credit Representative

The Guarantor's in-house Credit Representative is the individual who can answer questions or provide information about the Guarantor's credit with respect to the requirements for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

Deleted: FP

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The person designated below is the Guarantor's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

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 Name of Applicant

Please provide the following information for the Guarantor:

- a) If the Guarantor is not an SEC registrant, provide the most recent Annual Report;
- b) If the Guarantor is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement);
- d) If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide the most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e) The following financial information along with page references to the relevant financial filings submitted:

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

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Name of Applicant

- f) Guarantor's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

- g) If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, the Guarantor is asked to provide in addition to a)-f) above:
 - i. A legal opinion acceptable to the Companies of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed.
 - ii. Any additional information that the Guarantor wishes to include that could provide comparable credit assurances to those that are provided by other Guarantors that have been incorporated or otherwise formed under the laws of the United States.

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Name of Applicant

An Applicant whose Guarantor has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if an Applicant with such a Guarantor becomes a Default Service Supplier, the Guarantor will be required to submit additional documents as detailed in Article 6 of the SMA, including:

- A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that this Guaranty is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty; and
- The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the Guaranty.

Is the Guarantor and/or its parent (if applicable):

	Guarantor		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Guarantor's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status of the Guarantor.

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Name of Applicant

1.9 Additional Certifications

The Bidding Rules, the SMA, and the Information Website include important information that an Applicant should understand prior to participating in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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- a) Please certify that you have read the Bidding Rules for the Auction(s) in which you intend to participate (the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction) and that you will comply with these rules.

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Signature of Authorized Representative

Date

- b) Please certify that you have read the SMA and that you accept its terms. Please also certify that if you become a winning bidder, you will execute the SMA within three (3) Business Days following the date of the Commission's approval of the auction results:

Signature of Authorized Representative

Date

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c) Please certify that if you qualify to participate in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, you will not disclose at any time information regarding the list of Qualified Bidders in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, including but not limited to the number of Qualified Bidders, the identity of any one of the Qualified Bidders (including yourself), or the fact that an entity has not qualified for participation in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Further, please certify that you will destroy any document distributed by the Independent Evaluator that lists the Qualified Bidders within five (5) days of the close of the bidding, or earlier if so instructed by the Independent Evaluator.

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Signature of Authorized Representative

Date

d) No Qualified Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction shall substitute another party, transfer its rights to another party, or otherwise assign its status as a Qualified Bidder to another party. Any such substitutions, transfers, or assignments shall be null and void and will result in the exclusion of the Qualified Bidder from the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Please certify that you agree to the limitation set forth in this paragraph.

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Signature of Authorized Representative

Date

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The Bidding Rules and Communications Protocols include restrictions on the disclosure of Confidential Information. For purposes of the following certifications, the definition of Confidential Information relative to bidding strategy is defined according to Section 12.2 of the Bidding Rules:

- e) Please certify that you agree not to disclose any Confidential Information relative to bidding strategy to any party that may have an effect on the participation of another bidder, prospective bidder, or on any of the bids that another bidder would be willing to submit.

Signature of Authorized Representative _____
Date

- f) Please certify that, to the extent Confidential Information relative to bidding strategy is disclosed within your organization or to a third party, you will ensure that sufficient precautions are taken to ensure that such Confidential Information is not made public or made available to another bidder. Such precautions include, but are not limited to confidentiality agreements, non-disclosure agreements, firewalls, and other contractual or structural protections that would maintain the confidential nature of a bidder's bidding strategy.

Signature of Authorized Representative _____
Date

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If unable to make the certifications requested above please identify the nature of your need to disclose Confidential Information without sufficient precautions to ensure that such Confidential Information is not made public or made available to another bidder.

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1.10 Alternate Guaranty Forms

A prospective Default Service Supplier that wishes to rely on a Guarantor can use the standard form of guaranty (Appendix C to the SMA for the ~~Residential/Commercial~~ Auction, and Appendix B to the SMA for the ~~Industrial (Hourly Priced)~~ Auction) and be assured that the standard form of guaranty is acceptable to the Companies. Alternatively, the Companies will consider alternate forms of guaranty if they are submitted with this Part 1 Application. Also, you may submit an alternate form of guaranty that was previously approved by the Companies in a prior solicitation.

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The Alternate Guaranty Form must be a financial guaranty for unlimited liability. Additional requirements are specified in Appendix B of this Part 1 Application.

Please check here and proceed to the next section if this section does not apply to you because you are not submitting an alternate form of guaranty. Otherwise please read Appendix B and complete this section.

The Authorized Representative acknowledges by signing below that he/she has read the requirements of Appendix B and that he/she believes that the proposed Alternate Guaranty Form complies with these requirements:

Signature of Authorized Representative

Date

Please check below to show that you are including all required documents.

- The proposed form of alternate guaranty;
- Certification that the alternate guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months;
- An enforceability opinion with respect to the alternate form of guaranty from counsel; and
- Previously approved alternate form of guaranty.

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1.11 Bidding Agreements

Please note that the Companies will not review information provided in this section.

Please check here and proceed to the next section if you will be bidding independently and not as a party to any bidding agreement with another party or through any other arrangement involving joint or coordinated bidding with any other party.

Otherwise, please indicate below whether you are a party to or a part of a bidding agreement, a joint venture, a bidding consortium, or other arrangements for purposes of participating in the ~~Residential/Commercial~~ Auction and/or the ~~Industrial (Hourly Priced)~~ Auction or pertaining to bidding in the ~~Residential/Commercial~~ Auction and/or the ~~Industrial (Hourly Priced)~~ Auction. Please also provide the names of the other parties to the bidding agreement or other arrangement.

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Other parties to the arrangement:

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- Bidding Agreement Bidding Consortium
 Joint Venture Other (define) _____

If you are part of a bidding agreement, bidding consortium or joint venture, you must nominate a single party to the bidding agreement, bidding consortium or joint venture to fulfill the creditworthiness requirements. This party may have a Guarantor. Please indicate below which party from the bidding agreement, bidding consortium, or joint venture will be fulfilling the creditworthiness requirements:

Name of the single party fulfilling the creditworthiness requirements:

The Authorized Representative of the party named above must sign here to acknowledge the fact that this party has agreed to fulfill the creditworthiness requirements:

Signature of Authorized Representative

Date

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1.12 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 1 Application, please justify fully any omissions in the space provided below.

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Appendix A – Enclosures to the Part 1 Application

This is a checklist of documents to be enclosed with this Part 1 Application. Please submit only one copy of required supporting documents to the application unless noted otherwise.

- A copy of the completed Part 1 Application with original signatures and original notarized signatures of Sections 1.2, 1.3 and 1.4 [Instructions Part 1]

For the Applicant:

- A copy of the signature page of the applicable PJM Agreements as that term is defined in the SMA [Section 1.6]
- If the Applicant is not an SEC registrant, provide the most recent Annual Report [Section 1.7]
- If the Applicant is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide the most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide the most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.7]
- Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.7]
- If the Applicant has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to Companies of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the SMA will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Applicant wishes to give that could provide comparable credit assurances to those that

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are provided by other Applicants that have at least two credit ratings from
accepted credit ratings agencies. [Section 1.7]

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For the Guarantor:

- If the Guarantor is not an SEC registrant, provide the most recent Annual Report [Section 1.8]
- If the Guarantor is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.8]
- Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.8]
- If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to the Companies of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Guarantor wishes to give about the Guarantor's financial standing that could provide comparable credit assurances to those that are provided by other Guarantors that have at least two credit ratings from accepted credit rating agencies. [Section 1.8]

If the Applicant is proposing an Alternate Guaranty Form:

- Proposed form of alternate guaranty [Section 1.10]
- Certification that the alternate guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months [Section 1.10]
- An enforceability opinion with respect to the alternate form of guaranty from counsel [Section 1.10]

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Proposed form of alternate guaranty [Section 1.10]

Name of Applicant

Appendix B – Alternate Guaranty Forms (Optional)

The criteria used to review the alternate form of guaranty are as follows:

1. The alternate guaranty must be a financial guaranty; performance guarantees are not acceptable.
2. The Companies will consider alternate forms of guaranty only if the guaranty is for unlimited liability.
3. The alternate guaranty must be an unconditional guaranty of payment of all amounts due by the Default Service Supplier to the Companies under the SMA. The SMA must be expressly identified and the satisfaction of obligations through performance may not be authorized.
4. The alternate guaranty may be terminated upon not less than thirty (30) days advance written notice to the Companies and termination shall not discharge liabilities and obligations of the Guarantor that have been incurred before the effective date of the termination.
5. The alternate guaranty must not be subject to any monetary limit.
6. The alternate guaranty must be accompanied by a certification that this form of guaranty, subject to changes needed to conform to the specific requirements of the Companies, has been in general use by the submitting party in its ordinary course of business over the past twelve months.
7. The alternate guaranty must be a guaranty of payment and not of collection.
8. Assignment of the alternate guaranty shall not be permitted except with the prior written consent of the Companies.
9. The Applicant must provide an enforceability opinion with respect to the alternate form of guaranty from its counsel. The accompanying enforceability opinion must be from a law firm of national (i.e., United States) standing, must not be weaker than would be industry norm and must contain only those qualifications that would be typical. The opinion shall name the Companies and explicitly state that the Companies are entitled to rely on the opinion.

The alternate forms of guaranty will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the Independent Evaluator will redact the proposed alternate form of guaranty to remove any information identifying the Applicant. The Independent Evaluator will then forward the redacted version to a credit and legal representative of the Companies.

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- The credit and legal representative will determine whether the alternate form of guaranty provides sufficient assurances of payment, taking into account the following considerations:
 - (i) whether the alternate form of guaranty conforms with the specific requirements identified by the Companies (listed above);
 - (ii) whether the alternate form of guaranty provides substantially similar credit protections to the credit protections provided to Companies by the standard form of guaranty; and
 - (iii) whether the alternate form of guaranty includes defenses in favor of the Guarantor not found in the standard form of guaranty. The Companies representative may also identify specific changes that would permit the alternate form of guaranty to be acceptable, if such changes are of a limited nature.
- The credit and legal representative shall inform the Independent Evaluator of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of the Companies' decision, the Independent Evaluator will notify the Applicant of the Companies' decision. The Companies' decision will state one of the following:
 - (i) The proposed alternate guaranty is acceptable to the Companies in the form in which it was submitted.
 - (ii) The proposed alternate guaranty is not acceptable to the Companies in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Independent Evaluator will set forth the required changes.
 - (iii) The proposed alternate guaranty is not acceptable to the Companies.
- If specific changes are required to the proposed alternate guaranty, the Applicant will be required to resubmit the alternate guaranty form with changes identified by the Companies on the Business Day following the Business Day during which the Independent Evaluator notified the Applicant of the Companies' decision. No later than three (3) Business Days after the Applicant's resubmission, the Independent Evaluator will notify the Applicant of the Companies' final decision.

A potential bidder that had secured approval for an alternate form of guaranty from any previous Default Service procurement auction held by one or more of

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Name of Applicant _____

the Companies and wishes to use the same alternate form of guaranty can renew this by submitting the following:

1. The alternate form of guaranty from any previous Default Service procurement auction by the Companies;
2. The enforceability opinion from any previous Default Service procurement auction by the Companies;
3. A certification that the text of the alternate form of guaranty is exactly the same as the alternate form of guaranty that had been previously approved from any previous Default Service procurement auction by the Companies;
4. A certification that the text of the enforceability opinion is exactly the same as the enforceability opinion that had been previously approved from any previous Default Service procurement auction by the Companies.

If a potential bidder submits the materials as specified above, the alternate form of guaranty will be approved for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction without further re-evaluation. If a potential bidder had secured approval for an alternate form of guaranty from any previous Default Service procurement auction by the Companies but is unable to provide the materials as specified above, the potential bidder must resubmit the alternate form of guaranty and all supporting documentation as specified in the Alternate Form of Guaranty section above and these materials will be re-evaluated according to the criteria set forth in this document.

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All proposing parties that become Qualified Bidders under the Part 1 Application process, but whose alternate guaranty is rejected by the Companies, are required to submit with their Part 2 Application a supplemental certification that the Applicant unconditionally accepts all terms and conditions of the SMA.

Part 1 Application: FE-PA ~~Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure~~
Default Service Products

Deleted: Fixed-Price

Name of Applicant

Appendix C – Draft Pre-Bid Letter of Credit for the Pre-Bid Security (Optional)

The standard form of the Pre-Bid Letter of Credit presented in this section is in a form acceptable to the Companies and will be posted to the Information Website. However, an Applicant has the option to submit a draft Pre-Bid Letter of Credit clearly identifying proposed changes in an electronic, redlined version by email with their Part 1 Application to fepaauction@crai.com.

The Companies will assess, in their sole and exclusive discretion, whether such modifications are acceptable. The Qualified Bidder, in its Part 2 Application, must provide the required executed Pre-Bid Letter of Credit that either uses the standard form or incorporates only those modifications to the standard form accepted by the Companies upon review of the Part 1 Application. The draft Pre-Bid Letter of Credit will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the Independent Evaluator will redact the draft Pre-Bid Letter of Credit to remove any information identifying the Applicant. The Independent Evaluator will then forward the redacted version to a credit and legal representative of the Companies.
- The credit and legal representative will determine whether such modifications are acceptable. The credit and legal representative shall inform the Independent Evaluator of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of the Companies' decision, the Independent Evaluator will notify the Applicant of the Companies' decision. The Companies' decision will either state:
 - The draft Pre-Bid Letter of Credit is acceptable to the Companies in the form in which it was submitted.
 - The draft of Pre-Bid Letter of Credit is not acceptable to the Companies in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Independent Evaluator will set forth the required changes.
 - The draft Pre-Bid Letter of Credit is not acceptable to the Companies.
- If specific changes are required to the draft Pre-Bid Letter of Credit, the Applicant will be required to resubmit the draft Letter of Credit with changes identified by the Companies on the Business Day following the Business Day Companies' decision. No later than three (3) Business Days after the Applicant's resubmission, the Independent Evaluator will notify the Applicant of the final decision.

| Part 1 Application: FE-PA ~~Residential/Commercial and Industrial (Hourly-Priced) Auctions to Procure~~
Default Service Products

Deleted: Fixed-Price

Name of Applicant

End of Part 1 Application

Exhibit BAM-1

Field Code Changed

Field Code Changed

Part 2 Application

For Residential/Commercial and Industrial
(Hourly Priced) Auctions

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To Procure Default Service Products for
Metropolitan Edison Company (“Met-Ed”)
Pennsylvania Electric Company (“Penelec”)
Pennsylvania Power Company (“Penn Power”)
West Penn Power Company (“West Penn
Power”)

Appendix 2 to Bidding Rules

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Deleted: Hourly-Priced

Name of Applicant

**PART 2 APPLICATION
AUCTIONS TO PROCURE DEFAULT SERVICE PRODUCTS FOR MET-
ED/PENELEC/PENN POWER/WEST PENN POWER**

INSTRUCTIONS

There are two parts to the application process.

- **Part 1 Application:** Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Residential/Commercial auction ("Residential/Commercial Auction"), and/or the Industrial (Hourly Priced) auction ("Industrial (Hourly Priced) Auction") to procure default service products for Met-Ed, Penelec, Penn Power, and West Penn Power (the "Companies").
- **Part 2 Application:** Qualified Bidders for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction submit the Part 2 Application, in which they will: (a) agree to comply with the Bidding Rules, (b) agree to accept the terms of the Supplier Master Agreement ("SMA") should they become a winning supplier, (c) make certifications regarding associations and handling of Confidential Information, (d) submit Indicative Offers, and (e) post Pre-Bid Security to become Registered Bidders.

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This document is the Part 2 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in the SMA. "Communications Protocols" refers to the section "Communications Protocols" and related sections in the Bidding Rules.

PART 2 APPLICATION SUBMISSION

To become a Registered Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Applicants must submit the following to the Independent Evaluator electronically through the Secure Online Application Process and in hardcopy format to the address below by the Part 2 Application Due Date:

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- **Electronic Application Form:** Completed Part 2 Application submitted online;

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Deleted: Hourly-Priced

Name of Applicant _____

- **Hardcopy Application Form:** One (1) printed Part 2 Application document with original signatures and the name of the Applicant on every page of the Application;

In addition to the completed Part 2 Application Forms, each Qualified Bidder must:

- Submit an Indicative Offer for each auction that it is applying for — either the Residential/Commercial Auction, the Industrial (Hourly Priced) Auction, or both auctions;
- Submit a Pre-Bid Letter of Credit, cash, and additional Pre-Bid Security (if required) to support the Indicative Offer; and
- Make required certifications on Applicant Associations and Confidential Information and, if unable to do so, make required information disclosures.

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Please note that interest will not be paid by the Companies for cash posted as Pre-Bid Security. Photocopies and facsimiles of completed documents will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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The completed Part 2 Application and any the supporting Credit Documents MUST be received by the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date as posted in the timeline on the Information Website.

Hardcopies must be addressed to:

Independent Evaluator
c/o Brad Miller, Vice President
CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092

Phone: 617-425-3384

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Deleted: Hourly-Priced

Name of Applicant

CONFIDENTIALITY OF PART 2 APPLICATION SUBMISSIONS

Confidentiality requirements specific to the Part 2 Application are reiterated below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 2 Application may be provided on a confidential basis to the Independent Evaluator Team and the Pennsylvania Public Utility Commission (the "Commission") and their representatives. Representatives from the Companies will decide whether the form of Pre-Bid Security submitted is acceptable; Pre-Bid Security documents will be redacted prior to the closing of the bidding process so as not to reveal an Applicant's identity or the amount of the Applicant's Indicative Offer.

CONFIDENTIALITY OF REGISTERED BIDDERS AND INITIAL ELIGIBILITY

Upon completion of the Part 2 Application process, the names of Registered Bidders will be provided to other Registered Bidders on a confidential basis for each auction independently, as well as the total Initial Eligibility aggregated across all Registered Bidders and products for each auction. As part of this Part 2 Application, you are required to certify that you agree to release your name to other Registered Bidders and that you will keep confidential the list of Registered Bidders and total Initial Eligibility that is provided to you.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant _____

PART 2 APPLICATION
Residential/Commercial Auction and Industrial (Hourly Priced)
Auction
To Procure Default Service Products

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Deleted: Hourly-Priced

This Part 2 Application is the application form to become a Registered Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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I. Background Information

Before completing this form, please review the Bidding Rules document, the SMA, and other documents posted on the Information Website so that you understand the conditions under which the Residential/Commercial Auction and Industrial (Hourly Priced) Auction will be conducted.

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II. Confirmation of Receipt

Online Delivery: If your Part 2 Application is submitted online through the Secure Online Application Process, an email will be sent to the Authorized Representative and Delegate to confirm receipt. You will still be required to submit a hardcopy of the Part 2 Application with original signatures via post or hand delivery.

Delivery by Post or Hand Delivery: If your Part 2 Application is received by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.

III. Incomplete Applications

If your Part 2 Application is incomplete or requires clarification, the Independent Evaluator will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 2 Application may be rejected and you may be unable to participate in the Residential/Commercial Auction or the Industrial (Hourly Priced) Auction. All corrections to remedy deficiencies within an Applicant's Part 2 Application must be submitted online. The Authorized Representative needs to sign and date next to the

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Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

correction(s) to the Part 2 Application and send a copy as an email attachment to the Independent Evaluator at fepaauction@crai.com, followed by hardcopy to the Independent Evaluator.

IV. Late Applications

Part 2 Applications received after the stated Part 2 Application Due Date will NOT be accepted under any circumstances.

V. Changes to Part 1 Application

If changes to the Part 1 Application are warranted in order to fulfill the requirements of the Part 2 Application, those changes to the Part 1 Application must be received by the Independent Evaluator no later than 12:00 p.m. noon prevailing Eastern Time seven (7) Business Days prior to the Part 2 Application Due Date. All changes to an Applicant's Part 1 Application must be signed and dated by the Authorized Representative and sent as an email attachment to the Independent Evaluator at fepaauction@crai.com, followed by hardcopy to the Independent Evaluator.

VI. Deficient Pre-Bid Security

If your Credit Documents are not in a form acceptable to the Companies, your Authorized Representative will be emailed a deficiency notice and you will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you fail to meet this deadline, your Part 2 Application will be rejected.

If your Credit Documents are insufficient for your Indicative Offer, or if your other Pre-Bid Security is in a form that is not acceptable to the Companies, your Authorized Representative will be emailed a deficiency notice. You will have until the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you cannot correct the deficiency, your Application may be rejected or your Initial Eligibility may be reduced by the Independent Evaluator so that your Pre-Bid Security is sufficient to cover your Indicative Offer.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

VII. Certifications Regarding Associations

You may be required to provide additional information to the Independent Evaluator and to the Commission and its representatives if you are unable to make the certifications in this Part 2 Application.

VIII. Rejection of Applications

If your Part 2 Application is rejected, your application form and all supporting documents will be returned to you.

IX. Notification to Registered Bidders

If you become a Registered Bidder for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, the Independent Evaluator will send your Authorized Representative a Notice of Registration by email after the Part 2 Application Due Date. The Notice of Registration will also be sent to your Authorized Representative by courier. If there are material changes to the Applicant's information provided in this Part 2 Application, you are obligated to notify the Independent Evaluator.

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Prior to the auction date, Registered Bidders will receive information on how to participate in the auction(s) using the Independent Evaluator's secure Bidding Website(s).

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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~~Deleted: Hourly-Priced~~

Name of Applicant

Please select one or both of the following. This application is for: _____

The Residential/Commercial Auction

~~Deleted: Fixed-Price~~

The Industrial (Hourly Priced) Auction

~~Deleted: Hourly-Priced~~

~~Deleted: Both Auctions~~

... [1]

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant

PART 2 APPLICATION FORMS

2.1 Applicant Information

Name of Applicant (Company Name)

Authorized Representative's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

Delegate's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Company Name

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

NOTE: The contact information for the Authorized Representative and Delegate in the Part 2 Application should be the same contact information that was provided in the Part 1 Application. Please email fepaauction@crai.com if there are any changes to this information prior to the deadline for making changes as outlined in Section V above.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant

2.2 Indicative Offer and Pre-Bid Security

Provide your Indicative Offer in Table 1 and Table 2 below. You will provide an indicative offer at the Minimum Starting Price and you will provide an Indicative Offer at the Maximum Starting Price for each product in the auction(s) that you are applying for. Your Indicative Offer should be the maximum number of tranches that you would be willing to supply at the applicable starting price subject to the limitations of any applicable load cap for the auction. In each auction itself, you are not required to bid the number of tranches in your Indicative Offer. However, your Initial Eligibility to bid in each auction will be determined by the total number of tranches across the products in your Indicative Offer at the Maximum Starting Price for that auction.

For the Residential/Commercial Auction, you are required to submit cash or a Pre-Bid Letter of Credit for an amount equal to \$250,000 multiplied by the total number of tranches in your Indicative Offer at the Maximum Starting Prices for the Residential/Commercial Auction.

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For the Industrial (Hourly Priced) Auction, you are required to submit cash or a Pre-Bid Letter of Credit for an amount equal to \$250,000 multiplied by the total number of tranches in your Indicative Offer at the Maximum Starting Prices for the Industrial (Hourly Priced) Auction.

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If you are required to do so, please provide additional Pre-Bid Security in an acceptable form. Instructions regarding the amount of the Letter of Reference and the amount of the Letter of Intent to Provide a Guaranty are provided in Table 2. Credit Documents in support of your Pre-Bid Security should be in the form provided on the Information Website or as approved in modified form during the Part 1 Application process.

Please check here if you are submitting a cash deposit as Pre-Bid Security.

Please check here if you are submitting a Pre-Bid Letter of Credit as Pre-Bid Security.

Please check here if you are submitting a Letter of Intent to Provide a Guaranty from the named Guarantor in Section 1.8 of the Part 1 Application as additional Pre-Bid Security.

Please check here if you are submitting a Letter of Reference from a bank as additional Pre-Bid Security.

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Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

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~~Deleted: Hourly-Priced~~

Name of Applicant

Complete Table 2 to include the amounts of the cash deposits, Pre-Bid Letter of Credit, and/or other additional Pre-Bid Security (if required) that you are providing in support of this Part 2 Application.

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant _____

Table 1. Indicative Offer at Minimum Starting Prices (prices in \$/MWh)

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)
Commercial 6-months								
Residential 12-months								
Commercial 12-months								
Residential 24-months								

Enter Your Indicative Offer for the ~~Residential/Commercial~~ Auction at the Minimum Starting Prices:

<-- Does not need to be the sum of the tranches above at the minimum starting prices. This can be less than the sum of the tranches at minimum prices across the Companies.

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant _____

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)	Min Starting Price	Possible Interest (# tranches)
Industrial 24-months								

Deleted: Industrial 24-months

Enter Your Indicative Offer for the ~~Industrial (Hourly Priced)~~ Auction at the Minimum Starting Prices:

<-- Does not need to be the sum of the tranches above at the minimum starting prices. This can be less than the sum of the tranches at maximum prices across the Companies.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

Table 2. Indicative Offer at Maximum Starting Prices (prices in \$/MWh)

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)
Commercial 6-months								
Residential 12-months								
Commercial 12-months								
Residential 24-months								

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Deleted: Commercial 24-months
Deleted: Residential 12-months
Deleted: Commercial 12-months

In Box [A] Enter Your Indicative Offer for the Residential/Commercial Auction at the Maximum Starting Prices:

[A] <-- This needs to be the sum of the tranches above across all products at the maximum starting prices.

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Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant _____

Met-Ed Penelec Penn Power West Penn Power Deleted: \uparrow

Product	Met-Ed		Penelec		Penn Power		West Penn Power	
	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)	Max Starting Price	Possible Interest (# tranches)
Industrial 24-months								

In Box [B] Enter Your Indicative Offer for the Industrial (Hourly Priced) Auction at the Maximum Starting Prices:

[B] <-- This needs to be the sum of the tranches above across all products at the maximum starting prices.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant _____

Cash: _____
LOC: _____

Amount of cash deposit or Pre-Bid Letter of Credit
This amount is equal to ~~\$250,000~~ multiplied by your Indicative Offer in box [A], plus ~~\$250,000~~ multiplied by your Indicative Offer in box [B]

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Amount of Additional Pre-Bid Security
If required, this amount is equal to ~~\$500,000~~ multiplied by your Indicative Offer in box [A] plus ~~\$500,000~~ multiplied by your Indicative Offer in box [B]
NOTE: Stand-alone investment-grade companies with a sufficient Independent Credit Threshold (ICT) to cover the amount of additional Pre-Bid Security calculated above are not required to post additional security. ~~Investment grade is defined as BBB- and above from S&P or Fitch, and Baa3 from Moody's.~~ All other bidders are required to post additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty and/or a Letter of Reference for an amount not to exceed their ICT. If necessary, an additional ~~\$250,000~~ in cash or a letter of credit may be provided in lieu of a Letter of Reference.

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Enter the amount of additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty in the box on the left.
NOTE: This is an option for companies with an investment-grade guarantor.

Enter the amount of additional Pre-Bid Security in the form of a Letter of Reference in the box on the left.
NOTE: This is an option for companies without an investment grade rating and/or with a below-investment grade guarantor.

Cash: _____
LOC: _____

Enter the amount of additional Pre-Bid Security in the form of cash deposit or Pre-Bid Letter of Credit in the box on the left.
NOTE: This is an option for companies unable to provide a Letter of Reference of sufficient magnitude to cover the additional Pre-Bid Security amount.

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

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~~Deleted: Hourly-Priced~~

Name of Applicant

If you are submitting a Pre-Bid Letter of Credit, in the space below, please provide instructions for returning the Pre-Bid Letter of Credit once it can be cancelled.

If you are submitting a cash deposit, you must attach a copy of your W9 (for tax ID) and a copy of your banking information on your company's letterhead, signed and dated. Furthermore, in the space below, please provide wiring instructions for returning your cash deposit.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

2.3 Certifications by Authorized Representative

Please consult the list of Qualified Bidders for the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction provided to you upon qualification. The following certifications are those contained in the "Association and Confidential Information Rules" of the Bidding Rules. Please consult the criteria for associations and the definition of Confidential Information in the Bidding Rules.

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Please make the following certifications. All Qualified Bidders, including each party to a Bidding Consortium, Bidding Agreement or Joint Venture for the purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, must make these certifications. The following certifications (1) to (8) will apply from the time of qualification until the results of the Default Service Auctions, are finalized. Completion of the following certifications also signifies your acknowledgement that you do not know of or cannot reasonably anticipate, at the time of this Part 2 Application, any events that might cause these certifications to become untrue during the period to which each certification applies. If you cannot make one or more of these certifications, please disclose the necessary information to explain why you cannot make these certifications.

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- (1) Please certify that you are not associated with another Qualified Bidder according to the criteria as defined in the Bidding Rules.

Signature of Authorized Representative

Date

If unable to make certification (1) requested above, please identify the Qualified Bidder(s) in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, with whom you are associated along with the nature of the association.

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[Empty rectangular box for providing association details]

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

If unable to make certification (3) requested above, please name the advisor(s) and the Qualified Bidder(s) concerned.

(4) Please certify that you are not a party to any contract for the purchase of power that might be used as a source of supply for Default Service, and that (i) would require the disclosure of any Confidential Information (Confidential Information relative to the bidding strategy or Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction) to the counterparty under such a contract; or (ii) that would require the disclosure of any Confidential Information (Confidential Information relative to the bidding strategy or Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction) to any other party; or (iii) that would provide instructions, direct financial incentives, or other inducements for the Bidder to act in a way determined by the counterparty in the agreement and/or in concert with any other Bidder in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction. Notwithstanding the above, you may, during negotiations prior to the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction for contractual arrangements for power to serve Default Service Load were you to be a winner at the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, discuss with the counterparty to such arrangements the nature of the standard products to be purchased, the volume, and the price at which you are willing to buy these products, so long as such arrangements do not result in violation of (i), (ii) or (iii) above.

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Signature of Authorized Representative

Date

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

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~~Deleted: Hourly-Priced~~

Name of Applicant

If unable to make certification (4) requested above please disclose the contractual terms that prevent you from making the certification. Please identify the counterparty and if applicable, the party to whom information disclosure must be made under the terms of the contract.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price

Deleted: Hourly-Priced

Name of Applicant

- (5) Please certify that you do not have any knowledge of Confidential Information that is relevant to the bidding strategy of any other Qualified Bidder.

Signature of Authorized Representative

Date

If unable to make certification (5) requested above please name the other Qualified Bidder(s) and the nature of the Confidential Information

- (6) Please certify that you will not disclose Confidential Information relative to your bidding strategy except to bidders that were explicitly named in your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, or Bidding Consortium or other arrangement pertaining to bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, Bidders with which you are associated as disclosed through certification (1), to your advisors, and to your financial institution.

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Signature of Authorized Representative

Date

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

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Deleted: Hourly-Priced

Name of Applicant

If unable to make certification (6) requested above, please explain.

(7) Please certify that, other than entities with which you are affiliated and other than bidders with which you have entered a Bidding Agreement, or Joint Venture for purpose of bidding in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, or Bidding Consortium, or other arrangement pertaining to the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, no party has agreed to defray any of the costs of participating in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, including the cost of preparing the bid, the cost of any financial guarantees, the cost to be paid upon winning a tranche, and any other participation cost.

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Signature of Authorized Representative

Date

If unable to make certification (7) requested above, please explain.

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

Deleted: Fixed-Price

Deleted: Hourly-Priced

Name of Applicant

(8) Please certify your agreement that the submission of any bid in the ~~Residential/Commercial~~ Auction and/or the ~~Industrial (Hourly Priced)~~ Auction creates a binding and irrevocable offer to provide service under the terms set forth in the SMA and that a binding and enforceable contract to provide service with respect to the number of tranches for which you were a winner in the ~~Residential/Commercial~~ Auction and/or the ~~Industrial (Hourly Priced)~~ Auction shall arise under the SMA. Please note that failure to execute the SMA within three (3) Business Days following the date of the Commission's approval of the auction results may result in the forfeiture of the Pre-Bid Letter of Credit.

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Signature of Authorized Representative

Date

If unable to make certification (8) requested above, please explain.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant

The following certifications (9), (10) and (11) will apply from the date on which you make the certifications.

(9) Please certify that if you are registered to participate in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction, you will not disclose at any time information regarding the Initial Eligibility in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction or the list of Registered Bidders, including the number of Registered Bidders, the identity of any one or all entities that have been registered, or the fact that an entity has not been registered for participation in the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction.

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Deleted: HP

Signature of Authorized Representative

Date

(10) Please certify that you will not disclose any Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction to any party except your advisors and Bidders with which you are associated as disclosed in certification (1).

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Signature of Authorized Representative

Date

If unable to make certification (10) requested above, please explain.

Part 2 Application: FE-PA Residential/Commercial and Industrial (Hourly Priced) Auctions to Procure Default Service Products

Deleted: Fixed-Price
Deleted: Hourly-Priced

Name of Applicant

(11) Please certify that you will continue to abide by your prior confidentiality certifications. You will not disclose any Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction to any party except to your advisor and Bidders with which you are associated. Please certify that you will destroy all documents, written or electronic, provided by the Independent Evaluator that contain Confidential Information regarding the Residential/Commercial Auction and/or the Industrial (Hourly Priced) Auction within five (5) days of the close of the bidding, or earlier if so instructed by the Independent Evaluator

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Signature of Authorized Representative

Date

If unable to make certification (11) requested above, please explain.

| Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

Deleted: Fixed-Price

Deleted: Hourly-Priced

Name of Applicant

2.4 Ongoing Obligations

Please note that all obligations, terms and conditions set forth in the Bidding Rules and SMA remain in effect and apply to the certifications made herein, including but not limited to the following:

- Section 4.2.3 of the Bidding Rules - Sanctions may be imposed on a Bidder for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the SMA, loss of all rights to provide supply for the Companies to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future Competitive Bidding Processes, and other sanctions that may be appropriate.

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

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~~Deleted: Hourly-Priced~~

Name of Applicant

2.5 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 2 Application, please justify fully any omissions in the space provided below.

Part 2 Application: FE-PA ~~Residential/Commercial~~ and ~~Industrial (Hourly Priced)~~ Auctions to Procure Default Service Products

~~Deleted: Fixed-Price~~

~~Deleted: Hourly-Priced~~

Name of Applicant

Appendix A – Enclosures to the Part 2 Application

This is a checklist of documents to be enclosed with this Part 2 Application.

- One copy of completed Part 2 Application forms (with original signatures)
- One copy of W9 Form (for Tax ID) and one copy of banking information on your company's letterhead (signed and dated) (if submitting Cash Deposit as Pre-Bid Security) [Section 2.2]
- Pre-Bid Letter of Credit (if applicable) [Section 2.2]
- Letter of Intent to Provide a Guaranty (if applicable) [Section 2.2]
- Letter of Reference (if applicable) [Section 2.2]
- Other forms of alternative security (if applicable) [Section 2.2]

End of Part 2 Application

Appendix 3 to Bidding Rules

Sample Pre-Bid Letter of Credit

[On Issuing Bank's Letterhead]

IRREVOCABLE STANDBY LETTER OF CREDIT

_____ ("Date of Issuance")

Letter of Credit No. _____

Beneficiary:

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company,
West Penn Power Company ("The Companies")

C/O Independent Evaluator – Brad Miller
CRA International
John Hancock Tower
200 Clarendon Street, T 33
Boston, MA 02116-5092

Applicant:

[Name of Bidder]
[Address]

1. We, _____ (the "Issuing Bank") hereby establish in your favor this irrevocable Letter of Credit (this "Letter of Credit") for the account of _____ (the "Bidder"), in the amount of USD \$ _____, effective immediately and available to you at sight upon demand by all of you at our counters at _____ [Location]. This Letter of Credit, unless terminated earlier in accordance with the provisions hereof or otherwise extended, shall remain in full force and effect at least until (i) the PaPUC has accepted the results of the Default Service ~~Residential/Commercial~~ Auction and/or the Default Service ~~Industrial (Hourly Priced)~~ Auction and the Bidder does not hold a winning Bid in the respective auction; or (ii) the PaPUC has accepted the results of the Default Service ~~Residential/Commercial~~ Auction and/or the Default Service ~~Industrial (Hourly Priced)~~ Auction, and the Bidder holds a winning Bid, the Bidder has executed the Default Service Supplier Master Agreement ("Default Service SMA") associated with its winning Bid, and the Bidder has satisfied the creditworthiness standards of such Default Service SMA; or (iii) the PaPUC has rejected the results of the Default Service ~~Residential/Commercial~~ Auction and/or the Default Service ~~Industrial (Hourly Priced)~~ Auction;

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Deleted: Fixed-Price

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or (iv) the expiration date of this Letter of Credit, _____ which is at least thirty (30) days following the Bid Date.

2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate, in the form of Annex 1, stating that the Bidder:

a) "has made a material omission or misrepresentation in its Part 1 Application or in its Part 2 Application to participate in the Companies' Default Service ~~Residential/Commercial~~ Auction and/or Default Service ~~Industrial (Hourly Priced)~~ Auction"; or

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Deleted: Hourly-Priced

Deleted:

b) "has disclosed information relating to its Application or its Bids publicly or to any other party before the PaPUC has rendered a decision on the results of the Default Service ~~Residential/Commercial~~ Auction and/or the Default Service ~~Industrial (Hourly Priced)~~ Auction"; or

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c) "has won one or more tranches and has failed to execute the Default Service SMA(s) within three (3) business days of the PaPUC's approval of the results of the Default Service ~~Residential/Commercial~~ Auction and/or the Default Service ~~Industrial (Hourly Priced)~~ Auction"; or

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d) "has won one or more tranches and has failed to meet the creditworthiness requirements of the Default Service SMA(s) at the time of their execution".

3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (prevailing Eastern Time¹) on such Business Day to _____ (Issuing Bank), _____ (address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each Company and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of each Company. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to your account at such bank in the United States as you may specify in your draft delivered to us pursuant to _____

¹ If the issuer of the Letter of Credit is located in an area that is not in the Eastern time zone, this time, all other times in this Letter of Credit, and the definition of a business day should be adjusted accordingly.

Paragraph 3 hereof, by 3:00 PM (prevailing Eastern Time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 AM (prevailing Eastern Time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (prevailing Eastern Time) on any Business Day pursuant to Paragraph 3 hereinabove.

5. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be made prior to expiry in accordance with the terms of this Letter of Credit.
6. This Letter of Credit shall automatically terminate and be cancelled on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.
7. As used herein:

"Authorized Officer" shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

"Bid Date" shall mean the day when the Default Service auctions are conducted.

"Bidder" shall mean a party that submits a Part 1 Application and a Part 2 Application to the Companies in response to the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction.

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"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York, New York and any day on which payments can be effected on the Fedwire system.

"Default Service Supplier Master Agreement" shall mean each of the agreements by which the Companies will be contracting for the provision of Default Service Supply.

"Residential/Commercial Auction" shall mean the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company Default Service Residential/Commercial Auction.

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Deleted: "or "FP Auction"

Deleted: Fixed-Price

"Industrial (Hourly Priced Auction)" shall mean the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company Default Service Industrial (Hourly Priced) Auction.

Deleted: Hourly-Priced

Deleted: "or "HP Auction"

Deleted: Hourly-Priced

"PaPUC" shall mean Pennsylvania Public Utility Commission.

"Rules" shall mean the rules that govern the conduct of the Residential/Commercial Auction and the Industrial (Hourly Priced) Auction as filed and approved by the PaPUC.

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Deleted: HP

8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practices for Documentary Credits – 2007 revision, ICC Publication No. 600, or any successor publication thereto (the "UCP"). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.
9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
10. We certify that as of _____ (date) we _____ (Issuing Bank) satisfy the minimum senior unsecured debt rating of at least "A" from Standard & Poor's or Fitch, or "A2" from Moody's.
11. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. _____. Partial drawings are permitted hereunder.

12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ and confirmed by telephone to telephone number _____.
13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.
14. This original Letter of Credit has been sent to the Independent Evaluator at 'Independent Evaluator — c/o Brad Miller, CRA International, 200 Clarendon street, T-33, Boston, MA, 02116-5092' (as per Bidder's instructions, the Independent Evaluator holds the Letter of Credit for the benefit of the Companies). The aggregate amount paid to the Companies during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of the Companies. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Representative of the Independent Evaluator on behalf of the Companies. An Authorized Representative of the Independent Evaluator means any Vice President or Senior Vice President of the Independent Evaluator.

Very truly yours,

(Issuing Bank)

By: _____

Name:

Title:

By: _____

Name:

Title:

Annex 1 to Letter of Credit

Deleted: ¶

DRAWING UNDER LETTER OF CREDIT NO. _____, 20__

Deleted: ¶
¶
¶

To: (Issuing Bank)
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned is making a drawing under the above-referenced Letter of Credit in the amount specified below and hereby certifies to you as follows:

- Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
- Pursuant to Paragraph 2 of the Letter of Credit No. _____, dated _____, 20__, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ _____, inasmuch as the Bidder has _____ (state reason from conditions (a) – (d) of Paragraph 2).
- The amounts to be received by Company are \$ _____ for Metropolitan Edison Company \$ _____ for Pennsylvania Electric Company, \$ _____ for Pennsylvania Power Company, and \$ _____ West Penn Power Company.
- We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

METROPOLITAN EDISON COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA ELECTRIC COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA POWER COMPANY

Exhibit BAM-1

By _____
Name:
Title:
Date:

WEST PENN POWER COMPANY

By _____
Name:
Title:
Date:

cc: _____ (Bidder)

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

ON [Business Day pursuant to Paragraph 3]

PAY TO: [METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY,
PENNSYLVANIA POWER COMPANY, OR WEST PENN POWER COMPANY]

Attn:

\$ _____

For credit to the account of _____.

FOR VALUE RECEIVED AND CHARGE TO ACCOUNT OF LETTER OF CREDIT NO. _____
OF

(Issuing Bank)

(Address)

METROPOLITAN EDISON COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA ELECTRIC COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA POWER COMPANY

By _____
Name:
Title:
Date:

WEST PENN POWER COMPANY

By _____
Name:
Title:
Date:

Annex 3 to Letter of Credit

CERTIFICATE OF EXPIRATION
OF LETTER OF CREDIT NO. _____

_____, 20__

To: (Issuing Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

METROPOLITAN EDISON COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA ELECTRIC COMPANY

By _____
Name:
Title:
Date:

PENNSYLVANIA POWER COMPANY

By _____
Name:
Title:
Date:

WEST PENN POWER COMPANY

By _____
Name:
Title:
Date:

cc: _____ (Bidder)

Appendix 4 to Bidding Rules

Sample Letter of Intent to Provide a Guaranty

_____ (Date)

To: **METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY, AND WEST PENN POWER COMPANY ("THE COMPANIES")**

C/O INDEPENDENT EVALUATOR

Ladies and Gentlemen,

We have been asked to provide a financial guaranty on behalf of _____ (the "Bidder") should Bidder become a Default Service Supplier pursuant to its bid in the Metropolitan Edison Company's, Pennsylvania Electric Company's, Pennsylvania Power Company's, and West Penn Power Company's Default Service Residential/Commercial Auction and/or Industrial (Hourly Priced) Auction. Our relationship with Bidder is that of _____ (parent, affiliate, etc.). Our senior unsecured debt rating meets the Minimum Rating as defined in the Default Service Supplier Master Agreements.

Deleted: Fixed-Price

Deleted: Hourly-Priced

We have confidence in Bidder's management and in its project development, implementation and operational capabilities.

Should there be no material change in affairs, we would consider providing a financial guaranty on behalf of Bidder, such that our liability does not exceed \$_____ (amount). This letter, however, should not and cannot be taken as an indication of financing commitment of any kind whatsoever, or an absolute commitment to provide a financial guaranty.

Please feel free to call us if you require any additional information.

Sincerely,

Name of Officer of Guarantor (please PRINT)

Title (please PRINT)

Signature of Officer of Guarantor

Signature of Notary Public (with seal

Ladies and Gentlemen,

We _____(the "Bidder") certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly impair _____(the "Guarantor")'s assessment or its ability to provide us with the support described above.

Name of Officer of Bidder (please PRINT)

Title (please PRINT)

Signature of Officer of Bidder

Appendix 5 to Bidding Rules

Samples for Letter of Reference

SAMPLE 1

_____ [Date]

Letter of Reference No. _____

To: Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company ("The Companies").

Ladies and Gentlemen,

We _____ ("the Bank") are currently the agent on a \$ _____ [amount] revolving credit facility to _____ ("Bidder"). At this time, there is sufficient unused availability under the credit facility to issue a letter of credit in the amount of \$ _____ [amount] on behalf of Bidder in support of their bid in the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction for purposes of procuring default service products under the Supplier Master Agreement.

We have had a relationship with Bidder since _____ [date]. Our relationship with Bidder remains in good standing.

We certify that we, the Bank, satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.

Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
Bank
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly alter the unused availability under the credit facility mentioned above, or otherwise impair _____ [Bank]'s ability to provide us with the support described above.

Authorized signature
Bidder
[name] [title]

SAMPLE 2

_____ [Date]

Letter of Reference No. _____

To: Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company ("The Companies").

Ladies and Gentlemen:

We _____ ("the Bank") are currently the Agent on the Credit Agreements to _____ ("Bidder"). Bidder has _____ [amount] of unused credit facilities at our bank available for borrowing under the terms and conditions of these credit agreements. Such a loan could be used as a cash deposit in support of Bidder's bid in the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction for purposes of procuring default service products under the Supplier Master Agreement.

We have had a relationship with Bidder since _____ [date]. Our relationship with Bidder remains in good standing.

We certify that we, the Bank, satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.

Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
[Bank]
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly alter the amount of unused credit facilities mentioned above, or otherwise impair _____ [Bank]'s ability to provide us with the support described above.

Authorized signature
[Bidder]
[name] [title]

SAMPLE 3

_____ [Date]

Letter of Reference No. _____

To: Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company ("The Companies").

Ladies and Gentlemen,

We have been asked to provide a letter of reference on behalf of _____ ("Bidder") relative to their intentions to bid in the Companies' Default Service Residential/Commercial Auction and/or the Default Service Industrial (Hourly Priced) Auction for purposes of procuring default service products under the Supplier Master Agreement.

We have confidence in Bidder's management and in their project development, implementation and operational capabilities. Our relationship with Bidder has been extensive and has included involvement in a credit facility for \$_____ [amount] with aggregate lending commitments in excess of \$_____ [amount].

Should there be no material change in affairs, we would consider extending a letter of credit to Bidder in an amount not to exceed \$_____ [amount]. This letter, however, should not and cannot be taken as an indication of financing commitment or guaranty of any kind whatsoever, or an absolute commitment to provide any other services.

We certify that we _____ ("Bank") satisfy the minimum senior unsecured debt rating of "A" from Standard & Poor's or Fitch, or "A2" from Moody's.

Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
[Bank]
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly impair _____ [Bank]'s assessment or its ability to provide us with the support described above.

Authorized signature
[Bidder]
[name] [title]