

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : **Docket No. P-2016-_____**
For The Period June 1, 2017 Through :
May 31, 2021 :

**PETITION OF DUQUESNE LIGHT COMPANY
FOR APPROVAL OF A DEFAULT SERVICE PLAN**

Pursuant to 66 Pa. C.S. § 2807(e), 52 Pa. Code § 5.41, and the Pennsylvania Public Utility Commission's ("Commission") Retail Market Orders at Docket No. I-2011-2237952, including the Default Service End-State Order,¹ the Commission's Default Service Rulemaking Order at Docket No. L-2009-2095604,² Duquesne Light Company ("Duquesne Light" or the "Company") hereby petitions the Commission for approval of a default service plan for the period from June 1, 2017 through May 31, 2021 ("Default Service Plan," "Plan" or "DSP VIII"), as well as approval of the Company's 1) Time-of -Use Program, 2) Standard Offer Program, 3) Customer Assistance Program ("CAP") Shopping Program, and other approvals described herein required for the implementation of the Plan.

A. BACKGROUND

1. Duquesne Light has implemented seven (7) successful default service programs helping to create one of the most competitive shopping environments in the Commonwealth, while providing default service at rates and terms that meet the requirements of the Public Utility Code. With each successive plan, Duquesne Light has adjusted its default service offerings in an effort to promote the competitive retail market, provide market reflective rates, and ensure

¹ *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013 ("*Default Service End-State Order*").

² *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (Order entered October 4, 2011) ("*Second Default Service Rulemaking Order*").

adequate protections for its customers. In its DSP VIII proposal, Duquesne Light seeks to build upon its prior successes and continue to promote competition for its customers.

2. Chapter 28, Section 2807(e) of the Public Utility Code (Code), 66 Pa. C.S. § 2807(e), provides the requirements of a default service plan. Chapter 28 requires the default service provider to follow a Commission-approved competitive procurement plan that includes auctions, requests for proposal, and/or bilateral agreements, as well as a prudent mix of spot market purchases, short-term contracts, and long-term purchase contracts designed to ensure adequate and reliable service at the least cost to customers over time. 66 Pa. C.S. § 2807(e). Additionally, the *Second Default Service Rulemaking Order* provides guidance regarding these requirements.

3. The Company's proposed Default Service Plan satisfies these principles through the competitive procurement of electric supply tailored to meet the individual characteristics of each customer class while ensuring appropriate consumer protections. The Company's Default Service Plan was developed with the recognition that each customer class has different characteristics and different levels of experience with the competitive market. The Plan takes these differences into account and proposes procurement methodologies for each of the major customer groups that reflect these considerations. The Company's Plan also continues to support Pennsylvania retail markets with its new program to enable EGSs to offer Time-of-Use products. In developing this Plan, the Company also considered the approaches that have worked in previous default service plans; the current desires and concerns of parties, customers and retail suppliers; and the Commission's rules and policies.

4. The Company's Default Service Plan satisfies the applicable legal requirements by providing for the availability of adequate, reliable, affordable, efficient and environmentally

sustainable electric service at the least cost over time and the impact to the environment. A summary of Duquesne Light's Default Service Plan is set forth below, with additional details provided in the testimony and exhibits accompanying this Petition.

B. PROGRAM TERM

5. Duquesne Light's recent DSP programs have each been for a term of two years. The relatively short terms have allowed for refinements to the procurement process and procedure as shopping has continued to develop in the Company's service territory.

6. Duquesne Light proposes that the DSP VIII Plan be in effect for a period of four years, from June 1, 2017 through May 31, 2021. Extending the term from two years to four years will save litigation time and cost for Duquesne Light, other parties that participate in DSP proceedings and the Commission. Further, Duquesne Light has provisions in its SMA that enable the Company to transfer its obligations to procure or supply Default Service supply to a third party, in the event the Company ceases to serve as the Default Service supplier.

C. PROPOSED DEFAULT SERVICE PROCUREMENT PLANS AND RATES

7. This Default Service Plan includes a portfolio of four (4) separate supply plans tailored to meet the specific needs of major customer groups which are: 1) Residential & Lighting ("Residential"), 2) Small Commercial & Industrial ("Small C&I"), 3) Medium Commercial & Industrial ("Medium C&I"), and 4) Large Commercial & Industrial ("Large C&I").

Residential and Lighting Customers

8. Default Service for Residential customers will consist of a combination of twelve (12) and twenty-four (24) month full requirements supply contracts obtained through semi-annual competitive requests for proposals ("RFP") with overlapping, or "laddered"

delivery periods. The full requirements contracts require supplier(s) to provide energy, capacity, ancillary services, and any other services or products necessary to serve a specified percentage of default service load 24 hours a day, for the term of the contract. Because the contract is "load-following," the amount of energy and other services and products a supplier must provide will vary depending upon Duquesne Light's actual default service load. The supply contracts that Duquesne Light has proposed for Residential customers require the suppliers to satisfy this obligation at the prices that they bid in the respective RFPs. The procurement methodology is discussed in more detail in the testimony of Mr. Peoples in Duquesne Light St. No. 2.

9. DSP VII relies exclusively on laddered one-year, fixed-price full requirements ("FPFR") supply contracts to serve Residential customers. Herein, the Company proposes to transition to a product mix consisting of 50% laddered one-year FPFR supply contracts, and 50% laddered two-year FPFR supply contracts. The Company also proposes to continue to change the default service supply rates every six months as in DSP VII. The proposed mix of one-year and two-year FPFR products and the semi-annual overlapping of their delivery periods will provide Residential customers greater price stability, which is reasonable and appropriate for this customer class.

10. Duquesne Light proposes to procure four (4) FPFR supply contracts for Residential class with delivery periods that extend beyond the end of the DSP VIII period, otherwise known as "overhanging" contracts. The Company believes that overhanging contracts are appropriate customer protections that help avoid the potential price shock that may occur when 100% of supply must be procured at one time or over a short period of time. The Company's DSP VI and DSP VII also includes overhanging supply contracts for Residential and

Small C&I customers.³ The Commission's prior approval of overhanging contracts is a clear indication of the Commission's support for price stability, and recognition that procuring 100 percent of supply at one time or within a short period of time can create unnecessary price volatility for customers. Exhibit JP-1, which is attached to Duquesne Light Statement No. 2, shows the proposed procurement schedule and delivery period for Residential customers.

11. Additionally, Duquesne Light proposes semi-annual reconciliation of Residential procurement group default service costs and revenues along with semi-annual rate changes. The Company recognizes that the Commission's regulations provide for quarterly rate changes for Residential customers. See 52 Pa. Code § 54.187. However, Duquesne Light does not believe that quarterly rate changes will be necessary for Residential customers because the Company is proposing to acquire default service supply for these customers in the form of twelve (12) and twenty-four (24) month fixed-price full requirements contracts. Fixed-price full requirements contracts greatly diminish cost over/under-recoveries that are associated with other procurement methods, such as those methods that involve the procurement of block products supplemented with spot energy sales and purchases, and therefore do not require more frequent rate resets in order to reconcile costs. The Commission approved semi-annual reconciliation for Duquesne Light's Residential customers in the DSP VI proceeding. *DSP VI Order*, p. 210. In DSP VII semi-annual reconciliation was approved as part of the Settlement Stipulation. Duquesne Light therefore requests a waiver of Section 54.187 to the extent necessary to implement its proposed plan.

12. Supply for the Lighting customers' default service load will be included in the Residential procurement group. Wholesale suppliers will bid a single price to supply both

³ See *Petition of Duquesne Light Company for Approval of Revisions to its Approved Default Service Plan VI*, Docket No. P-2012-2301664 (Order entered September 11, 2014)(permitting Duquesne Light to extend contracts that overlap into DSP VII).

Residential and Lighting customers' default service load. Separate rates will be developed by Duquesne Light for Residential and Lighting customers to reflect the lower market cost of supplying the applicable Lighting customer classes. The methodology for developing Lighting rates is the same as that approved by the Commission in DSP VII and is described by Mr. Ogden in Duquesne Light St. No. 4.

13. The RFPs for Residential customers will be conducted by Duquesne Light, with an independent monitor. The Company proposes to maintain the 50% supplier load cap to serve Residential (and Small C&I) customers in a given RFP equal to 50% of the number of tranches solicited on that RFP date, rounded up to the nearest integer number of tranches.

14. As explained in Mr. Davis' Testimony, Duquesne Light Statement No. 1, the Company is evaluating the benefits of entering into long-term contracts (i.e., more than four years) to support the development of utility-scale solar projects (up to a total of 20 MW) in Pennsylvania, preferably in Duquesne Light's service territory.⁴ Duquesne Light would seek Commission approval of the solar contract after a more detailed plan has been developed at some point during the DSP VIII period. The alternative energy credits ("AECs") associated with this project (or projects up to the 20 MW cap) could be used to help satisfy the solar requirements of serving Residential default service customers later in the DSP VIII period and beyond.

15. In the *Default Service End-State Order*, the Commission directed the establishment of a working group, in part, to develop an industry standard default service Supply Master Agreement ("SMA") for EDCs in Pennsylvania. The Company is proposing to use this SMA template, with a few modifications, for its wholesale power procurements under DSP VIII.

⁴ Other major Pennsylvania Electric Distribution Companies have already signed 10-year power purchase agreements for solar alternative energy credits.

A copy of the Supply Master Agreement is attached to the testimony of Mr. John Peoples as Exhibit JP-3.

Small C&I Customers

16. Default Service for Small C&I customers, which are customers with monthly metered demands less than 25 kW, will be supplied in the same manner as Residential customers, which consists of a combination of twelve (12) and twenty-four (24) month full requirements supply contracts obtained through semi-annual competitive RFPs with overlapping, or “laddered” delivery periods. The procurement schedule and delivery period for Small C&I customers is also provided in Exhibit JP-1, which is attached to Mr. Peoples’ testimony.

17. Similar to Residential customers, Duquesne Light's procurement plan for Small C&I customers is designed to provide additional rate stability. In the *Petition of Duquesne Light Company for Approval of a Default Service Program for the Period from June 1, 2015 through May 31, 2017*, Docket No. P-2014-2418242 (Opinion and Order entered January 15, 2015), the Commission stated “... Duquesne’s proposal should be accepted in order that the Small C&I customer class procurement would be similar to the default service procurement for the Residential class in DSP VII. As Duquesne has explained, these classes exhibit similar characteristics and the proposed default service procurement plans for these classes represent a balancing of the importance of rate stability and market responsive rates for these smaller customers.”

18. Similar to the rationale in DSP VII, the Company is proposing the same procurement program for Small C&I and Residential customers because both classes have similar shopping levels and market sophistication. Therefore, it is reasonable to offer the same

procurement approach for both classes.

19. Rates for Small C&I customers will be reset twice per year, and Duquesne Light proposes to continue to reconcile costs for these customers on a semi-annual basis. The Commission approved semi-annual reconciliation for Duquesne Light's Small C&I customers in the DSP VI proceeding. *DSP VI Order*, p. 210. In DSP VII, semi-annual reconciliation was not contested and was approved as part of the Settlement Stipulation.

20. As with Residential customers, Duquesne Light recognizes that the Commission's regulations provide for quarterly rate changes for Small C&I customers. 52 Pa. Code § 54.187. However, the Company does not believe that quarterly rate changes will be necessary for Small C&I customers because the Company is proposing to acquire default service supply for these customers in the form of twelve (12) and twenty-four (24) month fixed-price full requirements contracts. As explained above, fixed price full requirements contracts greatly diminish cost over/under- recoveries that are associated with other procurement methods, such as those methods that involve the procurement of block products supplemented with spot energy sales and purchases, and therefore do not require more frequent rate resets in order to reconcile costs. Accordingly, there is no need to reset rates quarterly, and Duquesne Light requests a waiver of the regulation to the extent necessary to implement its proposed plan.

21. Small C&I customers include unmetered C&I customers. The load of unmetered accounts will be included in the Small C&I procurements. Default Service rates for unmetered accounts will be the same as the Small C&I Default Service rates.

22. Duquesne Light also will use the SMA template, with a few modifications, for EDCs in Pennsylvania for its Small C&I procurements.

Medium C&I Customers

23. Default Service for Medium C&I customers, which are customers with monthly metered demands equal to or greater than 25 kW and less than 300 kW, will continue to be supplied by full requirements supply contracts for three-month terms from third-party suppliers with no laddering.⁵ The Company's procurement proposal for Medium C&I customers is consistent with the current Commission approved procurement schedule for Medium C&I customers under DSP VII. The procurement schedule and methodology is further explained by Mr. Peoples in Duquesne Light St. No. 2.

24. The procurement methodology for Medium C&I customers is appropriately market responsive given the sophistication of this customers class and current shopping level.

25. The Medium C&I default service supply will be split into four equal tranches of 25% of the total Medium C&I default service load in each hour. Accordingly, the Medium C&I default service rates will change quarterly, on June 1st, September 1st, December 1st, and March 1st.

26. The Company proposes, as approved in DSP VII, to apply no supplier load cap for the Medium C&I solicitations. With three-month contracts for Medium C&I customers, the effect of supplier default is lessened, and there is a reduced need for load caps to guard against the exposure resulting from a large supplier defaulting on its obligation.

27. In the *Default Service End-State Order*, the Commission proposed that customers with demands of 100 kW or greater that have interval meters only be offered hourly LMP products. *Default Service End-State Order*, p. 31. However, the Commission further

⁵ As discussed later herein, the Company is proposing to lower the threshold for Large Commercial & Industrial Customer Hourly Priced Service ("HPS") from 300 kW to 200 kW in 2019. If and when adopted, the Medium C&I customer class will include customers with monthly metered demands equal to or greater than 25 kW and less than 200 kW.

acknowledged that directing an hourly LMP product for Medium C&I customers may raise legal questions about compliance with the Competition Act and that the Commission preferred to pursue legislative amendments that would provide for such authority before mandating an hourly priced product for Medium C&I customers. *Id.* at 45. To date, such changes have not been adopted by the General Assembly. Therefore, the Company is not proposing hourly LMP default service prices for Medium C&I customers.

28. Duquesne Light also will use the SMA template, with a few modifications, for EDCs in Pennsylvania for its Medium C&I procurements.

Large C&I Customers

29. For Large C&I customers, defined as customers with monthly metered demand equal to or greater than 300 kW, Duquesne Light will offer default service rates based on hourly day-ahead PJM energy market prices. Customers also will be charged a pass through of PJM capacity and ancillary services costs as well as the administrative costs of providing HPS. The procurement methodology is discussed in more detail in the testimony of Mr. Peoples in Duquesne Light St. No. 2.

30. The Company is proposing several significant changes to the Large C&I procurement plan from the DSP VII plan. Effective June 1, 2017, the Company is proposing to simplify the structure and administration of HPS in an effort to lower the Company's administrative costs that HPS customers pay. Additionally, the Company is proposing to conduct an RFP for third-party suppliers to supply this service using an open and competitive solicitation process for full requirements supply. Once these changes are in place and have been successfully tested, the Company plans to lower the kW threshold for HPS from ≥ 300 kW to ≥ 200 kW beginning on June 1, 2019.

31. The Company proposes to charge 100% of HPS customers' actual hourly usage at the day-ahead hourly energy prices.⁶ This proposal allows customers to manage their electricity usage and supply costs by providing customers with advanced day-ahead notice of hourly energy prices, and also will eliminate the customers' uncertainty associated with the ex-post real-time price reconciliation.

32. Under this proposal the Company will: (a) eliminate the need to submit day-ahead hourly load forecasts for each HPS customer, b) eliminate the need to be prepared to receive modifications to those day-ahead hourly load forecasts from each HPS customer, c) eliminate the need to reconcile the difference between the day-ahead hourly load forecast and actual hourly customer usage at real-time prices for each HPS customer, and d) eliminate the need to bill those reconciled amounts to each HPS customer.

33. As explained in the testimony of Mr. Peoples, these changes in the HPS structure are an important first step to facilitate the Company's other proposals related to providing HPS, namely the proposals to conduct an RFP for third-party suppliers to supply HPS and to lower the kW threshold to include more customers on HPS.

34. The Company will conduct a solicitation in March of each year for HPS full requirements supply to be delivered over a twelve-month period from June 1st through May 31st. Two tranches will be solicited, with each tranche representing 50% of the default service load (or about 25 MW of peak load). The supplier(s) with the lowest fixed price bids will be selected as the winning supplier(s) of the HPS solicitation. In addition to the winning bid price offered by the supplier, each winning supplier will be paid for its share of the associated energy, capacity, and ancillary service charges billed to HPS customers pursuant to Rider 9 in Duquesne Light's

⁶ Currently, Large C&I HPS customers are charged the day-ahead price for their forecasted usage and any differences between forecasted and actual usage are reconciled at the real-time (not day-ahead) hourly price.

Retail Tariff. The winning suppliers' fixed price bids will be designed to compensate suppliers for the associated renewable energy supply costs, the energy balancing costs associated with day-ahead schedules versus customer actual consumption, and any other third-party supplier administrative costs of providing HPS.

Competitive Procurement Guidelines

35. Duquesne Light proposes to maintain the 50% supplier load cap to serve Residential and Small C&I customers in a given RFP equal to 50% of the number of tranches solicited on that RFP date, rounded up to the nearest integer number of tranches, and seeks the Commission's approval for this provision as part of this proceeding. The Commission approved a 50% supplier load cap in DSP VII. Additionally, consistent with DSP VII, the Company is not proposing a supplier load cap for Medium and Large C&I solicitations. The Company believes that supplier load cap for Medium and Large C&I solicitations are not necessary based on the high levels of shopping and short term contracts for the Medium C&I and Large C&I customer classes.

36. Duquesne Light proposes to engage an independent third party to assist in qualifying bidders, conducting bidder information sessions, and, importantly, to receive all bids, rank qualifying bids, and determine winning bids for all four procurement groups. All winning bids will be submitted to the Commission for approval prior to award.

37. Within fifteen calendar days from the closing of each solicitation, Duquesne Light will post the weighted average winning bid price on its website and publish a default service rate calculation model on its website that shows the build-up of the auction results into retail default service rates. As explained in the testimony of Mr. Ogden, the Price-To-Compare ("PTC") will be posted 60 days in advance of each change in default service rates,

with the exception of the application periods beginning June 1 of each year.⁷

38. If for any reason an RFP fails to attract a sufficient volume of bids or the Commission does not approve the submitted bids or an accepted supplier defaults, Duquesne Light acknowledges that it has the obligation to procure supply to provide such portion of the default service. In this circumstance, Duquesne Light proposes to meet this obligation on an interim basis through purchases in the PJM spot market and requests authority to recover all the costs of such purchases and all reasonable administrative costs from the applicable customer classes. Duquesne Light agrees that it will submit to the Commission, within 15 days after any such occurrence, a contingency plan to handle any default service shortfall.

Act 129 Standards

39. The procurement methodologies under the Default Service Plan are based upon the standards set forth by Act 129 that the procurement plan shall be designed to be "the least cost to consumers over time" and shall include a "prudent mix" of contracts. As explained in the testimony of Mr. Fisher, Duquesne Light St. No. 3, the competitive solicitations for full requirements contracts of various terms for Residential, Small C&I, Medium C&I, and Large C&I customers, represent a "prudent mix" of procurement contracts and will provide default service customers with access to an adequate and reliable supply of generation at least cost over time.

40. Specifically, Act 129 requires that power "shall be procured through competitive procurement processes" (including auctions, requests for proposals and/or competitively

⁷ For the application period beginning June 1 of each year, the Company will not know the transmission component of the PTC until May 15. The Company will post the final supply component of the PTC 60 days in advance of June 1 and will post the final PTC including the transmission component by May 15.

procured bilateral agreements procured at no greater than the cost of obtaining generation under comparable terms in the wholesale market), and such procurement must be a "prudent mix" of spot market purchases, short-term contracts and long-term purchase contracts. Id. at 2807(e)(3.1)-(3.2).

41. Duquesne Light's Default Service Plan relies upon a prudent mix of contracts. The procurement contracts are explained in detail by Mr. Peoples, Duquesne Light St. No.

2. A summary of the products for each class is as follows:

- For Residential and Small C&I customers, Duquesne Light will procure default service supply through laddered, twelve-month and twenty four-month full requirements contracts.
- For Medium C&I customers, Duquesne Light will procure default service supply through three-month full requirements contracts.
- For Large C&I customers, Duquesne Light will conduct an RFP for third-party suppliers to supply HPS customers' actual hourly usage at the day-ahead hourly energy prices.

42. This mix is a prudent mix of spot and short-term contracts. Duquesne Light has attempted to be mindful of both Act 129, the Default Service Regulations, and the Retail Markets Investigation in proposing the mixture of contracts for its Default Service Plan, and asserts that this Plan includes a prudent mix of contracts given the current levels of, and experience with, shopping for each class of customers, and the competitive market enhancements proposed in the Petition. The Company may supplement its proposed mix of spot and short-term contracts if it is able to obtain a long-term contract for utility scale solar during DSP VIII, as explained earlier in this Petition and in Mr. Davis' testimony.

43. This procurement plan also satisfies the requirement that the Plan be designed to be the "least cost to customers over time." This is discussed in further detail by Mr. Fisher, Duquesne Light St. No. 3.

44. Act 129 also specifies that the Commission shall make a finding that "neither the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates federal law." 66 Pa. C.S. § 2807(e)(3.7). In his direct testimony, Mr. Peoples' addresses this requirement with respect to Duquesne Light and its affiliates and demonstrates that the standard will be met under the DSP VIII plan.

45. For all of the reasons set forth above, this Default Service Plan meets the standards set forth in Act 129, and enables the Commission to make the necessary findings per Section 2807(e)(3.7). Specifically, Duquesne Light request that the Commission find its Plan includes prudent steps necessary to negotiate favorable generation supply contracts; Duquesne Light's Plan includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis. Neither Duquesne Light nor its affiliated interest has withheld or will withhold from the market any generation supply in a manner that violates Federal law.

Default Service Procurement Cost Recovery

46. Duquesne Light will continue to recover costs for the full cost of RFPs for Residential, Small C&I, Medium C&I, and Large C&I customers, gross receipts taxes, along with the costs of hiring the independent monitor, through fully reconcilable Section 1307(e) cost recovery mechanisms for each class. 66 Pa. C.S. § 1307(e).

47. Additionally, Duquesne Light will continue to recover its administrative costs for HPS service through a Fixed Retail Adder ("FRA"). The FRA (expressed in dollars per MWH) included in Rider No. 9 will consist of two components. The first component will be based on the weighted average of the winning bids submitted by third-party suppliers and will compensate the suppliers for their costs associated with renewable energy supply, energy balancing and any

other third-party supplier administrative costs of providing HPS. This first component will be equal to the weighted-average winning bid price, adjusted to recover the cost of line losses and Gross Receipts Tax. The second component will include the Company's administrative costs of conducting RFPs, the PJM interface and billing related costs, and other unbundled service costs that would remain even when third-party suppliers provide HPS.

Unbundling

48. In addition to the supply costs necessary to provide default service, the Company incurs costs in two primary areas. First, initial start-up costs are incurred to develop and obtain approval of the proposed default service plan. Second, ongoing costs are incurred throughout the duration of the default service plan to implement the plan (e.g., the costs related to the process of conducting the competitive requests for proposals and evaluating the results of these solicitations and the incremental administrative costs to provide HPS).

49. Duquesne Light currently recovers its DSP VII proceeding costs, which are costs for preparing and obtaining approval of the DSP VII proceeding, in base rates. The Company is proposing to unbundle certain costs from base rates associated with the provision of default service beginning on the effective date of rates in its next base rate proceeding or June 1, 2020, whichever comes first. Specifically, the Company is proposing to move recovery of the costs for external legal and consulting services to prepare and obtain approval of the default service plan from base distribution rates to Default Service Supply ("DSS") rates. The Company is also proposing to move recovery of the cash working capital costs associated with default service from base distribution rates to DSS rates. Finally, if new costs arise related to default service, the Company proposes that those costs also be recovered through applicable DSS rates.

50. As part of the DSP VII Settlement Agreement, the Company committed to the

following:

In the earlier of its next general rate increase filing or its Default Service Plan filing for the period commencing June 1, 2017, Duquesne Light will propose to unbundle from base rates costs associated with the provision of default service, including default service proceeding and procurement costs, and cash working capital with regard to default service procurements. Duquesne Light will simultaneously propose a mechanism for recovery of such costs from default service customers.⁸

51. The Commission approved the Settlement Agreement in its DSP VII order, and to comply with this agreement, the Company is proposing to unbundle certain costs from base rates associated with the provision of default service. The Company prefers to wait until Duquesne Light's next base rate case to recover these costs through DSS rates to ensure that there is no double counting, where costs are being recovered in both base rates and DSS rates, or alternatively, under-recovery of previously approved costs included in base rates. The Company entered into a black-box settlement agreement in its 2013 base rate proceeding at a significantly lower rate increase than originally proposed. Therefore, it is not known with certainty what costs are currently included in base rates for the particular items to be unbundled. The details of the Company's proposal to unbundle certain costs from based rates is included in the testimony of Mr. Ogden, Statement No. 4.

52. The Company proposes to use the four-year revenue requirement for unbundled costs as the actual expense to recover. The 1307e reconciliation statement for each customer class will include a line item for the monthly expense. The reconciliation for the unbundled monthly expense will capture only changes in default service kWh volumes (e.g., the difference between the forecasted kWh at the outset when setting rates and actual default service kWh sales). The difference in recovery of the unbundled expense created by variations in sales (over

⁸ DSP VII Order entered January 15, 2015 at Docket No. P-2014-2418242, page 10.

or under collection) will be recovered through the e-factor component of the DSS rates for the applicable customer class.

D. TIME-OF-USE (“TOU”) RATES

53. Under 66 Pa. C.S. § 2807(£)(5), default service providers are required to offer Time-of-Use (“TOU”) and/or real-time price plans to customers that have smart meter technology. In addition, in the *December 16 Retail Markets Order*, the Commission suggested that EDCs include TOU proposals in their next default service filing. *December 16 Retail Markets Order*, p. 47.

54. Effective June 1, 2016, the Company is offering eligible Residential customers the opportunity to receive their electric supply on a “Time-of-Use” basis. This service offering involves charging customers higher prices for power delivered during “on-peak” periods, and lower prices for power delivered during “off-peak” periods. Approximately 200,000 qualified Residential customers will be eligible for TOU service beginning June 1, 2016. The eligibility of these customers will be predicated on the extent the Company has installed the necessary metering and communication systems.

55. As part of the DSP VII plan, the Company recently conducted an RFP for TOU supply that will cover the delivery period June 1, 2016 through May 31, 2017. The TOU RFP successfully obtained two EGSs that will provide TOU rates for Residential customers. Based on the results of the RFP, eligible Residential customers will be able to choose between two different TOU time periods and price levels. Duquesne Light will promote the TOU rate offerings that are being marketed by the two winning EGSs on the Company’s website. The two winning EGSs will offer TOU rates only to eligible Residential customers that have the necessary metering and communications systems. Eligible Residential customers who elect TOU service will become EGS customers and will be enrolled by the EGS providing the TOU

service.

56. The Company intends to make a TOU filing to the Commission in November 2016 describing the results of this year's TOU program and the level of customer enrollment. The Company's current plan is to continue to facilitate EGS-supplied TOU offers beyond May 31, 2017. During the DSP VIII plan, the Company will continue the process of installing interval meters to all customer classes. As more customers are connected to smart meters and AMI data systems are available and tested, the number of eligible TOU customers will increase. The Company plans to increase the number of Residential customers eligible for TOU service through the DSP VIII plan. Also, during the DSP VIII plan, Small C&I and Medium C&I customers will become eligible for TOU service. Additional details regarding the Company's TOU proposal are provided in the testimony of Mr. Peoples Statement No. 2.

E. RETAIL MARKET ENHANCEMENTS

57. Duquesne Light has supported expansion of competitive opportunities for customers through its seven prior default service plans, and has already implemented a number of innovative market enhancements in order to facilitate the development of the retail market. The Company's customer switching level is among the highest in the Commonwealth, with 71% of the total load in its service area already receiving service from an EGS as of March 2016. This also puts Duquesne Light among the top electric service areas in the country in terms of percentage of total load switched. Switching by procurement group is 34% of Residential customer load, 45% of Small C&I load, 73% of Medium C&I load, and 96% of Large C&I load. Duquesne Light's proposed Default Service Plan contains several important features designed to promote retail competition.

Standard Offer Customer Referral Program ("SOP")

58. Duquesne Light currently offers a SOP to non-shopping Residential and Small

C&I customers who contact the Company to: 1) initiate or move service; 2) discuss choice questions; 3) resolve high bill concerns; or 4) inquire about the SOP. After the customer's specific inquiry is resolved, a Duquesne Light customer service representative provides the customer with information about the SOP. If the customer indicates that he/she is interested in participating in the SOP, the customer is transferred to a participating EGS for program details and potential enrollment.

59. As explained by Duquesne Light Witness, Ms. Morrison in Duquesne Light St. No. 5, the SOP benefits customers by offering customers a price 7% below the current PTC and introducing new customers to shopping. An important benefit of Duquesne Light's SOP is the low costs for EGSs to participate. The customer acquisition fee paid by participating EGSs is currently \$10.28 per enrollment. The Company's existing SOP avoids the costs of paying a third party to enroll customers, maintains a reasonable cost for EGSs, and avoids charging any cost for the program to customers.

60. Duquesne Light's current SOP does not use a third party to enroll customers. As a result, customers are transferred to EGSs for enrollment, which produces a low-cost program. In the DSP VII proceeding, Duquesne Light and the Parties agreed to conduct a collaborative with interested Parties to consider changes to the Company's existing SOP, including, among other things, the use of a third party to enroll customers or other means to improve customer enrollments. The Company held a collaborative to gain stakeholder input on the Company's existing SOP. The outcome of the collaborative was that the existing program was cost effective, and the Parties agreed to keep the existing SOP structure in place with the Company sending interested customers directly to the EGS for enrollment.

Purchase of Receivable (“POR”)

61. Duquesne Light proposes to continue its current POR plan for Residential, Small C&I, and Medium C&I customers. Under this Plan, Duquesne Light purchases the account receivables, without recourse, associated with EGS sales of retail electric commodity service to Residential, Small C&I, and Medium C&I customers. Duquesne Light purchases the account receivables at a small discount and then reimburses EGSs for their customer billings regardless of whether it receives payment from customers.

Customer Assistance Program (“CAP”) Customer Shopping

62. The Company supports the extension of shopping to CAP customers with certain customer protections and conditions. First, CAP customers that shop should be provided protections from increased bills resulting from shopping and variable rate contracts. Second, any CAP shopping plan must determine how customer protections will be implemented and provide sufficient time for implementation and customer education. If these protections are adopted and implemented, the customer CAP credit will be applied to the distribution, transmission, and supply portion of the bill in the same manner for CAP shopping customers as it is for CAP customers receiving default service. All CAP customers will receive a discount on their monthly service bill based on their income as defined in the Company’s Commission approved Universal Services Plan effective at the time of implementation.

F. REQUESTS FOR WAIVERS

63. As explained above, Duquesne Light is proposing to change rates every six months for Residential and Small C&I customers. Duquesne Light notes that the Commission’s regulation at 52 Pa. Code § 54.187 requiring quarterly rate changes was adopted prior to the passage of Act 129. Act 129 provides that default service providers shall offer residential and small business customers a default service rate that changes no more frequently than quarterly.

66 Pa. C.S. § 2807(e)(7). Therefore, Duquesne Light believes that its proposal for changes in rates on a semi-annual basis for Residential and Small C&I customers complies with Act 129. However, Duquesne Light requests a waiver of 52 Pa. Code § 54.187 to allow semi-annual rate changes for Residential customers and Small C&I customers to the extent deemed necessary by the Commission.

64. Section 69.1804 of the Commission's DSP Policy Statement, 52 Pa. Code § 69.1804, provides that default service plans should be for two years, unless otherwise directed by the Commission. As explained previously, Duquesne Light proposes that the term of DSP VIII Program be for four years. As a Policy Statement, 52 Pa. Code § 69.1804 does not have the force of law, and no waiver is required. Nonetheless, for reasons explained above, the Company requests that the Commission approve a four year period for DSP VIII.

65. Duquesne Light also requests additional waivers, if necessary, of the Commission's Orders or Regulations to allow Duquesne Light to implement its Default Service Plan as described herein and in the Testimony and Exhibits that accompany this filing.

G. CUSTOMER NOTIFICATION

66. As indicated by the enclosed certificate of service, Duquesne Light has served a copy of this Petition upon all of the parties to Duquesne Light's most recent default service proceeding at Docket No. P-2014-2418242 and PJM. Duquesne Light is also providing notice of the filing and a web link to the filing to all licensed EGSs in the Duquesne Light service area. In addition, the Company will provide a hard copy of the filing to any party upon request. Duquesne Light intends to notify its customers of new rates once approved by bill message or as otherwise directed by the Commission.

H. CONCLUSION

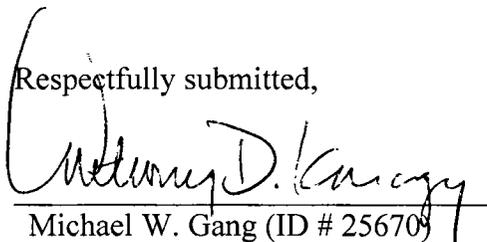
Duquesne Light's Default Service Plan is based on a proven, successful and evolving model that will provide reliable, reasonably priced default service supply to its customers, while supporting retail competition. The Plan meets and is consistent with Act 129, and should be approved.

WHEREFORE, for all of the foregoing reasons, Duquesne Light Company respectfully requests that the Pennsylvania Public Utility Commission approve the Default Service Plan as proposed in this Petition as soon as possible, approve the proposed tariff sheets set forth in the form of Tariff Supplement provided herein, grant the approvals for Duquesne Light Company to procure power as set forth herein, including, if needed, credit support from its parent, approve the Supply Master Agreement and related attachments for procuring power for Residential, Small C&I, Medium C&I, and Large C&I customers and grant such other relief just and reasonable under the circumstances.

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Counsel for Duquesne Light Company

Date: May 2, 2016

Respectfully submitted,

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : **Docket No. P-2016-_____**
For The Period June 1, 2017 Through :
May 31, 2021 :

VERIFICATION

I, C. James Davis, Director, Rates, Energy Procurement and Federal/RTO Affairs of Duquesne Light Company, hereby state that the facts set forth in the above-captioned Petition are true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing in this matter, my answers would be as set forth therein.

I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

Date: May 2, 2016



C. James Davis

DUQUESNE LIGHT STATEMENT NO. 1

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : **Docket No. P-2016-_____**
For The Period June 1, 2017 Through :
May 31, 2021 :

**DIRECT TESTIMONY OF
C. JAMES DAVIS**

Dated: May 2, 2016

1 **I. INTRODUCTION**

2 **Q. Please state your full name, business affiliation and address.**

3 A. My name is C. James Davis. I am the Director – Rates, Energy Procurement, and
4 Federal/RTO Affairs for Duquesne Light Company (“Duquesne Light” or “Company”).
5 My business address is 411 Seventh Avenue, Pittsburgh, PA 15219.

6
7 **Q. Please describe your professional and educational background.**

8 A. I graduated from St. Vincent College with a Bachelor of Arts degree in Computer
9 Science in 1989 and Duquesne University with a Master of Business Administration in
10 1995. Prior to joining Duquesne Light, I had more than 24 years of diversified
11 experience in the utility industry working for Allegheny Energy and FirstEnergy. I have
12 held positions in Risk Management, Finance, Portfolio Management, Generation
13 Dispatch, and Commodity Operations.

14
15 **Q. Please describe your current responsibilities as the Director of Rates, Energy
16 Procurement and Federal/RTO Affairs.**

17 A. I am responsible for the oversight and direction of the Company’s Rates & Tariff
18 Services Department, Supply Procurement and RTO Settlement activities, as well as
19 Federal and RTO affairs. In this role, I am responsible for the planning, development and
20 direction of Duquesne Light’s filing in this Default Service proceeding.

21
22 **Q. What is the purpose of your direct testimony?**

23 A. First, I introduce the Company’s witnesses who provide more detail about specific
24 aspects of Duquesne Light’s plan for default service for the period from June 1, 2017

1 through May 31, 2021 (“Default Service Plan,” “DSP VIII,” or “Plan”). Second, I
2 describe Duquesne Light’s default service obligations, and I explain how the Company
3 has satisfied those obligations under its seventh default service plan (“DSP VII”). Third,
4 I provide an overview of Duquesne Light’s proposed DSP VIII Plan for default service.
5 Finally, I discuss Duquesne Light’s plans to evaluate the benefits of entering into long-
6 term contracts to support the development of utility-scale solar projects (up to 20 MW) in
7 Pennsylvania at some point during the DSP VIII supply period.

8
9 **Q. Please introduce the testimony of Duquesne Light’s other DSP VIII witnesses.**

10 A. Duquesne Light is submitting the testimony of four other witnesses.

- 11 • In Duquesne Light Statement No. 2, John Peoples, Duquesne Light’s Manager of
12 Energy Supply, discusses the power procurement methods and products to be
13 used to supply default service for each customer class, including the Supplier
14 Master Agreement to be used in these procurements. He also evaluates the
15 consistency of the Plan’s procurement methods with certain requirements of Act
16 129, and provides an overview of the Company’s Time-of-Use (“TOU”) program,
17 including how it will be supplied.
- 18 • In Duquesne Light Statement No. 3, Neil S. Fisher, Principal at The NorthBridge
19 Group, reviews the performance of the default service models used by Duquesne
20 Light to date, explains how the Company’s proposed Plan is designed to support
21 the competitive electricity market in Duquesne Light’s service territory while
22 providing appropriate assurances of price stability for small customers, and

1 evaluates Duquesne Light's Default Service Plan with respect to Act 129's
2 requirements.

3 • In Duquesne Light Statement No. 4, David B. Ogden, Duquesne Light's Manager
4 of Rates and Tariff Services, describes the proposed default service rates and
5 changes to the associated Retail and EGS Coordination Tariffs. Mr. Ogden also
6 describes the Company's proposal to unbundle default service costs from base
7 distribution rates.

8 • In Duquesne Light Statement No. 5, Marcie L. Morrison, Duquesne Light's
9 Interim Director of Customer Engagement, explains how the Company will
10 implement the proposed retail market initiatives, including the Company's
11 Customer Choice Communication Programs, Standard Offer Customer Referral
12 Program, and CAP Customer Shopping.

13
14 **II. OVERVIEW OF DUQUESNE LIGHT'S DEFAULT SERVICE OBLIGATIONS**
15 **AND CURRENT DSP VII PLAN**

16 **Q. Please describe Duquesne Light's default service obligations.**

17 A. Duquesne Light is obligated to provide electric supply service to all customers within its
18 service territory who do not select an electric generation supplier ("EGS") or who return
19 to default service after being served by an EGS which becomes unable or unwilling to
20 serve. By law, Duquesne Light is required to file a plan with the Pennsylvania Public
21 Utility Commission (the "Commission") which sets forth how the Company will meet its
22 default service obligations, including a strategy for procuring generation supply, a
23 schedule for implementation, and a rate design to recover the Company's reasonable
24 costs.

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Q. How does Duquesne Light currently meet its default service obligations?

A. On April 24, 2014, Duquesne Light filed a petition with the Commission for approval of a default service program for the period from June 1, 2015 through May 31, 2017. On September 15, 2014, Duquesne Light entered into a stipulation with various parties, expressing agreement on the petition subject to modifications to certain aspects of the proposed default service program, while leaving other issues for litigation. On January 15, 2015, the Commission entered an order approving the default service plan, as proposed by Duquesne Light and as modified by the stipulation, and resolving the contested issues. The resultant approved plan, which currently is in effect, is referred to as “DSP VII.”

DSP VII is compliant with Public Utility Code, 66 Pa. C.S. §§ 2807(3.1)-(3.4), as Duquesne Light procures a “prudent mix” of contracts designed to obtain electric supply at the “least cost over time.” Under DSP VII, Duquesne Light procures default service supply separately for four different customer classes. The principal procurement features of DSP VII include the use of fixed-price full requirements supply contracts for Residential, Small C&I, and Medium C&I default service customers, and procurement of supply for Large C&I default service customers through the PJM Interconnection, LLC (“PJM”) hourly spot markets. DSP VII also includes tailored contract lengths for each customer class. Solicitations for the full-requirements contracts occur within three months before the commencement of their delivery periods.

Q. Does Duquesne Light have other obligations under DSP VII?

1 A. Yes. Consistent with its procurement obligations and its approved plan, Duquesne Light
2 uses standardized documents and procedures approved by the Commission when
3 conducting its default service supply procurements. In addition, in accordance with the
4 Commission’s direction in its Retail Markets Investigation,¹ Duquesne Light has
5 undertaken a wide range of initiatives to support retail competition.

6

7 **Q. Has Duquesne Light satisfied its obligations?**

8 A. Yes. Duquesne Light has satisfied all of its obligations to date under DSP VII, including
9 its fundamental obligation, as default service provider, to provide adequate and reliable
10 default service to default service customers at least cost over time. In addition, Duquesne
11 Light continues to provide its “Standard Offer” customer referral program in which
12 default service residential customers contacting Duquesne Light’s customer service
13 center are encouraged to select among a group of EGSs who have voluntarily chosen to
14 offer customers a 12-month contract priced at 7% below Duquesne Light’s default
15 service rate at the time of the offer. Also, effective June 1, 2016, Duquesne Light is
16 offering TOU rates to certain eligible Residential customers.

17

18 **III. OVERVIEW OF DUQUESNE LIGHT’S PROPOSED DSP VIII PLAN**

19 **Q. What were Duquesne Light’s primary policy considerations when developing its**
20 **proposed Default Service Plan?**

¹ *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013.

1 A. Duquesne Light developed its Plan to satisfy Act 129, which amended Section 2807(e)(3)
2 of the Public Utility Code, 66 Pa. C.S. § 2807(e)(3), with respect to, among other things,
3 power procurement for default service providers. In developing its Plan to satisfy Act
4 129, the Company was guided by the Second Default Service Rulemaking Order, which
5 the Commission entered to provide guidance with respect to the interpretation of Act
6 129’s requirements.² Duquesne Light also considered the guidance provided in the
7 Default Service End-State Order in the Investigation of Pennsylvania’s Retail Electricity
8 Market.³ Finally, the Company recognized the importance of supporting the competitive
9 electricity market while providing appropriate assurances of price stability for small
10 customers. In their testimony, Duquesne Light’s other witnesses describe the Company’s
11 proposed DSP VIII and how it is aligned with legislative and regulatory requirements and
12 associated policy considerations.

13

14 **Q. Please provide an overview of Duquesne Light’s DSP VIII Plan.**

15 A. The Default Service Plan is a comprehensive program under which Duquesne Light will
16 provide default service to its customers from June 1, 2017 through May 31, 2021.
17 Duquesne Light has grouped its default service customers into four primary customer
18 classes, which are the same customer class groupings used in its currently effective
19 default service plan: (1) Large Commercial & Industrial (“Large C&I”), which currently

² *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (Order entered October 4, 2011) (“Second Default Service Rulemaking Order”).

³ *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, Order entered February 15, 2013.

1 includes customers with peak demands greater than or equal to 300 kW;⁴ (2) Medium
2 Commercial & Industrial (“Medium C&I”), which currently includes customers with
3 peak demands greater than or equal to 25 kW but less than 300 kW; (3) Small
4 Commercial & Industrial (“Small C&I”), which includes customers with peak demands
5 less than 25 kW; and (4) Residential and Lighting (in aggregate referred to as
6 “Residential”). The Plan includes default service offerings tailored to the needs of each
7 customer class, it complies with the requirements of Act 129, and it includes concrete
8 steps to support retail competition. The Default Service Plan also builds upon the
9 foundation established in previous Commission-approved plans, which have facilitated
10 and supported the competitive retail market over a sustained period of time, while
11 offering stable and reasonable rates for small customers who do not elect to receive
12 service from an EGS.

13
14 **Q. Why is Duquesne Light proposing a four-year term for DSP VIII?**

15 A. Duquesne Light is proposing a four-year term instead of a two-year term for two reasons.
16 First, the Company has had seven prior DSP filings reviewed and approved which have
17 covered and resolved most of the potential default service issues. The Company believes
18 that the relatively short two-year terms of its most recent two default service plans have
19 allowed for further refinements. After having had experience with seven default service
20 plans in this manner, the Company believes that its proposed DSP VIII is based on
21 sufficient experience and information to justify establishing a course for the next four

⁴ As discussed later in my testimony, the Company plans to lower the threshold for hourly price service from ≥ 300 kW to ≥ 200 kW on June 1, 2019.

1 years. The second reason why the Company is proposing a four-year plan is to reduce
2 the costs to litigate the default service plans every other year. Extending the term from
3 two years to four years will save litigation time and cost for Duquesne Light, other parties
4 that participate in default service proceedings, and the Commission. The reduction in
5 Duquesne Light's costs will benefit customers.

6
7 **Q. Please provide an overview of the proposed default service supply product**
8 **portfolios, and the general methodology to set supply rates, for each of Duquesne**
9 **Light's customer classes under DSP VIII.**

10 A. In his direct testimony, Mr. Peoples provides a detailed description of the proposed mix
11 of supply products, the procurement approach, and the schedule for implementation.
12 Furthermore, Mr. Ogden's direct testimony outlines the methodology to establish default
13 service supply rates for each customer class. However, an overview of these aspects of
14 the Plan is as follows:

- 15 • Large C&I default service customers will continue to have supply rates that are
16 based on hourly day-ahead market energy prices. Customers also will be charged
17 a pass through of PJM capacity and ancillary services costs as well as the
18 administrative costs of providing hourly price service ("HPS"). The Company
19 proposes to procure the supply for this service through a competitive Request for
20 Proposals ("RFP") process.
- 21 • Medium C&I default service customers will have supply rates that adjust
22 quarterly based on three-month, non-laddered, fixed-price full requirements
23 contracts. The contracts will be procured within three months before the

1 commencement of their delivery periods. Default service supply for the Medium
2 C&I customers will be obtained through competitive RFPs, with winning bidders
3 selected on the basis of lowest price.

- 4 • Small C&I default service customers will have supply rates that adjust every six
5 months based on twelve-month and twenty-four-month, laddered, fixed-price full
6 requirements contracts. The contracts will be procured within three months
7 before the commencement of their delivery periods. Default service supply for
8 the Small C&I customers will be obtained through competitive RFPs, with
9 winning bidders selected on the basis of lowest price.

- 10 • Residential default service customers will have supply rates that adjust every six
11 months based on twelve-month and twenty-four-month, laddered, fixed-price full
12 requirements contracts. The contracts will be procured within three months
13 before the commencement of their delivery periods. Default service supply for
14 the Residential customers will be obtained through competitive RFPs, with
15 winning bidders selected on the basis of lowest price.

16
17 **Q. What changes is Duquesne Light proposing in DSP VIII for each customer class as**
18 **compared to the Company's existing plan in effect for DSP VII?**

19 A. The major changes are summarized below:

- 20 • **Large C&I** – The Company is proposing to make three significant changes for
21 Large C&I customers that receive default service. First, effective June 1, 2017,
22 the Company is proposing to simplify the structure and administration of HPS in
23 an effort to lower the Company's administrative costs that HPS customers pay.

1 Second, while the Plan continues to provide hourly day-ahead market energy
2 pricing to Large C&I default service customers, Duquesne Light will no longer
3 procure this supply directly from PJM, but instead it will procure this supply in
4 the form of non-laddered 12-month supply products procured through competitive
5 RFP processes. Third, once these changes are in place and have been successfully
6 tested, the Company plans to lower the kW threshold for HPS from ≥ 300 kW to \geq
7 200 kW beginning on June 1, 2019.

- 8 • **Medium C&I** – There are no proposed changes to the supply portfolio or overall
9 procurement approach for Medium C&I customers that would be effective June 1,
10 2017. However, as of June 1, 2019, the Company proposes to move customers
11 with peak demands greater than or equal to 200 kW to the Large C&I class and,
12 accordingly, these customers' default service rates will reflect hourly day-ahead
13 market energy pricing from that date forward.

- 14 • **Residential and Small C&I** – The Company is proposing to transition
15 Residential and Small C&I customers to a product mix consisting of 50%
16 laddered one-year fixed-price full requirements (“FPFR”) supply contracts and
17 50% laddered two-year FPFR supply contracts. Currently, the Company relies
18 exclusively on laddered one-year FPFR supply contracts to serve these customers.
19 In this Plan, the Company continues the laddering of supply products and will
20 continue to change the default service supply rates every six months as in DSP
21 VII. As described by Duquesne Light witness Fisher, the proposed mix of one-
22 year and two-year FPFR products and the semi-annual overlapping of their
23 delivery periods will provide Residential and Small C&I customers greater

1 assurances of price stability than the Company’s current supply portfolios. As in
2 DSP VII, the supply products for the Residential class will be separate from the
3 supply products for the Small C&I class.

- 4 • **Solar Project Plan** – As I describe later in my direct testimony, Duquesne Light
5 is proposing to evaluate the benefits of entering into long-term contracts to
6 support utility-scale solar projects (up to 20 MW). The alternative energy credits
7 associated with this project could be used to help satisfy the solar requirements of
8 serving Residential default service customers at some point during the DSP VIII
9 period and beyond.

10
11 **Q. Does Duquesne Light’s proposed DSP VIII include products with delivery periods**
12 **that extend beyond May 31, 2021 (the end of the DSP VIII period)?**

13 A. Yes, some of the supply products for the Residential and Small C&I customer classes
14 extend beyond the DSP VIII period. As explained by Mr. Fisher in his direct testimony,
15 this preserves the option for a fairly seamless continuation of the laddered procurement
16 cycle as Duquesne Light transitions from DSP VIII to DSP IX. Mr. Fisher also explains
17 that these contracts also avoid subjecting Residential and Small C&I customers to a “hard
18 stop” with regard to their supply products at the end of the DSP VIII period, which could
19 expose customers to magnified risks and rate instability. Furthermore, having contracts
20 that extend beyond the default service period is consistent with the approach approved by
21 the Commission in DSP VI and DSP VII. It should be noted that the solicitations for
22 these products are not scheduled until September 2019, so there is a significant amount of

1 time before new supply commitments extending beyond the DSP VIII period are made
2 should legislative or regulatory developments require changes to the supply product mix.

3
4 **Q. Is Duquesne Light proposing to use the same default service SMA for DSP VIII that
5 it is using for DSP VII?**

6 A. As explained by Mr. Peoples in his direct testimony, the Company will continue to use
7 the SMA template that was developed by the Procurement Collaboration Working Group,
8 with proposed revisions. The proposed Supply Master Agreement is attached to Mr.
9 Peoples direct testimony.

10
11 **Q. Does Duquesne Light's DSP VIII proposal include a contingency plan in case a
12 supply solicitation fails to attract a sufficient number of qualified bids to be deemed
13 competitive, the Commission does not approve the submitted bids, or a winning
14 bidder defaults on its obligations?**

15 A. Yes. Mr. Peoples describes the Company's contingency plan in his direct testimony.

16
17 **Q. How will Duquesne Light recover its default service supply costs?**

18 A. In his direct testimony, Mr. Ogden explains how all costs associated with default service
19 supply procurement will be recovered.

20
21 **Q. What programs is Duquesne Light proposing to support retail market competition
22 in DSP VIII?**

23 A. Duquesne Light is proposing several programs to support retail market competition:

- 1 • **Standard Offer Customer Referral Program.** As Ms. Morrison explains in her
2 direct testimony, Duquesne Light will continue to advise certain default service
3 customers that contact the Company that they can receive their supply from
4 participating EGSs at rates that will be 7% below the current Price to Compare
5 (“PTC”).
- 6 • **Time of Use Program.** The Company is offering TOU rates effective June 1,
7 2016 to certain eligible Residential customers. The Company issued RFPs
8 soliciting EGSs to provide the TOU service. Two EGSs were selected to
9 participate in the pilot. During DSP VIII, the Company plans to continue to
10 facilitate EGS TOU offers and to expand the TOU program to allow more EGSs
11 and more customers to participate over time. The TOU program is described in
12 the direct testimonies of Mr. Peoples and Mr. Ogden.⁵
- 13 • **Purchase of Receivables Plan.** Duquesne Light will continue its Purchase of
14 Receivables (“POR”) plan. Under this Plan, Duquesne Light purchases the
15 accounts receivables, without recourse, associated with EGS sales of retail electric
16 commodity service to Residential, Small C&I, and Medium C&I customers at a
17 small discount and then reimburses EGSs for their customer billings regardless of
18 whether payment is received by Duquesne Light from customers.
- 19 • **Bill Ready.** Duquesne Light will continue a Bill Ready program that already is
20 scheduled to begin on June 1, 2016. The Bill Ready program will facilitate the
21 EGS development of tailored products for customers.

22 In addition, as discussed by Mr. Fisher in his direct testimony, Duquesne Light’s Plan
23 will support the competitive retail market in other ways, including by its use of
24 competitive solicitations for fixed-price full requirements products. As Mr. Fisher
25 explains, fixed-price full requirements default service supply products help to provide a
26 more transparent price-to-compare benchmark against which customers can compare
27 competing retail offers. Furthermore, the competitive solicitations for the fixed-price full
28 requirements supply products ensure that EGSs will compete against market-based
29 default service rates.

30

⁵ Mr. Peoples provides an overview of the TOU program and the EGS supply arrangements. Mr. Ogden describes the cost recovery of the TOU program.

1 **V. SOLAR PROJECT PLAN**

2 **Q. Please describe the Company’s plan to support the development of solar projects in**
3 **Pennsylvania.**

4 A. The Company is evaluating the benefits of entering into long-term contracts (i.e., more
5 than four years) to support the development of utility-scale solar projects (up to a total of
6 20 MW) in Pennsylvania, preferably in Duquesne Light’s service territory.⁶ Duquesne
7 Light would seek Commission approval of the solar contract after a more detailed plan
8 has been developed at some point during the DSP VIII period. The alternative energy
9 credits (“AECs”) associated with this project (or projects up to the 20 MW cap) could be
10 used to help satisfy the solar requirements of serving Residential default service
11 customers later in the DSP VIII period and beyond.

12 The Company seeks to support the development of utility-scale solar alternative
13 energy generating facilities in Pennsylvania in an effort to achieve least-cost
14 environmental compliance with the requirements of Act 129 and achieve objectives of the
15 Clean Power Plan. Given today’s federal and state regulatory environment, these
16 facilities are effective sources of renewable energy. They do not emit carbon dioxide,
17 and they do not entail fuel costs. The development of solar facilities is consistent with
18 Act 129’s objectives, as it addresses the Alternative Energy Portfolio Standards
19 (“AEPS”) while also satisfying Act 129’s “prudent mix” and “least cost” requirements.
20 The Company believes that long-term solar contracts will provide greater opportunity for
21 cost-effective financing for developers of utility-scale solar projects.

⁶ Other major Pennsylvania Electric Distribution Companies have already signed 10-year power purchase agreements for solar alternative energy credits.

1 At this time, Duquesne Light wants parties to be aware of Duquesne Light's
2 intention to support the development of solar projects by entering into long-term
3 contracts during the DSP VIII period, and intends to file the solar contract arrangements
4 and the associated costs for Commission review and approval in a subsequent filing(s)
5 separate from the DSP VIII Plan.

6
7 **Q. What does Duquesne Light want to accomplish in the DSP VIII proceeding with**
8 **respect to its plan to evaluate utility-scale solar projects?**

9 A. The Company has two primary objectives in the DSP VIII proceeding with respect to its
10 solar plan. First, the Company is proposing to incorporate the flexibility in the DSP VIII
11 SMA and Retail Tariff to accommodate the potential inclusion of long-term,
12 Commission-approved solar contract(s) in the prudent mix during the DSP VIII period.
13 Specifically, in the SMA sponsored by Duquesne Light witness Peoples, the Company is
14 proposing to include language that would permit the Company to allocate solar AECs, if
15 any, to third-party wholesale suppliers. If and when Duquesne Light enters into long-
16 term contracts for AECs, Duquesne Light will continue to require each full requirements
17 wholesale supplier to transfer AECs to Duquesne Light corresponding to the AEPS
18 obligations associated with the amount of default service load served by that supplier.
19 The primary change is that Duquesne Light will allocate any AECs that it procures
20 toward the wholesale suppliers' AEPS obligations in accordance with the percentage of

1 Residential default service load served by each supplier. Any AECs allocated to a
2 wholesale supplier will be credited to that supplier's AEPS obligation.⁷

3 Similarly, the Company is proposing to include language in the Retail Tariff
4 (shown in Rider No. 8 – Default Service Supply rate) that would allow the Company to
5 recover the costs associated with a long-term solar contract(s) once such a contract is
6 approved by the Commission and becomes effective. Duquesne Light witness Ogden
7 addresses the proposed changes to the Retail Tariff in his direct testimony

8 If the Company does not receive approval from the Commission and/or does not
9 enter into a long-term solar contract during the DSP VIII period, then the proposed
10 changes in the SMA and the Retail Tariff would not have any effect. These changes are
11 designed to provide flexibility for the Commission to review and adopt a solar plan in the
12 future without the need to revisit the default service SMA and wholesale supply rates in
13 the Retail Tariff. Other Pennsylvania Electric Distribution Companies have similar
14 language in their SMAs and cost recovery mechanisms already in place to address the
15 treatment of long-term solar contracts.

16
17 **Q. You mentioned that Duquesne Light has two primary objectives in the DSP VIII**
18 **proceeding with respect to its plan to evaluate solar projects. What is the second**
19 **objective?**

⁷ During each default service solicitation, at a time prior to the bid due date, Duquesne Light will inform bidders of the number of AECs, if any, to be allocated per tranche for the Residential customer class. The perceived value of any allocated solar AECs should reduce the bid prices of default service suppliers. Furthermore, Duquesne Light does not intend to require default service suppliers to take unknown quantities of solar generation at uncertain times of the day from any solar project, and once a default service contract is signed, it will not be altered even if Duquesne Light subsequently enters into a long-term solar contract.

1 A. In addition to the proposed changes in the SMA and Retail Tariff, the Company seeks
2 input from intervenors in the DSP VIII filing regarding the structure of its proposal. The
3 Company is still in the process of formulating its plan to support utility-scale solar
4 projects in Pennsylvania and is mindful of the need to balance a variety of competing
5 interests. For example:

- 6 • The Company does not want to increase uncertainty for wholesale suppliers
7 and unnecessarily increase risk premiums in wholesale supplier bids.
- 8 • The Company also does not want to interfere with EGSs' pre-existing
9 arrangements for alternative energy supply and does not plan to interfere with
10 competitive retail markets by marketing green products to retail customers.
- 11 • The Company also seeks to manage the administrative burdens and costs for
12 Duquesne Light and its customers by continuing to require each full
13 requirements wholesale supplier to transfer AECs to Duquesne Light
14 corresponding to the AEPS obligations associated with the amount of default
15 service load served by that supplier.
- 16 • Ideally, the Company would like to support the development of new solar
17 projects within its service territory, but wants to make sure that this does not
18 materially impact the compliance costs of satisfying its alternative energy
19 requirements for its customers.

20 In an effort to balance these and other competing interests, the Company seeks input from
21 intervenors as the Company is still in the process of formulating its plan to support
22 utility-scale solar projects in Pennsylvania.

23

1 **Q. Does the Company plan to purchase the associated energy, capacity, and ancillary**
2 **services provided by the solar facilities or just the AECs?**

3 A. It is not yet known. It is my understanding that other major Pennsylvania Electric
4 Distribution Companies have been able to enter into long-term purchase agreements for
5 solar AECs without the associated energy, capacity, and ancillary services. The
6 Company wants to provide greater opportunity for cost-effective financing for developers
7 of utility-scale solar projects and plans to explore the best means to do so. As Mr. Ogden
8 explains in his testimony, the revenue requirements associated with any Commission-
9 approved solar contracts and their administration will be recovered from Residential
10 customers. If the Company does acquire other products besides AECs, they will be sold
11 into the market and the sales proceeds of solar energy, capacity, and ancillary services
12 (not allocated to default service suppliers), if any, will be refunded to Residential default
13 service customers. The rates of other default service customer classes will be unaffected
14 by the Company's solar proposal.

15
16 **Q. Does the Company have a specific solar project in mind at this time?**

17 A. No.

18
19 **Q. What process will the Company follow to acquire long-term solar contracts?**

20 A. The Company will follow the requirements to acquire supply in Act 129, which allows
21 the Company to rely on an auction, RFP, or bilateral agreement with certain conditions.⁸

⁸ 66 Pa.C.S. § 2807(e)(3.1).

1 The Company will seek Commission approval of the terms and conditions of the solar
2 contract(s) as well as the associated costs to be recovered in rates in a later filing(s).

3

4 **Q. Does the Company know when it will file these long-term solar contracts for**
5 **Commission approval?**

6 **A. No, but it currently expects to do so within the next 12 - 24 months.**

7

8 **VI. CONCLUSION**

9 **Q. Does this conclude your direct testimony?**

10 **A. Yes.**

DUQUESNE LIGHT STATEMENT NO. 2

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light :
Company For Approval Of Default : **Docket No. P-2016-_____**
Service Plan For The Period June :
1, 2017 Through May 31, 2021 :

**DIRECT TESTIMONY OF
JOHN PEOPLES**

Dated: May 2, 2016

1 **I. INTRODUCTION**

2

3 **Q. Please state your full name and business address.**

4 A. John Peoples, 411 Seventh Avenue, Pittsburgh, Pennsylvania 15219.

5

6 **Q. What is your position at Duquesne Light Company (“Duquesne Light” or**
7 **“Company”)?**

8 A. I am employed by Duquesne Light as the Manager of Energy Supply.

9

10 **Q. How long have you worked at Duquesne Light?**

11 A. I have worked at Duquesne Light for over two years, having joined the Company
12 in January 2014.

13

14 **Q. What are your current responsibilities?**

15 A. I am responsible for conducting competitive solicitations to procure power to
16 serve Duquesne Light’s default service load. I represent Duquesne Light’s voting
17 interests and communications with PJM. I also act as the Company’s
18 representative with default service suppliers. In addition, I manage the daily sales
19 forecasts for the Company’s control area, which includes all electrical customers
20 in our load zone – whether served by Duquesne Light default service or by a
21 competitive electric generation supplier (“EGS”). I have responsibility for
22 verifying the settlement process with PJM and FERC submissions. Finally, I
23 coordinate business risk analysis with Duquesne Light’s risk management team.

1 **Q. What are your qualifications, work experience and educational background?**

2 A. I have worked in the energy industry for over 20 years. I have a liberal arts
3 degree from Washington and Jefferson College. I have a Masters of Business
4 Administration from Duquesne University.

5 Upon graduation, I took a position at Consolidated Natural Gas (CNG)
6 where I was an energy analyst. I was promoted to a role whereby I managed the
7 CNG default customer portfolio for their various utilities. I have worked for
8 Detroit Edison, Green Mountain Energy, Strategic Energy, and Direct Energy
9 Business. While at these companies I had responsibilities for managing a
10 portfolio of energy customers on a physical and financial basis.

11 I have been responsible for managing Duquesne Light's default service
12 power portfolio since April 2015, which was a year into the Company's sixth
13 default service plan ("DSP VI"). I have organized the Requests for Proposals
14 ("RFP") for default procurement and have performed subsequent tasks related to
15 the execution of the default service supply contracts with the winning suppliers.

16
17 **Q. What is the purpose of your direct testimony?**

18 A. The purpose of my testimony is to provide support for the Company's default
19 service plan for delivery of supply over the June 1, 2017 through May 31, 2021
20 period (the "Plan" or "DSP VIII"), particularly with respect to the power
21 procurement methods and supply products to be utilized. I will provide an
22 overview of the Plan as it relates to power procurement. I also will evaluate the
23 consistency of the Plan with certain aspects of Act 129. In addition, I will discuss

1 changes to the Supplier Master Agreement (“SMA”) template that was developed
2 through the Procurement Collaboration Working Group. Finally, I will discuss
3 the Company’s proposed Time of Use (“TOU”) program, particularly with respect
4 to how TOU service under the program will be supplied.

5
6 **Q. Are you sponsoring any exhibits as part of your direct testimony?**

7 A. Yes, I am sponsoring three exhibits.

8 **Exhibit JP-1** Overview of Supply Products and RFP Schedule by
9 Procurement Class

10 **Exhibit JP-2** Number of Load Tranches and Supplier Load Caps

11 **Exhibit JP-3** Supplier Master Agreement

12

13 **Q. Please explain how these exhibits were prepared.**

14 A. All of the above referenced exhibits were prepared by me or under my
15 supervision.

16

17 **Q. How is your testimony organized?**

18 A. Section I is an introduction. Section II provides an overview of the Plan with
19 regard to its power procurement methods and supply product portfolios. Section
20 III includes a review of how the Plan satisfies certain provisions of Act 129.
21 Section IV discusses the Supplier Master Agreement, and Section V discusses the
22 Company’s plan to allow EGSs to supply and to serve customers under Duquesne
23 Light’s proposed TOU program. Section VI addresses possible modifications to

1 satisfy the Company’s Alternative Energy Credit (“AECs”) obligations during the
2 DSP VIII period.

3

4 **II. OVERVIEW OF DUQUESNE LIGHT’S DSP VIII PROCUREMENT PLAN**

5

6 **Q. Please summarize Duquesne Light’s proposed supply procurement plan for**
7 **default service customers.**

8 A. The DSP VIII procurement plan provides for 100% of default service power
9 supply needs during the 48-month period from June 1, 2017, through May 31,
10 2021. As in DSP VII, portfolios of supply products will be separately procured
11 for each of four different customer classes: Residential & Lighting
12 (“Residential”), Small Commercial & Industrial (“Small C&I”), Medium
13 Commercial & Industrial (“Medium C&I”), and Large Commercial & Industrial
14 (“Large C&I”). Default service supply for each of the customer classes will be
15 procured through competitive RFPs for fixed-price, full requirements, load-
16 following products.¹ A depiction of the procurement products and the timeline
17 for procurement is shown in Exhibit JP-1, and Figure 1 below summarizes the
18 different classes’ supply product portfolios.

¹ Except the Large C&I default service will be based on a day-ahead hourly price supply product.

Figure 1: Overview of Supply Portfolios by Customer Class

Residential & Lighting	Small C&I (< 25 kW)	Medium C&I (≥ 25 kW and < 300 kW)²	Large C&I (≥ 300 kW)³
<ul style="list-style-type: none"> • Six-month fixed default service supply rates • Transitioning to 50% of supply from one-year and 50% of supply from two-year full requirements supply products with laddered purchases • Products are procured every six months within three months of start of delivery 	<ul style="list-style-type: none"> • Six-month fixed default service supply rates • Transitioning to 50% of supply from one-year and 50% of supply from two-year full requirements supply products with laddered purchases • Products are procured every six months within three months of start of delivery 	<ul style="list-style-type: none"> • Three-month fixed default service supply rates • 100% of supply from three-month full requirements supply products that are not laddered • Products are procured every three months within three months of start of delivery 	<ul style="list-style-type: none"> • Hourly price default service supply rates • 100% of customer usage priced at day-ahead hourly energy prices • Pass through of other PJM and administrative costs • New RFP process where product is procured every twelve months within three months of start of delivery
<ul style="list-style-type: none"> • Approximately 31% of total system load 	<ul style="list-style-type: none"> • Approximately 5% of total system load 	<ul style="list-style-type: none"> • Approximately 19% of total system load 	<ul style="list-style-type: none"> • Approximately 45% of total system load

2

3 **Q. Why does the DSP VIII Plan include different default service supply**
 4 **portfolios for different customer classes?**

5 **A.** Different customer classes should have a customized procurement strategy that
 6 focuses on the specific needs of each customer class. Residential and Small C&I

² The Company plans to lower the upper threshold for the Medium C&I class from <300 kW to <200 kW on June 1, 2019 should the Large C&I RFP indicate competitive bidding.

³ The Company plans to lower the threshold for hourly price service from ≥300 kW to ≥200 kW on June 1, 2019 should the Large C&I RFP indicate competitive bidding.

1 customers on default service will benefit from having greater assurances of price
2 stability, while the Medium C&I and Large C&I customers generally are better
3 able to manage the volatility of shorter-term default service prices. Having
4 tailored and separate default service supply portfolios for each class is consistent
5 with Commission guidance. Specifically, in its Second Default Service
6 Rulemaking Order, in its discussion of the “prudent mix” standard under Act 129,
7 the Commission stated:

8 The Commission notes there was substantial unanimity on this
9 point and agrees with the parties that the “prudent mix” standard
10 should be interpreted to allow for a class-specific product mix that
11 best matches the needs of each DSP customer class.⁴

12 By including tailored and separate supply portfolios for each of the various
13 customer classes, the Plan reflects the different needs and propensities of the
14 various customer classes, and helps in properly assigning costs and risks. The
15 supply product portfolios for the different customer classes take into account each
16 class’ need for price stability, the different shopping propensity and market
17 sophistication of each customer class, and the Company’s desire to develop the
18 competitive retail market in Duquesne Light’s service area.

19

20 **Residential and Small C&I**

21 **Q. Please describe Duquesne Light’s proposed default supply procurement plan**
22 **for Residential and Small C&I customers.**

⁴ *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (Order entered October 4, 2011) (“*Second Default Service Rulemaking Order*”), p. 69.

1 A. The supply portfolios for the Residential and Small C&I customer classes will
2 consist of a combination of twelve-month and twenty-four-month contracts, with
3 delivery periods overlapping on a semiannual basis. Accordingly, their default
4 service rates will change twice annually, once on June 1st and once on December
5 1st. Residential default service supply will be split into 48 equal tranches, each
6 representing approximately 2.0835% of the total Residential class default service
7 load in each hour. The Small C&I default service supply will be split into eight
8 laddered tranches, each representing 12.5% of the total Small C&I default service
9 load in each hour.

10

11 **Q. What are the supply portfolio changes that Duquesne Light is proposing for**
12 **Residential and Small C&I customers in this DSP VIII Plan as compared to**
13 **its existing DSP VII Plan?**

14 A. The Company is proposing to transition to a product mix consisting of 50%
15 laddered one-year fixed-price full requirements (“FPFR”) supply contracts and
16 50% laddered two-year FPFR supply contracts. Currently, the Company relies
17 exclusively on laddered one-year FPFR supply contracts to serve these customers.
18 In this Plan, the Company continues the laddering of supply products and will
19 continue to change the default service supply rates every six months as in DSP
20 VII. The proposed mix of one-year and two-year FPFR products and the semi-
21 annual overlapping of their delivery periods will provide Residential and Small
22 C&I customers greater assurances of price stability than the Company’s current
23 supply portfolios. This modification reduces the likelihood of significant rate

1 changes due to adverse circumstances or market conditions at any given time.
2 Duquesne Light witness Fisher discusses in detail the benefits of offering stable
3 default service rates to these customers in his direct testimony.
4

5 **Q. Why is the proposed procurement plan for Small C&I customers the same as**
6 **for Residential customers?**

7 A. As in DSP VII, the Company's proposed procurement plan for Small C&I
8 customers is the same for Residential customers because both classes have similar
9 shopping levels and market sophistication. Therefore, it is reasonable to offer the
10 same procurement approach for both classes. To increase bidder participation in
11 the solicitations, the supply solicitations for these customer classes will be
12 conducted simultaneously. This also allows for costs to be efficiently managed.
13 Every solicitation will seek separate bids for the supply for each customer class,
14 and no cross-subsidization will occur.
15

16 **Q. Mr. Peoples, in DSP VII Duquesne Light proposed supply contracts for**
17 **Residential and Small C&I customers that extended into the DSP VIII period**
18 **(sometimes referred to as "overhang" contracts). Is the Company proposing**
19 **any overhang contracts that could extend beyond the DSP VIII period?**

20 A. Yes. Like DSP VI and DSP VII, the Company has included overhang contracts
21 for Residential and Small C&I customers that will provide price stability benefits
22 to these small customers. These contracts will avoid subjecting these customers
23 to a "hard stop" with regard to their supply products at the end of the DSP VIII

1 period. By so doing, the Company will avoid the need to replace all of the default
2 service supply for these customer classes in a short period of time at the end of the
3 DSP VIII period, a situation which could expose customers to magnified risks and
4 rate instability. Furthermore, the Company's Plan to include some overhang
5 contracts involves considerable procurement flexibility, as the solicitations for
6 these products are not scheduled until September 2019,⁵ so there is a significant
7 amount of time before new supply commitments extending beyond the DSP VII
8 period are made, should changes need to be made to the supply product mix due
9 to legislative or regulatory mandates. In the meantime, these solicitations remain
10 scheduled because they allow for the option for a fairly seamless continuation of
11 the laddered procurement cycle as Duquesne Light transitions from DSP VIII to
12 DSP IX.

13 The Company's DSP VIII proposal to include overhang contracts also
14 appears to be consistent with the Commission's reasoning in its DSP VII Order
15 and in its order to modify the DSP VI procurement plan.

16

17 **Q. Does the Company's procurement plan continue to include supplier load**
18 **caps for the RFPs to supply Residential and Small C&I default service**
19 **customers?**

20 A. Yes, the Company proposes to maintain the 50% supplier load cap to serve
21 Residential and Small C&I customers in a given RFP equal to 50% of the number
22 of tranches solicited on that RFP date, rounded up to the nearest integer number

⁵ The supply product obtained in this solicitation that extends beyond May 31, 2021 represents only 12.5% of the default service load.

1 of tranches. See Exhibit JP-2. The Company will continue the practice approved
2 in DSP VII to apply no supplier load cap for the Medium C&I (and now for Large
3 C&I) solicitations, which are based on short-term market price supply products.
4 The Company has experienced that with delivery periods of the default service
5 supply products for Medium C&I customers only being three months, the effect
6 of supplier default is lessened, and there is a reduced need for load caps to guard
7 against the exposure resulting from a large supplier defaulting on its obligation.
8 Similar logic is applicable to the Large C&I supply product, which is based on
9 day-ahead hourly prices.

10
11 **Medium C&I**

12 **Q. Please describe Duquesne Light's proposed default supply procurement plan**
13 **for Medium C&I customers.**

14 **A.** The Medium C&I customer class currently includes non-residential customers
15 with peak demands greater than or equal to 25 kW but less than 300 kW. The
16 supply portfolio for this class will be comprised entirely of three-month contracts,
17 with 100% of the supply replaced every three months. The Medium C&I default
18 service supply will be split into four equal tranches of 25% of the total Medium
19 C&I default service load in each hour. Accordingly, the Medium C&I default
20 service rates will change quarterly, on June 1st, September 1st, December 1st, and
21 March 1st.

22

1 **Q. Is Duquesne Light proposing any changes for Medium C&I customers in this**
2 **DSP VIII Plan as compared to its existing DSP VII Plan?**

3 A. There are no proposed changes to the supply portfolio or overall procurement
4 approach for Medium C&I customers. However, as I discuss further below, the
5 Company currently plans to lower the upper threshold for the Medium C&I class
6 from < 300 kW to < 200 kW on June 1, 2019, pending the successful competitive
7 auctions for Large C&I customers in years 2017 and 2018.

8

9 **Q. What is the contingency plan should an RFP for fixed price full requirements**
10 **service for Medium C&I, Small C&I, or Residential customers fail to garner**
11 **a sufficient number of bids to be deemed competitive, the Commission does**
12 **not approve the submitted bids, or a winning bidder defaults on its**
13 **obligation?**

14 A. If for any reason an RFP fails to garner a sufficient volume of bids to be deemed
15 competitive, the Commission does not approve the submitted bids, or a winning
16 bidder defaults on its obligation, Duquesne Light acknowledges that it ultimately
17 has the obligation to provide the associated portion of the default service supply.
18 The Company's first recourse will be to reinitiate an RFP to obtain the necessary
19 requirements on a fixed price, full requirements basis. Duquesne Light will make
20 every attempt to qualify a third party supplier in this fashion. Should that not be
21 achievable or timely enough, Duquesne Light proposes to meet this obligation on
22 an interim basis through purchases in the PJM spot market. Depending on the
23 situation, this could be for a portion of or all of the default service load in a

1 particular customer class. The Company will recover all of the costs of such
2 purchases and all reasonable administrative costs from the default service
3 customers in the affected customer class. Duquesne Light will submit to the
4 Commission within fifteen days after any such occurrence more information on
5 its contingency plan to handle any default service supply shortfall. To date, this
6 situation has not yet occurred in Duquesne Light's service territory with respect to
7 serving Medium C&I, Small C&I, or Residential default service customers.

8
9 **Large C&I**

10 **Q. Please describe the Company's proposed default service supply procurement**
11 **plan for Large C&I customers.**

12 A. The Large C&I customer class currently includes non-residential customers with
13 peak demands greater than or equal to 300 kW. Large C&I customers will be
14 offered default service rates based on hourly day-ahead PJM energy market
15 prices. Customers also will be charged a pass through of PJM capacity and
16 ancillary services costs as well as the administrative costs of providing hourly
17 price service ("HPS").

18
19 **Q. What changes is Duquesne Light proposing with respect to its Large C&I**
20 **customer default service plan?**

21 A. In this plan, the Company is proposing to make several significant changes for the
22 Large C&I default service product. First, the Company is proposing on June 1,
23 2017 to simplify the structure and administration of HPS in an effort to lower the

1 Company's administrative costs that HPS customers currently pay. Second, the
2 Company is proposing to conduct an RFP for third-party suppliers to supply this
3 service using an open and competitive solicitation process for full requirements
4 supply. Third, once these changes are in place and have been successfully tested,
5 the Company plans to lower the kW threshold for HPS from ≥ 300 kW to ≥ 200
6 kW beginning on June 1, 2019.

7
8 **Q. Please describe the Company's proposal to simplify the structure and**
9 **administration of HPS.**

10 A. Duquesne Light began offering HPS over eleven years ago in January 2005 at the
11 start of DSP III. Duquesne Light's HPS program was developed well before that
12 of other Pennsylvania EDCs, and as Duquesne Light witness Fisher testifies,
13 Duquesne Light was one of the first utilities in the nation to offer HPS to all
14 customers greater than or equal to 300 kW. The Company essentially was a
15 pioneer in providing this service. During the DSP III period, Duquesne Light
16 offered Large C&I customers HPS default service at real-time hourly rates. In the
17 DSP IV proceeding, however, Duquesne Light entered into a settlement, which
18 modified its original program based on real-time hourly prices to one based on
19 day-ahead hourly prices in response to concerns raised by Large C&I customers
20 in Duquesne Light's service area, represented by the Duquesne Industrial
21 Intervenors ("DII"). This modified program gave Large C&I customers that
22 elected default service a better opportunity to manage their electricity usage and
23 supply costs by providing customers with advanced notice of hourly energy

1 prices. This modified structure, agreed to in DSP IV, effectively provided HPS
2 customers with considerable flexibility, offering customers with the option of
3 buying spot energy in either the day-ahead and/or real-time energy markets. This
4 HPS structure became effective January 1, 2008 and is still in place today in DSP
5 VII. However, this structure is far more complicated from an administrative
6 perspective than the HPS programs that were developed later at other
7 Pennsylvania electric distribution companies (“EDCs”). Under the Company’s
8 current HPS program, the Company is required to provide an hourly load forecast
9 for each and every HPS customer by 8 am each business day. Each HPS
10 customer then has the option to modify that schedule each day prior to 10 am.
11 Energy in a day-ahead schedule, subject to modification by each customer, is
12 purchased in the day-ahead energy market with differences between the scheduled
13 load and actual customer consumption settled in the real-time market. These
14 purchases in the day-ahead and/or real-time energy markets are tracked and
15 reconciled on a customer-by-customer basis.⁶

16 The Company is proposing to simplify the current load scheduling, energy
17 pricing, and billing processes for HPS. The Company proposes to charge 100%
18 of HPS customers’ actual hourly usage at the day-ahead hourly energy prices.
19 This will continue to allow customers to manage their electricity usage and supply
20 costs by providing customers with advanced day-ahead notice of hourly energy

⁶ Other Pennsylvania EDCs do not require daily schedules for individual HPS customers. PPL and FirstEnergy EDCs do not offer day-ahead pricing. Instead, customers pay real-time hourly prices. PECO offers day-ahead pricing. None of the other EDCs has a process for customers to elect a combination of day-ahead and/or real-time pricing, and none of the other EDC programs requires an energy reconciliation process to balance the differences between scheduled load and actual consumption on a customer-by-customer basis.

1 prices, and also will eliminate the customers' uncertainty associated with the ex-
2 post real-time price reconciliation. From the Company's perspective, this change
3 will a) eliminate the need to submit day-ahead hourly load forecasts for each HPS
4 customer, b) eliminate the need to be prepared to receive modifications to those
5 day-ahead hourly load forecasts from each HPS customer, c) eliminate the need to
6 reconcile the difference between the day-ahead hourly load forecast and actual
7 hourly customer usage at real-time prices for each HPS customer, and then d)
8 eliminate the need to bill those reconciled amounts to each HPS customer.

9 These changes in the HPS structure are an important first step to facilitate
10 the Company's other proposals related to providing HPS, namely the proposal to
11 conduct an RFP for third-party suppliers to supply HPS and to lower the kW
12 threshold with the goal to include more customers on HPS. Without these
13 structural changes, these other initiatives would be more difficult, if not
14 impossible, to implement.

15
16 **Q. Please describe the Company's proposal to conduct an RFP for third-party
17 suppliers to supply HPS using an open and competitive solicitation process.**

18 A. Duquesne Light will conduct a solicitation in March of each year of DSP VIII for
19 HPS full requirements supply to be delivered over a twelve month period from
20 June 1st through May 31st. Two tranches will be solicited, with each tranche
21 representing 50% of the default service load (or about 25 MW of peak load). The
22 supplier (or suppliers) with the lowest fixed price bids (expressed in dollars per
23 MWH) will be selected as the winners of the HPS solicitation. In addition to the

1 winning bid price offered by the supplier, each winning supplier will be paid for
2 their share of the associated energy, capacity, and ancillary service charges billed
3 to HPS customers pursuant to Rider 9 in Duquesne Light's Retail Tariff. The
4 winning suppliers fixed price bids will be designed to compensate suppliers for
5 the associated renewable energy supply costs, the energy balancing costs
6 associated with day-ahead schedules versus customer actual consumption, and
7 any other third-party supplier administrative costs of providing HPS.

8
9 **Q. After all these years of Duquesne Light supplying this service, why is the**
10 **Company proposing to conduct an RFP for third-party suppliers to supply**
11 **HPS in DSP VIII?**

12 A. When Duquesne Light initially proposed HPS during its DSP III proceeding, the
13 Company proposed to rely on a competitive wholesale solicitation process, but the
14 Company later agreed to self-supply this service in response to the comments
15 provided by Large C&I customers (represented by DII) and its desire to have
16 Duquesne Light procure the supply directly from the PJM market.⁷ As a result,
17 Duquesne Light has been self-supplying HPS since January 2005.⁸

18 Once other EDCs in Pennsylvania completed their transition periods, they
19 developed their own form of HPS. All the other major EDCs in Pennsylvania

⁷ In that case, DII stated that, "Duquesne's proposal to offer Hourly Price Service ("HPS") POLR rates for Large C&I customers should be revised so that the HPS POLR rate reflects a spot market PJM rate for energy, capacity and ancillary services. This type of HPS rate would not require an auction or RFP since it is based on transparent prices obtained from PJM." DII argued that because all aspects of the HPS product "are based on readily-accomplished PJM transactions and scheduling, Duquesne can administer the product rather than a third party." Direct Testimony of Stephen Baron on behalf of DII, Docket No. R-00032071, February 2004, pp. 9 and 20.

⁸ Duquesne Light obtains the HPS supply directly from PJM markets and passes through actual (day-ahead energy, real-time ancillary services, and capacity) supply charges.

1 have adopted the solicitation approach of requiring third-party suppliers to bid a
2 “fixed price adder” to cover certain non-energy costs and administrative costs,
3 although these HPS programs vary somewhat in their structures.⁹ During the DSP
4 VII proceeding, the Retail Energy Supply Association (“RESA”) recommended
5 that the Company adopt a solicitation approach as well. Duquesne Light opposed
6 RESA’s recommendation in the DSP VII proceeding given the lack of a specific
7 proposal and the fact that Duquesne Light’s current HPS structure is not
8 conducive to having a third party supplier provide HPS.¹⁰ Since the DSP VII
9 proceeding, Duquesne Light has had more time to consider the necessary changes
10 to facilitate a solicitation process (already discussed above) and is proposing in
11 DSP VIII to adopt a solicitation process similar to that used by other Pennsylvania
12 EDCs.

13
14 **Q. If the proposed solicitation process is not successful in attracting third-party**
15 **suppliers to supply HPS, what is the Company’s contingency plan?**

16 A. The Company would still move forward with its proposal to simplify the current
17 load scheduling, energy pricing, and billing processes described above, but
18 Duquesne Light would supply HPS based on the formula rate in Rider 9, as
19 provided in Duquesne Light witness Ogden’s testimony. In addition, the
20 Company would recover the HPS-related costs of the associated renewable energy

⁹ This fixed price adder is passed through to Large C&I customers.

¹⁰ In DSP VII, RESA did not offer any specifics on how its proposal could be implemented or why third party suppliers would want to participate under the current HPS program’s terms and conditions. RESA explained that Duquesne Light would be in the best position to determine what, if any, changes are needed to the language in Rider 9 to effectuate a change toward a competitive solicitation process. (RESA Discovery Response to Duquesne Industrial Intervenors, Set I-3.)

1 supply, energy balancing, and any incremental administrative costs incurred by
2 the Company, subject to reconciliation, that is not recovered elsewhere in
3 Duquesne Light's Retail Tariff.

4
5 **Q. Please elaborate on the Company's plan to lower the kW threshold for HPS**
6 **beginning on June 1, 2019.**

7 A. Once the recommended structural changes to HPS and the solicitation processes
8 are in place and have been successfully tested, the Company plans to lower the
9 kW threshold for HPS from ≥ 300 kW to ≥ 200 kW beginning on June 1, 2019.

10
11 **Q. Why is the Company proposing to lower the HPS threshold on June 1, 2019,**
12 **and not sooner?**

13 A. There are several reasons. First, Duquesne Light is still in the process of
14 installing smart meters, and not all C&I customers with peak demands ≥ 200 kW
15 currently have the meters and the necessary communications equipment in place
16 necessary to offer HPS by June 1, 2017. Second, before expanding the HPS
17 program to more customers, Duquesne Light believes it is important to evaluate
18 the potential impact of these changes on HPS customers. For example, how will
19 the proposed changes affect the overall level of administrative costs of the HPS
20 program, taking into account a) the changes in Duquesne Light's administrative
21 costs (e.g., the additional costs associated with administering RFPs and the cost
22 savings associated with the simpler proposed structure), and b) the administrative
23 costs of third-party suppliers based on the results of future solicitations. At this

1 time, it is unclear what the overall cost implications will be for HPS customers or
2 whether third party suppliers will be interested in this type of solicitation given
3 the high level of switching that has already occurred among Large C&I customers
4 in Duquesne Light's service area. Third, it is important that the affected default
5 service customers receive sufficient notice before being placed on HPS. This will
6 allow customers with peak demands greater than or equal to 200 kW and less than
7 300 kW more time to consider their supply options.

8
9 **RFP Solicitations**

10 **Q. Is Duquesne Light proposing to engage a third-party to assist in the RFP**
11 **processes to obtain supply for the Large C&I, Medium C&I, Small C&I, and**
12 **Residential customer classes?**

13 A. Yes. Consistent with past practices, Duquesne Light proposes to engage an
14 independent third party to monitor and conduct the RFP solicitations, including
15 qualifying bidders, conducting bidder information sessions, receiving and
16 evaluating all bids, determining winning bidders, and reporting to the
17 Commission. This will help ensure the bid process is fair and independently
18 monitored, and that all information is provided to bidders in a non-discriminatory
19 fashion. In DSP VIII, the independent evaluator also will assist in a new RFP
20 process to obtain HPS supply for Large C&I customers on default service.

21

1 **III. THE DEFAULT SERVICE PLAN SATISFIES ACT 129 REQUIREMENTS**

2

3 **Q. Mr. Peoples, have you reviewed Act 129’s provisions regarding default**
4 **service procurement?**

5 A. Yes, I have. The Act amends Section 2807(e)(3) of the Public Utility Code (66
6 Pa. C.S. §2807(e)(3)) by adding requirements to be applied to default service
7 procurement. These provisions include the use of “competitive procurement
8 processes” to obtain a “prudent mix” of contracts that is designed to ensure
9 “adequate and reliable service” at the “least cost to customers over time.” In
10 approving a default service provider’s plan, the Commission is required to make
11 specific findings that “the default service provider’s plan includes prudent steps
12 necessary to negotiate favorable generation supply contracts... [and] includes
13 prudent steps necessary to obtain least cost generation supply contracts on a long-
14 term, short-term and spot market basis.” The Act also specifies that the
15 Commission shall make a finding that “neither the default service provider nor its
16 affiliated interest has withheld from the market any generation supply in a manner
17 that violates federal law.” The Act also gives the default service provider the
18 right to recover on a full and current basis all reasonable costs incurred under a
19 Commission-approved competitive procurement plan.

20

21 **Q. Do you believe that Duquesne Light’s proposed DSP VIII incorporates a**
22 **prudent mix of contracts, and includes prudent steps necessary to obtain**

1 **least cost generation supply contracts, as required by Section 2807(e)(3.4)**
2 **and Section 2807(e)(3.7) of the Act?**

3 A. Yes, in his direct testimony, Duquesne Light witness Fisher explains that the DSP
4 VIII Plan satisfies these requirements.

6 **Q. Are there any other findings regarding Act 129 that the Company is**
7 **requesting the Commission to make as part of this proceeding?**

8 A. Yes. The Act specifies that the Commission shall make a finding that “neither the
9 default service provider nor its affiliated interest has withheld from the market
10 any generation supply in a manner that violates federal law.” Duquesne Light
11 owns no generation resources, and has not withheld from the market any
12 generation supply in a manner that violates federal law. The affiliates of
13 Duquesne Light own in the aggregate less than 0.07% of the generation capacity
14 in PJM. Duquesne Light does not discuss generation market-related issues with
15 its affiliates. However, Duquesne Light can affirmatively state that there has been
16 no determination by a court or regulatory agency of competent jurisdiction that
17 any of its affiliates have withheld from the wholesale energy market any
18 generation supply in a manner that violates federal law. Consequently, the
19 Company requests that the Commission make a finding that neither the default
20 service provider nor its affiliated interest has withheld from the market any
21 generation supply in a manner that violates federal law.

1 **IV. SUPPLIER MASTER AGREEMENT**

2
3 **Q. Is Duquesne Light proposing to use the same default service SMA for DSP**
4 **VIII that it is using for DSP VII?**

5 A. The Company will continue to use the SMA template that was developed by the
6 Procurement Collaboration Working Group.¹¹ However, the Company will make
7 a few modifications in DSP VIII in order to a) accommodate an RFP for hourly
8 price service to serve Large C&I customers, b) capture nomenclature changes that
9 have been implemented at PJM in the past two years, c) expand the assignment
10 provisions, and d) allow for the potential allocation of any solar alternative energy
11 credits (“AECs”) that Duquesne Light might procure in the future during the DSP
12 VIII period toward the default service suppliers’ AEPS obligations.¹² A redlined
13 SMA highlighting these changes is presented in Exhibit JP-3. The Large C&I
14 provisions in the SMA are similar to that used for other procurement classes but
15 rather than pay the winning bidder a fixed price for full requirements service,
16 suppliers are paid a fixed administrative charge plus variable payments based on
17 the formula rate specified in Rider 9 of the Retail Tariff.

18
19 **Q. Why is Duquesne Light proposing to make these modifications?**

¹¹ In the Commission’s Default Service End State Order in the Investigation of Pennsylvania’s Retail Electricity Market, the Commission directed the Office of Competitive Markets Oversight to create a Procurement Collaboration Working Group. This working group was tasked with developing a uniform default service SMA for the EDCs in Pennsylvania. Duquesne Light actively participated in the Procurement Collaboration Working Group, including the development of the SMA. (*Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013), p. 42.

¹² This change is discussed later in my testimony.

1 A. These changes are necessary to further enhance and improve the RFP process,
2 and/or to remain current with modifications that PJM or the PUC have made in
3 the past two years.

4

5 **Q. How is the SMA structured?**

6 A. The main body of the SMA consists of a uniform template. Individual EDCs,
7 such as Duquesne Light, specify unique requirements associated with their default
8 service supply in appendices to the SMA. Such requirements relate to supply
9 product term length and size, credit ratings and unsecured credit thresholds, mark-
10 to-market calculations, delivery points, responsibility for various PJM line item
11 charges, and AEPS compliance.

12

13 **Q. Will wholesale suppliers be allowed to propose modifications to the SMA**
14 **once it is approved?**

15 A. No, they will not. Each supplier will have the same rights and obligations when
16 supplying default service load. Using an identical SMA across all suppliers
17 allows for a competitive bidding process in which winning suppliers are
18 determined solely based on lowest price.

19

20 **V. TIME OF USE PROGRAM**

21

22 **Q. Please briefly describe the Company's proposed TOU program.**

1 A. The Company is offering eligible Residential customers the opportunity to receive
2 their electric supply on a “Time of Use” basis beginning June 1, 2016. This
3 service offering involves charging customers higher prices for power delivered
4 during “on-peak” periods, and lower prices for power delivered during “off-peak”
5 periods.

6

7 **Q. Which customers will be eligible for TOU service under the proposed**
8 **program?**

9 A. Approximately 200,000 qualified Residential customers will be eligible for TOU
10 service beginning June 1, 2016. The eligibility of these customers will be
11 predicated on the extent the Company has installed the necessary metering and
12 communication systems.

13

14 **Q. How will power for the TOU service be supplied?**

15 A. As part of the DSP VII plan, the Company recently conducted an RFP for TOU
16 supply that will cover the delivery period June 1, 2016 through May 31, 2017.
17 The TOU RFP successfully obtained two EGSs that will provide TOU rates for
18 Residential customers. Based on the results of the RFP, eligible Residential
19 customers will be able to choose between two different TOU time periods and
20 price levels. Duquesne Light will promote the TOU rate offerings that are being
21 marketed by the two winning EGSs on the Company website. The two winning
22 EGSs will offer TOU rates only to eligible Residential customers that have the
23 necessary metering and communications systems. Eligible Residential customers

1 who elect TOU service will become EGS customers and will be enrolled by the
2 EGS providing the TOU service.

3
4 **Q. Will the winning EGS suppliers be required to supply TOU service to**
5 **participating customers during the term of the DSP VII TOU program**
6 **ending May 31, 2017?**

7 A. Yes. The winning EGSs will be prohibited from discontinuing service to
8 individual participating customers, unless such customer selects another
9 competitive retail offer from the TOU supplier, switches to another EGS, or
10 affirmatively elects to return to default service.

11
12 **Q. Will Duquesne Light continue to make TOU service available to customers**
13 **beyond May 31, 2017?**

14 A. The Company intends to make a TOU filing to the Commission in November
15 2016 describing the results of this year's TOU program and the level of customer
16 enrollment. The Company's current plan is to continue to encourage EGS-
17 supplied TOU offers beyond May 31, 2017. During the DSP VIII plan, the
18 Company will continue the process of installing interval meters to all customer
19 classes. As more customers are connected to smart meters and AMI data systems
20 are available and tested, the number of eligible TOU customers will increase.
21 The Company plans to increase the number of Residential customers eligible for
22 TOU service through the DSP VIII plan. Also, within the DSP VIII plan, Small
23 C&I and Medium C&I customers will become eligible for TOU service. By June

1 1, 2016, EGSs capable of providing “bill ready” or “dual bill” services will be
2 able to offer a myriad of TOU rates to customers with different time periods
3 specified at different price levels. By June 2017, the Company will also provide
4 EGSs with the ability to identify customers with interval meters on the Eligible
5 Customer List. These changes will allow EGSs more flexibility to craft products
6 based on different time periods tailored to the needs of customers, and the TOU
7 Program will not be limited to a few EGSs. These changes will further enable the
8 TOU programs served by EGSs.

9
10 **VI. ALTERNATIVE ENERGY CREDIT PROCUREMENT**

11 **Q. How does the Company currently meet its Alternative Energy Credits**
12 **(“AECs”) obligations under the Pennsylvania Alternative Energy Portfolio**
13 **Standard?**

14 A. The Company is responsible for the AEC obligations only associated with default
15 service load.¹³ The Company enters into SMAs with the winning full
16 requirements default service suppliers serving Residential, Small C&I, and
17 Medium C&I customers. Each winning supplier is responsible for its percentage
18 share of the AEC obligations based on the number of tranches won for each
19 customer class. These suppliers, in aggregate, are responsible for meeting 100%
20 of the Company’s AEC obligations associated with these customer classes.

¹³ EGSs are responsible for meeting the AEC obligations associated with the customers they serve.

1 Duquesne Light currently satisfies the AEC obligations for the Large C&I
2 customers on HPS.¹⁴

3
4 **Q. Is the Company proposing any changes to its AEC procurement
5 methodology?**

6 A. Yes, there are two proposed changes. First, the Company plans to obtain Large
7 C&I customer HPS supply from third-party suppliers using full requirements
8 contracts similar to those used for other customer classes. Therefore, the
9 Company will no longer need to obtain the AECs for these customers beginning
10 June 1, 2017. Instead, third-party suppliers will meet this obligation as part of the
11 full requirements contract to provide HPS. Second, as Duquesne Light witness
12 Davis describes in his direct testimony, the Company is proposing to evaluate the
13 benefits of entering into long-term contracts for the procurement of up to 20 MW
14 of solar AECs. If Duquesne Light enters into long-term contracts for solar AECs,
15 Duquesne Light will continue to require each full requirements default service
16 supplier to transfer AECs to Duquesne Light corresponding to the AEPS
17 obligations associated with the amount of default service load served by that
18 supplier. The primary change is that Duquesne Light will allocate any AECs that
19 it procures toward the default service suppliers' AEPS obligations in accordance
20 with the percentage of default service load served by each supplier. I have
21 included language in the Company's SMA to address the possibility that AECs

¹⁴ AECs are purchased by Duquesne Power, LLC ("Duquesne Power") on behalf of Duquesne Light. Duquesne Power, an affiliate of Duquesne Light, has energy traders who routinely procure AECs. These AECs are transferred to Duquesne Light in an at-cost manner from Duquesne Power.

1 could be allocated to third-party suppliers if Duquesne Light enters into long-term
2 contracts for AECs at some point during the DSP VIII period.

3

4 **Q. Will prospective default service bidders know the number of AECs allocated**
5 **to them prior to their bids?**

6 A. Yes, during each default service solicitation, at a time prior to the bid due date,
7 Duquesne Light will inform bidders of the number of AECs, if any, to be
8 allocated per tranche for each customer class. Once the default service RFP for a
9 given tranche is completed, there will be no change in the AEC allocation for that
10 tranche. Any AECs allocated to a default service supplier will not actually be
11 transferred to the supplier but instead will be credited to that supplier's AEPS
12 obligation and remain the property of Duquesne Light. The value of any allocated
13 AECs would be included in default service supplier bids.

14

15 **Q. Does this conclude your direct testimony?**

16 A. Yes, it does.

VERIFICATION

I, John Peoples, Manager, Energy Supply for Duquesne Light Company ("Duquesne Light"), hereby state that the testimony set forth in Duquesne Light Statement No. 2 is true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing on this matter, my answers would be as set forth herein.

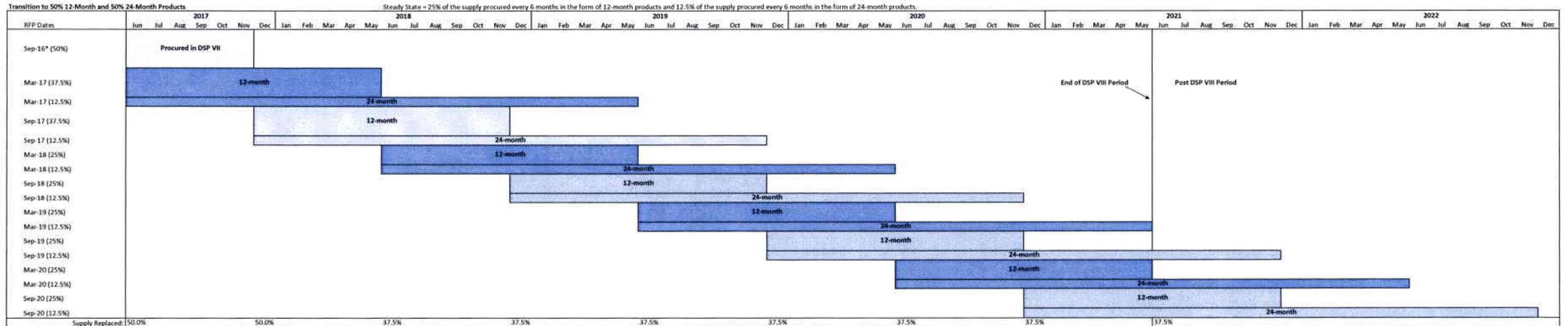
I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: April 29, 2016



John Peoples, Manager, Energy Supply

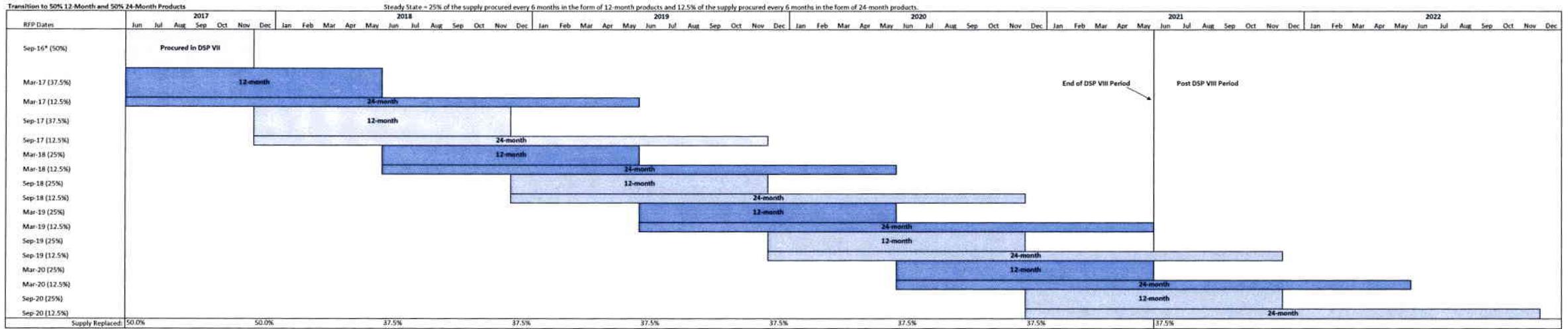
DSP VIII Plan for the Residential & Lighting Class



Supply rates adjust every six months.

If the PaPUC at any time decides that DLC no longer will be the default service provider after the DSP VIII period, then DLC will file a petition to amend the DSP VIII plan so that no yet-to-be solicited products extend beyond the date in which DLC terminates its role as the default service provider. Existing contracts previously signed with a supplier will not be altered.

DSP VIII Plan for the Small C&I Class (<25 kW)



Supply rates adjust every six months.
 If the PaPUC at any time decides that DLC no longer will be the default service provider after the DSP VIII period, then DLC will file a petition to amend the DSP VIII plan so that no yet-to-be solicited products extend beyond the date in which DLC terminates its role as the default service provider. Existing contracts previously signed with a supplier will not be altered.

DSP VIII Plan for the Medium C&I Class (≥25 kW and <300 kW)¹

Solicit 100% 3-Month Products

RFP Dates	2017												2018												2019												2020												2021																															
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May																																
Mar-17 (100%)	3-month																																																																															
Jun-17 (100%)													3-month																																																																			
Sep-17 (100%)																									3-month																																																							
Dec-17 (100%)																																					3-month																																											
Mar-18 (100%)																																																	3-month																															
Jun-18 (100%)																																					3-month																																											
Sep-18 (100%)																																																	3-month																															
Dec-18 (100%)																																																	3-month																															
Mar-19 (100%)																																																	3-month																															
Jun-19 (100%)																																																	3-month																															
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Dec-19 (100%)																																																	3-month																															
Mar-20 (100%)																																																	3-month																															
Jun-20 (100%)																																																	3-month																															
Sep-20 (100%)																																																	3-month																															
Dec-20 (100%)																																																	3-month																															

Supply rates adjust every three months.

¹The Company proposes to lower the upper threshold for the Medium C&I class from <300 kW to <200 kW on June 1, 2019.

DSP VIII Plan for the Large C&I Class (≥ 300 kW)¹

Solicit 100% 12-Month Hourly-Priced Products

RFP Dates	2017												2018												2019												2020												2021				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May																	
Mar-17 (100%)	12-month																																																				
Mar-18 (100%)													12-month																																								
Mar-19 (100%)																									12-month																												
Mar-20 (100%)																																					12-month																

Supply rates adjust hourly.

¹The Company proposes to lower the threshold for hour price service from ≥300 kW to ≥200 kW on June 1, 2019.

DSP VIII RFP Schedule

RFP Date	Class	Tranches	Amount	Term	Delivery Period
March 2017	Residential	18	37.5%	12 Months	June 2017 – May 2018
		6	12.5%	24 Months	June 2017 – May 2019
	Small C&I	3	37.5%	12 Months	June 2017 – May 2018
		1	12.5%	24 Months	June 2017 – May 2019
	Medium C&I	4	100%	3 Months	June 2017 – August 2017
Large C&I	2	100%	12 Months	June 2017 – May 2018	
June 2017	Medium C&I	4	100%	3 Months	September 2017 - November 2017
September 2017	Residential	18	37.5%	12 Months	December 2017 – November 2018
		6	12.5%	24 Months	December 2017 – November 2019
	Small C&I	3	37.5%	12 Months	December 2017 – November 2018
		1	12.5%	24 Months	December 2017 – November 2019
	Medium C&I	4	100%	3 Months	December 2017 – February 2018
December 2017	Medium C&I	4	100%	3 Months	March 2018 - May 2018
March 2018	Residential	12	25.0%	12 Months	June 2018 – May 2019
		6	12.5%	24 Months	June 2018 – May 2020
	Small C&I	2	25.0%	12 Months	June 2018 – May 2019
		1	12.5%	24 Months	June 2018 – May 2020
	Medium C&I	4	100%	3 Months	June 2018 – August 2018
Large C&I	2	100%	12 Months	June 2018 – May 2019	
June 2018	Medium C&I	4	100%	3 Months	September 2018 - November 2018
September 2018	Residential	12	25.0%	12 Months	December 2018 – November 2019
		6	12.5%	24 Months	December 2018 – November 2020
	Small C&I	2	25.0%	12 Months	December 2018 – November 2019
		1	12.5%	24 Months	December 2018 – November 2020
	Medium C&I	4	100%	3 Months	December 2018 – February 2019
December 2018	Medium C&I	4	100%	3 Months	March 2019 - May 2019
March 2019	Residential	12	25.0%	12 Months	June 2019 – May 2020
		6	12.5%	24 Months	June 2019 – May 2021
	Small C&I	2	25.0%	12 Months	June 2019 – May 2020
		1	12.5%	24 Months	June 2019 – May 2021
	Medium C&I	4	100%	3 Months	June 2019 – August 2019
Large C&I	2	100%	12 Months	June 2019 – May 2020	
June 2019	Medium C&I	4	100%	3 Months	September 2019 - November 2019
September 2019	Residential	12	25.0%	12 Months	December 2019 – November 2020
		6	12.5%	24 Months	December 2019 – November 2021
	Small C&I	2	25.0%	12 Months	December 2019 – November 2020
		1	12.5%	24 Months	December 2019 – November 2021
	Medium C&I	4	100%	3 Months	December 2019 – February 2020
December 2019	Medium C&I	4	100%	3 Months	March 2020 - May 2020
March 2020	Residential	12	25.0%	12 Months	June 2020 – May 2021
		6	12.5%	24 Months	June 2020 – May 2022
	Small C&I	2	25.0%	12 Months	June 2020 – May 2021
		1	12.5%	24 Months	June 2020 – May 2022
	Medium C&I	4	100%	3 Months	June 2020 – August 2020
Large C&I	2	100%	12 Months	June 2020 – May 2021	
June 2020	Medium C&I	4	100%	3 Months	September 2020 - November 2020
September 2020	Residential	12	25.0%	12 Months	December 2020 – November 2021
		6	12.5%	24 Months	December 2020 – November 2022
	Small C&I	2	25.0%	12 Months	December 2020 – November 2021
		1	12.5%	24 Months	December 2020 – November 2022
	Medium C&I	4	100%	3 Months	December 2020 – February 2021
December 2020	Medium C&I	4	100%	3 Months	March 2021 - May 2021

DSP VIII Tranches and Supplier Load Caps

Total Number of Tranches Solicited					
<u>RFP Date</u>	<u>Residential</u>	<u>Small C&I</u>	<u>Medium C&I</u>	<u>Large C&I</u>	<u>Total</u>
March 2017	24	4	4	2	34
June 2017			4		4
September 2017	24	4	4		32
December 2017			4		4
March 2018	18	3	4	2	27
June 2018			4		4
September 2018	18	3	4		25
December 2018			4		4
March 2019	18	3	4	2	27
June 2019			4		4
September 2019	18	3	4		25
December 2019			4		4
March 2020	18	3	4	2	27
June 2020			4		4
September 2020	18	3	4		25
December 2020			4		4

Supplier Load Cap (Number of Tranches)					
<u>RFP Date</u>	<u>Residential</u>	<u>Small C&I</u>	<u>Medium C&I</u>	<u>Large C&I</u>	<u>Total</u>
March 2017	12	2	4	2	20
June 2017			4		4
September 2017	12	2	4		18
December 2017			4		4
March 2018	9	2	4	2	17
June 2018			4		4
September 2018	9	2	4		15
December 2018			4		4
March 2019	9	2	4	2	17
June 2019			4		4
September 2019	9	2	4		15
December 2019			4		4
March 2020	9	2	4	2	17
June 2020			4		4
September 2020	9	2	4		15
December 2020			4		4

The supplier load cap to serve Residential and Small C&I customers in a given RFP will be maintained equal to 50% of the number of tranches solicited on that RFP date, rounded up to the nearest integer number of tranches. The Company will continue the practice of removing the supplier load cap for the Medium C&I (and now for Large C&I) solicitations, which are based on short-term market price products.

**PENNSYLVANIA UNIVERSAL
DEFAULT SUPPLIER MASTER AGREEMENT**

by and between

Duquesne Light Company

and

[INSERT]

Dated [Month, Day, Year]

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PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

THIS DEFAULT SERVICE SUPPLIER MASTER AGREEMENT, made and entered into this ____ day of [Month, Day, Year] (the “Agreement”) by and between Duquesne Light Company (the “Company” and “Buyer”), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania and [INSERT] (“DS Supplier”), the Company and the DS Supplier hereinafter sometimes referred to collectively as the “Parties”, or individually as a “Party”,

WITNESSETH:

WHEREAS, the Company is an electric public utility engaged, inter alia, in providing retail electric service within its service territory located in the Commonwealth of Pennsylvania; and

WHEREAS, the Pennsylvania Public Utility Commission (“PaPUC” or “Commission”) Orders issued pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2801-2812, direct Buyer to supply electric service to Default Service Load within Buyer’s Pennsylvania franchise service territory; and

WHEREAS, the PaPUC has found that, for periods further identified in Appendix C, it would serve the public interest for the Company to secure Default Service Supply (“DS Supply”) through a competitive procurement process (“DS Solicitation”) and the PaPUC has approved such a process; and

WHEREAS, the Company has conducted and completed a successful DS Solicitation for the provision of DS Supply, and the DS Supplier was one of the winning bidders in the DS Solicitation; and

WHEREAS, pursuant to the competitive bidding procedures of the DS Solicitation, the Company and the DS Supplier desire to enter into this Agreement setting forth their respective rights and obligations concerning the provision of DS Supply.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby covenant, promise and agree as follows:

ARTICLE 1: DEFINITIONS

Any capitalized or abbreviated term not elsewhere defined in this Agreement shall have the definition set forth in this Article.

Alternative Energy Credit or “AEC” – Shall have the meaning ascribed thereto in the AEPS Act.

AEPS Act – The Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8.

Affiliate – Means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

Allocated AECs – Shall mean the types and amounts of AECs specified on Appendix E.

Alternative Energy Portfolio Standards or “AEPS” – Standards requiring that a certain amount of electric energy sold to retail electric customers in the Commonwealth of Pennsylvania be comprised of electricity generated from alternative energy sources, as measured by AECs, in accordance with the requirements of the AEPS Act and provisions of the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2812-14, in effect on the Effective Date including, without limitation, any subsequent increases in Tier I requirements under 66 Pa.C.S. § 2814.

Ancillary Services – Shall have the meaning ascribed thereto in the PJM Agreements.

Applicable Legal Authorities – Those federal and Pennsylvania statutes and administrative rules and regulations that govern the electric utility industry in Pennsylvania, as they may be amended from time to time.

Auction Revenue Rights or “ARR” – The current or any successor congestion management mechanisms as may be employed by PJM (whether set forth in the PJM Agreements or elsewhere) for the purpose of allocating financial congestion hedges or financial transmission auction revenue rights. As currently defined by PJM, ARR are entitlements allocated annually by PJM which entitle the holder to receive an allocation of the revenues from the annual auction of financial transmission rights conducted by PJM pursuant to the PJM Agreements.

Bankruptcy Code – Those laws of the United States of America related to bankruptcy, codified and enacted as Title 11 of the United States Code, entitled “Bankruptcy” and found at 11 U.S.C. § 101 et seq., as such laws may be amended, modified, replaced or superseded from time to time.

Billing Month – Each calendar month during the term of this Agreement.

Business Day – Any day on which the Company’s and PJM’s corporate offices are open for business and commercial banks are not authorized or required to close in New York, New York.

Capacity – “Unforced Capacity” as set forth in the PJM Agreements, or any successor, measurement of the capacity obligation of a Load Serving Entity as may be employed in PJM (whether set forth in the PJM Agreements or elsewhere).

Charge – Any fee, charge or other amount that is billable by the Company to the DS Supplier under this Agreement.

Company – Duquesne Light Company.

Costs – With respect to the Non-Defaulting Party, brokerage fees, commissions and other

similar transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement.

Customer – Any person or entity who enters into a contractual agreement with the Company to receive retail electric service including, without limitation, all persons or entities taking service under a retail tariff, eligible to receive competitive electricity supply from an EGS or DS, respectively, in accordance with the Applicable Legal Authorities.

Damages – Financial compensation from the Defaulting Party to the Non-Defaulting Party associated with the occurrence of an Event of Default or an Early Termination of this Agreement. This compensation shall be assessed pursuant to Article 5 of this Agreement.

Default Allocation Assessment – Shall have the meaning ascribed to it under the PJM Agreements.

Defaulting Party – A Party to this Agreement that has caused or precipitated an Event of Default or an Early Termination of this Agreement.

Default Service or “DS” – Electric generation service that is provided at retail pursuant to the Applicable Legal Authorities under the Company’s retail electric tariffs and under any other agreements or arrangements between the Company and Customers, to any Customer that is not being served by an EGS.

Default Service Supply or “DS Supply” – All necessary Energy, Capacity, AECs for AEPS Act compliance, Ancillary Services, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).

Delivery Period – The delivery period specified in Appendix C.

Delivery Point – Means the applicable zone of the Company as designated by PJM.

DS Customer(s) – Retail customers who are provided Default Service pursuant to the terms of this Agreement, the Applicable Legal Authorities and the Company’s retail tariffs.

DS Fixed Percentage – The percentage of DS Supply, as set forth in Appendix C.

DS Fixed Price – The price in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

DS Fixed Price Adder For Hourly Price Service – The fixed price adder for Hourly Price Service in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

DS Load – Means the total sales at the retail meter, plus any losses and Unaccounted For Energy (as defined by PJM), as reflected in PJM settlement volumes (including adjustments required by PJM for PJM’s derating in conjunction with implementation of marginal losses as appropriate per PJM Agreements), expressed in MWh of retail customers in a particular class of DS Customers being served by Company pursuant to the PUC Orders, as such sales vary from hour to hour, in Company’s Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date. The DS Load is net of any reduction in load as a result of energy efficiency and demand side response programs offered by Company, PJM, curtailment service providers, or other third parties, or any retail market programs. For avoidance of doubt, DS Load shall not include (i) the amount of load that would otherwise have been served in the absence of such energy efficiency or demand side

response programs or retail market programs; or (ii) sales resulting from changes in the Company's Pennsylvania service territory which occur as a result of a merger, consolidation, or acquisition of another entity which has a franchised service territory in Pennsylvania or a result of a significant franchise territory swap with another entity which has a franchised service territory in Pennsylvania.

DS Solicitation – The competitive bidding processes, procedures and rules employed by the Company to competitively procure DS Supply for purposes of this Agreement.

DS Supplier – An entity that (i) has been selected through the DS Solicitation and has accepted the obligations and associated rights to provide DS Supply to the Company for retail customers in accordance with the Applicable Legal Authorities, (ii) has entered into this Agreement with the Company as a Party, and (iii) is a PJM Member and registered with PJM as a LSE.

DS Supplier Representative – Any officer, director, employee, consultant, contractor, or other agent or representative of the DS Supplier in connection with the DS Supplier's activity under this Agreement. To the extent the DS Supplier is a division or group of a company, the term DS Supplier Representative does not include any person in that company who is not part of the DS Supplier division or group.

DS Supplier Responsibility Share – The fixed percentage share of the Company's DS Load for which the DS Supplier is responsible as set forth in Appendix C.

DS Tariffs – The Company’s existing schedules of rates and services provided to retail customers as currently on file with the Commission and on the Company’s website, as they may be amended from time to time.

DS Variable Payments – The variable supplier payments in dollars based on the Company’s Hourly Price Service formula rate, as set forth in Appendix C hereto, associated with serving the DS Supplier Responsibility Share of the DS Supply.

Early Termination – Termination of this Agreement prior to the end of the term due to the occurrence of an Event of Default as specified in Article 5.2 of this Agreement and the declaration of Early Termination.

Early Termination Date – The date upon which an Early Termination becomes effective as specified in Article 5.2 of this Agreement.

Effective Date – The date designated on the cover page of this Agreement upon which the terms of this Agreement were agreed to by the Parties.

Electric Distribution Company or “EDC” – A public utility providing facilities for the transmission and distribution of electricity to retail customers in Pennsylvania.

Electric Generation Supplier or “EGS” – A person or entity that is duly certified by the Commission to offer and provide competitive electric supply to retail customers located in the Commonwealth of Pennsylvania.

Emergency – (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a condition that requires implementation of Emergency Operations Procedures as defined in the PJM Agreements or PJM manuals; or (iii) any other condition or situation that the Company or PJM deems imminently likely to endanger life or property or to affect or impair the Company’s electrical system or the electrical system(s) of other(s) to which the Company’s electrical system is directly or indirectly connected (a “Connected Entity”). Such a condition or situation may include, but shall not be limited to, potential overloading of the Company’s transmission and/or distribution circuits, PJM minimum generation (“light load”) conditions, or unusual operating conditions on either the Company’s or a Connected Entity’s electrical system, or conditions such that the Company is unable to accept Energy from the DS Supplier without jeopardizing the Company’s electrical system or a Connected Entity’s electrical system. Other additional emergencies can only be declared by PJM, FERC, or the PaPUC.

Energy – Three-phase, 60-cycle alternating current electric energy, expressed in units of kilowatt-hours or megawatt-hours.

Event of Default – A Party’s breach of obligations under this Agreement as set forth in Article 5 of this Agreement.

FERC – The Federal Energy Regulatory Commission.

Final Monthly Energy Allocation or “FMEA” – A quantity of Energy which, for any Billing Month, is the PMEA adjusted for any billing or metering data received subsequent to the calculation of PMEA of which PJM is notified within 60 days.

Fixed Price Transaction – A Transaction Confirmation that is not an Hourly Price Transaction.

Force Majeure – Means an event or circumstance which prevents one Party from performing its obligations under one or more transactions, including but not limited to, riots or revolutions, demands or embargoes of the United States Government, fire, flood, drought, insurrection, acts of God which are not within the reasonable control of, or the results of the negligence of the affected Party and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) the loss or failure of DS Supplier’s supply; (ii) DS Supplier’s ability to sell the DS Supply at a price greater than that received under any Transaction; (iii) curtailment by a utility transmitting DS Supply; (iv) the Company’s ability to purchase the DS Supply at a price

lower than paid under any Transaction; (v) any change in requirements of any governmental authority; or (vi) labor stoppage or lockout.

Forward Market Price – The price for On-peak Energy Forward Price and Off-peak Energy Forward Price as determined by averaging concurrent broker quotes obtained by the Company for the Market Price Hub as available.

Gains – With respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from an Early Termination of this Agreement, determined in a commercially reasonable manner.

Generator Attribute Tracking System or “GATS” – the system owned and operated by PJM Environmental Services, Inc. to provide reporting and tracking services to its subscribers in support of the AEPS Act, or any successor credit registry selected by the PaPUC. (As specified in Appendix E)

Guaranty – A guaranty, suretyship, hypothecation agreement, margins or security agreement or any other document in the form attached to this DS Supplier Master Agreement or other form approved by the Company.

Guarantor – Any party having the authority and agreeing to guarantee the DS Supplier’s financial obligations under this Agreement, recognizing that such party shall be obligated

to meet the Company's creditworthiness requirements specified in this Agreement for such DS Supplier.

Hourly Price Service – service provided to Large Commercial and Industrial Class pursuant to the Company's DS Tariffs, Rider No. 9.

Hourly Price Transaction – A Transaction Confirmation for Hourly Price Service, as shown on such confirmation.

Interest Index – The average Federal Funds Effective Rate for the period of time the funds are on deposit. The Federal Funds Effective Rate is published daily on the Federal Reserve website (<http://www.federalreserve.gov/releases/h15/update/>).

Kilowatt or "kW" – Unit of measurement of useful power equivalent to 1000 watts.

Kilowatt-hour or "kWh" – One kilowatt of electric power used over a period of one hour.

Large Commercial and Industrial Class – Group of Rate Schedules itemized in Appendix C that are eligible for Hourly Price Service DS Supply.

Load Serving Entity or "LSE" – An entity that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electricity to retail

customers located within the PJM Control Area as that term is defined in the PJM Agreements or in successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement. The DS Supplier, for purposes of this Agreement, is not a Load Serving Entity and nothing contained herein shall be deemed to cause the DS Supplier to be a Load Serving Entity.

Losses – With respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from an Early Termination of this Agreement, determined in a commercially reasonable manner.

Margin – The amount by which the Total Exposure Amount exceeds the DS Supplier’s, or Guarantor’s, credit limit as defined in Section 6.4.

Mark-to-Market (“MtM”) Exposure Amount – Shall have the meaning ascribed to it in Section 6.3 of this Agreement.

Market Price Hub – **AEP Dayton Hub**, a liquid pricing point located within PJM’s geographic footprint.

Maximum Credit Limit – The lesser of the applicable percentage of TNW or the applicable credit limit cap as specified in Section 6.4 of this Agreement.

Medium Commercial and Industrial Class – Group of Rate Schedules that comprise the Medium Commercial and Industrial Class for DS Supply and itemized in Appendix C.

Megawatt or MW – One thousand kilowatts.

Megawatt-hour or MWh – One megawatt of electric power used over a period of one hour.

Merger Event – When a DS Supplier consolidates or amalgamates with, or merges into or with, or transfers all or substantially all of its assets to another entity and either (i) the resulting entity fails to assume all of the obligations of such DS Supplier hereunder in the sole discretion of the Company or (ii) the benefits of any credit support provided pursuant to Article 6 of this Agreement fail to extend to the performance by such resulting, surviving or transferee entity of the DS Supplier's obligations hereunder, and the resulting entity or its guarantor fails to meet the creditworthiness requirements of this Agreement in the sole discretion of the Company.

Minimum Rating – A minimum senior unsecured debt rating as defined in Appendix A of this Agreement.

Minimum Transfer Amount – \$100,000.

NERC – The North American Electric Reliability Corporation or its successor.

Network Integration Transmission Service or “NITS” – “Network Integration Transmission Service” under the PJM Agreements in effect as of the date of this Agreement, or its successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement. In the event the PJM Agreements are modified such that “Network Integration Transmission Service” is no longer offered, Network Integration Transmission Service shall mean the type of transmission service offered under the PJM Agreements that is accorded the highest level of priority for scheduling and curtailment purposes.

Non-Defaulting Party – A Party to this Agreement who, at the time an Event of Default occurs, is not itself in default of this Agreement and has not otherwise caused or precipitated an Event of Default or Early Termination of this Agreement.

Off-Peak Energy Forward Price – Means the price for Off-Peak Hours for each billing month of the delivery period stated in terms of \$/MWh as based on the most recent publicly available information and/or quotes from Reference Market Makers on forward energy transactions occurring at the Market Price Hub. In the event that the Market Price Hub is no longer available or no longer representative of a transparent trading hub, the Parties will negotiate in good faith to agree upon an alternate liquid price.

On-Peak Energy Forward Price – Means the price for On-Peak Hours for each billing month of the delivery period stated in terms of \$/MWh as based on the most recent publicly available information and/or quotes from Reference Market Makers on forward energy transactions occurring at the Market Price Hub. In the event that the Market Price Hub is no longer representative of a transparent trading hub, the Parties will negotiate in good faith to agree upon an alternate liquid price.

PaPUC or Commission – The Pennsylvania Public Utility Commission or its successor.

PJM – PJM Interconnection L.L.C. or its successor.

PJM Agreements – The PJM OATT, PJM RAA, PJM OA and all other PJM agreements, procedures, manuals and documents applicable to the Transactions covered by or relating to this Agreement.

PJM Control Area – That certain Control Area encompassing electric systems in parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia, as may be modified from time to time, and which is recognized by the North American Electric Reliability Council as the "PJM Control Area".

PJM Member – A member in good standing of PJM that satisfies the requirements to conduct business with PJM.

PJM OA – The PJM Operating Agreement or the successor, superseding or amended version of the PJM Operating Agreement that may take effect from time to time.

PJM OATT – The PJM Open Access Transmission Tariff or the successor, superseding or amended version of the PJM Open Access Transmission Tariff that may take effect from time to time.

PJM OI – The PJM Office of Interconnection, the system operator for the PJM Control Area.

PJM RAA – The PJM Reliability Assurance Agreement or the successor, superseding or amended version of the PJM Reliability Assurance Agreement that may take effect from time to time.

PMEA/FMEA Adjustment Amount – For any Billing Month, the monetary amount due to the DS Supplier or the Company, as the case may be, in order to reconcile any difference between the PMEA used for the purpose of calculating estimated payments made to DS Supplier for a given month and the FMEA used for calculating the final payments due to the DS Supplier for such month as more fully described in Article 9 hereof.

Preliminary Monthly Energy Allocation or “PMEA” – A quantity of Energy which, for any Billing Month, is the preliminary calculation of the DS Supplier’s DS Supplier Responsibility Share.

Rate Schedule(s) – Shall mean the specified existing, and modified or successor customer rate schedule(s) in the electric service tariff of the Company filed with the Commission.

Reliability First Corporation or “RFC” – The approved regional NERC entity with responsibility for the Commonwealth of Pennsylvania.

Residential Class – Group of Rate Schedules that comprise the Residential Class for the DS Supply and itemized in Appendix C

Rounding Amount – \$100,000.

Settlement Amount – With respect to a Non-Defaulting Party, the net amount of the Losses or Gains, and Costs, expressed in U.S. Dollars, which such Party incurs as a result of Early Termination, as set forth in Section 5.4(a) of this Agreement. For the purposes of calculating the Termination Payment, the Settlement Amount shall be considered an amount due to the Non-Defaulting Party under this Agreement if the total of the Losses and Costs exceeds the Gains and shall be considered an amount due to the Defaulting Party under this Agreement if the Gains exceed the total of the Losses and Costs.

Small Commercial and Industrial Class – Group of Rate Schedules that comprise the Small Commercial and Industrial Class for DS Supply and itemized in Appendix C.

Statement – A monthly report prepared by the Company for the DS Supplier indicating the amount due to the DS Supplier by the Company as compensation for DS Supply supplied to DS Customers by the DS Supplier during the current Billing Month, in accordance with DS Supplier’s obligations under this Agreement.

Supply Day – Any calendar day during the term of this Agreement on which the DS Supplier is providing, or is obligated by this Agreement to provide, DS Supply to the Company’s DS Customers.

Tangible Net Worth or “TNW” – Total assets less intangible assets and total liabilities. Intangible assets include benefits such as goodwill, patents, copyrights and trademarks.

Termination Payment – A payment resulting from an Early Termination that is calculated in accordance with Article 5.4.

Tier I AEC – Shall mean an AEC generated by a non-solar photovoltaic energy source that will satisfy the non-solar Tier I requirements of the AEPS Act applicable to the Company. (As specified in Appendix E)

Tier I (Solar) AEC – Shall mean an AEC generated by a solar photovoltaic energy source that will satisfy the Tier I solar photovoltaic requirements of the AEPS Act applicable to the Company. (As specified in Appendix E)

Tier II AEC – Shall mean an AEC generated by a non-solar photovoltaic energy source that will satisfy the non-solar Tier II requirements of the AEPS Act applicable to the Company. (As specified in Appendix E)

Total Exposure Amount – An amount calculated daily for the DS Supplier reflecting the total credit exposure to the Company and consisting of the sum of (i) the Mark-to-Market Exposure Amount arising under this Agreement; (ii) any amount(s) designated as the “Mark-to-Market Exposure Amount” arising under any other DS Supply agreements providing for “DS Supply” or similar default service; and (iii) the amount designated as the “credit exposure” under any other DS Supply agreements providing for DS Supply or similar default service; provided that in the event the amount calculated for any day is a negative number, it shall be deemed to be zero for such day.

Tranche – A fixed percentage share of the Company’s DS Load for the Customer Group as indicated in any given Transaction Confirmation, as specified in Appendix C.

Transaction – Means a particular agreement by which the Company purchases and the DS Supplier sells DS Supply pursuant to this Agreement, the details of which are more fully set forth in Exhibit 1 – Transaction Confirmation.

Transaction Confirmation – Shall have the meaning ascribed to it in Appendix C and Exhibit 1 of this Agreement.

ARTICLE 2: GENERAL TERMS AND CONDITIONS

2.1 Capacity in Which Company Is Entering into this Agreement

The DS Supplier agrees and acknowledges that the Company is contracting for the provision of DS Supply from such DS Supplier for Customers receiving Default Service on the Company's electric system pursuant to the authorizations provided to the Company. The DS Supplier further agrees and acknowledges that the Company will administer and monitor the DS Supplier's performance in providing DS Supply under this Agreement and that the Company shall be entitled to enforce the DS Supplier's obligations related to the provision of DS Supply. The DS Supplier hereby permanently, expressly and irrevocably waives any claim that Company is not entitled to seek enforcement of this Agreement on behalf of Customers. It is the specific intention of the Parties hereto that Customers and Customer groups are not third party beneficiaries of this Agreement and that no Customer or Customer group shall seek enforcement of this Agreement against the DS Supplier on their own behalf, either independently or by joining in any legal proceeding brought by the Company.

The Parties acknowledge that the Agreement is a forward contract and, accordingly, the Parties hereto are entitled to the protections of Section 556 of the Bankruptcy Code. The Parties therefore agree that the Agreement may be terminated by either Party upon the commencement of a proceeding by the other Party under any chapter of the Bankruptcy Code in accordance with Article 5.2 of this Agreement.

2.2 Parties' Obligations

(a) Obligations of DS Supplier

The DS Supplier hereby agrees as follows:

- (i) To provide service on a firm and continuous basis such that the supply delivered for the term of the Agreement meets the terms and conditions set forth in Appendix C;
- (ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times and supplied to the Delivery Point to meet the DS Supplier Responsibility Share;
- (iii) To procure those services provided by the PJM OI and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder;
- (iv) To cooperate with the Company in any regulatory compliance efforts that may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of DS Supply, before the PaPUC, FERC or any other regulatory body asserting jurisdiction;
- (v) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, as more fully described in Article 9 of this Agreement;
- (vi) To accept assignment of and to fulfill all obligations of a LSE that are assigned to it by this Agreement;
- (vii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and
- (viii) To comply with the AEPS requirements of the Company's Default Service Plan, as detailed in Appendix E.

(b) Obligations of the Company

The Company hereby agrees as follows:

- (i) To pay to each DS Supplier every month an amount due, resulting from the calculations, as detailed in Article 9 of this Agreement, subject to the adjustments as expressed therein;
- (ii) To pay to the DS Supplier the PMEA/FMEA Adjustment Amount for any Billing Month in which the FMEA exceeds the PMEA, as more fully described in Article 9 of this Agreement;
- (iii) To provide to the DS Supplier its estimated aggregate load obligation (capacity MW value) for each Supply Day no less than five (5) calendar days prior to the day of delivery. Further, this information will be posted in the DS Supplier's specific PJM eMTR account, or successor system or process;
- (iv) To comply in a timely manner with all obligations under this Agreement imposed upon the Company;
- (v) To accept the delivery of DS Supply necessary to meet the DS Load;
- (vi) To be responsible (as between the Company and the DS Supplier) for the provision of the Allocated AECs to satisfy AEPS requirements; and
- (vii) To be the Load Serving Entity for supply purchased under this Agreement.

2.3 Congestion and Congestion Management

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to Auction Revenue Rights (ARRs) to which the Company is

entitled as an LSE pursuant to the PJM Agreements, including the rights to ARRs, provided that such rights are related to the service being provided to meet the DS Supplier Responsibility Share and such rights are for the Delivery Period. All rights, liabilities and obligations associated with such ARRs will accrue and be assumed by the DS Supplier through the transfer or assignment from the Company to the DS Supplier including the responsibility and ability of the DS Supplier to request or nominate such ARRs when applicable and feasible. Should the conditions above not be met, the entity recognized by PJM as having the right to make the nominations will nominate such ARRs for the upcoming PJM planning period and such ARRs will be allocated to the DS Supplier in accordance with the PJM Agreements based upon its DS Supplier Responsibility Share.

2.4 PJM Services

The DS Supplier shall make all necessary arrangements for the delivery of DS Supply through the PJM OI. The Company will advise the PJM OI of the magnitude and location of each DS Supplier's actual DS Supplier Responsibility Share, as required by the PJM OI, for the purpose of calculating such DS Supplier's appropriate DS Supply requirements related to the provision of service under this Agreement by DS Supplier arising under the PJM Agreements. The DS Supplier shall remain responsible to PJM for the performance of its LSE obligations associated with the provision of DS Supply under this Agreement until the effective date of the transfer of such LSE obligations.

The Company shall generate and provide via a Task Letter Attachment to DS Supplier the PJM shortname(s) associated with supplier's unique contract type(s), as necessary. Unique shortname(s) may be generated for each differing contract type. DS

Supplier shall complete all required forms and processing to PJM to create shortname(s) within the PJM system.

For the period of time this Agreement is in effect, both the Company and DS Supplier shall have executed the PJM Declaration of Authority, and shall remain in effect during the Term of this Agreement. In the event PJM requires that the Declaration of Authority be amended after execution by the DS Supplier, DS Supplier agrees to execute a revised Declaration of Authority in accordance with PJM requirements.

2.5 PJM Agreement Modifications

(a) If the PJM Agreements are amended or modified so that any schedule or section reference herein to such agreements is changed, such schedule or section reference herein shall be deemed to automatically (and without any further action by the Parties) refer to the new or successive schedule or section in the PJM Agreements which replaces that originally referred to in this Agreement.

(b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement, including the DS Supplier's responsibility for changes in PJM products and pricing during the Term. DS Supplier bears the risk and responsibility of all charges resulting from any changes in PJM products and pricing during the term of this Agreement with the exception of (i) future PJM charges related solely to the Company providing network transmission service, and (ii) those charges identified as EDC responsibility in Appendix D, including for transition costs related to the elimination of through-and-out

transmission rates.

2.6 PJM Member Default Cost Allocation

In the event PJM imposes a Default Allocation Assessment upon the Company relating to a default during the Term, the Company shall invoice DS Supplier, and DS Supplier shall pay an amount equal to the product of (i) DS Supplier Responsibility Share, and (ii) the Default Allocation Assessment, less the amounts of any types of charges allocated to the Company under this Agreement that are used by PJM in calculating such Default Allocation Assessment.

2.7 Other Fines and Penalties

If fees, fines, penalties, or costs are claimed or assessed against the Company by any Applicable Legal Authority or PJM due to noncompliance by the DS Supplier with this Agreement, any other requirements of law, or the PJM Agreements, the DS Supplier shall indemnify and hold the Company harmless against any and all losses, liabilities, damages, and claims suffered or incurred by the Company, including claims for indemnity or contribution made by third parties against the Company, except to the extent the Company recovers any such losses, liabilities or damages through other provisions of this Agreement.

2.8 Communications and Data Exchange

The DS Supplier and the Company shall supply to each other in a thorough and timely manner all data, materials or other information that is specified in this Agreement, or that may otherwise reasonably be required by DS Supplier or by the Company in connection with the provision of DS Supply by the DS Supplier to DS Customers, if required.

The DS Supplier shall be equipped with the communications capabilities necessary to comply with the communications and data exchange standards that are set by and as may, from time to time, be modified by PJM, and shall exclusively bear the costs of installing, maintaining, testing, and operating all required information technology systems that will enable it to send to and receive data from the Company and PJM and to satisfy its obligations under this Agreement, the PJM Agreements and all other relevant agreements.

2.9 Record Retention

The Company shall retain necessary records for the longer of two years or as required under applicable PaPUC requirements so as to permit DS Supplier to confirm the validity of payments due to DS Supplier hereunder; provided that if a DS Supplier has provided notice pursuant to this Agreement that it disputes the validity of any payments, the Company agrees that it shall retain all records related to such dispute until the dispute is finally resolved.

2.10 Verification

In the event of a good faith dispute regarding any invoice issued or payment due under this Agreement, and provided that a mutually acceptable confidentiality agreement is executed by the Parties, each Party will have the right to verify, at its sole expense, the accuracy of the invoice or the calculation of the payment due by obtaining copies of relevant portions of the books and records of the other Party.

ARTICLE 3: REPRESENTATIONS AND WARRANTIES

3.1 DS Supplier's Representations and Warranties

The DS Supplier hereby represents, warrants and covenants to the Company on the Effective Date and throughout the term of this Agreement as follows:

(a) It is a corporation, partnership, limited liability company or other legal entity, duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania or, if another jurisdiction, under the laws of such jurisdiction and, in such case, is duly registered and authorized to do business in such other jurisdiction;

(b) It has all requisite power and authority to execute and deliver this Agreement and to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder, including satisfaction of all applicable FERC requirements;

(c) The execution and delivery of this Agreement and the performance of such DS Supplier's obligations hereunder have been duly authorized by all necessary action on the part of the DS Supplier and do not and will not conflict with, or constitute a breach of or default under, any of the terms, conditions, or provisions of the DS Supplier's certificate of incorporation or bylaws or other constituent instruments or any indenture, mortgage, other evidence of indebtedness, or other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the DS Supplier is a party or by which the DS Supplier or any of its properties is bound or subject;

(d) All necessary and appropriate action that is required on the DS Supplier's

part to execute this Agreement has been completed;

(e) This Agreement is the legal, valid and binding obligation of the DS Supplier, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights in general or by general principles of equity;

(f) There are no actions at law, suits in equity, proceedings or claims pending or, to the DS Supplier's knowledge, threatened against the DS Supplier before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the DS Supplier's performance of its obligations hereunder;

(g) It has entered into this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;

(h) It is in good standing as an LSE in PJM, is a signatory to all applicable PJM Agreements, and is in compliance with, and will continue to comply with, all obligations, rules and regulations, as established and interpreted by the PJM OI, that are applicable to LSEs as defined by the PJM Agreements; provided that the DS Supplier shall not be obligated to become an LSE in PJM until the date it begins providing DS Supply;

(i) It has made its trading and investment decisions (including regarding the suitability thereof) based upon its own judgment and any advice from such advisors as it has deemed necessary and not in reliance upon any view expressed by the Company;

(j) It will comply with any and all information and data transfer protocols that may be adopted by the Company or that are set by, and from time to time modified by,

the PaPUC; provided that DS Supplier shall be entitled to exercise its reserved right to challenge any such protocols in the appropriate forum;

(k) It is not Bankrupt or insolvent and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming Bankrupt or insolvent;

(l) There are no pending or, to its knowledge, threatened, actions, suits or proceedings against it or any of its Affiliates, or any legal proceedings before any Governmental Authority, that could materially adversely affect its ability to perform its obligations under this Agreement;

(m) No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;

(n) It is not relying upon the advice or recommendations of the other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement, and the other Party is not acting as a fiduciary for or advisor to it in respect of this Agreement; and

(o) It has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of DS Supply as required by this Agreement, and it is an “eligible contract participant” as defined in Section 1a(12) of the Commodity Exchange Act.

3.2 Company’s Representations and Warranties

The Company hereby represents, warrants and covenants to the DS Supplier as follows:

(a) The Company is an electric utility corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania;

(b) The Company has all requisite power and authority to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder;

(c) The execution and delivery of this Agreement and the performance of the Company's obligations hereunder have been duly authorized by all necessary action on the part of the Company and do not and will not conflict with, constitute a breach of or default under, any of the terms, conditions, or provisions of the Company's certificate of incorporation or bylaws or any indenture, mortgage, other evidence of indebtedness, or other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Company is a party or by which the Company or any of its properties is bound or subject;

(d) All necessary and appropriate action that is required on the Company's part to execute this Agreement has been completed;

(e) This Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights in general or by general principles of equity and the Commission's power under section 508 of the Public Utility Code, 66 Pa.C.S. § 508, to amend or modify the contracts of public utilities;

(f) The ability of the Company to pay any and all amounts due and payable under this Agreement, or upon any potential breach thereof, is not conditioned upon any

governmental or administrative appropriation by the Commission, the Commonwealth of Pennsylvania or any other governmental authority;

(g) There are no actions at law, suits in equity, proceedings or claims pending or, to the Company's knowledge, threatened against the Company before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the Company's performance of its obligations under this Agreement;

(h) It has entered into this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;

(i) The Company's performance under this Agreement is not contingent upon the performance of Customers or the ability of Customers to pay rates;

(j) The Company shall have sole responsibility for metering and billing with respect to Customers; and

(k) The Company shall be responsible for electric distribution services, and the DS Supplier shall not be responsible for distribution charges.

3.3 Survival of Obligations

All representations and warranties contained in this Article are of a continuing nature and shall be maintained during the term of this Agreement or until all amounts due hereunder, including all obligations, have been paid or performed in full. If a Party learns that any of the representations, warranties or covenants in this Agreement are no longer true during the term of this Agreement, the Party shall immediately notify the other Party via facsimile, with a hard copy of the notice delivered by overnight mail. Company, may, in its sole discretion, treat any such materially incorrect or misleading representation or

warranty as an Event of Default hereunder.

ARTICLE 4: COMMENCEMENT AND TERMINATION OF AGREEMENT

4.1 Commencement and Termination

The term of this Agreement shall commence upon the Effective Date. Unless otherwise agreed upon by the Company and the DS Supplier, this Agreement shall continue in full force and effect from the Effective Date until the end of all Transaction(s) executed under this Agreement, unless the Agreement is terminated prematurely pursuant to the provisions of this Agreement.

4.2 Termination of Right to Supply

The DS Supplier agrees that termination of this Agreement for reason of an Event of Default shall terminate any right of the DS Supplier to provide DS Supply to the DS Customers and nullify any of the entitlements to which the DS Supplier became entitled as a result of being selected as a winning bidder in the DS Solicitation.

4.3 Survival of Obligations

Termination of this Agreement for any reason shall not relieve the Company or the DS Supplier of any obligation accrued or accruing prior to such termination. Applicable provisions of this Agreement shall continue in effect after termination to the extent necessary to provide for final billings.

4.4 Mutual Termination

The Company and the DS Supplier may agree at any time during the term of this Agreement to terminate their respective rights and obligations hereunder on such terms and under such conditions that they mutually deem to be appropriate as set forth in a

mutual termination agreement acceptable in form and substance to the Company and the DS Supplier (“Mutual Termination Agreement”); provided that Company agrees that it shall enter into such a Mutual Termination Agreement, which will discharge the terminating DS Supplier (the “Terminating DS Supplier”) with respect to liabilities arising after the effective date of the Mutual Termination Agreement if the following conditions precedent are met: (i) the Terminating DS Supplier identifies a replacement DS Supplier willing to assume all obligations of the Terminating DS Supplier hereunder for the remaining term of this Agreement (the “Replacement DS Supplier”); (ii) the Replacement DS Supplier demonstrates its compliance with Article 6 of this Agreement, “Creditworthiness,” as of the effective date of the Mutual Termination Agreement, that determination to be made in the sole discretion of Company; (iii) the Replacement DS Supplier executes a counterpart signature page to this Agreement and thereby becomes a Party under this Agreement, effective immediately following the effective date of the Mutual Termination Agreement; and (iv) the Terminating DS Supplier is not, to the belief or knowledge of the Company, subject to an Event of Default as of the effective date of the Mutual Termination Agreement or, if the Company believes that the Terminating DS Supplier may be subject to an Event of Default, either (a) the Company has determined that, as of the effective date of the Mutual Termination Agreement, it has not incurred any Damages as a result of the Event of Default or (b) if the Company has determined, as of the effective date of the Mutual Termination Agreement, that it may have incurred Damages as a result of the Event of Default, that the Replacement DS Supplier has agreed in writing to be responsible for the payment of such Damages or to otherwise cure

the Event of Default, in either case to the satisfaction of the Company in its sole discretion.

ARTICLE 5: BREACH AND DEFAULT

5.1 Events of Default

An Event of Default under this Agreement shall occur if a Party (the “Defaulting Party”):

- (i) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;
- (ii) Makes an assignment for the benefit of its creditors;
- (iii) Applies for, seeks consent to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets;
- (iv) Is dissolved (other than pursuant to a consolidation, amalgamation or merger) or is the subject of a Merger Event in the case of the DS Supplier;
- (v) Has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets;
- (vi) Has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vii) In the case of a DS Supplier, PJM terminates the DS Supplier’s ability to make purchases from PJM markets or PJM holds the Company responsible for the provision of DS Supply under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;
- (viii) Fails to comply with the creditworthiness requirements as set forth in

Article 6 of this Agreement, including, without limitation, compliance with the creditworthiness requirements to cover the Margin calculated under Section 6.5 or post any Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;

(ix) Is declared by PJM to be in default of any provision of any PJM Agreement, which default prevents a Party's performance hereunder if such failure is not remedied within three (3) Business Days after written notice;

(x) Fails to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within two (2) Business Days after written notice;

(xi) Violates any federal, state or local code, regulation or statute applicable to the supply of Energy and/or AECs in a manner that materially, and adversely, affects the Party's performance under this Agreement, including by way of failure to continually satisfy all applicable FERC requirements, or, in the case of the DS Supplier, by way of failure to maintain any other governmental approvals required for participation in the Pennsylvania retail Energy market, or defaults on any obligation or other failure to comply with PJM requirements under the PJM Agreements;

(xii) Is the subject of an involuntary bankruptcy or similar proceeding;

(xiii) Subject to Section 5.3(b) of this Agreement, in the case of the Company, fails to accept DS Supply properly tendered by the DS Supplier under this Agreement;

(xiv) Fails to perform any material covenant or obligation set forth in this Agreement, if such failure is not remedied within three (3) Business Days after written notice;

(xv) Makes a materially incorrect or misleading representation or warranty under this Agreement or under any response to the DS Solicitation; or

(xvi) Commits an act or makes an omission that constitutes an “Event of Default” under any other agreement(s) for the provision of DS Supply between the Company and the DS Supplier; and fails to remedy such condition, event or delinquency herein above described such that the other Party (the “Non-Defaulting Party”) is completely made whole with respect to such condition, event or delinquency, within three (3) Business Days of receipt of written notice thereof from such Non-Defaulting Party; provided, however, that an Event of Default shall be deemed to have occurred immediately, without any need for the provision of notice thereof by the Non-Defaulting Party and without any right of cure on the part of the Defaulting Party, in the event of the occurrence of a condition, event or delinquency described in subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) above. Termination or modification of this Agreement by the PaPUC, other regulatory authority or court of law does not constitute an Event of Default under this Agreement.

(xvii) With respect to the DS Supplier’s Guarantor, if any:

1. Representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
2. Guarantor fails to make, when due, any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such

failure shall not be remedied within two (2) Business Days after written notice;

3. Guarantor's guaranty fails to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement without the written consent of the other Party; or
4. Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty.

5.2 Rights upon Default

Upon and during the continuation of an Event of Default, the Non-Defaulting Party shall have the right to suspend performance, provided that such suspension shall not continue for longer than ten (10) Business Days. At any time during or subsequent to the temporary suspension of performance, the Non-Defaulting Party may proceed with the steps outlined in Article 5.7. In addition to any other remedies available at law or in equity to the Non-Defaulting Party, if an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right to implement all of the following remedies:

- (i) Declare an Early Termination Date of this Agreement with respect to the obligations of the Defaulting Party without any liability or responsibility whatsoever except for obligations arising prior to the date of termination, by providing written notice to the Defaulting Party; provided, however, that this Agreement shall immediately terminate automatically and without notice in the case of any Event of Default in which a

DS Supplier is the Defaulting Party occurring under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) of Article 5.1 of this Agreement and such date of automatic termination shall be deemed the Early Termination Date of this Agreement with respect to such Supplier; and

- (ii) Receive Damages in accordance with Section 5.3 of this Agreement.

The Non-Defaulting Party shall be entitled to elect or pursue one or more of the above remedies.

5.3 Damages Resulting from an Event of Default

(a) DS Supplier's Failure to Supply DS Supply or Declaration of Early Termination By Company: Damages resulting from (i) the DS Supplier's failure to (A) provide DS Supply in conformance with Article 2.2 hereof or (B) pay PJM for purchases of any products or services from PJM, or other failure to comply with PJM requirements, such that PJM holds the Company responsible for the provision of DS Supply to meet the DS Supplier's DS Supplier Responsibility Share under this Agreement or (ii) the occurrence of any Event of Default attributable to the DS Supplier resulting in Early Termination, shall include all Costs incurred by the Company, acting in a commercially reasonable manner consistent with any statutory or regulatory requirements imposed by the Applicable Legal Authorities, in obtaining replacement services or in obtaining a replacement supplier, which Costs exceed the amounts that would have been payable to the defaulting DS Supplier under this Agreement. Costs incurred by the Company for the purpose of calculating Damages hereunder will consist of:

- (i) The cost of DS Supply allocated to the Company by the PJM OI due to the failure of the DS Supplier to meet obligations owing to the PJM OI in connection with its

obligations under this Agreement;

(ii) The costs of DS Supply purchased by the Company to replace DS Supply that a DS Supplier was obligated to supply under this Agreement during the term hereof;

(b) Administrative and legal costs associated with procuring replacement DS Supply; and

(iv) Financial hedging costs incurred by the Company on behalf of DS Customers as a result of having to procure DS Supply not provided by the DS Supplier.

The Parties further recognize and agree that the final calculation of Damages hereunder may not be known for some time since the level of such Damages may be dependent upon the arrangements made by the Company to obtain replacement services or a replacement DS Supplier. The Company and the DS Supplier agree that, until the calculation of Damages under this provision is completed, the amount and payment to the Company of the Settlement Amount on behalf of DS Customers in the event of an Early Termination as set forth in Article 5.4 of this Agreement shall be immediately due and owing as an estimate of all Damages ultimately determined to be due and owing. After Damages have been finally determined under this Article 5.3, the amounts of Damages due and owing will be reconciled with payments already made by the DS Supplier under Section 5.4 of this Agreement.

(b) Failure by Company on Behalf of Customers to Accept DS Supply Tendered by DS Supplier: Damages resulting from the failure of the Company on behalf of Customers to accept DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to

the DS Supplier hereunder had the Company accepted the DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement and (ii) the amount realized by the DS Supplier in disposing, in a commercially reasonable manner, of the DS Supply not accepted by the Company; provided, however, that the Company shall not be liable for any Damages if this Agreement is terminated by the PaPUC, other regulatory authority or a court of law.

(c) Damages Resulting from Early Termination Due to an Event of Default Attributable to the Company: Damages resulting from Early Termination due to an Event of Default attributable to the Company shall be as set forth in Section 5.4 of this Agreement. Damages calculated in accordance with said Article 5.4 shall be the exclusive remedy available to the DS Supplier in the event of Early Termination resulting from an Event of Default attributable to the Company.

(d) Damages Resulting from DS Supplier's Failure to Continuously Satisfy its AEPS Obligations: Damages resulting from the DS Supplier's failure to continuously meet and satisfy all or any portion of its obligations under Section 2.2 (a)(viii) of this Agreement shall include, but not be limited to, the amount of all penalties, costs associated with the procurement of additional AECs, etc., including, without limitation, interest and other charges, if any, levied against the Company related to AEPS regulations, due to such DS Supplier's conduct or inaction. DS Supplier has a specific obligation to provide the AECs and not money damages in substitution. Therefore, any such attempt to supply money damages instead of AECs may be treated as an event of default in the sole discretion of Company.

(e) Other Damages: Damages for Events of Default not specified above

shall consist of the direct Damages incurred by the Non-Defaulting Party.

(f) Waiver of Event of Default: If an Event of Default has occurred and the Non-Defaulting Party is the Company, then unless the Event of Default was a failure by the DS Supplier to meet any or all of its DS Supply obligations, the Company may elect, at its sole discretion, to offer to waive the default on such terms and conditions as the Company, at its sole discretion, may deem appropriate to propose a special remedy. Any such special remedy can only be offered to the DS Supplier if it first is specifically approved by the PaPUC in accordance with Commission Orders.

5.4 Declaration of an Early Termination Date and Calculation of Settlement Amount and Termination Payment

(a) Settlement Amount

If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the Non-Defaulting Party shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than twenty (20) days after such notice is effective, as a date for Early Termination (“Early Termination Date”) to accelerate all amounts owing between the Parties and to liquidate and terminate the undertakings set forth in this Agreement, (ii) to withhold any payments due to the Defaulting Party under this Agreement, and (iii) to suspend performance; provided, however, that an Early Termination Date shall be deemed to occur automatically and concurrently with the Event of Default, without any requirement for the provision of notice by the Non-Defaulting Party, with respect to an Event of Default under subsections (i), (ii), (iii), (iv), (v), (vi), (vii), and (viii) of Article 5.1 of this Agreement. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount with respect to the obligations under this Agreement.

“ The DS Supplier may, in its sole discretion, add the following subsection 5.4(a)(i) by checking this box. If DS Supplier does not check this box, subsection 5.4(a)(i) will be deemed to be excluded from this Agreement.”

(i) For the purposes of such determination, the DS Supply provided for under this Agreement for the period following the Early Termination Date through the remainder of the term of this Agreement shall be deemed to be those quantity amounts that would have been delivered on an hourly basis, had this Agreement been in effect during the previous calendar year adjusted for such DS Load changes as may have occurred since the previous calendar year.

(b) Net Out of Settlement Amounts

The Non-Defaulting Party shall calculate a Termination Payment by aggregating all Settlement Amounts due under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply into a single amount by netting out (a) all Settlement Amounts that are due or will become due to the Defaulting Party, plus at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party and actually received, liquidated and retained by the Non-Defaulting Party, plus any or all other amounts due to the Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply against (b) all Settlement Amounts that are due or will become due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply, so that all such amounts shall be netted out to a single liquidated amount; provided, however, that if the DS Supplier is the Defaulting Party and the Termination Payment is due to the DS Supplier,

the Company shall be entitled to retain a commercially reasonable portion of the Termination Payment, which may be equal to the entire amount of the Termination Payment, as security for additional amounts that may be determined to be due and owing by the DS Supplier as Damages and further provided that any previously attached security interest of the Company in such retained amounts shall continue. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate. If the Termination Payment has been retained by the Company as security for additional amounts that may be determined to be due and owing by the DS Supplier, and if, upon making a final determination of Damages, the Termination Payment, or any portion thereof, is to be made to the DS Supplier, the Company will pay simple interest on the Termination Payment amount being made to the DS Supplier. Simple interest will be calculated at the lower of the Interest Index or six (6) percent per annum.

(c) Notice of Termination Payment

As soon as practicable after calculation of a Termination Payment, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Subject to Article 5.4(b) above, the Termination Payment shall be made by the Party that owes it within three (3) Business Days after such notice is effective.

(d) Disputes With Respect to Termination Payment

If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within three (3)

Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party as specified in the Termination Payment Dispute Notice.

(e) Multiple DS Supply Agreements

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the Effective Date of this Agreement or are entered into after the Effective Date of this Agreement, the Company will calculate a single Termination Payment applicable to all such agreements as set forth herein.

5.5 Step-up Provision

The Company may ask other DS Suppliers whether they wish to assume all or part of the delivery obligations on the same terms and price contained herein, but any DS Supplier shall not be obligated to assume any such step-up requests. Any agreement to make additional supply available shall be termed a "Step-Up," and is subject to compliance with the creditworthiness provisions of Article 6 of this Agreement and the DS Supplier's load cap as per the Company's approved default service procurement plan. For the avoidance of doubt, in the event that the DS Supplier does not respond to the Company's Step-Up request within the relevant timeframe, then the DS Supplier shall be deemed to have rejected the Company's request in full.

5.6 Setoff of Payment Obligations of the Non-Defaulting Party

Any payment obligations of the Non-Defaulting Party to the Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply shall be set off: (i) first, to satisfy any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply that are unsecured and not subject to any Guaranty; (ii) second, to satisfy any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply that are unsecured, but which are subject to a Guaranty; and (iii) third, to satisfy any remaining payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply.

5.7 Preservation of Rights of Non-Defaulting Party

The rights of the Non-Defaulting Party under this Agreement, including without limitation Article 5.4 and 5.7 of this Agreement, shall be supplemental to, and not in lieu of, any right of recoupment, lien, or set-off afforded by applicable law, and all such rights are expressly preserved for the benefit of the Non-Defaulting Party.

- (a) Duty to Mitigate. Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's failure to perform pursuant to this Agreement.

- (b) Return of Auction Revenue Rights. When the DS Supplier is the Defaulting Party, the DS Supplier will make best efforts to facilitate the transfer or reassignment to the entity which is the replacement DS Supplier on the Early Termination Date, any and all of the replacement DS Supplier's rights to Auction Revenue Rights (ARRs) to which the replacement DS Supplier is entitled as a LSE pursuant to the PJM Agreements, which were transferred or assigned to the DS Supplier under Section 2.3 (Congestion and Congestion Management).

ARTICLE 6: CREDITWORTHINESS

6.1 Applicability

The DS Supplier agrees that it shall meet the creditworthiness requirements of this Article 6 at all times during the term of this Agreement and shall inform the Company immediately of any changes in its credit rating or financial condition. Without limitation of the foregoing, the DS Supplier shall, upon written request, affirmatively demonstrate to the Company, its compliance with the creditworthiness requirements set forth hereunder. The Company may establish less restrictive creditworthiness requirements under this Article 6 in a non-discriminatory manner.

6.2 Creditworthiness Determination

The DS Supplier may submit and maintain a security deposit in accordance with Section 6.4 of this Agreement in lieu of submitting to or being qualified under a creditworthiness evaluation. The DS Supplier shall have the opportunity to request that the Company re-evaluate its creditworthiness whenever an event occurs that the DS Supplier believes would improve the determination made by the Company of its

creditworthiness. The Company's credit re-evaluation must be completed as soon as possible but no longer than thirty (30) days after receiving a fully documented request. The Company must provide the rationale for its determination of the credit limit and any resulting security requirement. The Company must perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. DS Supplier shall provide the Company and its agent's unrestricted access to audited financial statements; provided that if audited financial statements are not available, the Company, in its sole discretion, may specify other types of financial statements that will be accepted.

6.3 Mark-to-Market Credit Exposure Methodology

To calculate the daily exposure for each DS Supplier, the MtM credit exposure methodology will be used. The "mark" for each Billing Month will be determined at the time the auction is completed based on the available Forward Market Prices and for the remaining Billing Months, it will be derived based on historical data. At the time the auction is completed, the MtM credit exposure for each DS Supplier shall be equal to zero. Subsequently, the differences between the available Forward Market Prices on the valuation date and the "mark" prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DS Supplier. The total MtM credit exposure will be equal to 1.1 times the sum of the MtM credit exposures for each Billing Month. The methodology for calculation of the MtM credit exposure is illustrated in the example (using hypothetical numbers) set forth in Appendix B hereto.

6.4 Credit Limit

The following criteria constitute the Company's creditworthiness requirements for the DS Supplier, to cover the Total Exposure Amount. In all instances, the most current

senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating) will be used.

(i) For a DS Supplier to be granted an unsecured line of credit, the DS Supplier must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch. The methodology for determining the credit rating to use is set forth in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount will be determined based on the credit matrix table in Appendix A of this Agreement.

The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7 (b) of this Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement;

(ii) For a DS Supplier having a Guarantor, in the case of a Guarantor organized under the laws of the United States, the Guarantor (1) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the rating will be established based on the methodology outlined in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount that could be provided through the Guaranty (see standard format in Exhibit 5) will be determined based on the credit matrix table for Guarantors in Appendix A. The DS Supplier will be granted a credit limit equal to the lesser of (i) the amount of the Guaranty as provided to the Company at the time this Agreement is executed as such amount may be modified in any amended or substitute Guaranty provided to the Company during the term of this Agreement, or (ii) the Supplier's Maximum Credit

Limit. The DS Supplier, however, may not increase or substitute its Guaranty for the purpose of increasing its applicable credit limit during the time period after the Company has made a Margin call but before the DS Supplier has posted the required Margin. Notwithstanding anything herein to the contrary, the DS Supplier may increase the limit of its Guaranty after satisfying a Margin call from the Company and upon the Company's receipt of an amended or substitute Guaranty increasing the limit of the Guaranty, the DS Supplier may request a return of Margin in accordance with Section 6.5 of this Agreement. The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7(b) of this Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement; or

(iii) For a DS Supplier or Guarantor that has not been incorporated or otherwise formed under the laws of the United States and whose financial data is not denominated in United States currency and does not conform to generally accepted accounting principles ("GAAP") in the United States, they shall supply the following additional information:

- a. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the DS Supplier or Guarantor is incorporated or otherwise formed that this Agreement is, or upon completion of execution formalities will become, the binding obligation of the DS Supplier or Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- b. The sworn certificate of the corporate secretary (or similar officer)

of such DS Supplier or Guarantor that the person executing this Agreement on behalf of the DS Supplier has the authority to execute the Agreement and that the governing board of the DS Supplier or Guarantor has approved the execution of this Agreement;

- c. The sworn certificate of the corporate secretary (or similar officer) of such DS Supplier or Guarantor that the DS Supplier or Guarantor has been authorized by its governing board to enter into agreements of the same type as this Agreement; and
- d. Such other documents and certificates as may be required by the Company in its sole discretion.

(iv) The posting of cash or a letter of credit as defined in Section 6.7 (b) below for the entire Total Exposure Amount as set forth in Section 6.5 of this Agreement.

6.5 Posting Margin and Return of Surplus Margin

(a) If at any time and from time to time during the term of this Agreement the Total Exposure Amount, rounded by the Rounding amount, exceeds the DS Supplier's or the Guarantor's credit limit by the Minimum Transfer Amount (MTA), then the Company, on any Business Day, may request that the DS Supplier provide cash or a letter of credit in an acceptable form as defined in Article 6.7(b) of this Agreement (see standard format in Exhibit 4), in an amount equal to the Margin (less any Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply).

If the DS Supplier receives written notice for Margin from the Company by 1:00

p.m. New York time on a Business Day, then the DS Supplier shall post Margin the next following Business Day, if posting cash, and by the second Business Day following the date of notice, if posting a letter of credit, unless the Company agrees in writing to extend the period to provide Margin. If the DS Supplier receives notice for Margin from the Company after 1:00 p.m. New York time on a Business Day, whether posting cash or a letter of credit, then the DS Supplier must post Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide Margin. The Company will not unreasonably deny a request for a one-day extension of such period. In the event that the DS Supplier fails to post Margin when due in accordance with this Article 6.5, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the Company will be entitled to the remedies set forth in Article 5 of this Agreement.

(b) Surplus Margin being held by the Company that is not needed to satisfy the Total Exposure Amount, as determined above, will be returned to the DS Supplier upon receipt of a written request by the DS Supplier. Surplus Margin means cash or a letter of credit posted by the DS Supplier as a result of a request by the Company pursuant to Article 6.5(a) that exceeds the Total Exposure Amount less the DS Supplier's or the Guarantor's credit limit (rounded by the Rounding Amount). If the resulting Surplus Margin amount is more than the Minimum Transfer Amount, it will be returned to the DS Supplier. If the DS Supplier posted cash and notice is received by 1:00 p.m. New York time on a Business Day, the surplus Margin will be returned by the next following Business Day and if the DS Supplier posted cash and notice is received by the Company after 1:00 p.m. New York time on a Business Day, the surplus Margin shall be

returned by the second Business Day following the date of notice, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. If the DS Supplier posted a letter of credit, the surplus Margin shall be returned on the next Business Day following the Business Day on which the amendment to the letter of credit is received from the issuing bank, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. The DS Supplier will not unreasonably deny a request for a one-day extension of such period. In the event that the Company fails to return the surplus Margin when due in accordance with this Article, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the DS Supplier will be entitled to the remedies set forth in Article 5 of this Agreement.

6.6 Grant of Security Interest/Remedies

To secure its obligations under this Agreement and to the extent that the DS Supplier posted Margin/collateral hereunder, the DS Supplier hereby grants to the Company a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, the Company, and the DS Supplier and the Company agree to take such action as is reasonably required to perfect the secured Party's first priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Company may do any one or more of the following: (i) exercise any of the rights and remedies of the Company with

respect to all collateral, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the DS Supplier in the possession of the Company, whether held in connection with this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply; (iii) draw on any outstanding letter of credit issued for its benefit; and (iv) liquidate all security held by or for the benefit of the Company free from any claim or right of any nature whatsoever of the DS Supplier, including any equity or right of purchase or redemption by the DS Supplier. The Company shall apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce the DS Supplier's obligation under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply (the DS Supplier remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

All notices, demands or requests regarding credit requirements and credit related security or deposit transfers shall be in writing and shall be personally delivered or sent by overnight express mail, courier service or facsimile transmission (with the original transmitted by any of the other aforementioned delivery methods) addressed as follows:

If to a DS Supplier to:

Copy to:

If to the Company to: James H. Milligan, Assistant Treasurer

Duquesne Light Company

411 Seventh Avenue, Pittsburgh, PA 15219

Copy to: Joan Jenkins, Procurement Analyst
Duquesne Light Company
411 Seventh Avenue, Pittsburgh, PA 15219

Notice received after the close of the Business Day shall be deemed received on the next Business Day; provided that notice by facsimile transmission shall be deemed to have been received by the recipient if the recipient confirms receipt telephonically or in writing.

6.7 Security Instruments

At each DS Supplier's choice, the following are deemed to be acceptable methods for posting security, if required:

- (a) Cash; or
- (b) A standby irrevocable letter of credit acceptable to the Company, in its sole discretion, issued by a bank or other financial institution with a minimum "A-" senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from S&P and "A3" from Moody's (see standard format in Exhibit 4). The letter of credit shall state that it shall renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days prior written notice from the issuing financial institution. If the Company receives notice from the issuing financial institution that the letter of credit is being cancelled, the DS Supplier will be required to provide a substitute letter of credit from an alternative bank satisfying the minimum requirements. The receipt of the substitute letter of credit must be effective as of the cancellation date and delivered to the Company thirty (30) days before the cancellation date of the original letter of credit. If the DS Supplier fails to supply a substitute letter of

credit as required, then the Company will have the right to draw on the existing letter of credit and to hold the amount as Margin.

If the credit rating of a bank or other financial institution from which a DS Supplier has obtained a letter of credit falls below the levels specified in Article 6 of this Agreement, the DS Supplier shall have two (2) Business Days following written notice by the Company to obtain a suitable letter of credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by the Company. The Company shall have no obligation under this Agreement or otherwise to make or grant such extension.

6.8 Maintenance of Creditworthiness

(a) Reporting of Changes

The DS Supplier shall promptly notify the Company of any change in its credit rating or financial condition or that of its Guarantor. The DS Supplier or Guarantor shall also furnish evidence of an acceptable credit rating or financial condition upon the request of the Company.

(b) Change in Credit Standing

The Company will re-evaluate the creditworthiness of a DS Supplier whenever it becomes aware of an adverse change, through the provision of notice by the DS Supplier or otherwise, in the DS Supplier's or Guarantor's credit standing. If the lowest credit rating (whether senior unsecured debt rating or corporate issuer rating) used to determine the DS Supplier's Maximum Credit Limit or its credit limit adversely changes, the Company will require additional security from the DS Supplier in accordance with Sections 6.4 of this Agreement. The additional security must be in a form acceptable to

the Company in its sole discretion, as specified in Article 6.7 of this Agreement and must be posted as set forth in Section 6.5 of this Agreement.

6.9 Calling on Security

The Company may call upon the security posted by the DS Supplier if the DS Supplier fails to pay amounts due to the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply after all of the following events occur:

- (a) Written Notice of Default is provided to the DS Supplier; and
- (b) Any applicable cure period associated with the written Notice of Default ends.

The foregoing notwithstanding, the security posted by the DS Supplier shall become due automatically without prior notice or right of cure in the case of any Event of Default arising under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) of Section 5.1 of this Agreement.

6.10 Interest on Cash Held by Company

The Company will pay simple interest calculated at the lower of the Interest Index or six (6) percent per annum on all cash held by the Company pursuant to this Agreement. Each Billing Month, the Company will prepare a statement of interest amounts due to the DS Supplier. The statement will be sent to the DS Supplier within three (3) Business Days after the end of the Billing Month via overnight mail or other expeditious means. The Company shall make interest payments on the first Business Day after the 5th day of each calendar month.

6.11 No Endorsement of DS Supplier

The Company's determination that a DS Supplier is creditworthy pursuant to the process set forth above, shall not be deemed to constitute an express or implied warranty or guarantee of any kind with respect to the financial or operational qualifications of the DS Supplier. The Company will treat all DS Suppliers in a non-discriminatory manner and shall provide no preference to any DS Supplier.

6.12 Multiple DS Supply Agreements

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the effective date of this Agreement or is entered into after the effective date of this Agreement, the Company will calculate the Margin applicable to all such agreements as set forth in Appendix A of this Agreement; provided, however, that if another agreement has a more stringent credit threshold, then the more stringent credit threshold shall apply. Each DS Supplier that is a party to such other agreements with the Company for the provision of DS Supply hereby agrees that such other agreements are deemed amended by this Agreement for the purpose of calculating the Margin as described herein.

**ARTICLE 7: PROCEDURES FOR ENERGY SCHEDULING,
CAPACITY RESOURCE SUBMISSION AND
TRANSMISSION PROCUREMENT**

7.1 Load Obligations

The Company and the DS Supplier acknowledge and agree that (1) the Company shall determine the DS Load, (2) the Company shall allocate the DS Supply obligation using the DS Supplier Responsibility Share, (3) the Company shall provide the DS

Supplier's DS Supply obligation to PJM, and (4) the DS Supplier shall be responsible for meeting its DS Supply obligations as a LSE under the PJM Agreements.

7.2 Data Transmission

The procedures for transmitting load obligation data to PJM for DS Supplier's DS Load shall be as set forth by PJM.

7.3 Energy Scheduling

The Company is not obligated to provide any day ahead scheduling services. If the Company chooses to provide such services, the information provided is not guaranteed by the Company.

ARTICLE 8: THE ENERGY SETTLEMENT/RECONCILIATION PROCESS

8.1 Energy Settlement by PJM

The settlement process occurs at PJM to reflect the DS Supplier's actual Energy obligations in a supply/usage reconciliation process. The Energy obligations for each DS Supplier will be determined based on the DS Supplier Responsibility Share of the DS Load. The reconciled total DS Energy obligation will be based on the final total Energy loads for the Customers receiving DS service, including de-ration adjustments for marginal losses.

Any adjustments for billing and metering errors reported subsequent to the calculation of FMEA will be proportionally allocated by the Company to the DS Suppliers based on the respective DS Supplier Responsibility Share.

8.2 Energy Settlement by the Company

In the event that actual DS Customer consumption data is not available until after

the PJM deadline for conducting the final settlement, the Company will conduct the settlement process with the DS Supplier. In the event PJM imposes penalties against the Company as a result of the DS Supplier's Transactions or failure to meet PJM requirements, such penalties shall be passed through by the Company to the DS Supplier as part of this settlement process. In addition, all other applicable charges from PJM, including any billing adjustments, will be appropriately allocated to the DS Supplier.

ARTICLE 9: BILLING AND PAYMENT

9.1 The Company Payment of Obligations to the DS Supplier

The Company shall pay all amounts due to the DS Supplier hereunder in accordance with the following provisions:

(a) Each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier.

- For Fixed Price Transactions, this Statement will show the aggregate amounts due based on the DS Fixed Price multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month.
- For Hourly Price Transactions, this Statement will show the aggregate amounts due based on the DS Fixed Price Adder For Hourly Price Service multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month, plus the DS Variable Payments used to determine the PMEA for each hour of the

Billing Month.

(b) The Statement will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.

(c) The Company shall make payment on the first Business Day after the 19th day of each calendar month.

(d) To the extent that the FMEA differs from the PMEA, the Company shall pay or charge the DS Supplier for the PMEA/FMEA Adjustment Amount within the PJM deadline for conducting the final settlement.

(e) If each Party owes an amount to the other Party pursuant to this Agreement, including any related interest, payments or credits, the Parties may satisfy their respective obligations to each other by netting the aggregate amounts due to one Party against the aggregate amounts due to the other Party, with the Party, if any, owing the greater aggregate amount paying the other Party the difference between the amounts owed.

(f) Payments shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of this Agreement.

(g) The Company shall make payments of funds payable to the DS Supplier by electronic transfer to a bank designated by the DS Supplier.

(h) If a good faith dispute arises between the Company and the DS Supplier regarding a Statement, the disputing Party shall be obligated to pay only the undisputed portion of the Statement, if any, and shall present the dispute in writing and submit

supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the date of the Statement in dispute. Statement disputes shall be addressed promptly and in accordance with the dispute resolution procedures set forth in Article 11 of this Agreement. Upon resolution of a Statement dispute, any payments made to either Party will include simple interest on the payment at the lower of the Interest Index or six (6) percent per annum payable from the date that notice of a Statement dispute was received by the non-disputing Party.

(i) If payment is made to the DS Supplier after the due date shown on the Statement, a late fee will be added to the unpaid balance until the entire Statement is paid. This late fee shall be the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) or (b) the maximum rate permitted by applicable law.

(j) If Seller does enter more than one transaction with Buyer, Buyer may provide a single invoice listing the relevant information detailed.

9.2 Billing for DS Supplier’s Obligations to Other Parties

The Company shall have no responsibility for billing between the DS Supplier and PJM; the DS Supplier and any Energy or Capacity source; or the DS Supplier and any other third party. The Company will be solely responsible for billing DS Customers for Default Service.

9.3 The DS Supplier Payment of Obligations to the Company

The DS Supplier shall pay all Charges it incurs hereunder in accordance with the

following provisions:

(a) Each Billing Month, the Company shall submit an invoice to the DS Supplier for all Charges owed by the DS Supplier under this Agreement. The DS Supplier shall make payment for Charges shown on the invoice. The due date will be on the first Business Day after the 19th day of each calendar month. The invoice will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.

(b) Invoices shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of this Agreement.

(c) The DS Supplier shall make payments of funds payable to the Company by electronic transfer to a bank designated by the Company.

(d) If a good faith dispute arises between the Company and the DS Supplier regarding an invoice, the disputing Party shall pay only the undisputed portion of the invoice, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the due date of the invoice in dispute. Billing disputes shall be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 11 of this Agreement. Upon resolution of a billing dispute, any payments made to either Party will include simple interest on the payment at the lower of the Interest Index or six (6) percent per annum payable from the date that notice of a bill dispute was received by the non-disputing Party.

(e) If payment is made to the Company after the due date shown on the

invoice, a late fee will be added to the unpaid balance until the entire invoice is paid. This late fee shall be the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) or (b) the maximum rate permitted by applicable law.

ARTICLE 10: SYSTEM OPERATION

The Parties shall adhere to any applicable operational requirements of PJM necessary to protect the integrity of the transmission system within the PJM Control Area and the transmission systems of interconnected control areas, and shall satisfy any and all PJM, RFC and NERC criteria, when applicable. The DS Supplier shall also adhere to any applicable operational requirements of the Company necessary to protect the integrity of the Company’s local distribution system.

10.1 Disconnection and Curtailment by the Company

The Company shall have the right, without incurring any liability to the DS Suppliers, to disconnect (or otherwise curtail, interrupt or reduce deliveries from) the DS Suppliers or to disconnect (or otherwise curtail, interrupt or reduce deliveries to) any Customer whenever the Company determines in the exercise of its good faith discretion, or when the Company is directed by PJM, that such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of the Company’s facilities, or due to any other reason affecting the safe and reliable operation of the Company’s or a Customer’s facilities, including, without limitation, an Emergency, forced outage or potential

overloading of the Company's transmission and/or distribution circuits, potential damage to any Customer's facilities or any risk of injury to persons or property.

10.2 Inadvertent Loss of Service to DS Customers

The Parties agree and acknowledge that service to DS Customers may be inadvertently lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of the Company affecting the transmission and distribution system of the Company. Neither Party will have any liability to the other Party for the occurrence of such events except for the Company's obligation to pursue steps for the resumption of the disrupted service as set forth in Section 10.3 below. In no event will an inadvertent loss of service affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such inadvertent loss of service.

10.3 Good Faith Efforts

The Company shall use good faith efforts to minimize any curtailment, interruption or reduction in service to DS Customers to the extent reasonably practicable under the circumstances.

10.4 PJM Requirements

The DS Supplier acknowledges and agrees that, as a member of PJM, the Company is bound by all PJM operating instructions, policies and procedures as are currently set forth in the PJM Operating Manual, which are available through the Internet on the PJM Home Page (<http://www.pjm.com>), as may be revised from time to time, which are needed to maintain the integrity of the PJM system. The DS Supplier acknowledges and agrees that it will cooperate with the Company so that the Company

will be in compliance with all PJM Emergency Operations Procedures, which include, but are not limited to, those procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

10.5 Compliance with Governmental Directives

The DS Supplier also acknowledges and agrees that the Company may need to act in response to governmental or civil authority directives which may affect DS Customer load. The DS Supplier agrees to cooperate with the Company in order to comply with said directives.

ARTICLE 11: DISPUTE RESOLUTION

11.1 Informal Resolution of Disputes

Before pursuing resolution of any dispute arising out of this Agreement (other than an Event of Default under Article 5.1(i)-(ix), (xii), or (xvi)), the disputing Party shall provide written notice to the other Party setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. The Parties shall use good faith and reasonable commercial efforts to informally resolve such dispute. Such efforts shall last for a period of at least thirty (30) calendar days from the date that the notice of the dispute is first delivered from one Party to the other Party. Any amounts that are owed by one Party to the other Party as a result of resolution of a dispute pursuant to this Article 11.1 (Informal Resolution of Disputes), shall be paid within two (2) Business Days of such resolution and the payment shall include interest calculated at the Interest Index from the original due date through the date of payment.

11.2 Recourse to Agencies or Courts of Competent Jurisdiction

After the requirements of Article 11.1 (Informal Dispute Resolution) have been satisfied, all unresolved disputes, except as noted below, between the Parties shall be submitted to the appropriate authority. Nothing in this Agreement shall restrict the rights of either Party to file a complaint with the FERC under relevant provisions of the Federal Power Act (“FPA”), with the PaPUC under relevant provisions of the Applicable Legal Authorities, with the Allegheny Court of Common Pleas or with the Western District of Pennsylvania Federal Court. The Party’s agreement hereunder is without prejudice to any Party’s right to contest the jurisdiction of the agency or court listed above to which a complaint is brought.

The Parties hereby acknowledge and agree that both Parties have negotiated and entered into this Agreement freely and in good faith and that the terms of this Agreement have not been affected in any way, either directly or indirectly, by (A) any fraud, duress, unfairness, or any inequity in the relative bargaining power of the Parties or (B) any manipulation, unlawful activity, disruption, anomaly, dysfunction, or other adverse market conditions of any type or description.

To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the “public interest” standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v.*

Public Utility District No. 1 of Snohomish County, Washington, et al., 554 U.S. 527 (2008) (the “Mobile-Sierra Doctrine”).

ARTICLE 12: REGULATORY AUTHORIZATIONS AND JURISDICTION

12.1 Compliance with Applicable Legal Authorities

The Company and the DS Supplier are subject to, and shall comply with, all existing or future applicable federal, State and local laws, all existing or future duly-promulgated orders or other duly-authorized actions of PJM or of Applicable Legal Authorities.

12.2 FERC Jurisdictional Matters

The inclusion herein of descriptions of procedures or processes utilized by PJM or otherwise subject to the jurisdiction of FERC is intended solely for informational purposes. If anything stated herein is found by the FERC to conflict with or be inconsistent with any provision of the FPA, or any rule, regulation, order or determination of the FERC under the FPA or if any existing procedures or processes utilized by PJM are duly modified, the applicable FERC rule, regulation, order, determination or modification shall control. To the extent required under any provision of the FPA, or any rule, regulation, order or determination of the FERC under the FPA, the Company and/or the DS Supplier, if applicable, shall use reasonable commercial efforts to secure, from time to time, all appropriate orders, approvals and determinations from the FERC necessary to support this Agreement.

12.3 Energy Efficiency, Conservation, and Retail Market Programs

DS Supplier acknowledges that DS Customers may participate in energy

efficiency and conservation programs offered by the Company (required by Applicable Legal Authorities or otherwise offered by the Company whether voluntarily or not), by PJM, or by other third parties and, for the avoidance of doubt, any programs offered or conducted by the Company or other entities relating to or arising from the PaPUC's Investigation of Pennsylvania's Retail Electricity Market, PaPUC Docket No. I-2011-2237952 (including legislation enacted to address the Commission's Final Order in Docket No. I-2011-2237952), and that such participation may reduce or change the amount of DS Supply that DS Supplier is required to provide and the amount of monies it may receive under this Agreement. The Company shall have no obligation whatsoever to DS Supplier with respect to the effect, if any, of such programs. DS Supplier is solely responsible for determining the effect, if any, of such programs on future load requirements.

ARTICLE 13: LIMITATION OF REMEDIES, LIABILITY AND DAMAGES

13.1 Limitations on Liability

Except as set forth in this Agreement, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. The Parties confirm that the express remedies and measures of Damages provided in this Agreement satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of Damages is provided, such express remedy or measure of Damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or Damages at law or in equity are waived. If no remedy or measure of Damages is expressly provided herein, the obligor's liability shall be limited to direct actual Damages only, such direct actual Damages shall

be the sole and exclusive remedy, and all other remedies or Damages at law or in equity are waived. Unless expressly herein provided, neither Party shall be liable for consequential, incidental, punitive, exemplary or indirect Damages, lost profits or other business interruption Damages, by statute, in tort or contract, under any indemnity provision or otherwise. It is the intent of the Parties that the limitations herein imposed on remedies and the measure of Damages be without regard to the cause or causes related thereto, including the negligence or any Party, whether such negligence be sole, joint or concurrent, or active or passive. To the extent any Damages required to be paid hereunder are liquidated, the Parties acknowledge that the Damages are difficult or impossible to determine, or otherwise obtaining an adequate remedy is inconvenient and the Damages calculated hereunder constitute a reasonable approximation of the harm or loss.

13.2 Risk of Loss

Solely for purposes of determining risk of loss and for determining the indemnity obligations under Article 14 of this Agreement, the Company shall be deemed to have custody and control of the electric Energy delivered by the DS Supplier upon receipt thereof into the Company's distribution system and until delivery thereof at the retail electric meter of the Customer, and the DS Supplier shall be deemed to have custody and control of the DS Supply at all times prior to receipt thereof by the Company. The Party deemed to have custody and control of DS Supply shall be responsible for all loss or damage to property or injury or death to persons arising in connection with such DS Supply while in its custody and control and shall indemnify the other Parties with respect to same as set forth in Article 14 of this Agreement.

ARTICLE 14: INDEMNIFICATION

14.1 Indemnification

(a) Should the Company become the defendant in, or obligor for, any third party claims and/or liabilities for losses, penalties, expenses, damage to property, injury to or death of any person including a Party's employees or any third parties, that were caused by or occur in connection with an act or omission of the DS Supplier with respect to an obligation arising under or in connection with this Agreement, or for which the DS Supplier has otherwise assumed liability under the terms of this Agreement, the DS Supplier shall defend (at the Company's option), indemnify and hold harmless the Company, its shareholders, board members, directors, officers and employees, from and against any and all such third party claims and/or liabilities, and shall appoint counsel at DS Supplier's expense, subject to the approval of Company, to defend any such claims or liabilities, except to the extent that a court of competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Company. The Company may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(b) Should the DS Supplier (the "Indemnified DS Supplier") become the defendant in, or obligor for, any third party claims and/or liabilities for losses, penalties, expenses, damage to property, injury to or death of any person including a Party's employees or any third parties, that were caused by or occur in connection with an act or omission of the Company with respect to an obligation arising under or in connection with this Agreement, or for which the Company has otherwise assumed liability under the terms of this Agreement, the Company shall defend (at the option of the Indemnified DS

Supplier), indemnify and hold harmless the Indemnified DS Supplier, its shareholders, board members, directors, officers and employees, from and against any and all such third party claims and/or liabilities, except to the extent that a court of competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Indemnified DS Supplier. The Indemnified DS Supplier may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(c) If either Party intends to seek indemnification under Article 14.1(a) or 14.1(b), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within ninety (90) days of the later of the commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld, conditioned or delayed.

14.2 Survives Agreement

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article shall survive termination of this Agreement and shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits

payable by or for either Party under any statutory scheme, including any Worker's Compensation Acts, Disability Benefit Acts or other Employee Benefit Acts.

ARTICLE 15: FORCE MAJEURE

15.1 Force Majeure

Notwithstanding anything in this Agreement to the contrary, the Parties shall be excused from performing their respective obligations under this Agreement (other than the obligation to make payments with respect to performance prior to the event of Force Majeure) and shall not be liable for damages or otherwise due to their failure to perform, during any period that one Party is unable to perform due to an event of Force Majeure, provided that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; (ii) exercise all commercially reasonable efforts to mitigate or limit damages to the other Party; and (iii) fulfill the requirements set forth in Article 15.2 (Notification).

15.2 Notification

A Party unable to perform under this Agreement due to an event of Force Majeure shall: (i) provide prompt written notice of such event of Force Majeure to the other Party, which shall include an estimate of the expected duration of the Party's inability to perform due to the event of Force Majeure; and (ii) provide prompt notice to the other Party when performance resumes.

ARTICLE 16: MISCELLANEOUS PROVISIONS

16.1 Notices

Unless otherwise stated herein, all notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or

sent by overnight express mail or courier service. Notice may also be provided via e-mail or facsimile transmission (with the original transmitted by any of the other delivery methods specified in the previous sentence) addressed per the notification information for the DS Supplier and Company as set forth in Exhibit 2 hereto.

Such notices, demands or requests shall also be provided to such other person at such other address as a Party may designate by like notice to the other Party. Notice received after the close of the Business Day shall be deemed received on the next Business Day.

16.2 No Prejudice of Rights

The failure of a Party to insist on any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder, which shall remain in full force and effect. No term or condition of this Agreement shall be deemed to have been waived and no breach excused unless such waiver or consent to excuse is in writing and signed by the Party claimed to have waived or consented to excuse.

16.3 Effect of Regulatory or Legislative Actions

- (a) The Parties agree that the Company's obligations under this Agreement are contingent on, and limited by, the Company's ability to recover all costs incurred by it under this Agreement from its retail customers in full and on a current basis. If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which have the effect of depriving the Company's full and current recovery of said costs, the Company may terminate this Agreement upon ten (10) days written notice. The Parties

agree that any such termination shall not constitute an Event of Default under this Agreement.

- (b) If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which transfers the Company's obligation to procure or supply DS Supply to third party, this Agreement may be transferred to such third party in accordance with the provisions of Section 16.4 below. The Parties agree that any such transfer shall not constitute an Event of Default under this Agreement.
- (c) In the event that this Agreement is terminated as a result of any of the reasons set forth in subsections (a) and (b) of Section 16.3 above, the Parties agree that the Company shall not be liable for any costs or damages incurred or otherwise associated with (i) the transfer of the Company's obligation to obtain or provide DS Supply to third party, or (ii) the elimination of the Company's obligation to obtain or provide DS Supply.

16.4 Assignment

Parties shall not assign any of their rights or obligations under this Agreement without obtaining the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee and all necessary consents have been obtained. Any assignment in violation of this Section 16.4 shall be void; provided, however, the Company may assign any or all of its rights and obligations under this Agreement notwithstanding anything contained herein to the contrary, without the DS Supplier's

consent, to any entity succeeding to all or substantially all of the assets of the Company, or to a third party in accordance with Section 16.3(b), if such assignee agrees, in writing, to be bound by all of the terms and conditions hereof and all necessary regulatory approvals are obtained. The DS Supplier may, with prior written notice to the Company but without obtaining the approval of the Company, assign the accounts, revenues or proceeds under this Agreement to a third party. The Company agrees that, following receipt of such notice of the assignment of accounts, revenues or proceeds and such other documentation that the Company may reasonably request, the Company will pay amounts becoming due to the assigning DS Supplier under this Agreement directly to the designated assignee; provided, however, that nothing herein shall enlarge or expand the rights of such designated assignee beyond the rights granted to the DS Supplier, and the right of such designated assignee to receive payments shall be subject to all defenses, offsets and claims of the Company arising under this Agreement.

16.5 Governing Law and Venue

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Pennsylvania State court or Federal court of competent jurisdiction and within reasonably close proximity to the Company. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this

Agreement.

16.6 Regulatory Approvals

DS Supplier agrees to cooperate, to the fullest extent necessary, to obtain any and all required State, Federal or other regulatory approvals of the Agreement and/or Transaction Confirmations hereunder. The commencement of the Delivery Period and the obligations hereto are subject to (i) the receipt or waiver by Company of all Company required regulatory approvals, (ii) the receipt or waiver by DS Supplier of all DS Supplier required regulatory approvals, and (iii) Pennsylvania PUC approval.

16.7 Headings

The headings and subheadings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement.

16.8 Third Party Beneficiaries

This Agreement is intended solely for the benefit of the Parties hereto and nothing in this Agreement shall be construed to create any duty or standard of care with reference to, or any liability to, any person not a Party to this Agreement.

16.9 General Miscellaneous Provisions

(a) This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties, or to impose any partnership obligation or liability upon any Party. No Party shall have any right, power, or authority to enter into any agreement or undertaking for, or on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party.

(b) Cancellation, expiration or Early Termination of this Agreement shall not

relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including warranties, remedies, promises of indemnity and confidentiality.

(c) Should any provision of this Agreement be held invalid or unenforceable, such provision shall be invalid or unenforceable only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable any other provision hereof unless it materially changes the agreement of the Parties; provided that in such event the Parties shall use commercially reasonable efforts to amend this Agreement or any Transaction in order to give effect to the original intention of the Parties.

(d) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement or any Transaction.

16.10 Taxes

As between the Parties: (i) the DS Supplier is responsible for the payment of all taxes imposed by all present and future federal, state, municipal or other taxes imposed

by any taxing authority on the wholesale sales of DS Supply under this Agreement; and (ii) the Company is responsible for the payment of all taxes imposed by all present and future federal, state, municipal or other taxes imposed by any taxing authority on retail sales of DS Supply under this Agreement. Should the DS Supplier be required to remit any Pennsylvania State Sales and Use Taxes directly to the applicable taxing authority, other than taxes previously collected by the DS Supplier on behalf of the Company, the Company will defend and indemnify the DS Supplier for such Sales and Use Taxes and will pay to the DS Supplier all such tax amounts upon demand. If any Transaction is exempt from the payment of any such taxes, the affected DS Supplier will, if requested, provide the Company with valid tax exemption certificates. Should the Company be required to remit any such taxes directly to any applicable taxing authority, other than taxes previously collected by the Company directly from the DS Supplier, the DS Supplier will defend and indemnify the Company and will pay to the Company all such tax amounts upon demand.

16.11 Audit

Each Party has the right on at least three (3) Business Days prior written notice, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made in accordance with Article 9 (Billing and Payment) and 9.1(i) (Interest on Unpaid Balances) of this Agreement.

16.12 Rules of Interpretation

The following principles shall be observed in the interpretation and construction of this Agreement:

- (a) Unless otherwise stated, the terms “include” and “including” when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;
- (b) All titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;
- (c) References to the singular include the plural and vice versa;
- (d) References to Articles, Sections, Clauses and the Preamble are, unless the context indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement;
- (e) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (f) If any payment due under this Agreement would be, by operation of the terms and conditions of any provision hereof, due and payable on a day other than a Business Day, such payment shall be made on the next following Business Day.

16.13 Confidentiality

(a) Each Party shall hold in confidence and not release or disclose any document or information furnished by the other Party in connection with this Agreement, unless: (i) compelled to disclose such document or information by judicial, regulatory or administrative process or other provisions of law; (ii) such document or information is generally available to the public; (iii) such document or information was available to the receiving Party on a non-confidential basis; (iv) such document or information was available to the receiving Party on a non-confidential basis from a third-party, provided that the receiving Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (v) such disclosure is made to PJM or PaPUC and is necessary in order for the Transactions contemplated by this Agreement to be consummated or to otherwise comply with the provisions of this Agreement.

(b) Notwithstanding any other provision of this Section 16.12, a Party may disclose to its employees, representatives and agents all documents and information furnished by the other Party in connection with this Agreement, provided that such employees, representatives and agents have been advised of the confidentiality provisions of this Section 16.12, and further provided that in no event shall a document or information be disclosed in violation of the standard of conduct requirements established by FERC.

(c) A Party receiving notice or otherwise concluding that any confidential document or information furnished by the other Party in connection with this Agreement

is being sought under any provision of law, to the extent it is permitted to do so under any applicable law, shall: (i) promptly notify the other Party; and (ii) use reasonable efforts in cooperation with the other Party to seek confidential treatment of such confidential information.

(d) The Parties agree that monetary damages may be inadequate to compensate a Party for the other Party's breach of its obligations under this Section 16.12. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the receiving Party breaches or threatens to breach its obligations under this Article 16.12, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law.

16.14 Federal Acquisition Regulation

If any of the following clauses prescribed by the Federal Acquisition Regulation ("FAR"), 48 Code of Federal Regulations Chapter 1, should be deemed to apply to this Agreement, the DS Supplier shall comply with the requirements of such clause(s), and shall include the terms or substance of such clause(s) in its subcontracts, as and to the extent required by the FAR:

- 1) Clean Air and Water: § 52.223-2;
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation: § 52.222-4;
- 3) Equal Opportunity: § 52.222-26;
- 4) Affirmative Action for and Employment Reports on Special Disabled and Vietnam Era Veterans: § 52.222-35 and § 52.222-37;

- 5) Affirmative Action for Handicapped Workers: § 52.222-36; and
- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: § 52.219-8 and § 52-219-9.

In case of a conflict between the provisions of the FAR and the balance of this Agreement, the requirements of the FAR shall prevail.

16.15 Binding Terms

This Agreement and the rates, terms and conditions herein shall remain in effect for the entire term hereof and each Party agrees not to seek any change to such rates, terms and conditions pursuant to the FPA, if the FPA is deemed to have jurisdiction over this Agreement, including on the grounds that they are not just and reasonable.

16.16 Amendment

This Agreement, including the appendices hereto, cannot be amended without the written agreement of all Parties prior to such amendment becoming effective. Except as provided in Appendix C, the rates, terms and conditions contained in this Agreement are not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the “public interest” standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan*

Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al., 554 U.S. 527 (2008) (the “Mobile-Sierra Doctrine”).

16.17 Counterparts

This Agreement may be executed in counterparts, each of which will be considered an original, but all of which shall constitute one instrument.

16.18 Successors

This Agreement and all of the provisions hereof are binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

ATTEST:

DUQUESNE LIGHT COMPANY

Title: _____

By: _____
Name: C. James Davis, Jr.
Title: Director, Rates and Energy
Procurement & Federal/RTO Affairs

ATTEST:

[INSERT]

Title: _____

By: _____
Name: _____
Title: _____

APPENDIX A- MAXIMUM UNSECURED CREDIT

Credit Rating Matrix Tables for EDC's

EDC: Duquesne Light Company

Credit Rating of the DS Supplier			Maximum Credit Limit (calculated as the lesser of the percentage of TNW or the Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap
A- and above	A3 and above	A- and above	16%	\$60,000,000
BBB +	Baa1	BBB +	10%	\$40,000,000
BBB	Baa2	BBB	7%	\$30,000,000
BBB-	Baa3	BBB-	3%	\$20,000,000
BB+	Ba1	BB+	0%	\$0
BB	Ba2	BB	0%	\$0
BB-	Ba3	BB-	0%	\$0
Below BB-	Below Ba3	Below BB-	0%	\$0

Credit Rating Determination Methodology

The DS Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the DS Supplier or its Guarantor is rated by three rating agencies, and the ratings are split, the lowest rating will be used. **Minimum Rating** – The lowest credit rating for a DS Supplier, as set forth in this Appendix A, that can obtain unsecured credit.

APPENDIX B – METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE

Parameters

In calculating the MtM Exposure for each Transaction, the following parameters are set on the Transaction Date:

1. On-Peak Initial Mark Price
2. Off-Peak Initial Mark Price
3. MW-Measure
4. On-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
5. Off-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
6. Number of awarded Bid Blocks

In calculating the MtM Exposure for each Transaction, the following parameters are set each Business Day subsequent to the Transaction Date:

- 1) On-Peak Forward Price
- 2) Off-Peak Forward Price
- 3) Current Capacity PLC Per Bid Block
- 4) On-Peak Estimated Energy Quantity
- 5) Off-Peak Estimated Energy Quantity

Determination of On-Peak Forward Prices

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub On-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly On-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that On-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the On-Peak Forward Price for that month using a methodology that utilizes the best information available to Buyer at that time. For example, the On-Peak Forward Price for the given month may be updated based on the changes in On-Peak Forward Price quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day

Determination of Off-Peak Forward Prices

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub Off-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly Off-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from the average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that Off-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the Off-Peak Forward Price for that month using a methodology that utilizes the best information available to Buyer at that time. For example, the Off-Peak Forward Price for the given month may be updated based on the changes in Off-Peak

Forward Price quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day.

Example of Disaggregating Aggregate Quotes

The following is an example of the process to be used for disaggregating Aggregate Quotes:

- a. Aggregate Quote only available for January – March: \$60/MWh.
- b. Immediate Prior Calendar year quotes for January, February, and March as follows:

January: \$42/MWh

February: \$45/MWh

March: \$40/MWh

- c. Calculations as follows:

1. Calculate Average price in (b) = \$42.33/MWh

2. Calculate monthly deviation from Average:

January: 99.2% ($\$42/\42.33)

February: 106.3% ($\$45/\42.33)

March: 94.5% ($\$40/\42.33)

- 3. Disaggregate the Aggregate Quote by applying percentages from c.(2) to the available aggregate quote:

January: \$59.53 ($\$60 \times 99.2\%$)

February: \$63.78 ($\$60 \times 106.3\%$)

March: \$56.69 ($\$60 \times 94.5\%$)

Mark-To-Market Example

Necessary Information from a Transaction Confirmation:		
Delivery Period	June 1, 2011 - May 31, 2012	
Bid Blocks	3 (j)	
Estimated Energy Quantity Per MW-Measure		
	On-Peak MWh (k)	Off-Peak MWh (l)
Jan	11800	8300
Feb	13000	9100
Mar	9100	6400
Apr	7200	5000
May	8800	6200
Jun	12900	9000
Jul	15200	10600
Aug	16000	11200
Sep	9500	6700
Oct	8300	5800
Nov	9800	6900
Dec	10900	7600

Business Day on which MtM is Calculated:	
	June 24, 2011
MW-Measure:	50.0 MW (m)
Current Capacity PLC Per Bid Block:	40.0 MW (n)
Percent of On-Peak Hours Remaining in Current Month:	18.2% (o)
Percent of Off-Peak Hours Remaining in Current Month:	21.7% (p)

MtM Exposure Calculation									
	a	b	c	d	e=c-a	f=d-b	g=k*n/m*j*o	h=l*n/m*j*p	i=(e*g)+(f*h)
	On-Peak Initial Mark Price \$/MWh	Off-Peak Initial Mark Price \$/MWh	On-Peak Forward Price \$/MWh	Off-Peak Forward Price \$/MWh	Change In On-Peak Price \$/MWh	Change In Off-Peak Price \$/MWh	On-Peak Estimated Energy Quantity MWh	Off-Peak Estimated Energy Quantity MWh	MtM Exposure
Jun-11	57.04	27.95	58.48	28.65	1.44	0.70	5,629	4,696	\$ 11,393
Jul-11	72.81	31.31	75.26	32.36	2.45	1.05	36,480	25,440	\$ 116,088
Aug-11	72.81	34.23	74.28	34.91	1.47	0.68	38,400	26,880	\$ 74,726
Sep-11	45.56	24.15	47.31	25.08	1.75	0.93	22,800	16,080	\$ 54,854
Oct-11	43.23	23.34	46.09	24.89	2.86	1.55	19,920	13,920	\$ 78,547
Nov-11	43.23	25.50	46.40	27.38	3.17	1.88	23,520	16,560	\$ 105,691
Dec-11	43.23	26.36	44.86	27.36	1.63	1.00	26,160	18,240	\$ 60,881
Jan-12	50.73	38.55	54.45	41.39	3.72	2.84	28,320	19,920	\$ 161,923
Feb-12	50.73	39.06	53.61	41.29	2.88	2.23	31,200	21,840	\$ 138,559
Mar-12	45.23	30.75	47.64	32.39	2.41	1.64	21,840	15,360	\$ 77,825
Apr-12	45.23	25.78	48.01	27.36	2.78	1.58	17,280	12,000	\$ 66,998
May-12	47.06	24.94	49.06	26.00	2.00	1.06	21,120	14,880	\$ 58,013
									\$ 1,005,499

CALCULATION OF MTM EXPOSURE FOR HOURLY PRICE TRANSACTIONS

The MtM Exposure for an Hourly Price Transaction shall be calculated as follows. During the first month of the term of a Transaction, the MtM Exposure shall be equal to Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche. Thereafter, the MtM Exposure shall be calculated on the first Business Day of each month during the term of a Transaction and shall be deemed equal to the product of: (i) Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche; (ii) the ratio of the Current Capacity PLC Per Tranche to the MW-Measure; (iii) the number of Tranches awarded to the DS Supplier per the Transaction Confirmation; and (iv) the ratio of the calendar days remaining in the Delivery Period to the total calendar days in the Delivery Period. The following definitions shall apply for the purposes of this calculation:

“Capacity Peak Load Contribution” or “Capacity PLC” means the aggregation of retail customer peak load contributions, as determined by the Buyer in accordance with the PJM Agreements and reported by Buyer to PJM pursuant to Buyer’s retail load settlement process, and used by PJM in determining the DS Supplier’s capacity obligation for each Transaction.

“Current Capacity PLC Per Tranche” is the Capacity PLC of a Tranche as of the Business Day the MtM Exposure is calculated for the Transaction.

“MW-Measure” means the Current Capacity PLC Per Tranche as of the Transaction Date.

APPENDIX C - DS SUPPLY SPECIFICATIONS

The following DS Supply specifications will be specified in Transaction Confirmations to this SMA.

Product:

Full Requirements Service, meaning all of the following necessary services or products that are required to supply the DS Responsibility Share for the DS Customers associated with the Transaction Confirmation, including:

Energy, Capacity, transmission, Ancillary Services, Alternative Energy Credits for compliance with the AEPS Act, transmission and distribution system losses, congestion management costs, and such other products and services that are required except for distribution service.

Appendix D - describes Company and DS Supplier Responsibilities for PJM Billing Statement Line Item Credits and Charges associated with the Product.

Appendix E - further describes DS Supplier responsibilities for compliance with the AEPS Act in the product specification.

DS Customer Group:

Each Transaction Confirmation shall be associated with DS Supply to one of the following DS Customer categories as defined in the DS Tariff:

Residential & Lighting;

Small Commercial and Industrial (annual peak demands less than 25kW);

Medium Commercial and Industrial (annual peak demands greater than or equal to 25kW and less than 300kW);

Large Commercial and Industrial (annual peak demands greater than 300kW)

Service Type:

Residential & Lighting : RA, RS, RH, AL, SE, SM, SH, PAL

Small Commercial and Industrial : GS, GM < 25 kW, GMH < 25 kW, MTS/UMS, UMS

Medium Commercial and Industrial : GM > 25 kW, GMH > 25 kW

Large Commercial and Industrial : GL, GLH, L, HVPS

Delivery Point:

Duquesne Residual Aggregate Zone in PJM

Delivery Period:

Will be specified in Transaction Confirmations to this SMA.

Number of Tranches and Percentage for Each Tranche:

Will be specified in Transaction Confirmations to this SMA.

DS Supplier Responsibility Share:

Fixed percentage share of DS Load for DS Customer Group associated with Transaction Confirmation. Typically, number of tranches won x Tranches Percentage for the DS Customer Group. Will be specified in Transaction Confirmations to this SMA.

Seasonal Billing Factor:

None used.

APPENDIX D – RESPONSIBILITIES FOR PJM BILLING LINE ITEMS AS DEFINED IN APPLICABLE PJM AGREEMENT OR MANUAL

ID #	PJM Billing Statement Line Items	Responsible Party	
		EDC	DS Supplier
ID#	CHARGES		
1000	Amount Due for Interest on Past Charges		DS Supplier
1100	Network Integration Transmission Service	EDC	
1101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
1102	Network Integration Transmission Service (exempt)	EDC	
1104	Network Integration Transmission Service Offset	EDC	
1108	Transmission Enhancement	EDC	
1109	MTEP Project Cost Recovery		DS Supplier
1110	Direct Assignment Facilities		DS Supplier
1120	Other Supporting Facilities		DS Supplier
1130	Firm Point-to-Point Transmission Service		DS Supplier
1133	Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
1136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier
1138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier

Exhibit JP-3

1140	Non-Firm Point-to-Point Transmission Service		DS Supplier
1143	Non-Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
1147	Neptune Unscheduled Usage Billing Allocation		DS Supplier
1155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
1157	Linden Unscheduled Usage Billing Allocation		DS Supplier
1165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
1167	Hudson Unscheduled Usage Billing Allocation		DS Supplier
1200	Day-ahead Spot Market Energy		DS Supplier
1205	Balancing Spot Market Energy		DS Supplier
1210	Day-ahead Transmission Congestion		DS Supplier
1215	Balancing Transmission Congestion		DS Supplier
1218	Planning Period Congestion Uplift		DS Supplier
1220	Day-ahead Transmission Losses		DS Supplier
1225	Balancing Transmission Losses		DS Supplier
1230	Inadvertent Interchange		DS Supplier
1240	Day-ahead Economic Load Response		DS Supplier
1241	Real-time Economic Load Response		DS Supplier
1242	Day-ahead Load Response Charge Allocation		DS Supplier
1243	Real-time Load Response Charge Allocation		DS Supplier

Exhibit JP-3

1245	Emergency Load Response		DS Supplier
1250	Meter Error Correction		DS Supplier
1260	Emergency Energy		DS Supplier
1301	PJM Scheduling, System Control and Dispatch Service – Control Area Administration		DS Supplier
1302	PJM Scheduling, System Control and Dispatch Service – FTR Administration		DS Supplier
1303	PJM Scheduling, System Control and Dispatch Service –Market Support		DS Supplier
1304	PJM Scheduling, System Control and Dispatch Service – Regulation Market Administration		DS Supplier
1305	PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt.		DS Supplier
1306	PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center		DS Supplier
1307	PJM Scheduling, System Control and Dispatch Service – Market Support Offset		DS Supplier
1308	PJM Scheduling, System Control and Dispatch Service Refund – Control Area Administration		DS Supplier
1309	PJM Scheduling, System Control and Dispatch Service Refund – FTR Administration		DS Supplier
1310	PJM Scheduling, System Control and Dispatch Service Refund – Market Support		DS Supplier
1311	PJM Scheduling, System Control and Dispatch Service Refund –Regulation Market Administration		DS Supplier
1312	PJM Scheduling, System Control and Dispatch Service Refund – Capacity Resource/Obligation Mgmt.		DS Supplier
1313	PJM Settlement, Inc.		DS Supplier
1314	Market Monitoring Unit (MMU) Funding		DS Supplier
1315	FERC Annual Charge Recovery		DS Supplier
1316	Organization of PJM States, Inc. (OPSI) Funding		DS Supplier

Exhibit JP-3

1317	North American Electric Reliability Corporation (NERC)		DS Supplier
1318	Reliability First Corporation (RFC)		DS Supplier
1320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
1340	Regulation and Frequency Response Service		DS Supplier
1350	Energy Imbalance Service		DS Supplier
1360	Synchronized Reserve		DS Supplier
1362	Non-Synchronized Reserve		DS Supplier
1365	Day-ahead Scheduling Reserve		DS Supplier
1370	Day-ahead Operating Reserve		DS Supplier
1371	Day-ahead Operating Reserve for Load Response		DS Supplier
1375	Balancing Operating Reserve		DS Supplier
1376	Balancing Operating Reserve for Load Response		DS Supplier
1377	Synchronous Condensing		DS Supplier
1378	Reactive Services		DS Supplier
1380	Black Start Service		DS Supplier
1400	Load Reconciliation for Spot Market Energy		DS Supplier
1410	Load Reconciliation for Transmission Congestion		DS Supplier
1420	Load Reconciliation for Transmission Losses		DS Supplier
1430	Load Reconciliation for Inadvertent Interchange		DS Supplier
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		DS Supplier
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		DS Supplier

Exhibit JP-3

1442	Load Reconciliation for Schedule 9-6 – Advanced Second Control Center		DS Supplier
1444	Load Reconciliation for Market Monitoring Unit Funding		DS Supplier
1445	Load Reconciliation for FERC Annual Charge Recovery		DS Supplier
1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		DS Supplier
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)		DS Supplier
1448	Load Reconciliation for Reliability First Corporation (RFC)		DS Supplier
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1460	Load Reconciliation for Regulation and Frequency Response Service		DS Supplier
1470	Load Reconciliation for Synchronized Reserve		DS Supplier
1472	Load Reconciliation for Non-Synchronized Reserve		DS Supplier
1475	DASR Load Reconciliation		DS Supplier
1478	Load Reconciliation for Operating Reserve		DS Supplier
1480	Load Reconciliation for Synchronous Condensing		DS Supplier
1490	Load Reconciliation for Reactive Services		DS Supplier
1500	Financial Transmission Rights Auction		DS Supplier
1600	RPM Auction		DS Supplier
1610	Locational Reliability		DS Supplier
1650	Non-Unit Specific Capacity Transaction		DS Supplier
1660	Demand Resource and ILR Compliance Penalty		DS Supplier
1661	Capacity Resource Deficiency		DS Supplier
1662	Generation Resource Rating Test Failure		DS Supplier
1663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier

Exhibit JP-3

1664	Peak Season Maintenance Compliance Penalty		DS Supplier
1665	Peak-Hour Period Availability		DS Supplier
1666	Load Management Test Failure		DS Supplier
1670	FRR LSE Reliability		DS Supplier
1680	FRR LSE Demand Resource And Its Compliance Penalty		DS Supplier
1681	FRR LSE Capacity Resource Deficiency		DS Supplier
1682	FRR LSE Generation Resource Rating Test Failure		DS Supplier
1683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
1684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
1685	FRR LSE Peak-Hour Period Availability		DS Supplier
1686	FRR LSE Load Management Test Failure		DS Supplier
1687	FRR LSE Schedule 9-5		DS Supplier
1688	FRR LSE Schedule 9-6		DS Supplier
1710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
1712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
1720	RTO Start-up Cost Recovery		DS Supplier
1730	Expansion Cost Recovery	EDC	
1900	Unscheduled Transmission Service		DS Supplier
1910	Ramapo Phase Angle Regulators		DS Supplier
1911	Michigan – Ontario Interface Phase Angle Regulators		DS Supplier
1920	Station Power		DS Supplier
1930	Generation Deactivation	EDC	
1932	Generation Deactivation Refund	EDC	

1950	Virginia Retail Administrative Fee		DS Supplier
1952	Deferred Tax Adjustment	EDC	
1955	Deferral Recovery		DS Supplier
1980	Miscellaneous Bilateral		DS Supplier
1995	PJM Annual Membership Fee		DS Supplier
1999	PJM Customer Payment Default		DS Supplier
ID#	CREDITS		
2100	Network Integration Transmission Service	EDC	
2101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
2102	Network Integration Transmission Service (exempt)	EDC	
2104	Network Integration Transmission Service Offset	EDC	
2106	Non-Zone Network Integration Transmission Service	EDC	
2108	Transmission Enhancement	EDC	
2109	MTEP Project Cost Recovery		DS Supplier
2110	Direct Assignment Facilities		DS Supplier
2120	Other Supporting Facilities		DS Supplier
2130	Firm Point-to-Point Transmission Service		DS Supplier
2132	Internal Firm Point-to-Point Transmission Service		DS Supplier
2133	Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
2136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier
2138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier
2140	Non-Firm Point-to-Point Transmission Service		DS Supplier

Exhibit JP-3

2142	Internal Non-Firm Point-to-Point Transmission Service		DS Supplier
2143	Non-Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
2155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
2165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
2210	Transmission Congestion		DS Supplier
2217	Planning Period Excess Congestion		DS Supplier
2218	Planning Period Congestion Uplift		DS Supplier
2220	Transmission Losses		DS Supplier
2240	Day-ahead Economic Load Response		DS Supplier
2241	Real-time Economic Load Response		DS Supplier
2245	Emergency Load Response		DS Supplier
2260	Emergency Energy		DS Supplier
2320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
2340	Regulation and Frequency Response Service		DS Supplier
2350	Energy Imbalance Service		DS Supplier
2360	Synchronized Reserve		DS Supplier
2362	Non-Synchronized Reserve		DS Supplier
2365	Day-ahead Scheduling Reserve		DS Supplier

Exhibit JP-3

2370	Day-ahead Operating Reserve		DS Supplier
2371	Day-ahead Operating Reserve for Load Response		DS Supplier
2375	Balancing Operating Reserve		DS Supplier
2376	Balancing Operating Reserve for Load Response		DS Supplier
2377	Synchronous Condensing		DS Supplier
2378	Reactive Services		DS Supplier
2380	Black Start Service		DS Supplier
2420	Load Reconciliation for Transmission Losses		DS Supplier
2500	Financial Transmission Rights Auction		DS Supplier
2510	Auction Revenue Rights		DS Supplier
2600	RPM Auction		DS Supplier
2620	Interruptible Load for Reliability		DS Supplier
2630	Capacity Transfer Rights		DS Supplier
2640	Incremental Capacity Transfer Rights		DS Supplier
2650	Non-Unit Specific Capacity Transaction		DS Supplier
2660	Demand Resource and ILR Compliance Penalty		DS Supplier
2661	Capacity Deficiency Resource		DS Supplier
2662	Generation Resource Rating Test Failure		DS Supplier
2663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2664	Peak Season Maintenance Compliance Penalty		DS Supplier
2665	Peak-Hour Period Availability		DS Supplier
2666	Load Management Test Failure		DS Supplier
2670	FRR LSE Reliability Credit		DS Supplier

Exhibit JP-3

2680	FRR LSE Demand Resource And Ilr Compliance Penalty		DS Supplier
2681	FRR LSE Capacity Resource Deficiency		DS Supplier
2682	FRR LSE Generation Resource Rating Test Failure		DS Supplier
2683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
2685	FRR LSE Peak-Hour Period Availability		DS Supplier
2686	FRR LSE Load Management Test Failure		DS Supplier
2687	FRR LSE Schedule 9-5		DS Supplier
2688	FRR LSE Schedule 9-6		DS Supplier
2710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
2712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
2720	RTO Start-up Cost Recovery		DS Supplier
2730	Expansion Cost Recovery	EDC	
2910	Ramapo Phase Angle Regulators		DS Supplier
2912	CT Lost Opportunity Cost Allocation		DS Supplier
2930	Generation Deactivation	EDC	
2932	Generation Deactivation Refund	EDC	
2950	Virginia Retail Administrative Fee		DS Supplier
2952	Deferred Tax Adjustment	EDC	
2955	Deferral Recovery		DS Supplier
2980	Miscellaneous Bilateral		DS Supplier
2996	Annual PJM Cell Tower		DS Supplier
2997	Annual PJM Building Rent		DS Supplier

APPENDIX E – DS SUPPLIER’S OBLIGATIONS FOR AEPS COMPLIANCE

To satisfy AEPS with respect to the DS Supplier’s Responsibility Share, DS Supplier shall fulfill the following obligations:

- (1) Providing sufficient AECs for each tranche awarded via the DS Solicitation. It is DS Supplier’s obligation to supply actual AECs. Failure to do so may in the discretion of Company constitute an Event of Default under this Agreement.
- (2) AECs shall be provided on a six (6) month basis or at the end of any Delivery Period, if the Delivery Period is less than six (6) months, and shall be transferred to the Company within 30 days from the final day of any such six month period or Delivery Period; provided; however, that if the term of any Delivery Period includes two different AEPS reporting years, then DS Supplier shall provide the AECs required for the first AEPS reporting year by June 30th of each year.
- (3) Paying any AEPS penalties, costs, charges, etc. assessed against the DS Supplier and/or the Company associated with the DS Supplier’s non-performance with AEPS requirements.
- (4) Submitting to the Company proof of AEPS compliance under this Agreement in such form and manner as may be required by the Company.
- (5) Provide to the Company all information the Company may require to comply with the AEPS Act and its implementing regulations and other Requirements of Law, including, but not limited to the price paid per AEC required by 73 Pa.C.S. §1648.3(e)(8).

Exhibit JP-3

This Appendix E shall confirm the Alternative Energy Portfolio Standards Obligation of the Transaction agreed to on [Month, Day, Year] ("Bid Proposal Due Date").

Alternative Energy Portfolio Standards Obligations for the period beginning [Month, Day, Year] based on the total MWh supplied by DS Supplier:

<u>Compliance Period</u>	<u>Tier 1</u>	<u>PV</u>	<u>Tier 2</u>
6/1/2017 – 5/31/2018	6.5%	0.3400%	8.2%
6/1/2018 – 5/31/2019	7.0%	0.3900%	8.2%
6/1/2019 – 5/31/2020	7.5%	0.4433%	8.2%
6/1/2020 – 5/31/2021	8.0%	.05000%	10.0%

The percentages set forth above are those applicable for the first RFP and may be revised for future RFPs to reflect changes in law or other applicable regulatory requirements.

For each compliance period during the Delivery Period, the number of AECs that a DS Supplier is obligated to provide may be reduced by a pre-determined number of AECs allocated to the DS Supplier ("Allocated AECs"). The number of Allocated AECs will be defined prior to the Transaction Date. Any Allocated AECs will not be transferred to the DS Supplier but instead will be credited to that DS Supplier's AEPS obligation and remain the property of the Company.

The above amounts are estimates and will vary based on actual load served. DS Supplier will need to true-up, higher or lower, actual credits needed based on Monthly Settlement Amount.

If Alternative Energy Portfolio Requirements change by law or any other reason, DS Supplier shall be responsible for providing the credits at its expense in order to comply with its obligations under Full Requirements Service.

EXHIBIT 1

TRANSACTION CONFIRMATION FOR FIXED PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company ("Company") and [INSERT] ("DS Supplier"). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) ("Transaction Date").

Product: Full Requirements Service
DS Customer Group: [INSERT CUSTOMER CLASS]
Delivery Point: Duquesne Residual Aggregate Zone in PJM
Delivery Period: [Month, Day, Year] through [Month, Day, Year]
Number of Tranches: [INSERT]
DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)
DS Fixed Price: [INSERT AVERAGE PRICE] per MWh
Tranche 1 at [INSERT] per MWH
Tranche 2 at [INSERT] per MWH
Tranche 3 at [INSERT] per MWH
:
Tranche [X] at [INSERT] per MWH

Alternative Energy Credit (AEC) Allocation (if any):

Table with 3 columns: Alternative Energy Portfolio Standards - Reporting Period, AEC Allocation per Tranche, (AECs), Total AEC Allocation (AECs). Rows include 2017-18, 2018-19, 2019-20, 2020-21.

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

Duquesne Light Company
By: _____
Name: C. James Davis, Jr.
Title: Director, Rates and Energy Procurement
& Federal/RTO Affairs

[INSERT]
By: _____
Name: _____
Title: _____

TRANSACTION CONFIRMATION FOR HOURLY PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company (“Company”) and [INSERT] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) (“Transaction Date”).

Product: Full Requirements Service
DS Customer Group: Large Commercial and Industrial Class
Delivery Point: Duquesne Residual Aggregate Zone in PJM
Delivery Period: [Month, Day, Year] through [Month, Day, Year]
Number of Tranches: [INSERT]
DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)
DS Fixed Price Adder
For Hourly Price Service: [INSERT AVERAGE PRICE] per MWh
Tranche 1 at [INSERT] per MWh
Tranche 2 at [INSERT] per MWh

In addition to the DS Fixed Price Adder For Hourly Price Service above, the Statement prepared in accordance with Section 9.1(a) also will include DS Variable Payments based on the Company’s billed Hourly Price Service formula rate designed to recover the costs of energy, capacity, ancillary services, and PJM administrative costs found in Rider No. 9 of the DS Tariff. The DS Variable Payments associated with serving the DS Supplier Responsibility Share of the DS Supply for Large Commercial and Industrial Class are based on a) hourly energy charges provided at the day-ahead PJM locational marginal prices based on the customer’s real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, and b) capacity charges equal to the full PJM Reliability Pricing Model capacity price for the Duquesne Zone, and shall recover the charges associated with the customer’s share of the Company’s capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. The PMEA/FMEA Adjustment Amount calculated in accordance with Section 9.1 (d) will include: any adjustments to account for changes in the hourly energy or capacity volumes used to calculate the energy, ancillary services, capacity and other charges. The DS Variable Payments to Hourly Price Service suppliers will not include Pennsylvania gross receipts taxes or the fixed retail administrative charge (other than the DS Fixed Price Adder For Hourly Price Service) included in the DS Tariff.

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

Duquesne Light Company
By: _____
Name: C. James Davis, Jr.
Title: *Director, Rates and Energy Procurement
& Federal/RTO Affairs*

[INSERT]
By: _____
Name: _____
Title: _____

EXHIBIT 2
FORM OF NOTICE

Any notices required under this Agreement shall be made as follows:

Buyer: Duquesne Light Company
DS Supplier: [INSERT]

All Notices:
Street: 411 Seventh Ave.
City/State/Zip: Pittsburgh, PA 15219
Attn: Chief Financial Officer
Facsimile: (412) 393-1190
Duns: 007915606
Federal Tax ID Number: 25-0451600

Invoices:
Attn: Supply Procurement – Joan Jenkins
Phone: (412) 393-1077
Facsimile: (412) 393-5659

Scheduling:
Attn: Scheduling – John Peoples
Phone: (412) 393-6385
Facsimile: (412) 393-5659

Payments:
Attn: Accounting – Jaime Bachota
Phone: (412) 393-1122
Facsimile: (412) 393-6760

Wire Transfer:
BNK: Mellon Bank, N.A.
ABA: 043000261
ACCT: 0008061

All Notices:
Street:
City/State/Zip:
Attn:
Facsimile:
Duns:
Federal Tax ID Number:

Invoices:
Attn:
Phone:
Facsimile:

Scheduling:
Attn:
Phone:
Facsimile:

Payments:
Attn:
Phone:
Facsimile:

Wire Transfer
BNK:
ABA:
ACCT:

Credit and Collections:

Attn: Assistant Treasurer – James Milligan
Phone: (412) 393-1216
Facsimile: (412) 393-6760

With additional Notices of an

Event of Default to:

Attn: Legal Department – Tishekia Williams
Phone: (412) 393-1541
Facsimile: (412) 393-5757

Credit and Collections:

Attn:
Phone:
Facsimile:

With Additional Notices of an

Event of Default to:

Attn:
Phone:
Facsimile:

EXHIBIT 3
PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this 24th day of March, 2015 by the following:

PARTY A: _____ (“Party A”)

PARTY B: _____ (“Party B”).

RECITALS

WHEREAS, PJM is a Regional Transmission Organization (“RTO”) subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”);

WHEREAS, PJM Settlement, Inc. (“PJM Settlement”) is a Pennsylvania Non-Profit Corporation, incorporated for the purpose of providing billing and settlement functions and credit and risk management functions for PJM. References to “PJM” in this Declaration are intended to apply to PJM and/or PJM Settlement, as appropriate, with regard to their respective functions.

WHEREAS, PJM and PJM Settlement administer centralized markets that clear various electric energy and energy-related products among multiple buyers and sellers;

WHEREAS, PJM additionally exercises operational control over its members’ transmission facilities whereby PJM provides open-access transmission service and control area functions, including economic dispatch and emergency response to ensure reliability;

WHEREAS, Party A is a PJM Member and seeks to obtain, or is obtaining, services provided or administered by PJM, seeks to participate, or is participating in, markets administered by PJM, or seeks to engage in, or is engaging in, operations that use or affect the integrated transmission system operated by PJM;

WHEREAS, such activities or contemplated activities by Party A and Party B are governed by rights and obligations established by or under the PJM Open Access Transmission Tariff (“Tariff”), the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”), the Reliability Assurance Agreement Among Load-serving Entities in the MAAC Control Zone (“RAA”), and other agreements, manuals, and practices of PJM (the Tariff, the Operating Agreement, the RAA, and such other agreements manuals, and practices of PJM, the “PJM Agreements”); and

WHEREAS, Party A and Party B desire to declare to PJM their respective authorities concerning such rights and obligations, intend that PJM rely upon such declaration, and acknowledge that PJM may rely upon such declaration to its detriment.

DECLARATION

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy and completeness of the declarations made below, Party A and Party B, as identified below, make the following declarations:

1. Exclusivity of Party B's Authority.

Pursuant to a binding, legally enforceable agreement, Party A has authorized Party B to act for Party A with respect to certain rights and responsibilities as specified in Section 2 of this Declaration ("the Authorized Rights and Responsibilities"). With respect to the Authorized Rights and Responsibilities, Party B is authorized to communicate and transact with PJM as Party A's sole and exclusive Party B, and PJM is authorized to communicate and transact directly and exclusively with Party B as Party A's Party B. With respect to Authorized Rights and Responsibilities, Party A will abide by any direction issued by PJM to Party B.

2. Specification of Authorized Rights and Responsibilities.

In the following parts (a) through (h), Party A and Party B specify the rights and responsibilities with respect to which Party B is authorized to act for Party A. Specification shall be effective only if both Party A and Party B have placed the initials of their authorized representatives in the space provided for each applicable right or responsibility from among the options provided below:

(a) Load Server Responsibilities.

_____ _____ Party B is authorized to satisfy Party A's obligations as a Load-Serving Entity under the RAA, including, without limitation, its obligations to provide Unforced Capacity, submit capacity plans, provide or arrange for Capacity Resources, satisfy Accounted-for Obligations and Peak Season Maintenance Obligations, comply with any capacity audits, make payment of all deficiency, data submission, and emergency procedure charges incurred, coordinate planning and operation of Capacity Resources with other parties; and develop and submit planned outage schedules.

_____ _____ Party B is authorized to satisfy Party A's obligations under the Tariff, RAA and to provide or arrange for transmission service to its loads; provide or arrange for sufficient reactive capability, voltage control facilities, and black start capability for service to its loads; submit firm transmission service schedules, and designate Network Resources and other points of receipt and delivery for transmission service. Party B is

authorized to request changes to the transmission service required for service to Party A's loads, and to enter into, on Party A's behalf, any feasibility, system impact, facilities study, or other agreements required to process such request for a change in service.

_____ Party B is authorized to satisfy Party A's rights and obligations under the Tariff and Operating Agreement to submit bids on, obtain, administer, and receive payments or credits for Financial Transmission Rights and Auction Revenue Rights with respect to service to Party A's loads.

_____ Party B is authorized to provide data required by PJM with respect to service to Party A's loads, including, but not limited to, data required for coordination of operations, accounting for all interchange transactions, preparation of required reports and maintenance schedules, and analysis of system disturbances.

_____ Party B is authorized to provide the facilities and personnel required to coordinate operations with PJM and other PJM Members.

(b) Electric Distributor Responsibilities.

_____ Party B is authorized to satisfy Party A's rights and obligations as an Electric Distributor under the Operating Agreement, including, but not limited to, assuring the continued compatibility of its local energy management, monitoring, and telecommunications systems with PJM's technical requirements; providing or arranging for the services of a 24-hour local control center to coordinate with PJM; providing to PJM all system, accounting, customer tracking, load forecasting, and other data necessary or appropriate to implement or administer the Operating Agreement, RAA; shedding connected load, initiating active load management programs, and taking such other coordination actions as may be necessary in accordance with PJM's directions in Emergencies; maintaining or arranging for a portion of its connected load to be subject to control by automatic underfrequency, under-voltage, or other load-shedding devices; and complying with the underfrequency relay obligations and charges specified in the Operating Agreement.

(c) Generator Responsibilities.

_____ Party B is authorized to operate the Party A's generation resources in all events, including, but not limited to, in the event of Emergencies, and shall operate such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

_____ Party B is authorized to ensure that the required portion of Party A's Capacity Resources have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

- Or -

_____ Party B is authorized to direct the operation of Party A's generation resources by relaying PJM's instructions to the resource in all events, including, but not limited to, in the event of Emergencies, and shall direct such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

_____ Party B is authorized to communicate with PJM in all matters concerning the provision of capacity, energy, or ancillary services from Party A's generation resources, including, without limitation, information required in connection with Capacity Resources, dispatch of any unit, provision of reactive power, regulation, synchronous condensing, spinning or other reserves, establishment or maintenance of a unit as a Black-Start Unit, satisfaction of must-run obligations, and costs or revenue requirements for any product or service offered by any such unit.

_____ Party B is authorized to provide information on outages of Party A's generation facilities, whether planned, forced, or for maintenance, and to coordinate such outages with PJM

_____ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Feasibility Study, System Impact Study, or Facilities Study Agreements.

_____ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Construction Service Agreements.

_____ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Interconnection Service Agreements.

_____ Party B is authorized to receive from PJM historic and real time data collected by PJM from, or provided to PJM by, Party A with respect to Party A's generation resources.

_____ Party B is authorized to act on behalf of Party A for the following specific unit(s) in Party A primary and subaccounts:

Resource Name:

Resource ID:

(d) Market Buyer/Market Seller Responsibilities.

_____ _____ Party B is authorized to satisfy Party A's rights and obligations as a Market Buyer or Market Seller under the Operating Agreement, including, but not limited to, arranging for a Market Operations Center capable of real-time communication with PJM during normal and Emergency conditions; reporting to PJM sources of energy available for operation; providing to PJM scheduling and other information, including, but not limited to, maintenance and other anticipated outages of generation or transmission facilities, scheduling and related information on bilateral transactions and self-scheduled resources, and implementation of active load management, interruption of load, and other load reduction measures; obtaining Spot Market Backup for bilateral transactions; submitting to PJM binding offers to purchase or sell energy and ancillary services in compliance with all applicable Offer Data specifications; responding to PJM's directives to start, shut down or change output levels of generation units, or change scheduled voltages or reactive output levels; responding to PJM's directives to schedule delivery or change delivery schedules for external resources; and following PJM's directions to take actions to prevent, manage, alleviate or end an Emergency.

(e) Billing and Payment Responsibilities.

_____ _____ In connection with all rights and responsibilities specified by Party A and Party B in any of subparts (a) through (d) of this Section, Party B shall be billed for, and shall make payment to PJM for, all charges, penalties, costs and fees. (If this option is not specified, PJM will issue billings to, and collect amounts due from, Party A.)

_____ _____ In connection with all rights and responsibilities specified by Party A and Party B above, Party B is entitled to receive from PJM in Party B's account all credits, revenues, distributions, and disbursements. (If this option is not specified, PJM will pay such amounts to Party A.)

(f) General Membership Responsibilities.

_____ _____ Party B is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Party A's behalf.

_____ _____ Party B is authorized to participate on Party A's behalf in the regional transmission expansion planning process.

_____ _____ Party B is authorized to provide information or otherwise cooperate on Party A's behalf in connection with any investigation or request for

information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Party B and/or Party A.)

_____ Party B shall be billed for, and shall make payment of, Party A's costs of membership in PJM, including payment of the Membership fee, and payment of any other general assessments on the PJM members, including, but not limited to, amounts assessed as a consequence of defaults by other Members.

(g) Additional Responsibilities.

_____ Party B has been Authorized other rights and responsibilities of Party A as specified on Attachment "A" to this Declaration.

(h) Limitation on Responsibilities.

_____ The rights and responsibilities specified in parts (a) through (f) above apply to a limited portion of Party A's facilities or loads located in the PJM Region, as specified on Attachment "B" to this Declaration, and to no other facilities or loads of Party A.

3. Continuing Responsibilities and Liabilities of Party A.

3.1 The Authorized Rights and Responsibilities are the only rights and responsibilities under the PJM Agreements for which Party B is authorized to act for Party A, and Party A retains all rights and responsibilities under the PJM Agreements not specified by Party A and Party B in Section 2.

3.2 With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Party A shall remain liable to PJM for all amounts due or to become due to PJM under the PJM Agreements, and Party B's authorization to make payment of any such amounts hereunder (if specified in Section 2) shall not release Party A from liability for any financial obligations to PJM not satisfied by Party B.

4. Reliance and Indemnity, Duty to Inform, Liability Waiver, and Rules of Construction.

4.1 Party A and Party B each recognizes, accepts and intends that PJM will rely, upon on the truth, accuracy and completeness of the declarations herein in matters including but not limited to creditworthiness and in assuring compliance with the PJM Agreements. Party A and Party B each recognizes and accepts that PJM or its members may suffer losses and damages if any

declaration is or becomes untrue, inaccurate or incomplete, and each agrees to indemnify PJM for any such losses and damages.

- 4.2 Party A and Party B each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with Party A and Party B as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Party A (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Party B is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.
- 4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Party A and Party B expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.
- 4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- 4.5 The Recitals are hereby incorporated into the body of this Declaration.

IN WITNESS WHEREOF, Party A and Party B execute this Declaration to be effective as of the date written above or upon receipt of a fully executed original by PJM, whichever date is later.

PARTY A:

PARTY B:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Company: _____

Company: _____

DECLARATION OF AUTHORITY

Attachment A – Addendum

PRINCIPAL: Duquesne Light Company

AGENT: [INSERT]

Effective Starting Date: [INSERT]

Note: Principal and Agent are required to provide PJM Settlement thirty days written notice prior to the date of expiration. Upon expiration all accounts will revert back to their original status.

PJM Billing Line Items – Transfer

Principal and Agent agree that PJM settlement shall transfer all of the following charges directly related to the Principal's share of serving the retail load obligations from the Principal's account(s) to the Agent's account beginning the effective date specified above:

<u>Billing Line Item Number</u>	<u>Billing Line Item</u>
1330 (Charge)	Reactive Supply and Voltage Control from Generation and Other Sources Service
1380 (Charge)	Black Start Service
2140 (Credit)	Non-Firm Point-to-Point Transmission Service

PJM Accounts/Subaccounts

<u>Role</u>	<u>Account Long Name</u>	<u>Account Short Name</u>	<u>PJM Org ID</u>
Principal			
Agent			

EXHIBIT 4
PERFORMANCE ASSURANCE LETTER OF CREDIT

{TO BE ISSUED ON THE LETTERHEAD OF THE ISSUING BANK}

IRREVOCABLE LETTER OF CREDIT NO.

ISSUE DATE _____ EXPIRY DATE _____

APPLICANT
[NAME]
[ADDRESS]

BENEFICIARY
[NAME]
[ADDRESS]

CURRENCY _____ AMOUNT
USD *****\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (APPLICANT) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN. THIS LETTER OF CREDIT IS AVAILABLE IN ONE OR MORE DRAFTS UP TO THE AGGREGATE AMOUNT SET FORTH HEREIN.

THIS LETTER OF CREDIT IS PRESENTABLE AND PAYABLE AT OUR COUNTERS AND WE HEREBY ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE HONORED ON PRESENTATION IF ACCOMPANIED BY THE REQUIRED DOCUMENTS PURSUANT TO THE TERMS OF THIS LETTER OF CREDIT.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE THE EXPIRY DATE OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

- 1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS:

“THE AMOUNT FOR THIS DRAWING, USD (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (BANK)

LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT FOR PERFORMANCE ASSURANCE RELATED TO THE BENEFICIARY'S PENNSYLVANIA FULL REQUIREMENTS SERVICE AGREEMENT(S) DATED _____ BETWEEN _____ AND _____."

2. THIS ORIGINAL LETTER OF CREDIT AND ANY AMENDMENT(S).

IF PRESENTATION OF ANY DRAWING IS MADE ON A BUSINESS DAY (AS HEREIN DEFINED) AND SUCH PRESENTATION IS MADE ON OR BEFORE 11:00 A.M. NEW YORK TIME, ISSUER SHALL SATISFY SUCH DRAWING REQUEST ON THE NEXT BUSINESS DAY. IF THE DRAWING IS RECEIVED AFTER 11:00 A.M. NEW YORK TIME, ISSUER WILL SATISFY SUCH DRAWING REQUEST ON THE SECOND FOLLOWING BUSINESS DAY.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRATION DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST 90 DAYS PRIOR TO ANY EXPIRATION DATE WE NOTIFY YOU AT THE ABOVE ADDRESS BY REGISTERED MAIL OR HAND DELIVERED COURIER THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH PERIOD.

THIS LETTER OF CREDIT MAY BE TERMINATED UPON BENEFICIARY'S RECEIPT OF FULL PAYMENT FROM THE APPLICANT AND ISSUER'S RECEIPT OF A WRITTEN RELEASE FROM THE BENEFICIARY RELEASING THE ISSUER FROM ITS OBLIGATIONS UNDER THIS LETTER OF CREDIT.

THE TERM "BUSINESS DAY" AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

APPLICANT'S FILING OF A BANKRUPTCY, RECEIVERSHIP OR OTHER DEBTOR-RELIEF PETITION, AND/OR APPLICANT'S DISCHARGE THEREUNDER, SHALL IN NO WAY AFFECT THE LIABILITY OF [BANK] UNDER THIS LETTER OF CREDIT AND [BANK] SHALL ALWAYS REMAIN LIABLE TO [BENEFICIARY] FOR THE FULL AMOUNT OF APPLICANT'S OBLIGATIONS HEREIN TO [BENEFICIARY] NOT TO EXCEED THE AVAILABLE AMOUNT IN THIS LETTER OF CREDIT.

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE

BORNE BY THE APPLICANT.

2. THIS LETTER OF CREDIT MAY BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98") OR SUCH LATER REVISIONS(S) OF THE ISP AS MAY BE HEREAFTER ADOPTED. AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

TITLE: _____

PLEASE DIRECT ANY WRITTEN CORRESPONDENCE, INCLUDING DRAWING OR INQUIRIES TO:

[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT 5
FORM OF GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty”) is made and entered into as of this day of _____, by _____ (the “Guarantor”), with an address at _____, in favor of Duquesne Light Company (the “Creditor”), with an address at [INSERT ADDRESS], in consideration of the Default Supply Master Agreement(s) (the “DSMA(s)”) between Duquesne Light Company and _____ (the “Seller”) dated _____, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the _____ of Seller.

1. Whereas, Supplier _____ is an affiliate of _____, _____ will therefore benefit by Supplier entering into the DSMA with Creditor and _____ desires Creditor to enter into the DSMA with Supplier and to extend credit to Supplier thereunder. (May be revised if guarantor is not a parent or affiliate of supplier.)

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees, as primary obligor and not a surety with effect from date hereof, the prompt and complete payment when due of all of Seller’s payment obligations under the DSMA (to the extent such payment obligations exceed the amount of any Performance Assurance provided to the Creditor by Seller as defined in and in accordance with the DSMA), whether on scheduled payment dates, when due upon demand, upon declaration of termination or otherwise, in accordance with the terms of the DSMA and giving effect to any applicable grace period, and, provided only that the Creditor is the prevailing party in any judicial suit, action or proceeding arising out of, resulting from, or in any way relating to this Guaranty, or if by mutual agreement by Guarantor and Creditor, all reasonable out-of-pocket costs and expenses incurred by Creditor in the enforcement of the Guarantor’s obligations or collection under this Guaranty, including reasonable attorney’s fees and expenses (collectively, the “Obligations”). [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Creditor’s right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$ _____, (“Guaranty Amount”), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]
- (b) The limitations on liabilities of the Seller set forth in Article 10 of the DSMA shall also apply to the liabilities of the Guarantor hereunder.

2. Nature of Guaranty; Waivers.

- (a) This is a guaranty of payment and not of collection and the Creditor shall not be required, as a condition of the Guarantor's liability, to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Obligations. This is not a performance guaranty and the Guarantor is not obligated to provide power under the DSMA or this Guaranty.
- (b) This Guaranty is an absolute, unconditional, irrevocable (subject to the provisions of Section 12 of this Guaranty) and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, or until the DSMA has been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Creditor of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Creditor to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations (other than any irregularity, unenforceability or invalidity of any of the obligations under the DSMA resulting from the conduct of the Creditor) or any part thereof.
- (c) Except as to any claims, defenses, rights of set-off or to reductions of Seller in respect of its obligations under the DSMA, (all of which are expressly reserved under this Guaranty), the Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, deduction or defense based upon any claim the Guarantor may have against Seller or the Creditor, including: (i) any change in the corporate existence (including its charter or other governing agreement, laws, rules, regulations or powers), structure or ownership of Seller or the Guarantor; or (ii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller or its assets; or (iii) the invalidity or unenforceability in whole or in part of the DSMA; or (iv) any provision of applicable law or regulations purporting to prohibit payment by Seller of amounts to be paid by it under the DSMA (other than any law or regulation that eliminates or nullifies the obligations under the DSMA).
- (d) Guarantor waives notice of acceptance of this Guaranty, diligence, presentment, notice of dishonor and protest and any requirement that at any time any person exhaust any right to take any action against Seller or their assets or any other guarantor or person, provided, however, that any failure of Creditor to give notice will not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all defenses based on suretyship or impairment of collateral or any

other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims or defenses of Seller in respect of its obligations under the DSMA.

- (e) The Creditor at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (i) to the extent permitted by the DSMA, change the manner, place, time or terms of payment or performance of, or other terms relating to, any of the Obligations; (ii) to the extent permitted by the DSMA, renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, or any other guaranties for any Obligations; (iii) settle, compromise or deal with any other person, including Seller, with respect to any Obligations in such manner as the Creditor deems appropriate at its sole discretion; (iv) substitute, exchange or release any guaranty; or (v) take such actions and exercise such remedies hereunder as Creditor deems appropriate.

3. Representations and Warranties. The Guarantor hereby represents and warrants that:

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of Creditors' rights generally, general equitable principles and an implied covenant of good faith and fair dealing;
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor (except to the extent that any such violation would not reasonably be expected to have a material adverse effect on the Guarantor or this Guaranty);

- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and
 - (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that would have a material adverse effect on this Guaranty.
4. Repayments or Recovery from the Creditor. If any demand is made at any time upon the Creditor for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Creditor repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor (subject to Sections 2 (c) and (d) of this Guaranty) will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Creditor. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Creditor's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.
5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
6. Postponement of Subrogation. Only to the extent that, at the relevant time, there are Obligations, or other amounts hereunder, that are then due and payable but unpaid, the Guarantor postpones and subordinates in favor of the Creditor any and all rights which the Guarantor may have to (a) assert any claim against the Seller based on subrogation rights with respect to payments made by Guarantor hereunder and (b) any realization on any property of the Seller, including participation in any marshalling of the Seller's assets. Upon payment of such due and unpaid Obligations, Creditor

agrees that Guarantor shall be subrogated to the rights of Creditor against Seller to the extent of Guarantor's payment to Creditor.

7. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Creditor and the Guarantor set forth below or to such other address as one may give to the other in writing for such purpose:

All communications to Creditor shall be directed to:

Attn:
Phone:
Fax:
With a copy to:

Phone:
Fax:

or such other address as the Creditor shall from time to time specify to Guarantor.

All communications to Guarantor shall be directed to:

Attn:
Phone:
Fax:

or such other address as the Guarantor shall from time to time specify to Creditor.

8. Preservation of Rights. Except as provided by any applicable statute of limitations, no delay or omission on the Creditor's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Creditor's action or inaction impair any such right or power. The Creditor's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Creditor may have under other agreements with the Guarantor, at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Creditor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Creditor with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Creditor and their respective successors and permitted assigns. Neither party may assign this Guaranty in whole or in part without the other's prior written consent, which consent will not be unreasonably withheld or delayed, except that Creditor may at any time assign this Guaranty without Guarantor's consent, in the same manner, on the same terms and to the same persons as Creditor assigns the DSMA in accordance with Section 16.7(b) of the DSMA, and except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that assumes all obligations thereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB, as rated by S&P or Fitch, or Baa2, as rated by Moody's, and (ii) the Seller is in compliance with Article 14 of the DSMA. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings determined by Moody's Investor Services, Inc. (or its successor) ("Moody's"), the Standard & Poor's Rating Group, a division of McGraw-Hill, Inc., (or its successor) ("S&P"), or Fitch Investor Service, Inc. (or its successor) ("Fitch") immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.
13. Interpretation. In this Guaranty, unless the Creditor and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty unless otherwise indicated. Section headings in this

Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.

14. Governing Law.

(a) This Guaranty has been delivered to and accepted by the .Creditor. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE CREDITOR AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES.

(b) The Guarantor hereby irrevocably consents to the jurisdiction of the federal district court for the Western District of Pennsylvania or to the county court jurisdiction of the Allegheny County Court of Common Pleas; provided that nothing contained in this Guaranty will prevent the Creditor from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Creditor and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

15. WAIVER OF JURY TRIAL. THE GUARANTOR AND CREDITOR IRREVOCABLY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND CREDITOR ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

16. Term. This Guaranty shall survive termination of the DSMA and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid or performed in full.

17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the DSMA is stayed upon the insolvency, bankruptcy or reorganization of Seller, all such amounts otherwise subject to acceleration or required to be paid upon an early termination pursuant to the terms of the DSMA shall nonetheless be payable by the Guarantor hereunder on written demand by Creditor.

The Guarantor acknowledges that it has read and understood all the provisions of this Guaranty, and has been advised by counsel as necessary or appropriate.

ATTEST:

[Guarantor]

By: _____

Name: _____

Title: _____

**PENNSYLVANIA UNIVERSAL
DEFAULT SUPPLIER MASTER AGREEMENT**

~~**Residential & Lighting Service**~~

**by and between
Duquesne Light Company
and
[INSERT]**

Dated [Month, Day, Year]

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PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

THIS DEFAULT SERVICE SUPPLIER MASTER AGREEMENT, made and entered into this ____ day of [Month, Day, Year] (the “Agreement”) by and between Duquesne Light Company (the “Company” and “Buyer”), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania and [INSERT] (“DS Supplier”), the Company and the DS Supplier hereinafter sometimes referred to collectively as the “Parties”, or individually as a “Party”,

WITNESSETH:

WHEREAS, the Company is an electric public utility engaged, inter alia, in providing retail electric service within its service territory located in the Commonwealth of Pennsylvania; and

WHEREAS, the Pennsylvania Public Utility Commission (“PaPUC” or “Commission”) Orders issued pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2801-2812, direct Buyer to supply electric service to Default Service Load within Buyer’s Pennsylvania franchise service territory; and

WHEREAS, the PaPUC has found that, for periods further identified in Appendix C, it would serve the public interest for the Company to secure Default Service Supply (“DS Supply”) through a competitive procurement process (“DS Solicitation”) and the PaPUC has approved such a process; and

WHEREAS, the Company has conducted and completed a successful DS Solicitation for the provision of DS Supply, and the DS Supplier was one of the winning bidders in the DS Solicitation; and

WHEREAS, pursuant to the competitive bidding procedures of the DS Solicitation, the Company and the DS Supplier desire to enter into this Agreement setting forth their respective rights and obligations concerning the provision of DS Supply.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, hereby covenant, promise and agree as follows:

ARTICLE 1: DEFINITIONS

Any capitalized or abbreviated term not elsewhere defined in this Agreement shall have the definition set forth in this Article.

Alternative Energy Credit or “AEC” – Shall have the meaning ascribed thereto in the AEPS Act.

AEPS Act – The Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8.

Affiliate – Means, with respect to any entity, any other entity that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such entity. For this purpose, “control” means the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

Allocated AECs – Shall mean the types and amounts of AECs specified on Appendix E.

Alternative Energy Portfolio Standards or “AEPS” – Standards requiring that a certain amount of electric energy sold to retail electric customers in the Commonwealth of Pennsylvania be comprised of electricity generated from alternative energy sources, as measured by AECs, in accordance with the requirements of the AEPS Act and provisions of the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2812-14, in effect on the Effective Date including, without limitation, any subsequent increases in Tier I requirements under 66 Pa.C.S. § 2814.

Ancillary Services – Shall have the meaning ascribed thereto in the PJM Agreements.

Applicable Legal Authorities – Those federal and Pennsylvania statutes and administrative rules and regulations that govern the electric utility industry in Pennsylvania, as they may be amended from time to time.

Auction Revenue Rights or “ARR” – The current or any successor congestion management mechanisms as may be employed by PJM (whether set forth in the PJM Agreements or elsewhere) for the purpose of allocating financial congestion hedges or financial transmission auction revenue rights. As currently defined by PJM, ARRs are entitlements allocated annually by PJM which entitle the holder to receive an allocation of the revenues from the annual auction of financial transmission rights conducted by PJM pursuant to the PJM Agreements.

Bankruptcy Code – Those laws of the United States of America related to bankruptcy, codified and enacted as Title 11 of the United States Code, entitled “Bankruptcy” and found at 11 U.S.C. § 101 et seq., as such laws may be amended, modified, replaced or superseded from time to time.

Billing Month – Each calendar month during the term of this Agreement.

Business Day – Any day on which the Company’s and PJM’s corporate offices are open for business and commercial banks are not authorized or required to close in New York, New York.

Capacity – “Unforced Capacity” as set forth in the PJM Agreements, or any successor, measurement of the capacity obligation of a Load Serving Entity as may be employed in PJM (whether set forth in the PJM Agreements or elsewhere).

Charge – Any fee, charge or other amount that is billable by the Company to the DS Supplier under this Agreement.

~~**Commercial Class** – Group of Rate Schedules that comprise the Commercial Class for DS Supply and itemized in Appendix C.~~

Company – Duquesne Light Company.

Costs – With respect to the Non-Defaulting Party, brokerage fees, commissions and other similar transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement.

Customer – Any person or entity who enters into a contractual agreement with the Company to receive retail electric service including, without limitation, all persons or entities taking service under a retail tariff, eligible to receive competitive electricity supply from an EGS or DS, respectively, in accordance with the Applicable Legal Authorities.

Damages – Financial compensation from the Defaulting Party to the Non-Defaulting Party associated with the occurrence of an Event of Default or an Early Termination of this Agreement. This compensation shall be assessed pursuant to Article 5 of this Agreement.

Default Allocation Assessment – Shall have the meaning ascribed to it under the PJM Agreements.

Defaulting Party – A Party to this Agreement that has caused or precipitated an Event of Default or an Early Termination of this Agreement.

Default Service or “DS” – Electric generation service that is provided at retail pursuant to the Applicable Legal Authorities under the Company’s retail electric tariffs and under any other agreements or arrangements between the Company and Customers, to any Customer that is not being served by an EGS.

~~**Default Allocation Assessment** – Shall have the meaning ascribed to it under the PJM Agreements.~~
Service Supply or “DS Supply” – All necessary Energy, Capacity, AECs for AEPS Act compliance, Ancillary Services, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).

Delivery Period – The delivery period specified in Appendix C.

Delivery Point – Means the applicable zone of the Company as designated by PJM.

DS Customer(s) – Retail customers who are provided Default Service pursuant to the terms of this Agreement, the Applicable Legal Authorities and the Company’s retail tariffs.

DS Fixed Percentage – The percentage of DS Supply provided at a fixed price, as set forth in Appendix C.

DS Fixed Price – The price in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

DS Fixed Price Adder For Hourly Price Service – The fixed price adder for Hourly Price Service in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

DS Load – Means the total sales at the retail meter, plus any losses and Unaccounted For Energy (as defined by PJM), as reflected in PJM settlement volumes (including adjustments required by PJM for PJM’s derating in conjunction with implementation of marginal losses as appropriate per PJM Agreements), expressed in MWh of retail customers in a particular class of DS Customers being served by Company pursuant to the PUC Orders, as such sales vary from hour to hour, in Company’s Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date. The DS Load is net of any reduction in load as a result of energy efficiency and demand side response programs offered by Company, PJM, curtailment service providers, or other third parties, or any retail market programs. For avoidance of doubt, DS Load shall not include (i) the amount of load that would otherwise have been served in the

absence of such energy efficiency or demand side response programs or retail market programs; or (ii) sales resulting from changes in the Company's Pennsylvania service territory which occur as a result of a merger, consolidation, or acquisition of another entity which has a franchised service territory in Pennsylvania or a result of a significant franchise territory swap with another entity which has a franchised service territory in Pennsylvania.

DS Solicitation – The competitive bidding processes, procedures and rules employed by the Company to competitively procure DS Supply for purposes of this Agreement.

DS Supplier – An entity that (i) has been selected through the DS Solicitation and has accepted the obligations and associated rights to provide DS Supply to the Company for retail customers in accordance with the Applicable Legal Authorities, (ii) has entered into this Agreement with the Company as a Party, and (iii) is a PJM Member and registered with PJM as a LSE.

DS Supplier Representative – Any officer, director, employee, consultant, contractor, or other agent or representative of the DS Supplier in connection with the DS Supplier's activity under this Agreement. To the extent the DS Supplier is a division or group of a company, the term DS Supplier Representative does not include any person in that company who is not part of the DS Supplier division or group.

DS Supplier Responsibility Share – The fixed percentage share of the Company’s DS Load for which the DS Supplier is responsible as set forth in Appendix C.

~~**Default Service Supply or “DS Supply”**— All necessary Energy, Capacity, AECs for AEPs Act compliance, Ancillary Services, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).~~

DS Tariffs – The Company’s existing schedules of rates and services provided to retail customers as currently on file with the Commission and on the Company’s website, as they may be amended from time to time.

~~**Delivery Point**— Means the applicable zone of the Company as designated by PJM.~~

~~**DS Variable Percentage Payments** – The percentage of DS Supply provided at a variable price, as set forth in Appendix C hereto.~~
~~**DS Variable Price**— The price in dollars per MWh~~
variable supplier payments in dollars based on the Company’s Hourly Price Service formula rate, as set forth in Appendix C hereto, associated with serving the DS Supplier Responsibility Share of the DS Supply.

Early Termination – Termination of this Agreement prior to the end of the term due to the occurrence of an Event of Default as specified in Article 5.2 of this Agreement and the declaration of Early Termination.

Early Termination Date – The date upon which an Early Termination becomes effective as specified in Article 5.2 of this Agreement.

Effective Date – The date designated on the cover page of this Agreement upon which the terms of this Agreement were agreed to by the Parties.

Electric Distribution Company or “EDC” – A public utility providing facilities for the transmission and distribution of electricity to retail customers in Pennsylvania.

Electric Generation Supplier or “EGS” – A person or entity that is duly certified by the Commission to offer and provide competitive electric supply to retail customers located in the Commonwealth of Pennsylvania.

Emergency – (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a condition that requires implementation of Emergency Operations Procedures as defined in the PJM Agreements or PJM manuals; or (iii) any other condition or situation that the Company or PJM deems imminently likely to

endanger life or property or to affect or impair the Company's electrical system or the electrical system(s) of other(s) to which the Company's electrical system is directly or indirectly connected (a "Connected Entity"). Such a condition or situation may include, but shall not be limited to, potential overloading of the Company's transmission and/or distribution circuits, PJM minimum generation ("light load") conditions, or unusual operating conditions on either the Company's or a Connected Entity's electrical system, or conditions such that the Company is unable to accept Energy from the DS Supplier without jeopardizing the Company's electrical system or a Connected Entity's electrical system. Other additional emergencies can only be declared by PJM, FERC, or the PaPUC.

Energy – Three-phase, 60-cycle alternating current electric energy, expressed in units of kilowatt-hours or megawatt-hours.

Event of Default – A Party's breach of obligations under this Agreement as set forth in Article 5 of this Agreement.

FERC – The Federal Energy Regulatory Commission.

Final Monthly Energy Allocation or "FMEA" – A quantity of Energy which, for any Billing Month, is the PMEA adjusted for any billing or metering data received subsequent to the calculation of PMEA of which PJM is notified within 60 days.

Fixed Price Transaction – A Transaction Confirmation that is not an Hourly Price Transaction.

Force Majeure – Means an event or circumstance which prevents one Party from performing its obligations under one or more transactions, including but not limited to, riots or revolutions, demands or embargoes of the United States Government, fire, flood, drought, insurrection, acts of God which are not within the reasonable control of, or the results of the negligence of the affected Party and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) the loss or failure of DS Supplier's supply; (ii) DS Supplier's ability to sell the DS Supply at a price greater than that received under any Transaction; (iii) curtailment by a utility transmitting DS Supply; (iv) the Company's ability to purchase the DS Supply at a price lower than paid under any Transaction; (v) any change in requirements of any governmental authority; or (vi) labor stoppage or lockout.

Forward Market Price – The price for On-peak Energy Forward Price and Off-peak Energy Forward Price as determined by averaging concurrent broker quotes obtained by the Company for the Market Price Hub as available.

Gains – With respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from an Early Termination of this Agreement, determined in a commercially reasonable manner.

Generator Attribute Tracking System or “GATS” – the system owned and operated by PJM Environmental Services, Inc. to provide reporting and tracking services to its subscribers in support of the AEPS Act, or any successor credit registry selected by the PaPUC. (As specified in Appendix E)

Guaranty – A guaranty, suretyship, hypothecation agreement, margins or security agreement or any other document in the form attached to this DS Supplier Master Agreement or other form approved by the Company.

Guarantor – Any party having the authority and agreeing to guarantee the DS Supplier’s financial obligations under this Agreement, recognizing that such party shall be obligated to meet the Company’s creditworthiness requirements specified in this Agreement for such DS Supplier.

~~**Industrial Class** – Group of Rate Schedules that comprise the Industrial Class for the DS Supply and itemized in Appendix C.~~

Hourly Price Service – service provided to Large Commercial and Industrial Class pursuant to the Company’s DS Tariffs, Rider No. 9.

Hourly Price Transaction – A Transaction Confirmation for Hourly Price Service, as shown on such confirmation.

Interest Index – The average Federal Funds Effective Rate for the period of time the funds are on deposit. The Federal Funds Effective Rate is published daily on the Federal Reserve website (<http://www.federalreserve.gov/releases/h15/update/>).

Kilowatt or “kW” – Unit of measurement of useful power equivalent to 1000 watts.

Kilowatt-hour or “kWh” – One kilowatt of electric power used over a period of one hour.

Large Commercial and Industrial Class – Group of Rate Schedules itemized in Appendix C that are eligible for Hourly Price Service DS Supply.

Load Serving Entity or “LSE” – An entity that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electricity to retail customers located within the PJM Control Area as that term is defined in the PJM Agreements or in successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement. The DS Supplier, for purposes of this Agreement, is not a Load Serving Entity and nothing contained herein shall be deemed to cause the DS Supplier to be a Load Serving Entity.

Losses – With respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from an Early Termination of this Agreement, determined in a commercially reasonable manner.

Margin – The amount by which the Total Exposure Amount exceeds the DS Supplier’s, or Guarantor’s, credit limit as defined in Section 6.4.

Mark-to-Market (“MtM”) Exposure Amount – Shall have the meaning ascribed to it in Section 6.3 of this Agreement.

Market Price Hub – AEP Dayton Hub, a liquid pricing point located within PJM’s geographic footprint.

Maximum Credit Limit – The lesser of the applicable percentage of TNW or the applicable credit limit cap as specified in Section 6.4 of this Agreement.

Medium Commercial and Industrial Class – Group of Rate Schedules that comprise the Medium Commercial and Industrial Class for DS Supply and itemized in Appendix C.

Megawatt or MW – One thousand kilowatts.

Megawatt-hour or MWh – One megawatt of electric power used over a period of one hour.

Merger Event – When a DS Supplier consolidates or amalgamates with, or merges into or with, or transfers all or substantially all of its assets to another entity and either (i) the resulting entity fails to assume all of the obligations of such DS Supplier hereunder in the

sole discretion of the Company or (ii) the benefits of any credit support provided pursuant to Article 6 of this Agreement fail to extend to the performance by such resulting, surviving or transferee entity of the DS Supplier's obligations hereunder, and the resulting entity or its guarantor fails to meet the creditworthiness requirements of this Agreement in the sole discretion of the Company.

Minimum Rating – A minimum senior unsecured debt rating as defined in Appendix A of this Agreement.

Minimum Transfer Amount – \$100,000.

NERC – The North American Electric Reliability Corporation or its successor.

Network Integration Transmission Service or "NITS" – "Network Integration Transmission Service" under the PJM Agreements in effect as of the date of this Agreement, or its successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement. In the event the PJM Agreements are modified such that "Network Integration Transmission Service" is no longer offered, Network Integration Transmission Service shall mean the type of transmission service offered under the PJM Agreements that is accorded the highest level of priority for scheduling and curtailment purposes.

Non-Defaulting Party – A Party to this Agreement who, at the time an Event of Default occurs, is not itself in default of this Agreement and has not otherwise caused or precipitated an Event of Default or Early Termination of this Agreement.

Off-Peak Energy Forward Price – Means the price for Off-Peak Hours for each billing month of the delivery period stated in terms of \$/MWh as based on the most recent publicly available information and/or quotes from Reference Market Makers on forward energy transactions occurring at the Market Price Hub. In the event that the Market Price Hub is no longer available or no longer representative of a transparent trading hub, the Parties will negotiate in good faith to agree upon an alternate liquid price.

On-Peak Energy Forward Price – Means the price for On-Peak Hours for each billing month of the delivery period stated in terms of \$/MWh as based on the most recent publicly available information and/or quotes from Reference Market Makers on forward energy transactions occurring at the Market Price Hub. In the event that the Market Price Hub is no longer representative of a transparent trading hub, the Parties will negotiate in good faith to agree upon an alternate liquid price.

PaPUC or Commission – The Pennsylvania Public Utility Commission or its successor.

PJM – PJM Interconnection L.L.C. or its successor.

PJM Agreements – The PJM OATT, PJM RAA, PJM OA and all other PJM agreements, procedures, manuals and documents applicable to the Transactions covered by or relating to this Agreement.

PJM Control Area – That certain Control Area encompassing electric systems in parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia, as may be modified from time to time, and which is recognized by the North American Electric Reliability Council as the "PJM Control Area".

PJM Member – A member in good standing of PJM that satisfies the requirements to conduct business with PJM.

PJM OA – The PJM Operating Agreement or the successor, superseding or amended version of the PJM Operating Agreement that may take effect from time to time.

PJM OATT – The PJM Open Access Transmission Tariff or the successor, superseding or amended version of the PJM Open Access Transmission Tariff that may take effect from time to time.

PJM OI – The PJM Office of Interconnection, the system operator for the PJM Control Area.

PJM RAA – The PJM Reliability Assurance Agreement or the successor, superseding or amended version of the PJM Reliability Assurance Agreement that may take effect from time to time.

PMEA/FMEA Adjustment Amount – For any Billing Month, the monetary amount due to the DS Supplier or the Company, as the case may be, in order to reconcile any difference between the PMEA used for the purpose of calculating estimated payments made to DS Supplier for a given month and the FMEA used for calculating the final payments due to the DS Supplier for such month as more fully described in Article 9 hereof.

Preliminary Monthly Energy Allocation or “PMEA” – A quantity of Energy which, for any Billing Month, is the preliminary calculation of the DS Supplier’s DS Supplier Responsibility Share.

Rate Schedule(s) – Shall mean the specified existing, and modified or successor customer rate schedule(s) in the electric service tariff of the Company filed with the Commission.

Reliability First Corporation or “RFC” – The approved regional NERC entity with responsibility for the Commonwealth of Pennsylvania.

Residential Class – Group of Rate Schedules that comprise the Residential Class for the DS Supply and itemized in Appendix C

Rounding Amount – \$100,000.

Settlement Amount – With respect to a Non-Defaulting Party, the net amount of the Losses or Gains, and Costs, expressed in U.S. Dollars, which such Party incurs as a result of Early Termination, as set forth in Section 5.4(a) of this Agreement. For the purposes of calculating the Termination Payment, the Settlement Amount shall be considered an amount due to the Non-Defaulting Party under this Agreement if the total of the Losses and Costs exceeds the Gains and shall be considered an amount due to the Defaulting Party under this Agreement if the Gains exceed the total of the Losses and Costs.

Small Commercial and Industrial Class – Group of Rate Schedules that comprise the Small Commercial and Industrial Class for DS Supply and itemized in Appendix C.

Statement – A monthly report prepared by the Company for the DS Supplier indicating the amount due to the DS Supplier by the Company as compensation for DS Supply supplied to DS Customers by the DS Supplier during the current Billing Month, in accordance with DS Supplier's obligations under this Agreement.

Supply Day – Any calendar day during the term of this Agreement on which the DS Supplier is providing, or is obligated by this Agreement to provide, DS Supply to the Company's DS Customers.

Tangible Net Worth or “TNW” – Total assets less intangible assets and total liabilities. Intangible assets include benefits such as goodwill, patents, copyrights and trademarks.

Termination Payment – A payment resulting from an Early Termination that is calculated in accordance with Article 5.4.

Tier I AEC – Shall mean an AEC generated by a non-solar photovoltaic energy source that will satisfy the non-solar Tier I requirements of the AEPS Act applicable to the Company. (As specified in Appendix E)

Tier I (Solar) AEC – Shall mean an AEC generated by a solar photovoltaic energy source that will satisfy the Tier I solar photovoltaic requirements of the AEPS Act applicable to the Company. (As specified in Appendix E)

Tier II AEC – Shall mean an AEC generated by a non-solar photovoltaic energy source that will satisfy the non-solar Tier II requirements of the AEPS Act applicable to the Company. (As specified in Appendix E)

Total Exposure Amount – An amount calculated daily for the DS Supplier reflecting the total credit exposure to the Company and consisting of the sum of (i) the Mark-to-Market Exposure Amount arising under this Agreement; (ii) any amount(s) designated as the “Mark-to-Market Exposure Amount” arising under any other DS Supply agreements providing for “DS Supply” or similar default service; and (iii) the amount designated as the

“credit exposure” under any other DS Supply agreements providing for DS Supply or similar default service; provided that in the event the amount calculated for any day is a negative number, it shall be deemed to be zero for such day.

Tranche – A fixed percentage share of the Company’s DS Load for the Customer Group as indicated in any given Transaction Confirmation, as specified in Appendix C.

Transaction – Means a particular agreement by which the Company purchases and the DS Supplier sells DS Supply pursuant to this Agreement, the details of which are more fully set forth in Exhibit 1 – Transaction Confirmation.

Transaction Confirmation – Shall have the meaning ascribed to it in Appendix C and Exhibit 1 of this Agreement.

ARTICLE 2: GENERAL TERMS AND CONDITIONS

2.1 Capacity in Which Company Is Entering into this Agreement

The DS Supplier agrees and acknowledges that the Company is contracting for the provision of DS Supply from such DS Supplier for Customers receiving Default Service on the Company's electric system pursuant to the authorizations provided to the Company. The DS Supplier further agrees and acknowledges that the Company will administer and monitor the DS Supplier's performance in providing DS Supply under this Agreement and that the Company shall be entitled to enforce the DS Supplier's obligations related to the provision of DS Supply. The DS Supplier hereby permanently, expressly and irrevocably waives any claim that Company is not entitled to seek enforcement of this Agreement on behalf of Customers. It is the specific intention of the Parties hereto that Customers and Customer groups are not third party beneficiaries of this Agreement and that no Customer or Customer group shall seek enforcement of this Agreement against the DS Supplier on their own behalf, either independently or by joining in any legal proceeding brought by the Company.

The Parties acknowledge that the Agreement is a forward contract and, accordingly, the Parties hereto are entitled to the protections of Section 556 of the Bankruptcy Code. The Parties therefore agree that the Agreement may be terminated by either Party upon the commencement of a proceeding by the other Party under any chapter of the Bankruptcy Code in accordance with Article 5.2 of this Agreement.

2.2 Parties' Obligations

(a) Obligations of DS Supplier

The DS Supplier hereby agrees as follows:

- (i) To provide service on a firm and continuous basis such that the supply delivered for the term of the Agreement meets the terms and conditions set forth in Appendix C;
- (ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times and supplied to the Delivery Point to meet the DS Supplier Responsibility Share;
- (iii) To procure those services provided by the PJM OI and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder;
- (iv) To cooperate with the Company in any regulatory compliance efforts that may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of DS Supply, before the PaPUC, FERC or any other regulatory body asserting jurisdiction;
- (v) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, as more fully described in Article 9 of this Agreement;
- (vi) To accept assignment of and to fulfill all obligations of a LSE that are assigned to it by this Agreement;
- (vii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and
- (viii) To comply with the AEPS requirements of the Company's Default Service Plan, as detailed in Appendix E.

(b) Obligations of the Company

The Company hereby agrees as follows:

- (i) To pay to each DS Supplier every month an amount due, resulting from the calculations, as detailed in Article 9 of this Agreement, subject to the adjustments as expressed therein;
- (ii) To pay to the DS Supplier the PMEA/FMEA Adjustment Amount for any Billing Month in which the FMEA exceeds the PMEA, as more fully described in Article 9 of this Agreement;
- (iii) To provide to the DS Supplier its estimated aggregate load obligation (capacity MW value) for each Supply Day no less than five (5) calendar days prior to the day of delivery. Further, this information will be posted in the DS Supplier's specific PJM eMTR account, or successor system or process;
- (iv) To comply in a timely manner with all obligations under this Agreement imposed upon the Company;
- (v) To accept the delivery of DS Supply necessary to meet the DS Load;
- (vi) To be responsible (as between the Company and the DS Supplier) for the provision of the Allocated AECs to satisfy AEPS requirements; and
- (vii) To be the Load Serving Entity for supply purchased under this Agreement.

2.3 Congestion and Congestion Management

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to Auction Revenue Rights (ARRs) to which the Company is entitled

as an LSE pursuant to the PJM Agreements, including the rights to ARR, provided that such rights are related to the service being provided to meet the DS Supplier Responsibility Share and such rights are for the Delivery Period. All rights, liabilities and obligations associated with such ARR will accrue and be assumed by the DS Supplier through the transfer or assignment from the Company to the DS Supplier including the responsibility and ability of the DS Supplier to request or nominate such ARR when applicable and feasible. Should the conditions above not be met, the entity recognized by PJM as having the right to make the nominations will nominate such ARR for the upcoming PJM planning period and such ARR will be allocated to the DS Supplier in accordance with the PJM Agreements based upon its DS Supplier Responsibility Share.

2.4 PJM Services

The DS Supplier shall make all necessary arrangements for the delivery of DS Supply through the PJM OI. The Company will advise the PJM OI of the magnitude and location of each DS Supplier's actual DS Supplier Responsibility Share, as required by the PJM OI, for the purpose of calculating such DS Supplier's appropriate DS Supply requirements related to the provision of service under this Agreement by DS Supplier arising under the PJM Agreements. The DS Supplier shall remain responsible to PJM for the performance of its LSE obligations associated with the provision of DS Supply under this Agreement until the effective date of the transfer of such LSE obligations.

The Company shall generate and provide via a Task Letter Attachment to DS Supplier the PJM shortname(s) associated with supplier's unique contract type(s), as necessary. Unique shortname(s) may be generated for each differing contract type. DS Supplier shall complete all required forms and processing to PJM to create shortname(s)

within the PJM system.

For the period of time this Agreement is in effect, both the Company and DS Supplier shall have executed the PJM Declaration of Authority, and shall remain in effect during the Term of this Agreement. In the event PJM requires that the Declaration of Authority be amended after execution by the DS Supplier, DS Supplier agrees to execute a revised Declaration of Authority in accordance with PJM requirements.

2.5 PJM Agreement Modifications

(a) If the PJM Agreements are amended or modified so that any schedule or section reference herein to such agreements is changed, such schedule or section reference herein shall be deemed to automatically (and without any further action by the Parties) refer to the new or successive schedule or section in the PJM Agreements which replaces that originally referred to in this Agreement.

(b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement, including the DS Supplier's responsibility for changes in PJM products and pricing during the Term. DS Supplier bears the risk and responsibility of all charges resulting from any changes in PJM products and pricing during the term of this Agreement with the exception of (i) future PJM charges related solely to the Company providing network transmission service, and (ii) those charges identified as EDC responsibility in Appendix D, including for transition costs related to the elimination of through-and-out transmission rates.

2.6 PJM Member Default Cost Allocation

In the event PJM imposes a Default Allocation Assessment upon the Company relating to a default during the Term, the Company shall invoice DS Supplier, and DS Supplier shall pay an amount equal to the product of (i) DS Supplier Responsibility Share, and (ii) the Default Allocation Assessment, less the amounts of any types of charges allocated to the Company under this Agreement that are used by PJM in calculating such Default Allocation Assessment.

2.7 Other Fines and Penalties

If fees, fines, penalties, or costs are claimed or assessed against the Company by any Applicable Legal Authority or PJM due to noncompliance by the DS Supplier with this Agreement, any other requirements of law, or the PJM Agreements, the DS Supplier shall indemnify and hold the Company harmless against any and all losses, liabilities, damages, and claims suffered or incurred by the Company, including claims for indemnity or contribution made by third parties against the Company, except to the extent the Company recovers any such losses, liabilities or damages through other provisions of this Agreement.

2.8 Communications and Data Exchange

The DS Supplier and the Company shall supply to each other in a thorough and timely manner all data, materials or other information that is specified in this Agreement, or that may otherwise reasonably be required by DS Supplier or by the Company in connection with the provision of DS Supply by the DS Supplier to DS Customers, if required.

The DS Supplier shall be equipped with the communications capabilities necessary

to comply with the communications and data exchange standards that are set by and as may, from time to time, be modified by PJM, and shall exclusively bear the costs of installing, maintaining, testing, and operating all required information technology systems that will enable it to send to and receive data from the Company and PJM and to satisfy its obligations under this Agreement, the PJM Agreements and all other relevant agreements.

2.9 Record Retention

The Company shall retain necessary records for the longer of two years or as required under applicable PaPUC requirements so as to permit DS Supplier to confirm the validity of payments due to DS Supplier hereunder; provided that if a DS Supplier has provided notice pursuant to this Agreement that it disputes the validity of any payments, the Company agrees that it shall retain all records related to such dispute until the dispute is finally resolved.

2.10 Verification

In the event of a good faith dispute regarding any invoice issued or payment due under this Agreement, and provided that a mutually acceptable confidentiality agreement is executed by the Parties, each Party will have the right to verify, at its sole expense, the accuracy of the invoice or the calculation of the payment due by obtaining copies of relevant portions of the books and records of the other Party.

ARTICLE 3: REPRESENTATIONS AND WARRANTIES

3.1 DS Supplier's Representations and Warranties

The DS Supplier hereby represents, warrants and covenants to the Company on the Effective Date and throughout the term of this Agreement as follows:

(a) It is a corporation, partnership, limited liability company or other legal entity, duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania or, if another jurisdiction, under the laws of such jurisdiction and, in such case, is duly registered and authorized to do business in such other jurisdiction;

(b) It has all requisite power and authority to execute and deliver this Agreement and to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder, including satisfaction of all applicable FERC requirements;

(c) The execution and delivery of this Agreement and the performance of such DS Supplier's obligations hereunder have been duly authorized by all necessary action on the part of the DS Supplier and do not and will not conflict with, or constitute a breach of or default under, any of the terms, conditions, or provisions of the DS Supplier's certificate of incorporation or bylaws or other constituent instruments or any indenture, mortgage, other evidence of indebtedness, or other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the DS Supplier is a party or by which the DS Supplier or any of its properties is bound or subject;

(d) All necessary and appropriate action that is required on the DS Supplier's part to execute this Agreement has been completed;

(e) This Agreement is the legal, valid and binding obligation of the DS Supplier, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect

that affect creditors' rights in general or by general principles of equity;

(f) There are no actions at law, suits in equity, proceedings or claims pending or, to the DS Supplier's knowledge, threatened against the DS Supplier before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the DS Supplier's performance of its obligations hereunder;

(g) It has entered into this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;

(h) It is in good standing as an LSE in PJM, is a signatory to all applicable PJM Agreements, and is in compliance with, and will continue to comply with, all obligations, rules and regulations, as established and interpreted by the PJM OI, that are applicable to LSEs as defined by the PJM Agreements; provided that the DS Supplier shall not be obligated to become an LSE in PJM until the date it begins providing DS Supply;

(i) It has made its trading and investment decisions (including regarding the suitability thereof) based upon its own judgment and any advice from such advisors as it has deemed necessary and not in reliance upon any view expressed by the Company;

(j) It will comply with any and all information and data transfer protocols that may be adopted by the Company or that are set by, and from time to time modified by, the PaPUC; provided that DS Supplier shall be entitled to exercise its reserved right to challenge any such protocols in the appropriate forum;

(k) It is not Bankrupt or insolvent and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming Bankrupt or insolvent;

(l) There are no pending or, to its knowledge, threatened, actions, suits or proceedings against it or any of its Affiliates, or any legal proceedings before any Governmental Authority, that could materially adversely affect its ability to perform its obligations under this Agreement;

(m) No Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement;

(n) It is not relying upon the advice or recommendations of the other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement, and the other Party is not acting as a fiduciary for or advisor to it in respect of this Agreement; and

(o) It has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of DS Supply as required by this Agreement, and it is an “eligible contract participant” as defined in Section 1a(12) of the Commodity Exchange Act.

3.2 Company’s Representations and Warranties

The Company hereby represents, warrants and covenants to the DS Supplier as follows:

(a) The Company is an electric utility corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania;

(b) The Company has all requisite power and authority to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder;

(c) The execution and delivery of this Agreement and the performance of the Company's obligations hereunder have been duly authorized by all necessary action on the part of the Company and do not and will not conflict with, constitute a breach of or default under, any of the terms, conditions, or provisions of the Company's certificate of incorporation or bylaws or any indenture, mortgage, other evidence of indebtedness, or other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Company is a party or by which the Company or any of its properties is bound or subject;

(d) All necessary and appropriate action that is required on the Company's part to execute this Agreement has been completed;

(e) This Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights in general or by general principles of equity and the Commission's power under section 508 of the Public Utility Code, 66 Pa.C.S. § 508, to amend or modify the contracts of public utilities;

(f) The ability of the Company to pay any and all amounts due and payable under this Agreement, or upon any potential breach thereof, is not conditioned upon any governmental or administrative appropriation by the Commission, the Commonwealth of Pennsylvania or any other governmental authority;

(g) There are no actions at law, suits in equity, proceedings or claims pending or, to the Company's knowledge, threatened against the Company before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially

delay, prevent or hinder the Company's performance of its obligations under this Agreement;

(h) It has entered into this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;

(i) The Company's performance under this Agreement is not contingent upon the performance of Customers or the ability of Customers to pay rates;

(j) The Company shall have sole responsibility for metering and billing with respect to Customers; and

(k) The Company shall be responsible for electric distribution services, and the DS Supplier shall not be responsible for distribution charges.

3.3 Survival of Obligations

All representations and warranties contained in this Article are of a continuing nature and shall be maintained during the term of this Agreement or until all amounts due hereunder, including all obligations, have been paid or performed in full. If a Party learns that any of the representations, warranties or covenants in this Agreement are no longer true during the term of this Agreement, the Party shall immediately notify the other Party via facsimile, with a hard copy of the notice delivered by overnight mail. Company, may, in its sole discretion, treat any such materially incorrect or misleading representation or warranty as an Event of Default hereunder.

ARTICLE 4: COMMENCEMENT AND TERMINATION OF AGREEMENT

4.1 Commencement and Termination

The term of this Agreement shall commence upon the Effective Date. Unless

otherwise agreed upon by the Company and the DS Supplier, this Agreement shall continue in full force and effect from the Effective Date until the end of all Transaction(s) executed under this Agreement, unless the Agreement is terminated prematurely pursuant to the provisions of this Agreement.

4.2 Termination of Right to Supply

The DS Supplier agrees that termination of this Agreement for reason of an Event of Default shall terminate any right of the DS Supplier to provide DS Supply to the DS Customers and nullify any of the entitlements to which the DS Supplier became entitled as a result of being selected as a winning bidder in the DS Solicitation.

4.3 Survival of Obligations

Termination of this Agreement for any reason shall not relieve the Company or the DS Supplier of any obligation accrued or accruing prior to such termination. Applicable provisions of this Agreement shall continue in effect after termination to the extent necessary to provide for final billings.

4.4 Mutual Termination

The Company and the DS Supplier may agree at any time during the term of this Agreement to terminate their respective rights and obligations hereunder on such terms and under such conditions that they mutually deem to be appropriate as set forth in a mutual termination agreement acceptable in form and substance to the Company and the DS Supplier (“Mutual Termination Agreement”); provided that Company agrees that it shall enter into such a Mutual Termination Agreement, which will discharge the terminating DS Supplier (the “Terminating DS Supplier”) with respect to liabilities arising after the effective date of the Mutual Termination Agreement if the following conditions precedent

are met: (i) the Terminating DS Supplier identifies a replacement DS Supplier willing to assume all obligations of the Terminating DS Supplier hereunder for the remaining term of this Agreement (the “Replacement DS Supplier”); (ii) the Replacement DS Supplier demonstrates its compliance with Article 6 of this Agreement, “Creditworthiness,” as of the effective date of the Mutual Termination Agreement, that determination to be made in the sole discretion of Company; (iii) the Replacement DS Supplier executes a counterpart signature page to this Agreement and thereby becomes a Party under this Agreement, effective immediately following the effective date of the Mutual Termination Agreement; and (iv) the Terminating DS Supplier is not, to the belief or knowledge of the Company, subject to an Event of Default as of the effective date of the Mutual Termination Agreement or, if the Company believes that the Terminating DS Supplier may be subject to an Event of Default, either (a) the Company has determined that, as of the effective date of the Mutual Termination Agreement, it has not incurred any Damages as a result of the Event of Default or (b) if the Company has determined, as of the effective date of the Mutual Termination Agreement, that it may have incurred Damages as a result of the Event of Default, that the Replacement DS Supplier has agreed in writing to be responsible for the payment of such Damages or to otherwise cure the Event of Default, in either case to the satisfaction of the Company in its sole discretion.

ARTICLE 5: BREACH AND DEFAULT

5.1 Events of Default

An Event of Default under this Agreement shall occur if a Party (the “Defaulting Party”):

- (i) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;

- (ii) Makes an assignment for the benefit of its creditors;
- (iii) Applies for, seeks consent to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets;
- (iv) Is dissolved (other than pursuant to a consolidation, amalgamation or merger) or is the subject of a Merger Event in the case of the DS Supplier;
- (v) Has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets;
- (vi) Has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vii) In the case of a DS Supplier, PJM terminates the DS Supplier's ability to make purchases from PJM markets or PJM holds the Company responsible for the provision of DS Supply under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;
- (viii) Fails to comply with the creditworthiness requirements as set forth in Article 6 of this Agreement, including, without limitation, compliance with the creditworthiness requirements to cover the Margin calculated under Section 6.5 or post any Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;
- (ix) Is declared by PJM to be in default of any provision of any PJM Agreement, which default prevents a Party's performance hereunder if such failure is not remedied within three (3) Business Days after written notice;

(x) Fails to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within two (2) Business Days after written notice;

(xi) Violates any federal, state or local code, regulation or statute applicable to the supply of Energy and/or AECs in a manner that materially, and adversely, affects the Party's performance under this Agreement, including by way of failure to continually satisfy all applicable FERC requirements, or, in the case of the DS Supplier, by way of failure to maintain any other governmental approvals required for participation in the Pennsylvania retail Energy market, or defaults on any obligation or other failure to comply with PJM requirements under the PJM Agreements;

(xii) Is the subject of an involuntary bankruptcy or similar proceeding;

(xiii) Subject to Section 5.3(b) of this Agreement, in the case of the Company, fails to accept DS Supply properly tendered by the DS Supplier under this Agreement;

(xiv) Fails to perform any material covenant or obligation set forth in this Agreement, if such failure is not remedied within three (3) Business Days after written notice;

(xv) Makes a materially incorrect or misleading representation or warranty under this Agreement or under any response to the DS Solicitation; or

(xvi) Commits an act or makes an omission that constitutes an "Event of Default" under any other agreement(s) for the provision of DS Supply between the Company and the DS Supplier; and fails to remedy such condition, event or delinquency herein above described such that the other Party (the "Non-Defaulting Party") is completely made whole with respect to such condition, event or delinquency, within three (3) Business Days of receipt of written notice thereof from such Non-Defaulting Party; provided, however, that

an Event of Default shall be deemed to have occurred immediately, without any need for the provision of notice thereof by the Non-Defaulting Party and without any right of cure on the part of the Defaulting Party, in the event of the occurrence of a condition, event or delinquency described in subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) above. Termination or modification of this Agreement by the PaPUC, other regulatory authority or court of law does not constitute an Event of Default under this Agreement.

(xvii) With respect to the DS Supplier's Guarantor, if any:

1. Representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
2. Guarantor fails to make, when due, any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within two (2) Business Days after written notice;
3. Guarantor's guaranty fails to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement without the written consent of the other Party; or
4. Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty.

5.2 Rights upon Default

Upon and during the continuation of an Event of Default, the Non-Defaulting Party shall have the right to suspend performance, provided that such suspension shall not continue for longer than ten (10) Business Days. At any time during or subsequent to the temporary suspension of performance, the Non-Defaulting Party may proceed with the steps outlined in Article 5.7. In addition to any other remedies available at law or in equity to the Non-Defaulting Party, if an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right to implement all of the following remedies:

(i) Declare an Early Termination Date of this Agreement with respect to the obligations of the Defaulting Party without any liability or responsibility whatsoever except for obligations arising prior to the date of termination, by providing written notice to the Defaulting Party; provided, however, that this Agreement shall immediately terminate automatically and without notice in the case of any Event of Default in which a DS Supplier is the Defaulting Party occurring under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) of Article 5.1 of this Agreement and such date of automatic termination shall be deemed the Early Termination Date of this Agreement with respect to such Supplier; and

(ii) Receive Damages in accordance with Section 5.3 of this Agreement.

The Non-Defaulting Party shall be entitled to elect or pursue one or more of the above remedies.

5.3 Damages Resulting from an Event of Default

(a) DS Supplier's Failure to Supply DS Supply or Declaration of Early Termination By Company: Damages resulting from (i) the DS Supplier's failure to (A)

provide DS Supply in conformance with Article 2.2 hereof or (B) pay PJM for purchases of any products or services from PJM, or other failure to comply with PJM requirements, such that PJM holds the Company responsible for the provision of DS Supply to meet the DS Supplier's DS Supplier Responsibility Share under this Agreement or (ii) the occurrence of any Event of Default attributable to the DS Supplier resulting in Early Termination, shall include all Costs incurred by the Company, acting in a commercially reasonable manner consistent with any statutory or regulatory requirements imposed by the Applicable Legal Authorities, in obtaining replacement services or in obtaining a replacement supplier, which Costs exceed the amounts that would have been payable to the defaulting DS Supplier under this Agreement. Costs incurred by the Company for the purpose of calculating Damages hereunder will consist of:

(i) The cost of DS Supply allocated to the Company by the PJM OI due to the failure of the DS Supplier to meet obligations owing to the PJM OI in connection with its obligations under this Agreement;

(ii) The costs of DS Supply purchased by the Company to replace DS Supply that a DS Supplier was obligated to supply under this Agreement during the term hereof;

(b) Administrative and legal costs associated with procuring replacement DS Supply; and

(iv) Financial hedging costs incurred by the Company on behalf of DS Customers as a result of having to procure DS Supply not provided by the DS Supplier.

The Parties further recognize and agree that the final calculation of Damages hereunder may not be known for some time since the level of such Damages may be dependent upon the arrangements made by the Company to obtain replacement services or

a replacement DS Supplier. The Company and the DS Supplier agree that, until the calculation of Damages under this provision is completed, the amount and payment to the Company of the Settlement Amount on behalf of DS Customers in the event of an Early Termination as set forth in Article 5.4 of this Agreement shall be immediately due and owing as an estimate of all Damages ultimately determined to be due and owing. After Damages have been finally determined under this Article 5.3, the amounts of Damages due and owing will be reconciled with payments already made by the DS Supplier under Section 5.4 of this Agreement.

(b) Failure by Company on Behalf of Customers to Accept DS Supply Tendered by DS Supplier: Damages resulting from the failure of the Company on behalf of Customers to accept DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to the DS Supplier hereunder had the Company accepted the DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement and (ii) the amount realized by the DS Supplier in disposing, in a commercially reasonable manner, of the DS Supply not accepted by the Company; provided, however, that the Company shall not be liable for any Damages if this Agreement is terminated by the PaPUC, other regulatory authority or a court of law.

(c) Damages Resulting from Early Termination Due to an Event of Default Attributable to the Company: Damages resulting from Early Termination due to an Event of Default attributable to the Company shall be as set forth in Section 5.4 of this Agreement. Damages calculated in accordance with said Article 5.4 shall be the exclusive

remedy available to the DS Supplier in the event of Early Termination resulting from an Event of Default attributable to the Company.

(d) Damages Resulting from DS Supplier's Failure to Continuously Satisfy its AEPS Obligations: Damages resulting from the DS Supplier's failure to continuously meet and satisfy all or any portion of its obligations under Section 2.2 (a)(viii) of this Agreement shall include, but not be limited to, the amount of all penalties, costs associated with the procurement of additional AECs, etc., including, without limitation, interest and other charges, if any, levied against the Company related to AEPS regulations, due to such DS Supplier's conduct or inaction. DS Supplier has a specific obligation to provide the AECs and not money damages in substitution. Therefore, any such attempt to supply money damages instead of AECs may be treated as an event of default in the sole discretion of Company.

(e) Other Damages: Damages for Events of Default not specified above shall consist of the direct Damages incurred by the Non-Defaulting Party.

(f) Waiver of Event of Default: If an Event of Default has occurred and the Non-Defaulting Party is the Company, then unless the Event of Default was a failure by the DS Supplier to meet any or all of its DS Supply obligations, the Company may elect, at its sole discretion, to offer to waive the default on such terms and conditions as the Company, at its sole discretion, may deem appropriate to propose a special remedy. Any such special remedy can only be offered to the DS Supplier if it first is specifically approved by the PaPUC in accordance with Commission Orders.

5.4 Declaration of an Early Termination Date and Calculation of Settlement Amount and Termination Payment

(a) Settlement Amount

If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the Non-Defaulting Party shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than twenty (20) days after such notice is effective, as a date for Early Termination (“Early Termination Date”) to accelerate all amounts owing between the Parties and to liquidate and terminate the undertakings set forth in this Agreement, (ii) to withhold any payments due to the Defaulting Party under this Agreement, and (iii) to suspend performance; provided, however, that an Early Termination Date shall be deemed to occur automatically and concurrently with the Event of Default, without any requirement for the provision of notice by the Non-Defaulting Party, with respect to an Event of Default under subsections (i), (ii), (iii), (iv), (v), (vi), (vii), and (viii) of Article 5.1 of this Agreement. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount with respect to the obligations under this Agreement.

“ The DS Supplier may, in its sole discretion, add the following subsection 5.4(a)(i) by checking this box. If DS Supplier does not check this box, subsection 5.4(a)(i) will be deemed to be excluded from this Agreement.”

(i) For the purposes of such determination, the DS Supply provided for under this Agreement for the period following the Early Termination Date through the remainder of the term of this Agreement shall be deemed to be those quantity amounts that would have been delivered on an hourly basis, had this Agreement been in effect during the previous calendar year adjusted for such DS Load changes as may have occurred since the previous calendar year.

(b) Net Out of Settlement Amounts

The Non-Defaulting Party shall calculate a Termination Payment by aggregating

all Settlement Amounts due under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply into a single amount by netting out (a) all Settlement Amounts that are due or will become due to the Defaulting Party, plus at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party and actually received, liquidated and retained by the Non-Defaulting Party, plus any or all other amounts due to the Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply against (b) all Settlement Amounts that are due or will become due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply, so that all such amounts shall be netted out to a single liquidated amount; provided, however, that if the DS Supplier is the Defaulting Party and the Termination Payment is due to the DS Supplier, the Company shall be entitled to retain a commercially reasonable portion of the Termination Payment, which may be equal to the entire amount of the Termination Payment, as security for additional amounts that may be determined to be due and owing by the DS Supplier as Damages and further provided that any previously attached security interest of the Company in such retained amounts shall continue. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate. If the Termination Payment has been retained by the Company as security for additional amounts that may be determined to be due and owing by the DS Supplier, and if, upon making a final determination of Damages, the Termination Payment, or any portion thereof, is to be made to the DS Supplier, the Company will pay simple interest on the Termination Payment amount being

made to the DS Supplier. Simple interest will be calculated at the lower of the Interest Index or six (6) percent per annum.

(c) Notice of Termination Payment

As soon as practicable after calculation of a Termination Payment, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Subject to Article 5.4(b) above, the Termination Payment shall be made by the Party that owes it within three (3) Business Days after such notice is effective.

(d) Disputes With Respect to Termination Payment

If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within three (3) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party as specified in the Termination Payment Dispute Notice.

(e) Multiple DS Supply Agreements

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply

that existed prior to the Effective Date of this Agreement or are entered into after the Effective Date of this Agreement, the Company will calculate a single Termination Payment applicable to all such agreements as set forth herein.

5.5 Step-up Provision

The Company may ask other DS Suppliers whether they wish to assume all or part of the delivery obligations on the same terms and price contained herein, but any DS Supplier shall not be obligated to assume any such step-up requests. Any agreement to make additional supply available shall be termed a “Step-Up,” and is subject to compliance with the creditworthiness provisions of Article 6 of this Agreement and the DS Supplier’s load cap as per the Company’s approved default service procurement plan. For the avoidance of doubt, in the event that the DS Supplier does not respond to the Company’s Step-Up request within the relevant timeframe, then the DS Supplier shall be deemed to have rejected the Company’s request in full.

5.6 Setoff of Payment Obligations of the Non-Defaulting Party

Any payment obligations of the Non-Defaulting Party to the Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply shall be set off: (i) first, to satisfy any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply that are unsecured and not subject to any Guaranty; (ii) second, to satisfy any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply that are unsecured, but which are subject to a Guaranty; and (iii)

third, to satisfy any remaining payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply.

5.7 Preservation of Rights of Non-Defaulting Party

The rights of the Non-Defaulting Party under this Agreement, including without limitation Article 5.4 and 5.7 of this Agreement, shall be supplemental to, and not in lieu of, any right of recoupment, lien, or set-off afforded by applicable law, and all such rights are expressly preserved for the benefit of the Non-Defaulting Party.

- (a) Duty to Mitigate. Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's failure to perform pursuant to this Agreement.

- (b) Return of Auction Revenue Rights. When the DS Supplier is the Defaulting Party, the DS Supplier will make best efforts to facilitate the transfer or reassignment to the entity which is the replacement DS Supplier on the Early Termination Date, any and all of the replacement DS Supplier's rights to Auction Revenue Rights (ARRs) to which the replacement DS Supplier is entitled as a LSE pursuant to the PJM Agreements, which were transferred or assigned to the DS Supplier under Section 2.3 (Congestion and Congestion Management).

ARTICLE 6: CREDITWORTHINESS

6.1 Applicability

The DS Supplier agrees that it shall meet the creditworthiness requirements of this Article 6 at all times during the term of this Agreement and shall inform the Company immediately of any changes in its credit rating or financial condition. Without limitation of the foregoing, the DS Supplier shall, upon written request, affirmatively demonstrate to the Company, its compliance with the creditworthiness requirements set forth hereunder. The Company may establish less restrictive creditworthiness requirements under this Article 6 in a non-discriminatory manner.

6.2 Creditworthiness Determination

The DS Supplier may submit and maintain a security deposit in accordance with Section 6.4 of this Agreement in lieu of submitting to or being qualified under a creditworthiness evaluation. The DS Supplier shall have the opportunity to request that the Company re-evaluate its creditworthiness whenever an event occurs that the DS Supplier believes would improve the determination made by the Company of its creditworthiness. The Company's credit re-evaluation must be completed as soon as possible but no longer than thirty (30) days after receiving a fully documented request. The Company must provide the rationale for its determination of the credit limit and any resulting security requirement. The Company must perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. DS Supplier shall provide the Company and its agent's unrestricted access to audited financial statements; provided that if audited financial statements are not available, the Company, in its sole discretion, may specify other types of financial statements that will be accepted.

6.3 Mark-to-Market Credit Exposure Methodology

To calculate the daily exposure for each DS Supplier, the MtM credit exposure methodology will be used. The “mark” for each Billing Month will be determined at the time the auction is completed based on the available Forward Market Prices and for the remaining Billing Months, it will be derived based on historical data. At the time the auction is completed, the MtM credit exposure for each DS Supplier shall be equal to zero. Subsequently, the differences between the available Forward Market Prices on the valuation date and the “mark” prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DS Supplier. The total MtM credit exposure will be equal to 1.1 times the sum of the MtM credit exposures for each Billing Month. The methodology for calculation of the MtM credit exposure is illustrated in the example (using hypothetical numbers) set forth in Appendix B hereto.

6.4 Credit Limit

The following criteria constitute the Company’s creditworthiness requirements for the DS Supplier, to cover the Total Exposure Amount. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating) will be used.

(i) For a DS Supplier to be granted an unsecured line of credit, the DS Supplier must be rated by at least two of the following rating agencies: S&P, Moody’s, or Fitch. The methodology for determining the credit rating to use is set forth in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount will be determined based on the credit matrix table in Appendix A of this Agreement.

The DS Supplier will be required to post cash or a letter of credit in an acceptable

form as defined in Section 6.7 (b) of this Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement;

(ii) For a DS Supplier having a Guarantor, in the case of a Guarantor organized under the laws of the United States, the Guarantor (1) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the rating will be established based on the methodology outlined in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount that could be provided through the Guaranty (see standard format in Exhibit 5) will be determined based on the credit matrix table for Guarantors in Appendix A. The DS Supplier will be granted a credit limit equal to the lesser of (i) the amount of the Guaranty as provided to the Company at the time this Agreement is executed as such amount may be modified in any amended or substitute Guaranty provided to the Company during the term of this Agreement, or (ii) the Supplier's Maximum Credit Limit. The DS Supplier, however, may not increase or substitute its Guaranty for the purpose of increasing its applicable credit limit during the time period after the Company has made a Margin call but before the DS Supplier has posted the required Margin. Notwithstanding anything herein to the contrary, the DS Supplier may increase the limit of its Guaranty after satisfying a Margin call from the Company and upon the Company's receipt of an amended or substitute Guaranty increasing the limit of the Guaranty, the DS Supplier may request a return of Margin in accordance with Section 6.5 of this Agreement. The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7(b) of this

Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement; or

(iii) For a DS Supplier or Guarantor that has not been incorporated or otherwise formed under the laws of the United States and whose financial data is not denominated in United States currency and does not conform to generally accepted accounting principles (“GAAP”) in the United States, they shall supply the following additional information:

- a. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the DS Supplier or Guarantor is incorporated or otherwise formed that this Agreement is, or upon completion of execution formalities will become, the binding obligation of the DS Supplier or Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- b. The sworn certificate of the corporate secretary (or similar officer) of such DS Supplier or Guarantor that the person executing this Agreement on behalf of the DS Supplier has the authority to execute the Agreement and that the governing board of the DS Supplier or Guarantor has approved the execution of this Agreement;
- c. The sworn certificate of the corporate secretary (or similar officer) of such DS Supplier or Guarantor that the DS Supplier or Guarantor has been authorized by its governing board to enter into agreements of the same type as this Agreement; and
- d. Such other documents and certificates as may be required by the Company in its sole discretion.

(iv) The posting of cash or a letter of credit as defined in Section 6.7 (b) below for the entire Total Exposure Amount as set forth in Section 6.5 of this Agreement.

6.5 Posting Margin and Return of Surplus Margin

(a) If at any time and from time to time during the term of this Agreement the Total Exposure Amount, rounded by the Rounding amount, exceeds the DS Supplier's or the Guarantor's credit limit by the Minimum Transfer Amount (MTA), then the Company, on any Business Day, may request that the DS Supplier provide cash or a letter of credit in an acceptable form as defined in Article 6.7(b) of this Agreement (see standard format in Exhibit 4), in an amount equal to the Margin (less any Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply).

If the DS Supplier receives written notice for Margin from the Company by 1:00 p.m. New York time on a Business Day, then the DS Supplier shall post Margin the next following Business Day, if posting cash, and by the second Business Day following the date of notice, if posting a letter of credit, unless the Company agrees in writing to extend the period to provide Margin. If the DS Supplier receives notice for Margin from the Company after 1:00 p.m. New York time on a Business Day, whether posting cash or a letter of credit, then the DS Supplier must post Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide Margin. The Company will not unreasonably deny a request for a one-day extension of such period. In the event that the DS Supplier fails to post Margin when due in accordance with this Article 6.5, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the Company will be entitled to the remedies set forth in

Article 5 of this Agreement.

(b) Surplus Margin being held by the Company that is not needed to satisfy the Total Exposure Amount, as determined above, will be returned to the DS Supplier upon receipt of a written request by the DS Supplier. Surplus Margin means cash or a letter of credit posted by the DS Supplier as a result of a request by the Company pursuant to Article 6.5(a) that exceeds the Total Exposure Amount less the DS Supplier's or the Guarantor's credit limit (rounded by the Rounding Amount). If the resulting Surplus Margin amount is more than the Minimum Transfer Amount, it will be returned to the DS Supplier. If the DS Supplier posted cash and notice is received by 1:00 p.m. New York time on a Business Day, the surplus Margin will be returned by the next following Business Day and if the DS Supplier posted cash and notice is received by the Company after 1:00 p.m. New York time on a Business Day, the surplus Margin shall be returned by the second Business Day following the date of notice, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. If the DS Supplier posted a letter of credit, the surplus Margin shall be returned on the next Business Day following the Business Day on which the amendment to the letter of credit is received from the issuing bank, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. The DS Supplier will not unreasonably deny a request for a one-day extension of such period. In the event that the Company fails to return the surplus Margin when due in accordance with this Article, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the DS Supplier will be entitled to the remedies set forth in Article 5 of this Agreement.

6.6 Grant of Security Interest/Remedies

To secure its obligations under this Agreement and to the extent that the DS Supplier posted Margin/collateral hereunder, the DS Supplier hereby grants to the Company a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, the Company, and the DS Supplier and the Company agree to take such action as is reasonably required to perfect the secured Party's first priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Company may do any one or more of the following: (i) exercise any of the rights and remedies of the Company with respect to all collateral, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the DS Supplier in the possession of the Company, whether held in connection with this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply; (iii) draw on any outstanding letter of credit issued for its benefit; and (iv) liquidate all security held by or for the benefit of the Company free from any claim or right of any nature whatsoever of the DS Supplier, including any equity or right of purchase or redemption by the DS Supplier. The Company shall apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce the DS Supplier's obligation under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply

(the DS Supplier remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

All notices, demands or requests regarding credit requirements and credit related security or deposit transfers shall be in writing and shall be personally delivered or sent by overnight express mail, courier service or facsimile transmission (with the original transmitted by any of the other aforementioned delivery methods) addressed as follows:

If to a DS Supplier to:

Copy to:

If to the Company to: James H. Milligan, Assistant Treasurer
Duquesne Light Company
411 Seventh Avenue, Pittsburgh, PA 15219

Copy to: Joan Jenkins, ~~Forecasting~~ & Procurement Analyst
Duquesne Light Company
411 Seventh Avenue, Pittsburgh, PA 15219

Notice received after the close of the Business Day shall be deemed received on the next Business Day; provided that notice by facsimile transmission shall be deemed to have been received by the recipient if the recipient confirms receipt telephonically or in writing.

6.7 Security Instruments

At each DS Supplier's choice, the following are deemed to be acceptable methods for posting security, if required:

- (a) Cash; or

(b) A standby irrevocable letter of credit acceptable to the Company, in its sole discretion, issued by a bank or other financial institution with a minimum “A-” senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from S&P and “A3” from Moody’s (see standard format in Exhibit 4). The letter of credit shall state that it shall renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days prior written notice from the issuing financial institution. If the Company receives notice from the issuing financial institution that the letter of credit is being cancelled, the DS Supplier will be required to provide a substitute letter of credit from an alternative bank satisfying the minimum requirements. The receipt of the substitute letter of credit must be effective as of the cancellation date and delivered to the Company thirty (30) days before the cancellation date of the original letter of credit. If the DS Supplier fails to supply a substitute letter of credit as required, then the Company will have the right to draw on the existing letter of credit and to hold the amount as Margin.

If the credit rating of a bank or other financial institution from which a DS Supplier has obtained a letter of credit falls below the levels specified in Article 6 of this Agreement, the DS Supplier shall have two (2) Business Days following written notice by the Company to obtain a suitable letter of credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by the Company. The Company shall have no obligation under this Agreement or otherwise to make or grant such extension.

6.8 Maintenance of Creditworthiness

(a) Reporting of Changes

The DS Supplier shall promptly notify the Company of any change in its credit

rating or financial condition or that of its Guarantor. The DS Supplier or Guarantor shall also furnish evidence of an acceptable credit rating or financial condition upon the request of the Company.

(b) Change in Credit Standing

The Company will re-evaluate the creditworthiness of a DS Supplier whenever it becomes aware of an adverse change, through the provision of notice by the DS Supplier or otherwise, in the DS Supplier's or Guarantor's credit standing. If the lowest credit rating (whether senior unsecured debt rating or corporate issuer rating) used to determine the DS Supplier's Maximum Credit Limit or its credit limit adversely changes, the Company will require additional security from the DS Supplier in accordance with Sections 6.4 of this Agreement. The additional security must be in a form acceptable to the Company in its sole discretion, as specified in Article 6.7 of this Agreement and must be posted as set forth in Section 6.5 of this Agreement.

6.9 Calling on Security

The Company may call upon the security posted by the DS Supplier if the DS Supplier fails to pay amounts due to the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply after all of the following events occur:

- (a) Written Notice of Default is provided to the DS Supplier; and
- (b) Any applicable cure period associated with the written Notice of Default ends.

The foregoing notwithstanding, the security posted by the DS Supplier shall become due automatically without prior notice or right of cure in the case of any Event of

Default arising under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) of Section 5.1 of this Agreement.

6.10 Interest on Cash Held by Company

The Company will pay simple interest calculated at the lower of the Interest Index or six (6) percent per annum on all cash held by the Company pursuant to this Agreement. Each Billing Month, the Company will prepare a statement of interest amounts due to the DS Supplier. The statement will be sent to the DS Supplier within three (3) Business Days after the end of the Billing Month via overnight mail or other expeditious means. The Company shall make interest payments on the first Business Day after the 5th day of each calendar month.

6.11 No Endorsement of DS Supplier

The Company's determination that a DS Supplier is creditworthy pursuant to the process set forth above, shall not be deemed to constitute an express or implied warranty or guarantee of any kind with respect to the financial or operational qualifications of the DS Supplier. The Company will treat all DS Suppliers in a non-discriminatory manner and shall provide no preference to any DS Supplier.

6.12 Multiple DS Supply Agreements

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the effective date of this Agreement or is entered into after the effective date of this Agreement, the Company will calculate the Margin applicable to all such agreements as set forth in Appendix A of this Agreement; provided, however, that if another agreement has a more stringent credit threshold, then the more stringent credit

threshold shall apply. Each DS Supplier that is a party to such other agreements with the Company for the provision of DS Supply hereby agrees that such other agreements are deemed amended by this Agreement for the purpose of calculating the Margin as described herein.

**ARTICLE 7: PROCEDURES FOR ENERGY SCHEDULING,
CAPACITY RESOURCE SUBMISSION AND
TRANSMISSION PROCUREMENT**

7.1 Load Obligations

The Company and the DS Supplier acknowledge and agree that (1) the Company shall determine the DS Load, (2) the Company shall allocate the DS Supply obligation using the DS Supplier Responsibility Share, (3) the Company shall provide the DS Supplier's DS Supply obligation to PJM, and (4) the DS Supplier shall be responsible for meeting its DS Supply obligations as a LSE under the PJM Agreements.

7.2 Data Transmission

The procedures for transmitting load obligation data to PJM for DS Supplier's DS Load shall be as set forth by PJM.

7.3 Energy Scheduling

The Company is not obligated to provide any day ahead scheduling services. If the Company chooses to provide such services, the information provided is not guaranteed by the Company.

**ARTICLE 8: THE ENERGY SETTLEMENT/RECONCILIATION
PROCESS**

8.1 Energy Settlement by PJM

The settlement process occurs at PJM to reflect the DS Supplier's actual Energy

obligations in a supply/usage reconciliation process. The Energy obligations for each DS Supplier will be determined based on the DS Supplier Responsibility Share of the DS Load. The reconciled total DS Energy obligation will be based on the final total Energy loads for the Customers receiving DS service, including de-ration adjustments for marginal losses.

Any adjustments for billing and metering errors reported subsequent to the calculation of FMEA will be proportionally allocated by the Company to the DS Suppliers based on the respective DS Supplier Responsibility Share.

8.2 Energy Settlement by the Company

In the event that actual DS Customer consumption data is not available until after the PJM deadline for conducting the final settlement, the Company will conduct the settlement process with the DS Supplier. In the event PJM imposes penalties against the Company as a result of the DS Supplier's Transactions or failure to meet PJM requirements, such penalties shall be passed through by the Company to the DS Supplier as part of this settlement process. In addition, all other applicable charges from PJM, including any billing adjustments, will be appropriately allocated to the DS Supplier.

ARTICLE 9: BILLING AND PAYMENT

9.1 The Company Payment of Obligations to the DS Supplier

The Company shall pay all amounts due to the DS Supplier hereunder in accordance with the following provisions:

(a) Each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier.

- ~~• (a) Each Billing Month, the Company will prepare a Statement of~~

~~amounts due to the DS Supplier. This~~For Fixed Price Transactions, this
Statement will show the aggregate amounts due based on the DS Fixed
Price multiplied by the hourly Energy requirements of DS Supply used
to determine the PMEA multiplied by the DS Fixed Percentage as
shown in Appendix C, ~~multiplied by the Seasonal Billing Factor, if~~
~~applicable, for each hour of the Billing Month, plus the aggregate~~
~~amounts due based on the DS Variable Price multiplied by the hourly~~
~~Energy requirements of DS Supply used to determine the PMEA~~
~~multiplied by the DS Variable Percentage as shown in Appendix C for~~
~~each hour of the Billing Month.~~ for each hour of the Billing Month.

- For Hourly Price Transactions, this Statement will show the aggregate
amounts due based on the DS Fixed Price Adder For Hourly Price
Service multiplied by the hourly Energy requirements of DS Supply
used to determine the PMEA multiplied by the DS Fixed Percentage as
shown in Appendix C for each hour of the Billing Month, plus the DS
Variable Payments used to determine the PMEA for each hour of the
Billing Month.

(b) The Statement will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.

(c) The Company shall make payment on the first Business Day after the 19th day of each calendar month.

(d) To the extent that the FMEA differs from the PMEA, the Company shall

pay or charge the DS Supplier for the PMEA/FMEA Adjustment Amount within the PJM deadline for conducting the final settlement.

(e) If each Party owes an amount to the other Party pursuant to this Agreement, including any related interest, payments or credits, the Parties may satisfy their respective obligations to each other by netting the aggregate amounts due to one Party against the aggregate amounts due to the other Party, with the Party, if any, owing the greater aggregate amount paying the other Party the difference between the amounts owed.

(f) Payments shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of this Agreement.

(g) The Company shall make payments of funds payable to the DS Supplier by electronic transfer to a bank designated by the DS Supplier.

(h) If a good faith dispute arises between the Company and the DS Supplier regarding a Statement, the disputing Party shall be obligated to pay only the undisputed portion of the Statement, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the date of the Statement in dispute. Statement disputes shall be addressed promptly and in accordance with the dispute resolution procedures set forth in Article 11 of this Agreement. Upon resolution of a Statement dispute, any payments made to either Party will include simple interest on the payment at the lower of the Interest Index or six (6) percent per annum payable from the date that notice of a Statement dispute was received by the non-disputing Party.

(i) If payment is made to the DS Supplier after the due date shown on the

Statement, a late fee will be added to the unpaid balance until the entire Statement is paid. This late fee shall be the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) or (b) the maximum rate permitted by applicable law.

(j) If Seller does enter more than one transaction with Buyer, Buyer may provide a single invoice listing the relevant information detailed.

9.2 Billing for DS Supplier’s Obligations to Other Parties

The Company shall have no responsibility for billing between the DS Supplier and PJM; the DS Supplier and any Energy or Capacity source; or the DS Supplier and any other third party. The Company will be solely responsible for billing DS Customers for Default Service.

9.3 The DS Supplier Payment of Obligations to the Company

The DS Supplier shall pay all Charges it incurs hereunder in accordance with the following provisions:

(a) Each Billing Month, the Company shall submit an invoice to the DS Supplier for all Charges owed by the DS Supplier under this Agreement. The DS Supplier shall make payment for Charges shown on the invoice. The due date will be on the first Business Day after the 19th day of each calendar month. The invoice will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.

(b) Invoices shall be subject to adjustment for any arithmetic errors,

computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of this Agreement.

(c) The DS Supplier shall make payments of funds payable to the Company by electronic transfer to a bank designated by the Company.

(d) If a good faith dispute arises between the Company and the DS Supplier regarding an invoice, the disputing Party shall pay only the undisputed portion of the invoice, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the due date of the invoice in dispute. Billing disputes shall be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 11 of this Agreement. Upon resolution of a billing dispute, any payments made to either Party will include simple interest on the payment at the lower of the Interest Index or six (6) percent per annum payable from the date that notice of a bill dispute was received by the non-disputing Party.

(e) If payment is made to the Company after the due date shown on the invoice, a late fee will be added to the unpaid balance until the entire invoice is paid. This late fee shall be the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under "Money Rates" on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) or (b) the maximum rate permitted by applicable law.

ARTICLE 10: SYSTEM OPERATION

The Parties shall adhere to any applicable operational requirements of PJM necessary to protect the integrity of the transmission system within the PJM Control Area and the transmission systems of interconnected control areas, and shall satisfy any and all PJM, RFC and NERC criteria, when applicable. The DS Supplier shall also adhere to any applicable operational requirements of the Company necessary to protect the integrity of the Company's local distribution system.

10.1 Disconnection and Curtailment by the Company

The Company shall have the right, without incurring any liability to the DS Suppliers, to disconnect (or otherwise curtail, interrupt or reduce deliveries from) the DS Suppliers or to disconnect (or otherwise curtail, interrupt or reduce deliveries to) any Customer whenever the Company determines in the exercise of its good faith discretion, or when the Company is directed by PJM, that such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of the Company's facilities, or due to any other reason affecting the safe and reliable operation of the Company's or a Customer's facilities, including, without limitation, an Emergency, forced outage or potential overloading of the Company's transmission and/or distribution circuits, potential damage to any Customer's facilities or any risk of injury to persons or property.

10.2 Inadvertent Loss of Service to DS Customers

The Parties agree and acknowledge that service to DS Customers may be inadvertently lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of the Company affecting the transmission and distribution

system of the Company. Neither Party will have any liability to the other Party for the occurrence of such events except for the Company's obligation to pursue steps for the resumption of the disrupted service as set forth in Section 10.3 below. In no event will an inadvertent loss of service affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such inadvertent loss of service.

10.3 Good Faith Efforts

The Company shall use good faith efforts to minimize any curtailment, interruption or reduction in service to DS Customers to the extent reasonably practicable under the circumstances.

10.4 PJM Requirements

The DS Supplier acknowledges and agrees that, as a member of PJM, the Company is bound by all PJM operating instructions, policies and procedures as are currently set forth in the PJM Operating Manual, which are available through the Internet on the PJM Home Page (<http://www.pjm.com>), as may be revised from time to time, which are needed to maintain the integrity of the PJM system. The DS Supplier acknowledges and agrees that it will cooperate with the Company so that the Company will be in compliance with all PJM Emergency Operations Procedures, which include, but are not limited to, those procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

10.5 Compliance with Governmental Directives

The DS Supplier also acknowledges and agrees that the Company may need to act

in response to governmental or civil authority directives which may affect DS Customer load. The DS Supplier agrees to cooperate with the Company in order to comply with said directives.

ARTICLE 11: DISPUTE RESOLUTION

11.1 Informal Resolution of Disputes

Before pursuing resolution of any dispute arising out of this Agreement (other than an Event of Default under Article 5.1(i)-(ix), (xii), or (xvi)), the disputing Party shall provide written notice to the other Party setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. The Parties shall use good faith and reasonable commercial efforts to informally resolve such dispute. Such efforts shall last for a period of at least thirty (30) calendar days from the date that the notice of the dispute is first delivered from one Party to the other Party. Any amounts that are owed by one Party to the other Party as a result of resolution of a dispute pursuant to this Article 11.1 (Informal Resolution of Disputes), shall be paid within two (2) Business Days of such resolution and the payment shall include interest calculated at the Interest Index from the original due date through the date of payment.

11.2 Recourse to Agencies or Courts of Competent Jurisdiction

After the requirements of Article 11.1 (Informal Dispute Resolution) have been satisfied, all unresolved disputes, except as noted below, between the Parties shall be submitted to the appropriate authority. Nothing in this Agreement shall restrict the rights of either Party to file a complaint with the FERC under relevant provisions of the Federal Power Act ("FPA"), with the PaPUC under relevant provisions of the Applicable Legal Authorities, with the Allegheny Court of Common Pleas or with the Western District of

Pennsylvania Federal Court. The Party's agreement hereunder is without prejudice to any Party's right to contest the jurisdiction of the agency or court listed above to which a complaint is brought.

The Parties hereby acknowledge and agree that both Parties have negotiated and entered into this Agreement freely and in good faith and that the terms of this Agreement have not been affected in any way, either directly or indirectly, by (A) any fraud, duress, unfairness, or any inequity in the relative bargaining power of the Parties or (B) any manipulation, unlawful activity, disruption, anomaly, dysfunction, or other adverse market conditions of any type or description.

To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the "public interest" standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the "Mobile-Sierra Doctrine").

ARTICLE 12: REGULATORY AUTHORIZATIONS AND JURISDICTION

12.1 Compliance with Applicable Legal Authorities

The Company and the DS Supplier are subject to, and shall comply with, all existing or future applicable federal, State and local laws, all existing or future duly-promulgated orders or other duly-authorized actions of PJM or of Applicable Legal

Authorities.

12.2 FERC Jurisdictional Matters

The inclusion herein of descriptions of procedures or processes utilized by PJM or otherwise subject to the jurisdiction of FERC is intended solely for informational purposes. If anything stated herein is found by the FERC to conflict with or be inconsistent with any provision of the FPA, or any rule, regulation, order or determination of the FERC under the FPA or if any existing procedures or processes utilized by PJM are duly modified, the applicable FERC rule, regulation, order, determination or modification shall control. To the extent required under any provision of the FPA, or any rule, regulation, order or determination of the FERC under the FPA, the Company and/or the DS Supplier, if applicable, shall use reasonable commercial efforts to secure, from time to time, all appropriate orders, approvals and determinations from the FERC necessary to support this Agreement.

12.3 Energy Efficiency, Conservation, and Retail Market Programs

DS Supplier acknowledges that DS Customers may participate in energy efficiency and conservation programs offered by the Company (required by Applicable Legal Authorities or otherwise offered by the Company whether voluntarily or not), by PJM, or by other third parties and, for the avoidance of doubt, any programs offered or conducted by the Company or other entities relating to or arising from the PaPUC's Investigation of Pennsylvania's Retail Electricity Market, PaPUC Docket No. I-2011-2237952 (including legislation enacted to address the Commission's Final Order in Docket No. I-2011-2237952), and that such participation may reduce or change the amount of DS Supply that DS Supplier is required to provide and the amount of monies it may receive

under this Agreement. The Company shall have no obligation whatsoever to DS Supplier with respect to the effect, if any, of such programs. DS Supplier is solely responsible for determining the effect, if any, of such programs on future load requirements.

ARTICLE 13: LIMITATION OF REMEDIES, LIABILITY AND DAMAGES

13.1 Limitations on Liability

Except as set forth in this Agreement, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. The Parties confirm that the express remedies and measures of Damages provided in this Agreement satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of Damages is provided, such express remedy or measure of Damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or Damages at law or in equity are waived. If no remedy or measure of Damages is expressly provided herein, the obligor's liability shall be limited to direct actual Damages only, such direct actual Damages shall be the sole and exclusive remedy, and all other remedies or Damages at law or in equity are waived. Unless expressly herein provided, neither Party shall be liable for consequential, incidental, punitive, exemplary or indirect Damages, lost profits or other business interruption Damages, by statute, in tort or contract, under any indemnity provision or otherwise. It is the intent of the Parties that the limitations herein imposed on remedies and the measure of Damages be without regard to the cause or causes related thereto, including the negligence or any Party, whether such negligence by sole, joint or concurrent, or active or passive. To the extent any Damages required to be paid hereunder are liquidated, the Parties acknowledge that the Damages are difficult or impossible to determine, or

otherwise obtaining an adequate remedy is inconvenient and the Damages calculated hereunder constitute a reasonable approximation of the harm or loss.

13.2 Risk of Loss

Solely for purposes of determining risk of loss and for determining the indemnity obligations under Article 14 of this Agreement, the Company shall be deemed to have custody and control of the electric Energy delivered by the DS Supplier upon receipt thereof into the Company's distribution system and until delivery thereof at the retail electric meter of the Customer, and the DS Supplier shall be deemed to have custody and control of the DS Supply at all times prior to receipt thereof by the Company. The Party deemed to have custody and control of DS Supply shall be responsible for all loss or damage to property or injury or death to persons arising in connection with such DS Supply while in its custody and control and shall indemnify the other Parties with respect to same as set forth in Article 14 of this Agreement.

ARTICLE 14: INDEMNIFICATION

14.1 Indemnification

(a) Should the Company become the defendant in, or obligor for, any third party claims and/or liabilities for losses, penalties, expenses, damage to property, injury to or death of any person including a Party's employees or any third parties, that were caused by or occur in connection with an act or omission of the DS Supplier with respect to an obligation arising under or in connection with this Agreement, or for which the DS Supplier has otherwise assumed liability under the terms of this Agreement, the DS Supplier shall defend (at the Company's option), indemnify and hold harmless the Company, its shareholders, board members, directors, officers and employees, from and

against any and all such third party claims and/or liabilities, and shall appoint counsel at DS Supplier's expense, subject to the approval of Company, to defend any such claims or liabilities, except to the extent that a court of competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Company. The Company may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(b) Should the DS Supplier (the "Indemnified DS Supplier") become the defendant in, or obligor for, any third party claims and/or liabilities for losses, penalties, expenses, damage to property, injury to or death of any person including a Party's employees or any third parties, that were caused by or occur in connection with an act or omission of the Company with respect to an obligation arising under or in connection with this Agreement, or for which the Company has otherwise assumed liability under the terms of this Agreement, the Company shall defend (at the option of the Indemnified DS Supplier), indemnify and hold harmless the Indemnified DS Supplier, its shareholders, board members, directors, officers and employees, from and against any and all such third party claims and/or liabilities, except to the extent that a court of competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Indemnified DS Supplier. The Indemnified DS Supplier may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(c) If either Party intends to seek indemnification under Article 14.1(a) or 14.1(b), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within ninety (90) days of the later of the

commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld, conditioned or delayed.

14.2 Survives Agreement

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article shall survive termination of this Agreement and shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for either Party under any statutory scheme, including any Worker's Compensation Acts, Disability Benefit Acts or other Employee Benefit Acts.

ARTICLE 15: FORCE MAJEURE

15.1 Force Majeure

Notwithstanding anything in this Agreement to the contrary, the Parties shall be excused from performing their respective obligations under this Agreement (other than the obligation to make payments with respect to performance prior to the event of Force Majeure) and shall not be liable for damages or otherwise due to their failure to perform, during any period that one Party is unable to perform due to an event of Force Majeure, provided that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; (ii) exercise all commercially reasonable efforts to mitigate or limit

damages to the other Party; and (iii) fulfill the requirements set forth in Article 15.2 (Notification).

15.2 Notification

A Party unable to perform under this Agreement due to an event of Force Majeure shall: (i) provide prompt written notice of such event of Force Majeure to the other Party, which shall include an estimate of the expected duration of the Party's inability to perform due to the event of Force Majeure; and (ii) provide prompt notice to the other Party when performance resumes.

ARTICLE 16: MISCELLANEOUS PROVISIONS

16.1 Notices

Unless otherwise stated herein, all notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by overnight express mail or courier service. Notice may also be provided via e-mail or facsimile transmission (with the original transmitted by any of the other delivery methods specified in the previous sentence) addressed per the notification information for the DS Supplier and Company as set forth in Exhibit 2 hereto.

Such notices, demands or requests shall also be provided to such other person at such other address as a Party may designate by like notice to the other Party. Notice received after the close of the Business Day shall be deemed received on the next Business Day.

16.2 No Prejudice of Rights

The failure of a Party to insist on any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder,

shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder, which shall remain in full force and effect. No term or condition of this Agreement shall be deemed to have been waived and no breach excused unless such waiver or consent to excuse is in writing and signed by the Party claimed to have waived or consented to excuse.

16.3 Effect of Regulatory or Legislative Actions

- (a) The Parties agree that the Company's obligations under this Agreement are contingent on, and limited by, the Company's ability to recover all costs incurred by it under this Agreement from its retail customers in full and on a current basis. If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which have the effect of depriving the Company's full and current recovery of said costs, the Company may terminate this Agreement upon ten (10) days written notice. The Parties agree that any such termination shall not constitute an Event of Default under this Agreement.
- (b) If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which transfers the Company's obligation to procure or supply DS Supply to third party, this Agreement may be transferred to such third party in accordance with the provisions of Section 16.4 below. The Parties agree that any such transfer shall not constitute an Event of Default under this Agreement.
- (c) In the event that this Agreement is terminated as a result of any of the reasons set forth in subsections (a) and (b) of Section 16.3 above, the Parties agree that the Company shall not be liable for any costs or damages incurred

or otherwise associated with (i) the transfer of the Company's obligation to obtain or provide DS Supply to third party, or (ii) the elimination of the Company's obligation to obtain or provide DS Supply.

16.4 Assignment

Parties shall not assign any of their rights or obligations under this Agreement without obtaining the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee and all necessary consents have been obtained. Any assignment in violation of this Section ~~16.3~~16.4 shall be void; provided, however, the Company may assign any or all of its rights and obligations under this Agreement notwithstanding anything contained herein to the contrary, without the DS Supplier's consent, to any entity succeeding to all or substantially all of the assets of the Company, or to a third party in accordance with Section 16.3(b), if such assignee agrees, in writing, to be bound by all of the terms and conditions hereof and all necessary regulatory approvals are obtained. The DS Supplier may, with prior written notice to the Company but without obtaining the approval of the Company, assign the accounts, revenues or proceeds under this Agreement to a third party. The Company agrees that, following receipt of such notice of the assignment of accounts, revenues or proceeds and such other documentation that the Company may reasonably request, the Company will pay amounts becoming due to the assigning DS Supplier under this Agreement directly to the designated assignee; provided, however, that nothing herein shall enlarge or expand the rights of such designated assignee beyond the rights granted to the DS Supplier, and the right of such designated assignee to receive payments shall be subject to all defenses, offsets and claims of the Company

arising under this Agreement.

16.416.5 Governing Law and Venue

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Pennsylvania State court or Federal court of competent jurisdiction and within reasonably close proximity to the Company. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

16.516.6 Regulatory Approvals

DS Supplier agrees to cooperate, to the fullest extent necessary, to obtain any and all required State, Federal or other regulatory approvals of the Agreement and/or Transaction Confirmations hereunder. The commencement of the Delivery Period and the obligations hereto are subject to (i) the receipt or waiver by Company of all Company required regulatory approvals, (ii) the receipt or waiver by DS Supplier of all DS Supplier required regulatory approvals, and (iii) Pennsylvania PUC approval.

16.616.7 Headings

The headings and subheadings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereto, nor should they be used to aid in any manner in the construction of this Agreement.

16.716.8 Third Party Beneficiaries

This Agreement is intended solely for the benefit of the Parties hereto and nothing in this Agreement shall be construed to create any duty or standard of care with reference to, or any liability to, any person not a Party to this Agreement.

16.816.9 General Miscellaneous Provisions

(a) This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties, or to impose any partnership obligation or liability upon any Party. No Party shall have any right, power, or authority to enter into any agreement or undertaking for, or on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party.

(b) Cancellation, expiration or Early Termination of this Agreement shall not relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including warranties, remedies, promises of indemnity and confidentiality.

(c) Should any provision of this Agreement be held invalid or unenforceable, such provision shall be invalid or unenforceable only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable any other provision hereof unless it materially changes the agreement of the Parties; provided that in such event the Parties shall use commercially reasonable efforts to amend this Agreement or any Transaction in order to give effect to the original intention of the Parties.

(d) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all

proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement or any Transaction.

16.916.10 Taxes

As between the Parties: (i) the DS Supplier is responsible for the payment of all taxes imposed by all present and future federal, state, municipal or other taxes imposed by any taxing authority on the wholesale sales of DS Supply under this Agreement; and (ii) the Company is responsible for the payment of all taxes imposed by all present and future federal, state, municipal or other taxes imposed by any taxing authority on retail sales of DS Supply under this Agreement. Should the DS Supplier be required to remit any Pennsylvania State Sales and Use Taxes directly to the applicable taxing authority, other than taxes previously collected by the DS Supplier on behalf of the Company, the Company will defend and indemnify the DS Supplier for such Sales and Use Taxes and will pay to the DS Supplier all such tax amounts upon demand. If any Transaction is exempt from the payment of any such taxes, the affected DS Supplier will, if requested, provide the Company with valid tax exemption certificates. Should the Company be required to remit any such taxes directly to any applicable taxing authority, other than taxes previously collected by the Company directly from the DS Supplier, the DS Supplier will defend and indemnify the Company and will pay to the Company all such tax amounts

upon demand.

~~16.10~~16.11 Audit

Each Party has the right on at least three (3) Business Days prior written notice, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made in accordance with Article 9 (Billing and Payment) and 9.1(i) (Interest on Unpaid Balances) of this Agreement.

~~16.11~~16.12 Rules of Interpretation

The following principles shall be observed in the interpretation and construction of this Agreement:

- (a) Unless otherwise stated, the terms “include” and “including” when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;
- (b) All titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;
- (c) References to the singular include the plural and vice versa;

- (d) References to Articles, Sections, Clauses and the Preamble are, unless the context indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement;
- (e) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (f) If any payment due under this Agreement would be, by operation of the terms and conditions of any provision hereof, due and payable on a day other than a Business Day, such payment shall be made on the next following Business Day.

~~16.12~~16.13 Confidentiality

(a) Each Party shall hold in confidence and not release or disclose any document or information furnished by the other Party in connection with this Agreement, unless: (i) compelled to disclose such document or information by judicial, regulatory or administrative process or other provisions of law; (ii) such document or information is generally available to the public; (iii) such document or information was available to the receiving Party on a non-confidential basis; (iv) such document or information was available to the receiving Party on a non-confidential basis from a third-party, provided that the receiving Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (v) such disclosure is made to PJM or PaPUC and is necessary in order for the Transactions contemplated by this Agreement to be consummated or to otherwise comply with the provisions of this Agreement.

(b) Notwithstanding any other provision of this Section 16.12, a Party may disclose to its employees, representatives and agents all documents and information furnished by the other Party in connection with this Agreement, provided that such employees, representatives and agents have been advised of the confidentiality provisions of this Section 16.12, and further provided that in no event shall a document or information be disclosed in violation of the standard of conduct requirements established by FERC.

(c) A Party receiving notice or otherwise concluding that any confidential document or information furnished by the other Party in connection with this Agreement is being sought under any provision of law, to the extent it is permitted to do so under any applicable law, shall: (i) promptly notify the other Party; and (ii) use reasonable efforts in cooperation with the other Party to seek confidential treatment of such confidential information.

(d) The Parties agree that monetary damages may be inadequate to compensate a Party for the other Party's breach of its obligations under this Section 16.12. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the receiving Party breaches or threatens to breach its obligations under this Article 16.12, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law.

~~16.13~~16.14 Federal Acquisition Regulation

If any of the following clauses prescribed by the Federal Acquisition Regulation ("FAR"), 48 Code of Federal Regulations Chapter 1, should be deemed to apply to this Agreement, the DS Supplier shall comply with the requirements of such clause(s), and

shall include the terms or substance of such clause(s) in its subcontracts, as and to the extent required by the FAR:

- 1) Clean Air and Water: § 52.223-2;
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation: § 52.222-4;
- 3) Equal Opportunity: § 52.222-26;
- 4) Affirmative Action for and Employment Reports on Special Disabled and Vietnam Era Veterans: § 52.222-35 and § 52.222-37;
- 5) Affirmative Action for Handicapped Workers: § 52.222-36; and
- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: § 52.219-8 and § 52-219-9.

In case of a conflict between the provisions of the FAR and the balance of this Agreement, the requirements of the FAR shall prevail.

16.1416.15 Binding Terms

This Agreement and the rates, terms and conditions herein shall remain in effect for the entire term hereof and each Party agrees not to seek any change to such rates, terms and conditions pursuant to the FPA, if the FPA is deemed to have jurisdiction over this Agreement, including on the grounds that they are not just and reasonable.

16.1516.16 Amendment

This Agreement, including the appendices hereto, cannot be amended without the written agreement of all Parties prior to such amendment becoming effective. Except as provided in Appendix C, the rates, terms and conditions contained in this Agreement are

not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the “public interest” standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the “Mobile-Sierra Doctrine”).

16.1616.17 Counterparts

This Agreement may be executed in counterparts, each of which will be considered an original, but all of which shall constitute one instrument.

16.1716.18 Successors

This Agreement and all of the provisions hereof are binding upon, and inure to the benefit of, the Parties and their respective successors and permitted assigns.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

ATTEST:

DUQUESNE LIGHT COMPANY

Title: _____

By: _____

Name: C. James Davis, Jr.
Title: Director, Rates and Energy Procurement
& Federal/RTO Affairs

ATTEST:

[INSERT]

Title: _____

By: _____

Name: _____

Title: _____

APPENDIX A- MAXIMUM UNSECURED CREDIT

Credit Rating Matrix Tables for EDC's

EDC: Duquesne Light Company

Credit Rating of the DS Supplier			Maximum Credit Limit (calculated as the lesser of the percentage of TNW or the Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap
A- and above	A3 and above	A- and above	16%	\$60,000,000
BBB +	Baa1	BBB +	10%	\$40,000,000
BBB	Baa2	BBB	7%	\$30,000,000
BBB-	Baa3	BBB-	3%	\$20,000,000
BB+	Ba1	BB+	0%	\$0
BB	Ba2	BB	0%	\$0
BB-	Ba3	BB-	0%	\$0
Below BB-	Below Ba3	Below BB-	0%	\$0

Credit Rating Determination Methodology

The DS Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the DS Supplier or its Guarantor is rated by three rating agencies, and the ratings are split, the lowest rating will be used. **Minimum Rating** – The lowest credit rating for a DS Supplier, as set forth in this Appendix A, that can obtain unsecured credit.

APPENDIX B – METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE

Parameters

In calculating the MtM Exposure for each Transaction, the following parameters are set on the Transaction Date:

1. On-Peak Initial Mark Price
2. Off-Peak Initial Mark Price
3. MW-Measure
4. On-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
5. Off-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
6. Number of awarded Bid Blocks

In calculating the MtM Exposure for each Transaction, the following parameters are set each Business Day subsequent to the Transaction Date:

- 1) On-Peak Forward Price
- 2) Off-Peak Forward Price
- 3) Current Capacity PLC Per Bid Block
- 4) On-Peak Estimated Energy Quantity
- 5) Off-Peak Estimated Energy Quantity

Determination of On-Peak Forward Prices

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub On-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly On-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that On-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the On-Peak Forward Price for that month using a methodology that utilizes the best information available to Buyer at that time. For example, the On-Peak Forward Price for the given month may be updated based on the changes in On-Peak Forward Price

quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day

Determination of Off-Peak Forward Prices

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub Off-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly Off-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from the average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes. Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that Off-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the Off-Peak Forward Price for that month using a methodology that utilizes

the best information available to Buyer at that time. For example, the Off-Peak Forward Price for the given month may be updated based on the changes in Off-Peak Forward Price quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day.

Example of Disaggregating Aggregate Quotes

The following is an example of the process to be used for disaggregating Aggregate Quotes:

- a. Aggregate Quote only available for January – March: \$60/MWh.
- b. Immediate Prior Calendar year quotes for January, February, and March as follows:

January: \$42/MWh

February: \$45/MWh

March: \$40/MWh

- c. Calculations as follows:

- 1. Calculate Average price in (b) = \$42.33/MWh

- 2. Calculate monthly deviation from Average:

January: 99.2% ($\$42/\42.33)

February: 106.3% ($\$45/\42.33)

March: 94.5% ($\$40/\42.33)

- 3. Disaggregate the Aggregate Quote by applying percentages from c.(2) to the available aggregate quote:

January: \$59.53 ($\$60 \times 99.2\%$)

February: \$63.78 ($\$60 \times 106.3\%$)

March: \$56.69 ($\$60 \times 94.5\%$)

Mark-To-Market Example

Necessary Information from a Transaction Confirmation:		
Delivery Period	June 1, 2011 - May 31, 2012	
Bid Blocks	3	(j)
Estimated Energy Quantity Per MW-Measure		
	On-Peak MWh (k)	Off-Peak MWh (l)
Jan	11800	8300
Feb	13000	9100
Mar	9100	6400
Apr	7200	5000
May	8800	6200
Jun	12900	9000
Jul	15200	10600
Aug	16000	11200
Sep	9500	6700
Oct	8300	5800
Nov	9800	6900
Dec	10900	7600

Business Day on which MtM is Calculated:	June 24, 2011
MW-Measure:	50.0 MW (m)
Current Capacity PLC Per Bid Block:	40.0 MW (n)
Percent of On-Peak Hours Remaining in Current Month:	18.2% (o)
Percent of Off-Peak Hours Remaining in Current Month:	21.7% (p)

MtM Exposure Calculation									
	a	b	c	d	e=c-a	f=d-b	g=k*n/m*j*o	h=l*n/m*j*p	r=(e*g)+(f*h)
	On-Peak Initial Mark Price \$/MWh	Off-Peak Initial Mark Price \$/MWh	On-Peak Forward Price \$/MWh	Off-Peak Forward Price \$/MWh	Change In On-Peak Price \$/MWh	Change In Off-Peak Price \$/MWh	On-Peak Estimated Energy Quantity MWh	Off-Peak Estimated Energy Quantity MWh	MtM Exposure
Jun-11	57.04	27.95	58.48	28.65	1.44	0.70	5,629	4,696	\$ 11,393
Jul-11	72.81	31.31	75.26	32.36	2.45	1.05	36,480	25,440	\$ 116,088
Aug-11	72.81	34.23	74.28	34.91	1.47	0.68	38,400	26,880	\$ 74,726
Sep-11	45.56	24.15	47.31	25.08	1.75	0.93	22,800	16,080	\$ 54,854
Oct-11	43.23	23.34	46.09	24.89	2.86	1.55	19,920	13,920	\$ 78,547
Nov-11	43.23	25.50	46.40	27.38	3.17	1.88	23,520	16,560	\$ 105,691
Dec-11	43.23	26.36	44.86	27.36	1.63	1.00	26,160	18,240	\$ 60,881
Jan-12	50.73	38.55	54.45	41.39	3.72	2.84	28,320	19,920	\$ 161,923
Feb-12	50.73	39.06	53.61	41.29	2.88	2.23	31,200	21,840	\$ 138,559
Mar-12	45.23	30.75	47.64	32.39	2.41	1.64	21,840	15,360	\$ 77,825
Apr-12	45.23	25.78	48.01	27.36	2.78	1.58	17,280	12,000	\$ 66,998
May-12	47.06	24.94	49.06	26.00	2.00	1.06	21,120	14,880	\$ 58,013
									\$ 1,005,499

CALCULATION OF MTM EXPOSURE FOR HOURLY PRICE TRANSACTIONS

The MtM Exposure for an Hourly Price Transaction shall be calculated as follows. During the first month of the term of a Transaction, the MtM Exposure shall be equal to Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche. Thereafter, the MtM Exposure shall be calculated on the first Business Day of each month during the term of a Transaction and shall be deemed equal to the product of: (i) Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche; (ii) the ratio of the Current Capacity PLC Per Tranche to the MW-Measure; (iii) the number of Tranches awarded to the DS Supplier per the Transaction Confirmation; and (iv) the ratio of the calendar days remaining in the Delivery Period to the total calendar days in the Delivery Period. The following definitions shall apply for the purposes of this calculation:

“Capacity Peak Load Contribution” or “Capacity PLC” means the aggregation of retail customer peak load contributions, as determined by the Buyer in accordance with the PJM Agreements and reported by Buyer to PJM pursuant to Buyer’s retail load settlement process, and used by PJM in determining the DS Supplier’s capacity obligation for each Transaction.

“Current Capacity PLC Per Tranche” is the Capacity PLC of a Tranche as of the Business Day the MtM Exposure is calculated for the Transaction.

“MW-Measure” means the Current Capacity PLC Per Tranche as of the Transaction Date.

APPENDIX C - DS SUPPLY SPECIFICATIONS

The following DS Supply specifications will be specified in Transaction Confirmations to this SMA.

Product:

Full Requirements Service, meaning all of the following necessary services or products that are required to supply the DS Responsibility Share for the DS Customers associated with the Transaction Confirmation, including:

Energy, Capacity, transmission, Ancillary Services, Alternative Energy Credits for compliance with the AEPS Act, transmission and distribution system losses, congestion management costs, and such other products and services that are required except for distribution service.

Appendix D - describes Company and DS Supplier Responsibilities for PJM Billing Statement Line Item Credits and Charges associated with the Product.

Appendix E - further describes DS Supplier responsibilities for compliance with the AEPS Act in the product specification.

DS Customer Group:

Each Transaction Confirmation shall be associated with DS Supply to one of the following DS Customer categories as defined in the DS Tariff:

Residential & Lighting;

Small Commercial and Industrial (annual peak demands less than 25kW);

Medium Commercial and Industrial (annual peak demands greater than or equal to 25kW and less than 300kW);

Large Commercial and Industrial (annual peak demands greater than 300kW)

Service Type:

Residential & Lighting : RA, RS, RH, AL, SE, SM, SH, PAL

Small Commercial and Industrial : GS, GM < 25 kW, GMH < 25 kW, MTS/UMS, UMS

Medium Commercial and Industrial : GM > 25 kW, GMH > 25 kW

Large Commercial and Industrial : GL, GLH, L, HVPS

Delivery Point:

Duquesne Residual Aggregate Zone in PJM

Delivery Period:

Will be specified in Transaction Confirmations to this SMA.

Number of Tranches and Percentage for Each Tranche:

Will be specified in Transaction Confirmations to this SMA.

DS Supplier Responsibility Share:

Fixed percentage share of DS Load for DS Customer Group associated with Transaction Confirmation. Typically, number of tranches won x Tranches Percentage for the DS Customer Group. Will be specified in Transaction Confirmations to this SMA.

Seasonal Billing Factor:

None used.

APPENDIX D – RESPONSIBILITIES FOR PJM BILLING LINE ITEMS AS DEFINED IN APPLICABLE PJM AGREEMENT OR MANUAL

ID #	PJM Billing Statement Line Items	Responsible Party	
		EDC	DS Supplier
ID#	CHARGES		
1000	Amount Due for Interest on Past Charges		DS Supplier
1100	Network Integration Transmission Service	EDC	
1101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
1102	Network Integration Transmission Service (exempt)	EDC	
1104	Network Integration Transmission Service Offset	EDC	
1108	Transmission Enhancement	EDC	
1109	MTEP Project Cost Recovery		DS Supplier
1110	Direct Assignment Facilities		DS Supplier
1120	Other Supporting Facilities		DS Supplier
1130	Firm Point-to-Point Transmission Service		DS Supplier
1133	Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
1136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier

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1138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier
1140	Non-Firm Point-to-Point Transmission Service		DS Supplier
1143	Non-Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
1147	Neptune Unscheduled Usage Billing Allocation		DS Supplier
1155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
1157	Linden Unscheduled Usage Billing Allocation		DS Supplier
1165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
1167	Hudson Unscheduled Usage Billing Allocation		DS Supplier
1200	Day-ahead Spot Market Energy		DS Supplier
1205	Balancing Spot Market Energy		DS Supplier
1210	Day-ahead Transmission Congestion		DS Supplier
1215	Balancing Transmission Congestion		DS Supplier
1218	Planning Period Congestion Uplift		DS Supplier
1220	Day-ahead Transmission Losses		DS Supplier
1225	Balancing Transmission Losses		DS Supplier
1230	Inadvertent Interchange		DS Supplier
1240	Day-ahead Economic Load Response		DS Supplier
1241	Real-time Economic Load Response		DS Supplier
1242	Day-ahead Load Response Charge Allocation		DS Supplier

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1243	Real-time Load Response Charge Allocation		DS Supplier
1245	Emergency Load Response		DS Supplier
1250	Meter Error Correction		DS Supplier
1260	Emergency Energy		DS Supplier
1301	PJM Scheduling, System Control and Dispatch Service – Control Area Administration		DS Supplier
1302	PJM Scheduling, System Control and Dispatch Service – FTR Administration		DS Supplier
1303	PJM Scheduling, System Control and Dispatch Service –Market Support		DS Supplier
1304	PJM Scheduling, System Control and Dispatch Service – Regulation Market Administration		DS Supplier
1305	PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt.		DS Supplier
1306	PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center		DS Supplier
1307	PJM Scheduling, System Control and Dispatch Service – Market Support Offset		DS Supplier
1308	PJM Scheduling, System Control and Dispatch Service Refund – Control Area Administration		DS Supplier
1309	PJM Scheduling, System Control and Dispatch Service Refund – FTR Administration		DS Supplier
1310	PJM Scheduling, System Control and Dispatch Service Refund – Market Support		DS Supplier
1311	PJM Scheduling, System Control and Dispatch Service Refund –Regulation Market Administration		DS Supplier
1312	PJM Scheduling, System Control and Dispatch Service Refund – Capacity Resource/Obligation Mgmt.		DS Supplier
1313	PJM Settlement, Inc.		DS Supplier
1314	Market Monitoring Unit (MMU) Funding		DS Supplier
1315	FERC Annual Charge Recovery		DS Supplier
1316	Organization of PJM States, Inc. (OPSI) Funding		DS Supplier
1317	North American Electric Reliability Corporation (NERC)		DS Supplier
1318	Reliability First Corporation (RFC)		DS Supplier

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1320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
1340	Regulation and Frequency Response Service		DS Supplier
1350	Energy Imbalance Service		DS Supplier
1360	Synchronized Reserve		DS Supplier
1362	Non-Synchronized Reserve		DS Supplier
1365	Day-ahead Scheduling Reserve		DS Supplier
1370	Day-ahead Operating Reserve		DS Supplier
1371	Day-ahead Operating Reserve for Load Response		DS Supplier
1375	Balancing Operating Reserve		DS Supplier
1376	Balancing Operating Reserve for Load Response		DS Supplier
1377	Synchronous Condensing		DS Supplier
1378	Reactive Services		DS Supplier
1380	Black Start Service		DS Supplier
1400	Load Reconciliation for Spot Market Energy		DS Supplier
1410	Load Reconciliation for Transmission Congestion		DS Supplier
1420	Load Reconciliation for Transmission Losses		DS Supplier
1430	Load Reconciliation for Inadvertent Interchange		DS Supplier
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		DS Supplier
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		DS Supplier
1442	Load Reconciliation for Schedule 9-6 – Advanced Second Control Center		DS Supplier
1444	Load Reconciliation for Market Monitoring Unit Funding		DS Supplier
1445	Load Reconciliation for FERC Annual Charge Recovery		DS Supplier

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1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		DS Supplier
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)		DS Supplier
1448	Load Reconciliation for Reliability First Corporation (RFC)		DS Supplier
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1460	Load Reconciliation for Regulation and Frequency Response Service		DS Supplier
1470	Load Reconciliation for Synchronized Reserve		DS Supplier
1472	Load Reconciliation for Non-Synchronized Reserve		DS Supplier
1475	DASR Load Reconciliation		DS Supplier
1478	Load Reconciliation for Operating Reserve		DS Supplier
1480	Load Reconciliation for Synchronous Condensing		DS Supplier
1490	Load Reconciliation for Reactive Services		DS Supplier
1500	Financial Transmission Rights Auction		DS Supplier
1600	RPM Auction		DS Supplier
1610	Locational Reliability		DS Supplier
1650	Non-Unit Specific Capacity Transaction		DS Supplier
1660	Demand Resource and ILR Compliance Penalty		DS Supplier
1661	Capacity Resource Deficiency		DS Supplier
1662	Generation Resource Rating Test Failure		DS Supplier
1663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
1664	Peak Season Maintenance Compliance Penalty		DS Supplier
1665	Peak-Hour Period Availability		DS Supplier
1666	Load Management Test Failure		DS Supplier

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1670	FRR LSE Reliability		DS Supplier
1680	FRR LSE Demand Resource And Ilr Compliance Penalty		DS Supplier
1681	FRR LSE Capacity Resource Deficiency		DS Supplier
1682	FRR LSE Generation Resource Rating Test Failure		DS Supplier
1683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
1684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
1685	FRR LSE Peak-Hour Period Availability		DS Supplier
1686	FRR LSE Load Management Test Failure		DS Supplier
1687	FRR LSE Schedule 9-5		DS Supplier
1688	FRR LSE Schedule 9-6		DS Supplier
1710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
1712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
1720	RTO Start-up Cost Recovery		DS Supplier
1730	Expansion Cost Recovery	EDC	
1900	Unscheduled Transmission Service		DS Supplier
1910	Ramapo Phase Angle Regulators		DS Supplier
1911	Michigan – Ontario Interface Phase Angle Regulators		DS Supplier
1920	Station Power		DS Supplier
1930	Generation Deactivation	EDC	
1932	Generation Deactivation Refund	EDC	
1950	Virginia Retail Administrative Fee		DS Supplier
1952	Deferred Tax Adjustment	EDC	
1955	Deferral Recovery		DS Supplier

1980	Miscellaneous Bilateral		DS Supplier
1995	PJM Annual Membership Fee		DS Supplier
1999	PJM Customer Payment Default		DS Supplier
ID#	CREDITS		
2100	Network Integration Transmission Service	EDC	
2101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
2102	Network Integration Transmission Service (exempt)	EDC	
2104	Network Integration Transmission Service Offset	EDC	
2106	Non-Zone Network Integration Transmission Service	EDC	
2108	Transmission Enhancement	EDC	
2109	MTEP Project Cost Recovery		DS Supplier
2110	Direct Assignment Facilities		DS Supplier
2120	Other Supporting Facilities		DS Supplier
2130	Firm Point-to-Point Transmission Service		DS Supplier
2132	Internal Firm Point-to-Point Transmission Service		DS Supplier
2133	Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
2136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier
2138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier
2140	Non-Firm Point-to-Point Transmission Service		DS Supplier
2142	Internal Non-Firm Point-to-Point Transmission Service		DS Supplier
2143	Non-Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier

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2146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
2155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
2165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
2210	Transmission Congestion		DS Supplier
2217	Planning Period Excess Congestion		DS Supplier
2218	Planning Period Congestion Uplift		DS Supplier
2220	Transmission Losses		DS Supplier
2240	Day-ahead Economic Load Response		DS Supplier
2241	Real-time Economic Load Response		DS Supplier
2245	Emergency Load Response		DS Supplier
2260	Emergency Energy		DS Supplier
2320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
2340	Regulation and Frequency Response Service		DS Supplier
2350	Energy Imbalance Service		DS Supplier
2360	Synchronized Reserve		DS Supplier
2362	Non-Synchronized Reserve		DS Supplier
2365	Day-ahead Scheduling Reserve		DS Supplier
2370	Day-ahead Operating Reserve		DS Supplier
2371	Day-ahead Operating Reserve for Load Response		DS Supplier
2375	Balancing Operating Reserve		DS Supplier

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2376	Balancing Operating Reserve for Load Response		DS Supplier
2377	Synchronous Condensing		DS Supplier
2378	Reactive Services		DS Supplier
2380	Black Start Service		DS Supplier
2420	Load Reconciliation for Transmission Losses		DS Supplier
2500	Financial Transmission Rights Auction		DS Supplier
2510	Auction Revenue Rights		DS Supplier
2600	RPM Auction		DS Supplier
2620	Interruptible Load for Reliability		DS Supplier
2630	Capacity Transfer Rights		DS Supplier
2640	Incremental Capacity Transfer Rights		DS Supplier
2650	Non-Unit Specific Capacity Transaction		DS Supplier
2660	Demand Resource and ILR Compliance Penalty		DS Supplier
2661	Capacity Deficiency Resource		DS Supplier
2662	Generation Resource Rating Test Failure		DS Supplier
2663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2664	Peak Season Maintenance Compliance Penalty		DS Supplier
2665	Peak-Hour Period Availability		DS Supplier
2666	Load Management Test Failure		DS Supplier
2670	FRR LSE Reliability Credit		DS Supplier
2680	FRR LSE Demand Resource And Ilr Compliance Penalty		DS Supplier
2681	FRR LSE Capacity Resource Deficiency		DS Supplier
2682	FRR LSE Generation Resource Rating Test Failure		DS Supplier

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2683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
2685	FRR LSE Peak-Hour Period Availability		DS Supplier
2686	FRR LSE Load Management Test Failure		DS Supplier
2687	FRR LSE Schedule 9-5		DS Supplier
2688	FRR LSE Schedule 9-6		DS Supplier
2710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
2712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
2720	RTO Start-up Cost Recovery		DS Supplier
2730	Expansion Cost Recovery	EDC	
2910	Ramapo Phase Angle Regulators		DS Supplier
2912	CT Lost Opportunity Cost Allocation		DS Supplier
2930	Generation Deactivation	EDC	
2932	Generation Deactivation Refund	EDC	
2950	Virginia Retail Administrative Fee		DS Supplier
2952	Deferred Tax Adjustment	EDC	
2955	Deferral Recovery		DS Supplier
2980	Miscellaneous Bilateral		DS Supplier
2996	Annual PJM Cell Tower		DS Supplier
2997	Annual PJM Building Rent		DS Supplier

APPENDIX E – DS SUPPLIER’S OBLIGATIONS FOR AEPS COMPLIANCE

To satisfy AEPS with respect to the DS Supplier’s Responsibility Share, DS Supplier shall fulfill the following obligations:

- (1) Providing sufficient AECs for each tranche awarded via the DS Solicitation. It is DS Supplier’s obligation to supply actual AECs. Failure to do so may in the discretion of Company constitute an Event of Default under this Agreement.
- (2) AECs shall be provided on a six (6) month basis or at the end of any Delivery Period, if the Delivery Period is less than six (6) months, and shall be transferred to the Company within 30 days from the final day of any such six month period or Delivery Period; provided; however, that if the term of any Delivery Period includes two different AEPS reporting years, then DS Supplier shall provide the AECs required for the first AEPS reporting year by June 30th of each year.
- (3) Paying any AEPS penalties, costs, charges, etc. assessed against the DS Supplier and/or the Company associated with the DS Supplier’s non-performance with AEPS requirements.
- (4) Submitting to the Company proof of AEPS compliance under this Agreement in such form and manner as may be required by the Company.
- (5) Provide to the Company all information the Company may require to comply with the AEPS Act and its implementing regulations and other Requirements of Law, including, but not limited to the price paid per AEC required by 73 Pa.C.S. §1648.3(e)(8).

This Appendix E shall confirm the Alternative Energy Portfolio Standards Obligation of the Transaction agreed to on [Month, Day, Year] ("Bid Proposal Due Date").

Alternative Energy Portfolio Standards Obligations for the period beginning [Month, Day, Year] based on the total MWh supplied by DS Supplier:

<u>Compliance Period</u>	<u>Tier 1</u>	<u>PV</u>	<u>Tier 2</u>
6/1/2015 to 5/31/2017 – 5/31/2016/2018	8.2%	5.565%	0.25000/0.3400%
6/1/2018 – 5/31/2019	7.0%	0.3900%	8.2%
6/1/2019 – 5/31/2020	7.5%	0.4433%	8.2%
6/1/2016 to 5/31/2017	6.0%	0.2933%	8.22020
5/31/2021	8.0%	.05000%	10.0%

The percentages set forth above are those applicable for the first RFP and may be revised for future RFPs to reflect changes in law or other applicable regulatory requirements.

For each compliance period during the Delivery Period, the number of AECs that a DS Supplier is obligated to provide may be reduced by a pre-determined number of AECs allocated to the DS Supplier (“Allocated AECs”). The number of Allocated AECs will be defined prior to the Transaction Date. Any Allocated AECs will not be transferred to the DS Supplier but instead will be credited to that DS Supplier’s AEPS obligation and remain the property of the Company.

The above amounts are estimates and will vary based on actual load served. DS Supplier will need to true-up, higher or lower, actual credits needed based on Monthly Settlement Amount.

If Alternative Energy Portfolio Requirements change by law or any other reason, DS Supplier shall be responsible for providing the credits at its expense in order to comply with its obligations under Full Requirements Service.

EXHIBIT 1

TRANSACTION CONFIRMATION FOR FIXED PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company (“Company”) and [INSERT] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) (“Transaction Date”).

Product: Full Requirements Service
 Service Type: ~~Residential and Lighting~~
DS Customer Group: [INSERT CUSTOMER CLASS]
 Delivery Point: Duquesne Residual Aggregate Zone in PJM
 Delivery Period: [Month, Day, Year] through [Month, Day, Year]
~~Bid Blocks~~Number of Tranches: [INSERT]
~~Specified~~DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)
 (~~“Their % share is of the TOTAL Default Service Load~~)
 (~~For Residential: No. of Blocks won ÷ 24”~~)
 Monthly Settlement~~DS Fixed Price:~~ [INSERT] ~~Block at~~ [INSERT AVERAGE PRICE] per MWh

~~[INSERT] Block at [INSERT] per MWh~~
~~[INSERT] Block at [INSERT] per MWh~~
~~[INSERT] Block at [INSERT] per MWh~~
Tranche 1 at [INSERT] per MWh
Tranche 2 at [INSERT] per MWh
Tranche 3 at [INSERT] per MWh
 :
 :
Tranche [X] at [INSERT] per MWh

Alternative Energy Credit (AEC) Allocation (if any):

<u>Alternative Energy Portfolio Standards - Reporting Period</u>	<u>AEC Allocation per Tranche, (AECs)</u>	<u>Total AEC Allocation (AECs)</u>
2017-18		
2018-19		
2019-20		
2020-21		

Exhibit JP-3

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

Duquesne Light Company_
By: _____
Name: C. James Davis, Jr.
Title: *Director, Rates and Energy Procurement
& Federal/RTO Affairs*

[INSERT]
By: _____
Name: _____
Title: _____

TRANSACTION CONFIRMATION FOR HOURLY PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company (“Company”) and [INSERT] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) (“Transaction Date”).

Product: Full Requirements Service
DS Customer Group: Large Commercial and Industrial Class
Delivery Point: Duquesne Residual Aggregate Zone in PJM
Delivery Period: [Month, Day, Year] through [Month, Day, Year]
Number of Tranches: [INSERT]
DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)
DS Fixed Price Adder
For Hourly Price Service: [INSERT AVERAGE PRICE] per MWh
Tranche 1 at [INSERT] per MWh
Tranche 2 at [INSERT] per MWh

In addition to the DS Fixed Price Adder For Hourly Price Service above, the Statement prepared in accordance with Section 9.1(a) also will include DS Variable Payments based on the Company’s billed Hourly Price Service formula rate designed to recover the costs of energy, capacity, ancillary services, and PJM administrative costs found in Rider No. 9 of the DS Tariff. The DS Variable Payments associated with serving the DS Supplier Responsibility Share of the DS Supply for Large Commercial and Industrial Class are based on a) hourly energy charges provided at the day-ahead PJM locational marginal prices based on the customer’s real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, and b) capacity charges equal to the full PJM Reliability Pricing Model capacity price for the Duquesne Zone, and shall recover the charges associated with the customer’s share of the Company’s capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. The PMEA/FMEA Adjustment Amount calculated in accordance with Section 9.1 (d) will include: any adjustments to account for changes in the hourly energy or capacity volumes used to calculate the energy, ancillary services, capacity and other charges. The DS Variable Payments to Hourly Price Service suppliers will not include Pennsylvania gross receipts taxes or the fixed retail administrative charge (other than the DS Fixed Price Adder For Hourly Price Service) included in the DS Tariff.

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

<u>Duquesne Light Company</u>	<u>[INSERT]</u>
<u>By:</u>	<u>By:</u>
<u>Name: C. James Davis, Jr.</u>	<u>Name:</u>
<u>Title: Director, Rates and Energy Procurement</u>	<u>Title:</u>
<u>& Federal/RTO Affairs</u>	

EXHIBIT 2
FORM OF NOTICE

Any notices required under this Agreement shall be made as follows:

Buyer: Duquesne Light Company
DS Supplier: [INSERT]

All Notices:
Street: 411 Seventh Ave.
City/State/Zip: Pittsburgh, PA 15219
Attn: Chief Financial Officer
Facsimile: (412) 393-1190
Duns: 007915606
Federal Tax ID Number: 25-0451600

All Notices:
Street:
City/State/Zip:
Attn:
Facsimile:
Duns:
Federal Tax ID Number:

Invoices:
Attn: Supply Procurement – Joan Jenkins
Phone: (412) 393-1077
Facsimile: (412) 393-5659

Invoices:
Attn:
Phone:
Facsimile:

Scheduling:
Attn: Scheduling – John Peoples
Phone: (412) 393-6385
Facsimile: (412) 393-5659

Scheduling:
Attn:
Phone:
Facsimile:

Payments:
Attn: Accounting – Jaime Bachota
Phone: (412) 393-1122
Facsimile: (412) 393-6760

Payments:
Attn:
Phone:
Facsimile:

Wire Transfer:
BNK: Mellon Bank, N.A.
ABA: 043000261
ACCT: 0008061

Wire Transfer
BNK:
ABA:
ACCT:

Credit and Collections:

Attn: ~~Credit Manager~~Assistant Treasurer – James Milligan
Phone: (412) 393-1216
Facsimile: (412) 393-6760

Credit and Collections:

Attn:
Phone:
Facsimile:

With additional Notices of an

Event of Default to:

Attn: Legal Department – Tishekia Williams
Phone: (412) 393-1541
Facsimile: (412) 393-5757

With Additional Notices of an

Event of Default to:

Attn:
Phone:
Facsimile:

EXHIBIT 3
PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this 24th day of March, 2015 by the following:

PARTY A: _____ (“Party A”)

PARTY B: _____ (“Party B”).

RECITALS

WHEREAS, PJM is a Regional Transmission Organization (“RTO”) subject to the jurisdiction of the Federal Energy Regulatory Commission (“FERC”);

WHEREAS, PJM Settlement, Inc. (“PJM Settlement”) is a Pennsylvania Non-Profit Corporation, incorporated for the purpose of providing billing and settlement functions and credit and risk management functions for PJM. References to “PJM” in this Declaration are intended to apply to PJM and/or PJM Settlement, as appropriate, with regard to their respective functions.

WHEREAS, PJM and PJM Settlement administer centralized markets that clear various electric energy and energy-related products among multiple buyers and sellers;

WHEREAS, PJM additionally exercises operational control over its members’ transmission facilities whereby PJM provides open-access transmission service and control area functions, including economic dispatch and emergency response to ensure reliability;

WHEREAS, Party A is a PJM Member and seeks to obtain, or is obtaining, services provided or administered by PJM, seeks to participate, or is participating in, markets administered by PJM, or seeks to engage in, or is engaging in, operations that use or affect the integrated transmission system operated by PJM;

WHEREAS, such activities or contemplated activities by Party A and Party B are governed by rights and obligations established by or under the PJM Open Access Transmission Tariff (“Tariff”), the Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. (“Operating Agreement”), the Reliability Assurance Agreement Among Load-serving Entities in the MAAC Control Zone (“RAA”), and other agreements, manuals, and practices of PJM (the Tariff, the Operating Agreement, the RAA, and such other agreements manuals, and practices of PJM, the “PJM Agreements”); and

WHEREAS, Party A and Party B desire to declare to PJM their respective authorities concerning such rights and obligations, intend that PJM rely upon such declaration, and acknowledge that PJM may rely upon such declaration to its detriment.

DECLARATION

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy and completeness of the declarations made below, Party A and Party B, as identified below, make the following declarations:

1. Exclusivity of Party B's Authority.

Pursuant to a binding, legally enforceable agreement, Party A has authorized Party B to act for Party A with respect to certain rights and responsibilities as specified in Section 2 of this Declaration ("the Authorized Rights and Responsibilities"). With respect to the Authorized Rights and Responsibilities, Party B is authorized to communicate and transact with PJM as Party A's sole and exclusive Party B, and PJM is authorized to communicate and transact directly and exclusively with Party B as Party A's Party B. With respect to Authorized Rights and Responsibilities, Party A will abide by any direction issued by PJM to Party B.

2. Specification of Authorized Rights and Responsibilities.

In the following parts (a) through (h), Party A and Party B specify the rights and responsibilities with respect to which Party B is authorized to act for Party A. Specification shall be effective only if both Party A and Party B have placed the initials of their authorized representatives in the space provided for each applicable right or responsibility from among the options provided below:

(a) Load Server Responsibilities.

_____ Party B is authorized to satisfy Party A's obligations as a Load-Serving Entity under the RAA, including, without limitation, its obligations to provide Unforced Capacity, submit capacity plans, provide or arrange for Capacity Resources, satisfy Accounted-for Obligations and Peak Season Maintenance Obligations, comply with any capacity audits, make payment of all deficiency, data submission, and emergency procedure charges incurred, coordinate planning and operation of Capacity Resources with other parties; and develop and submit planned outage schedules.

_____ Party B is authorized to satisfy Party A's obligations under the Tariff, RAA and to provide or arrange for transmission service to its loads; provide or arrange for sufficient reactive capability, voltage control facilities, and black start capability for service to its loads; submit firm transmission service schedules, and designate Network Resources and other points of receipt and delivery for transmission service. Party B is authorized to

request changes to the transmission service required for service to Party A's loads, and to enter into, on Party A's behalf, any feasibility, system impact, facilities study, or other agreements required to process such request for a change in service.

_____ Party B is authorized to satisfy Party A's rights and obligations under the Tariff and Operating Agreement to submit bids on, obtain, administer, and receive payments or credits for Financial Transmission Rights and Auction Revenue Rights with respect to service to Party A's loads.

_____ Party B is authorized to provide data required by PJM with respect to service to Party A's loads, including, but not limited to, data required for coordination of operations, accounting for all interchange transactions, preparation of required reports and maintenance schedules, and analysis of system disturbances.

_____ Party B is authorized to provide the facilities and personnel required to coordinate operations with PJM and other PJM Members.

(b) Electric Distributor Responsibilities.

_____ Party B is authorized to satisfy Party A's rights and obligations as an Electric Distributor under the Operating Agreement, including, but not limited to, assuring the continued compatibility of its local energy management, monitoring, and telecommunications systems with PJM's technical requirements; providing or arranging for the services of a 24-hour local control center to coordinate with PJM; providing to PJM all system, accounting, customer tracking, load forecasting, and other data necessary or appropriate to implement or administer the Operating Agreement, RAA; shedding connected load, initiating active load management programs, and taking such other coordination actions as may be necessary in accordance with PJM's directions in Emergencies; maintaining or arranging for a portion of its connected load to be subject to control by automatic underfrequency, under-voltage, or other load-shedding devices; and complying with the underfrequency relay obligations and charges specified in the Operating Agreement.

(c) Generator Responsibilities.

_____ Party B is authorized to operate the Party A's generation resources in all events, including, but not limited to, in the event of Emergencies, and shall operate such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

_____ Party B is authorized to ensure that the required portion of Party A's Capacity Resources have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

- Or -

_____ Party B is authorized to direct the operation of Party A's generation resources by relaying PJM's instructions to the resource in all events, including, but not limited to, in the event of Emergencies, and shall direct such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

_____ Party B is authorized to communicate with PJM in all matters concerning the provision of capacity, energy, or ancillary services from Party A's generation resources, including, without limitation, information required in connection with Capacity Resources, dispatch of any unit, provision of reactive power, regulation, synchronous condensing, spinning or other reserves, establishment or maintenance of a unit as a Black-Start Unit, satisfaction of must-run obligations, and costs or revenue requirements for any product or service offered by any such unit.

_____ Party B is authorized to provide information on outages of Party A's generation facilities, whether planned, forced, or for maintenance, and to coordinate such outages with PJM

_____ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Feasibility Study, System Impact Study, or Facilities Study Agreements.

_____ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Construction Service Agreements.

_____ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Interconnection Service Agreements.

_____ Party B is authorized to receive from PJM historic and real time data collected by PJM from, or provided to PJM by, Party A with respect to Party A's generation resources.

_____ - Party B is authorized to act on behalf of Party A for the following specific unit(s) in Party A primary and subaccounts:

Resource Name:

Resource ID:

(d) Market Buyer/Market Seller Responsibilities.

_____ Party B is authorized to satisfy Party A's rights and obligations as a Market Buyer or Market Seller under the Operating Agreement, including, but not limited to, arranging for a Market Operations Center capable of real-time communication with PJM during normal and Emergency conditions; reporting to PJM sources of energy available for operation; providing to PJM scheduling and other information, including, but not limited to, maintenance and other anticipated outages of generation or transmission facilities, scheduling and related information on bilateral transactions and self-scheduled resources, and implementation of active load management, interruption of load, and other load reduction measures; obtaining Spot Market Backup for bilateral transactions; submitting to PJM binding offers to purchase or sell energy and ancillary services in compliance with all applicable Offer Data specifications; responding to PJM's directives to start, shut down or change output levels of generation units, or change scheduled voltages or reactive output levels; responding to PJM's directives to schedule delivery or change delivery schedules for external resources; and following PJM's directions to take actions to prevent, manage, alleviate or end an Emergency.

(e) Billing and Payment Responsibilities.

_____ In connection with all rights and responsibilities specified by Party A and Party B in any of subparts (a) through (d) of this Section, Party B shall be billed for, and shall make payment to PJM for, all charges, penalties, costs and fees. (If this option is not specified, PJM will issue billings to, and collect amounts due from, Party A.)

_____ In connection with all rights and responsibilities specified by Party A and Party B above, Party B is entitled to receive from PJM in Party B's account all credits, revenues, distributions, and disbursements. (If this option is not specified, PJM will pay such amounts to Party A.)

(f) General Membership Responsibilities.

_____ Party B is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Party A's behalf.

_____ Party B is authorized to participate on Party A's behalf in the regional transmission expansion planning process.

_____ Party B is authorized to provide information or otherwise cooperate on Party A's behalf in connection with any investigation or request for

information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Party B and/or Party A.)

_____ Party B shall be billed for, and shall make payment of, Party A's costs of membership in PJM, including payment of the Membership fee, and payment of any other general assessments on the PJM members, including, but not limited to, amounts assessed as a consequence of defaults by other Members.

(g) Additional Responsibilities.

_____ Party B has been Authorized other rights and responsibilities of Party A as specified on Attachment "A" to this Declaration.

(h) Limitation on Responsibilities.

_____ The rights and responsibilities specified in parts (a) through (f) above apply to a limited portion of Party A's facilities or loads located in the PJM Region, as specified on Attachment "B" to this Declaration, and to no other facilities or loads of Party A.

3. Continuing Responsibilities and Liabilities of Party A.

3.1 The Authorized Rights and Responsibilities are the only rights and responsibilities under the PJM Agreements for which Party B is authorized to act for Party A, and Party A retains all rights and responsibilities under the PJM Agreements not specified by Party A and Party B in Section 2.

3.2 With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Party A shall remain liable to PJM for all amounts due or to become due to PJM under the PJM Agreements, and Party B's authorization to make payment of any such amounts hereunder (if specified in Section 2) shall not release Party A from liability for any financial obligations to PJM not satisfied by Party B.

4. Reliance and Indemnity, Duty to Inform, Liability Waiver, and Rules of Construction.

4.1 Party A and Party B each recognizes, accepts and intends that PJM will rely, upon on the truth, accuracy and completeness of the declarations herein in matters including but not limited to creditworthiness and in assuring compliance with the PJM Agreements. Party A and Party B each recognizes and accepts that PJM or its members may suffer losses and damages if any

declaration is or becomes untrue, inaccurate or incomplete, and each agrees to indemnify PJM for any such losses and damages.

- 4.2 Party A and Party B each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with Party A and Party B as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Party A (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Party B is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.
- 4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Party A and Party B expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.
- 4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- 4.5 The Recitals are hereby incorporated into the body of this Declaration.

IN WITNESS WHEREOF, Party A and Party B execute this Declaration to be effective as of the date written above or upon receipt of a fully executed original by PJM, whichever date is later.

PARTY A:

PARTY B:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Company: _____

Company: _____

DECLARATION OF AUTHORITY

Attachment A – Addendum

PRINCIPAL: Duquesne Light Company

AGENT: [INSERT]

Effective Starting Date: [INSERT]

Note: Principal and Agent are required to provide PJM Settlement thirty days written notice prior to the date of expiration. Upon expiration all accounts will revert back to their original status.

PJM Billing Line Items – Transfer

Principal and Agent agree that PJM settlement shall transfer all of the following charges directly related to the Principal's share of serving the retail load obligations from the Principal's account(s) to the Agent's account beginning the effective date specified above:

<u>Billing Line Item Number</u>	<u>Billing Line Item</u>
1330 (Charge)	Reactive Supply and Voltage Control from Generation and Other Sources Service
1380 (Charge)	Black Start Service
2140 (Credit)	Non-Firm Point-to-Point Transmission Service

PJM Accounts/Subaccounts

<u>Role</u>	<u>Account Long Name</u>	<u>Account Short Name</u>	<u>PJM Org ID</u>
Principal			
Agent			

EXHIBIT 4
PERFORMANCE ASSURANCE LETTER OF CREDIT

{TO BE ISSUED ON THE LETTERHEAD OF THE ISSUING BANK}

IRREVOCABLE LETTER OF CREDIT NO.

ISSUE DATE _____

EXPIRY DATE _____

APPLICANT
[NAME]
[ADDRESS]

BENEFICIARY
[NAME]
[ADDRESS]

CURRENCY
USD *****\$

AMOUNT

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (APPLICANT) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN. THIS LETTER OF CREDIT IS AVAILABLE IN ONE OR MORE DRAFTS UP TO THE AGGREGATE AMOUNT SET FORTH HEREIN.

THIS LETTER OF CREDIT IS PRESENTABLE AND PAYABLE AT OUR COUNTERS AND WE HEREBY ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE HONORED ON PRESENTATION IF ACCOMPANIED BY THE REQUIRED DOCUMENTS PURSUANT TO THE TERMS OF THIS LETTER OF CREDIT.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE THE EXPIRY DATE OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS:

“THE AMOUNT FOR THIS DRAWING, USD (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT

REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT FOR PERFORMANCE ASSURANCE RELATED TO THE BENEFICIARY'S PENNSYLVANIA FULL REQUIREMENTS SERVICE AGREEMENT(S) DATED BETWEEN _____ AND _____."

2. THIS ORIGINAL LETTER OF CREDIT AND ANY AMENDMENT(S).

IF PRESENTATION OF ANY DRAWING IS MADE ON A BUSINESS DAY (AS HEREIN DEFINED) AND SUCH PRESENTATION IS MADE ON OR BEFORE 11:00 A.M. NEW YORK TIME, ISSUER SHALL SATISFY SUCH DRAWING REQUEST ON THE NEXT BUSINESS DAY. IF THE DRAWING IS RECEIVED AFTER 11:00 A.M. NEW YORK TIME, ISSUER WILL SATISFY SUCH DRAWING REQUEST ON THE SECOND FOLLOWING BUSINESS DAY.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRATION DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST 90 DAYS PRIOR TO ANY EXPIRATION DATE WE NOTIFY YOU AT THE ABOVE ADDRESS BY REGISTERED MAIL OR HAND DELIVERED COURIER THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH PERIOD.

THIS LETTER OF CREDIT MAY BE TERMINATED UPON BENEFICIARY'S RECEIPT OF FULL PAYMENT FROM THE APPLICANT AND ISSUER'S RECEIPT OF A WRITTEN RELEASE FROM THE BENEFICIARY RELEASING THE ISSUER FROM ITS OBLIGATIONS UNDER THIS LETTER OF CREDIT.

THE TERM "BUSINESS DAY" AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

APPLICANT'S FILING OF A BANKRUPTCY, RECEIVERSHIP OR OTHER DEBTOR-RELIEF PETITION, AND/OR APPLICANT'S DISCHARGE THEREUNDER, SHALL IN NO WAY AFFECT THE LIABILITY OF [BANK] UNDER THIS LETTER OF CREDIT AND [BANK] SHALL ALWAYS REMAIN LIABLE TO [BENEFICIARY] FOR THE FULL AMOUNT OF APPLICANT'S OBLIGATIONS HEREIN TO [BENEFICIARY] NOT TO EXCEED THE AVAILABLE AMOUNT IN THIS LETTER OF CREDIT.

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.

2. THIS LETTER OF CREDIT MAY BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98") OR SUCH LATER REVISIONS(S) OF THE ISP AS MAY BE HEREAFTER ADOPTED. AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____
TITLE: _____

PLEASE DIRECT ANY WRITTEN CORRESPONDENCE, INCLUDING DRAWING OR INQUIRIES TO:
[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT 5
FORM OF GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty”) is made and entered into as of this day of _____, by _____ (the “Guarantor”), with an address at _____, in favor of Duquesne Light Company (the “Creditor”), with an address at [INSERT ADDRESS], in consideration of the Default Supply Master Agreement(s) (the “DSMA(s)”) between Duquesne Light Company and _____ (the “Seller”) dated _____, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the _____ of Seller.

1. Whereas, Supplier _____ is an affiliate of _____, _____ will therefore benefit by Supplier entering into the DSMA with Creditor and _____ desires Creditor to enter into the DSMA with Supplier and to extend credit to Supplier thereunder. (May be revised if guarantor is not a parent or affiliate of supplier.)

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees, as primary obligor and not a surety with effect from date hereof, the prompt and complete payment when due of all of Seller’s payment obligations under the DSMA (to the extent such payment obligations exceed the amount of any Performance Assurance provided to the Creditor by Seller as defined in and in accordance with the DSMA), whether on scheduled payment dates, when due upon demand, upon declaration of termination or otherwise, in accordance with the terms of the DSMA and giving effect to any applicable grace period, and, provided only that the Creditor is the prevailing party in any judicial suit, action or proceeding arising out of, resulting from, or in any way relating to this Guaranty, or if by mutual agreement by Guarantor and Creditor, all reasonable out-of-pocket costs and expenses incurred by Creditor in the enforcement of the Guarantor’s obligations or collection under this Guaranty, including reasonable attorney’s fees and expenses (collectively, the “Obligations”). [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Creditor’s right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$ _____, (“Guaranty Amount”), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]
- (b) The limitations on liabilities of the Seller set forth in Article 10 of the DSMA shall also apply to the liabilities of the Guarantor hereunder.

2. Nature of Guaranty; Waivers.

- (a) This is a guaranty of payment and not of collection and the Creditor shall not be required, as a condition of the Guarantor's liability, to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Obligations. This is not a performance guaranty and the Guarantor is not obligated to provide power under the DSMA or this Guaranty.
- (b) This Guaranty is an absolute, unconditional, irrevocable (subject to the provisions of Section 12 of this Guaranty) and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, or until the DSMA has been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Creditor of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Creditor to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations (other than any irregularity, unenforceability or invalidity of any of the obligations under the DSMA resulting from the conduct of the Creditor) or any part thereof.
- (c) Except as to any claims, defenses, rights of set-off or to reductions of Seller in respect of its obligations under the DSMA, (all of which are expressly reserved under this Guaranty), the Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, deduction or defense based upon any claim the Guarantor may have against Seller or the Creditor, including: (i) any change in the corporate existence (including its charter or other governing agreement, laws, rules, regulations or powers), structure or ownership of Seller or the Guarantor; or (ii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller or its assets; or (iii) the invalidity or unenforceability in whole or in part of the DSMA; or (iv) any provision of applicable law or regulations purporting to prohibit payment by Seller of amounts to be paid by it under the DSMA (other than any law or regulation that eliminates or nullifies the obligations under the DSMA).
- (d) Guarantor waives notice of acceptance of this Guaranty, diligence, presentment, notice of dishonor and protest and any requirement that at any time any person exhaust any right to take any action against Seller or their assets or any other guarantor or person, provided, however, that any failure of Creditor to give notice will not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all defenses based on suretyship or impairment of collateral or any other defenses that would constitute a legal or equitable discharge of Guarantor's

obligations, except any claims or defenses of Seller in respect of its obligations under the DSMA.

- (e) The Creditor at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (i) to the extent permitted by the DSMA, change the manner, place, time or terms of payment or performance of, or other terms relating to, any of the Obligations; (ii) to the extent permitted by the DSMA, renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, or any other guaranties for any Obligations; (iii) settle, compromise or deal with any other person, including Seller, with respect to any Obligations in such manner as the Creditor deems appropriate at its sole discretion; (iv) substitute, exchange or release any guaranty; or (v) take such actions and exercise such remedies hereunder as Creditor deems appropriate.

3. Representations and Warranties. The Guarantor hereby represents and warrants that:

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of Creditors' rights generally, general equitable principles and an implied covenant of good faith and fair dealing;
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor (except to the extent that any such violation would not reasonably be expected to have a material adverse effect on the Guarantor or this Guaranty);
- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person

(including, without limitation, any stockholder or of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and

- (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that would have a material adverse effect on this Guaranty.
4. Repayments or Recovery from the Creditor. If any demand is made at any time upon the Creditor for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Creditor repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor (subject to Sections 2 (c) and (d) of this Guaranty) will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Creditor. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Creditor's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.
 5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
 6. Postponement of Subrogation. Only to the extent that, at the relevant time, there are Obligations, or other amounts hereunder, that are then due and payable but unpaid, the Guarantor postpones and subordinates in favor of the Creditor any and all rights which the Guarantor may have to (a) assert any claim against the Seller based on subrogation rights with respect to payments made by Guarantor hereunder and (b) any realization on any property of the Seller, including participation in any marshalling of the Seller's assets. Upon payment of such due and unpaid Obligations, Creditor agrees that Guarantor shall be subrogated to the rights of Creditor against Seller to the extent of Guarantor's payment to Creditor.

7. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Creditor and the Guarantor set forth below or to such other address as one may give to the other in writing for such purpose:

All communications to Creditor shall be directed to:

Attn:
Phone:
Fax:
With a copy to:

Phone:
Fax:

or such other address as the Creditor shall from time to time specify to Guarantor.

All communications to Guarantor shall be directed to:

Attn:
Phone:
Fax:

or such other address as the Guarantor shall from time to time specify to Creditor.

8. Preservation of Rights. Except as provided by any applicable statute of limitations, no delay or omission on the Creditor's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Creditor's action or inaction impair any such right or power. The Creditor's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Creditor may have under other agreements with the Guarantor, at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Creditor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Creditor with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Creditor and their respective successors and permitted assigns. Neither party may assign this Guaranty in whole or in part without the other's prior written consent, which consent will not be unreasonably withheld or delayed, except that Creditor may at any time assign this Guaranty without Guarantor's consent, in the same manner, on the same terms and to the same persons as Creditor assigns the DSMA in accordance with Section 16.7(b) of the DSMA, and except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that assumes all obligations thereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB, as rated by S&P or Fitch, or Baa2, as rated by Moody's, and (ii) the Seller is in compliance with Article 14 of the DSMA. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings determined by Moody's Investor Services, Inc. (or its successor) ("Moody's"), the Standard & Poor's Rating Group, a division of McGraw-Hill, Inc., (or its successor) ("S&P"), or Fitch Investor Service, Inc. (or its successor) ("Fitch") immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.
13. Interpretation. In this Guaranty, unless the Creditor and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty unless otherwise indicated. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.
14. Governing Law.

(a) This Guaranty has been delivered to and accepted by the .Creditor. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE CREDITOR AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES.

(b) The Guarantor hereby irrevocably consents to the jurisdiction of the federal district court for the Western District of Pennsylvania or to the county court jurisdiction of the Allegheny County Court of Common Pleas; provided that nothing contained in this Guaranty will prevent the Creditor from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Creditor and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

15. WAIVER OF JURY TRIAL. THE GUARANTOR AND CREDITOR IRREVOCABLY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND CREDITOR ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

16. Term. This Guaranty shall survive termination of the DSMA and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid or performed in full.

17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the DSMA is stayed upon the insolvency, bankruptcy or reorganization of Seller, all such amounts otherwise subject to acceleration or required to be paid upon an early termination pursuant to the terms of the DSMA shall nonetheless be payable by the Guarantor hereunder on written demand by Creditor.

The Guarantor acknowledges that it has read and understood all the provisions of this Guaranty, and has been advised by counsel as necessary or appropriate.

ATTEST:

[Guarantor]

By: _____

Name: _____

Title: _____

Document comparison by Workshare Compare on Monday, May 02, 2016
11:36:31 AM

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Deleted cell	
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DUQUESNE LIGHT STATEMENT NO. 3

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : **Docket No. P-2016- _____**
For The Period June 1, 2017 Through :
May 31, 2021 :

**DIRECT TESTIMONY OF
NEIL S. FISHER**

Dated: May 2, 2016

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List of Exhibits

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1 **I. Introduction**

2 **Q. Please state your name and business address.**

3 A. My name is Neil S. Fisher. My business address is 30 Monument Square, Suite 105,
4 Concord, Massachusetts, 01742.

5

6 **Q. What is your current position?**

7 A. I am a Principal with The NorthBridge Group, Inc. (“NorthBridge”), an economic and
8 strategic consulting firm for the electric and natural gas industries. NorthBridge has advised
9 Duquesne Light Company (“Duquesne Light” or the “Company”) on restructuring matters
10 for many years. I have advised Duquesne Light on supply rate design and rate matters,
11 including issues relating to its default service plans (“DSP” or “default service” or “POLR”)
12 since the start of retail access, including Duquesne Light’s retail access pilot, DSP I, DSP
13 II, DSP III, DSP IV, DSP V, DSP VI, and DSP VII programs.

14

15 **Q. Please describe your educational and professional experience.**

16 A. I graduated from the Honors Program at Swarthmore College with a Bachelor of Arts degree
17 in Economics, and I also have a Master’s degree in Business Administration from Yale
18 University. Before joining NorthBridge in 1993, I worked as a consultant at Putnam, Hayes
19 & Bartlett, where the main focus of my work was assisting clients with electric and natural
20 gas restructuring issues. As a consultant at NorthBridge, I have helped regulated electric
21 utility clients in several states with the design of default service programs and with retail

1 access issues. I have also developed strategies for unregulated suppliers interested in
2 participating in competitive wholesale and retail markets.

3
4 **Q. Have you testified previously before the Pennsylvania Public Utility Commission**
5 **(“Commission”)?**

6 A. Yes, I testified in Docket No. P-2014-2418242, Duquesne Light’s Petition for Approval of
7 Default Service Plan for the Period June 1, 2015 through May 31, 2017 (“DSP VII”); Docket
8 No. P-2012-2301664, Duquesne Light’s Petition for Approval of Default Service Plan for
9 the Period June 1, 2013 through May 31, 2015 (“DSP VI”); Docket No. P-2009-2135500,
10 Duquesne Light’s Petition for Approval of Default Service Plan for the Period January 1,
11 2011 through May 31, 2013 (“DSP V”); Docket No. P-00072247, Duquesne Light’s Petition
12 for Approval of Default Service Plan for the Period January 1, 2008 through December 31,
13 2010 (“DSP IV”); Docket A-110150F0035 and A-311233F3002, Duquesne Light’s merger
14 application; Docket R-00061346, Duquesne Light’s distribution rate case; Docket P-
15 00032071, Duquesne Light’s Petition for Approval of Plan for Post-Transition Period POLR
16 Service (“DSP III”); and in Docket P-00021969, Duquesne Light’s Petition Requesting
17 Modification to DSP II Plan to Permit Participation in PJM. I also participated in Duquesne
18 Light’s DSP II collaborative led by several Pennsylvania Commissioners.

19
20 **Q. What is the purpose of your direct testimony?**

21 A. The purpose of my testimony is to evaluate Duquesne Light’s proposed default service plan
22 (the “Default Service Plan” or “Plan” or “DSP VIII”) to procure supply for default service

1 customers for the period beginning June 1, 2017, and ending May 31, 2021. My direct
2 testimony is divided into three parts. First, I briefly provide an overview of Duquesne
3 Light’s retail access program and how the Company’s default service plans have evolved
4 over time. Second, I support the overall design of the Company’s proposed procurement
5 plan for DSP VIII, and third, I evaluate DSP VIII with respect to Act 129’s requirement that
6 the plan include a “prudent mix” of contracts designed to ensure the least cost to customers
7 over time.¹

8
9 **Q. Please summarize your conclusions.**

10 **A. I have three main conclusions.**

- 11 1. The default service models used by Duquesne Light have facilitated and supported
12 the competitive retail market over a sustained period of time, while offering stable
13 and reasonable rates for small customers who do not elect to receive service from an
14 alternative electric generation supplier (“EGS” or “competitive retail supplier”).
- 15 2. Duquesne Light’s Default Service Plan is designed to support the competitive
16 electricity market, while providing appropriate assurances of price stability for small
17 customers.
- 18 3. Duquesne Light’s Default Service Plan incorporates a prudent mix of contracts
19 designed to ensure least cost to customers over time, taking into account the benefits
20 of price stability, and it includes prudent steps necessary to obtain least cost

¹ 66 Pa. C.S. § 2807(e)(3.4).

1 generation supply, as required by Section 2807(e)(3.4) and Section 2807(e)(3.7) of
2 Act 129.

3 Each of these conclusions is described in more detail below.
4

5 **Q. Are you sponsoring any exhibits as part of your Direct Testimony?**

6 A. Yes. Exhibit NSF-1 includes articles and other publicly available information that I relied
7 on related to the exit of certain EGSs from the mass market business in the aftermath of the
8 winter 2013-2014 price spikes, sometimes referred to as the Polar Vortex.
9

10 **II. The Default Service Models Used by Duquesne Light Have Facilitated and Supported**
11 **the Competitive Retail Market Over a Sustained Period of Time, While Offering**
12 **Stable and Reasonable Default Service Rates for Small Customers**

13 **Q. Overall, how would you describe Duquesne Light's retail access program?**

14 A. Duquesne Light has implemented a successful retail access program that has facilitated and
15 supported the competitive retail market over a sustained period of time, while offering stable
16 and reasonable default service rates for most of its customers.
17

18 **Q. Explain how, and by what standards, you determined that Duquesne Light's retail**
19 **access program is successful.**

20 A. My statement is based on a number of factors:

- 21 • Duquesne Light was one of the first utilities in the nation to recover its stranded costs
22 and move to market-based pricing. Duquesne Light completed the transition period

1 for most customers in 2002 and, since that time, has successfully implemented seven
2 default service plans.

3 • Duquesne Light has achieved competitive levels of customer switching in its service
4 area as compared to other electric utilities in Pennsylvania and elsewhere in the
5 United States without exposing small customers to significant rate increases, without
6 the use of opt-out customer assignment programs, and without exposing small
7 customers to short-term market price volatility.

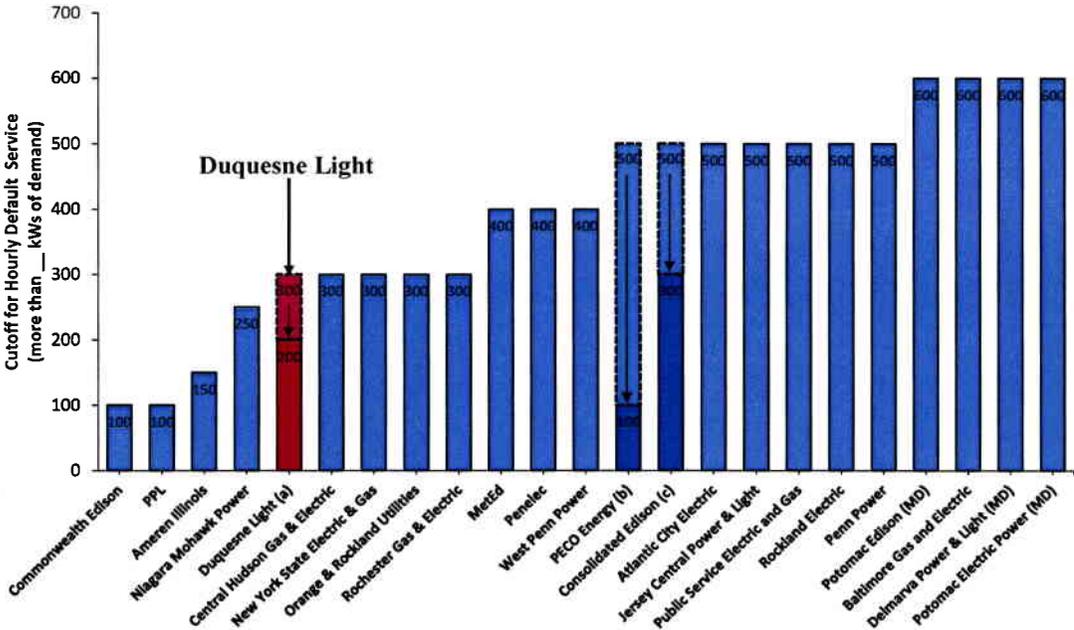
8 • Throughout much of the post-transition period process, Duquesne Light has been
9 able to obtain support from various parties for its default service plans (*e.g.*, DSP II
10 Settlement, DSP III Stipulations, DSP IV Settlement, DSP V Settlement, and DSP
11 VII Settlement).

12 • Duquesne Light was one of the first utilities in the nation to offer hourly pricing
13 default service to all customers greater than or equal to 300 kW and has one of the
14 lower kilowatt demand thresholds for hourly price default service for large
15 commercial and industrial (“Large C&I”) customers in the United States.

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2

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11

Figure 1 Duquesne Light Has One of the Lower kW Thresholds for Hourly Price Default Service for Large C&I Customers in the United States



- (a) After certain proposed changes are in place and have been successfully tested, Duquesne Light is proposing to lower the threshold for hourly price service to 200 kW effective June 1, 2019.
- (b) PECO's hourly price service threshold is scheduled to be lowered to 100 kW effective June 1, 2016.
- (c) ConEd's hourly price service proposal would lower the threshold to 300 kW from mid-2017 through 2022.

As a result, the default service for about half of Duquesne Light's total system load is an hourly price service. As of March 2016, 96% of this load has already switched to an EGS.

- Finally, throughout much of the post-transition period process, Duquesne Light has agreed to a number of initiatives to facilitate customer shopping and to educate customers about retail choice.² Similar initiatives now have become common across electric distribution companies ("EDCs") in Pennsylvania.

² I describe some of these initiatives later in my testimony.

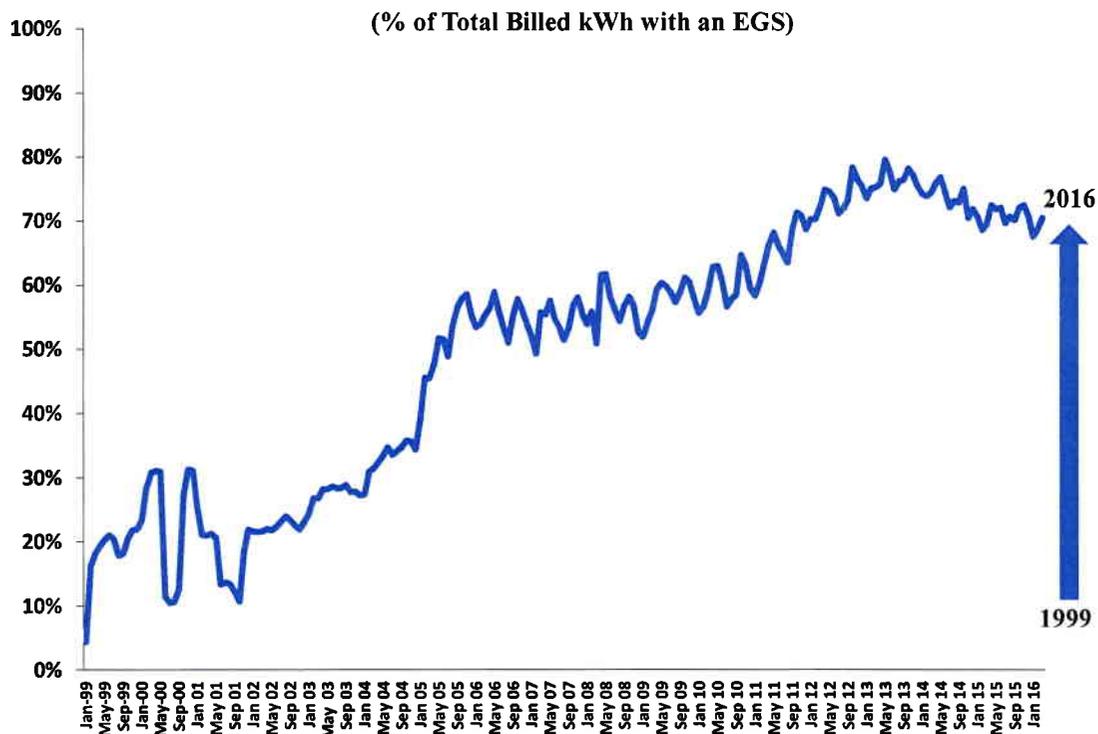
1 **Q. Mr. Fisher, has Duquesne Light facilitated and supported the competitive retail**
2 **market over a sustained period of time?**

3 A. Yes. Duquesne Light has consistently been among the top utilities in the United States in
4 terms of percentage of total load switched to a competitive supplier. For a number of years,
5 Duquesne Light has been among the top ten utilities in terms of the percentage of switched
6 load. As competitive markets have expanded both within and outside Pennsylvania, other
7 utilities have caught up to Duquesne Light and the Company currently is among the top
8 fifteen utilities in the United States in terms of percentage of total load switched. As of
9 March 2016, 71% of the load in Duquesne Light's service area is receiving supply from an
10 EGS. Customer switching levels generally have increased in Duquesne Light's service area
11 over time, and Duquesne Light has facilitated and supported the competitive retail market
12 over a sustained period of time, without boom and bust cycles.³

³ I do recall the problems caused by EGS "doughnut" contracts in 2000 and to a smaller extent in 2001, whereby EGSs sent customers back onto EDC default service for the summer months when market prices were relatively high (commonly referred to as the "beach syndrome") and then switched customers back to EGS service in the fall when market prices were relatively low. This problem ultimately led to customer switching rules in Pennsylvania, which several years later were removed.

1
2

Figure 2 Duquesne Light Has Facilitated and Supported the Competitive Retail Market Over a Sustained Period of Time



3

4 **Q. Since 1999, has Duquesne Light offered the majority of its customers fixed default**
5 **service supply rates?**

6 **A. Yes.** Duquesne Light has offered the majority of its customers fixed default service supply
7 rates for many years. Since Duquesne Light became the first major utility in the
8 Commonwealth to address post-transition period default service, it negotiated a DSP II plan
9 with fixed supply rates that began for most customers in early 2002 and were fixed through
10 December 31, 2004. During the DSP III period (January 2005 through December 2007),
11 Duquesne Light again offered Residential, Small C&I, and Medium C&I customers fixed-
12 price default service supply rates over a three-year period. During the DSP IV period
13 (January 2008 through December 2010), Duquesne Light continued to offer Residential and

1 Small C&I customers fixed-price default service supply rates over a three-year period, but
2 began to provide shorter-term market price signals to Medium C&I customers – initially
3 one-year followed by six-month rate changes. During the DSP V period (January 2011
4 through May 2013), Residential customers were offered 29-month fixed supply rates, while
5 Small C&I customers transitioned from three-year to annual supply rate changes. For
6 Medium C&I customers, Duquesne Light relied on laddered one-year full requirements
7 supply contracts, whereby 50% of the supply was replaced every six months, resulting in
8 six-month supply rate changes. During the DSP VI period (June 2013 through May 2015),
9 Residential customers were offered fixed twelve-month default service supply rates, Small
10 C&I customers were offered fixed six-month supply rates based on laddered twelve-month
11 contracts, and Medium C&I customers were offered fixed six-month supply rates based on
12 non-laddered six-month contracts. In DSP VII (June 2015 through May 2017), Residential
13 and Small C&I customers are offered fixed six-month supply rates based on laddered
14 twelve-month contracts, and Medium C&I customers are offered fixed three-month default
15 service supply rates based on non-laddered contracts. It is evident from this history that the
16 Company has extensive experience offering the majority of its customers fixed default
17 service supply rates over many years. The length of time that default service supply rates
18 were fixed for each default service plan are summarized in the figure below for the
19 Residential and Small C&I procurement classes.

Figure 3 Duquesne Light has Offered the Majority of its Customers Fixed Default Service Supply Rates for Many Years

DSP Period	Residential	Small C&I
DSP I (January 1999 through early 2002)	Fixed 39-month rates	Fixed 39-month rates
DSP II (early 2002 through December 31, 2004)	Fixed 33-month rates	Fixed 32-month rates
DSP III (January 2005 through December 2007)	Fixed 36-month rates	Fixed 36-month rates
DSP IV (January 2008 through December 2010)	Fixed 36-month rates	Fixed 36-month rates
DSP V (January 2011 through May 2013)	Fixed 29-month rates	Fixed 12-month rates based on a 17-month and one-year products
DSP VI (June 2013 through May 2015)	Fixed 12-month rates based on one-year products	Fixed 6-month rates based on laddered one-year products
DSP VII (June 2015 through May 2017)	Fixed 6-month rates based on laddered one-year products	Fixed 6-month rates based on laddered one-year products

Q. Why has Duquesne Light’s retail access program been relatively successful over many years as compared to other programs?

A. There are several reasons. First, Duquesne Light chose to tailor its default service offering to each particular customer group. A key question for policymakers is how often utility default service rates should adjust to changes in market prices. The optimal frequency depends upon a number of factors, including customer sophistication, market price volatility, the number of competitive service alternatives, what customers are accustomed to, and the costs and benefits associated with exposing customers to greater price volatility. Duquesne Light’s Plan tailors its default service for each customer group taking into account these considerations.

Second, throughout the restructuring process and post-transition period, Duquesne Light’s management has been committed to retail access and competition, as it has taken

1 significant actions to promote competition while balancing the interests of its customers and
2 shareholders.⁴

3 In particular, I believe the success of Duquesne Light's retail access program has
4 been remarkable in that it has facilitated and supported the competitive retail market over a
5 sustained period of time without exposing small customers to significant rate increases,
6 without the use of opt-out customer assignment programs, and without exposing small
7 customers to short-term market price volatility.

8
9 **Q. Mr. Fisher, you show in Figure 2 that in Duquesne Light's service area the percentage
10 of total customer load that has switched to an EGS generally has increased steadily
11 over time, but relative to the levels experienced in 2013, the percentage of total
12 customer load switched to an EGS appears to have declined somewhat in 2014 and
13 2015. Can you explain what caused this decrease?**

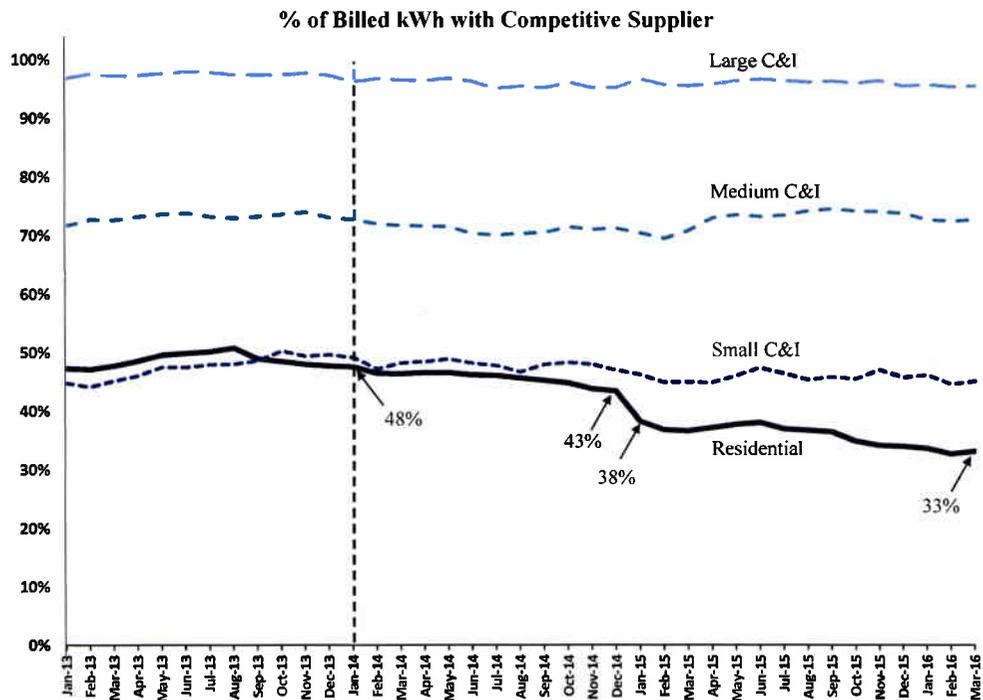
14 **A.** The decrease in the percentage of total switched load is primarily attributable to the decrease
15 in Residential load served by competitive retail suppliers after the market price spikes
16 experienced in January 2014, often referred to as the Winter 2014 Polar Vortex.⁵ The figure

⁴ For example, Duquesne Light's management proposed a market determination of stranded costs through the voluntary divestiture of its generation assets. This provided enormous benefits to customers in the form of accelerated recovery of stranded costs, significant rate reductions, and a faster transition from capped default service rates to default service rates that are better designed to reflect market price levels, against which EGSs may compete. Duquesne Light was the first utility in Pennsylvania to develop an hourly pricing program for Large C&I customers. In DSP IV, Duquesne Light negotiated with EGSs, customer groups, and other parties one of the first Pennsylvania purchase of receivables ("POR") pilot programs, whereby Duquesne Light offered to purchase the receivables of EGSs serving Residential and Small C&I customers. In DSP V, Duquesne Light expanded the POR program to include Medium C&I customers. Duquesne Light proposes to continue its POR program throughout the DSP VIII period.

⁵ Extreme cold weather, natural gas pipeline constraints, and generator unavailability contributed to record electricity prices in January 2014 in Pennsylvania.

1 below shows the change in switched load by procurement group since January 2013. While
 2 switched load has remained relatively constant for other procurement groups, Residential
 3 switched load has fallen from 48% in January 2014 to 33% in March 2016.^{6,7}

4 **Figure 4 The Percentage of Residential Load Switched to an EGS Has Declined**
 5 **Since the Polar Vortex**



6
 7 **Q. Is this more recent decline in the percentage of Residential load switched to an EGS an**
 8 **indication that Duquesne Light’s approved default service plan is not adequately**
 9 **supporting the competitive retail market?**

⁶ The Residential line in the figure above shows the percentage of switched load for Residential customers only, even though Residential and Lighting customers are included in the same procurement group.

⁷ The percentage of Residential switched load gradually declined throughout 2014 from 48% to 43% and experienced a relatively big drop in one month from 43% in December 2014 to 38% in January 2015. Since that time, the percentage of Residential switched load has declined gradually to 33%.

1 A. No.

2

3 **Q. Then, what caused the decrease in switched Residential load following the Polar**
4 **Vortex?**

5 A. Without revealing confidential information, it appears that many Residential customers
6 returned to Duquesne Light's default service largely due to business decisions made by two
7 major EGSs, Dominion Retail, Inc. ("Dominion") and FirstEnergy Solutions, Corp.
8 ("FES"). Dominion and FES, both of whom were large suppliers of Residential customers
9 in Duquesne Light's service area, decided to exit the mass market retail business in the
10 aftermath of the Polar Vortex. In January 2014, Dominion decided to exit the retail electric
11 business altogether and sold its retail business a few months later.⁸ Dominion's exit from
12 retail markets impacted over 600,000 customers in Texas, Illinois, Ohio, New York,
13 Pennsylvania, Massachusetts, Connecticut, New Jersey, Maryland, and Maine.⁹

14 In August 2014, FES announced that it would not engage in any new retail electric
15 service contracts with residential and small commercial customers, and that it would allow
16 its current contracts with such customers to naturally expire.^{10,11} FES' decision to exit from

⁸ In March 2014, Dominion Resources announced that it would sell its 600,000-customer retail energy business to NRG Energy, Inc., *Dominion to Sell its Retail Energy Business to NRG*, March 13, 2014, see Exhibit NSF-1. As a result, many of Dominion's Residential customers probably were transferred to NRG Energy.

⁹ *Dominion's Exit from Retail Electric Business Illustrates Risks of Market*, February 7, 2014, see Exhibit NSF-1.

¹⁰ FirstEnergy Fact Book, August 5, 2014, p. 53, see Exhibit NSF-1.

¹¹ In September 2015, it was reported that FES had "allowed a large tranche of Duquesne Light customers in Pittsburgh to lapse. The total number of Duquesne customers supplied by competitive power-generators dropped by 36,000, or 15 percent, in a few months." *FirstEnergy Solutions Dropping PECO Customers*, August 11, 2014, see Exhibit NSF-1.

1 residential retail markets impacted about 2.1 million residential customers in Illinois,
2 Michigan, Pennsylvania, New Jersey, Maryland, and Ohio.^{12,13}

3 It is clear that these business decisions by Dominion and FES were not limited to
4 Duquesne Light's service area and represented a shift in the corporate strategy of these
5 companies.

6
7 **Q. Why did FES and Dominion decide to stop serving mass market customers?**

8 **A.** FES stated that it was withdrawing from the competitive residential and small commercial
9 electric markets in order to better match the output of its generation fleet with its retail sales
10 in the face of market volatility. "Essentially what we're doing is derisking our business,"
11 explained Diane Francis, an FES spokeswoman.¹⁴

12 Similarly, Dominion spokesman C. Ryan Frazier explained, "Pursuing the sale [of
13 Dominion's electric retail business] is consistent with our strategy of de-risking Dominion
14 by reducing our exposure to commodity sensitive businesses, thereby relying less on
15 commodity-based businesses in our asset mix"¹⁵ as part of Dominion's strategy to transition
16 to a more regulated, less volatile earnings mix.¹⁶

17

¹² *FirstEnergy Backs Out of Residential Markets*, August 11, 2014, see Exhibit NSF-1.

¹³ From January 2014 to December 2015, FES reported that it mitigated risk through reduced electricity sales to weather-sensitive channels, including a 42% decrease in residential sales. *FirstEnergy Fact Book*, February 16, 2016, p. 52, see Exhibit NSF-1.

¹⁴ *FirstEnergy Backs Out of Residential Markets*, August 11, 2014, see Exhibit NSF-1.

¹⁵ *Dominion's Exit from Retail Electric Business Illustrates Risks of Market*, February 7, 2014, see Exhibit NSF-1.

¹⁶ Dominion Resources, Inc., Form 10-K, for the fiscal year ended December 31, 2014, pp. 8, 149, see Exhibit NSF-1.

1 **Q. Are there other factors that likely contributed to the decline in the level of Residential**
2 **switching in 2014 and 2015?**

3 A. Yes. In the aftermath of the Polar Vortex, some Residential customers in Duquesne Light's
4 service area, like other electricity customers in Pennsylvania, experienced high bills due to
5 variable rate plans charged by some EGSs. Shortly thereafter, the Commission received a
6 record number of inquiries and informal complaints related to high bills.¹⁷

7 During the bursts of historically cold temperatures known as the polar
8 vortex in recent winters, customers who had enrolled in a variable rate plan
9 saw their electric bills skyrocket as wholesale power prices soared... 'Some
10 low-quality suppliers shot themselves – and, more importantly, the entire
11 market – in the foot,' said John Tough, vice president of Business
12 Development & Operations for Choose Energy, Inc., a San Francisco-based
13 online service that facilitates customer shopping across deregulated states.
14 'Through bad variable rates and high renewal rates, the bad suppliers took
15 over headlines and scared the consumers.' Since April 2014, suppliers
16 marketing in Duquesne Light Co.'s territory lost 87,000 customers, or 34
17 percent.¹⁸

18 These problems contributed to the decline in Residential switching in Duquesne Light's
19 service area.

20

¹⁷ *Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products*, Docket No. M-2014-2406134 (Order entered March 4, 2014), pp. 1-4. Also see Comments of the Office of Consumer Advocate, AARP, Pennsylvania Utility Law Project and Community Legal Services, Inc. in Docket No. M-2014-2406134, *Review of Rules, Policies and Consumer Education Measures Regarding Variable Rate Retail Electric Products*, April 3, 2014, p. 3-5.

¹⁸ *Retail Electric Market Struggles to Grow in Western Pa.*, January 2, 2016, see Exhibit NSF-1.

1 **III. Duquesne Light’s Default Service Plan is Designed to Support the Competitive**
 2 **Electricity Market, While Providing Appropriate Assurances of Price Stability for**
 3 **Small Customers**

4 **Q. Please summarize Duquesne Light’s proposed plan for DSP VIII.**

5 A. Under the Plan, unique portfolios of supply products are procured for each of four different
 6 customer classes. The supply product portfolios for each customer class are summarized in
 7 the figure below:

8 **Figure 5 Duquesne Light Tailors its Supply Portfolios by Customer Class**

Residential & Lighting	Small C&I (< 25 kW)	Medium C&I (≥ 25 kW and < 300 kW)¹⁹	Large C&I (≥ 300 kW)²⁰
<ul style="list-style-type: none"> • Six-month fixed default service supply rates • Transitioning to 50% of supply from one-year and 50% of supply from two-year full requirements supply products with laddered purchases • Products are procured every six months within three months of start of delivery 	<ul style="list-style-type: none"> • Six-month fixed default service supply rates • Transitioning to 50% of supply from one-year and 50% of supply from two-year full requirements supply products with laddered purchases • Products are procured every six months within three months of start of delivery 	<ul style="list-style-type: none"> • Three-month fixed default service supply rates • 100% of supply from three-month full requirements supply products that are not laddered • Products are procured every three months within three months of start of delivery 	<ul style="list-style-type: none"> • Hourly price default service supply rates • 100% of customer usage priced at day-ahead hourly energy prices • Pass through of other PJM and administrative costs • New RFP process where product is procured every twelve months within three months of start of delivery
<ul style="list-style-type: none"> • Approximately 31% of total system load 	<ul style="list-style-type: none"> • Approximately 5% of total system load 	<ul style="list-style-type: none"> • Approximately 19% of total system load 	<ul style="list-style-type: none"> • Approximately 45% of total system load

¹⁹ The Company proposes to lower the upper threshold for the Medium C&I class from < 300 kW to < 200 kW on June 1, 2019.

²⁰ The Company proposes to lower the threshold for hourly price service from ≥ 300 kW to ≥ 200 kW on June 1, 2019.

1 Large C&I customers, which comprise approximately 45% of the total load in
2 Duquesne Light’s service area,²¹ will be offered default service rates based on hourly day-
3 ahead market prices.

4 Medium C&I customers, which comprise approximately 19% of the total load in
5 Duquesne Light’s service area, will be offered three-month fixed price default service rates.
6 In DSP VIII, Medium C&I rates will be based on quarterly procurements of three-month
7 products that are not laddered.

8 Small C&I customers, which comprise approximately 5% of the total load in
9 Duquesne Light’s service area, will be offered default service supply rates that adjust every
10 six months, and these rates will be based on a combination of laddered one-year contracts
11 and laddered two-year contracts procured every six months with overlapping delivery
12 periods.

13 Residential & Lighting (“Residential”) customers, which represent about 31% of the
14 total load in Duquesne Light’s service area, also will be offered six-month fixed price default
15 service supply rates. Like Small C&I rates, Residential rates will be based on a combination
16 of laddered one-year contracts and laddered two-year contracts procured every six months
17 with overlapping delivery periods.

18 In Duquesne Light Statement No. 2, Mr. Peoples describes the procurement
19 processes for the different customer procurement groups in more detail.
20

²¹ This percentage would increase to about 51% when the threshold is lowered from ≥ 300 kW to ≥ 200 kW.

1 **Q. Please summarize the changes Duquesne Light is proposing with respect to its**
2 **procurement portfolios for Residential and the Small C&I classes.**

3 A. The Company is proposing to transition to a product mix consisting of 50% laddered one-
4 year fixed-price full requirements (“FPFR”) supply contracts and 50% laddered two-year
5 FPFR supply contracts. Currently, the Company relies exclusively on laddered one-year
6 FPFR supply contracts to serve these customers.

7

8 **Q. How will the Company’s proposal to modify the Residential and Small C&I supply**
9 **portfolios benefit default service customers?**

10 A. The mix of one-year and two-year FPFR products in Duquesne Light’s Residential and
11 Small C&I default service supply portfolios, and the semi-annual overlapping of their
12 delivery periods, will provide these customers greater assurances of price stability than the
13 Company’s current supply portfolios, which rely exclusively on one-year FPFR products.
14 This is true for several reasons. First, the inclusion of fixed-price two-year products in the
15 supply portfolio will smooth out rate fluctuations over time. Second, the procurement
16 approach will transition from the current cycle in which 50% of the supply is replaced every
17 six months to a cycle in which 37.5% of the supply is replaced every six months.²² Third,
18 the Company will transition from the current method of relying on supply purchased on two
19 different solicitation dates to determine the default service supply rate at any given point in

²² Currently, solicitations are held every six months, and in each solicitation 50% of the supply requirement is procured in the form of one-year products. Under the proposed plan, Duquesne Light will transition to a cycle in which solicitations are still held every six months, but in each solicitation 25% of the supply requirement is procured in the form of one-year products and 12.5% of the supply requirement is procured in the form of two-year products.

1 time to one where the default service supply rate at any given point in time will be based on
 2 supply procured on four different solicitation dates. The key features of the two supply
 3 portfolios are summarized in the figure below:

4 **Figure 6 Duquesne Light’s DSP VIII Plan Offers Residential and Small C&I**
 5 **Customers Greater Assurances of Price Stability than DSP VII**

Supply Portfolio Features	DSP VII	DSP VIII ^(a)
Product Terms	100% one-year	50% one-year 50% two year
Percent of Supply Replaced in Each RFP	50%	37.5%
The Default Service Supply Rate at any Given Time is Based on Supply Procured on <u>X</u> Different Solicitation Dates	Two	Four
Hard stops (i.e., where 100% of supply needs to be procured)	None	None

6 ^(a) Time is required to transition from DSP VII to DSP VIII.

7 These modifications reduce the likelihood of significant rate changes due to adverse
 8 circumstances or market conditions at any given time. Thus, the Plan is designed to offer
 9 greater assurances of price stability for all Residential and Small C&I customers who do not
 10 affirmatively select service from a competitive retail supplier while maintaining semi-annual
 11 rate changes. Finally, it is important to recognize that neither the DSP VII nor the DSP VIII
 12 Plan require that 100% of the supply be replaced over a short period of time (a “hard stop”),
 13 which would expose Residential and Small C&I customers to unnecessary rate instability
 14 and risks.

15

1 **Q. Do small customers generally support having stable and reliable default service rates?**

2 A. Yes. It has been my experience that small customers and their consumer advocates generally
3 support reasonably priced, stable and reliable default service rates and tend to encourage the
4 use of longer-term supply products procured at different points in time to achieve these
5 goals. Electric rate stability has long been recognized as a desirable feature, especially for
6 those small customers who, for whatever reason, do not elect service from a competitive
7 retail supplier, because it supports affordability, budgeting, and planning.

8

9 **Q. Has the Commission recognized the value of providing customers price stability?**

10 A. Yes. The Commission has explicitly acknowledged that price stability is an important
11 consideration in developing a default service plan:

12 In implementing default service standards, the Commission must be
13 concerned about rate stability as well as other considerations such as
14 ensuring a “prudent mix” of supply and ensuring safe and reliable service.
15 In our view, a default service plan that meets the “least cost over time”
16 standard should not have, as its singular focus, the achievement of the
17 absolute lowest cost over the default service plan time frame but rather a
18 cost for power that is both relatively stable and also economical relative to
19 other options.²³

20 Price stability benefits are very important to some customer groups, so an
21 interpretation of “least cost” that mandates subjecting all default service
22 customers to significant price volatility through general reliance on short
23 term pricing is inconsistent with Act 129’s objectives.²⁴

²³ *Second Default Service Rulemaking Order*, p. 40.

²⁴ *Second Default Service Rulemaking Order*, p. 41.

1 This is an important consideration because small customers generally realize the greatest
2 benefits from default service price stability. Some small customers who need price stability
3 may not have the time, incentive, knowledge, sophistication, or resources to elect an EGS
4 offering that provides the price stability at reasonable levels that they seek. I am advised by
5 counsel that Act 129 is consistent with this position, as it requires that a default service plan
6 include a “prudent mix” of contracts that takes into account any benefits of price stability.²⁵
7

8 **Q. Why do you believe that default service for Residential and Small C&I customers**
9 **should offer rate stability at market-based levels?**

10 **A.** A key question for policymakers is what type of default service is appropriate for Residential
11 and Small C&I customers who, for whatever reason, do not choose an EGS. For instance,
12 what type of default service would you want your 90-year old grandmother on with a fixed
13 income? Or what type of default service would you want a low-income customer on who is
14 working three jobs to make ends meet? I wholeheartedly support competition among EGSs
15 for small customers who have the time, energy, and sophistication to seek out and
16 confidently choose an offering from an EGS that provides the type of product or stability of
17 pricing that the customer needs or desires. But I do not support an approach that entails
18 removing the benefits to small customers of stable and market-based pricing in their default
19 service offering, in an effort to make the default service offering unnecessarily volatile
20 simply to increase the number of small customers who switch to an EGS.

²⁵ 66 Pa. C.S. § 2807(e)(3.4), and Act 129 of 2008 (Preamble).

1 I do not believe that it is good public policy to rely solely on EGSs to provide stable
2 rates to Residential and Small C&I customers at this time for a variety of reasons. There are
3 many reasons why customers may choose to switch to an EGS or remain on default service.²⁶
4 I am particularly troubled by the proposition of relying on EGSs to provide reasonable,
5 stable rates to relatively weather-sensitive Residential and Small C&I retail customers in the
6 aftermath of the Polar Vortex. As I noted earlier, several notable EGSs have reconsidered
7 their retail business strategies and have decided to exit the business of making direct sales
8 to mass market customers. FES stated that, “What we’ve seen, especially coming out of the
9 polar vortex in January, is that volatility of the electric market is reducing our ability to offer
10 long-term stable pricing to customers.”²⁷ Furthermore, ConEdison Solutions, released a
11 white paper entitled the “2013-2014 Winter Polar Vortex,” which stated that a number of
12 small, less-financially stable competitive suppliers went out of business as a result of that
13 winter’s events – and customers served by such suppliers had their EGS contracts broken
14 and were dropped back to their utility’s default service.²⁸ The costs and risks of providing
15 fixed-price service to weather-sensitive Residential and Small C&I customers are relatively
16 higher than the costs and risks of providing fixed-price service to Large C&I customers,
17 whose usage is generally much less weather sensitive. The exit from the mass market retail

²⁶ Customers may switch to an EGS for a variety of reasons, including customer assignment, customer savings, value-added services, and/or volatile default service rates. Customer-specific attributes (e.g., education, income, electricity usage, age, spare time, etc.) also may impact the propensity of certain customers to switch to a competitive supplier. While Residential and Small C&I customers are interested in reducing their electricity costs, they currently do not have the same interest as Large C&I customers to research the market and make efficient service decisions, especially given their equally-competing interests to earn a living, raise children, and tend to home needs. Furthermore, they generally have a lesser understanding of the benefits and risks associated with accepting one potential service offer versus another, and a lesser ability to engage in frequent and consistent “market checks” to ensure that their electricity price is sufficiently competitive or is stable.

²⁷ *FirstEnergy Backs Out of Residential Markets*, August 11, 2014, see Exhibit NSF-1.

²⁸ *2013-2014 Winter Polar Vortex*, ConEdison Solutions, July 2014, p. 4, see Exhibit NSF-1.

1 business by both large, well-funded EGSs and less financially stable EGSs highlights the
2 continued importance of default service supply rate stability for Residential and Small C&I
3 customers.

4
5 **Q. Will Duquesne Light's Default Service Plan support the competitive wholesale**
6 **market?**

7 A. Yes, the Company will rely on competitive wholesale market purchases to obtain supply for
8 its default service. These competitive market purchases will be in the form of formal RFP
9 processes with standardized bidding procedures. In DSP VIII, Duquesne Light proposes to
10 continue relying on competitive wholesale markets to provide fixed-price full requirements
11 service for the benefit of Residential, Small C&I and Medium C&I customers, as well as
12 competitive wholesale solicitations to obtain third-party suppliers to provide hourly price
13 default service for Large C&I customers.

14
15 **Q. What are the benefits of relying on competitive wholesale markets to provide fixed-**
16 **price full requirements service?**

17 A. In a procurement approach involving FPFR product solicitations, bidders compete on the
18 basis of the lowest price to satisfy all aspects of the default service customers' load
19 requirements at a fixed \$/MWH price, regardless of how the load, future market conditions,
20 and/or generation costs vary.

21 The use of a competitive process to procure a full-requirements product is designed
22 to induce competitive bidding among suppliers, and thereby obtain the lowest price for the

1 product. Since bidders in the proposed solicitations will compete on the basis of price, any
2 party that desires to be a winning bidder in such a solicitation must submit a bid price that
3 reflects its best judgment about the least-cost means of satisfying the supply obligations.
4 Therefore, it is reasonable to assume that bidders in the proposed full requirements
5 solicitations will consider the costs and risks associated with all forms of supply, and will
6 reflect in their bid prices the benefits of any opportunity that they believe is the least-cost
7 supply opportunity. Consequently, those suppliers who are the best portfolio managers in
8 terms of handling the associated supply costs and risks that the fixed-price full requirements
9 obligation requires them to assume to the benefit of customers are likely to place the lowest
10 bids in the competitive solicitations. Thus, the procurement process is intended to rely on
11 the skills of the most adept suppliers to achieve the least cost for customers.

12
13 **Q. Mr. Fisher, you have described how Duquesne Light's Plan obtains the benefits of the**
14 **competitive wholesale market, but is the Company's Plan also designed to support the**
15 **competitive retail market?**

16 A. Yes. During the DSP VIII period, Duquesne Light will continue pre-established retail
17 market initiatives. Duquesne Light's proposed DSP VIII Plan also supports the competitive
18 retail market by including competitive solicitations for FPFR default service supply
19 products. The use of FPFR products helps to provide a more transparent price-to-compare
20 benchmark against which customers can compare competing retail offers. Minimal over-
21 and under-collections that result from the use of FPFR products will enhance rate
22 transparency for competitive retail supply decisions. Furthermore, EGSs will compete
23 against market-based default service rates, as the default service rates will be based on the

1 prices for supply products obtained through competitive solicitations in which multiple
2 bidders compete to sell the products solely on the basis of price.

3
4 **Q. Since Duquesne Light has generally shortened its supply product delivery periods in**
5 **recent DSP plans, do you believe the proposed inclusion of two-year contracts into the**
6 **pre-existing portfolios of one-year contracts for the Residential and Small C&I default**
7 **service supply customers represents a step “backward” with respect to the**
8 **development of the competitive retail market?**

9 A. No. The inclusion of two-year contracts in the Residential and Small C&I portfolios
10 represents a step forward in providing greater assurances of price stability for small
11 customers. There is no convincing evidence that maintaining the supply portfolios
12 consisting entirely of shorter-term, one-year default service products would better facilitate
13 the development of the competitive retail market with regard to Duquesne Light’s
14 Residential and Small C&I customers. In fact, Duquesne Light’s proposed supply product
15 portfolio will facilitate retail competition by providing a more predictable default service
16 rate, making it easier for EGSs to market savings off of the default service rate and for
17 customers to compare EGS offers with default service rates to more confidently make retail
18 supply decisions. As discussed earlier, the Company has extensive experience offering the
19 majority of its customers fixed default service supply rates and has fostered one of the more
20 successful retail access programs in the country during this time.

21
22 **Q. Do other Pennsylvania EDCs rely on two-year products to supply default service to**
23 **small customers?**

1 A. Yes. Both PECO and FirstEnergy include two-year products in their supply portfolios to
2 serve Residential default service customers. PECO's current supply portfolio consists of
3 approximately 60% two-year products and 40% one-year products to serve residential
4 default service customers,²⁹ and the FirstEnergy EDCs' supply portfolios consist of 50%
5 two-year products and 50% one-year products to serve both residential and small
6 commercial default service customers.³⁰ Duquesne Light's DSP VIII Plan would more
7 closely align its Plan with those of PECO and FirstEnergy, offering small customers similar
8 levels of price stability.

9

10 **Q. What changes is Duquesne Light proposing with respect to its Large C&I customer**
11 **default service plan?**

12 A. For the Large C&I class, the Company is proposing to make several significant changes.
13 First, effective June 1, 2017, the Company is proposing to simplify the structure and
14 administration of the hourly price service in an effort to lower the Company's administrative
15 costs that hourly price service customers pay. Second, while the Plan continues to provide
16 hourly day-ahead market pricing to Large C&I default service customers, Duquesne Light
17 will no longer procure this supply directly from PJM, but instead it will procure this supply
18 in the form of non-laddered twelve-month supply products procured through competitive
19 RFP processes. Third, once these changes are in place and have been tested, the Company

²⁹ PECO's proposed supply portfolios in DSP IV contain a mix of one-year and two-year supply products to serve both residential and small commercial default service customers. The residential portfolio consists of about 60% two-year and 40% one-year products, while the small commercial portfolio consists of 50% two-year and 50% one-year products.

³⁰ Both FirstEnergy's existing supply portfolio in DSP III and its proposed DSP IV portfolio contain one-year and two-year supply products for residential and small commercial customers (defined as commercial customers with peak monthly demands not to exceed 400 kW or all customers served at secondary voltage in the case of Penn Power).

1 is proposing to lower the kW threshold for hourly price service from ≥ 300 kW to ≥ 200 kW
2 beginning on June 1, 2019.³¹

3
4 **Q. Is the Company proposing any other changes with respect to its supply portfolio?**

5 A. Yes. During the course of the DSP VIII Plan, the Company is proposing to evaluate the
6 benefits of entering into long-term solar contracts at some point during the DSP VIII period.
7 Duquesne Light witness Davis discusses the Company's solar proposal in his direct
8 testimony.

9
10 **IV. Duquesne Light's Default Service Plan Satisfies the Requirements of Act 129 by**
11 **Incorporating a Prudent Mix of Contracts Designed to Ensure Least Cost to**
12 **Customers Over Time, Taking Into Account the Benefits of Price Stability, and It**
13 **Includes Prudent Steps Necessary to Obtain Least Cost Generation Supply**

14 **Q. Act 129 requires a default service plan to procure a prudent mix of contracts, and**
15 **include prudent steps necessary to obtain least cost generation supply contracts on a**
16 **long-term, short-term and spot market basis.³² What guidance has the Commission**
17 **provided in interpreting that standard?**

18 A. On October 4, 2011, the Commission entered its Second Default Service Rulemaking Order,
19 and in this Order it provided guidance based on input received from stakeholders. Some of

³¹ Duquesne Light witness Peoples discusses the proposed changes to hourly price service in more detail in his testimony.

³² 66 Pa. C.S. § 2807(e)(3.4), and 66 Pa. C.S. § 2807(e)(3.7).

1 the Commission’s guidance regarding the interpretation of “least cost” and “prudent mix”
2 is as follows:

3 [T]he [“least cost”] standard must give the DSP sufficient latitude to select
4 contracts that constitute a “prudent mix” which includes a sufficient variety
5 of products that adequately take into consideration price volatility, changes
6 in generation supply, customer usage characteristics and the need to assure
7 safe and reliable service.³³

8 In implementing default service standards, the Commission must be
9 concerned about rate stability as well as other considerations such as
10 ensuring a “prudent mix” of supply and ensuring safe and reliable service.
11 In our view, a default service plan that meets the “least cost over time”
12 standard should not have, as its singular focus, the achievement of the
13 absolute lowest cost over the default service plan time frame but rather a
14 cost for power that is both relatively stable and also economical relative to
15 other options.³⁴

16 Price stability benefits are very important to some customer groups, so an
17 interpretation of “least cost” that mandates subjecting all default service
18 customers to significant price volatility through general reliance on short
19 term pricing is inconsistent with Act 129’s objectives.³⁵

20 We agree with the majority of parties that the “prudent mix” of contracts be
21 interpreted in a flexible fashion which allows the DSPs to design their own
22 combination of products that meets the various obligations to achieve “least
23 cost to customers over time,” ensure price stability, and maintain adequate
24 and reliable service.³⁶

³³ *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (Order entered October 4, 2011) (“*Second Default Service Rulemaking Order*”), p. 38.

³⁴ *Second Default Service Rulemaking Order*, p. 40.

³⁵ *Second Default Service Rulemaking Order*, p. 41.

³⁶ *Second Default Service Rulemaking Order*, p. 60.

1 We do reject the positions of those parties that “prudent mix” be defined to
2 always require a specific mix or percentage of types of contract components
3 in each default service plan or a minimum of two types of products.³⁷

4
5 **Q. Do you believe that Duquesne Light’s proposed DSP VIII incorporates a prudent mix**
6 **of contracts, and includes prudent steps necessary to obtain least cost generation**
7 **supply contracts, as required by Section 2807(e)(3.4) and Section 2807(e)(3.7) of Act**
8 **129?**

9 A. Yes, I do. There are several reasons for this conclusion:

10 1. The procurement process is designed to ensure the least cost to customers by requiring
11 qualified bidders in the supply product solicitations to compete and be selected based on
12 the lowest price. Furthermore, when FPFR products are solicited, default service
13 customers are provided the benefits of competition on all aspects of the full requirements
14 supply obligation, including the portfolio management function.³⁸ It is reasonable to
15 assume that bidders in the FPFR solicitations will consider the costs and risks associated
16 with all forms of supply available to them to satisfy their fixed-price full requirements
17 obligation, and will reflect in their bid prices the benefits of any opportunity that they
18 believe is the least cost supply opportunity.

19 2. Duquesne Light’s Plan relies on FPFR default service supply products, which are well-
20 tested in the marketplace. These products have been successfully procured by Duquesne

³⁷ *Second Default Service Rulemaking Order*, p. 60.

³⁸ FPFR product suppliers have the responsibility for continuously satisfying the uncertain and constantly changing supply requirements at the agreed-upon price, and therefore must manage the associated costs and risks through their supply portfolio decisions.

1 Light, and are frequently procured by utilities in Pennsylvania and in other
2 jurisdictions.³⁹

- 3 3. The Commission has recognized the benefits of reliance on full requirements products
4 in a default service portfolio, as it stated in its Second Default Service Rulemaking
5 Order:

6 The [full requirements] process insulates default supply customers from the
7 volatility associated with wholesale market conditions with the supplier
8 bearing the risks of factors such as customer migration, weather, load
9 variation and economic activity.⁴⁰

10 We do express a preference for continued reliance by DSPs on the [full
11 requirements] approach to the extent this method best suits the DSP's
12 particular procurement needs.⁴¹

13 The seller of a FPFR product is responsible for assuming, managing, and covering the
14 financial costs and risks associated with electricity supply, while customers receive
15 benefits that protect against adverse market and/or generation cost outcomes. Sellers of
16 FPFR products must satisfy their obligation, regardless of how much market prices or
17 generation costs may increase during the delivery period and regardless of the default
18 service load level. Yet if market prices decrease after these types of supply contracts are
19 signed, customers may elect service from a lower cost competitive retail supplier.

- 20 4. Duquesne Light's Plan continues the use of a standard supply contract (referred to as a
21 supply master agreement or "SMA"), which lets bidders know the terms and

³⁹ Examples of specific jurisdictions in which full requirements supply products are procured include Connecticut, Delaware, Maine, Maryland, Massachusetts, New Jersey, Ohio, Pennsylvania, Rhode Island, and Washington D.C.

⁴⁰ *Second Default Service Rulemaking Order*, p. 54.

⁴¹ *Second Default Service Rulemaking Order*, p. 56.

1 requirements of the default service supply obligation well in advance of the bid due date,
2 and therefore allows qualified bidders to submit firm bid prices knowing that these
3 contract terms and conditions will not change. The use of a standard SMA also assures
4 qualified bidders that the selection of the winning bidders will be an objective process
5 and encourages participation in the solicitations from a large number of potential
6 suppliers.

7 5. Duquesne Light's Plan is also prudent because it includes tailored supply portfolios for
8 different customer classes that take into account the benefits of price stability, the
9 different shopping propensity of each customer class, and the desire to develop the
10 competitive retail market in Duquesne Light's service area.⁴²

11
12 **Q. Does Duquesne Light's Plan satisfy Section 2807(e)(3.1) of the Act, which requires that**
13 **supply be acquired through competitive procurement processes?**

14 A. Yes, Duquesne Light's Plan satisfies this requirement. Section 2807(e)(3.1) provides that
15 the default service provider shall acquire electric power through competitive procurement
16 processes including one or more of the following: auctions, RFPs, and/or bilateral
17 agreements entered into at the sole discretion of the default service provider. Duquesne
18 Light's Plan satisfies Section 2807(e)(3.1) by relying on open and competitive solicitation

⁴² In its *Second Default Service Rulemaking Order*, when discussing the "prudent mix" requirement under Act 129, the Commission stated: "The Commission notes there was substantial unanimity on this point and agrees with the parties that the "prudent mix" standard should be interpreted to allow for a class-specific product mix that best matches the needs of each DSP customer class. *Second Default Service Rulemaking Order*, p. 69.

1 processes utilizing RFPs for full requirements supply contracts to obtain its default service
2 supply for all its customers.⁴³

3
4 **Q. Do you believe that Duquesne Light's Plan includes prudent steps necessary to**
5 **negotiate favorable generation supply contracts, as required by Section 2807(e)(3.7) of**
6 **the Act?**

7 A. Yes. Duquesne Light's Plan requires bidders to compete with each other, on the basis of
8 lowest price, in an RFP process to provide default service supply at the least cost.

9
10 **Q. Do you believe that Duquesne Light's Plan is designed to ensure adequate and reliable**
11 **service, as required by Section 2807(e)(3.4) of the Act?**

12 A. Yes. First of all, the supply contracts contain protections to provide reliability with respect
13 to the sellers' ability to satisfy the terms and conditions of the contracts. Under Duquesne
14 Light's Plan, suppliers must satisfy certain requirements (including being a member in good
15 standing of PJM) that help ensure that they are able to perform their obligations.

16 Furthermore, since all load served under the contracts will be supplied through PJM,
17 regardless of whether the winning default service supply bidders own or control generation,
18 reliable and adequate service is further ensured. PJM is a FERC-approved regional
19 transmission organization with a central responsibility to ensure the reliability of its regional
20 electricity grid of which Duquesne Light is a part, and has numerous mechanisms in place

⁴³ As described by Duquesne Light Witness Davis, the Company also will follow the Act 129 requirements related to supply procurement if it enters into a long-term solar contract.

1 to meet this responsibility. PJM helps to ensure service adequacy because all of the
2 fundamental components of electricity supply can be purchased through PJM. In the event
3 that a default service supplier defaults on its contract, Duquesne Light can procure the
4 physical supplies necessary to ensure adequate and reliable service to satisfy its default
5 service obligations.

6
7 **Q. Do you believe that Duquesne Light's Plan is consistent with the requirements of the**
8 **Act, given that Section 2807(e)(3.2) contemplates inclusion of a prudent mix of spot**
9 **market purchases, short-term contracts, and long-term purchase contracts with a term**
10 **of more than four years and not more than 20 years?**

11 A. Yes. While I am not an attorney, my understanding is that Act 129 requires a "prudent mix"
12 of spot, short-term and long-term contracts, but does not necessarily mandate the use of all
13 types of contracts in all situations. As noted earlier, the Commission has previously stated
14 that it rejects the positions of those parties that a "prudent mix" be defined to always require
15 a specific mix or percentage of types of contract components in each default service plan or
16 a minimum of two types of products.⁴⁴ In fact, Duquesne Light has operated for many years
17 under Commission-approved default service plans without having a long-term contract with
18 a term of more than four years. However, it is worth noting that as a part of its DSP VIII
19 filing, the Company is proposing to rely on an hourly day-ahead spot market purchase
20 product to supply the default service of Large C&I customers and is also proposing to

⁴⁴ *Second Default Service Rulemaking Order*, p. 60.

1 evaluate the benefits of entering into long-term solar contracts at some point during the DSP
2 VIII period.

3
4 **Q. Mr. Fisher, does Duquesne Light's proposed DSP VIII include a reasonable degree of**
5 **flexibility to accommodate the possibility of future changes in the default service**
6 **supply approach and the possibility of new retail market initiatives?**

7 A. Yes. Duquesne Light's proposed DSP VIII incorporates this flexibility in several ways.
8 First, the default service supply product portfolio for the Large C&I and Medium C&I
9 procurement classes does not include any supply products with delivery periods that extend
10 beyond May 31, 2021, the end of the DSP VIII period. As a result, the Commission can
11 easily adopt a similar plan or a very different plan for the period starting June 1, 2021,
12 without facing situations involving pre-existing default service supply products for these
13 customer classes with deliveries that extend beyond the DSP VIII period.

14 Second, the solicitations for Residential and Small C&I supply products with
15 delivery periods that extend beyond May 31, 2021 (the end of the DSP VIII period) do not
16 begin to occur until September 2019.⁴⁵ As a result, there is a significant amount of time
17 before commitments to new supply products extending beyond the DSP VIII period are
18 made, should changes need to be made due to legislative or regulatory mandates. In the
19 meantime, these solicitations remain scheduled because they allow for the option for a fairly
20 seamless continuation of the laddered procurement cycle as Duquesne Light transitions from

⁴⁵ And the supply product obtained in this solicitation that extends beyond May 31, 2021 represents only 12.5% of the default service load.

1 DSP VIII to DSP IX,⁴⁶ and they avoid subjecting Residential and Small C&I customers to a
2 “hard stop” with regard to their supply products at the end of the DSP VIII period. This is
3 consistent with the approach approved by the Commission in DSP VI and DSP VII, and it
4 helps to avoid the need to replace a large portion of default service supply in a short period
5 of time at the end of the DSP VIII period. Customers could be exposed to magnified risks
6 and rate instability if a default service plan were to require that a large portion of the
7 customers’ default service supply be procured in a short period of time, as evidenced by the
8 possibility of adverse short-term market conditions like those which existed during the Polar
9 Vortex in January 2014.

10
11 **Q. Mr. Fisher, are you familiar with the end state model for default electric service that**
12 **the Commission proposed in its Default Service End State Order?**⁴⁷

13 A. Yes. For Residential and Small C&I customers, the Commission proposed a significant
14 shortening of the term lengths of the default service supply products.⁴⁸ Specifically, the
15 Commission proposed that customers with peak demands below 100 kW, including
16 Residential customers, be served entirely by FPFR products with 90-day delivery periods,
17 procured each quarter. This supply portfolio would consist of substantially shorter-term
18 supply products for small customers than the products currently included in the major

⁴⁶ In its *Second Default Service Rulemaking Order*, the Commission recognized the importance of “laddering” contracts in procuring default service supply. Specifically, the Commission stated, “We agree with those parties that utilizing such practices as laddering contracts, with varying procurement periods and contract durations over multiple procurements provide definite benefits in terms of minimizing the impacts of market volatility and decreasing customer risk.” (*Second Default Service Rulemaking Order*, pp. 62-63.)

⁴⁷ *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013) (“Default Service End State Order”).

⁴⁸ *Default Service End State Order*, p. 41.

1 Pennsylvania Electric Distribution Companies' approved default service plans for these
2 customers, as the current supply portfolios contain many products with one-year and two-
3 year delivery periods.⁴⁹

4
5 **Q. In the Default Service End State Order, did the Commission recognize that some of its**
6 **proposed changes may require amendments to existing legislation?**

7 A. Yes, the Commission acknowledged that procuring only a 90-day default service product
8 for Residential and Small C&I customers may require a change to the existing statutory
9 procurement standard, and in any event a legislative change was desirable for a variety of
10 reasons.⁵⁰ The Commission therefore determined that it would be “well-served to ensure
11 that the General Assembly is supportive of our overall policy direction on matters as
12 important as the retail market for electricity.”⁵¹ To date, such changes have not been adopted
13 by the General Assembly.

⁴⁹ *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Programs*, Docket Nos. P-2013-2391368, P-2013-2391372, P-2013-2391375, P-2013-2391378 (Order entered July 24, 2014), pp. 7-8, 23; *Petition of PECO Energy Company for Approval of its Default Service Program for the Period from June 1, 2015 through May 31, 2017*, Docket No. P-2014-2409362 (Order entered December 4, 2014), pp. 7, 26; *Petition of Duquesne Light Company for Approval of a Default Service Program for the Period from June 1, 2015 through May 31, 2017*, Docket No. P-2014-2418242 (Order entered January 15, 2015), pp. 5, 16, 17; *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2015 through May 31, 2017*, Docket No. P-2014-2417907 (Order entered January 15, 2015), pp. 7, 19, 29.

⁵⁰ *Default Service End State Order*, pp. 16, 41, 43, 45-46, 48.

⁵¹ *Default Service End State Order*, pp. 45-46.

1 **Q. Do you believe that there are sufficient reasons to shorten the term lengths of the**
2 **products proposed in Duquesne Light’s DSP VIII supply portfolios for Residential and**
3 **Small C&I customers?**

4 A. No. I do not believe that there are sufficient reasons to shorten the term lengths of the
5 products in Duquesne Light’s Residential and Small C&I default service supply portfolios
6 at this time. As I noted earlier, the Commission has explicitly acknowledged that price
7 stability is an important consideration in developing a default service plan. Accordingly, in
8 assessing the relative merits and drawbacks of a portfolio consisting of generally shorter-
9 term products, it must be recognized that such a portfolio would erode the assurances of
10 price stability provided to default service customers. This is an important consideration
11 because small customers generally realize the greatest benefits from default service price
12 stability. Some small customers who need price stability may not have the time, incentive,
13 knowledge, sophistication, or resources to elect an EGS offering that provides the price
14 stability at reasonable levels that they seek. The mix of one-year and two-year FPFR
15 products in Duquesne Light’s Residential and Small C&I DSP VIII supply portfolios, and
16 the semi-annual overlapping of the delivery periods for those products, are important to
17 insulate customers from sudden and large price fluctuations. In contrast, supply portfolios
18 with generally shorter-term products would unnecessarily increase customers’ exposure to
19 substantial price fluctuations. Act 129 appears to be consistent with this position, as it
20 requires that a default service plan include a “prudent mix” of contracts that takes into
21 account any benefits of price stability.⁵²

⁵² 66 Pa. C.S. § 2807(e)(3.4), and Act 129 of 2008 (Preamble).

1

2 **Q. Does this conclude your direct testimony?**

3 **A. Yes, it does.**

VERIFICATION

I, Neil S. Fisher, Principal, The NorthBridge Group, hereby state that the testimony set forth in Duquesne Light Statement No. 3 is true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing on this matter, my answers would be as set forth herein.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



Date: April 29, 2016

Neil S. Fisher, Principal, The NorthBridge Group

Exhibit NSF-1



Dominion to sell its retail energy business to NRG

March 13, 2014 9:13 AM

By Michael Sanserino / Pittsburgh Post-Gazette

Dominion Resources announced Tuesday that it would sell its 600,000-customer retail energy business to NRG Energy Inc., but the acquisition, expected to be finalized by the end of the month, could threaten local jobs.

NRG, based in Princeton, N.J., will acquire Dominion's customer accounts and its Cirro Energy unit, based in Texas, spokeswoman Pat Hammond said.

Since NRG is adding only the customer accounts, and not the entire retail energy business, the employees who used to service those accounts for Richmond, Va.-based Dominion will remain with Dominion.

Dominion spokesman Ryan Frazier said all decisions affecting Dominion's retail energy business employees will be made "during the transition."

Dominion has Pittsburgh offices in the D.L. Clark Building on the North Shore.

NRG plans to service the new accounts with its own employees. The company also has offices in Houston.

Dominion's retail energy business serves customers in Pennsylvania, Illinois, Maryland, Massachusetts, New Jersey and New York, and Cirro Energy serves customers in Texas. Its northeast division accounts for 80 percent of its retail customers.

Terms of the deal were not disclosed.

NRG already has electric customers in the Pennsylvania market as one of the state's numerous competitive energy suppliers.

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Dominion's exit from retail electric business illustrates risks of market

Rod Kuckro, E&E reporter

EnergyWire: Friday, February 7, 2014

The polar vortex that slammed the eastern half of the nation in early January may have been the last straw for Dominion Resources Inc., the Richmond, Va.-based energy company that on Jan. 31 abruptly said it would sell its unregulated retail electric business as soon as possible, preferably by the end of the first quarter.

Analysts are pondering whether Dominion's decision, announced during its fourth-quarter and year-end 2013 earnings call, is a one-off indication of a business poorly managed or a signal that other large players in the competitive retail electric markets may be experiencing similar financial pressures. Already, some smaller retail providers have succumbed by defaulting, unable to raise the collateral needed to continue in business.

"Retailers can really get hurt by spiking power prices particularly if they lightened up on risk control hedging strategies after an extended period of benign power prices and efforts to preserve some profitability in a world of depressed margins," Credit Suisse analysts wrote in a note Jan. 30 on what the polar vortex means for power earnings.

Dominion was among a group of companies with retail operations including Consolidated Edison Inc., Exelon Corp., FirstEnergy Corp. and Centrica PLC cited by Credit Suisse as being at risk of an earnings hit.

Two distinct events of extreme weather over a large geographic region in January rattled electricity markets in the PJM Interconnection, ISO New England and the New York Independent System Operator as prices soared past \$1,000 per megawatt-hour for the first time. In PJM at times, even prices for power during off-peak hours ranged from \$250 per MWh to \$500 per MWh, well above the more seasonal prices in the \$40-\$50-per-MWh range.

The price spikes that continue to a lesser degree this week are largely due to constrained supplies of natural gas, which produces an ever-growing share of electricity in the Northeast and mid-Atlantic.

For the more than 600,000 customers of Dominion Retail in Texas, Illinois, Ohio, New York, Pennsylvania, Massachusetts, Connecticut, New Jersey, Maryland and Maine, there was no reason for alarm.

Customers held fixed-price contracts that required Dominion to deliver electricity no matter how much it would cost to procure when the supplier inevitably had to go to the open market to satisfy demand. In Maryland for example, as of yesterday Dominion was advertising contracts through December 2015 for 9.59 cents per kilowatt-hour. That means customers would get all the electricity they wanted for less than 10 cents per kWh, even if Dominion had to pay exponentially more for its supplies.

Precisely what prompted Dominion's decision is unclear. Spokesman C. Ryan Frazier declined a request to have an executive elaborate on the decision. "Pursuing the sale is consistent with our strategy of de-risking Dominion by reducing our exposure to commodity sensitive businesses, thereby relying less on commodity-based businesses in our asset mix. We are not in a position to provide further detail at this point," Frazier wrote in an email.

Dominion CEO Tom Farrell raised more questions with his comments during the earnings call. "We continue to fine-tune our business model," Farrell said, noting that "the sale process is underway."

"It's all you have seen from the lot of our colleagues in the industry that have these retail businesses," he said. "The margins in the electric side of business have been shrinking. And you see increased volatility happening. ... It just doesn't fit our business model."

'Load mismatch'

Dominion is not exiting its retail natural gas business, which has more than 500,000 customers.

"Gas is a very different business," Farrell said. "Our products and services are a very different business because of where we sell the electricity in those regular retail markets and where we have assets – you don't have a matching capability of any real significance."

That "matching capability" may refer to the ability – of lack thereof – of a retail supplier like Dominion to use a fleet of merchant generation plants to ramp up and provide electricity at a lower price than in the open market in times of high demand. Credit Suisse called it "load mismatch" in its report, defined as the difference between gross generation and retail sales.

As one Wall Street observer noted, Exelon and FirstEnergy "both have large generation assets to back their retail positions and are able to generate enough electricity from existing power plants to serve the incremental demand."

But the result for Dominion, said the observer, who would speak only on condition of anonymity, was that it likely "lost north of \$100 million" during the polar vortex. "They panicked" after buying power in the open market in excess of \$300 per MWh, the observer said, "and lost so much money already in January that they had no choice. You don't even have to have more than two [bad] days to lose \$100 million. That's the beauty of the retail business – when it works it works, but when it doesn't, it can basically kill you in a couple of hours."

Todd Shipman, a utility analyst with Standard and Poor's, agreed that Dominion didn't have the merchant generation to balance its retail book.

Typically, retail suppliers "just ride those margins up and down. A lot of people that are in that business because they think they can make money over time, and they're not going to just leave all of a sudden because there was a bad year or two because it's a volatile business and they think over time they'll do fine," he said.

But for Dominion, which has been reducing its merchant fleet, "things are different in a sense that they had that offsetting strategy where they thought the retail business was a natural hedge against the merchant business," he said. But that natural hedge has disappeared.

'The writing was on the wall here more so than elsewhere'

If Dominion "didn't like being in the retail business at all, they'd be getting out of gas as well as electric. It may just be that the electric retail side of things hasn't really taken off for them," Shipman added.

"The declining profitability of the electric retail business itself probably led management to a decision even prior to January given the very limited earnings profile of this business," said Julien

Dumoulin-Smith, executive director of equity research at UBS Securities. "Ultimately for them, if it's not profitable, that's not necessarily a business they want to be in that doesn't have a return on equity."

Integrus Energy Services' Melissa Lauderdale, president of the Retail Energy Supply Association, agreed the decision may not have been entirely driven by what happened in January. "My guess is that Dominion had been thinking about that before January. A large holding company like Dominion probably doesn't make that kind of decision on one week's worth of bad weather."

But "you certainly have seen margin compression, and that does force suppliers to be more efficient," she said.

As to who may buy Dominion's retail book, "that's the question to be asked right about now; I'm very curious myself. I think there's always going to be a bid at a certain price," said Dumoulin-Smith, speculating that a likely buyer might be a company less interested in earnings. "Maybe someone who cares about a different metric -- say, cash flow -- might have a different valuation in this business."

As to what Dominion's decision may say about other large retail suppliers, "I don't necessarily expect an en masse exit from the business," Dumoulin-Smith said. "Frankly, it's done a number of other companies well in recent years. I wouldn't necessarily say that this event would shake any other specific company out of the business, per se. The writing was on the wall here more so than elsewhere."

On Jan. 31's conference call, Dumoulin-Smith took a last stab at finding out more about the effects of the polar vortex on Dominion's retail unit, asking Farrell to elaborate on the effects of the volatility. "We are not going to quantify it for you, but it's extraordinary to watch," the CEO quipped.

Problem magnified in PJM

While large retail suppliers such as Dominion, FirstEnergy and Exelon have the deep pockets to weather adverse financial results in the retail market, most retail suppliers are small by comparison, and their very existence can be challenged by continued high costs to procure electricity.

PJM on Tuesday notified its members that two retail load-serving entities had "not been able to fulfill their collateral calls and payment obligations." The two were Clean Currents LLC of Silver Spring, Md., and People's Power & Gas LLC of New Milford, Conn. Their potential net default charges, which would be allocated among remaining PJM members, are \$400,000 to \$600,000 and \$1.3 million to \$1.8 million, respectively. Neither is serving customers.

ISO New England has suspended five companies so far in 2014: Mega Energy Holdings LLC and People's Power & Gas on Jan. 29, OBE Electric LLC on Jan. 30, Statarb Investment LLC on Jan. 31, and Abest Power & Gas Co. on Tuesday. People's Power & Gas is still suspended. The other companies are currently meeting all their obligations "under the ISO's tariff," spokeswoman Lacey Girard said.

But in PJM, the threat of many other defaults looms based on data regarding the total dollar amount of collateral calls -- effectively a notice that a market participant is near or over its credit limit -- in January alone. For the month, calls exceeded \$2 billion, or "roughly four times the total dollar amount of the collateral calls for calendar year 2013," said PJM spokesman Ray Dotter.

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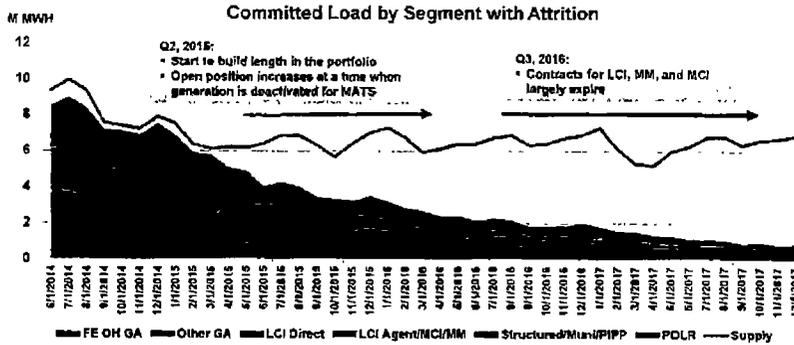
FirstEnergy FactBook

Published August 5, 2014

Creating Value for Investors

Existing Committed Sales

- Retain POLR, GA, and selected large commercial-industrial contracts
- Exit MCI, MM and certain LCI contracts by natural attrition



Expected significant level of uncommitted sales beginning mid-2015 provides flexibility

Optionality and Variety of Hedging Resources

Channel	Description	Value
Wholesale Sales	Sales in forward power markets made to hedge generation	Provides flexibility in volume and timing of hedge
GA	Buying group formed by communities which choose electric supplier for all members in the group. Pricing is fixed or is a percentage discount off the price to compare, which is determined through utility default service auctions. Current contracts run through 2019.	Higher margin load, pricing of majority of sales moves with market, minimal acquisition cost, minimizes risk of POLR
POLR	Tranches of non-shopping load that is won through utilities' default service auctions	Higher margin load, minimal acquisition cost and flexibility of participation
Structured	Includes municipality sales, co-operative sales, bilateral sales, and unique transactions	Higher margin wholesale transactions made for strategic purposes
LCI	Selected/strategic direct sales to large commercial and industrial customers	Higher load factors, less weather sensitive, flexibility of term; a wholesale-type load with better margins
Utility PPA	Dedicated plant output (MW) to distribution utilities through PPA	Full cost-based recovery with a rate of return; provides revenue certainty
Spot Market Sales	Sales in day-ahead or real-time to take advantage of market volatility/scarcity pricing	Having a reserve dedicated to spot provides flexibility to manage weather sensitive loads and take advantage of market volatility

FirstEnergy Solutions dropping Peco customers

By Andrew Maykuth, Inquirer Staff Writer

POSTED: SEPTEMBER 30, 2015

FirstEnergy Solutions aggressively expanded in Pennsylvania's competitive electricity market three years ago, offering long-term fixed-rate deals that were attractive for residential customers.

Too attractive, evidently.

FirstEnergy recently mailed a wave of letters to Peco Energy Co. customers who signed up with FirstEnergy to supply their power, declining to renew their contracts when they expire in October. If the customers don't choose a new supplier, Peco will resume billing them at the current default rate, which is higher than what they currently are paying.

FirstEnergy did not disclose how many Peco customers would be affected. But earlier this year, FirstEnergy allowed a large tranche of Duquesne Light customers in Pittsburgh to lapse. The total number of Duquesne customers supplied by competitive power-generators dropped by 36,000, or 15 percent, in a few months.

FirstEnergy decided last year to reduce its exposure in retail energy markets, which had become too volatile and risky for its taste.

FirstEnergy Solutions, which is the competitive retail subsidiary of Akron power giant FirstEnergy Corp., said it had been unable to absorb all its costs during the severe winter of 2013-14, when wholesale power prices spiked dramatically. Demand from small customers shot up so much that FirstEnergy had to buy pricey power on open markets to meet its obligations.

"We didn't have all that risk built into the pricing," said Diane Francis, a company spokeswoman. "We actually had to go out and buy power for those customers."

Much attention last year was focused on individual customers with variable-rate contracts who were hammered by huge swings in their bills. But some power suppliers such as FirstEnergy, which had signed up hundreds of thousands of fixed-rate customers, also took a hit.

"You can lose an entire year's worth of [profit] margins in a few days of volatility," said Todd A. Shipman, a utilities analyst for Standard & Poor's Ratings Services.

Shipman said several large retail electricity suppliers have soured on the business as power prices have come down because of the low price of natural gas, a principal fuel for generators. Dominion Resources Inc. of Richmond, Va., last year sold its retail electric business to NRG Energy Inc. of Princeton, citing volatility.

"A number of energy companies are concerned we're in an extended period of low prices in the electricity industry, and it's time to get back to basics," Shipman said. Some companies, such as PPL Corp. of Allentown, spun off their competitive power-generation businesses to focus exclusively on operating regulated utilities, which provide steady, predictable earnings.

The Pennsylvania Public Utility Commission is monitoring the effects on retail customers, PUC spokesman Nils Hagen-Frederiksen said. He said FirstEnergy would be in compliance as long as it doesn't cancel customers' supply before their contracts expire.

Retail customers whose contracts expire are not at risk of losing power, Hagen-Frederiksen said, because they will automatically be supplied by Peco at the default rate.

In its letter to customers, FirstEnergy said it would waive early cancellation fees for customers who decided to switch to another supplier before their contracts expired.

FirstEnergy, which had 2.7 million retail customers in 2013, now serves about 1.9 million customers, Francis said. She said the company does not intend to exit the retail-supply business completely, and will continue to honor long-term contracts until they expire, including some customers who signed up for service until 2019.

"It was all about balancing our portfolio," she said.

As suppliers learn to reduce their risks, the lesson for retail customers is that it may become more of a challenge to find long-term fixed-rate deals that offer the big discounts to Peco's default rates than were available several years ago. But discounts are still available.

According to the PUC's website, papowerswitch.com, 57 electricity suppliers have offers posted for Peco Energy residential customers. Of those, 21 suppliers offer fixed-rate deals priced below Peco's current rate of 8.49 cents per kWh, which varies quarterly.

Eight suppliers have fixed-rate discounted offers for Peco residential heating customers, who are heavy users of power during winter months, and therefore benefit much more by securing a reduced price.

Under the state's rules for electric choice, customers are free to shop around for a competitive power supplier, including marketers of renewable power. Those customers who don't shop are supplied by Peco under a default rate, also called the "price to compare," which is based on the price Peco pays to secure the power.

In Pennsylvania, about two million customers, or 36 percent, are signed up with competitive suppliers. They account for 66.5 percent of the power consumed.

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Megawatt Daily (11-Aug-14)

FirstEnergy backs out of residential markets

FirstEnergy Solutions is withdrawing from the competitive residential and small commercial electric markets in six states as the company scrambles to adjust its generation to fit retail sales in the face of market volatility.

"We're no longer acquiring new customers in those channels," Diane Francis, spokeswoman for FES, said Friday. "What we're planning on doing is exiting the mass market channel, the individual residential" as well as smaller business market. "Essentially what we're doing is derisking our business."

The strategic pullback affects customers in Illinois, Michigan, Pennsylvania, New Jersey, Maryland and Ohio, the latter of which is where a majority of FES' 2.7 million customers are located. That total includes about 2.1 million residential customers, according to Francis.

Like some other utility parent companies, FirstEnergy for months has been placing more emphasis on its regulated operations at the expense of its competitive businesses.

Just two years ago, FES unveiled a long-term, fixed price for customers that was thought to be unprecedented in the retail sector. The offer provided for a fixed 6.75 cents/kWh for seven years and was made available to the more than 400,000 electric customers served by the Cleveland-based Northeast Ohio Public Energy Council, a government aggregation, as well as customers in the Ohio service territories of Duke Energy Ohio and Dayton Power & Light.

Now, FirstEnergy is looking to pull in its horns on the competitive side.

"What we've seen, especially coming out of the polar vortex" in January, "is that volatility of the electric market is reducing our ability to offer long-term stable pricing to customers," Francis said. "And it's also increasing our risk of serving retail load."

In the past few months, FES has taken other steps to lower risk exposure. "We included a risk premium in our pricing," something new for FES, she said. "Basically, what we would do in the past is that we would take all the risks and offer customers low, fixed pricing. Our competitors would offer customers variable pricing. In the past few months, we included risk premium pricing."

It is essential, Francis added, that FirstEnergy properly balance its retail book with its generation portfolio. "Over the years, as the amount of our generation capacity has decreased, we're going to better size our retail book to our generation. We're also making our retail book a little less weather-sensitive."

Unlike large industrials and some large commercial customers whose usage is mostly are unaffected by weather, small "retail customers are very weather sensitive," Francis noted. As a result, FES intends to focus its efforts more on large industrials and will continue to serve government aggregation customers, primarily in Ohio.

In addition to NOPEC, FirstEnergy also serves customers who participate in the Northwest Ohio Aggregation Coalition, a government aggregation based in Toledo.

In Illinois, Francis said FES included risk premiums in its aggregation renewal bids earlier this year, "and a lot of those [aggregation] communities went back" to their incumbent utility, in particular Commonwealth Edison.

Ohio and Illinois are the only two states where FES is “really into government aggregation,” Francis said, although it serves a “handful” of such customers in New Jersey.

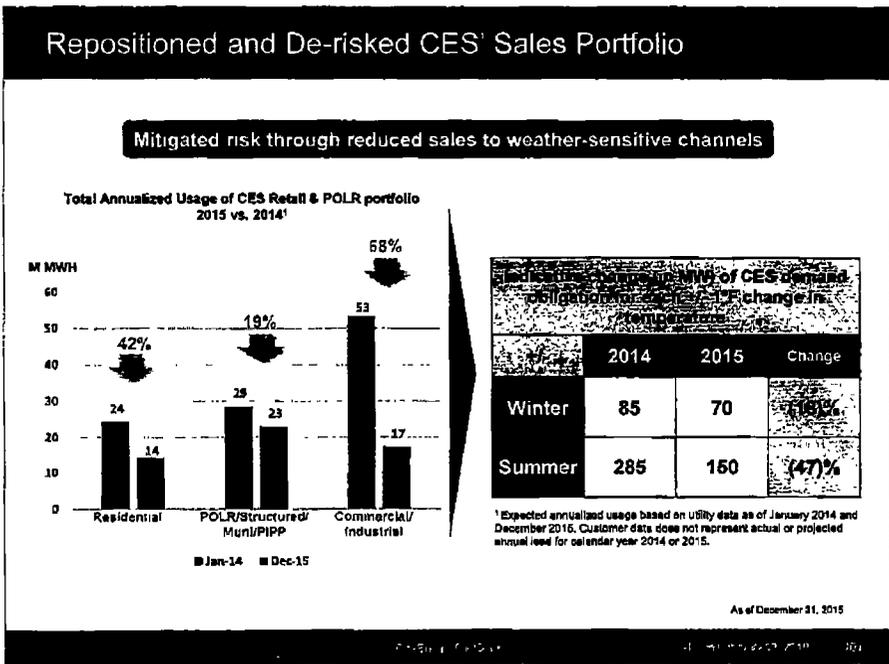
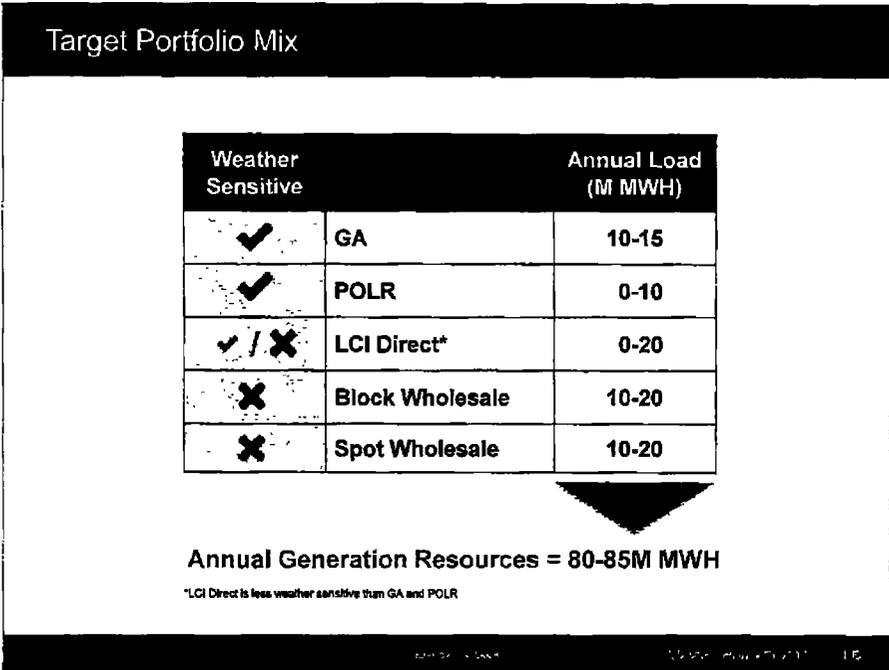
— Bob Matyi

Company Profile



Forward-Looking Statement

This FactBook includes forward-looking statements based on information currently available to management. Such statements are subject to certain risks and uncertainties. These statements include declarations regarding management's intent, beliefs and current expectations. These statements typically contain, but are not limited to, the terms "anticipate," "intend," "expect," "forecast," "target," "will," "believe," "believe," "project," "estimate," "plan" and similar words. Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements, which may include the following: the extent and nature of increased competition in the electric utility industry, in general, and the retail sales market in particular; the ability to experience growth in the Regulated Distribution and Regulated Transmission segments and to successfully implement our sales strategy for the Competitive Energy Services segment; the accomplishment of our regulatory and operational goals in connection with our transmission investment plan, including but not limited to, the proposed transmission asset transfer to FirstEnergy Interstate Transmission, LLC, and the effectiveness of our strategy to reflect a more regulated business profile; changes in assumptions regarding economic conditions within our territories, assessments of the reliability of our transmission systems, of the availability of capital or other resources supporting identified transmission investment opportunities; the impact of the regulatory process on the pending matters at the federal level and in the various states in which we do business including, but not limited to, matters related to rates and the Electric Security Plan IV in Ohio; the impact of the federal regulatory process on the Federal Energy Regulatory Commission (FERC)-regulated entities and transactions, in particular FERC's regulation of wholesale energy and capacity markets, including PJM Interconnection, L.L.C. (PJM) markets and FERC-jurisdictional wholesale transactions; FERC's regulation of cost-of-service rates, including FERC's revised Return on Equity methodology for FERC-jurisdictional wholesale generation and transmission utility services; and FERC's compliance and enforcement activity, including compliance and enforcement activity related to North American Electric Reliability Corporation's mandatory reliability standards; the uncertainties of various asset recovery and cost allocation issues resulting from American Transmission Systems, Inc.'s reorganization into PJM; economic or weather conditions affecting future sales and margins such as a solar winter or other significant weather events, and all associated regulatory events or actions; changing energy, capacity and commodity market prices including, but not limited to, coal, natural gas and oil prices, and their availability and impact on margins and asset valuations; the continued ability of our regulated utilities to recover their costs; costs being higher than anticipated and the success of our policies to avoid costs and to mitigate low energy, capacity and market prices; other legislative and regulatory changes, and revised environmental requirements, including, but not limited to, the effects of the United States Environmental Protection Agency's Clean Power Plan, and construction standards regulations, Cross-State Air Pollution Rule and Mercury and Air Toxics Standards programs, including our estimated costs of compliance, Clean Water Act (CWA) waste water effluent limitations for power plants, and CWA 316(b) water intake regulation; the uncertainty of the timing and amounts of the capital expenditures that may arise in connection with any litigation, including New Source Review litigation, or potential regulatory initiatives or requirements (including that such initiatives or requirements could result in our decision to deactivate or file certain generating units); the uncertainties associated with the construction of certain state regulated and competitive fossil units, including the impact on water commitments and its impact on the reliability of the transmission grid, the timing thereof; the impact of other future changes in the operational status or availability of our generating units and any capacity performance charges associated with unit unavailability; adverse regulatory or legal decisions and outcomes with respect to our nuclear operations (including, but not limited to, the revocation or non-renewal of necessary licenses, approvals or operating permits by the Nuclear Regulatory Commission or as a result of the incident at Japan's Fukushima Daiichi Nuclear Plant); issues arising from the implications of standing in the United Kingdom at OVO Energy; the risks and uncertainties associated with litigation, arbitration, mediation and file proceedings, including, but not limited to, any such proceedings raised to transfer commitments; the impact of labor disruptions by our unionized workforce; replacement power costs being higher than anticipated or not fully hedged; the ability to comply with applicable state and federal reliability standards and energy efficiency and peak demand reduction mandates; changes in customers' demand for power, including, but not limited to, changes resulting from the implementation of state and federal energy efficiency and peak demand reduction measures; the ability to accomplish or realize anticipated benefits from strategic and financial goals, including, but not limited to, the ability to continue to reduce costs and to successfully execute our financial plans designed to improve our credit metrics and strengthen our balance sheet through, among other matters, our cash flow improvement plan and other potential capital raising initiatives; our ability to improve electric commodity margins and the impact of, among other matters, the continued operation of the coal and natural gas plants; the impact of changes to natural gas supply; the ability to manage the public perception and other capital and credit markets in accordance with our financial plans; the cost of such capital and overall condition of the capital and credit markets affecting us and our subsidiaries, actions that may be taken by credit rating agencies that could negatively affect us under our subordinated access to financing; increases in the costs thereof, and insurance requirements to meet additional conditions to support outstanding commodity positions; letters of credit and other financial guarantees; changes in national and regional economic conditions affecting us; our relationship and/or our major industrial and commercial customers, and other counterparties with which we do business, including fuel suppliers; the impact of any changes in tax laws or regulations or adverse tax audit results or rulings; issues concerning the stability of domestic and foreign financial institutions and counterparties with which we do business; the risks associated with cyber-attacks and other disruptions to our information technology system that may compromise our operations, transmission services and data security; breaches of sensitive data; intellectual property and proprietary or potentially identifiable information regarding our business, employees, shareholders, customers, suppliers, business partners and other individuals in our data centers and on our network; and the risks and other factors discussed from time to time in our United States Securities and Exchange Commission filings, and other similar factors. Dividends declared from time to time on FirstEnergy Corp.'s common stock during any period may be in arrears or may be suspended due to circumstances determined by FirstEnergy Corp.'s board of directors at the time of the actual declaration. A security rating is not a recommendation to buy or hold securities and is subject to revision or withdrawal at any time by the rating agency. Each rating should be evaluated independently of any other rating. The foregoing review of factors also should not be construed as exhaustive. New factors emerge from time to time, and it is not possible for management to predict all such factors, nor assess the impact of any such factor on FirstEnergy's business or the extent to which any factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statements. FirstEnergy expressly disclaims any current intention to update, except as required by law, any forward-looking statements contained herein as a result of new information, future events or otherwise.



**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number
001-08489
000-55337
000-55338

Exact name of registrants as specified in their charters
DOMINION RESOURCES, INC.
VIRGINIA ELECTRIC AND POWER COMPANY
DOMINION GAS HOLDINGS, LLC
VIRGINIA
(State or other jurisdiction of incorporation or organization)
120 TREDEGAR STREET
RICHMOND, VIRGINIA
(Address of principal executive offices)
(804) 819-2000
(Registrants' telephone number)
Securities registered pursuant to Section 12(b) of the Act:

I.R.S. Employer
Identification Number
54-1229715
54-0418825
46-3639580

23219
(Zip Code)

Title of Each Class
DOMINION RESOURCES, INC.
Common Stock, no par value
2013 Series A 6.125% Corporate Units
2013 Series B 6% Corporate Units
2014 Series A 6.375% Corporate Units

Name of Each Exchange
on Which Registered
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange
New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
VIRGINIA ELECTRIC AND POWER COMPANY
Common Stock, no par value
DOMINION GAS HOLDINGS, LLC
Limited Liability Company Membership Interests

Indicate by check mark whether the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act.

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No Dominion Gas Holdings, LLC Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No Dominion Gas Holdings, LLC Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No Dominion Gas Holdings, LLC Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No Dominion Gas Holdings, LLC Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Dominion Resources, Inc. Virginia Electric and Power Company Dominion Gas Holdings, LLC

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Dominion Resources, Inc.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Virginia Electric and Power Company

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Dominion Gas Holdings, LLC

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Act).

Dominion Resources, Inc. Yes No Virginia Electric and Power Company Yes No Dominion Gas Holdings, LLC Yes No

The aggregate market value of Dominion Resources, Inc. common stock held by non-affiliates of Dominion was approximately \$41.1 billion based on the closing price of Dominion's common stock as reported on the New York Stock Exchange as of the last day of Dominion's most recently completed second fiscal quarter. Dominion is the sole holder of Virginia Electric and Power Company common stock. As of January 31, 2015, Dominion had 588,138,107 shares of common stock outstanding and Virginia Power had 274,723 shares of common stock outstanding. Dominion Resources, Inc. holds all of the membership interests of Dominion Gas Holdings, LLC.

DOCUMENT INCORPORATED BY REFERENCE.

Portions of Dominion's 2015 Proxy Statement are incorporated by reference in Part III.

This combined Form 10-K represents separate filings by Dominion Resources, Inc., Virginia Electric and Power Company and Dominion Gas Holdings, LLC. Information contained herein relating to an individual registrant is filed by that registrant on its own behalf. Virginia Electric and Power Company and Dominion Gas Holdings, LLC make no representations as to the information relating to Dominion Resources, Inc.'s other operations.

VIRGINIA ELECTRIC AND POWER COMPANY AND DOMINION GAS HOLDINGS, LLC MEET THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION I(1)(a) AND (b) OF FORM 10-K AND ARE FILING THIS FORM 10-K UNDER THE REDUCED DISCLOSURE FORMAT.

Part I

Item 1. Business

GENERAL

Dominion, headquartered in Richmond, Virginia and incorporated in Virginia in 1983, is one of the nation's largest producers and transporters of energy. Dominion's strategy is to be a leading provider of electricity, natural gas and related services to customers primarily in the eastern region of the U.S. As of December 31, 2014, Dominion's portfolio of assets includes approximately 24,600 MW of generating capacity, 6,400 miles of electric transmission lines, 57,100 miles of electric distribution lines, 10,900 miles of natural gas transmission, gathering and storage pipeline and 21,900 miles of gas distribution pipeline, exclusive of service lines. As of December 31, 2014, Dominion serves over 5 million utility and retail energy customers in 10 states and operates one of the nation's largest underground natural gas storage systems, with approximately 947 bcf of storage capacity.

In September 2013, Dominion announced its plans to form an MLP in 2014 by contributing certain of its midstream natural gas assets to the MLP initially and over time. In October 2014, Dominion Midstream launched its initial public offering and issued 20,125,000 common units representing limited partner interests, which included a 2,625,000 common unit over-allotment option that was exercised in full by the underwriters. Dominion owns the general partner and 68.5% of the limited partner interests in Dominion Midstream, which owns a preferred equity interest and the general partner interest in Cove Point. Dominion Midstream is consolidated by Dominion, and is an SEC registrant. However, its Form 10-K is filed separately and is not combined herein.

Dominion is focused on expanding its investment in regulated electric generation, transmission and distribution and regulated natural gas transmission and distribution infrastructure within and around its existing footprint. With this investment, Dominion expects 80% to 90% of future earnings from its primary operating segments to come from regulated and long-term contracted businesses.

Dominion continues to expand and improve its regulated and long-term contracted electric and natural gas businesses, in accordance with its six-year capital investment program. A major impetus for this program is to meet the anticipated increase in demand in its electric utility service territory. Other drivers for the capital investment program include the construction of infrastructure to handle the increase in natural gas production from the Marcellus and Utica Shale formations, to upgrade Dominion's gas and electric transmission and distribution networks, and to meet environmental requirements and standards set by various regulatory bodies. Investments in utility solar generation are expected to be a focus in meeting such environmental requirements, particularly in Virginia. Investments to gather and process natural gas production from the Utica Shale formation, in eastern Ohio and western Pennsylvania, are being made by the Blue Racer joint venture. In September 2014, Dominion announced the formation of Atlantic Coast Pipeline. Atlantic Coast Pipeline is focused on constructing an approximately 550-mile natural gas pipeline running from West Virginia through Virginia to North Carolina, to increase natural gas supplies in the region.

Dominion has transitioned to a more regulated, less volatile earnings mix as evidenced by its capital investments in regulated infrastructure and infrastructure whose output is sold under long-term purchase agreements, as well as dispositions of certain merchant generation facilities during 2013 and the sale of the electric retail energy marketing business in March 2014. Dominion's nonregulated operations include merchant generation, energy marketing and price risk management activities and natural gas retail energy marketing operations. Dominion's operations are conducted through various subsidiaries, including Virginia Power and Dominion Gas.

Virginia Power, headquartered in Richmond, Virginia and incorporated in Virginia in 1909 as a Virginia public service corporation, is a wholly-owned subsidiary of Dominion and a regulated public utility that generates, transmits and distributes electricity for sale in Virginia and North Carolina. In Virginia, Virginia Power conducts business under the name "Dominion Virginia Power" and primarily serves retail customers. In North Carolina, it conducts business under the name "Dominion North Carolina Power" and serves retail customers located in the northeastern region of the state, excluding certain municipalities. In addition, Virginia Power sells electricity at wholesale prices to rural electric cooperatives, municipalities and into wholesale electricity markets. All of Virginia Power's stock is owned by Dominion.

Dominion Gas, a limited liability company formed in September 2013, is a wholly-owned subsidiary of Dominion and a holding company. It serves as the intermediate parent company for the majority of Dominion's regulated natural gas operating subsidiaries, which conduct business activities through a regulated interstate natural gas transmission pipeline and underground storage system in the Northeast, mid-Atlantic and Midwest states, regulated gas transportation and distribution operations in Ohio, and gas gathering and processing activities primarily in West Virginia, Ohio and Pennsylvania. Dominion Gas' wholly-owned subsidiaries are DTI, East Ohio and Dominion Iroquois. DTI is an interstate natural gas transmission pipeline company serving a broad mix of customers such as local gas distribution companies, marketers, interstate and intrastate pipelines, electric power generators and natural gas producers. The DTI system links to other major pipelines and markets in the mid-Atlantic, Northeast, and Midwest including Dominion's Cove Point pipeline. DTI also operates one of the largest underground natural gas storage systems in the U.S. and is a producer and supplier of NGLs. East Ohio is a regulated natural gas distribution operation serving residential, commercial and industrial gas sales and transportation customers. Its service territory includes Cleveland, Akron, Canton, Youngstown and other eastern and western Ohio communities. Dominion Iroquois holds a 24.72% general partnership interest in a 416-mile FERC-regulated interstate natural gas pipeline extending from the U.S.-Canadian border at Waddington, New York through the state of Connecticut to South Commack, New York and Hunts Point, Bronx, New York. All of Dominion Gas' membership interests are owned by Dominion.

Amounts and information disclosed for Dominion are inclusive of Virginia Power and/or Dominion Gas, where applicable.

Table of Contents

The following table presents affiliated and related party activity reflected in Dominion Gas' Consolidated Balance Sheets:

At December 31,	2014	2013
(millions)		
Customer receivables from related parties ⁽¹⁾	\$ 22	\$ 3
Imbalances receivable from affiliates ⁽²⁾	3	6
Imbalances payable to affiliates ⁽³⁾		1
Affiliated notes receivable ⁽⁴⁾	9	5

(1) Includes \$17 million due from Atlantic Coast Pipeline, an affiliated VIE.

(2) Amounts are presented in other current assets in Dominion Gas' Consolidated Balance Sheets.

(3) Amounts are presented in other current liabilities in Dominion Gas' Consolidated Balance Sheets.

(4) Amounts are presented in other deferred charges and other assets in Dominion Gas' Consolidated Balance Sheets.

Dominion Gas' borrowings under the IRCA with Dominion totaled \$384 million and \$1.3 billion as of December 31, 2014 and 2013, respectively. Interest charges related to Dominion Gas' total borrowings from Dominion were \$4 million, \$35 million and \$61 million for the years ended December 31, 2014, 2013 and 2012, respectively.

NOTE 25. OPERATING SEGMENTS

The Companies are organized primarily on the basis of products and services sold in the U.S. A description of the operations included in the Companies' primary operating segments is as follows:

Primary Operating Segment	Description of Operations	Dominion	Virginia Power	Dominion Gas
DVP	Regulated electric distribution	X	X	
	Regulated electric transmission	X	X	
Dominion Generation	Regulated electric fleet	X	X	
	Merchant electric fleet	X		
	Nonregulated retail energy marketing	X		
Dominion Energy	Gas transmission and storage ⁽¹⁾	X		X
	Gas distribution and storage	X		X
	Gas gathering and processing	X		X
	LNG import and storage	X		

(1) Includes remaining producer services activities.

In addition to the operating segments above, the Companies also report a Corporate and Other segment.

DOMINION

The Corporate and Other Segment of Dominion includes its corporate, service company and other functions (including unallocated debt) and the net impact of operations that are discontinued or sold. In addition, Corporate and Other includes specific items attributable to Dominion's operating segments that are not included in profit measures evaluated by executive management

in assessing the segments' performance or allocating resources among the segments.

In January 2014, Dominion announced it would exit the electric retail energy marketing business. Dominion completed the sale in March 2014. As a result, the earnings impact from the electric retail energy marketing business has been included in the Corporate and Other Segment of Dominion for 2014 first quarter results of operations.

In the second quarter of 2013, Dominion commenced a restructuring of its producer services business, which aggregates natural gas supply, engages in natural gas trading and marketing activities and natural gas supply management and provides price risk management services to Dominion affiliates. The restructuring, which was completed in the first quarter of 2014, resulted in the termination of natural gas trading and certain energy marketing activities. As a result, the earnings impact from natural gas trading and certain energy marketing activities has been included in the Corporate and Other Segment of Dominion for 2014

In 2014, Dominion reported after-tax net expense of \$970 million in the Corporate and Other segment, with \$544 million of these net expenses attributable to specific items related to its operating segments.

The net expenses for specific items in 2014 primarily related to the impact of the following items:

- \$374 million (\$248 million after-tax) in charges associated with Virginia legislation enacted in April 2014 relating to the development of a third nuclear unit located at North Anna and offshore wind facilities, attributable to Dominion Generation;
- A \$319 million (\$193 million after-tax) net loss related to the producer services business discussed above, attributable to Dominion Energy; and
- A \$121 million (\$74 million after-tax) charge related to a settlement offer to incur future ash pond closure costs at certain utility generation facilities, attributable to Dominion Generation.

In 2013, Dominion reported after-tax net expense of \$452 million in the Corporate and Other segment, with \$184 million of these net expenses attributable to specific items related to its operating segments.

The net expenses for specific items in 2013 primarily related to the impact of the following items:

- A \$135 million (\$92 million after-tax) net loss from discontinued operations of Brayton Point and Kincaid, including debt extinguishment of \$64 million (\$38 million after-tax) related to the sale, impairment charges of \$48 million (\$28 million after-tax), a \$17 million (\$18 million after-tax) loss on the sale which includes a \$16 million write-off of goodwill, and a \$6 million (\$8 million after-tax) loss from operations, attributable to Dominion Generation; and
- A \$182 million (\$109 million after-tax) net loss, including a \$55 million (\$33 million after-tax) impairment charge related to certain natural gas infrastructure assets and a \$127 million (\$76 million after-tax) loss related to the producer services business discussed above, attributable to Dominion Energy; partially offset by
- An \$81 million (\$49 million after-tax) net gain on investments held in nuclear decommissioning trust funds, attributable to Dominion Generation.

Link: <http://powersource.post-gazette.com/powersource/consumers-powersource/2016/01/02/Retail-electric-market-struggles-to-grow-in-Western-Pa/stories/201601020012>

Retail electric market struggles to grow in Western Pa.

January 2, 2016 12:00 AM

By Daniel Moore / Pittsburgh Post-Gazette

In Ritchie Hudson's ideal world, every single electric customer in Pennsylvania would choose from the dozens of companies that compete to offer separate rates for power supply, an option seized by more than 2 million customers statewide.

But the industry is overcoming some early hiccups, acknowledges Mr. Hudson, state chairman for the Retail Energy Supply Association, a trade organization lobbying for such supply companies.

Beginning in the 1990s, Pennsylvania and 15 other states deregulated their power generation — requiring regulated electric utilities to sell their power plants to competitive operators. Supply companies emerged as the middlemen to effectively broker sales of power between those power plants and consumers, offering separate rates for power supply that often are lower than what the utility can offer.

And in the years since, the customer base swelled as the idea of competition proved to be largely true: Supply companies became savvier at offering a greater variety of options beyond the rate, such as the choice to pay a premium for a certain amount of locally sourced renewable energy. Pennsylvania is widely considered to have one of the most advanced markets for electric retailers, with a nationwide retail market study in July ranking the Commonwealth second only to Texas.

But despite growing options, customer confusion, reluctance and bad publicity has stymied overall customer growth, particularly in Western Pennsylvania. During the bursts of historically cold temperatures known as the polar vortex in recent winters, customers who had enrolled in a variable rate plan saw their electric bills skyrocket as wholesale power prices soared.

Complaints filed when rates spiked

As many as five retail suppliers could be forced to pay millions in refunds after the Attorney General's Office and Office of the Consumer Advocate filed suits on behalf of thousands of customers who filed formal complaints. On Dec. 3, the Public Utility Commission approved the first two settlements that requires New York-based Hiko Energy Inc. to refund customers \$2 million and pay a \$1.8 million civil fine.

In the complaint against Hiko, the agencies totaled 14,689 occurrences of over-billing across six utility territories, including 264 violations in Duquesne Light's territory and 1,422 violations in West Penn Power's territory.

Cases against four other suppliers — Pa. Gas & Electric; Blue Pilot Energy; IDT Energy; and Respond Power — are at various stages of litigation.

“Some low-quality suppliers shot themselves — and, more importantly, the entire market — in the foot,” said John Tough, vice president of Business Development & Operations for Choose Energy, Inc., a San Francisco-based online service that facilitates customer shopping across deregulated states. “Through bad variable rates and high renewal rates, the bad suppliers took over headlines and scared the consumers.”

Since April 2014, suppliers marketing in Duquesne Light Co.'s territory lost 87,000 customers, or 34 percent. Those selling into West Penn Power Co. netted a loss 20,000 customers, or 11 percent, over that same time period.

“I think most of the suppliers learned a very important lesson” about how to hedge against unexpected weather,” said Mr. Hudson, who is based in the Pittsburgh area working in governmental relations for New York-based electric supplier ConEdison Solutions. Suppliers also have increasingly stayed away from offering variable rates, instead focusing on fixed-rate plans that lock in customers for a period of months, he said.

Moving customers to the market

Still, the easiest option for customers is to stay out of the market. In fact, customers who choose not to shop for a competitive supplier automatically receive a supply rate from their utility, a model known as default service.

Going forward, suppliers will push the commission to end default service, thereby moving customers who were receiving power purchased by their utility to a supplier.

Mr. Hudson said it might have made sense in the early years to gradually introduce the concept of competitive options to customers who were comfortable with paying only their utility for electricity. But utilities' rates, regulated by the PUC, have a right to recover all costs associated with purchasing power for customers.

With no risk and with guaranteed revenue, suppliers argue, the utilities' service is hard to compete with.

“In any other industry, the notion of a default service option is very foreign,” Mr. Hudson said. For example, no one hands every cell phone customer a wireless plan from a specific carrier until that person chooses to go shop for another one, he said.

The PUC has considered ending default service as part of its years-long investigation into the effectiveness of retail markets, said spokeswoman Robin Tilley in an email. But during that

investigation, “the commission concluded that the time was not right to dramatically alter the current default service structure.”

“The commission did state, however, that it would revisit the issue at an appropriate time,” Ms. Tilley added.

In Texas, the utilities commission decided to abolish default service and transfer customers who hadn’t shopped around for other electric suppliers. At that time, Mr. Tough said, most utilities in Texas had 35 to 45 percent of their customers already shopping, and the elimination of default service rose that share to 65 to 70 percent.

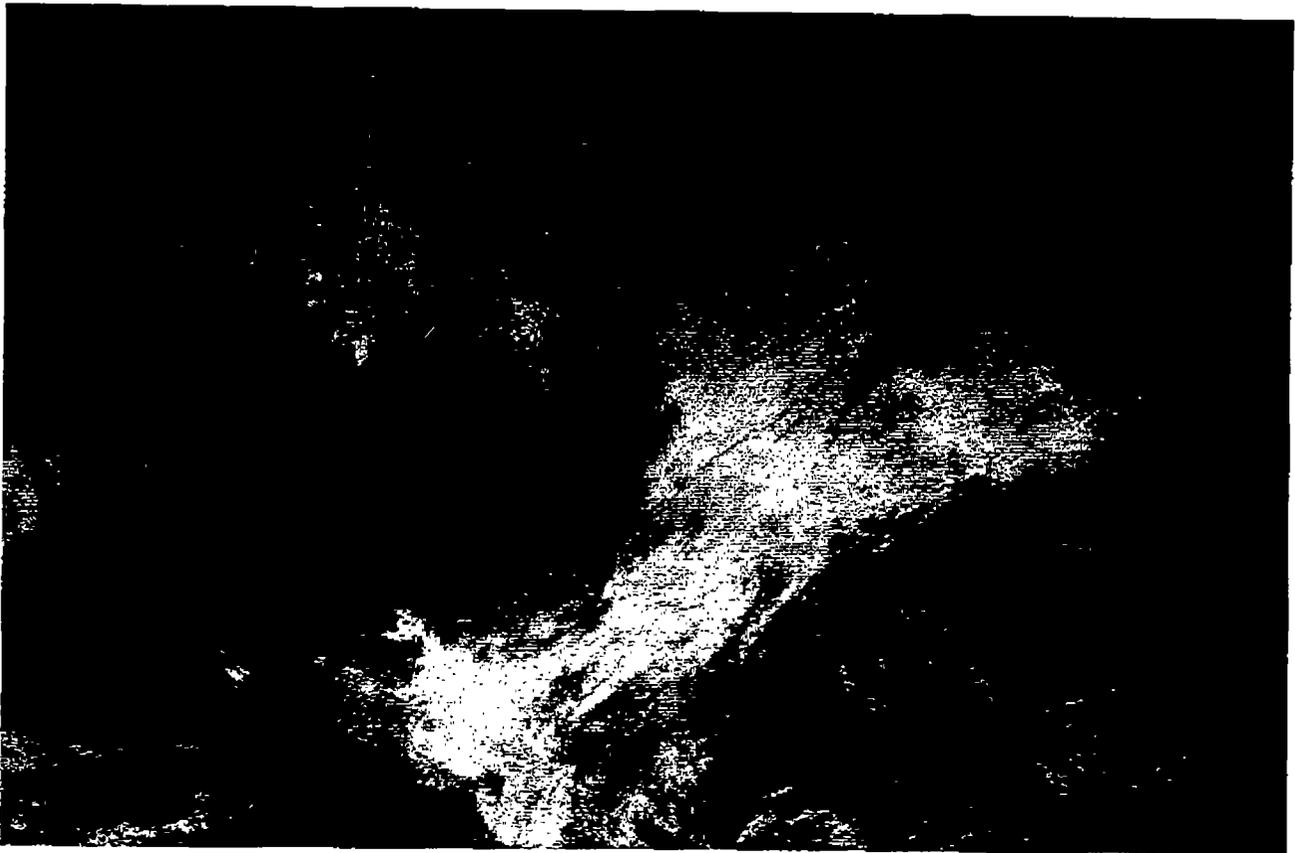
The rest of the customers were “never going to switch were (then) forced — and likely didn’t even realize or understand what happened,” he said.

“The state realistically has to wait until there is great approval for competitive supply,” he said. A Choose Energy analysis of shopping data shows that since early 2014 the share of shopping customers has fallen from 44 percent to 33 percent in the Duquesne Light territory and 32 to 27 percent in the West Penn Power territory.

“These are getting weaker, and a combination of rate volatility and flight to perceived safety in the utility area has occurred,” he said.

Daniel Moore: dmoore@post-gazette.com, 412-263-2743 and Twitter @PGdanielmoore.

2013-2014 Winter Polar Vortex



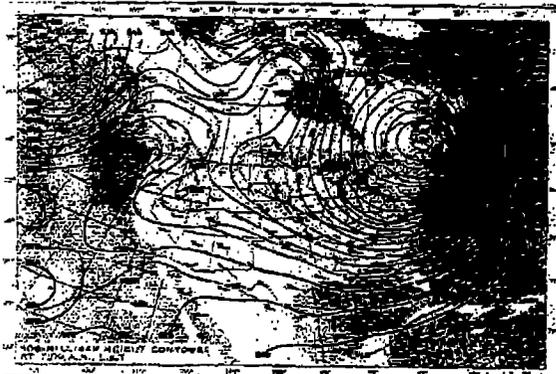
*What happened? Why have prices spiked? How have Consumers been impacted?
What do we have to say from a supplier's standpoint?*

What happened? Why have prices spiked? How have Consumers been impacted? What do we have to say from a supplier's standpoint?

As everyone living in the Northeast and much of the Mid-Atlantic knows, this has been one of the coldest winters east of the Rockies in recent history. We've experienced sustained periods of cold weather in these regions, and people have been turning up their heat and burning through more energy than anyone expected. It's not surprising then that electricity demand hit record highs this winter. With consumers using significantly more energy and wholesale market prices at record highs, it has been a not so perfect storm resulting in shockingly high winter energy bills for many consumers exposed to the market.

Why Did Power Prices Skyrocket?

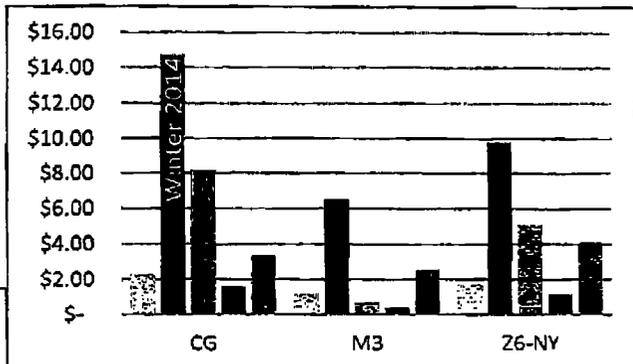
While increases in demand have certainly contributed to the high prices this winter, the most significant price driver was pipeline constraints that drove up the cost to transport natural gas (called "basis") to electric generators. Gas-fired generation represents a large portion of the generators in the Northeast and Mid-Atlantic; much of the time, it is the cost to generate electricity supply from natural gas that sets the price for all generators. Shortages in gas supplies to gas-fired power generators meant that generators needed to buy high-priced supply in the spot market. Spot gas prices at New England's Algonquin Gas Transmission city-gates peaked at \$75.48/MMBtu on January 22 according to Platts price data, compared to a 12-month average of \$8.60/MMBtu. That's about 878% higher than the 12-month average. Power prices in the same region peaked at 600% above the 12-month average (Day Ahead on-peak at Mass Hub peaked at \$467.50/MWh on January 28, average winter prices were \$163.09/MWh, and the 12-month average was about \$76.74/MWh). Similar differentials were seen throughout most of the Northeast and Mid-Atlantic.



The table below compares basis costs this winter compared to winter basis costs since December 2010, and average basis costs since May 2008. This winter, New England's Algonquin basis was about 337% higher than the average of the previous three winters. Tetco M3 which runs from the Gulf to New York was 538% higher, and New York's Transco Z6 was 285% higher.

Northeast Basis	AGT CG	Tetco M3	Transco Z6-NY
Average May 1, 2008 to Current	\$ 2.26	\$ 1.18	\$ 1.74
Average Dec 2013 - Feb 2014	\$ 10.71	\$ 6.99	\$ 5.83
Average Dec 2012 - Feb 2013	\$ 8.14	\$ 0.70	\$ 5.08
Average Dec 2011 - Feb 2012	\$ 1.59	\$ 0.40	\$ 1.19
Average Dec 2010 - Feb 2011	\$ 3.36	\$ 2.52	\$ 4.09

Avg from May 1, 2008 to Current
 Avg Dec 2013 - Feb 2014
 Avg Dec 2012 - Feb 2013
 Avg Dec 2011 - Feb 2012
 Avg Dec 2010 - Feb 2011



Not only has the dramatic cold had a severe impact on power prices, it also created numerous threats to the reliability of the grid. PJM Interconnection (PJM), the Regional Transmission Operator that operates the power grid for more than 60 million people in 13 states (Delaware, Indiana, Illinois, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia and the District of Columbia), issued numerous warnings and requests for curtailment during the month of January. On January 7th and again on January 27th, PJM issued an alert asking consumers to conserve electricity. On January 22nd, PJM also activated Emergency Demand Response across several zones, requiring curtailment of load and offering up to \$1800 per MWh during those hours. Throughout those same periods, Real Time electricity prices spiked as high as \$1800 per MWh (\$1.80 per kWh) in PJM during certain hours, compared to a 12-month average of \$64.33 per MWh (PSEG zone), a 2798% increase. Prices in New York and New England also hit record highs nearing around \$500 per MWh (\$0.50 per kWh).

Since those peak prices earlier this winter, we have seen prices moderate slightly. However, experts suggest that we are likely to experience high prices over the next few winters as well, with structural relief at least a few years away. Any proposed project to provide relief by reducing pipeline constraints will likely take years to complete, so consumers exposed to energy markets over the next few winters should expect higher-than-average prices during those months. Whether prices will be higher or lower than this winter will depend on a number of factors, including the severity and duration of cold weather.

How Did This Impact Customers?

Let's start with the good news: Customers who had locked in to ConEdison Solutions' fixed price contracts experienced no impact to their unit price. Here's why. Unlike many of our competitors, ConEdison Solutions' standard fixed price contract offers 100% usage bandwidth. That means that if you use more or less electricity than you've historically used, we do not penalize you by passing through any increase in cost we might experience as a result. This winter, consumers on-average used around 30% more electricity than they had historically used. Much of that usage happened on the coldest days when prices were at their peak. As your supplier, we went to the market and purchased additional power in order to supply you with power to meet your additional

usage. So, if we offered you a fixed price of 8-cents per kWh, for example, we purchased whatever excess was required at prices ranging as high as \$1.80 per kWh. If you were on a fixed price product we, as your supplier, incurred the full price exposure related to that excess usage, and protected you from any price increase.

Now the bad news: Customers who were not locked in to a fixed price contract, but were on a variable market-based product, saw a big increase in their bills this winter. The market dynamics described above resulted in extremely high energy prices this winter, and customers on market-based prices were exposed to those prices (which ranged as high as 30-cents per kWh). The actual unit price customers on a market-based price received each month depended on what hours they used electricity and what market prices were during those hours. So a customer who used a lot of power during the highest priced hours saw a much bigger impact than a customer who used less (whether they actively curtailed usage during those hours or just happened to use less power during those hours).

Note: Businesses that participated in Demand Response (DR) benefited in two ways: (1) They curtailed during the highest price hours resulting in lower usage and lower average bills for those months, and (2) They received significant payment from grid operators and their utility for their curtailment. ConEdison Solutions offers DR services for businesses that have a building management system in place and can curtail 250 kW of demand or more when an event is called.

What Do We Have to Say from a Supplier's Standpoint?

There's no question this has been a rough winter for many. Even those customers on a fixed price who were protected from unit price increases may have experienced an increase in usage volume as a result of the cold weather.

Customers on variable market-based prices were negatively impacted by the market dynamics that resulted in record-high prices this winter. But, it's important to put that into context and remember that many of those customers benefited from lower prices in the recent past when prices were declining. While that's no solace to budgets for Q1 2014, when evaluating whether your purchasing strategy was the right one, it's important to consider the months when you saved money, the months where you lost money, and your appetite

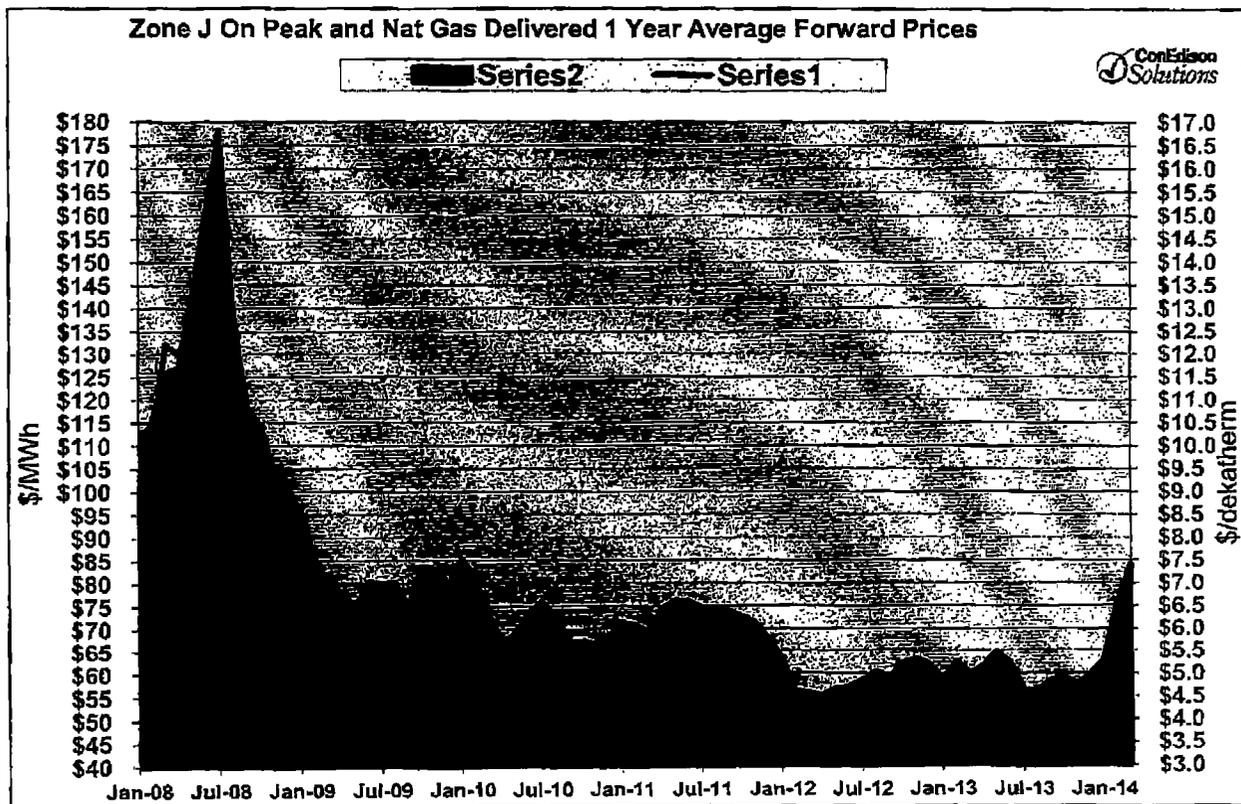
2013-2014 Winter Polar Vortex

What happened? Why have prices spiked? How have Consumers been impacted? What do we have to say from a supplier's standpoint?

for risk or volatility. The graph below shows average market prices over the past six years in New York City (Zone J), as an example. You can see that market prices were on a downward trend for some time, resulting in overall declining prices for customers on a market-based price over the long period shown.

Additionally, while ConEdison Solutions' fixed price customers were protected from this winter's price volatility, not all fixed price customers were as lucky. A number of smaller, less-financially stable suppliers have gone out of business as a result of this winter's events – and customers

served by such suppliers lost their contracts and were dropped back to their utility's default service. Customers being served by their local utility company were impacted in different ways. Utilities that supply customers through variable rates either passed through these increases to consumers (as they incurred them, just as suppliers did), or may pass them through in some manner over the next few months. Utilities that supply customers on fixed prices were impacted as well, and may pass these costs to customers through increases in future periods.



So What Do We Recommend?

The first thing you should do is make sure you understand the product you're currently on, and the allocation of risks between you and your supplier. Make sure you review your contract carefully to differentiate the costs that are truly fixed versus any costs that may be passed through to you. Then ask yourself if the product you're on matches your risk profile.

Next, gather helpful information about the market – what is the current price environment and how does it compare to the recent past?

Lastly, determine if you're comfortable with the supplier you're working with. Are they financially stable? If you lock-in a multi-month fixed price contract, are you confident that your supplier will be around to serve you over the entire period? Are you confident that they have the experience and expertise to guide you in the right direction? Do you trust them? Is their contract clear and straightforward?

ConEdison Solutions strongly believes that the best policy is transparency – making sure customers have a clear understanding of the options available, key differences in those options, and risks versus benefits. If you're on a variable market-based product – price risk always exists. Sometime such risk works in your favor, and sometimes it works against you. As a supplier, it's our job to make sure that you understand both the risks and the benefits so that you can make an educated decision and choose a product that best fits your needs and your risk tolerance. And, if you're uncomfortable bearing any price change risk, we offer fixed price options that provide full price protection.

We encourage our customers, and any business looking for guidance on energy purchasing or use, to call us with questions about trends in the market, potential impacts on your business, and what energy options are available to meet your energy needs.

If you're a business, please contact a ConEdison Solutions commodity sales executive by calling **1-800-316-8011**.

If you're a residential customer, please contact a ConEdison Solutions customer service team by calling **1-888-210-8899**

ConEdison Solutions offers programs and services designed to help customers achieve their individual energy objectives and is accredited as an Energy Services Provider (ESP) by the National Association of Energy Service Companies (NAESCO).

ConEdison Solutions is a subsidiary and registered trademark of Consolidated Edison, Inc. (NYSE: ED). More information can be obtained by calling 1-888-210-8899 or visiting the ConEdison Solutions website at www.conedsolutions.com.

Providing integrated energy solutions that include:

- Energy Supply Pricing Plans
- Sustainable Energy & Services
- Energy Savings Performance Contracting
- Design-Build Construction Services

for commercial, industrial, federal, state and municipal government, healthcare and education markets.

States of Operation

- **C&I Electric Commodity:**
CT, DE, IL, MD, MA, ME, NH, NJ, NY, OH, PA, RI, TX, and DC
- **C&I Gas Commodity:**
NJ and NY
- **Residential Electric Commodity:**
CT, IL, MD, MA, NY, PA, and DC
- In regions where energy is not directly supplied by ConEdison Solutions (CES), we will assist in developing and evaluating RFPs to purchase energy
- **Energy Services:** Nationwide

Key Indicators

- **Peak Load Served:**
Approximately 4,000 MW
- **Megawatt Hour Volume:**
Approximately 12 million MWh
- **Annual Revenue:**
Over \$1 billion
- **Residential/Mass Market Accounts:**
Over 270,000



Link: <http://pittsburgh.cbslocal.com/2014/02/21/as-electric-bills-skyrocket-local-legislator-calls-for-action/> <http://pittsburgh.cbslocal.com/2014/02/21/as-electric-bills-skyrocket-local-legislator-calls-for-action/>

As Electric Bills Skyrocket, Local Legislator Calls For Action

February 21, 2014 9:01 PM By Jon Delano

Filed Under: [Bills](#), [Consumer](#), [Electric Bills](#), [Electricity Bills](#), [House Consumer Affairs Committee](#), [IDT](#), [IDT Energy](#), [Investigation](#), [Jon Delano](#), [Public Utility Commission](#), [PUC](#), [Rates](#), [Rep Rob Matzie](#)

PITTSBURGH (KDKA) — Last Monday, KDKA told you about the Johnsons whose electricity supplier without notice tripled their electric bill to \$739.

That prompted lots of emails to KDKA, like one from Eva Mae Byers and her daughter Nancy who got an unimaginable bill.

“I was highly shocked,” Byers told KDKA money editor Jon Delano. “I kept saying, ‘This is impossible. This is impossible.’”

Instead of the \$399 charge she got last year for the same month, her new bill was over \$2,000.

Delano: “Could you pay a bill like this on Social Security?”

Byers: “Oh, absolutely not. No way. I can barely make my payments on Social Security. No.”

Her daughter Nancy tried to call the supplier, IDT Energy, at 9 a.m. Friday morning.

“I was caller number 76,” she said. “I was bound and determined to stay on the line until I got through to them. At 9:31, I was down to caller number 59, and I got disconnected.”

While the cold month prompted a 50 percent increase in electricity for the Byers’ modest home in Claysville, IDT jacked the bill 500 percent.

With outrageous bills like this and consumers essentially up the creek, the real question is what is the PUC going to do about it and how about our state legislators?

“Being dropped off and not having an opportunity to speak to anybody, there’s a problem there, and if we can’t rectify that problem, those people shouldn’t be able to do business in Pennsylvania,” says Pa. Rep. Rob Matzie, a member of the House Consumer Affairs Committee.

Matzie says the PUC should require suppliers to give notice of rate hikes.

“They should be warned, a week, five days whatever,” adds Matzie.

And then allow consumers to switch to lower priced suppliers instantly.

The PUC says it is investigating companies — and will revoke licenses of those not following proper marketing practices.

Jon Delano

Jon Delano is a familiar face on KDKA-TV, having been the station's political analyst since 1994. In September 2001 Jon joined KDKA full time as the Money & Politics Editor and this region's only political analyst who covers national and local...

DUQUESNE LIGHT STATEMENT NO. 4

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : **Docket No. P-2016-_____**
For The Period June 1, 2017 Through :
May 31, 2021 :

**DIRECT TESTIMONY OF
DAVID B. OGDEN**

Dated: May 2, 2016

1 **I. INTRODUCTION**

2 **Q. Please state your full name, business affiliation and address.**

3 A. My name is David B. Ogden. I am the Manager of Rates and Tariff Services for
4 Duquesne Light Company (“Duquesne Light” or “Company”). My business address is
5 411 7th Avenue, Pittsburgh PA 15219.

6
7 **Q. Please describe your professional and educational background.**

8 A. I received a Bachelor of Science in Business Administration Degree with a major in
9 Accounting from Clarion University of Pennsylvania in 2001. I am a Certified Public
10 Accountant. I began my career at the Company in 2008 as the Supervisor of Derivative
11 Accounting and Special Projects. Over the last eight years, I have held supervisory and
12 managerial positions within Accounting, Financial Planning and Analysis and currently
13 the Rates department. Prior to joining Duquesne Light, I was a senior audit associate in
14 the Pittsburgh office of PricewaterhouseCoopers LLP, a public accounting firm, where I
15 performed attestation, advisory and compliance services for clients throughout the United
16 States. Prior to joining PricewaterhouseCoopers, I held audit positions within the
17 Allegheny County Controllers Office.

18
19 **Q. Please describe your current responsibilities.**

20 A. In my current role as Manager of Rates and Tariff Services, I am responsible for
21 overseeing the Company’s retail rates and wholesale transmission rates. In addition, it is
22 my responsibility to ensure the rates are properly disseminated to Customer Billing.

23
24 **Q. What is the purpose of your Direct Testimony?**

1 A. The purpose of my testimony is to address the following items regarding the Company's
2 proposed eighth default service plan ("DSP VIII"):

3 1. Describe the proposed rates for Residential, Lighting, Small, Medium and Large
4 Commercial and Industrial ("C&I") customers obtained through competitive
5 requests for proposal ("RFP").

6 2. Describe the Company's plan to unbundle default service costs and cost recovery.

7 3. Describe the Company's plan to recover retail competition costs.

8 4. Describe the reconciliation process for Default Service Supply ("DSS") rates and
9 presentation of the price to compare ("PTC").

10 5. Describe the proposed changes to the Company's Retail Tariff necessary to
11 implement DSP VIII.

12 6. Describe the proposed changes to the Company's Electric Generation Supplier
13 ("EGS") Coordination tariff necessary to implement DSP VIII.

14

15 **Q. Are you sponsoring any exhibits as part of your Direct Testimony?**

16 A. Yes. I am sponsoring the following exhibits:

17 • Exhibit DBO-1 - Illustrative Example to Calculate Residential and Lighting Default
18 Service Rates

19 • Exhibit DBO-2 - Derivation of Factors for Class Rate Determination

20 • Exhibit DBO-3 - Estimated Default Service Plan Related Costs

21 • Exhibit DBO-4 - Proposed Retail Tariff Supplement (clean version)

22 • Exhibit DBO-5 - Proposed Retail Tariff Supplement (red-line version)

23 • Exhibit DBO-6 - Proposed EGS Tariff Supplement (clean version)

- Exhibit DBO-7 - Proposed EGS Tariff Supplement (red-line version)

Q. Were these exhibits prepared by you or under your supervision?

A. These exhibits were prepared either by me or under my supervision. They were prepared, to the best of my knowledge, in accordance with the Pennsylvania Public Utility Commission (“Commission”) requirements and practice.

Q. How is your testimony organized?

A. I will first discuss the proposed default service rates for the various customer classes. I will then describe the proposed methods to unbundle and recover the costs associated with implementing the proposed default service plan, as well as recover the costs of administering certain retail competition programs and initiatives. Next, I will describe the DSS reconciliation process and the PTC. Finally, I will describe the proposed changes to the Company’s tariffs necessary to implement the proposed default service plan.

II. RESIDENTIAL AND LIGHTING CUSTOMER RATES

Q. What rate schedules apply to the Residential and Lighting customer classes?

A. Residential customers are served under rate schedules RS, RH and RA. Lighting customers are served under rate schedules AL, SE, SM, SH, and PAL.

Q. Please describe the current default service rates applicable to the Residential and Lighting customer classes.

1 A. The current default service rates for these rate schedules are designed to recover the costs
2 of power that are procured through a competitive RFP solicitation process approved in
3 the Company's seventh default service plan ("DSP VII") proceeding at Docket No. P-
4 2014-2418242 and described in Retail Tariff Rider No. 8 - Default Service Supply. The
5 RFPs are for full requirements service that includes both the Residential and Lighting
6 class load. Full requirements service includes the cost of energy, capacity, congestion
7 and congestion management charges, alternative energy requirements, ancillary services,
8 and PJM grid management charges. Residential default service rates and Lighting rate
9 schedules AL and SE are a reconcilable, flat supply charge per kilowatt-hour ("kWh").
10 Default service rates for Lighting rate schedules SM, SH and PAL are a fixed rate per
11 fixture based on the monthly kWh consumption of the fixture and are also reconcilable.

12

13 **Q. Is the Company proposing any changes to how DSS rates will be determined for**
14 **Residential and Lighting customers in DSP VIII?**

15 A. No. The process for determining DSS rates for Residential and Lighting customers is
16 generally the same as in DSP VII. As discussed by witness Peoples, the Company is
17 proposing to continue to obtain DSS through multiple RFPs, and the Company will use
18 the same process to calculate the retail rate, except that both one-year and two-year
19 supply products will be used when determining the rate levels. Under the proposed plan,
20 new supply rates will become effective every June 1 and December 1 for the period June
21 1, 2017 through May 31, 2021.

22

1 **Q. In DSP VIII, please describe how the Residential and Lighting retail rates will be**
2 **determined.**

3 A. Winning bids will be determined through the RFP process as described by Duquesne
4 Light witness Peoples.¹ In general, a single weighted average price will be calculated
5 from the winning bids necessary to fill the applicable tranches in accordance with the
6 guidelines of the RFP process.

7 The Company will then adjust the weighted average winning bid price to recover
8 the cost of line losses, initial and ongoing administrative costs to provide default service,²
9 the cost of solar contracts (if any) obtained by the Company on behalf of Residential and
10 Lighting default service customers,³ and current and prior period over/under collections
11 with interest. Once the gross weighted average of the winning bid price is determined,
12 the Company will adjust the price to first recover costs common to both Residential and
13 Lighting customer classes, then use class rate factors to derive Residential and Lighting
14 class rates based on their respective energy consumption patterns and capacity
15 requirements. This process is generally the same as that used by the Company in DSP
16 VII. The final step will adjust the price to recover Pennsylvania gross receipts tax
17 (“GRT”).

18

¹ Initially, the same process that exists today will be used to develop residential and lighting rates. As later described, the rates will be adjusted for those costs in the unbundling study, as well as the costs associated with the Company’s long-term solar contracts, if any, during the DSP VIII period that are approved by the Pennsylvania Commission.

² The unbundling of default service costs is discussed in detail in Section VI.

³ Duquesne Light witness Davis discusses the Company’s plan to evaluate entering into long-term solar contracts during the DSP VIII period.

1 **Q. Have you prepared an exhibit that shows the derivation of the Residential and**
2 **Lighting class DSS rates?**

3 A. Yes. Exhibit DBO-1 is an illustrative example showing the derivation of the Residential
4 and Lighting class DSS rates for the DSP VIII period.

5
6 **Q. Have you adjusted the rate class factors used to derive the Residential and Lighting**
7 **class rates?**

8 A. Yes. Exhibit DBO-2 shows the derivation of the class rate factors the Company proposes
9 to use for the 2017-2018, 2018-2019, 2019-2020, and 2020-2021 effective rate periods.
10 As shown in Exhibit DBO-2, a capacity price per MWh was determined based on the
11 results of the PJM capacity auctions and the customer class load shapes. A load weighted
12 locational marginal price (“LMP”) was calculated based on 2015 data. The average
13 lighting class LMP reflects the off-peak nature of the load. Combining capacity and
14 LMP per MWh, factors were derived relative to the weighted average capacity and LMP
15 per MWh for the Residential and Lighting class load combined.

16

17 **III. SMALL C&I CUSTOMER CLASS RATES**

18 **Q. What rate schedules apply to the Small C&I customer classes?**

19 A. Small C&I customers are those customers with monthly metered demand less than 25 kW
20 served under rate schedules GS/GM, GMH and UMS. Small unmetered C&I customers
21 are served under rate schedule Unmetered Service (“UMS”).⁴

22

⁴ Municipal traffic signals are an example of UMS customers.

1 **Q. Please describe how the current DSS rates for Small C&I customers were**
2 **developed.**

3 A. DSS is procured through a competitive RFP solicitation process approved in the
4 Company's DSP VII proceeding and described in Retail Tariff Rider No. 8 - Default
5 Service Supply. The RFP is for full requirements service. Small C&I default service
6 rates are reconcilable, flat supply charges per kWh. Default service rates are updated
7 June 1 and December 1 of each year under the DSP VII Plan.

8
9 **Q. Is Duquesne Light proposing any changes to the DSS rates for Small C&I customers**
10 **in DSP VIII?**

11 A. No. The process for determining DSS rates for Small C&I customers is generally the
12 same as in DSP VII. As discussed by witness Peoples, the Company is proposing to
13 continue to obtain DSS through multiple RFPs for full requirements supply products,
14 with the retail rates being calculated from the winning bid prices in the RFPs. The main
15 difference is that both one-year and two-year supply products will be used when
16 determining the rate levels. Under the proposed plan, through May 31, 2021, new rates
17 will continue to become effective every June 1 and December 1 for Small C&I
18 customers.

19
20 **Q. Please describe how the Small C&I retail rates will be determined for rate schedules**
21 **GS/GM, GMH and UMS.**

22 A. In general, a single weighted-average price will be calculated from the winning bids
23 necessary to fill the applicable tranches in accordance with the guidelines of the RFP

1 process. Similar to the derivation of the Residential and Lighting rates shown in Exhibit
2 DBO-1, the Company proposes to adjust the weighted-average winning bid price to
3 recover the cost of line losses, initial and ongoing administrative costs to provide default
4 service, and prior period over/under collections with interest.

5
6 **IV. MEDIUM C&I CUSTOMER CLASS RATES**

7 **Q. What rate schedules apply to the Medium C&I customer classes?**

8 A. Medium C&I customers are those customers served under rate schedules GS/GM and
9 GMH with monthly metered demand equal to or greater than 25 kW but less than 300
10 kW.⁵

11
12 **Q. Please describe how the current DSS rates for Medium C&I customers were
13 developed.**

14 A. DSS is procured through a competitive RFP solicitation process approved in the
15 Company's DSP VII proceeding and described in Retail Tariff Rider No. 8 - Default
16 Service Supply. The RFP is for full requirements service. Medium C&I default service
17 rates are reconcilable, flat supply charges per kWh. Default service rates are updated
18 effective every June 1, September 1, December 1, and March 1 for Medium C&I
19 customers.

20
21 **Q. Is Duquesne Light proposing any changes to the DSS rates for Medium C&I
22 customers in DSP VIII?**

⁵ As described by Duquesne Light witness Peoples, the Company plans to lower the kW upper threshold for Medium C&I customers from < 300 kW to < 200 kW beginning on June 1, 2019.

1 A. No. As discussed by witness Peoples, the Company is proposing to continue to obtain
2 DSS through multiple RFPs for full requirements supply products, and the Company will
3 use the same process to calculate the retail rate. Under the proposed plan, through May
4 31, 2021, new rates will continue to become effective every June 1, September 1,
5 December 1, and March 1 for Medium C&I customers.

6
7 **Q. Please describe how the retail rates will be determined for rate schedules GS/GM
8 and GMH.**

9 A. The Company proposes to continue the same process used to derive retail rates. In
10 general, a single weighted-average price will be calculated from the winning bids
11 necessary to fill the applicable tranches in accordance with the guidelines of the RFP
12 process. Similar to the derivation of the Residential and Lighting rates shown in Exhibit
13 DBO-1, the Company proposes to adjust the weighted-average winning bid price to
14 recover the cost of line losses, initial and ongoing administrative costs to provide default
15 service, and prior period over/under collections with interest.

16

17 **V. LARGE C&I CUSTOMER CLASS RATES**

18 **Q. What rate schedules apply to the Large C&I customer classes?**

19 A. Large C&I customers are those customers served under rate schedules GL, GLH, L and
20 HVPS with peak metered demand greater than 300 kW.⁶

21

⁶ As described by Duquesne Light witness Peoples, the Company plans to lower the kW threshold for Large C&I customers from ≥ 300 kW to ≥ 200 kW beginning on June 1, 2019.

1 **Q. Please describe how the current DSS rates for Large C&I customers were**
2 **developed.**

3 A. Large C&I customers are served under Rider No. 9 - Day-Ahead Hourly Price Service
4 (“HPS”).

5
6 **Q. Is Duquesne Light proposing any changes to the DSS rates for Large C&I**
7 **customers in DSP VIII?**

8 A. Yes. The Company is proposing to simplify the structure of the energy pricing for HPS.
9 Under the Company’s current HPS program, the Company must submit an hourly load
10 forecast for each HPS customer by 8 am each business day. Each HPS customer then has
11 the option to modify that schedule each day prior to 10 am. Energy included in the day-
12 ahead schedule, subject to modification by each customer, is purchased in the day-ahead
13 energy market with differences between the scheduled load and actual load for each
14 customer settled in the real-time market. These purchases in the day-ahead and/or real-
15 time energy markets are tracked and reconciled on a customer-by-customer basis. In
16 DSP VIII, the Company proposes to charge each HPS customer using its actual hourly
17 usage at the day-ahead hourly prices. This will continue to allow customers to manage
18 their electricity usage and supply costs by providing customers with advanced day-ahead
19 notice of hourly energy prices, and will eliminate HPS customers’ uncertainty associated
20 with the ex-post real-time price reconciliation.

21 In addition, the Company proposes to procure full requirements supply for HPS through a
22 competitive RFP solicitation process. As described by witness Peoples, the Company
23 will issue a single annual solicitation, wherein the Company will request competitive

1 offers from suppliers for two tranches to provide Default Service day-ahead market
2 supply. The supplier (or suppliers) with the lowest fixed price bids (expressed in dollars
3 per MWH) will be selected as the winners of the HPS solicitation. In addition to the
4 winning bid price offered by the supplier, each winning supplier will be paid for its share
5 of the associated energy, capacity, and ancillary service charges billed to HPS customers.
6 The winning suppliers' fixed price bids will be designed to recover the renewable energy
7 supply costs, the energy balancing costs associated with day-ahead schedules versus
8 actual customer consumption, and any other third-party supplier administrative costs of
9 providing HPS. The first solicitation will take place in March 2017, with subsequent
10 solicitations conducted in March of each year throughout the DSP VIII plan period.

11
12 **Q. Is the Company proposing changes to the Rider No. 9 Fixed Retail Adder for the**
13 **DSP VIII plan period?**

14 **A.** Yes. The current Fixed Retail Adder ("FRA") of \$4.49 per MWh in Rider No. 9 is based
15 on the annual costs to provide day-ahead hourly priced service including the ability for
16 customers to modify their load profile and the need for the Company to reconcile actual
17 versus forecast load. With the change to a competitive RFP for Rider No. 9, the
18 Company is proposing to include only the implementation and ongoing annual costs in
19 the price billed to customers in the same manner as previously described with DSS rates
20 in Rider No. 8. Specifically, in the derivation of the rates effective June 1 of each year,
21 the Company will include for recovery through the adder the annual ongoing costs to
22 provide Rider No. 9 in its revised structure as well as the costs to conduct the RFP for
23 Rider No. 9. The Company will adjust the adder to include implementation and

1 unbundled costs as well as a true-up for the prior period over/under collection of
2 Company costs recovered through the adder.⁷ Therefore, only the Company expenses to
3 be recovered through the FRA will be included in the annual reconciliation statement for
4 Rider No. 9.

5
6 **Q. Have you prepared an estimate of the FRA effective June 1, 2017?**

7 A. Exhibit DBO-3 shows the estimated RFP costs to be \$20,000 and the annual ongoing
8 costs to be \$150,000. Based on the forecasted HPS default service sales of 201,000
9 MWhs for the period June 2017 through May 2018, the estimated FRA effective June 1,
10 2017 to recover Company costs would be \$0.85 per MWh.

11
12 **VI. UNBUNDLING DEFAULT SERVICE COSTS AND COST RECOVERY**

13 **Q. What types of administrative costs does the Company incur to provide default**
14 **service?**

15 A. In addition to the supply costs necessary to provide default service, the Company incurs
16 costs in two primary areas. First, initial start-up costs are incurred to develop and obtain
17 approval of the proposed default service plan. Second, ongoing costs are incurred
18 throughout the duration of the default service plan to implement the plan (e.g., the costs
19 related to the process of conducting the competitive requests for proposals and evaluating
20 the results of these solicitations, the incremental administrative costs to provide HPS).

21

⁷ The unbundling of default service costs is discussed in detail in Section VI.

1 **Q. How does the Company currently recover administrative costs to prepare and**
2 **obtain approval of the proposed default service plan?**

3 A. The Company currently recovers the costs for external legal and consulting services to
4 prepare and obtain approval of the default service plan through base distribution rates.

5
6 **Q. How does the Company currently recover the ongoing administrative costs to**
7 **provide default service?**

8 A. The ongoing administrative costs are primarily associated with managing the RFP
9 process. A third-party independent evaluator conducts the recurring RFPs to obtain DSS
10 from wholesale suppliers, monitors the results, and prepares reports to the Commission.
11 These costs for the independent evaluator to conduct the RFPs are easily identifiable and
12 are recovered through an adder in the applicable procurement class default service rates.
13 These costs are included in the build-up of the DSS rates in Rider 8. The incremental
14 costs associated with specific Company activities for a particular procurement group,
15 such as the cost to provide HPS default service to Large C&I customers already are
16 unbundled, and are also recovered in the build-up of the applicable procurement group's
17 DSS rate. Cost and revenue recovery associated with these administrative costs for
18 specific activities are tracked separately for each procurement group (e.g., the costs to
19 implement the Company's Time-Of-Use program for Residential customers) to ensure no
20 cross-subsidy occurs. The costs for the independent evaluator to conduct multiple
21 solicitations on a given date are allocated evenly to each procurement group for recovery.

22

1 **Q. Is the Company proposing to unbundle additional costs from its base rates and**
2 **move them to its DSS rates?**

3 A. Yes. As part of the DSP VII Settlement Agreement, the Company committed to the
4 following:

5 In the earlier of its next general rate increase filing or its Default Service Plan filing
6 for the period commencing June 1, 2017, Duquesne Light will propose to unbundle
7 from base rates costs associated with the provision of default service, including
8 default service proceeding and procurement costs, and cash working capital with
9 regard to default service procurements. Duquesne Light will simultaneously propose
10 a mechanism for recovery of such costs from default service customers.⁸
11

12 The Commission approved the Settlement Agreement in its DSP VII order, and to
13 comply with this agreement, the Company is proposing to unbundle certain costs from
14 base rates associated with the provision of default service. Specifically, the Company is
15 proposing to move recovery of the costs for external legal and consulting services to
16 prepare and obtain approval of the default service plan from base distribution rates to
17 DSS rates. The Company is also proposing to move recovery of the cash working capital
18 costs associated with DSS from base distribution rates to DSS rates. Finally, if new costs
19 arise related to default service, the Company proposes that those costs also be recovered
20 through applicable DSS rates. For example, if the procurement contingency plan
21 described by Company witness Peoples were to be implemented, then those incremental
22 costs would be included in the DSS rate of the applicable customer class for which the
23 contingency plan was implemented.
24

⁸ DSP VII Order entered January 15, 2015 at Docket No. P-2014-2418242, page 10.

1 **Q. Did you prepare an estimate of the unbundled costs in dollars that will be moved**
2 **from Duquesne Light's base distribution rates to the applicable DSS rates?**

3 A. Yes. I have estimated these costs based on the information that is available at this time.
4 These costs are summarized in the table shown in Exhibit DBO-3. These are preliminary
5 cost estimates that are subject to change based on final plan design and implementation
6 costs.

7
8 **Q. How did you estimate the costs to prepare and obtain approval of the DSP VIII**
9 **plan?**

10 A. The cost estimate in Exhibit DBO-3 is based on the consulting and legal fees to prepare
11 and obtain approval of the DSP VII plan. When implementing Duquesne Light's
12 unbundling proposal, the Company will know and use actual external legal and
13 consulting service cost to prepare and obtain approval for the DSP VIII plan.

14
15 **Q. How did you estimate the cash working capital costs associated with DSS?**

16 A. The cash working capital cost shown in DBO-3 is based on the supply-related cash
17 working capital costs included in rate base in the Company's 2013 base rate proceeding
18 at Docket No. R-2013-2372129. The annual revenue requirement for working capital
19 costs shown equals the Company's pre-tax overall return applied to those costs.

20
21 **Q. When does the Company propose to begin to recover these costs through DSS rates?**

1 A. The Company proposes to unbundle and recover DSP filing and other identified costs
2 through DSS rates beginning June 1, 2020 or the effective date of rates in its next base
3 rate proceeding, whichever comes first.

4
5 **Q. Why does the Company propose to delay unbundling beyond June 1, 2017?**

6 A. Exhibit DBO-3 contains preliminary estimates of the costs to be unbundled based on
7 currently available information. Except for the RFP process and ongoing costs to support
8 current Rider No. 9 day-ahead hourly price service, all of these cost categories are
9 currently recovered through base distribution rates. Waiting until Duquesne Light's next
10 base rate case to recover these costs through DSS rates will ensure that there is no double
11 counting, where costs are being recovered in both base rates and DSS rates, or
12 alternatively, under-recovery of previously approved costs included in base rates. The
13 Company entered into a black-box settlement agreement in its 2013 base rate proceeding
14 at a significantly lower rate increase than originally proposed. Therefore, it is not known
15 with certainty what costs are currently included in base rates for the particular items to be
16 unbundled. While rate unbundling is designed to make Duquesne Light "whole" as it
17 moves certain approved costs from its base distribution rates to the applicable DSS rates,
18 rate unbundling does have important implications for customers and who bears the
19 burden of paying for these costs. No matter what, rate unbundling will result in cost
20 shifting relative to current rates. Costs that otherwise would be collected from all
21 customers (including EGS customers) in current base distribution rates will only be
22 recovered from default service customers in the future. Furthermore, to the extent that
23 unbundled costs are allocated to customer classes based on a pro-rata share of default

1 service load, and that allocation methodology differs from that used to allocate bundled
2 costs in base rates, this also may result in cost shifting among customer classes. Rate
3 unbundling needs to be accomplished in a coordinated manner and should occur in a base
4 rate proceeding where all of the Company's revenues and expenses can be reviewed.
5 This will allow newly unbundled costs to be completely removed from future base rates,
6 and at the same time, to be fully included in future DSS rates. Because the date of the
7 Company's next base rate cannot be predicted with certainty, we have included a date for
8 unbundling without a base rate case though that approach is not preferable for the reasons
9 I have explained.

10
11 **Q. Please explain how the Company proposes to assign the unbundled costs to each**
12 **customer class.**

13 A. The Company proposes to allocate unbundled costs to each customer class based on
14 forecasted default service MWs.

15
16 **Q. Once the total estimated costs are allocated to a customer class, how does the**
17 **Company propose to recover those costs?**

18 A. The Company proposes to divide the unbundled costs by the approved number of years of
19 the DSP Plan and develop a monthly fixed expense amount for each of the four customer
20 classes (i.e. Residential/Lighting, Small C&I, Medium C&I and Large C&I). The
21 monthly unbundled costs will begin June 1, 2020 or the effective date of rates in its next
22 base rate proceeding whichever comes first. As shown in Exhibit DBO-1, the Company

1 will include the monthly expense amounts in the derivation of the rates for each rate
2 effective period based on the number of months in the rate effective period. For example,
3 the DSS rates effective June 1, 2020 through November 30, 2020 will include six months
4 of unbundled expenses.

5
6 **Q. With regard to unbundling default service costs, is the Company proposing any**
7 **changes in the reconciliation currently in use for default service rates?**

8 A. The Company proposes to use the four year revenue requirement for these unbundled
9 costs as the actual expense to recover. The 1307e reconciliation statement for each
10 customer class will include a line item for the monthly expense. The reconciliation for
11 the unbundled monthly expense will capture only changes in default service kWh sales
12 (e.g., the difference between the forecasted kWh at the outset when setting rates and
13 actual default service kWh sales). The difference in recovery of the unbundled expense
14 (over or under collection) created by variations in kWh sales will be recovered through
15 the e-factor component of the DSS rates for the applicable customer class.

16
17 **VII. RETAIL COMPETITION COSTS AND COST RECOVERY**

18
19 **Q. What types of activities is the Company engaged in to support retail competition?**

20 A. The Company currently engages in a number of activities to support retail competition,
21 including:

- 22 • Administering a Purchase of Receivables (“POR”) program, whereby
23 Duquesne Light agrees to purchase the accounts receivable, without recourse,

1 associated with EGS sales of retail electric commodity services to Residential,
2 Small C&I, and Medium C&I customers within Duquesne Light's service
3 territory.

- 4 • Administering a Standard Offer Program ("SOP"), which is designed to
5 encourage customers to shop with an EGS at a prescribed discount to the PTC
6 at the time of the offer.
- 7 • Administering other Commission-mandated activities, programs, projects,
8 services etc. to enhance the competitive energy market in Pennsylvania.

9
10 **Q. How does the Company currently recover the costs of these retail competition**
11 **initiatives?**

12 **A.** The Company has several mechanisms in place to recover the costs of these retail
13 competition initiatives.

- 14 • For the POR program, defined in Rule 12.1.7 of the EGS Coordination Tariff,
15 Duquesne Light purchases the EGSs' electric commodity (which is comprised of
16 generation and transmission service) receivables at a fixed discount currently set
17 at 0.52% for Residential and Small C&I customers, and 0.28% for Medium C&I
18 customers.
- 19 • For the SOP program, defined on pages 42B and 42C of the EGS Coordination
20 Tariff, the Company charges participating EGSs a fee of \$10.28 for every
21 customer that is enrolled.
- 22 • The Company recovers the expenses associated with implementing Commission-
23 mandated activities, programs, projects, services etc. to enhance the competitive

1 energy market in Pennsylvania through a non-bypassable Retail Market
2 Enhancement Surcharge (“RME Surcharge”) defined in Rider No. 1 of the
3 Company’s retail tariff.
4

5 **Q. Is the Company proposing to change the way it recovers these costs to support retail**
6 **competition in this proceeding?**

7 A. No. The POR program continues to work successfully and there is no reason to change
8 the structure of the program in this proceeding.

9 The RME Surcharge was approved in the Company’s DSP VII plan effective June
10 1, 2015 (Docket No. P-2014-2418242) and the first surcharge will become effective June
11 1, 2016.

12 As explained by witness Morrison, the Company is proposing to continue its
13 current SOP program and will continue to recover the associated costs of the SOP
14 program directly from participating EGSs.
15

16 **Q. How does the Company recover PJM transmission charges?**

17 A. The Company recovers PJM transmission charges associated with default service through
18 its Transmission Service Charge (“TSC”). These charges are FERC-approved and billed
19 pursuant to the PJM open access transmission tariff (“OATT”). The TSC provides the
20 Company recovery of its costs for transmission service associated only with default
21 service load and establishes the basis of the transmission component of the PTC.
22

1 **Q. Is the Company proposing to maintain its current methodology for recovering PJM**
2 **transmission charges?**

3 A. Yes. The Company proposes to continue the same responsibility for PJM charges as
4 defined in the current Supply Master Agreement (“SMA”) and approved by the
5 Commission for the current default service plan. As a result, the Company is not
6 proposing to change its TSC.

7

8 **VIII. TIME-OF-USE RATES**

9

10 **Q. Does the Company currently have in effect any TOU rate offering?**

11 A. As described by witness Peoples, the Company recently conducted an RFP in accordance
12 with the DSP VII plan for TOU supply that will cover the delivery period June 1, 2016
13 through May 31, 2017. Based on the results of the RFP, eligible Residential customers
14 with the necessary metering and communications system will be able to choose between
15 two different TOU time periods and price levels. Eligible Residential customers who
16 elect TOU service will become EGS customers and will be enrolled by the EGS
17 providing the TOU service.

18

19 **Q. Will the TOU rates of the winning EGSs in the RFP be included in the Company’s**
20 **Retail Tariff?**

21 A. No. Since the TOU service is provided by an EGS and customers enrolled in the TOU
22 program will be EGS customers, it is not necessary to include the rates in the Company’s
23 tariff.

24

1 **Q. For the TOU program effective June 1, 2016 through May 31, 2017, will the**
2 **Company perform any reconciliation of revenues collected with respect to changes**
3 **in load or shifted demand for TOU program participants served by an EGS?**

4 A. No. The EGSs supplying TOU will incur the supply costs and receive the supply
5 revenues.

6
7 **Q. How will the costs to implement the TOU program effective June 1, 2016 through**
8 **May 31, 2017 be recovered?**

9 A. The EGSs supplying TOU service will be responsible for recovering their own costs.
10 Any incremental costs incurred by the Company to implement and retain the TOU
11 program will be borne by Residential default service customers. The Company will
12 begin to recover these costs through Residential DSP VII rates effective December 1,
13 2016. Exhibit DBO-3 shows a line item for inclusion of TOU costs in the event cost
14 recovery extends into the DSP VIII plan period.

15
16 **Q. Is the Company proposing any changes to how TOU service will be provided for**
17 **customers in DSP VIII?**

18 A. Yes. As described by witness Peoples, the Company will facilitate the ability for EGSs
19 to offer TOU rates during the DSP VIII plan period.

20
21 **Q. Is the Company proposing changes to its Retail Tariff regarding EGS TOU**
22 **programs for the DSP VIII plan period?**

1 A. The Company is proposing one change to its Retail Tariff, Rider No. 8, Default Service
2 Supply, to allow the Company to recover expenses to support an EGS TOU program
3 offering during the four-year DSP VIII plan period. The Company has added language to
4 ensure that the Company's expenses related to administering the program of allowing
5 EGS TOU offerings are assigned to the appropriate customer class for recovery.
6

7 **IX. RECONCILIATION AND PRICE TO COMPARE**

8 **Q. What reconciliation period does the Company currently use for current default
9 service rates?**

10 A. Default service rates are currently reconciled on a six-month basis. In general, the
11 current reconciliation period is the six-month period ending 120 days prior to the
12 effective date of the new rates. New rates effective on June 1st include reconciliation of
13 actual revenue and actual expense for the six months ending January 31st. New rates
14 effective on December 1st include reconciliation of actual revenue and actual expense for
15 the six months ending July 31st. For the statements necessary for 1307e filing
16 requirements which are on a twelve-month basis, the Company combines two six-month
17 reconciliation periods and submits a twelve-month reconciliation filing for the twelve
18 months ending January 31st in accordance with 66 Pa C.S. §1307e. The reconciliation
19 periods are defined in the Retail Tariff in Rider No. 8, Default Service Supply.
20

21 **Q. Is the Company proposing any changes to the reconciliation periods in this
22 proceeding?**

1 A. No. The reconciliation periods were approved in DSP VII to provide sufficient time for
2 EGSs to evaluate the impact to the PTC. The Company is proposing to continue the
3 same reconciliation schedule and process with the inclusion of unbundled expenses in
4 DSP VIII.

5
6 **Q. Is the Company proposing any new customer class annual reconciliation under DSP**
7 **VIII?**

8 A. Yes. As described in Section V, the Company is proposing to include the implementation
9 and ongoing annual costs in the price billed to large C&I customers in the same manner
10 as with current DSS rates in Rider No. 8. As such, the Company will file with the
11 Commission a reconciliation statement of the revenues, expenses and resulting over and
12 under recovery in accordance with 66 Pa C.S. § 1307e. The reconciliation statement will
13 reconcile actual revenue and actual expense associated with the Company portion of the
14 FRA. All other cost components of Rider No. 9 are the responsibility of the winning
15 hourly price service suppliers.

16
17 **Q. Please explain the current process of how the Company posts the PTC.**

18 A. The Company has implemented the following steps in its procurement process to post the
19 PTC:

- 20 • Post an estimated PTC within seven days from receipt and determination
21 of the winning bids in the RFP.
- 22 • Post an estimated default service rate model at the time the weighted
23 average winning bid price is released.

- Post the final default service rate model including the final PTC 60 days before the effective date showing the derivation of the final default service rates.

Q. How is the Company proposing to post the PTC in this proceeding?

A. The Company proposes to continue its current practices and will post the final PTC 60 days in advance of each application period except for the June 1 application period. For the June 1 application period, the Company will post the supply component 60 days in advance and will post the final PTC, including the transmission component, 15 days in advance because the transmission component of the PTC will not be known until May 15 of each year.

IX. TARIFF CHANGES

Q. Have you prepared a form of Retail Tariff supplement that contains changes necessary to implement the Company's proposed default service plan?

A. Yes. Exhibit DBO-4 contains the necessary changes to the rate schedules and applicable riders to implement the proposed default service plan. Exhibit DBO-5 is a red-line version of the current Retail Tariff reflecting the proposed changes in Exhibit DBO-4.

Q. In general, what changes is the Company proposing to make to the Retail Tariff?

A. The proposed changes are necessary to implement the proposed default service plan in this proceeding and recover the associated costs. The Company proposes to make the following modifications to reflect the default service plan described above:

- 1 • Rider No. 8 – Default Service Supply: revised to show that the rate effective
2 period for DSS rates is four years, to reflect a change to potentially recover
3 the relevant costs associated with Company solar contracts, if any, for the
4 Residential and Lighting customers class during the DSP VIII plan period⁹
5 and to recover unbundled default service costs at some point during DSP VIII.
- 6 • Rider No. 9 – Day-Ahead Hourly Price Service: revised to reflect the RFP
7 process for hourly price service and associated adders, changes to recover
8 unbundled default service costs at some point during the DSP VIII plan period
9 and other changes in the structure described by Duquesne Light witness
10 Peoples.

11
12 **Q. Have you prepared a form of Electric Generation Coordination Tariff Supplement**
13 **that contains changes necessary to implement the Company’s proposed default**
14 **service plan?**

15 A. Yes. Exhibit DBO-6 contains the necessary changes to the rate schedules and applicable
16 riders to implement the proposed default service plan. Exhibit DBO-7 is a red-line
17 version of the current EGS Tariff reflecting the proposed changes in Exhibit DBO-6.

18
19 **Q. In general, what are the changes that the Company is proposing to the EGS Tariff?**

20 A. The Company proposes two changes to the EGS Tariff:

⁹ The structure of the solar arrangements is not known at this time, and is subject to Commission approval in a later Company filing. The revenue requirements associated with any Commission-approved solar contracts and their administration will be recovered from Residential and Lighting customers. The proceeds of any solar energy, capacity, ancillary services, and solar AECs that are acquired and in excess of those allocated to default service suppliers, and therefore sold into the market, if any, will be credited to Residential and Lighting default service customers through Rider No. 8. The rates of other default service customer classes will be unaffected by the Company’s solar proposal.

- 1 • Rule 12.1.7.4 Other Payment Provisions: revise language to clarify actual
- 2 payment provisions for EGS customers on budget billing.
- 3 • Standard Offer Program: change the applicability of the Customer
- 4 Acquisition Fee from May 31, 2017 to May 31, 2021.

5

6 **Q. Why is the Company proposing changes to Rule 12.1.7.4 in this proceeding?**

7 A. Rule 12.1.7.4 was recently revised by the Company to add clarification for bill ready

8 functionality. The proposed change adds additional clarity with regard to bill ready

9 budget billing customers.

10

11 **X. CONCLUSION**

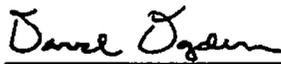
12 **Q. Does this conclude your Direct Testimony at this time?**

13 A. Yes.

VERIFICATION

I, David B. Ogden, Manager, Rates and Tariff Services for Duquesne Light Company (“Duquesne Light”), hereby state that the testimony set forth in Duquesne Light Statement No. 4 is true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing on this matter, my answers would be as set forth herein.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



Date: April 29, 2016

David B. Ogden, Manager, Rates and Tariff Services

Duquesne Light Company
Default Service Supply Plan - June 1, 2017 through May 31, 2021
Illustrative Example - Derivation of Residential and Lighting Default Service Supply Rates

Exhibit DBO-1

		Residential Classes (RS, RH, RA)	Lighting Classes (AL, SE, SM, SH, PAL)	
1	RFP Average Wholesale Price (\$/MWh)	\$50.00 /MWh	\$50.00 /MWh	Weighted bid price (Note1)
2	Line Losses - T & D	6.9%		Transmission (0.8%); distribution (6.1%)
3	Price Adjustment for Losses (\$/MWh)	\$3.45 /MWh	\$3.45 /MWh	Line 1 * Line 2
4	Adjusted Wholesale Price for Losses (\$/MWh)	\$53.45 /MWh	\$53.45 /MWh	Line 1 + Line 3
5	Solar Contract Cost	\$0.00 /MWh	\$0.00 /MWh	Estimated expenses for solar contract costs per order at Docket No. XXX.
6	Forecast POLR Sales (MWh)	1,291,000		Forecast Residential & Lighting default service sales (MWh)(Note 3)
7	Outside Services Fees	\$20,000		Outside services to conduct RFPs (Note 3)
8	Unbundled Default Service Costs	\$442,763		Amortization of 6 months of unbundled default service costs per order at Docket No. XXX. (Note 3)
9	Administrative Adder (\$/MWh)	\$0.36 /MWh	\$0.36 /MWh	(Line 7 + Line 8) / Line 6
10	Reconciliation Adjustment	(\$50,000)		(Over)/under collection including interest (Note 1)
11	Forecast POLR Sales (MWh)	1,291,000		Line 6
12	E Factor Rate (\$/MWh)	(\$0.04) /MWh	(\$0.04) /MWh	Line 10 / Line 11
13	Adjusted Wholesale Price (\$/MWh)	\$53.77 /MWh	\$53.77 /MWh	Line 4 + Line 5 + Line 9 + Line 12
14	Rate Factor	1.0053	0.6150	Exhibit DBO-2
15	Adjusted Wholesale Price for Rate Factor (\$/MWh)	\$54.06 /MWh	\$33.07 /MWh	Line 13 * Line 14
16	TOU Program Expenses	\$100,000		Note 1
17	Forecast POLR Sales (MWh)	1,000,000		Forecast Residential default service sales (MWh)(Note 1)
18	TOU Adder (\$/MWh)	\$0.10 /MWh	\$0.00 /MWh	Line 16 / Line 17
19	Total Adjusted Wholesale Price (\$/MWh)	\$54.16 /MWh	\$33.07 /MWh	Line 15 + Line 18
20	PA GRT @ 5.9%	\$3.40 /MWh	\$2.07 /MWh	Line 19 * (0.059/(1-.059))
21	Total Retail Rate (\$/MWh)	\$57.56 /MWh	\$35.14 /MWh	Line 19 + Line 20
22	Default Service Supply Rate	5.7556 ¢/kWh	3.5137 ¢/kWh	Line 21 / 10 (Note 2)

1/ For illustrative purposes only.

2/ Lighting class supply rate will be applied to monthly kWh consumption of each fixture in rate classes SM, SH and PAL to derive monthly fixed default service supply charge per fixture.

3/ Annual illustrative estimates shown in DBO-3.

Duquesne Light Company
Default Service Supply Plan - June 1, 2017 to May 31, 2021
Derivation of Factors for Class Rate Determination

Exhibit DBO-2

Capacity

		<u>Residential</u>	<u>Lighting</u>
1	2015 Capacity Obligation (MW-day)	490,091	1,213
2	2015 Load (MWH)	4,406,079	61,207
Capacity Price (\$/MW-day) (1)			
3	2017-2018	\$147.50	\$147.50
4	2018-2019	\$162.44	\$162.44
	2019-2020	\$162.44	\$162.44
	2020-2021	\$162.44	\$162.44
Capacity Price (\$/MWH)			
5	2017-2018	\$16.41	\$2.92
	2018-2019	\$18.07	\$3.22
	2019-2020	\$18.07	\$3.22
	2020-2021	\$18.07	\$3.22

Energy

		<u>Residential</u>	<u>Lighting</u>
7	2015 Load-Weighted LMP (\$/MWH)	\$32.83	\$27.19

Capacity + Energy

		<u>Residential</u>	<u>Lighting</u>	<u>Total</u>
8	2017-2018	\$49.23	\$30.12	\$48.97
	2018-2019	\$50.89	\$30.41	\$50.61
	2019-2020	\$50.89	\$30.41	\$50.61
	2020-2021	\$50.89	\$30.41	\$50.61

Rate Factors

		<u>Residential</u>	<u>Lighting</u>
10	2017-2018	1.0053	0.6150
	2018-2019	1.0055	0.6009
	2019-2020	1.0055	0.6009
11	2020-2021	1.0055	0.6009

1/ From Capacity Performance Transition Incremental Auction for 2017/2018. From Base Residual Auction for 2018/2019. Assumes 2018/2019 Price for 2019/2020 & 2020/2021.

Duquesne Light Company
Default Service Plan June 1, 2017 to May 31, 2021

Exhibit DBO-3

Estimated Default Service Preparation and Implementation Costs [1]

Line	Item	Current Recovery Mechanism	Proposed Recovery Mechanism	Description	A = (B * 4)	B = (C+D+E+F)	Forecasted Annual Default Service Costs by Customer Class			
					Total Estimated Costs	Annualized Estimated Costs	Residential & Lighting	Small C&I	Medium C&I	Large C&I
1	RFP Process and Evaluation [2]	Default Service Supply Rates	Default Service Supply Rates (Direct Assignment)	Consulting services for independent evaluator to conduct RFPs (reoccurring)	\$720,000	\$180,000	\$40,000	\$40,000	\$80,000	\$20,000
2	TOU Program	Default Service Supply Rates	Default Service Supply Rates (Direct Assignment)	Implement and maintain TOU rates supplied by EGSs	TBD	TBD	TBD	\$0	\$0	\$0
2	Forecasted POLR Sales (MWh) - 6.1.2017 - 5.31.2018						2,582,000	367,000	693,000	201,000
3	Unbundled Default Service Costs									
4	Filing Preparation and Approval Process	Distribution Base Rates	Default Service Supply Rates (Allocated on forecasted POLR MWhs)	Consulting services and outside counsel to help prepare filing and throughout regulatory process	\$1,195,000	\$298,750	\$200,721	\$28,530	\$53,873	\$15,625
5	Working Capital for Default Service Supply [3]	Distribution Base Rates	Default Service Supply Rates (Allocated on forecasted POLR MWhs)	Costs associated with lag in time between the utility's out-of-pocket payment expenses and the collection of revenues for default service.	\$4,077,000	\$1,019,250	\$684,804	\$97,337	\$183,799	\$53,310
6	Administration of Large C&I Hourly Price Default Service	Default Service Supply Rates	Default Service Supply Rates (Direct Assignment)	Administrative adder for Large C&I customers on default service.	\$600,000	\$150,000	\$0	\$0	\$0	\$150,000
7	Total (Line 1 + Line 4 + Line 5 + Line 6)				\$6,592,000	\$1,648,000	\$925,526	\$165,867	\$317,672	\$238,935

1/ All costs subject to change depending on final order and implementation costs.

2/ Assumes ~\$20k per RFP, 32 separate RFPs over the course of four years.

3/ Assuming the Company's pre-tax weighted cost of capital of ~10.6% calculated in the latest PUC earnings report for the 12 months ending December 31, 2015 submitted to the Commission, the revenue requirement (annual expense) associated with DSS working capital is \$1,019,250 [\$9,615,888 multiplied by ~10.6% return]. The cash working capital cost of \$9,615,888 is based on the supply related working capital costs included in rate base rates in the Company's 2013 base rate proceeding at Docket No. D-2013-2372129, Exhibit 6-1, page 2 of 6, line 66. The Company plans to update this figure based on the latest available information when unbundling these costs.

EXHIBIT NO. DBO-4

SUPPLEMENT NO. XXX
TO ELECTRIC – PA. P.U.C. NO. 24



SCHEDULE OF RATES

For Electric Service in Allegheny and Beaver Counties

(For List of Communities Served, see Pages No. 4 and 5)

Issued By

DUQUESNE LIGHT COMPANY

411 Seventh Avenue
Pittsburgh, PA 15219

Richard Riazzi

President and Chief Executive Officer

ISSUED: XXXXX XX, 2017

EFFECTIVE: June 1, 2017

Issued in compliance with Commission Order dated XXXXX XX, 2017,
at Docket No. P-2016-XXXXXXX.

NOTICE

THIS TARIFF SUPPLEMENT MAKES CHANGES TO TWO (2) EXISTING RIDERS

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF**CHANGES****Rider No. 8 – Default Service Supply****Twenty-Second Revised Page No. 88
Cancelling Twenty-First Revised Page No. 88****Tenth Revised Page No. 88A
Cancelling Ninth Revised Page No. 88A**

Information that was previously on Page No. 88 has been moved to Page No. 88A in order to accommodate the additional application periods (June 1, 2017, through May 31, 2021) for the applicable rate classes under the proposed four-year default service plan.

Rider No. 8 – Default Service Supply**Original Page No. 88A-1**

Information that was previously on Page No. 88A has been moved to Page No. 88A-1 in order to accommodate the additional application periods (June 1, 2017, through May 31, 2021) for the applicable rate classes under the proposed four-year default service plan.

Rider No. 8 – Default Service Supply**Original Page No. 88A-1****Original Page No. 88A-2**

Original Page No. 88A-1 and Original Page No. 88A-2 have been added to Rider No. 8 – Default Service Supply to accommodate the additional application periods (June 1, 2017, through May 31, 2021) for the applicable rate classes under the proposed four-year default service plan.

Rider No. 8 – Default Service Supply**Fifth Revised Page No. 88B
Cancelling Fourth Revised Page No. 88B**

Language has been added to state that the Company may purchase and provide up to 20 MW of its Alternative Energy Credits (“AEC”) solar requirements associated with the default service load for the residential and lighting procurement group.

Language has been added to state that the updated rates for the DSS will include the cost for Company solar contracts, if any, for the residential and lighting group.

Rider No. 8 – Default Service supply**Fourth Revised Page No. 88C
Cancelling Third Revised Page No. 88C**

The formula has been revised to include “SLR.”

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES – (Continued)

Rider No. 8 – Default Service supply

**Fourth Revised Page No. 88C
Cancelling Third Revised Page No. 88C**

Language has been added in the “DSS_a” section to state that the Company’s costs may also include the expenses to support time-of-use (“TOU”) programs offered by EGSs and how those costs will be assigned and prepared and for what time period.

Rider No. 8 – Default Service supply

**Second Revised Page No. 88D
Cancelling First Revised Page No. 88D**

“SLR” has been added and defined under the “Calculation of Rate” section.

Language has been deleted in the definition of “E” (E-Factor) that no longer pertains to the proposed reconciliation process.

Rider No. 8 – Default Service supply

**Second Revised Page No. 88E
Cancelling First Revised Page No. 88E**

Language has been removed from the “Annual Reconciliation” section that pertained to how reconciliation would take place for a portion of the June 1, 2015, through May 31, 2017.

Rider No. 9 – Day-Ahead Hourly Price Service

**Third Revised Page No. 89
Cancelling Second Revised Page No. 89**

Rider No. 9 – Day-Ahead Hourly Price Service

**Third Revised Page No. 90
Cancelling Second Revised Page No. 90**

Rider No. 9 – Day-Ahead Hourly Price Service

**Fourth Revised Page No. 91
Cancelling Third Revised Page No. 91**

Rider No. 9 – Day-Ahead Hourly Price Service

**Third Revised Page No. 92
Cancelling Second Revised Page No. 92**

Rider No. 9 – Day-Ahead Hourly Price Service

**Fourth Revised Page No. 93
Cancelling Third Revised Page No. 93**

Rider No. 9 – Day-Ahead Hourly Price Service

**First Revised Page No. 93A
Cancelling Original Page No. 93A**

Rider No. 9 – Day-Ahead Hourly Price Service has been revised to reflect the change to a Request for Proposal (“RFP”) process for hourly price service.

LIST OF MODIFICATIONS MADE BY THIS TARIFF**CHANGES – (Continued)****Rider No. 9 – Day-Ahead Hourly Price Service****Fourth Revised Page No. 91
Cancelling Third Revised Page No. 91**

A “Fixed Retail Administrative Charge” (“FRA”) has been added to Rider No. 9 – Day-Ahead Hourly Price Service. The FRA will consist of the sum of administrative charges for the suppliers providing hourly price service, as determined by the RFP process, and for the Company to obtain supply and administer the service.

The “Renewable Energy” section has been removed to reflect the change to an RFP process for hourly price service.

Rider No. 9 – Day-Ahead Hourly Price Service**Fourth Revised Page No. 91
Cancelling Third Revised Page No. 91**

Language has been provided in the “Fixed Retail Administrative Charge” (“FRA”) to state that any unbundled costs of preparing the Company’s default service plan filing and working capital costs associated with default service supply will also be recovered through the FRA, when applicable.

Rider No. 9 – Day-Ahead Hourly Price Service**Third Revised Page No. 92
Cancelling Second Revised Page No. 92**

A “Procurement Process” section and “Contingency Plan” section have been added to Rider No. 9 – Day-Ahead Hourly Price Service to reflect the change to an RFP process for hourly price service. These two sections describe the Company’s process for obtaining day-ahead hourly price service under this rider.

Rider No. 9 – Day-Ahead Hourly Price Service**Fourth Revised Page No. 93
Cancelling Third Revised Page No. 93**

An “Annual Reconciliation” section has been added to Rider No. 9 – Day-Ahead Hourly Price Service to reflect the change to an RFP process for hourly price service. This section describes the Company’s process for reconciling revenues, expenses and resulting over and under recovery for obtaining day-ahead hourly price service under this rider.

Rider No. 9 – Day-Ahead Hourly Price Service**First Revised Page No. 93A
Cancelling Original Page No. 93A**

The “Day-Ahead Scheduling Guidelines” section has been removed to reflect the change to an RFP process for hourly price service.

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(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

Default Service Supply (“DSS”) provides residential, commercial, industrial and lighting customers on the applicable rate schedules with a default service supply rate that is determined based on a request for proposal to acquire the energy to serve the load of customers taking service under the provisions of this Rider. Commercial and industrial customers are defined in Rate Schedules GS/GM and GMH, and, in general, are those customers with a monthly metered demand that is less than 300 kW in a twelve (12) month period.

DEFAULT SERVICE SUPPLY RATE

Residential

(C)

(Rate Schedules RS, RH and RA)

<u>Application Period</u>	<u>Supply Charge - ¢/kWh</u>
June 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through May 31, 2018	X.XXXX
June 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through May 31, 2019	X.XXXX
June 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through May 31, 2020	X.XXXX
June 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through May 31, 2021	X.XXXX

Small Commercial and Industrial customers with monthly metered demand less than 25 kW.

(C)

(Rate Schedules GS/GM and GMH and Rate Schedule UMS)

<u>Application Period</u>	<u>Supply Charge - ¢/kWh</u>
June 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through May 31, 2018	X.XXXX
June 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through May 31, 2019	X.XXXX
June 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through May 31, 2020	X.XXXX
June 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through May 31, 2021	X.XXXX

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

DEFAULT SERVICE SUPPLY RATE – (Continued)

Medium Commercial and Industrial customers with monthly metered demand equal to or greater than 25 kW and less than 300 kW.

(C)

(Rate Schedules GS/GM and GMH)

Application Period	Supply Charge - ¢/kWh
June 1, 2017 through August 31, 2017	X.XXXX
September 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through February 29, 2018	X.XXXX
March 1, 2018 through May 31, 2018	X.XXXX
June 1, 2018 through August 31, 2018	X.XXXX
September 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through February 28, 2019	X.XXXX
March 1, 2019 through May 31, 2019	X.XXXX
June 1, 2019 through August 31, 2019	X.XXXX
September 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through February 29, 2020	X.XXXX
March 1, 2020 through May 31, 2020	X.XXXX
June 1, 2020 through August 31, 2020	X.XXXX
September 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through February 28, 2021	X.XXXX
March 1, 2021 through May 31, 2021	X.XXXX

Lighting

(C)

(Rate Schedules AL and SE)

Application Period	Supply Charge - ¢/kWh
June 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through May 31, 2018	X.XXXX
June 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through May 31, 2019	X.XXXX
June 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through May 31, 2020	X.XXXX
June 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through May 31, 2021	X.XXXX

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

DEFAULT SERVICE SUPPLY RATE – (Continued)

Lighting

(Rate Schedules SM, SH and PAL)

Lamp wattage as available on applicable rate schedule.

June 1, 2017 through May 31, 2018 and June 1, 2018 through May 31, 2019

Wattage	Nominal kWh Energy Usage per Unit per Month	Application Period			
		06/01/2017 through 11/30/2017	12/01/2017 through 05/31/2018	06/01/2018 through 11/30/2018	12/01/2018 through 05/31/2019
Supply Charge ¢ per kWh		X.XXXX	X.XXXX	X.XXXX	X.XXXX
		Fixture Charge — \$ per Month			
Mercury Vapor					
100	44	X.XXXX	X.XXXX	X.XX	X.XX
175	74	X.XXXX	X.XXXX	X.XX	X.XX
250	102	X.XXXX	X.XXXX	X.XX	X.XX
400	161	X.XXXX	X.XXXX	X.XX	X.XX
1000	386	X.XXXX	X.XXXX	X.XX	X.XX
High Pressure Sodium					
70	29	X.XXXX	X.XXXX	X.XX	X.XX
100	50	X.XXXX	X.XXXX	X.XX	X.XX
150	71	X.XXXX	X.XXXX	X.XX	X.XX
200	95	X.XXXX	X.XXXX	X.XX	X.XX
250	110	X.XXXX	X.XXXX	X.XX	X.XX
400	170	X.XXXX	X.XXXX	X.XX	X.XX
1000	387	X.XXXX	X.XXXX	X.XX	X.XX
Flood Lighting - Unmetered					
70	29	X.XXXX	X.XXXX	X.XX	X.XX
100	46	X.XXXX	X.XXXX	X.XX	X.XX
150	67	X.XXXX	X.XXXX	X.XX	X.XX
250	100	X.XXXX	X.XXXX	X.XX	X.XX
400	155	X.XXXX	X.XXXX	X.XX	X.XX
Light-Emitting Diode (LED)					
43	15	X.XXXX	X.XXXX	X.XX	X.XX
106	37	X.XXXX	X.XXXX	X.XX	X.XX

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

DEFAULT SERVICE SUPPLY RATE – (Continued)

Lighting— (Continued) —

(Rate Schedules SM, SH and PAL)

Lamp wattage as available on applicable rate schedule.

June 1, 2019 through May 31, 2020 and June 1, 2020 through May 31, 2021

Wattage	Nominal kWh Energy Usage per Unit per Month	Application Period			
		06/01/2019 through 11/30/2019	12/01/2019 through 05/31/2020	06/01/2020 through 11/30/2020	12/01/2020 through 05/31/2021
Supply Charge ¢ per kWh		X.XXXX	X.XXXX	X.XXXX	X.XXXX
		Fixture Charge — \$ per Month			
Mercury Vapor					
100	44	X.XXXX	X.XXXX	X.XX	X.XX
175	74	X.XXXX	X.XXXX	X.XX	X.XX
250	102	X.XXXX	X.XXXX	X.XX	X.XX
400	161	X.XXXX	X.XXXX	X.XX	X.XX
1000	386	X.XXXX	X.XXXX	X.XX	X.XX
High Pressure Sodium					
70	29	X.XXXX	X.XXXX	X.XX	X.XX
100	50	X.XXXX	X.XXXX	X.XX	X.XX
150	71	X.XXXX	X.XXXX	X.XX	X.XX
200	95	X.XXXX	X.XXXX	X.XX	X.XX
250	110	X.XXXX	X.XXXX	X.XX	X.XX
400	170	X.XXXX	X.XXXX	X.XX	X.XX
1000	387	X.XXXX	X.XXXX	X.XX	X.XX
Flood Lighting - Unmetered					
70	29	X.XXXX	X.XXXX	X.XX	X.XX
100	46	X.XXXX	X.XXXX	X.XX	X.XX
150	67	X.XXXX	X.XXXX	X.XX	X.XX
250	100	X.XXXX	X.XXXX	X.XX	X.XX
400	155	X.XXXX	X.XXXX	X.XX	X.XX
Light-Emitting Diode (LED)					
43	15	X.XXXX	X.XXXX	X.XX	X.XX
106	37	X.XXXX	X.XXXX	X.XX	X.XX

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)****(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)****DEFAULT SERVICE SUPPLY RATE – (Continued)**

The Company will provide default service supply under this Rider by obtaining the requirements from suppliers through competitive procurements using a Request for Proposal (“RFP”) process. The charges for DSS calculated based on the results of the RFP process for service under this Rider will be effective as defined above.

DSS obtained through the RFP process includes energy, capacity, transmission and distribution line losses, congestion and congestion management costs, all or some of the Alternative Energy Credits (“AECs”), ancillary services, PJM grid management charges and other such services or products that are required to provide default service to the Company’s customers including Auction Revenue Rights and Financial Transmission Rights (“ARRs/FTRs”). The Company may purchase and provide up to 20 MW of its AEC solar requirements associated with the default service load for the residential and lighting procurement group. The AECs provided by the Company will reduce the obligation of the suppliers in the RFP. DSS shall not include transmission service within Duquesne’s zone. Duquesne will be responsible for and continue to provide network integration transmission service. The applicable charges for transmission service are defined in Appendix A of this Tariff. (C)

Service under this Rider No. 8 – Default Service Supply shall commence in accordance with the switching protocols in Rule No. 45.1.

PROCUREMENT PROCESS

The Company will conduct separate RFP solicitations for DSS for each customer procurement group under this Rider. The customer procurement groups for the RFP solicitations are defined as residential and lighting, small commercial and industrial and medium commercial and industrial. The small commercial and industrial group includes those customers with monthly metered demand less than 25 kW. The medium commercial and industrial group includes those customers with monthly metered demand equal to or greater than 25 kW and less than 300 kW. The RFP process will be bid separately to ensure that there is no cross subsidization.

The Company will update the rates for the DSS according to the schedule in the above tables. The Company will issue RFPs prior to the beginning of each Application Period to update the default service supply rates. The updated rates will be based on the new price(s) available from the winning suppliers through the RFP process and the cost for Company solar contracts, if any, for the residential and lighting procurement group. The rates will include a reconciliation adjustment as described in the “Calculation of Rate” section of this Rider. In the month prior to the beginning of each Application Period, the Company will file new DSS charges with the Pennsylvania Public Utility Commission (“Commission”) for the subsequent Application Period, and, upon Commission approval, these charges shall become effective on the first day of the following month. (C)

The load of the customer procurement group for the RFP will be divided into Tranches. Winning suppliers will provide DSS for the percentage of DSS load corresponding to the number of Tranches won in the RFP. Duquesne seeks to procure all Tranches in the RFP process pursuant to the RFP schedule approved by the Commission.

The selection of bids will be submitted to the Commission for its approval or rejection within one business day after submittal. If the bids are not acted on by the Commission within one business day, the Company may proceed on the basis that they are approved and award the bids pursuant to 52 Pa. Code § 54.188(d).

(C) – Indicates Change**ISSUED: XXXXX XX, 2017****EFFECTIVE: JUNE 1, 2017**

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

CONTINGENCY PLAN

In the event Duquesne receives bids for less than all Tranches or the Commission does not approve all or some of the submitted bids or in the event of supplier default, then Duquesne will provide the balance of the default supply for commercial and industrial customers through purchases in the PJM spot markets until such time that a different contingency plan is approved by the Commission. Duquesne will submit to the Commission within fifteen (15) days after any such occurrence an emergency plan to handle any default service shortfall. All costs associated with implementing the contingency plan will be included as part of the DSS described in the section below, "Calculation of Rate."

CALCULATION OF RATE

DSS rates shall be determined based on the formula described in this section. The DSS shall be filed with the Commission no less than sixty (60) days prior to the start of the next Application Period as defined under the Default Service Supply Rate section of this Rider. Rates are reconciled on a semi-annual basis in accordance with the Default Service Supply Rate section of this Rider. The rates shall include an adjustment to reconcile revenue and expense for each Application Period. The DSS shall be determined to the nearest one-thousandth of one (1) mill per kilowatt-hour in accordance with the formula set forth below and shall be applied to all kilowatt-hours billed for default service provided during the billing month:

$$DSS = [(RFP + SLR + (DSS_a + E)/S) * F] * [1/(1 - T)] \tag{C}$$

Where:

- DSS** = Default Service Supply rate, converted to cents per kilowatt-hour, to be applied to each kilowatt-hour supplied to customers taking default service from the Company under this Rider.
- RFP** = The weighted average of the winning bids received in a competitive request for proposal for each customer class identified above and described in the "Default Service Supply Rate" section and adjusted for customer class transmission and distribution line losses. The request for proposal shall be conducted as described in "Procurement Process."
- DSSa** = The total estimated direct and indirect costs incurred by the Company to acquire DSS from any source on behalf of customers described above in the "Procurement Process." The Application Period shall be for each period over which the DSS, as computed, will apply. Projections of the Company's costs to acquire default supply for the Application Period shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated default service supply-related procurement and administration costs. Company costs may also include the expenses to support time-of-use ("TOU") programs offered by EGSs. Time-of-use expenses will be assigned to the applicable customer class for recovery through this Rider. Default service supply-related costs shall include the cost of preparing the company's default service plan filing and working capital costs associated with default service supply. The Company will recover these costs over the default service plan period as defined in the Commission's order at Docket No. P-2016-XXXXXX. (C)

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

CALCULATION OF RATE – (Continued)

- SLR = The costs associated with any Commission-approved solar contracts and its administration will be recovered from residential and lighting customers. The proceeds of any solar energy, capacity, ancillary services and solar AECs that are acquired and in excess of those allocated to default service suppliers, and sold into the market, will be netted against solar contract costs. (C)

- E = Experienced net over or under collection for each customer procurement group based on the revenue and expense for the six (6) month period ending one-hundred twenty (120) days prior to the end of Application Period. The DSS rate effective June 1 shall include reconciliation of revenue and expense for the six (6) month period October through March. The DSS rate effective December 1 shall include reconciliation of revenue and expense for the six (6) month period April through July. Interest shall be computed monthly at the rate provided for in Section 52 Pa. Code §54.190, from the month the over or under collection occurs to the month in which the over collection is refunded or the under collection is recouped. (C)(C)(C)(C)

- S = The Company’s default service retail kWh sales to customers in the applicable Customer Class, projected for the Application Period.

- F = Rate Factor only for the residential and lighting customer groups. The Rate Factor shall be 1.0 for all other customer groups. DSS for residential and lighting customer groups will be obtained in the same RFP. The Rate Factor adjustment reflects the load shape of the residential and lighting classes. The Rate Factor will be as follows for each Application Period.

Application Period	Residential	Lighting
June 1, 2017 through May 31, 2018	1.0053	0.6150
June 1, 2018 through May 31, 2021	1.0055	0.6009

(D)(I)
 (I)(D)

- T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

The rate shall become effective for default supply service rendered on and after the beginning of the Application Period unless otherwise ordered by the Commission, and shall remain in effect for the effective periods defined above, unless revised on an interim basis subject to the approval of the Commission. Pursuant to 52 Pa. Code §9.1809(c), upon determination that the DSS, if left unchanged, would result in a material over or undercollection of supply-related costs incurred or expected to be incurred during the effective period, the Company may file with the Commission for an interim revision of the DSS to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

ANNUAL RECONCILIATION

The Company will file with the Commission an annual reconciliation statement of the revenues, expenses and resulting over and under recovery for the twelve (12) months beginning February 1 and ending January 31 of the following year, in accordance with 66 Pa. C.S. § 1307(e), by March 1 for each service class. An annual reconciliation statement shall be prepared separately for the Residential, Small Commercial & Industrial and Medium Commercial & Industrial customer classes.

(C)

MISCELLANEOUS

Minimum bills shall not be reduced by reason of the DSS. DSS charges shall not be a part of the monthly rate schedule minimum nor be subject to any credits or discounts.

Application of the DSS shall be subject to continuous review and audit by the Commission at intervals it shall determine.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

Day-ahead hourly price service provides large commercial and industrial customers with the ability to purchase their electric supply requirements on a day-ahead hourly basis. Beginning June 1, 2017, the Company will supply electricity under this rider by obtaining the requirements based on a request for proposal (“RFP”). This rider is also available for the supply of electricity to generating stations that are not otherwise self-supplying and where the generating station is not otherwise receiving service from an EGS. Metering equipment must be installed at the generating station at the expense of the customer. (C)
(C)
(C)

MONTHLY CHARGES

Energy charges are hourly and provided at the day-ahead PJM locational marginal prices (“LMP”) based on the customer’s real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, plus a fixed retail administrative charge. PJM posts the day-ahead locational marginal price on their web site at 4:00 PM EPT. Capacity charges are equal to the full PJM Reliability Pricing Model (“RPM”) capacity price for the Duquesne Zone, and shall recover the charges associated with the customer’s share of the Company’s capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. Energy and capacity charges will be calculated using the following formula and adjusted for the Pennsylvania Gross Receipts Tax (GRT) in effect. (C)
(C)
(C)
(C)

End Hour

$$\sum L_{RTt} * (1 + ADJ_t) * (LMP_{DA,t} + OR_{DA,t}) + \tag{C}$$

t= Start Hour

(C)

End Hour

$$\sum [(L_{RTt} * (1 + ADJ_t)) * (SR_{RTt} + REG_{RTt} + SCN_{RTt} + S1A) + L_{RTt} * (PJM_s + FRA)] + \tag{C}$$

t= Start Hour

End Day

$$\sum [(CO_D * CChg_D) + NPLC_D * (R_D + B_D)]$$

D= Start Day

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

MONTHLY CHARGES – (Continued)

Where:

t = Particular clock hour in the Billing Period from start hour to end hour for energy charges.

D = Particular day in the Billing Period from start day to end day for capacity charges.

Customer Load

L_{RTt} = Actual (Real-Time) metered load of the customer, measured in MW.

ADJ_t = Adjustments to the customer load at the retail meter using the same methodology used to determine the hourly load obligations of a customer served by an EGS pursuant to Duquesne’s Supplier Coordination Tariff. The hourly load adjustments shall be the sum of the percentage distribution and transmission (if applicable) losses of the applicable schedule as specified in Duquesne’s Supplier Coordination Tariff. The Company will also adjust the customer load for the loss de-rating factor defined by PJM.

(C)

Energy Charges

LMP_{DA} = Day-Ahead hourly locational marginal price (LMP) in \$/MWH including energy, congestion and marginal losses for the Duquesne Zone or Duquesne Residual Zone as applicable.

(C)

PJM Ancillary Service Charges and Other PJM Charges

SR_{RTt} = Hourly real-time synchronous reserve charge in \$/MWH as calculated by PJM for supporting the customer’s load.

OR_{DA1} = Hourly Day-Ahead operating reserve (supplemental) charge in \$/MWh as calculated by PJM for supporting the customer’s load.

(C)

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****MONTHLY CHARGES – (Continued)****PJM Ancillary Service Charges and Other PJM Charges – (Continued)**

REG_{RTt} = Hourly real-time regulation charge in \$/MWH as calculated by PJM for supporting the customer's load.

SCN_{RTt} = Real-time Synchronous Condensing Charge in \$/MWH for supporting the customer's load if this charge is billed separately by PJM to the Company.

S1A = PJM Schedule 1A rate in \$/MWH applicable to the Duquesne Zone.

PJM_S = PJM Surcharge is a pass-through of the charges incurred by the Company for grid management and administrative costs associated with membership and operation in PJM. These are the charges incurred by the Company under PJM Schedules 9 and 10 to provide hourly price service.

R_D = Reactive supply service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 2.

B_D = Blackstart service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 6A.

Fixed Retail Administrative Charge**(C)**

FRA = The Fixed Retail Administrative Charge in \$ per MWH. The Fixed Retail Administrative Charge consists of the sum of administrative charges for the suppliers providing hourly price service (as determined by a competitive solicitation process) and for the Company to obtain supply and administer this service.

(C)

The supplier charges shall be based on the winning bids in the Company's most recent solicitation for supply of hourly price default service.

(C)

The Company's administrative charges shall be based on an amortization of the costs incurred by the Company to acquire generation supply from any source for the Large C&I Customer Class during the most recent twelve-month (12-month) period ended May 31st (as determined by amortizing such costs over a 12-month period) plus the amortization of the cost of administering the hourly price service over the duration of the default service plan, including any unbundled costs of preparing the Company's default service plan filing and working capital costs associated with default service supply.

(C)**Customer's Capacity Obligation and Network Service Peak Load****(C)**

CO_D = Capacity Obligation in MW for each day associated with supporting the customer's load as described in the section "Determination of Capacity Obligation."

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****MONTHLY CHARGES – (Continued)****Customer's Capacity Obligation and Network Service Peak Load – (Continued)**

NPLC_D = The customer's daily network service coincident peak load contribution in MW. This quantity is determined based on the customer's load coincident with the annual peak of the Duquesne Zone (single coincident peak) as defined in the PJM Tariff Section 34.1.

Capacity Charges

CChg_D = The demand charge in \$/MW-day, which is equal to the full PJM RPM Final Zonal Capacity Price for the Duquesne Zone.

PJM bills these charges to the Company as a function of the load measured in megawatts (MW) and expresses these charges as \$/MW, \$/MWH and \$/MW-day. The Company measures the customer's load and energy usage in kilowatts (kW) and will convert the above charges to \$/kW, \$/kWh and \$/kW-day for the purposes of computing the customer's monthly bill.

PROCUREMENT PROCESS**(C)**

The Company will conduct a competitive request for proposal ("RFP") to obtain day-ahead hourly price service under this rider. The winning bidder(s) will be responsible for providing default service supply at PJM day-ahead energy prices, capacity, ancillary services, and other PJM management charges as defined above. The winning supplier(s) will be the supplier(s) who bids the lowest price(s) in this solicitation in \$/MWH to cover the costs of renewable energy supply, energy balancing, and supplier administrative costs.

(C)**CONTINGENCY PLAN****(C)**

In the event Duquesne does not receive bids, the Commission does not approve the submitted bid(s) or a supplier defaults, Duquesne will provide default supply for commercial and industrial customers through purchases in accordance with the above formula and process. The Company will pass-through the costs it incurs to provide the renewable energy requirements, energy balancing and any administrative costs in addition to those costs otherwise recovered through the Fixed Retail Administrative Charge described in the "Monthly Charges" section of this rider. All revenue and expense associated with the contingency plan will be reconciled as described in the "Annual Reconciliation" section of this rider.

(C)**LOCATIONAL MARGINAL PRICE**

The "Duquesne Zone" is the PJM-defined area encompassing the franchised service territory of the Duquesne Light Company. The pricing for the Duquesne Zone contains every transmission load bus on the Company's system. PJM will determine the locational marginal price for the Duquesne Zone and an hourly nodal locational marginal price for each load bus. Load Serving Entities (LSE's) and wholesale transmission customers have the option of electing energy settlement at the hourly nodal prices.

The "Duquesne Residual Zone" is the pricing zone determined by PJM in the event that LSE's or other wholesale transmission customers in the Duquesne Zone elect settlement based on nodal locational marginal energy prices. In such event the Duquesne Zone locational marginal price will be replaced by the Duquesne Residual Zone locational marginal price and:

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****LOCATIONAL MARGINAL PRICE – (Continued)**

- (i) the pricing for such zone will be calculated by PJM using a load-weighted average of the nodal locational marginal prices of all load buses within the Duquesne Zone, but excluding from such calculation the weighting at the respective nodal prices of the load served by LSE's or other wholesale transmission customers who have elected nodal settlement; and
- (ii) settlement for all LSE's and wholesale transmission customers in the Duquesne Zone that have not elected nodal settlement, will have their load obligations settled on an hourly day-ahead, hourly real-time or other periodic basis at the respective PJM-determined price for the Duquesne Residual Zone for such period.

DETERMINATION OF CAPACITY OBLIGATION

The capacity obligation subject to the Demand Charges in this rider will be the customer's share of the Company's capacity obligation determined by PJM. The Company's capacity obligation will be calculated by PJM based on the Company's peak system load and will be the basis for the capacity obligation for the following planning year.

In determining the customer's share of the capacity obligation, the Company will calculate the customer's peak load contribution. The peak load contribution is based on the customer's load coincident with the peak hour of the five peak days as determined by PJM. The customer load in each of these five hours, adjusted for the Company's transmission and distribution line losses and the customer's share of unaccounted for energy will be averaged to calculate the customer's peak load contribution. Customers may participate as a Demand Resource or as an Interruptible Load Resource ("ILR") under RPM in PJM. Any and all charges or credits associated with the customer's participation as an ILR will be applied to the customer's bill.

NOTIFICATION AND ELECTION OF SERVICE

Customers may elect to purchase their supply requirements through this rider at any time according to the requirements of Rule No. 45. Customers that do not elect service with an EGS will default to hourly price service under this rider.

ANNUAL RECONCILIATION**(C)**

The Company will file with the Commission a reconciliation statement of the revenues, expenses and resulting over and under recovery for the eight (8) months beginning June 1, 2017, and ending January 31, 2018, in accordance with 66 Pa. C.S. § 1307(e), by March 1, 2018. Thereafter, the Company will file with the Commission an annual reconciliation statement of the revenues, expenses and resulting over and under recovery for the twelve (12) months beginning February 1 and ending January 31 of the following year, in accordance with 66 Pa. C.S. § 1307(e), by March 1. The reconciliation statement will reconcile actual revenue and actual expense associated with the Company's portion of the FRA.

(C)**(C) – Indicates Change**

STANDARD CONTRACT RIDERS - (Continued)**RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)****(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)****GENERAL****(C)**

The Supply Charges are intended to recover the market costs of providing Default Service to customers in PJM as these costs may change or be redefined from time to time. The Supply Charges shall be calculated using the formula and prices referenced above, but may be revised from time to time, as necessary, to reflect changes in PJM rules and charges. The Company is required to include renewable energy sources as a component of providing POLR service. The Company will pass-through the charges required to comply with the Alternative Energy Portfolio Standards (AEPS) as those compliance requirements change. The formula is illustrative to reflect the charges in the PJM tariff and is subject to change at any time, as PJM rules, charges or market parameters change.

EXHIBIT NO. DBO-5

SUPPLEMENT NO. XXX
TO ELECTRIC – PA. P.U.C. NO. 24



SCHEDULE OF RATES

For Electric Service in Allegheny and Beaver Counties

(For List of Communities Served, see Pages No. 4 and 5)

Issued By

DUQUESNE LIGHT COMPANY
411 Seventh Avenue
Pittsburgh, PA 15219

Richard Riazzi
President and Chief Executive Officer

ISSUED: XXXXX XX, 2017

EFFECTIVE: June 1, 2017

Issued in compliance with Commission Order dated XXXXX XX, 2017,
at Docket No. P-2016-XXXXXXX.

NOTICE

THIS TARIFF SUPPLEMENT MAKES CHANGES TO TWO (2) EXISTING RIDERS

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

Rider No. 8 – Default Service Supply Twenty-Second Revised Page No. 88
Cancelling Twenty-First Revised Page No. 88

Tenth Revised Page No. 88A
Cancelling Ninth Revised Page No. 88A

Information that was previously on Page No. 88 has been moved to Page No. 88A in order to accommodate the additional application periods (June 1, 2017, through May 31, 2021) for the applicable rate classes under the proposed four-year default service plan.

Rider No. 8 – Default Service Supply Original Page No. 88A-1

Information that was previously on Page No. 88A has been moved to Page No. 88A-1 in order to accommodate the additional application periods (June 1, 2017, through May 31, 2021) for the applicable rate classes under the proposed four-year default service plan.

Rider No. 8 – Default Service Supply Original Page No. 88A-1

Original Page No. 88A-2

Original Page No. 88A-1 and Original Page No. 88A-2 have been added to Rider No. 8 – Default Service Supply to accommodate the additional application periods (June 1, 2017, through May 31, 2021) for the applicable rate classes under the proposed four-year default service plan.

Rider No. 8 – Default Service Supply Fifth Revised Page No. 88B
Cancelling Fourth Revised Page No. 88B

Language has been added to state that the Company may purchase and provide up to 20 MW of its Alternative Energy Credits ("AEC") solar requirements associated with the default service load for the residential and lighting procurement group.

Language has been added to state that the updated rates for the DSS will include the cost for Company solar contracts, if any, for the residential and lighting group.

Rider No. 8 – Default Service supply Fourth Revised Page No. 88C
Cancelling Third Revised Page No. 88C

The formula has been revised to include "SLR."

LIST OF MODIFICATIONS MADE BY THIS TARIFFCHANGES – (Continued)

Rider No. 8 – Default Service supply Fourth Revised Page No. 88C
Cancelling Third Revised Page No. 88C

Language has been added in the “DSS₃” section to state that the Company’s costs may also include the expenses to support time-of-use (“TOU”) programs offered by EGSs and how those costs will be assigned and prepared and for what time period.

Rider No. 8 – Default Service supply Second Revised Page No. 88D
Cancelling First Revised Page No. 88D

“SLR” has been added and defined under the “Calculation of Rate” section.

Language has been deleted in the definition of “E” (E-Factor) that no longer pertains to the proposed reconciliation process.

Rider No. 8 – Default Service supply Second Revised Page No. 88E
Cancelling First Revised Page No. 88E

Language has been removed from the “Annual Reconciliation” section that pertained to how reconciliation would take place for a portion of the June 1, 2015, through May 31, 2017.

Rider No. 9 – Day-Ahead Hourly Price Service Third Revised Page No. 89
Cancelling Second Revised Page No. 89

Rider No. 9 – Day-Ahead Hourly Price Service Third Revised Page No. 90
Cancelling Second Revised Page No. 90

Rider No. 9 – Day-Ahead Hourly Price Service Fourth Revised Page No. 91
Cancelling Third Revised Page No. 91

Rider No. 9 – Day-Ahead Hourly Price Service Third Revised Page No. 92
Cancelling Second Revised Page No. 92

Rider No. 9 – Day-Ahead Hourly Price Service Fourth Revised Page No. 93
Cancelling Third Revised Page No. 93

Rider No. 9 – Day-Ahead Hourly Price Service First Revised Page No. 93A
Cancelling Original Page No. 93A

Rider No. 9 – Day-Ahead Hourly Price Service has been revised to reflect the change to a Request for Proposal (“RFP”) process for hourly price service.

LIST OF MODIFICATIONS MADE BY THIS TARIFFCHANGES – (Continued)

Rider No. 9 – Day-Ahead Hourly Price Service Fourth Revised Page No. 91
Cancelling Third Revised Page No. 91

A “Fixed Retail Administrative Charge” (“FRA”) has been added to Rider No. 9 – Day-Ahead Hourly Price Service. The FRA will consist of the sum of administrative charges for the suppliers providing hourly price service, as determined by the RFP process, and for the Company to obtain supply and administer the service.

The “Renewable Energy” section has been removed to reflect the change to an RFP process for hourly price service.

Rider No. 9 – Day-Ahead Hourly Price Service Fourth Revised Page No. 91
Cancelling Third Revised Page No. 91

Language has been provided in the “Fixed Retail Administrative Charge” (“FRA”) to state that any unbundled costs of preparing the Company’s default service plan filing and working capital costs associated with default service supply will also be recovered through the FRA, when applicable.

Rider No. 9 – Day-Ahead Hourly Price Service Third Revised Page No. 92
Cancelling Second Revised Page No. 92

A “Procurement Process” section and “Contingency Plan” section have been added to Rider No. 9 – Day-Ahead Hourly Price Service to reflect the change to an RFP process for hourly price service. These two sections describe the Company’s process for obtaining day-ahead hourly price service under this rider.

Rider No. 9 – Day-Ahead Hourly Price Service Fourth Revised Page No. 93
Cancelling Third Revised Page No. 93

An “Annual Reconciliation” section has been added to Rider No. 9 – Day-Ahead Hourly Price Service to reflect the change to an RFP process for hourly price service. This section describes the Company’s process for reconciling revenues, expenses and resulting over and under recovery for obtaining day-ahead hourly price service under this rider.

Rider No. 9 – Day-Ahead Hourly Price Service First Revised Page No. 93A
Cancelling Original Page No. 93A

The “Day-Ahead Scheduling Guidelines” section has been removed to reflect the change to an RFP process for hourly price service.

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STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

Default Service Supply (“DSS”) provides residential, commercial, industrial and lighting customers on the applicable rate schedules with a default service supply rate that is determined based on a request for proposal to acquire the energy to serve the load of customers taking service under the provisions of this Rider. Commercial and industrial customers are defined in Rate Schedules GS/GM and GMH, and, in general, are those customers with a monthly metered demand that is less than 300 kW in a twelve (12) month period.

DEFAULT SERVICE SUPPLY RATE

Residential

(C)

(Rate Schedules RS, RH and RA)

Application Period	Supply Charge - ¢/kWh
June 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through May 31, 2018	X.XXXX
June 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through May 31, 2019	X.XXXX
June 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through May 31, 2020	X.XXXX
June 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through May 31, 2021	X.XXXX

Small Commercial and Industrial customers with monthly metered demand less than 25 kW.

(C)

(Rate Schedules GS/GM and GMH and Rate Schedule UMS)

Application Period	Supply Charge - ¢/kWh
June 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through May 31, 2018	X.XXXX
June 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through May 31, 2019	X.XXXX
June 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through May 31, 2020	X.XXXX
June 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through May 31, 2021	X.XXXX

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

DEFAULT SERVICE SUPPLY RATE – (Continued)

Medium Commercial and Industrial customers with monthly metered demand
 equal to or greater than 25 kW and less than 300 kW.

(Rate Schedules GS/GM and GMH)

Application Period	Supply Charge - ¢/kWh
June 1, 2017 through August 31, 2017	X.XXXX
September 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through February 29, 2018	X.XXXX
March 1, 2018 through May 31, 2018	X.XXXX
June 1, 2018 through August 31, 2018	X.XXXX
September 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through February 28, 2019	X.XXXX
March 1, 2019 through May 31, 2019	X.XXXX
June 1, 2019 through August 31, 2019	X.XXXX
September 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through February 29, 2020	X.XXXX
March 1, 2020 through May 31, 2020	X.XXXX
June 1, 2020 through August 31, 2020	X.XXXX
September 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through February 28, 2021	X.XXXX
March 1, 2021 through May 31, 2021	X.XXXX

Lighting

(Rate Schedules AL and SE)

Application Period	Supply Charge - ¢/kWh
June 1, 2017 through November 30, 2017	X.XXXX
December 1, 2017 through May 31, 2018	X.XXXX
June 1, 2018 through November 30, 2018	X.XXXX
December 1, 2018 through May 31, 2019	X.XXXX
June 1, 2019 through November 30, 2019	X.XXXX
December 1, 2019 through May 31, 2020	X.XXXX
June 1, 2020 through November 30, 2020	X.XXXX
December 1, 2020 through May 31, 2021	X.XXXX

(C) – Indicates Change

ISSUED: XXXXX XX, 2017EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)**DEFAULT SERVICE SUPPLY RATE – (Continued)****Lighting****(Rate Schedules SM, SH and PAL)****Lamp wattage as available on applicable rate schedule.**June 1, 2017 through May 31, 2018 and June 1, 2018 through May 31, 2019

Wattage	Nominal kWh Energy Usage per Unit per Month	Application Period			
		<u>06/01/2017 through 11/30/2017</u>	<u>12/01/2017 through 05/31/2018</u>	<u>06/01/2018 through 11/30/2018</u>	<u>12/01/2018 through 05/31/2019</u>
Supply Charge ¢ per kWh		<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XXXX</u>
Fixture Charge — \$ per Month					
Mercury Vapor					
100	44	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
175	74	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
250	102	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
400	161	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
1000	386	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
High Pressure Sodium					
70	29	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
100	50	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
150	71	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
200	95	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
250	110	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
400	170	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
1000	387	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
Flood Lighting - Unmetered					
70	29	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
100	46	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
150	67	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
250	100	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
400	155	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
Light-Emitting Diode (LED)					
43	15	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
106	37	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>

(C) – Indicates ChangeISSUED: XXXXX XX, 2017EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

(C)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)DEFAULT SERVICE SUPPLY RATE – (Continued)Lighting— (Continued) —(Rate Schedules SM, SH and PAL)Lamp wattage as available on applicable rate schedule.June 1, 2019 through May 31, 2020 and June 1, 2020 through May 31, 2021

Wattage	Nominal kWh Energy Usage per Unit per Month	Application Period			
		<u>06/01/2019 through 11/30/2019</u>	<u>12/01/2019 through 05/31/2020</u>	<u>06/01/2020 through 11/30/2020</u>	<u>12/01/2020 through 05/31/2021</u>
Supply Charge ¢ per kWh		<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XXXX</u>
Fixture Charge — \$ per Month					
Mercury Vapor					
100	44	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
175	74	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
250	102	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
400	161	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
1000	386	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
High Pressure Sodium					
70	29	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
100	50	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
150	71	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
200	95	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
250	110	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
400	170	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
1000	387	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
Flood Lighting - Unmetered					
70	29	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
100	46	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
150	67	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
250	100	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
400	155	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
Light-Emitting Diode (LED)					
43	15	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>
106	37	<u>X.XXXX</u>	<u>X.XXXX</u>	<u>X.XX</u>	<u>X.XX</u>

(C) – Indicates ChangeISSUED: XXXXX XX, 2017EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

DEFAULT SERVICE SUPPLY RATE – (Continued)

The Company will provide default service supply under this Rider by obtaining the requirements from suppliers through competitive procurements using a Request for Proposal (“RFP”) process. The charges for DSS calculated based on the results of the RFP process for service under this Rider will be effective as defined above.

DSS obtained through the RFP process includes energy, capacity, transmission and distribution line losses, congestion and congestion management costs, all or some of the Alternative Energy Credits (“AECs”), ancillary services, PJM grid management charges and other such services or products that are required to provide default service to the Company’s customers including Auction Revenue Rights and Financial Transmission Rights (“ARRs/FTRs”). The Company may purchase and provide up to 20 MW of its AEC solar requirements associated with the default service load for the residential and lighting procurement group. The AECs provided by the Company will reduce the obligation of the suppliers in the RFP. DSS shall not include transmission service within Duquesne’s zone. Duquesne will be responsible for and continue to provide network integration transmission service. The applicable charges for transmission service are defined in Appendix A of this Tariff. (C)

Service under this Rider No. 8 – Default Service Supply shall commence in accordance with the switching protocols in Rule No. 45.1. (C)

PROCUREMENT PROCESS

The Company will conduct separate RFP solicitations for DSS for each customer procurement group under this Rider. The customer procurement groups for the RFP solicitations are defined as residential and lighting, small commercial and industrial and medium commercial and industrial. The small commercial and industrial group includes those customers with monthly metered demand less than 25 kW. The medium commercial and industrial group includes those customers with monthly metered demand equal to or greater than 25 kW and less than 300 kW. The RFP process will be bid separately to ensure that there is no cross subsidization.

The Company will update the rates for the DSS according to the schedule in the above tables. The Company will issue RFPs prior to the beginning of each Application Period to update the default service supply rates. The updated rates will be based on the new price(s) available from the winning suppliers through the RFP process and the cost for Company solar contracts, if any, for the residential and lighting procurement group. The rates will include a reconciliation adjustment as described in the “Calculation of Rate” section of this Rider. In the month prior to the beginning of each Application Period, the Company will file new DSS charges with the Pennsylvania Public Utility Commission (“Commission”) for the subsequent Application Period, and, upon Commission approval, these charges shall become effective on the first day of the following month. (C)

The load of the customer procurement group for the RFP will be divided into Tranches. Winning suppliers will provide DSS for the percentage of DSS load corresponding to the number of Tranches won in the RFP. Duquesne seeks to procure all Tranches in the RFP process pursuant to the RFP schedule approved by the Commission.

The selection of bids will be submitted to the Commission for its approval or rejection within one business day after submittal. If the bids are not acted on by the Commission within one business day, the Company may proceed on the basis that they are approved and award the bids pursuant to 52 Pa. Code § 54.188(d).

(C) – Indicates Change

ISSUED: XXXXX XX, 2017

EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

CONTINGENCY PLAN

In the event Duquesne receives bids for less than all Tranches or the Commission does not approve all or some of the submitted bids or in the event of supplier default, then Duquesne will provide the balance of the default supply for commercial and industrial customers through purchases in the PJM spot markets until such time that a different contingency plan is approved by the Commission. Duquesne will submit to the Commission within fifteen (15) days after any such occurrence an emergency plan to handle any default service shortfall. All costs associated with implementing the contingency plan will be included as part of the DSS described in the section below, "Calculation of Rate."

CALCULATION OF RATE

DSS rates shall be determined based on the formula described in this section. The DSS shall be filed with the Commission no less than sixty (60) days prior to the start of the next Application Period as defined under the Default Service Supply Rate section of this Rider. Rates are reconciled on a semi-annual basis in accordance with the Default Service Supply Rate section of this Rider. The rates shall include an adjustment to reconcile revenue and expense for each Application Period. The DSS shall be determined to the nearest one-thousandth of one (1) mill per kilowatt-hour in accordance with the formula set forth below and shall be applied to all kilowatt-hours billed for default service provided during the billing month:

$$DSS = [(RFP + \underline{SLR} + (DSS_a + E))/S] * F] * [1/(1 - T)] \quad (C)$$

Where:

DSS = Default Service Supply rate, converted to cents per kilowatt-hour, to be applied to each kilowatt-hour supplied to customers taking default service from the Company under this Rider.

RFP = The weighted average of the winning bids received in a competitive request for proposal for each customer class identified above and described in the "Default Service Supply Rate" section and adjusted for customer class transmission and distribution line losses. The request for proposal shall be conducted as described in "Procurement Process."

DSSa = The total estimated direct and indirect costs incurred by the Company to acquire DSS from any source on behalf of customers described above in the "Procurement Process." The Application Period shall be for each period over which the DSS, as computed, will apply. Projections of the Company's costs to acquire default supply for the Application Period shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated default service supply-related procurement and administration costs. Company costs may also include the expenses to support time-of-use ("TOU") programs offered by EGSs. Time-of-use expenses will be assigned to the applicable customer class for recovery through this Rider. Default service supply-related costs shall include the cost of preparing the company's default service plan filing and working capital costs associated with default service supply. The Company will recover these costs over the default service plan period as defined in the Commission's order at Docket No. P-2016-XXXXXX. (C)

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

CALCULATION OF RATE – (Continued)

- SLR = The costs associated with any Commission-approved solar contracts and its administration will be recovered from residential and lighting customers. The proceeds of any solar energy, capacity, ancillary services and solar AECs that are acquired and in excess of those allocated to default service suppliers, and sold into the market, will be netted against solar contract costs. (C)

- E = Experienced net over or under collection for each customer procurement group based on the revenue and expense for the six (6) month period ending one-hundred twenty (120) days prior to the end of Application Period. The DSS rate effective June 1, ~~2015~~, shall include reconciliation of revenue and expense for the six (6) month period October ~~2014~~ through March ~~2015~~. The DSS rate effective December 1, ~~2015~~, shall include reconciliation of revenue and expense for the ~~four (4)~~ six (6) month period April ~~2015~~ through July ~~2015~~. ~~Thereafter, the DSS rate effective June 1 shall include reconciliation of revenue and expense for the six (6) month period August through January and the DSS rate effective December 1 shall include reconciliation of revenue and expense for the six (6) month period February through July.~~ Interest shall be computed monthly at the rate provided for in Section 52 Pa. Code §~~4.187(g)~~190, from the month the over or under collection occurs to the month in which the over collection is refunded or the under collection is recouped. (C)

- S = The Company's default service retail kWh sales to customers in the applicable Customer Class, projected for the Application Period.

- F = Rate Factor only for the residential and lighting customer groups. The Rate Factor shall be 1.0 for all other customer groups. DSS for residential and lighting customer groups will be obtained in the same RFP. The Rate Factor adjustment reflects the load shape of the residential and lighting classes. The Rate Factor will be as follows for each Application Period.

Application Period	Residential	Lighting
<u>June 1, 2017 through May 31, 2018</u>	<u>1.00750053</u>	<u>0.61366150</u>
<u>June 1, 2018 through May 31, 2021</u>	<u>1.00520055</u>	<u>0.73276009</u>
June 1, 2016 through November 30, 2016	1.0052	0.7327
December 1, 2016 through May 31, 2017	1.0052	0.7327

(D)(I)
(I)(D)
(C)
(C)

- T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

The rate shall become effective for default supply service rendered on and after the beginning of the Application Period unless otherwise ordered by the Commission, and shall remain in effect for the effective periods defined above, unless revised on an interim basis subject to the approval of the Commission. Pursuant to 52 Pa. Code §9.1809(c), upon determination that the DSS, if left unchanged, would result in a material over or undercollection of supply-related costs incurred or expected to be incurred during the effective period, the Company may file with the Commission for an interim revision of the DSS to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 8 – DEFAULT SERVICE SUPPLY – (Continued)

(Applicable to Rate Schedules RS, RH, RA, GS/GM, GMH, AL, SE, SM, SH, UMS and PAL)

ANNUAL RECONCILIATION

~~The Company will file with the Commission a reconciliation statement of the revenues, expenses and resulting over and under recovery for the ten (10) months beginning April 1, 2015, and ending January 31, 2016, in accordance with 66 Pa. C.S. § 1307(e), by March 1, 2016. Thereafter, t~~ (C) The Company will file with the Commission an annual reconciliation statement of the revenues, expenses and resulting over and under recovery for the twelve (12) months beginning February 1 and ending January 31 of the following year, in accordance with 66 Pa. C.S. § 1307(e), by March 1 for each service class. An annual reconciliation statement shall be prepared separately for the Residential, Small Commercial & Industrial and Medium Commercial & Industrial customer classes.

MISCELLANEOUS

Minimum bills shall not be reduced by reason of the DSS. DSS charges shall not be a part of the monthly rate schedule minimum nor be subject to any credits or discounts.

Application of the DSS shall be subject to continuous review and audit by the Commission at intervals it shall determine.

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

Day-ahead hourly price service provides large commercial and industrial customers with the ability to purchase their electric supply requirements on a day-ahead hourly basis. Beginning ~~January 1, 2008~~ June 1, 2017, the Company will supply electricity under this rider by obtaining the requirements based on a request for proposal ("RFP") ~~through the PJM market and passing through all such costs to the customer to provide this service~~. This rider is also available for the supply of electricity to generating stations that are not otherwise self-supplying and where the generating station is not otherwise receiving service from an EGS. Metering equipment must be installed at the generating station at the expense of the customer.

(C)
(C)
(C)

MONTHLY CHARGES

Energy charges are hourly and provided at the day-ahead ~~and real-time~~ PJM locational marginal prices ("LMP") based on the customer's ~~day-ahead scheduled load and the customer's~~ real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, plus a fixed retail margin administrative charge. PJM posts the day-ahead locational marginal price on their web site at 4:00 PM EPT. ~~Balancing operating reserve charges will be assigned to each customer based on their pro-rata share of the net system deviation from the day-ahead forecast.~~ Capacity charges are equal to the full PJM Reliability Pricing Model ("RPM") capacity price for the Duquesne Zone, and shall recover the charges associated with the customer's share of the Company's capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. Energy and capacity charges will be calculated using the following formula and adjusted for the Pennsylvania Gross Receipts Tax (GRT) in effect.

(C)
(C)
(C)
(C)
(C)

End Hour

$$\sum [L_{DAF} - L_{RTI}] * (1 + ADJ_i) * (LMP_{DAI} + OR_{DAI}) +$$

(C)

t= Start Hour

End Hour

$$\sum [((L_{RTI} - L_{DAF}) * (1 + ADJ_i)) * LMP_{RTI}] +$$

(C)

(C)

(C)

+ Start Hour

End Hour

$$\sum [(((L_{RTI} - L_{DAF}) * (1 + ADJ_i)) * OR_{RTI})] +$$

(C)

(C)

+ Start Hour

End Hour

$$\sum [(L_{RTI} * (1 + ADJ_i)) * (SR_{RTI} + REG_{RTI} + SCN_{RTI} + ~~REN~~ + S1A) + L_{RTI} * (PJM_S + FRA)] +$$

(C)

t= Start Hour

End Day

$$\sum [(CO_D * CChg_D) + NPLC_D * (R_D + B_D)]$$

D= Start Day

(C) – Indicates Change

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

MONTHLY CHARGES – (Continued)

Where:

t = Particular clock hour in the Billing Period from start hour to end hour for energy charges.

D = Particular day in the Billing Period from start day to end day for capacity charges.

Customer Load

~~L_{DA} = Day-Ahead-scheduled hourly load of the customer, measured in MW.~~ (C)

L_{RT} = Actual (Real-Time) metered load of the customer, measured in MW.

ADJ_t = Adjustments to the customer load at the retail meter using the same methodology used to determine the hourly load obligations of a customer served by an EGS pursuant to Duquesne's Supplier Coordination Tariff. The hourly load adjustments shall be the sum of the percentage distribution and transmission (if applicable) losses of the applicable schedule as specified in Duquesne's Supplier Coordination Tariff. The Company will also adjust the customer load for the loss de-rating factor defined by PJM.

Energy Charges

LMP_{DA} = Day-Ahead hourly locational marginal price (LMP) in \$/MWH including energy, congestion and marginal losses for the Duquesne Zone or Duquesne Residual Zone as applicable.

~~LMP_{RT} = Real-time hourly locational marginal price (LMP) in \$/MWH including energy, congestion and marginal losses for the Duquesne Zone or Duquesne Residual Zone as applicable.~~ (C)

PJM Ancillary Service Charges and Other PJM Charges

SR_{RT} = Hourly real-time synchronous reserve charge in \$/MWH as calculated by PJM for supporting the customer's load.

OR_{DA} = Hourly Day-Ahead operating reserve (supplemental) charge in \$/MWH as calculated by PJM for supporting the customer's load.

~~OR_{RT} = Hourly real-time operating reserve (supplemental) charge in \$/MWH as calculated by PJM for supporting the customer's load.~~ (C)

(C) – Indicates Change

ISSUED: XXXXX XX, 2017

EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

MONTHLY CHARGES – (Continued)

PJM Ancillary Service Charges and Other PJM Charges – (Continued)

REG_{RTT} = Hourly real-time regulation charge in \$/MWH as calculated by PJM for supporting the customer's load.

SCN_{RTT} = Real-time Synchronous Condensing Charge in \$/MWH for supporting the customer's load if this charge is billed separately by PJM to the Company.

S1A = PJM Schedule 1A rate in \$/MWH applicable to the Duquesne Zone.

PJM_S = PJM Surcharge is a pass-through of the charges incurred by the Company for grid management and administrative costs associated with membership and operation in PJM. These are the charges incurred by the Company under PJM Schedules 9 and 10 to provide hourly price service.

R_D = Reactive supply service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 2.

B_D = Blackstart service charge in \$/MW-day to serve the customer's load as calculated under the PJM Tariff Schedule 6A.

Fixed Retail ~~Margin~~ Administrative Charge

(C)

FRA = ~~The Company's fixed retail adder of \$4.49 per MWH.~~ The Fixed Retail Administrative Charge in \$ per MWH. The Fixed Retail Administrative Charge consists of the sum of administrative charges for the suppliers providing hourly price service (as determined by a competitive solicitation process) and for the Company to obtain supply and administer this service.

(C)

The supplier charges shall be based on the winning bids in the Company's most recent solicitation for supply of hourly price default service.

(C)

The Company's administrative charges shall be based on an amortization of the costs incurred by the Company to acquire generation supply from any source for the Large C&I Customer Class during the most recent twelve-month (12-month) period ended May 31st (as determined by amortizing such costs over a 12-month period) plus the amortization of the cost of administering the hourly price service over the duration of the default service plan, including any unbundled costs of preparing the Company's default service plan filing and working capital costs associated with default service supply.

(C)

Renewable Energy

(C)

~~REN = Pass through of the costs in \$/MWH for the Company to comply with the Pennsylvania Alternative Energy Portfolio Standards (AEPS) Act of 2004 (Act 213).~~

(C)

Customer's Capacity Obligation and Network Service Peak Load

CO_D = Capacity Obligation in MW for each day associated with supporting the customer's load as described in the section "Determination of Capacity Obligation."

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

MONTHLY CHARGES – (Continued)

Customer's Capacity Obligation and Network Service Peak Load – (Continued)

NPLC_D = The customer's daily network service coincident peak load contribution in MW. This quantity is determined based on the customer's load coincident with the annual peak of the Duquesne Zone (single coincident peak) as defined in the PJM Tariff Section 34.1.

Capacity Charges

CChg_D = The demand charge in \$/MW-day, which is equal to the full PJM RPM Final Zonal Capacity Price for the Duquesne Zone.

PJM bills these charges to the Company as a function of the load measured in megawatts (MW) and expresses these charges as \$/MW, \$/MWH and \$/MW-day. The Company measures the customer's load and energy usage in kilowatts (kW) and will convert the above charges to \$/kW, \$/kWh and \$/kW-day for the purposes of computing the customer's monthly bill.

PROCUREMENT PROCESS

(C)

The Company will conduct a competitive request for proposal ("RFP") to obtain day-ahead hourly price service under this rider. The winning bidder(s) will be responsible for providing default service supply at PJM day-ahead energy prices, capacity, ancillary services, and other PJM management charges as defined above. The winning supplier(s) will be the supplier(s) who bids the lowest price(s) in this solicitation in \$/MWH to cover the costs of renewable energy supply, energy balancing, and supplier administrative costs.

(C)

CONTINGENCY PLAN

(C)

In the event Duquesne does not receive bids, the Commission does not approve the submitted bid(s) or a supplier defaults, Duquesne will provide default supply for commercial and industrial customers through purchases in accordance with the above formula and process. The Company will pass-through the costs it incurs to provide the renewable energy requirements, energy balancing and any administrative costs in addition to those costs otherwise recovered through the Fixed Retail Administrative Charge described in the "Monthly Charges" section of this rider. All revenue and expense associated with the contingency plan will be reconciled as described in the "Annual Reconciliation" section of this rider.

(C)

LOCATIONAL MARGINAL PRICE

The "Duquesne Zone" is the PJM-defined area encompassing the franchised service territory of the Duquesne Light Company. The pricing for the Duquesne Zone contains every transmission load bus on the Company's system. PJM will determine the locational marginal price for the Duquesne Zone and an hourly nodal locational marginal price for each load bus. Load Serving Entities (LSEs) and wholesale transmission customers have the option of electing energy settlement at the hourly nodal prices.

The "Duquesne Residual Zone" is the pricing zone determined by PJM in the event that LSEs or other wholesale transmission customers in the Duquesne Zone elect settlement based on nodal locational marginal energy prices. In such event the Duquesne Zone locational marginal price will be replaced by the Duquesne Residual Zone locational marginal price and:

(C) – Indicates Change

ISSUED: XXXXX XX, 2017

EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

LOCATIONAL MARGINAL PRICE – (Continued)

- (i) the pricing for such zone will be calculated by PJM using a load-weighted average of the nodal locational marginal prices of all load buses within the Duquesne Zone, but excluding from such calculation the weighting at the respective nodal prices of the load served by LSE's or other wholesale transmission customers who have elected nodal settlement; and
- (ii) settlement for all LSE's and wholesale transmission customers in the Duquesne Zone that have not elected nodal settlement, will have their load obligations settled on an hourly day-ahead, hourly real-time or other periodic basis at the respective PJM-determined price for the Duquesne Residual Zone for such period.

DETERMINATION OF CAPACITY OBLIGATION

The capacity obligation subject to the Demand Charges in this rider will be the customer's share of the Company's capacity obligation determined by PJM. The Company's capacity obligation will be calculated by PJM based on the Company's peak system load and will be the basis for the capacity obligation for the following planning year.

In determining the customer's share of the capacity obligation, the Company will calculate the customer's peak load contribution. The peak load contribution is based on the customer's load coincident with the peak hour of the five peak days as determined by PJM. The customer load in each of these five hours, adjusted for the Company's transmission and distribution line losses and the customer's share of unaccounted for energy will be averaged to calculate the customer's peak load contribution. Customers may participate as a Demand Resource or as an Interruptible Load Resource ("ILR") under RPM in PJM. Any and all charges or credits associated with the customer's participation as an ILR will be applied to the customer's bill.

NOTIFICATION AND ELECTION OF SERVICE

Customers may elect to purchase their supply requirements through this rider at any time according to the requirements of Rule No. 45. Customers that do not elect service with an EGS will default to hourly price service under this rider.

ANNUAL RECONCILIATION

(C)

The Company will file with the Commission a reconciliation statement of the revenues, expenses and resulting over and under recovery for the eight (8) months beginning June 1, 2017, and ending January 31, 2018, in accordance with 66 Pa. C.S. § 1307(e), by March 1, 2018. Thereafter, the Company will file with the Commission an annual reconciliation statement of the revenues, expenses and resulting over and under recovery for the twelve (12) months beginning February 1 and ending January 31 of the following year, in accordance with 66 Pa. C.S. § 1307(e), by March 1. The reconciliation statement will reconcile actual revenue and actual expense associated with the Company's portion of the FRA.

(C)

(C) – Indicates Change

ISSUED: XXXXX XX, 2017

EFFECTIVE: JUNE 1, 2017

STANDARD CONTRACT RIDERS - (Continued)

RIDER NO. 9 – DAY-AHEAD HOURLY PRICE SERVICE – (Continued)

(Applicable to Rates GL, GLH, L and HVPS and Generating Station Service)

DAY-AHEAD SCHEDULING GUIDELINES

(C)

~~The Company will provide an hourly load forecast (with losses) on the DLC customer choice web site for each customer taking service under this rider by 8:00 AM EPT each PJM business day. The customer may update the Company forecast prior to 10:00 AM EPT. The forecast at 10:00 AM EPT will be considered the final forecast values in the day ahead demand bid and will be binding upon the customer. The Company will aggregate all of the final customer forecasts, de-rate per the mean PJM EDC loss de-ration factor, and submit this aggregated day ahead demand bid prior to 12 PM EPT PJM business day ahead. The Company will review the forecasted loads provided by the customer to ensure they are reasonable so as to not affect charges that may be allocated to other participating customers.~~

(C)

~~All load submitted as part of the day ahead demand bid for each customer will be billed to the customer at the day ahead LMP. PJM will calculate the balancing charges based on the difference between the day ahead demand bid and actual load. The customer will receive a charge or credit at the real time LMP if the actual load is greater than or less than the demand bid, respectively. PJM balancing operating reserve charges will be assigned to each customer on this rider based on their pro rata share of the net system deviation from their portion of the day ahead demand bid.~~

(C)

~~The Company will apply the procedures for load forecasting, day after load estimates and supply schedules, and reconciliation as defined in the Company's Electric Generation Supplier Coordination, Rules 6, 7 and 8, respectively.~~

(C)

GENERAL

The Supply Charges are intended to recover the market costs of providing Default Service to customers in PJM as these costs may change or be redefined from time to time. The Supply Charges shall be calculated using the formula and prices referenced above, but may be revised from time to time, as necessary, to reflect changes in PJM rules and charges. The Company is required to include renewable energy sources as a component of providing POLR service. The Company will pass-through the charges required to comply with the Alternative Energy Portfolio Standards (AEPS) as those compliance requirements change. The formula is illustrative to reflect the charges in the PJM tariff and is subject to change at any time, as PJM rules, charges or market parameters change.

(C) – Indicates Change

ISSUED: XXXXX XX, 2017

EFFECTIVE: JUNE 1, 2017

EXHIBIT NO. DBO-6

SUPPLEMENT NO. XX
TO ELECTRIC – PA. P.U.C. NO. 3S

DUQUESNE LIGHT COMPANY

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued By

DUQUESNE LIGHT COMPANY
411 Seventh Avenue
Pittsburgh, PA 15219

Richard Riazzi
President and Chief Executive Officer

Issued: Xxxxx xx, 2017

Effective: June 1, 2017

Issued pursuant to the Commission's Order
entered Xxxxx xx, 2017, at Docket No. P-2016-XXXXXXX

NOTICE

**THIS TARIFF SUPPLEMENT REMOVES LANGUAGE IN AN EXISTING RULE
AND IN AN EXISTING RIDER.**

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

Rules and Regulations

12. Payment and Billing

12.1.3 Purchase of EGS Receivables (POR) Program

12.1.7.4 Other Payment Provisions

Fifth Revised Page No. 30B

Cancelling Fourth Revised Page No. 30B

Language has been revised to more clearly state that in Rule No. 12.1.7.4 Other Payment Provisions certain terms apply to consolidated EDC rate ready billing only.

Rider - Standard Offer Program Cost Recovery

Third Revised Page No. 42B

Cancelling Second Revised Page No. 42B

Language has been removed in the "Background" and "Customer Acquisition Fee" sections.

RULES AND REGULATIONS - (Continued)

12. PAYMENT AND BILLING – (Continued)

12.1.7 PURCHASE OF EGS RECEIVABLES (POR) PROGRAM – (Continued)

12.1.7.2.2 PURCHASE PRICE DISCOUNT ADJUSTMENT FOR INDIVIDUAL EGS Duquesne will monitor individual EGS uncollectible percentage rates (measured as any unpaid amounts sixty (60) days or older divided by that EGS's total annual consolidated billings), to determine whether any individual EGS is engaging in Unusual Business Behavior that results in an increase to the total uncollectible percentage rate for the Duquesne System. If, based on this monitoring, Duquesne finds that an individual EGS's uncollectible percentage rate exceeds 5%, then Duquesne, at its discretion, may increase the discount rate for that individual EGS's accounts to reflect the increased costs associated with the EGS's uncollectible accounts by the difference between the EGS's uncollectible percentage rate and two percent (2%). For purposes of this calculation, Duquesne shall rely on the most recent twelve (12) month period (or shorter if the EGS is new to the POR program) to calculate the EGS's uncollectible percentage rate. Duquesne, in its discretion, may opt to waive the imposition of the additional discount if the increase in the uncollectible rate results primarily from providing service to previously poor paying customers currently on default service and the individual EGS is able to provide a reasonable explanation for the significant increase in its uncollectible rate is not the result of a particular price offering, marketing strategy or other actions of the individual EGS. If, however, Duquesne determines that an additional discount is appropriate, the EGS may challenge that determination pursuant to the dispute resolution procedures discussed below. Should the result of those procedures uphold the EGS's position, Duquesne will refund to the EGS the additional discount withheld from their receivables. In the course of the dispute resolution, the EGS may be called upon to provide customer payment history for the customers it serves, commodity pricing, and other such information deemed appropriate, subject to confidentiality agreement. The discount will be lowered to the level applicable to other EGSs when and if the particular EGS's uncollectible percentage rate decreases to a level of two percent (2%) or below over a twelve (12) month period. If the particular EGS stops providing service to a customer under the POR program, the EGS must pay to Duquesne an amount equal to the increase to the discount multiplied by that customer's prior year's billings, to the extent that such amount has not already been paid on the date the EGS stops providing service to that customer.

12.1.7.3 TIMING OF PAYMENTS Payments to EGSs will occur electronically; thirty-five (35) days after consolidated bills are issued, and will continue throughout the billing cycle. If the thirty-fifth (35th) day falls on a weekend, Duquesne Light holiday or bank holiday, payments will occur on the next business day.

12.1.7.4 OTHER PAYMENT PROVISIONS If the EGS customer is on consolidated rate ready billing or consolidated rate ready billing and Duquesne's budget payment plan, Duquesne shall purchase the actual amount owed each month by the customer and payments to EGSs shall be made based on the actual amount owed. If the EGS customer is on consolidated bill ready billing or consolidated bill ready billing and Duquesne's budget payment plan, Duquesne shall purchase the amount sent in the bill ready 810 and payments to EGSs shall be made based on the amount in the bill ready 810. Duquesne shall also purchase accounts receivable of EGS's customers based upon an estimated bill. Duquesne shall add to or deduct from any payments due to EGSs amounts that may result from reconciliations, estimated readings, cancel and re-bills, or any applicable billing adjustment. Notwithstanding the foregoing, Duquesne shall only be obligated to purchase the monthly budget amount and remit to the EGS any adjusted budget billing amount until Duquesne implements any necessary changes to its billing system to allow for the payment of the actual amount owed by the customer.

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12.1.7.5 TRANSFER OF COLLECTION RESPONSIBILITIES AND RIGHTS Under the POR program, Duquesne is entitled to receive and retain all payments from customers. Duquesne is authorized to conduct collection activities and, if necessary, terminate its delivery service and EGS commodity service to customers whose accounts receivables were purchased and who fail to make payment of amounts due on the consolidated bill, including the amount of the purchased EGS receivables. Any such termination of service shall be in accordance with the

(C) – Indicates Change

STANDARD OFFER PROGRAM COST RECOVERY

BACKGROUND

In compliance with Commission Order dated July 16, 2013, at Docket No. P-2012-2301664, the Company implemented a Standard Offer Program ("SOP"). Under the SOP, EGSs can submit applications agreeing to become SOP Suppliers and provide a Standard Offer that is a fixed price product seven percent (7%) lower than Duquesne Light's Price to Compare ("PTC"), in effect at the time of the offer, for a twelve month (12-month) period. Complete SOP rules and documentation may be found at <http://supplier.customer-choice.com>.

(C)

SUPPLIER CHARGES

As approved by the Commission in the proceeding at Docket No. P-2012-2301664, the Company will charge each SOP Supplier a Customer Acquisition Fee that will be applied to the number of EDI transactions submitted by the SOP Supplier to Duquesne Light.

CUSTOMER ACQUISITION FEE

The Customer Acquisition Fee for each EDI transaction submitted will be \$10.28.

(C)

BILLING AND PAYMENT

The Company will bill the participating SOP Suppliers on a monthly basis. All charges are due and payable within 30 days. There are two methods of payment:

A check made payable to Duquesne Light Company and mailed to:

Duquesne Light Company
Attn: Supplier Service Center
411 Seventh Avenue (MD: 6-1)
Pittsburgh, PA 15219

or through a wire/ACH transfer to:

Bank Name: Mellon Bank, Pittsburgh
ABA: 043000261
Account No: 000-8061
Acct Name: Duquesne Light Company

If a SOP Supplier fails to make the required payment, Duquesne Light may reduce the amount due to that SOP Supplier from that SOP Supplier's next Purchase of Receivable ("POR") payment by the SOP amount due (but not from amounts that are subject to a bona fide POR payment dispute).

(C) – Indicates Change

EXHIBIT NO. DBO-7

SUPPLEMENT NO. XX
TO ELECTRIC – PA. P.U.C. NO. 3S

DUQUESNE LIGHT COMPANY

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued By

DUQUESNE LIGHT COMPANY

411 Seventh Avenue
Pittsburgh, PA 15219

Richard Riazzi

President and Chief Executive Officer

Issued: Xxxxx xx, 2017

Effective: June 1, 2017

Issued pursuant to the Commission's Order
entered Xxxxx xx, 2017, at Docket No. P-2016-XXXXXXX

NOTICE

**THIS TARIFF SUPPLEMENT REMOVES LANGUAGE IN AN EXISTING RULE
AND IN AN EXISTING RIDER.**

See Page Two

LIST OF MODIFICATIONS MADE BY THIS TARIFF

CHANGES

Rules and Regulations Fifth Revised Page No. 30B

12. Payment and Billing Cancelling Fourth Revised Page No. 30B

12.1.3 Purchase of EGS Receivables (POR) Program

12.1.7.4 Other Payment Provisions

Language has been revised to more clearly state that in Rule No. 12.1.7.4 Other Payment Provisions certain terms apply to consolidated EDC rate ready billing only.

Rider - Standard Offer Program Cost Recovery Third Revised Page No. 42B

Cancelling Second Revised Page No. 42B

Language has been removed in the "Background" and "Customer Acquisition Fee" sections.

RULES AND REGULATIONS - (Continued)

12. PAYMENT AND BILLING – (Continued)

12.1.7 PURCHASE OF EGS RECEIVABLES (POR) PROGRAM – (Continued)

12.1.7.2.2 PURCHASE PRICE DISCOUNT ADJUSTMENT FOR INDIVIDUAL EGS Duquesne will monitor individual EGS uncollectible percentage rates (measured as any unpaid amounts sixty (60) days or older divided by that EGS's total annual consolidated billings), to determine whether any individual EGS is engaging in Unusual Business Behavior that results in an increase to the total uncollectible percentage rate for the Duquesne System. If, based on this monitoring, Duquesne finds that an individual EGS's uncollectible percentage rate exceeds 5%, then Duquesne, at its discretion, may increase the discount rate for that individual EGS's accounts to reflect the increased costs associated with the EGS's uncollectible accounts by the difference between the EGS's uncollectible percentage rate and two percent (2%). For purposes of this calculation, Duquesne shall rely on the most recent twelve (12) month period (or shorter if the EGS is new to the POR program) to calculate the EGS's uncollectible percentage rate. Duquesne, in its discretion, may opt to waive the imposition of the additional discount if the increase in the uncollectible rate results primarily from providing service to previously poor paying customers currently on default service and the individual EGS is able to provide a reasonable explanation for the significant increase in its uncollectible rate is not the result of a particular price offering, marketing strategy or other actions of the individual EGS. If, however, Duquesne determines that an additional discount is appropriate, the EGS may challenge that determination pursuant to the dispute resolution procedures discussed below. Should the result of those procedures uphold the EGS's position, Duquesne will refund to the EGS the additional discount withheld from their receivables. In the course of the dispute resolution, the EGS may be called upon to provide customer payment history for the customers it serves, commodity pricing, and other such information deemed appropriate, subject to confidentiality agreement. The discount will be lowered to the level applicable to other EGSs when and if the particular EGS's uncollectible percentage rate decreases to a level of two percent (2%) or below over a twelve (12) month period. If the particular EGS stops providing service to a customer under the POR program, the EGS must pay to Duquesne an amount equal to the increase to the discount multiplied by that customer's prior year's billings, to the extent that such amount has not already been paid on the date the EGS stops providing service to that customer.

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STANDARD OFFER PROGRAM COST RECOVERY

BACKGROUND

In compliance with Commission Order dated July 16, 2013, at Docket No. P-2012-2301664, the Company implemented a Standard Offer Program ("SOP"). Under the SOP, EGSs can submit applications agreeing to become SOP Suppliers and provide a Standard Offer that is a fixed price product seven percent (7%) lower than Duquesne Light's Price to Compare ("PTC"), in effect at the time of the offer, for a twelve month (12-month) period. ~~Pursuant to the Commission's Secretarial Letter dated February 12, 2016, at Docket No. P-2014-2418242, Duquesne Light is continuing its SOP, as further provided therein, through May 31, 2017.~~ Complete SOP rules and documentation may be found at <http://supplier.customer-choice.com>.

(C)

SUPPLIER CHARGES

As approved by the Commission in the proceeding at Docket No. P-2012-2301664, the Company will charge each SOP Supplier a Customer Acquisition Fee that will be applied to the number of EDI transactions submitted by the SOP Supplier to Duquesne Light.

CUSTOMER ACQUISITION FEE

The Customer Acquisition Fee for each EDI transaction submitted ~~through May 31, 2017,~~ will be \$10.28.

(C)

BILLING AND PAYMENT

The Company will bill the participating SOP Suppliers on a monthly basis. All charges are due and payable within 30 days. There are two methods of payment:

A check made payable to Duquesne Light Company and mailed to:

Duquesne Light Company
Attn: Supplier Service Center
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Pittsburgh, PA 15219

or through a wire/ACH transfer to:

Bank Name: Mellon Bank, Pittsburgh
ABA: 043000261
Account No: 000-8061
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If a SOP Supplier fails to make the required payment, Duquesne Light may reduce the amount due to that SOP Supplier from that SOP Supplier's next Purchase of Receivable ("POR") payment by the SOP amount due (but not from amounts that are subject to a bona fide POR payment dispute).

(C) – Indicates Change

DUQUESNE LIGHT STATEMENT NO. 5

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition Of Duquesne Light Company :
For Approval Of Default Service Plan : **Docket No. P-2016-_____**
For The Period June 1, 2017 Through :
May 31, 2021 :

**DIRECT TESTIMONY OF
MARCIE MORRISON**

Dated: May 2, 2016

1 **I. INTRODUCTION**

2 **Q. Please state your full name, business affiliation and address.**

3 A. My name is Marcie Morrison. I am the Interim Director of Customer Engagement for
4 Duquesne Light Company ("Duquesne Light" or the "Company"). My business address
5 is 411 Seventh Avenue MD 15-1, Pittsburgh, PA 15219.

6
7 **Q. Please describe your professional and educational background.**

8 A. I graduated from LaRoche College with a Bachelor of Science degree in Management
9 and Administration, Minor in Customer Information Systems. I have experience in
10 Utility Management (Process Improvement, IT, Quality Assurance, Call Center, Billing,
11 and Project Management). Prior to joining Duquesne Light, I had more than 15 years of
12 experience in the utility industry working for Equitable Gas and Peoples Natural Gas
13 Companies. I have previously held positions of Senior Lead Application Analyst,
14 Manager, Process Improvement, Quality Assurance Technical Project Manager and
15 Senior Systems Analyst.

16
17 **Q. Please describe your current responsibilities as Interim Director of Customer
18 Engagement.**

19 A. My overall responsibilities are to develop and establish policies, procedures and
20 programs for providing customer service to the Company's 588,000 customers. As
21 Interim Director of Customer Engagement, I am responsible for the relationships with
22 residential, commercial and industrial customers. Customer programs such as

1 Energy Efficiency and Demand Response are also included as part of my Customer
2 Engagement responsibilities.

3
4 **Q. What is the purpose of your Direct Testimony?**

5 A. The purpose of my testimony is threefold. First, I describe the Company's Customer
6 Choice Communication Program. Next, I provide an overview of the Company's
7 Standard Offer Customer Referral Program, and finally, I provide an overview of the
8 Company's proposal for Customer Assistance Program ("CAP") portability.

9
10 **Q. Are you sponsoring any exhibits as part of your Direct Testimony?**

11 A. Yes, I am sponsoring two exhibits:

- 12 • Exhibit MM – 1 is a copy of the customer choice section of the new Mover Packet
- 13 • Exhibit MM – 2 is a copy of the "Take Charge of Your Electric Bill" PUC
14 Publication.

15
16 **Q. Were these exhibits all prepared by you or under your supervision?**

17 A. Yes, all of the above referenced exhibits were prepared by me or under my supervision.
18

19 **II. CUSTOMER CHOICE COMMUNICATION PROGRAM**

20 **Q. Can you please provide an overview of how the Company educates customers about
21 shopping?**

22 A. Yes. As part of its eighth default service plan ("DSP VIII" or "Plan") covering the
23 June 1, 2017 through May 31, 2021 period, Duquesne Light plans to promote electric

1 choice to customers in its service territory utilizing the following communication
2 avenues:

- 3 • Online, via its website
- 4 • “New Mover Packet”
- 5 • Interactive voice response (IVR) phone system, and
- 6 • Watt Choices staffed events.

7
8 **Q. Describe how Duquesne Light educates customers about shopping on its website?**

9 A. Duquesne Light promotes electric choice on its website, www.DuquesneLight.com, in a
10 number of ways. Customers can access a wide range of electric choice information,
11 including several direct links to www.PAPowerSwitch.com, currently located under the
12 Customer Service tab located on the “For Your Home” page. Duquesne Light is
13 launching a new website, and the electric choice information will be found under the
14 Customer Service tab located on the home page. Here, customers can learn about electric
15 choice, how to participate, Price-to-Compare (“PTC”) information, selecting a supplier,
16 accelerated switching, and view frequently asked questions (“FAQs”). The FAQs cover
17 topics such as supplier information, PTC, changing suppliers, billing information,
18 slamming, restructuring, energy assistance, renewable resources, metering and customer
19 service.

20
21 **Q. Describe how Duquesne Light educates customers about shopping through the new**
22 **mover information packet.**

1 A. In order to advise new customers and a subset of moving customers of their
2 opportunity to participate in customer choice, Duquesne Light promotes shopping
3 via its “New Mover Packet.” This packet contains a variety of useful information
4 for new customers including a section on customer choice. The customer choice
5 section reinforces that electric customers in Pennsylvania have the option to choose
6 their electric supplier and that EGSs may offer lower prices. It refers customers to
7 both the Pennsylvania Public Utility Commission's (“Commission”) website,
8 www.PAPowerSwitch.com, and the Office of Consumer Advocate’s (“OCA”)
9 electric shopping guide at www.oca.state.pa.us. Phone numbers for both the
10 Commission and the OCA are provided. Lastly, it reminds customers that no matter
11 whom they buy their power from, the reliability and quality of their local
12 distribution service will not change. Approximately 50,000 “New Mover Packets”
13 are distributed annually. Exhibit MM - 1 is a copy of the material sent to new
14 customers via the new Mover Packet.

15
16 **Q. Describe how Duquesne Light educates customers about shopping through its IVR
17 phone system.**

18 A. Duquesne Light includes in its IVR system a selection to advise customers of their
19 opportunity to choose a supplier and refers them to www.PAPowerSwitch.com.
20 Residential customers contacting the Company to initiate or move electric service, to
21 discuss choice questions, or to resolve high bill concerns will hear the IVR customer
22 choice referral.

23

1 **Q. Describe how Duquesne Light educates customers about shopping through its Watt**
2 **Choices Energy Efficiency and Conservation Program.**

3 A. Watt Choices is the Company's energy efficiency program. Watt Choices is
4 visible at community events promoting various residential energy efficiency
5 programs. At these events, energy efficiency program material is available for
6 customers to take home. Because of the increase in questions regarding suppliers
7 and customer choice, the Take Charge of Your Electric Bill PA Power Switch
8 brochure is included as take home material at these events. The brochure directs
9 customers to the Commission's website, helping them make an informed decision
10 concerning supplier shopping. Exhibit MM – 2 is a copy of the "Take Charge of
11 Your Electric Bill" PUC Publication included at the Watt Choices table events.

12
13 **Q. Which customers can be reached by the Company's education efforts?**

14 A. Duquesne Light's customer choice communications are available to all
15 customers. Specific communications vary by customer segment. The Company's
16 website is accessible to all customers and the general public. Residential and
17 Commercial & Industrial customers can obtain customer choice information on
18 the "For Your Home" and "For Your Business" sections. The "New Mover
19 Packet" is mailed to new residential customers and existing residential customers
20 who have moved within the service territory after residing in the same address for
21 at least two years. The IVR reaches residential customers who contact Duquesne
22 Light to initiate or move service, discuss customer choice, or resolve a high bill
23 complaint. Watt Choices communications related to customer choice reaches primarily

1 residential customers, including low income customers, who attend events throughout
2 the year.

3
4 **III. STANDARD OFFER CUSTOMER REFERRAL PROGRAM**

5 **Q. Please provide an overview of the Company's current SOP.**

6 A. The Company's current Standard Offer Program ("SOP") targets non-shopping
7 residential and Small C&I customers who contact the Company with four types of calls.
8 Specifically, customers who contact the Company: 1) to initiate or move service, 2) to
9 discuss choice questions, 3) to resolve high bill concerns, or 4) to inquire about the
10 SOP are provided information regarding participation in the Company's SOP. After the
11 customer's specific inquiry has been resolved, Duquesne Light's customer service
12 representative ("CSR") promotes the SOP utilizing an established script. When the
13 customer indicates that he/she is interested in participating in the SOP, he/she is
14 transferred to a participating EGS for program details and enrollment.

15
16 **Q. Why does Duquesne Light's SOP require EGSs to enroll SOP customers?**

17 A. In the DSP VII proceeding, Duquesne Light and the Parties agreed to conduct a
18 collaborative with interested Parties to consider changes to the Company's existing
19 SOP, including, among other things, the use of a third party to enroll customers or
20 other means to improve customer enrollments. The Company held a collaborative to
21 gain stakeholder input on the Company's existing SOP. The outcome of the
22 collaborative was that the existing program was cost effective, and the Parties

1 agreed to keep the existing SOP structure in place with the Company sending
2 interested customers directly to the EGS for enrollment.

3
4 **Q. What are the benefits of the Company's SOP?**

5 A. The SOP benefits customers by offering customers a price 7% below the current PTC
6 and introducing new customers to shopping. An important benefit of Duquesne Light's
7 SOP is the low costs for EGSs to participate. The customer acquisition fee paid by
8 participating EGSs is currently \$10.28 per enrollment. The Company's existing SOP
9 avoids the costs of paying a third party to enroll customers, maintains a reasonable cost
10 for EGSs, and avoids charging any cost for the program to customers.

11
12 **Q. What disclosures are provided to customers concerning price charges under the**
13 **SOP?**

14 A. In the Company's DSP VII case, the parties agreed through Settlement to adjust the SOP
15 script provided to each eligible customer. The current script is: "I see you are eligible for
16 the voluntary Standard Offer program, which provides a price for generation service from
17 a supplier for 12 months that is 7% off Duquesne Light's current price to compare. Please
18 note that our price to compare is adjusted to reflect market prices twice a year on Dec. 1
19 and June 1. As a result, while your Standard Offer rate will remain fixed, your
20 overall savings will vary as our Price to Compare changes. Your Standard Offer Rate
21 may be higher or lower than the next Price to Compare. If you are interested in the
22 Standard Offer Program, I will transfer you to a supplier who is participating for more
23 information. Customers who enroll are free to leave the Standard Offer Program at any

1 time during the 12 months, and return to Duquesne Light's default service or another
2 EGS, with no termination/cancellation fee imposed”.

3
4 **Q. Describe the results of the SOP to date.**

5 A. Since the program’s inception, August 16, 2013 through March 2016, Duquesne Light
6 had 21,738 residential referrals and 17,037 residential enrollments for a 78% referral-to-
7 enrollment rate. For the same period, the Company had 554 small commercial referrals
8 and 463 small commercial enrollments for an 84% referral-to-enrollment rate. The
9 Company has consistently had four participating EGSs for the residential customer class
10 and one EGS for the small commercial customer class.

11
12 **Q. Is the Company proposing to maintain its current customer acquisition fee?**

13 A. Yes, Duquesne Light is proposing to maintain the \$10.28 customer acquisition fee. The
14 Company proposes to keep the customer acquisition fee at \$10.28 for the duration of
15 Default Service Plan VIII. The expenses associated with the SOP are CSR training,
16 reporting and minor IT updates to the SOP enrollment tool as EGSs enter and leave the
17 offering.

18
19 **IV. CAP CUSTOMER SHOPPING**

20 **Q. Please explain the Company’s position with respect to CAP customer shopping.**

21 A. The Company will support the extension of shopping to CAP customers under certain
22 customer protections and conditions. First, CAP customers that shop should be provided
23 protections from increased bills resulting from shopping and variable rate contracts.

1 Second, any CAP shopping plan must determine how customer protections will be
2 implemented, and reported, whether the protections and associated costs are the
3 responsibility of the EGS or the EDC, and provide sufficient time for process and system
4 implementation and customer education. If these protections are adopted and
5 implemented, the customer CAP credit will be applied to the distribution, generation and
6 transmission portion of the bill in the same manner for CAP shopping customers as it is
7 for CAP customers receiving default service. All CAP customers will be billed at the
8 percentage of their budget billing amount based on their percentage of income as defined
9 in the Company's most recent PUC approved Universal Services Plan.

10
11 **Q. Why does the Company support protections for CAP shopping?**

12 A. The CAP program is designed to provide an opportunity for low income customers to
13 avoid termination of service for nonpayment. If CAP customers' bills are increased, the
14 CAP credit will not be sufficient, customers will not be able to pay and will face
15 termination of service.

16
17 **Q. Will Duquesne Light provide education specifically designed for CAP customers
18 regarding the opportunity to shop for electric generation?**

19 A. Yes, Duquesne Light proposes to conduct a CAP customer education plan once the
20 protections for CAP customers have been finalized and implemented. The proposed plan
21 will include specific information about the CAP program benefits and pricing,
22 information about the PTC, shopping components (including cancellation fees), and any
23 further information that will provide CAP customers with details to make informed

1 decisions concerning shopping. The Company proposes to utilize direct mailing, website,
2 bill inserts, the Company's customer service representatives, community-based
3 organizations, and CAP agencies to disseminate information to CAP customers.

4

5 **Q. What are the expected costs for the CAP customer education plan?**

6 A. The Company expects the costs for the education plan, including materials and
7 notification letter, to be approximately \$200,000 per year of this default plan.

8

9 **Q. How will the Company recover the costs of the education plan?**

10 A. The Company's current tariff allows for these costs to be recovered through Retail
11 Market Enhancements.

12

13 **V. CONCLUSION**

14 **Q. Does this conclude your Direct Testimony at this time?**

15 A. Yes.

VERIFICATION

I, Marcie L. Morrison, Interim Director, Customer Engagement for Duquesne Light Company ("Duquesne Light"), hereby state that the testimony set forth in Duquesne Light Statement No. 5 is true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing on this matter, my answers would be as set forth herein.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.



Date: April 29, 2016

Marcie L. Morrison, Interim Director, Customer
Engagement

The Pennsylvania **ELECTRIC CHOICE PROGRAM**

Pennsylvania residents have the option to choose the company that generates their electricity. Choosing an alternative supplier for generation service may save you money, but the choice is yours. Duquesne Light will continue to deliver electricity to you even if you switch to another generation supplier.



PAPowerSwitch.com is the Public Utility Commission's website to help consumers shop for power suppliers. When you click on "Shop for Electricity" and plug in your ZIP code, the site will give you a list of suppliers, a comparison of their offers, and much more. If you don't have access to the Internet, you can call the PUC at 1-800-692-7380.

The website of the Pennsylvania Office of the Consumer Advocate, www.oca.state.pa.us, is another good source of information. There you will find a free online guide that provides "apples to apples" comparisons for alternative energy suppliers in each utility's service area in the state, including Duquesne Light's. You also can call 1-800-684-6560 for information.

The Price to Compare (PTC), measured in cents per kilowatt-hour, is used to compare prices and potential savings among generation suppliers. The PTC, which can be found at the bottom of Page 3 of your Duquesne Light bill, tells you how much you are paying for your supply and transmission charges.

CHOOSING A SUPPLIER

On PAPowerSwitch.com, you can narrow your search for an electric supplier by choosing the services and features that matter most.

- Filter by fixed or variable term
- Choose your term length
- Find suppliers who offer discounts and incentives
- Review each supplier's terms & conditions before you make a selection



SHOP

It's easy to lower your energy costs or find the services you need.

1. Visit PAPowerSwitch.com on your desktop, tablet or phone.
2. Enter your zip code to find the suppliers who are making offers and the "price to compare." A usage calculator translates your kilowatt hours from your electric bill into savings.



SWITCH

Once you choose a supplier, you can switch by calling the electric supplier or by signing up through the supplier's website. Your new supplier will notify your electric utility of the change. The electric utility will then contact you by mail to confirm the change.



SAVE

Shopping for a new electric supplier can help you lower your energy rate. PAPowerSwitch.com also helps you learn more about steps you can take to make your home more energy-efficient.

RIGHTS AND PROTECTIONS in the competitive energy marketplace

You have the right to:

- Receive a "price to compare" from both the utility and competitive supplier
- Access new services, technological advances, improved efficiency and competitive prices
- Be protected from unfair, deceptive, fraudulent and anti-competitive practices
- Expect the same quality and maintenance of your electric distribution service, as monitored by the PUC
- Receive unbiased, accurate, easy-to-understand information to help shop for power

Take steps to protect yourself.

1. Always read and understand your contract's disclosure statement and the terms and conditions of your contract.
2. Contact your supplier if you're concerned it isn't acting in good faith.
3. If the supplier doesn't resolve your concerns, contact the PUC to file an informal complaint.

TAKE CHARGE OF YOUR ELECTRIC BILL.



Contact the Pennsylvania Public Utility Commission at 1-800-692-7380.

TAKE CHARGE OF YOUR BILL
AT PAPOWERSWITCH.COM



FOLLOW US ON



In Pennsylvania, you have the power to switch your electric supplier and gain greater control over your electric bill. You can switch to the supplier who offers the lowest price, or choose a supplier who provides a specific service you want, such as **green/renewable energy**.