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File #: 2507/140070

May 18, 2010

BY HAND

Rosemary Chiavetta  
Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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2010 MAY 18 PM 4:06  
PA FILE  
SECRETARY'S BUREAU

**RE: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2010 Through May 31, 2013 - Docket No. P-2008-2060309**

Dear Secretary Chiavetta:

Enclosed, for filing, are the original and three (3) copies of the Petition of PPL Electric Utilities Corporation for Approval to Modify Its Procurement of Solar Alternative Energy Credits Under the Default Service Procurement Plan, in the above-referenced proceeding.

Copies have been provided to the persons in the manner indicated on the certificate of service.

Respectfully Submitted,

Andrew S. Tubbs

AST/jl

Enclosures

cc: Honorable Susan D. Colwell  
Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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SECRETARY'S BUREAU

Petition of PPL Electric Utilities Corporation :  
for Approval of a Default Service Program : Docket No. P-2008-2060309  
and Procurement Plan for the Period January :  
1, 2011 Through May 31, 2013 :  
:

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**PETITION OF PPL ELECTRIC UTILITIES CORPORATION FOR  
APPROVAL TO MODIFY ITS PROCUREMENT OF  
SOLAR ALTERNATIVE ENERGY CREDITS  
UNDER THE DEFAULT SERVICE PROCUREMENT PLAN**

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TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by and through its attorneys, hereby petitions the Pennsylvania Public Utility Commission (“Commission”), pursuant to Section 5.41 of the Commission’s Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41, to modify the Default Service Procurement Plan (“DSP Plan”) previously approved by the Commission on June 30, 2009 in the above-captioned proceeding, and to authorize a revised procedure for prospective acquisition of solar Tier I alternative energy credits (“SRECs”).

Specifically, PPL Electric requests that the Commission approve: (1) PPL Electric’s request to amend its current DSP Plan to permit the Company to procure a portion of its SRECs obligation over a long-term delivery period such that this portion will no longer be procured under its DSP Plan’s fixed-price load following contracts; (2) PPL Electric’s proposed Request for Proposals Process and Rules: Solar Renewable Energy Credits for Compliance with Pennsylvania’s Alternative Energy Portfolios Standards Act (“SREC RFP”); (3) PPL Electric’s proposed Solar Renewable Energy Credit Supply Master Agreement (the “SREC SMA”); and (4)

PPL Electric's proposed revisions to its Generation Supply Charge-1 to provide for the proper treatment of all costs and credits associated with the procurement of SRECs pursuant to the RFP process described below. By this Petition, PPL Electric does not seek to alter or set aside any of the contracts it has previously entered into under its DSP Plan but instead seeks to implement an additional solicitation and procurement process for SRECs beginning in October, 2010, for deliveries beginning in June 1, 2011.

For the reasons explained in greater detail below, modifying the Company's existing DSP Plan for SREC procurement is proper and in the public interest, as it will encourage development of new Solar Photovoltaic ("Solar PV") projects to satisfy the present and future requirements of the Alternative Energy Portfolio Standards Act of 2004, 73 P.S. §§ 1648.1 *et seq* ("AEPS Act"). PPL Electric proposes that October 28, 2010 be the bid date for the first of three solicitations under this revised SREC procurement plan. The solicitation for that bid date will begin approximately six to seven weeks prior, as provided under the DSP Plan. Therefore, PPL Electric requests that the Commission act upon this Petition at its Public Meeting scheduled for August 19, 2010. In support thereof, PPL Electric states as follows:

**I. BACKGROUND**

1. PPL Electric is a public utility and electric distribution company ("EDC") subject to the regulatory jurisdiction of the Commission. PPL Electric furnishes electric distribution, transmission and supplier of last resort services to approximately 1.4 million customers in a service area that includes approximately 10,000 square miles covering all or portions of twenty-nine counties in eastern and central Pennsylvania. PPL Electric's principal offices are located at Two North Ninth Street, Allentown, PA 18101-1179.

2. PPL Electric's attorneys are:

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PPL Electric's attorneys are authorized to receive all notices and communications regarding this Petition.

3. On August 28, 2008, PPL Electric filed the above-captioned DSP Plan to establish the terms and conditions under which PPL Electric would provide default service and obtain generation supply for that service.

4. On October 15, 2008, Governor Rendell signed House Bill No. 2200, subsequently identified as Act No. 129, which established, *inter alia*, certain new requirements for the acquisition of default service supply by EDCs. Among other provisions, the law amended the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801 *et seq.* (the "Competition Act") to require EDCs, in their role as default suppliers, to procure AECs through competitive processes utilizing a "prudent mix" of contracts. *See* 66 Pa. C.S. § 2807(e)(3.5).

5. On November 3, 2008, PPL Electric filed its amended DSP Plan to comply with the requirements of Act No. 129.

6. The parties to the Commission proceeding reached a settlement on all issues relevant to this Petition. On March 11, 2009, a Joint Petition for Settlement (“Settlement”) was submitted to the presiding Administrative Law Judge along with multiple statements in support of the Settlement. The Settlement contained a full description of the DSP Plan, as revised and agreed to by the parties, pursuant to which PPL Electric would provide default service and obtain generation supply for that service for the period from January 1, 2011 through May 31, 2013.

7. As part of the terms of the Settlement, PPL Electric agreed to undertake a series of competitive bid processes to obtain full requirements default service supply, spot market default service supply, block energy default service supply, and Alternative Energy Credits (“AEC RFP”). Under the full requirements and spot market contracts, each supplier must provide a proportional share of AECs, including SRECs, to fulfill PPL Electric’s AEPS Act obligations. The approved full requirements and spot market procurements obtain supplies for periods up to two years in length. The block and AEC RFPs are conducted to acquire a portion of default supply solely for residential customers. The block supplies, totalling 350 MW<sup>1</sup>, do not include AECs as part of the supply provided, and AECs, including SRECs, must be purchased for that portion of supply through a separate RFP. This Petition does not propose to modify the spot market, block and AEC RFPs as previously approved by the Commission.

8. On June 30, 2009, the Commission entered a Final Order approving the Settlement and ruling upon two issues, unrelated to the subject of this Petition, not resolved by the Settlement.

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<sup>1</sup> This figure includes the 50 MW of 10-year unit entitlement procurement provided for in PPL Electric’s DSP Plan.

## II. PROPOSED SOLAR POLICY STATEMENT AND PPL ELECTRIC'S PROPOSAL

9. On December 10, 2009, the Commission issued a proposed policy statement with the intent to further facilitate the development of new solar projects in Pennsylvania. *Policy Statement in Support of Pennsylvania Solar Projects*, Docket No. M-2009-2140263 (Order entered December 10, 2009) (“Proposed Solar Policy Statement”).

10. The Commission stated that the purpose of its Proposed Solar Policy Statement is to provide the longer term revenue stability that is likely needed to support both small-scale and large-scale solar development in Pennsylvania, and to address other barriers that could prevent new solar projects from coming to fruition. The Commission indicated that its goal was to develop a process to overcome longer term price uncertainty, which it believed would promote funding of future solar projects.

11. On March 5, 2010, PPL Electric filed comments to the Commission’s Proposed Solar Policy Statement. In its comments, the Company stated its general support for the Commission’s Proposed Solar Policy Statement and its stated purpose of supporting the development of small-scale and large-scale solar projects in Pennsylvania. In addition, the Company recommended that the Commission ensure that the Proposed Solar Policy Statement encourage the use of RFPs to procure SRECs from large-scale solar projects and the use of solar aggregators to obtain SRECs from small-scale solar projects.

12. In response to the goals of the Proposed Solar Policy Statement, PPL Electric seeks to add a new, long-term SREC procurement process to its DSP Plan. The proposed SREC procurement process follows the basic RFP procurement process that PPL Electric has used successfully to obtain default service supplies, first under its Competitive Bridge Plan and subsequently under its DSP Plan. In order to accommodate the new, long-term purchase of

SRECs through a separate procurement process, PPL Electric proposes to reduce, on a prospective basis, the portion of SRECs that suppliers must provide in future procurements under its full requirements default service supply contracts.

### **III. PROPOSED SREC RFP AND SREC SMA**

13. Under the AEPS Act, as amended, for retail default service generation sales between June 1, 2011 and May 31, 2012, PPL Electric will be required to procure AECs from Tier I resources equal to at least three percent (3%) of the electricity sold by PPL Electric to default service customers in Pennsylvania. Of this Tier I requirement, AECs from Solar PV systems must constitute at least 0.0203% of PPL Electric's retail sales. These percentages increase annually until 2020, with the Tier I solar PV requirement ultimately reaching 0.5% under the current law.

14. The Company requests approval to competitively procure a portion of its SREC obligation in three solicitations occurring once per year during the years 2010-2012.<sup>2</sup> In each solicitation, PPL Electric will seek to procure SRECs for a multi-year delivery period to meet a portion of its expected SREC obligation under the AEPS Act. The table below shows the delivery period for the SRECs being procured in these three solicitations and their associated commencement and expiration dates.

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<sup>2</sup> In addition, the SREC RFP provides that the Company may choose to conduct an additional RFP to obtain SRECs in the event it has been unable to secure each solicitation's target quantity of SRECs.

<b>SREC Product Delivery Periods</b>			
<b>Solicitation Number</b>	<b>Delivery Period</b>	<b>Commencement Date and Time</b>	<b>Expiration Date and Time</b>
<b>1 October 28, 2010</b>	<b>9-year</b>	12:00:00 a.m. EPT, June 1, 2011	11:59:59 p.m. EPT, May 31, 2020
<b>2 July 28, 2011</b>	<b>8-year</b>	12:00:00 a.m. EPT, June 1, 2012	11:59:59 p.m. EPT, May 31, 2020
<b>3 July 26, 2012</b>	<b>7-year</b>	12:00:00 a.m. EPT, June 1, 2013	11:59:59 p.m. EPT, May 31, 2020

The initial, 9-year delivery period for the first solicitation was selected based upon the Company's discussions with individual Solar PV developers, who indicated that contracts of 10 or more years duration are not preferable, due in part to the terms associated with state sponsored loan and grant programs. The two subsequent terms were set in order to have all long-term SREC contracts conclude at the same date.

15. The Company has set initial targets for each solicitation based upon the purchase of 3,500 SRECs per year, resulting in target quantities of 31,500 SRECs for Solicitation 1, 28,000 SRECs for Solicitation 2 and 24,500 SRECs for Solicitation 3. PPL Electric will identify each solicitation's actual target quantity at the time of that solicitation's bidder information session.

16. In setting these initial targets, PPL Electric took into consideration the potential variability of retail electric customer shopping in the Company's service territory, the benefits of banking of SRECs and the continued receipt of SRECs under the Company's DSP Plan. In particular, PPL Electric used forecasted residential, small commercial and small industrial customer retail sales as a basis to project its expected annual SREC obligations over the next several years. The Company then incorporated expected shopping levels based on current experience and calculated projected SREC requirements in accordance with the state requirement

for the individual obligation years. Those SRECs that have been, or will be procured, through the DSP Plan's products were deducted from the projected obligations with the result being an estimated annual quantity that would be required beginning in the year starting June 2011.

The projected SREC requirement for the load following full requirement products were then reduced by 50% in an effort to balance those SRECs procured through the load following procurements with those procured through the proposed solar procurement. Finally, the projected SREC requirement was evaluated by examining the sensitivity to possible changes in shopping assumptions. The Company determined that the AEPS Act's banking provisions may be necessary during the first few years of SREC delivery; however, any banked SRECs will likely be necessary for future compliance since the SREC requirement increases every year.

17. Bidders that have the ability to deliver a minimum of 5,000 SRECs over the contracted delivery period, and are otherwise eligible, can participate in these solicitations. To minimize the costs of procurement and maximize the number of potential participants in the bid process, the Company will not qualify specific projects to participate in the solicitation, and bid participants may provide SRECs from either current or proposed Solar PV projects. SRECs supplied to meet the requirements under the SREC SMA must be generated during the same 12-month period that corresponds to the applicable reporting period during which they are delivered. All deliveries of SRECs to PPL Electric must be through the Generation Attribute Tracking System ("GATS") operated by PJM Environmental Services, Inc. ("PJM GATS"), which the Commission has determined will be used to record and track generation of credits by generators as well as compliance by load serving entities.<sup>3</sup>

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<sup>3</sup> *Implementation of the Alternative Energy Portfolio Standards Act of 2004: Designation of the Alternative Energy Credits Registry*, Docket No. M-00051865 (Order entered January 31, 2006.)

18. Notably, the proposed SREC RFP (attached hereto as Appendix “A”) and the SREC SMA (attached hereto as Appendix “B”) are based closely on the RFP and contract documents previously approved by the Commission for the Company’s DSP Plan. PPL Electric’s proposed RFP process for SRECs is designed to obtain longer term competitive, fixed price supply contracts for SRECs. The Company’s proposed SREC RFP includes a two-stage, competitive bid process in which bidders are first qualified and then permitted to submit a bid price (\$/SREC) and a specified annual amount for SRECs for delivery. The SREC RFP also provides for an independent, third-party RFP monitor to participate throughout the SREC RFP Process, and ensure compliance with the RFP rules. The SREC RFP provides that the Commission will have ten business days for review and approval of the final RFP results, and that PPL Electric will not enter into any agreement absent approval of the results by the Commission. PPL Electric will enter into a standardized SREC SMA with successful bidders under which PPL Electric will purchase SRECs for present or future compliance with its obligations under the AEPS Act.

19. To enable the Company to respond to the variability of the market and to avoid the situation where the Company is either too long or too short on SRECs, the proposed SREC RFP provides PPL Electric with the flexibility to modify the target amounts of SRECs to be procured in the second and third solicitations.

20. Bid offers will not be based upon tranches, or defined quantities. Bidders will define the quantity of SRECs offered, subject to the 5,000 delivery period minimum and the maximum target quantity for each solicitation. Bidders may also submit multiple bids, allowing them to offer different supply amounts at different prices.

21. Winning bidders will be selected based upon the lowest cost combination to produce the quantity for each solicitation. However, in recognition of the foregoing provision that allows bidders to define the quantity offered, the SREC RFP provides that procurement quantities are “targets”, and that the actual quantities procured may vary to a degree from the target in each solicitation. In order to minimize costs the SREC RFP allows the Company to negotiate with a bidder to reduce the offered quantity to keep within the target quantity, if the offered price is the next lowest cost. In addition, in order to procure quantities as close to the targets as possible, the SREC RFP sets forth special rules for selecting winning bidders in the event of ties. Specifically, the proposed SREC RFP provides that a bid proposal that offers a greater quantity will be ranked higher than a bid proposal offering a smaller quantity at the same price. However, the Company may rank a bid proposal that provides a smaller quantity ahead of a bid proposal with a higher quantity where the bid proposal offering the higher quantity will cause the Company to exceed its target quantity. In such cases, PPL Electric will select the lowest price bids that result in a total procurement quantity that is closest to the target quantity.

22. Because the price for SRECs will not vary due to load factor or customer shopping, the Company will not procure SRECs separately for residential and small commercial and industrial customer classes under this proposal.<sup>4</sup> However, the Company will allocate SRECs procured in each solicitation and the cost associated with the procurement of these credits between the Residential and Small Commercial and Industrial (“Small C&I”) classes. Specifically, the Company will derive an annual ratio, based upon the forecast MWhs for that year, between the Residential and the Small C&I classes.<sup>5</sup> PPL Electric will use the ratio to

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<sup>4</sup> Large C&I customers are not served under the Company’s full requirements contracts, and thus are not affected by this proposal.

<sup>5</sup> If the forecast changes during that year, the Company may adjust the ratio to reflect such changes.

allocate the SRECs between the two classes (including banked credits) and then multiply the determined number of SRECs by the average auction price. The resulting value will be then be added to and collected through the Generation Supply Charge for the respective classes.

**IV. PROPOSED MODIFICATION TO THE DSP SMA**

23. Under its current DSP Plan SMA, which governs procurements for default service during the period of January 1, 2011 through May 31, 2013, suppliers must provide a proportional share of AECs, including SRECs, to fulfill PPL Electric's AEPS Act obligations. Article 4.4 of the DSP Plan SMA currently provides as follows:

*4.4 ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION.*

- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) and shall provide its proportional share of AECs to fulfill the Buyer's AEPS Obligation as set forth in the AEPS Act and PUC rules and Orders that may be promulgated to implement the AEPS Act.
- (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a subscriber to GATS and is responsible for paying its annual subscription fee. Seller shall transfer AECs into the Buyer's account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to Seller's Full Requirements Service.
- (c) Within 20 days after the end of each calendar month during the Delivery Period the Seller shall transfer AECs into the Buyer's GATS account(s) in an amount commensurate with the AECs applicable to the requirements service provided by the Seller during said calendar month in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement.
- (d) At the conclusion of the Delivery Period, Seller shall complete its transfer of any AECs, not transferred in accordance with subsection (c) of this Section 4.4, into the Buyer's GATS account(s) in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement no later than 30 calendar days following the completion of the Delivery Period.
- (e) In addition to the Remedies stated in Article 9.1 and Article 12 of this Agreement, Buyer shall have the right, in its sole discretion, to withhold

any and all payments pursuant to Article 7 of this Agreement in the event that the Seller does not satisfy its obligations under this Section 4.4, and to pursue any other remedies at law or in equity which may be available including, but not limited to those enumerated in Article 9.1. Moreover, the Seller will be liable for any costs directly or indirectly related to the procurement of AECs by the Buyer or related to any penalties associated with non-compliance of the AEPS Act in the event that the Seller defaults on its obligations under this Section 4.4.

- (f) Seller shall provide to the Buyer all information regarding its share of the AEPS Obligation that may be required by the PUC rules governing reporting and auditing of Buyer's compliance with the AEPS Obligation.

The Buyer will provide the Seller with a version of Exhibit B to this Agreement at the same time that it provides the Transaction Confirmation. Exhibit B at that time will incorporate the AEPS percentage obligations for the Delivery Period in effect on the day the bid was submitted. Exhibit B as provided with the Transaction Confirmation will apply during the term of the Agreement and will be used to determine the Seller's AEPS Obligation.

Therefore, under the existing DSP SMA, a successful bidder is obligated to provide PPL Electric with its *proportional* share of AECs, including SRECs, to fulfill PPL Electric's AEPS obligations in effect at the time of bids. The percentage share of AECs, including SRECs, to be provided is identified as part of each solicitation, through a document referred to as the Seller's Alternative Energy Portfolio Obligation, a form of which is included as Exhibit B to the SMA. Implementation of PPL Electric's proposal to purchase some of its SERC requirements in separate solicitations will require modification of these provisions of the DSP SMA.

24. By this Petition, PPL Electric also requests that the Commission approve an Addendum to the DSP Plan SMA, as set forth in the *pro forma* Addendum attached hereto as Appendix "C". Pursuant to the Addendum, on a prospective basis, PPL Electric will have the discretion, under the DSP Plan, to reduce the required portion of SRECs that winning bidders will be required to provide to fulfill their AEPS Obligation established under the DSP SMA. The portion of SRECs to be provided in each solicitation will be set forth in Seller's Alternative

Energy Portfolio Standards Obligation. The proposed Addendum will be applicable to Transaction Confirmations to the Default Service SMAs issued subsequent to Commission approval of this Petition. Specifically, PPL Electric seeks to modify Article 4.4 of the DSP Plan SMA through an Addendum that provides as follows:<sup>6</sup>

4.4 ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION.

- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) **and shall provide the share of AECs to fulfill Seller's AEPS Obligation under this Agreement as set forth in Exhibit B.**
- (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a subscriber to GATS and is responsible for paying its annual subscription fee. Seller shall transfer AECs into the Buyer's account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to Seller's Full Requirements Service.
- (c) Within 20 days after the end of each calendar month during the Delivery Period the Seller shall transfer AECs into the Buyer's GATS account(s) in an amount commensurate with the AECs applicable to the requirements service provided by the Seller during said calendar month in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement.
- (d) At the conclusion of the Delivery Period, Seller shall complete its transfer of any AECs, not transferred in accordance with subsection (c) of this Section 4.4, into the Buyer's GATS account(s) in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement no later than 30 calendar days following the completion of the Delivery Period.
- (e) In addition to the Remedies stated in Article 9.1 and Article 12 of this Agreement, Buyer shall have the right, in its sole discretion, to withhold any and all payments pursuant to Article 7 of this Agreement in the event that the Seller does not satisfy its obligations under this Section 4.4, and to pursue any other remedies at law or in equity which may be available including, but not limited to those enumerated in Article 9.1. Moreover, the Seller will be liable for any costs directly or indirectly related to the procurement of AECs by the Buyer or related to any penalties associated

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<sup>6</sup> Provisions that the Company proposes to modify are shown in bold.

with non-compliance of the AEPS Act in the event that the Seller defaults on its obligations under this Section 4.4.

- (f) Seller shall provide to the Buyer all information regarding its share of the AEPS Obligation that may be required by the PUC rules governing reporting and auditing of Buyer's compliance with the AEPS Obligation.

The Buyer will provide the Seller with a version of Exhibit B to this Agreement at the same time that it provides the Transaction Confirmation. **Exhibit B as provided with the Transaction Confirmation will apply during the term of the Agreement and will be used to determine the Seller's AEPS Obligation.**

The proposed Addendum is substantially the same as the provisions of Article 4.4 in the existing DSP SMA. However, as modified, Section 4.4 will prospectively set a Seller's AEPS Obligation in Exhibit B (Seller's Alternative Energy Portfolio Standards Obligation) as provided to bidders in each RFP solicitation rather than as a proportion of the Seller's total default load awarded under the DSP Plan. The proposed Addendum will prospectively supersede and replace Article 4.4 of the DSP Plan SMA in its entirety. Initially, PPL Electric intends to reduce the amount of SRECs to be required in future full requirements procurements under the DSP SMA to one-half of the statutorily-established SREC amounts. This reduction will continue to keep a substantial portion of SREC procurements in the short term (one to two year) market, while allowing for meaningful long-term procurements under the proposed SREC RFP. SREC requirements in later procurements may increase or decrease, as appropriate, in recognition of the results of the proposed SREC solicitations set forth above, as well as future changes in SREC requirements under law and customer shopping.

25. If approved by the Commission, the proposed Addendum would become effective for supply awarded in solicitations following Commission approval, *i.e.*, the proposed Addendum would apply prospectively only. Contracts in place for 2011 prior to Commission approval of the proposed Addendum would not be affected.

**V. CHANGES TO GSC-1**

26. PPL Electric's current AEC procurement process is not designed to produce additional AECs for banking. This lack of banking could present concerns in the future if the General Assembly increases AEC requirements or if Sellers fail to deliver all of the AECs required by their agreements with PPL Electric. The proposed SREC procurement will provide PPL Electric with opportunities to acquire additional SRECs for banking purposes. Although PPL Electric's proposed procurements are expected to produce only a limited amount of additional SRECs for banking purposes, and all banked credits are currently projected to be usable within the two year banking period provided under law, it is possible that PPL Electric could have banked credits that cannot be used within the two-year banking period. In that unlikely event, PPL Electric would sell excess SRECs, through a visible market mechanism with the net proceeds to be credited to customers. Pursuant to the AEPS Act, the cost of all SRECs when purchased will be reflected in default service rates. The proceeds from the sale of any SRECs will be credited to default service rates as well. PPL Electric notes that such proceeds may be greater or less than the cost of the SRECs procured through the proposed SREC RFP process. PPL Electric requests that the Commission recognize this possibility, and confirm that PPL Electric's proposed reflection of such costs and credits, as described above, is proper. Attached hereto as Appendix "D" are PPL Electric's proposed revisions to its Generation Supply Charge-1 to provide for the proper treatment of all costs and credits associated with the procurement of SRECs pursuant to the RFP process described herein. PPL Electric requests that the Commission approve the revisions set forth in Appendix "D".

**VI. FURTHER REASONS SUPPORTING THE PROPOSED SOLAR RFP PROCESS**

27. The SREC RFP provides a number of provisions that are conducive to development of new SREC projects:

- Contract Term: PPL Electric has proposed contract lengths of 9, 8 and 7 years with all contracts expiring on May 31, 2020. It is expected that the length of these contracts will provide price certainty for solar projects, thereby encouraging the development of additional projects which may in turn reduce the price of SRECs going forward. In addition, this term of contract falls within the proposed contract term set forth in the Commission's Proposed Solar Policy Statement of five to twenty years.
- Minimum SREC Bid: PPL Electric has set the minimum number of SRECs that may be bid at 5,000 over the contract delivery period. This threshold will enable smaller PV systems to participate and is consistent with prior Commission decisions.<sup>7</sup>
- Multiple Bids: To encourage participation in the SREC RFP process and to provide potential bidders with flexibility in preparing their bid proposals, the SREC RFP permits bidders to submit multiple bid proposals.
- Credit Requirements: Each bidder must provide liquid bid assurance collateral in an amount of \$25,000 per bid proposal in the form of cash or irrevocable letter of credit. The purpose of this bid collateral is to assure commitment of RFP bidder but is not so large that smaller Solar PV systems will not be able to participate in the solicitations.
- Security: The performance assurance requirements of the proposed SREC SMA recognize the differences between the sellers under the Company's current DSP Plan and the expected bidders to the SREC RFP. The SREC SMA does not include a mark

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<sup>7</sup> *Petition of PECO Energy Company for Approval to Procure Solar Alternative Energy Credits*, Docket No. P-2009-2094494 (Order entered August 28, 2009).

to market provision but provides for performance assurance based upon a percentage of the value of the contract.<sup>8</sup>

## VII. CONCLUSION

28. The proposed revision to the Company's existing DSP Plan and its proposed SREC RFP process are responsive to the Commission's concern that resulted in the issuance of its Proposed Solar Policy Statement. PPL Electric believes that the proposed revision to the DSP Plan will increase the number of solar projects, the number of bidders and the amount of SRECs qualified for use by PPL Electric to meet its AEPS Act obligations. Accordingly, for the foregoing reasons, Commission approval of the amendment to the DSP Plan to modify the Solar RFP is proper and in the public interest.

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve: (1) PPL Electric's request to amend its current DSP Plan to permit the Company to procure a portion of its SRECs obligation over a long-term delivery period such that this portion will no longer be procured under its DSP Plan fixed-price load following contracts; (2) PPL Electric's proposed Request for Proposals Process and Rules: Solar Renewable Energy Credits for Compliance with Pennsylvania's Alternative Energy Portfolios Standards Act ("SREC RFP"); (3) PPL Electric's proposed Solar Renewable Energy Credit Supply Master Agreement (the "SREC SMA"); and (4) PPL Electric's proposed revisions to its Generation Supply Charge-1 and Generation Supply Charge-2 to provide for the proper treatment of all costs and credits associated with the procurement of SRECs pursuant to the RFP process described herein.

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<sup>8</sup> These provisions of the SREC SMA are similar to those approved as part of PECO's solar procurement process. *Petition of PECO Energy Company for Approval to Procure Solar Alternative Energy Credits*, Docket No. P-2009-2094494 (Order entered August 28, 2009).

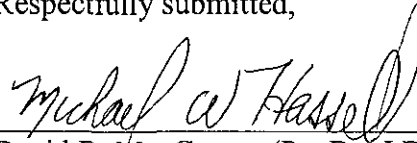
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*Attorneys for PPL Electric Utilities Corporation*

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**PPL Electric Utilities Corporation**

**Request for Proposals (RFP) Process and Rules**

**Solar Renewable Energy Credits  
for Compliance with  
Pennsylvania's Alternative Energy Portfolio  
Standards Act**

**May 17, 2010**

**SOLAR RENEWABLE ENERGY CREDITS RFP PROCESS AND RULES**

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# ARTICLE 1

## INTRODUCTION

### 1.1 Overview

- 1.1.1 Capitalized terms in this document, which are not defined explicitly herein, are defined in the PPL Electric Utilities Corporation' Solar Renewable Energy Credit Supply Master Agreement ("SREC SMA") incorporated hereto as Appendix 1.
- 1.1.2 PPL Electric Utilities Corporation ("Company" or "PPL Electric") has proposed a competitive bidding process to obtain Solar Renewable Energy Credits ("SRECs") to meet its obligations, pursuant to Pennsylvania's Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8 ("Act"). A SREC is an alternative energy credit which is a tradable instrument that is used to establish, verify, and monitor compliance with the AEPS Obligation; one SREC equals one megawatt hour of electricity from a solar alternative energy source as defined under the Act.
- 1.1.3 This Request for Proposals ("RFP") is being issued to purchase SRECs necessary to meet the AEPS Obligation associated with PPL Electric's Default Service load.<sup>1</sup> The SRECs will be competitively procured in three solicitations occurring once per year during the years 2010-2012. In each solicitation, PPL Electric seeks to procure SRECs for a multi-year Delivery Period to meet a portion of PPL Electric's expected AEPS Obligation for its Default Service customers. SRECs supplied to meet the requirements under this RFP must be generated during the same 12-month period that corresponds to the applicable Reporting Period under the Act (i.e., June 1 through May 31) during which they are delivered (see SREC SMA at 2.3(d)). Each selected SREC Seller shall be paid under a firm price contract in which it will receive the price it bid.
- 1.1.4 The Delivery Period for SRECs procured in these three solicitations begins at 12:00:00 a.m. Eastern Prevailing Time ("EPT") on the commencement date and ends at 11:59:59 p.m. EPT on the expiration date. The table below shows the Delivery Period for the SRECs being procured in these three solicitations and their associated commencement and expiration dates.

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<sup>1</sup> Under its current Default Service Procurement Plan ("DSPP") PPL Electric has been procuring the majority of those products necessary to meet its obligations to its Default Service customers under fixed-price load following contracts. This SREC RFP represents a modification to PPL Electric's current DSPP whereby it will now procure a portion of its SREC obligation over a longer delivery period such that this portion will no longer be procured under DSPP fixed-price load following contracts with delivery starting on or after June 1, 2011.

<b>SREC Delivery Periods</b>			
<b>Solicitation Number</b>	<b>Delivery Period</b>	<b>Commencement Date and Time</b>	<b>Expiration Date and Time</b>
<b>1</b>	<b>9-year</b>	12:00:00 a.m. EPT, June 1, 2011 <sup>1</sup>	11:59:59 p.m. EPT, May 31, 2020
<b>2</b>	<b>8-year</b>	12:00:00 a.m. EPT, June 1, 2012	11:59:59 p.m. EPT, May 31, 2020
<b>3</b>	<b>7-year</b>	12:00:00 a.m. EPT, June 1, 2013	11:59:59 p.m. EPT, May 31, 2020
The Delivery Period for Solicitation 1 may be reduced to provide a longer lead time between the Bid Proposal Due Date and the commencement date.			

- 1.1.5 Any prospective supplier, including PPL Electric's unregulated generation supply affiliate PPL EnergyPlus, that believes it can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will supply SRECs, may respond to any solicitation in this RFP.
- 1.1.6 Any prospective respondent to this RFP must meet the Bidder Qualification requirements provided in Article 4, and submit Bid Proposal(s) as described in Articles 5 and 6. The Bidder Qualification requirements generally require the prospective RFP Bidder to provide certain evidence of being a recognized energy market participant and to submit documents establishing the RFP Bidder's credit. A Bid Proposal must include the RFP Bidder's Bid(s), and must be accompanied by the executed SREC SMA, and sufficient Bid Assurance Collateral. A Bid is a quantity of SRECs at a price, in U.S. Dollars per SREC, at which the RFP Bidder is willing to supply SRECs.
- 1.1.7 All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Article 2.2. In general, for each solicitation to be conducted under this RFP, there will be a pre-specified time period prior to the submission of Bid Proposals wherein RFP Bidders can: 1) express interest in offering supplies; 2) obtain data on supply obligations; 3) attend a Bidder Information Session; and 4) submit and receive answers to questions regarding the solicitation.
- 1.1.8 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals, subject to the restrictions of this article. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of SRECs. An RFP Bidder Bid Proposal quantity is the number of SRECs to be provided over the Delivery Period. The minimum Bid Proposal quantity is 5000 SRECs and the maximum quantity cannot exceed the Target Quantity for that solicitation. SREC Sellers will be obligated to deliver equal amounts of SRECs to PPL Electric on a monthly basis throughout the Delivery Period as specified in the SREC SMA (see Monthly Settlement Quantity). Instructions for preparation of Bid Proposal(s) are addressed in Articles 5 and 6.

- 1.1.9 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (3) business days of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have ten (10) business days to consider the report of the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. The PUC may either accept or reject all of the Bid Proposals presented for a product in their entirety. If the PUC does not act within ten (10) business days, the winning Bids are deemed to be approved.
- 1.1.10 If the PUC rejects all Bids in any solicitation, or if some amount of the Target Quantity remains unfilled, that amount will be included in subsequent solicitations as specified in Article 2.3. In the event that some AEPS Obligation remains unprocured, or if a SREC Seller defaults, PPL Electric will offer SREC supply assignment as specified in Article 7.5.

## **1.2 Summary of RFP Documents**

- 1.2.1 The following documents are appended to, and shall be considered an integral part of, this RFP:

- Appendix 1: PPL Electric Utilities Corporation SREC SMA
- Appendix 2: Expression of Interest Form
- Appendix 3: Confidentiality Agreement
- Appendix 4: Credit Application
- Appendix 5: Bid Assurance Letter of Credit
- Appendix 6: Bid Proposal Spreadsheets
- Appendix 7: Binding Bid Agreement
- Appendix 8: Binding Bid Withdrawal Agreement

## **1.3 SRECs and Seller Obligations**

- 1.3.1 This section contains a general description of the SRECs and a SREC Seller's obligations. It is only a summary and is subject to and qualified in its entirety by the SREC SMA, incorporated hereto as Appendix 1.
- 1.3.2 The SREC SMA executed pursuant to this RFP will be for SRECs only.
- 1.3.3 SREC Seller must enable PPL Electric to comply with the Alternative Energy Portfolio Standards, including the regulations adopted thereunder, (together the AEPS Obligation) and shall provide SRECs to fulfill PPL Electric's AEPS Obligation as set forth in the AEPS Act and PUC rules and Orders for the entire duration of the Transaction(s) in the amounts it is awarded.
- 1.3.4 SREC Seller and PPL Electric will work together to establish the proper accounts within the PJM-EIS Generation Attribute Tracking System ("GATS"), or its successor as

approved by the Pennsylvania Public Utility Commission. SREC Seller shall be a subscriber to GATS and is responsible for paying its annual subscription fee. Within 40 calendar days after the end of each calendar month during the Delivery Period, the SREC Seller shall transfer SRECs into PPL Electric's GATS account(s) in an amount that commensurate with the SREC's contractual obligation during the said calendar month. SRECs supplied to meet the requirements under this RFP must be generated during the same 12-month period that corresponds to the applicable Reporting Period under the Act (i.e., June 1 through May 31) during which they are delivered (See SREC SMA at 2.3(d)).<sup>2</sup>

- 1.3.5 At the conclusion of the Delivery Period, the SREC Seller shall complete its transfer of any SRECs, not transferred in accordance with Article 1.3.4, into PPL Electric's GATS account(s) in the amount necessary to fulfill the SREC Seller's remaining contractual obligation no later than 50 calendar days following the completion of the Delivery Period.
- 1.3.6 Subject to the SREC SMA, failure to provide SRECs may require the SREC Seller to pay PPL Electric in an amount equal to the alternative compliance payment required by the Act for each SREC not delivered.
- 1.3.7 SREC Seller will provide to PPL Electric all information regarding the SRECs it provides that may be required by the PUC rules governing reporting and auditing of PPL Electric's compliance with the AEPS Obligation.

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<sup>2</sup> Note that SRECs delivered to meet the June obligation of a particular year must be generated in June of that same year.

## ARTICLE 2 INFORMATION AND SCHEDULE

### 2.1 Information Provided to Potential Bidders

2.1.1 PPL Electric and its RFP Manager have established a Web site that will be the main source of information for this RFP. Prospective RFP Bidders are requested to use this Web site for current data and information about all aspects of this RFP and to access all essential RFP-related documents. Certain data may be password-protected at PPL Electric's sole discretion, in which case passwords would be provided upon execution of the Confidentiality Agreement as described in Article 4.3.

2.1.2 The information on the Web site will contain the following sections:

Home: This section welcomes prospective RFP Bidders and other interested parties and provides crucial announcements regarding the RFP process.

Regulatory Information Page: This section provides the Orders from the PUC in the proceeding.

Seller Documents: This section provides RFP-related documents including all the RFP Rules and the SREC SMA. It also provides all credit instruments necessary for prospective RFP Bidders and for SREC Sellers, including the standard form for the Bid Assurance LOC, the standard form for the LOC for the Delivery Period of the SREC SMA, and the standard Guaranty for the Delivery Period of the SREC SMA.

Ask a Question: In this section, all stakeholders, including prospective RFP Bidders, will be able to ask questions via a web form. The RFP Manager will post the question and an answer on the Web site so that all stakeholders and prospective RFP Bidders have access to the same information. The RFP Manager will also email the answer to the questioner.

FAQs: In this section, the RFP Manager posts the questions and answers received through the Web site and their answers.

Register Page: In this section, all stakeholders, including prospective RFP Bidders, will be able to register to receive announcements directly from the RFP Manager via email.

Schedule: This section provides prospective RFP Bidders with all crucial dates in the RFP process.

### 2.2 RFP Schedule

2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric will publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. Beginning in 2010, SREC solicitations will take place on an annual basis. The Bid Proposal Due Dates will occur on the following dates:

- October 28, 2010<sup>3</sup>
- July 28, 2011
- July 26, 2012

2.2.2 SREC solicitations will generally span an eight-week to nine-week time period. Solicitation activities are shown below. The expected completion date of each of the activities shown is expressed in the approximate number of weeks prior to the expected execution of contracts for SRECs.

- Eight weeks or more: RFP Addendum Issued, Bidder Interest Form and Confidentiality Agreement Available, RFP Data Room Opens;
- Six and one-half weeks: Bidder Information Session;
- Five weeks: Bidder Qualifications Due;
- Four weeks: Cure Deficiency Deadline;
- Three and one-half weeks: Qualified Bidders Notified;
- Final two and one-half weeks: Bid Proposals Due, PUC Decision Issued, Transaction Confirmations Issued.

2.2.3 The RFP Schedule for each solicitation will be provided in the RFP Addendum issued for that solicitation.

### **2.3 Multi-Solicitation Process**

2.3.1 In each of the solicitations in 2010 through 2012, PPL Electric will seek to procure a Target Quantity of SRECs. In the event that PPL Electric is unable to secure SRECs for the entirety of the Target Quantity, the unfilled quantities in that solicitation may be added to the quantities in a subsequent solicitation under this RFP. Alternatively, PPL Electric may choose to conduct an additional RFP to obtain SRECs in the event it has been unable to secure the Target Quantity in a particular solicitation. Therefore, the quantities for each solicitation may change depending on the results of prior solicitations.

2.3.2 Initial Target Quantities have been estimated based upon the purchase of 3,500 SRECs per year resulting in Target Quantities of 31,500 SRECs for Solicitation 1, 28,000 SRECs for Solicitation 2 and 24,500 SRECs for Solicitation 3. PPL Electric will identify each solicitation's final Target Quantity at the time of that Solicitation's Bidder Information Session.

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<sup>3</sup> This date may be changed to be as soon as reasonably possible following the date of PPL Electric's receipt of a Commission order approving its SREC procurement plan.

## ARTICLE 3 GENERAL REQUIREMENTS FOR PROPOSALS

### 3.1 RFP General Requirements

3.1.1 A Proposal consists of Bidder Qualifications (a response to the Bidder Qualification requirements in Article 4 of this RFP) and one or several Bid Proposal(s) for a given solicitation with its accompanying documents (as described in Article 5). A respondent to this RFP is an RFP Bidder. An RFP Bidder that fulfills the Bidder Qualification requirements can submit more than one Bid Proposal on each Bid Proposal Due Date in response to this RFP. However, PPL Electric will only select those SREC Sellers necessary to most closely meet the Target Quantity.

3.1.2 Bidder Qualifications and Bid Proposals must: (i) adhere to this RFP's terms and conditions; and (ii) fulfill all requirements in Articles 3 through 6 of this RFP.

*Bidder Qualifications and Bid Proposals that do not adhere to the terms and conditions of this RFP and/or do not fulfill all requirements set forth in Articles 3 through 6 of this RFP, will not be considered.*

3.1.3 It is the intention, but not the obligation, of the Company to enter into an SREC SMA with at least one RFP Bidder.

3.1.4 The RFP Bidder, at its own cost and expense, shall defend PPL Electric, its parent company, and its subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders, executors, administrators, successors and assigns, against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions, proceedings, or allegations of any kind which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any covenant by the RFP Bidder set forth herein. The RFP Bidder shall indemnify and hold harmless PPL Electric, its parent company, subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders and agents, as well as the heirs, executors, administrators, successors and assigns against any and all liens, judgments, liabilities, losses, injuries, damages, fees, fines, costs or expenses which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any warranty by the RFP Bidder as set forth herein.

3.1.5 The submission of any portion of a Proposal to the Company constitutes the RFP Bidder's acknowledgement and acceptance of all the terms and conditions of this RFP, regardless of the outcome of this RFP or the ultimate fate of such Proposal.

- 3.1.6 An Officer of the RFP Bidder is an individual empowered to undertake contracts and bind the RFP Bidder. All Representations in this RFP must be made by an Officer of the RFP Bidder.
- 3.1.7 Each RFP Bidder must comply with all the Bidder Qualification requirements described in Article 4.
- 3.1.8 All information provided and certifications made in the Bidder Qualifications must remain valid and remain in full force until fifteen (15) business days after the applicable Bid Proposal Due Date. Regardless of the reason, if any information provided in the Bidder Qualifications for a given solicitation changes or any certification fails to remain valid, it is the sole responsibility of the RFP Bidder to notify the Bidder Qualification Evaluation Team of such change at least three (3) business days before the submission of any Bid Proposal on a Bid Proposal Due Date. Failing to do so may result in disqualification of the RFP Bidder and the Bid Proposal for that solicitation. The Bidder Qualification Evaluation Team reserves the right to vary the assessment of Bidder Qualifications based on the revised information provided by the RFP Bidder.

## ARTICLE 4 BIDDER QUALIFICATION

### 4.1 Overview of Bidder Qualification Process

- 4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; 3) submits the Credit Application and associated financial information requested in Article 4.4 (Credit Application and Financial Information); and, 4) submits an executed copy of the Binding Bid Agreement provided as Appendix 7. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution or the rejection of its bid(s), as described in Article 5.4 (Bid Assurance Collateral).
- 4.1.2 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Article 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Article 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Article 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.
- 4.1.3 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by: a) verifying, in writing, that the previously submitted credit and financial information is up-to-date and accurate; and b) providing two (2) originals of the Binding Bid Agreement for that solicitation. These documents must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance Collateral for that solicitation and to fulfill all requirements of the Bid Proposal(s) as specified in Article 5. It is the sole responsibility of the RFP Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

## **4.2 Expression of Interest**

- 4.2.1 Applicants will be required to express their non-binding interest to bid by completing and submitting the Expression of Interest Form (Appendix 2). An electronic copy of the Expression of Interest Form can be found on PPL Electric's RFP Web site. The applicant will not be eligible to submit a Bid Proposal until the completed Expression of Interest Form has been provided to PPL Electric. Applicants are required to submit this document no later than the Bidder Qualifications Due Date. The applicant can express its non-binding interest to bid by: a) completing the electronic Expression of Interest Form on PPL Electric's RFP Web site; or b) sending one (1) completed Expression of Interest Form found as Appendix 2 of these RFP Rules by mail to the address below; or c) sending the completed Expression of Interest Form found as Appendix 2 of these RFP Rules by fax to the number below:

PPL Electric Utilities Corporation RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Attn: PPL Electric SREC RFP Manager  
Fax: 215-568-9364

- 4.2.2 The Bidder Qualification Evaluation Team will not provide a deficiency notice to an applicant that submits an Expression of Interest Form but that submits none of the other documents required as part of the Bidder Qualification requirements.

## **4.3 Confidentiality Agreement**

- 4.3.1 An applicant and PPL Electric will be required to execute the Confidentiality Agreement (Appendix 3). The applicant will not be eligible to submit a Bid Proposal until such agreement has been executed. An electronic copy of the Confidentiality Agreement can be found on PPL Electric's RFP Web site. The applicant must provide as part of its Bidder Qualifications two (2) originals of the executed agreement as directed in Article 6.1.2. Applicants are required to submit this Agreement no later than the Bidder Qualifications Due Date.
- 4.3.2 If PPL Electric is providing data or information on a confidential basis, upon submission of the executed Confidentiality Agreement, an applicant will be issued a password to access such data and information from the RFP Web site. Once the Confidentiality Agreement is received from the applicant, PPL Electric will complete the execution of the agreement and send a copy of the fully executed agreement to the applicant by mail or courier service.

## **4.4 Credit Application and Financial Information**

- 4.4.1 Applicants are required to submit the Credit Application (Appendix 4) and associated financial information to PPL Electric. An electronic copy of the Credit Application can be found on PPL Electric's RFP Web site. Applicants are required to submit the Credit Application no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications two (2) originals of the completed Credit Application and one (1) copy of any supporting documents to this Credit Application including the associated financial information as directed in Article 6.1.2.
- 4.4.2 All submitted information must be in the English language. Financial data must be denominated in U.S. Dollars and conform to Generally Accepted Accounting Principles ("GAAP") in the United States. If the applicant's financial information is consolidated with other entities, then it is the applicant's responsibility to extract and submit as separate documents all data and information related solely to the applicant. This must include all financial information, associated notes, and all other information that would comprise a full financial report conforming to GAAP.
- 4.4.3 PPL Electric may, at its sole discretion, consider financial information of foreign applicants or foreign guarantors that are not denominated in U.S. Dollars or do not conform to GAAP in the United States. Such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. Any guarantor will be required to execute the Unconditional Guaranty as it appears in the SREC SMA (Exhibit D) and as such the guarantor must be able to make all representations and warranties therein.

#### **4.5 Binding Bid Agreement**

- 4.5.1 An applicant must certify that as an RFP Bidder it agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s) submitted by the RFP Bidder, which shall constitute a firm offer to supply SRECs in accordance with the SREC SMA. The signatory to the Binding Bid Agreement must certify that he/she has the authority to act on behalf of, and to bind, the RFP Bidder to perform the terms and conditions of the SREC SMA at the prices and for the amounts specified in its Bid Proposal(s). In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Article 5.8 of this RFP. An electronic copy of the Binding Bid Agreement can be found on PPL Electric's RFP Web site. For each solicitation, Applicants are required to submit two (2) originals of such certification, in the form of Appendix 7, no later than the Bidder Qualifications Due Date for that solicitation. The applicant should send such certification as directed in Article 6.1.2.

#### **4.6 Cure Time for Deficiencies in Qualification Requirements**

- 4.6.1 In the event that an RFP Bidder has not met all of the Bidder Qualification requirements under Article 4 (Bidder Qualification), PPL Electric will endeavor, on a best efforts basis, to notify the RFP Bidder no later than forty-eight hours before the Cure

Deficiency Deadline. It is understood and agreed that PPL Electric has no liability for any failure to notify an RFP Bidder of a deficiency. If the RFP Bidder fails to remedy any deficiencies by the Cure Deficiency Deadline for a solicitation so as to not be qualified to submit Bid Proposals in that solicitation, such applicant will be allowed to cure any such deficiency and participate in subsequent solicitations, if the deficiency is cured no later than the Cure Deficiency Deadline for the next solicitation.

#### **4.7 Bid Assurance Collateral and Alternative Letter of Credit Form**

- 4.7.1 No later than two (2) business days before the Bid Proposal Due Date, each RFP Bidder must provide liquid Bid Assurance Collateral in an amount of \$25,000 per Bid Proposal. The purpose of this collateral is to assure commitment of the RFP Bidder to execute the Transaction Confirmations for the Quantities awarded to the RFP Bidder. The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 5; an electronic copy can be found on PPL Electric's RFP Web site. If the RFP Bidder is providing Bid Assurance Collateral in the form of a Bid Assurance LOC, the RFP Bidder may provide one Bid Assurance LOC for all Bid Proposal(s) under this RFP. If the RFP Bidder is participating in more than one RFP issued by the Company, the RFP Bidder must provide separate Bid Assurance LOC for each RFP. If the RFP Bidder is providing Bid Assurance Collateral in the form of cash, and if the RFP Bidder is also participating in other RFP(s) issued by the Company, the RFP Bidder must advise the Bid Proposal Evaluation Team as to the amount allocated as Bid Assurance Collateral for purposes of each RFP.
- 4.7.2 As part of the Bidder Qualifications, an applicant may propose modifications to the Bid Assurance LOC that are non-substantive or clarifying in nature. The applicant proposing modifications to the Bid Assurance LOC must provide an electronic copy at [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com) in MS Word with all proposed modifications clearly marked. The acceptability of such proposed modifications will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Bid Assurance LOC will be posted to PPL Electric's RFP Web site no later than seven (7) business days before the Bid Proposal Due Date.

#### **4.8 Alternative Forms of Performance Assurance**

- 4.8.1 Subsequent to the return of a supplier's Bid Assurance Collateral, another instrument of performance assurance to secure PPL Electric's exposure during the Delivery Period of a Transaction Confirmation to the SREC SMA may be required, as set forth in the SREC SMA. Any performance assurance required of the supplier determined in accordance with the SREC SMA may be in the form of cash, LOC, or other security acceptable to PPL Electric. An acceptable Performance Assurance LOC form is provided as Exhibit B in the SREC SMA. An acceptable Unconditional Guaranty form is provided as Exhibit D in the SREC SMA. As part of its Bidder Qualifications, an

applicant may propose modifications to the Performance Assurance LOC or the Unconditional Guaranty form that are non-substantive or clarifying in nature. The applicant proposing modifications to the Performance Assurance LOC or the Unconditional Guaranty must provide an electronic copy at pplpolr@pplweb.com in MS Word with all proposed modifications clearly marked. If an applicant intends to use security other than cash or LOC, PPL Electric requests that the applicant describe such other security at the time it submits its Credit Application and financial information. The acceptability of such proposed modifications to the Performance Assurance LOC or the Unconditional Guaranty form or such other form of security will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be posted to PPL Electric's RFP Web site.

## ARTICLE 5 BID PROPOSAL REQUIREMENTS

### 5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their Bid Proposal(s) using only the Bid Proposal Spreadsheets attached to this RFP as Appendix 6; an electronic copy is available on PPL Electric's RFP Web site. *The Bid Proposal Spreadsheets contain sections of information labeled Bidder Information, and Bid Information. The Bid Proposal Spreadsheets contain shaded cells in which RFP Bidders provide information and their Bids. **In order to prevent any misunderstanding of an RFP Bidder's Bid Proposal, all shaded cells within a Bid Proposal Spreadsheet must be completed by the RFP Bidder. A Bid Proposal Spreadsheet submitted by an RFP Bidder that contains blank shaded cells will be deemed a non-conforming Bid Proposal, and will be eliminated from further consideration. Therefore, if it is the intent of an RFP Bidder to offer to supply a particular quantity of SRECs, the RFP Bidder must enter a price quote in the price cells and a maximum quantity in the associated quantity cells.*** The non-shaded cells are read-only cells containing either fixed or computed amounts.
- 5.1.2 No Bid Proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposal(s) in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name, Phone Number, and Fax Number and must be provided by the RFP Bidder. As set forth in Article 5.3 (Confirmation and Proposal Tagging Process), such information will be used to confirm receipt of the RFP Bidder's Bid Proposal Spreadsheet(s).
- 5.1.4 Bid Assurance Collateral Amount –\$25,000 per Bid Proposal.
- 5.1.5 Target Quantity – The contents of this cell indicates the total quantity of SRECs that the Company seeks to procure for the Delivery Period of the solicitation.
- 5.1.6 Price (US\$/SREC) – This cell is an **RFP Bidder input cell** for the RFP Bidder's price quote corresponding to the total quantity of SRECs offered in the Bid Proposal. The price quotes shall be in terms of US\$/SREC for the total quantity of SRECs offered for the Delivery Period. The price shall be fixed for the entire delivery period. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to provide SRECs for a given Delivery Period must provide a price quote in the Price (US\$/SREC) cell.
- 5.1.7 Total Quantity Supplied – This cell is an **RFP Bidder input cell** for the RFP Bidder's total quantity offered corresponding to the price quote for the SRECs offered. The total quantity shall be in whole numbers and indicates the number of SRECs the RFP Bidder

offers to supply for that Delivery Period. The total quantity must be greater than or equal to 5000 and less than or equal to the Target Quantity.

- 5.1.8 Complete/Incomplete Flag – The content of this cell is computed and indicates whether or not the Bid Proposal Spreadsheet has been fully completed in accordance with Article 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Article 5.6 (Conforming Bid Proposals).
- 5.1.9 Tag Number – The content of this cell will be provided by PPL Electric and will represent a unique identification for each Bid Proposal Spreadsheet submitted by the RFP Bidder. This identification will be communicated to the RFP Bidder at the time PPL Electric confirms receipt of the RFP Bidder's Bid Proposal, as described in Article 5.3 (Confirmation and Proposal Tagging Process).
- 5.1.10 The RFP Bidder may choose to provide more than one Bid Proposal. However, Bid Assurance Collateral must be provided for each Bid Proposal and any offer for quantities of SRECs in one Bid Proposal cannot be made contingent on winning or losing quantities offered in another Bid Proposal.

## **5.2 Submittal of Bid Proposals**

- 5.2.1 Each RFP Bidder shall only submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Article 5.1 by secure electronic file transfer to the PPL secure server between 9:00:00 a.m. EPT and 11:00:00 a.m. EPT, on the Bid Proposal Due Date for each solicitation as indicated in Article 2.2 (RFP Schedule). An RFP Bidder may only withdraw one or more of its Bid Proposal(s) before 11:00:00 a.m. EPT on the Bid Proposal Due Date by submitting the Binding Bid Withdrawal Agreement, provided as Appendix 8, to the fax number provided in Article 6.1.2. The signatory to the Binding Bid Withdrawal Agreement must certify that he/she has the authority to act on behalf of the RFP Bidder in such a manner. Upon receipt of a Binding Bid Withdrawal Agreement, PPL Electric will provide the RFP Bidder with a notice by phone of receipt of such withdrawal.

## **5.3 Confirmation and Proposal Tagging Process**

- 5.3.1 PPL Electric will confirm receipt of an RFP Bidder's Bid Proposal(s) and communicate the RFP Bidder's tag number by phone within thirty (30) minutes of receipt of a Bid Proposal Spreadsheet. As indicated on each Bid Proposal Spreadsheet, the RFP Bidder will provide a contact name and phone number, which will be used for the receipt confirmation.

## **5.4 Bid Assurance Collateral**

- 5.4.1 Each RFP Bidder must provide liquid Bid Assurance Collateral to support its Bid Proposal(s). The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 5; an electronic copy can be found on PPL Electric's RFP Web site. PPL Electric will consider modifications to the Bid Assurance LOC in accordance with the process provided in Article 4.
- 5.4.2 The RFP Bidder must provide, no later than two (2) business days before the Bid Proposal Due Date, Bid Assurance Collateral in an amount consistent with Article 5.1.4. PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder is notified that it has not been awarded quantities for a solicitation or until the RFP Bidder executes the Transaction Confirmation forms upon being awarded quantities. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one (1) business day, and Bid Assurance Collateral in the form of an LOC will be returned within two (2) business days. The RFP Bidder may request that the Bid Assurance Collateral reside with PPL Electric through the entire multi-solicitation period. An RFP Bidder that is awarded quantities and does not timely execute the Transaction Confirmation forms associated with such quantities shall forfeit its Bid Assurance Collateral.
- 5.4.3 Wire transfer instructions for RFP Bidders who intend to provide Bid Assurance Collateral in the form of cash is available upon request from the RFP Manager.

## **5.5 Submittal of SREC SMA**

- 5.5.1 No later than two (2) business days before the Bid Proposal Due Date, the RFP Bidder must submit two (2) executed originals of the SREC SMA as instructed in Article 6.1.5, including the completed signature page of the SREC SMA, and Exhibit E of the SREC SMA filled in with the appropriate contact information for the RFP Bidder. Other exhibits of the SREC SMA either are samples or are documents that do not need to be completed until execution of the Transaction Confirmation form.

## **5.6 Conforming Bid Proposals**

- 5.6.1 In order for a Bid Proposal to be conforming, the Bid Proposal must be: (i) submitted using the Bid Proposal Spreadsheet, completed in full and without modification; (ii) submitted by the Bid Proposal Due Date; (iii) submitted by a qualified RFP Bidder as defined in Article 6.1.1; (iv) submitted by an RFP Bidder that has also submitted sufficient Bid Assurance Collateral; (v) submitted by an RFP Bidder that has also submitted two (2) executed originals of the SREC SMA as instructed in Article 5.5.1.

Bid Proposals deviating from the above criteria will be deemed non-conforming and eliminated from further consideration. Any such elimination of Bid Proposals will be communicated by PPL Electric to the relevant RFP Bidder(s) as soon as practicable.

## **5.7 Expiration of Bid Proposals**

- 5.7.1 An RFP Bidder's Bid Proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its Bid Proposal has been rejected or at midnight EPT two (2) business days after the scheduled day of awarding bids within each solicitation.

## **5.8 Additional Requirements**

- 5.8.1 The RFP Bidder certifies, by its submission of a Binding Bid Agreement in its Bidder Qualifications, that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP.
- 5.8.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the RFP Bidder is submitting a Proposal in response to this RFP; the RFP Bidder's Bids; the RFP Bidder's quantities bid; the RFP Bidder's estimation of the value of its Bids; the RFP Bidder's estimation of the risks associated with supplying SRECs; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for SRECs were the RFP Bidder to become an SREC Seller.

**ARTICLE 6**  
**INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS**  
**AND BID PROPOSALS**

**6.1 General**

- 6.1.1 An RFP Bidder must submit its Bidder Qualifications and Bid Proposal(s) separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Bidder Qualification requirements) as required in Article 4 of this RFP. RFP Bidders that are notified that they are qualified RFP Bidders for a solicitation may submit Bid Proposal(s), along with all other required documents as described in Article 5.6, by the Bid Proposal Due Date as indicated in Article 2.2 (RFP Schedule).
- 6.1.2 For each solicitation, each RFP Bidder must deliver its Bidder Qualifications described in Article 4 by certified mail, registered mail, hand delivery, or courier service to PPL Electric at the following address:
- PPL Electric Utilities Corporation RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Attn: PPL Electric SREC RFP Manager  
Fax: 215-568-9364
- 6.1.3 Bidder Qualifications must be delivered to the address designated in Article 6.1.2 above by the Bidder Qualifications Due Date for the appropriate solicitation as specified in Article 2.2 (RFP Schedule). Bidder Qualifications received after the due date specified in Article 2.2 will be considered for the next solicitation if there are remaining solicitations; otherwise Bidder Qualifications will be returned to the RFP Bidder unopened, the Bidder Qualifications will be rejected, and the RFP Bidder will have failed to qualify for submitting a Bid Proposal. Each RFP Bidder assumes full responsibility for timely delivery to the location specified in Article 6.1.2 above.
- 6.1.4 Bid Assurance Collateral for a solicitation, if submitted in the form of a LOC, must be sent by certified mail, registered mail, hand delivery, or courier service to the address specified in Article 6.1.2. All Bid Assurance Collateral, in the form of LOC or cash, must be received no later than two (2) business days prior to the Bid Proposal Due Date for that solicitation. Bid Assurance Collateral received after the second business day prior to the Bid Proposal Due Date will result in the rejection of the corresponding Bid Proposal(s). Each RFP Bidder assumes full responsibility for timely delivery to the address specified in Article 6.1.2 above.
- 6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal, the RFP Bidder must have signed two (2) originals of the SREC SMA as instructed in

Article 5.5.1 and sent these by certified mail, registered mail, hand delivery, or courier service to the address specified in Article 6.1.2 by noon on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any quantities in any solicitation in this RFP, the signed SREC SMAs that were initially submitted will be executed by PPL Electric and one original will be returned to the RFP Bidder together with the partially executed Transaction Confirmation forms. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein a RFP Bidder that has previously executed the SREC SMA in a satisfactory manner is awarded additional quantities. If the RFP Bidder was not awarded quantities in the solicitation for which SREC SMAs were provided, PPL Electric will retain the SREC SMAs for any future solicitation in which the RFP Bidder may again submit a Bid Proposal.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the SREC SMA with the Company should the party be a winning RFP Bidder and should the PUC approve the RFP results. Each RFP Bidder shall submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Article 5.1 by secure electronic file transfer to the PPL secure server between 9:00:00 a.m. EPT and 11:00:00 a.m. EPT, on the Bid Proposal Due Date.

## **6.2 Packaging**

- 6.2.1 In response to this RFP, each RFP Bidder must provide to the RFP Manager two (2) originals of its Bidder Qualifications on the Bidder Qualifications Due Date (except for the Expression of Interest, for which one (1) original is sufficient, and any supporting documents to the Credit Application including the associated financial information, for which one (1) original is sufficient).
- 6.2.2 The qualified RFP Bidder must provide Bid Assurance Collateral supporting its Bid Proposal(s). The RFP Bidder must provide two (2) originals of the SREC SMA no later than two (2) business days prior to the Bid Proposal Due Date. Each original must bear original signatures.
- 6.2.3 Only Bid Proposals using the Bid Proposal Spreadsheet submitted by secure electronic file transfer to the PPL secure server or through an alternate method if so directed by the RFP Manager will receive consideration.
- 6.2.4 Each package must be sent by certified mail, registered mail, hand delivery, or courier service to the address as specified in Article 6.1.2 in a manner that allows immediate and unambiguous identification of the RFP Bidder.

## **ARTICLE 7 EVALUATION OF PROPOSALS**

### **7.1 Bidder Qualifications Processing**

- 7.1.1 As determined by the RFP Manager, the Bidder Qualification Evaluation Team will consist of representatives of the RFP Manager, a credit representative from PPL Electric, and representatives on behalf of PPL Electric (including PPL Electric's SREC RFP Manager).
- 7.1.2 All packages containing Bidder Qualifications will be opened privately by the Bidder Qualification Evaluation Team. A representative from the PUC may be present. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline.
- 7.1.3 Bidder Qualifications of an RFP Bidder that do not comply with the packaging instructions will be returned to the RFP Bidder.
- 7.1.4 Bidder Qualifications must include all documents and information required to satisfy the Bidder Qualification requirements as set out in Article 4.
- 7.1.5 The Bidder Qualification Evaluation Team will review Bidder Qualifications until the Cure Deficiency Deadline. The Bidder Qualification Evaluation Team will assess the Bidder Qualifications for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Article 7.2.

### **7.2 Bidder Qualifications Evaluation**

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualifications to be complete and compliant if: (i) all information specified in Article 4.1 has been fully and satisfactorily provided; and (ii) all certifications and documents have been signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt but no earlier than ten (10) business days prior to the Bidder Qualifications Due Date. If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualifications is deficient because the response is incomplete or is not compliant with the terms of this RFP, the Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to issue a deficiency notice requesting that the RFP Bidder cure the deficiency with respect to that particular aspect of its Bidder Qualifications. The Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, and to provide a decision on the acceptability of proposed modifications to the Bid Assurance LOC or other instruments for Performance Assurance, no later than

forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted by the specified Cure Deficiency Deadline. If a response to a deficiency is provided by an RFP Bidder before the Cure Deficiency Deadline and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency until the Cure Deficiency Deadline for that solicitation.

- 7.2.3 If a deficiency notice is sent and the RFP Bidder does not respond by the Cure Deficiency Deadline established by the Bidder Qualification Evaluation Team, or does not address the deficiency in a manner that is deemed satisfactory at the Bidder Qualification Evaluation Team's sole discretion, the RFP Bidder will not be qualified for that solicitation.
- 7.2.4 When the evaluation of the responses to the Bidder Qualifications is completed for all RFP Bidders, RFP Bidders will be either qualified or disqualified. RFP Bidders whose responses to the Bidder Qualifications, as may be supplemented or amended in response to a deficiency notice by the Bidder Qualification Evaluation Team, are found to be complete and compliant will be deemed qualified for that solicitation; all other RFP Bidders will be disqualified for that solicitation.
- 7.2.5 Bidders will be notified on the Qualified Bidders Notified Date in the RFP Schedule if they qualify to submit Bid Proposal(s) on the Bid Proposal Due Date. (i) Only those RFP Bidders whose response to the Bidder Qualification requirements is complete and compliant with the terms of this RFP will be invited to submit Bid Proposal(s). (ii) A RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company in its sole and exclusive discretion at any point in the process.

### **7.3 Bid Proposals Processing**

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a response to the Bidder Qualification requirements.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives on behalf of the Company.
- 7.3.3 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be evaluated at the same time. A representative of the PUC may be present to attend the opening and evaluation of the Bid Proposals. Information regarding the content or status of any Bid Proposal will not be publicly released during the evaluation process.

- 7.3.4 The Bid Proposal Evaluation Team will assess the Bid Proposal(s) and all accompanying documents for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Article 7.4.
- 7.3.5 The Bid Proposal Evaluation Team may issue a deficiency notice with respect to any aspect of the Bid Proposal(s) and accompanying documents as described in Article 5.6.1 if practicable to do so before the Bid Proposal Deadline. The Bid Proposal Evaluation Team is under no obligation to issue such a deficiency notice. Should the Bid Proposal Evaluation Team issue such a deficiency notice, the RFP Bidder will have until the bid Proposal Due Date to cure any such deficiency. All non-conforming Bid Proposals will be removed from consideration.

#### **7.4 Bid Proposal Evaluation**

- 7.4.1 Bid Proposals received from RFP Bidders may be eliminated from further consideration at any point, at the Bid Proposal Evaluation Team's sole and exclusive discretion, for any of the following reasons including (but not limited to): (i) failure to provide clarification of, or additional information relating to, a Bid Proposal as requested by the Bid Proposal Evaluation Team subsequent to the submission of a Bid Proposal; (ii) illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of the Bids; and (iii) failure to honor representations made in a Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all information required with the Bid Proposal(s), as specified in Article 5, have been submitted. If they have not been submitted by the Bid Proposal Due Date, the Bid Proposal(s) will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Article 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous information; or (iii) it is not supported by a Bid Assurance LOC acceptable to the Company; or (iv) the RFP Bidder has not submitted two (2) signed originals of the SREC SMA.
- 7.4.4 The Bid Proposal Evaluation Team will ensure that sufficient financial guarantees are provided to support the Bids. Financial guarantees will be sufficient if the amount of Bid Assurance Collateral is sufficient as specified in Article 4.7.
- 7.4.5 If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the number of Bid Proposals for which the RFP Bidder has provided a Bid, the Bid Proposal Evaluation Team will reject that RFP Bidder's most expensive Bid Proposal Spreadsheet(s) such that the RFP Bidder's Bid Assurance Collateral is sufficient. By submitting a Bid Proposal in response to this RFP, each RFP Bidder is authorizing the Bid Proposal Evaluation Team to modify the RFP Bidder's Bid Proposal documents as specified in and as required by this article.

- 7.4.6 The remaining Bid Proposals will be evaluated on a price and quantity basis in each solicitation as follows. The Bid Proposal Evaluation Team will rank all Bids (from least expensive to most expensive) by the price offered in each Bid. A Bid Proposal that offers a greater quantity at the same price as another Bid Proposal will be ranked before a Bid Proposal offering a smaller quantity. However, the Bid Proposal Evaluation Team may rank a Bid Proposal that provides a smaller quantity ahead of a Bid Proposal with a higher quantity where the Bid Proposal offering the higher quantity will cause the Company to exceed the Target Quantity. Where acceptance of a Bid Proposal will cause the Company to exceed the Target Quantity, but rejection would require the Company to contract with an RFP Bidder offering SRECs at a higher price in order to obtain the Target Quantity, the Company shall have the right to negotiate a lower Total Quantity with the RFP Bidder offering a lower price. The Bid Proposal Evaluation Team will then select the lowest price bids that result in a total procurement quantity that is closest to the Target Quantity. An RFP Bidder that is awarded quantities shall receive the Price (US\$/SREC) corresponding to the winning Bid as stated in its Bid Proposal Spreadsheet under the Bid Information section.
- 7.4.7 After sufficient financial guarantees are determined, the Bid Proposal Evaluation Team will communicate with each RFP Bidder that has submitted at least one of the winning Bid(s) and present the winning Bid(s) to the Commission. For each such RFP Bidder, the Bid Proposal Evaluation Team will identify the Bid(s) submitted by such RFP Bidder that will be presented to the PUC.

The Bid Proposal Evaluation Team will also communicate to the Company the weighted average prices of the winning Bids and the number of Bids presented to the PUC.

- 7.4.8 An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company at its sole and exclusive discretion.

## **7.5 Commission Approval and Review**

- 7.5.1 The Bid Proposal Evaluation Team will prepare a report that presents the results of a solicitation to the PUC for approval. The Bid Proposal Evaluation Team's report will summarize the Bidder Qualification process and the Bid Proposals that were considered on the Bid Proposal Due Date. The PUC will have ten (10) business days to decide whether to approve the results. If the PUC does not act within (10) business days, the winning Bids are deemed to be approved. The winning RFP Bidders will then receive a Transaction Confirmation from PPL Electric on the date of the PUC's approval, or in the event the PUC does not act no later than the next business day following the date when the PUC was expected to act. The winning RFP Bidders must follow the Transaction Confirmation directions in the SREC SMA. If a winning RFP Bidder fails to execute the Transaction Confirmation as required under Article 2.10 of the SREC SMA, the winning RFP Bidder may forfeit its Bid Assurance Collateral.

7.5.2 In the event that results for any solicitation are rejected by the PUC, or that some amount of the Target Quantity is unfilled in a particular solicitation, those quantities either may be offered in the next scheduled solicitation, or may be offered as part of an additional solicitation that PPL Electric may choose to carry out. In the event that some AEPS Obligation remains un-supplied, or in the event that an SREC Seller defaults, PPL Electric will offer assignment to other winning RFP Bidders consistent with the Step-Up process described in the SREC SMA. If this assignment is not successful, PPL Electric will offer assignment to all AEC Sellers consistent with the Step-Up process described in the SREC SMA, as appropriate, even if an AEC Seller does not serve quantities of SRECs. These assignments will be offered at the original bid price in the event of default(s), or at the average price from the last successful bid for that product in the event of insufficient bids.

## **ARTICLE 8 RESERVED RIGHTS**

### **8.1 Non-Binding RFP**

- 8.1.1 Prior to the submission of any Bid Proposals and with PUC approval, PPL Electric has the right to withdraw and terminate this RFP without any liability or responsibility to any RFP Bidder or any other party, for reasonable cause, including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, etc., that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.2 Subject to PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Proposals, without any liability or responsibility to any RFP Bidder or any other party, for reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, etc., that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.3 PPL Electric will not be liable to any RFP Bidder or any other party for failure to execute an SREC SMA. Nothing herein may be construed to bind the Company unless and until the PUC has approved winning Bid(s), and each SREC SMA with an RFP Bidder has been executed and is effective. Once effective, the SREC SMA will govern the relationship between and the responsibilities of the parties to that agreement and not the RFP or any documents relating thereto.
- 8.1.4 Pursuant to these RFP rules, PPL Electric or the Bid Proposal Evaluation Team shall reject Bid Proposals submitted in response to this RFP that are incomplete, or do not conform to the requirements of this RFP, or are submitted beyond the deadline for submission.

### **8.2 Proposals Become PPL Electric's Property**

- 8.2.1 All Proposals submitted by RFP Bidders in response to this RFP will become the exclusive property of PPL Electric upon the receipt of such document(s).

**Appendix 1**

**Solar Renewable Energy Credit Supply Master Agreement**

## Appendix 2

### Expression of Interest Form Solar Renewable Energy Credits

FAX TO: 215-568-9364

Note that completion of all information is required.

---

This response is an indication of our interest in PPL Electric Utilities Corporation's Request for Proposals to provide Solar Renewable Energy Credits.

Date:

Company:

Contact Name:

Contact Title:

Address:

City:

State:

Zip:

Phone Number

Fax Number:

Email Address:

## Appendix 3

### Confidentiality Agreement

[Name and Address of Bidder]

[Date]

Ladies and Gentlemen,

This letter is a Confidentiality Agreement between PPL Electric Utilities Corporation (“PPL Electric”) and \_\_\_\_\_ (“RFP Bidder”) in connection with the RFP Bidder’s intent to participate in the Request for Proposals (“RFP”) to provide Solar Renewable Energy Credits (“SRECs”) to supply a portion of PPL Electric’s obligation, pursuant to Pennsylvania’s Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8. This Confidentiality Agreement also pertains to the rights and obligations of PPL Electric and the RFP Bidder in the event the RFP Bidder ultimately is selected as a winner in the RFP and provides SRECs pursuant to PPL Electric’s Solar Renewable Energy Credit Supply Master Agreement (“SREC SMA”). PPL Electric and the RFP Bidder hereby agree to accept, and to be bound by the terms of this Agreement.

#### DEFINITIONS:

(a) The following terms have the following meanings:

- 1 “Agreement” is this Confidentiality Agreement.
- 2 “Pennsylvania PUC” has the meaning set forth in Section 3(b).
- 3 “Confidential Information” has the meaning set forth in Section 5.
- 4 “Party” means PPL Electric or the RFP Bidder.
- 5 “Parties” means PPL Electric and the RFP Bidder collectively.
- 6 “Representatives” means the officers, directors, employees, advisors, lenders, and other persons, including but not limited to any affiliates who are actively and directly participating in evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP. A person or entity is not a “Representative” unless that person or entity agrees to preserve the confidentiality of the Confidential Information in accordance with the terms of this Agreement.

7 “Third Parties” means a party or parties other than PPL Electric, the RFP Bidder or their respective Representatives.

(b) Other capitalized terms used in this Agreement have the meaning set forth in this Agreement and/or the applicable Request for Proposals, and/or the applicable SREC SMA.

TERMS:

1. Condition Precedent. PPL Electric and the RFP Bidder shall execute this Agreement as a condition precedent to PPL Electric’s furnishing to the RFP Bidder or the RFP Bidder furnishing to PPL Electric a copy of any Confidential Information.

2. Purpose. The purpose of this Agreement is to protect the confidentiality of the Confidential Information and to restrict the use and disclosure of that information in the manner set forth below.

3. Limitations on Use and Disclosure.

(a) A Party shall use the other Party’s Confidential Information only for the purpose of evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP, and/or consummating the SREC SMA, and not for any other purpose. Neither Party shall disclose to Third Parties any information about PPL Electric’s or RFP Bidder’s participation in the RFP or execution of an SREC SMA, or the terms or conditions or any other facts relating thereto, including the fact that discussions are taking place with respect thereto, the status of those discussions, or the fact that Confidential Information has been made available by or to PPL Electric or RFP Bidder or their Representatives. Provided, however, that the identity of all (but no fewer than all) bidders who were awarded any quantities in the state may be released on a statewide basis on or after the first day of the service year, and that no winning bidder's name is to be associated with a particular PPL Electric retail load.

(b) Notwithstanding the foregoing or any other provision of this Agreement, PPL Electric may share any Confidential Information with the Pennsylvania Public Utility Commission, or its Staff (collectively “Pennsylvania PUC”) as requested by the Pennsylvania PUC. Any such information shared will be designated as confidential, and PPL Electric will ask the Pennsylvania PUC to hold and use it on a confidential basis.

4. Disclosure upon Default. Notwithstanding the foregoing or any other provision of the Agreement, PPL Electric may disclose Confidential Information in the event of a Seller default, as provided for in the SREC SMA. PPL Electric may disclose to any RFP Bidder with whom it has executed the SREC SMA, and who is not an SREC Seller, the contract price of the defaulting Seller for the purpose of allowing the Bidder to make the election provided for in Section 2.zz of the SREC SMA.

5. Definition of Confidential Information. Confidential Information shall consist of oral, electronic and written information that is confidential, proprietary, or generally not

available to the public. Whenever possible, such Confidential Information shall be marked prior to or at the time of disclosure as being “Confidential Information”. Confidential Information in the case of information provided by PPL Electric to the RFP Bidder shall include, without limitation, all data, reports, interpretations, forecasts or records relating to PPL Electric and/or its customers, and any other document created by PPL Electric or others which directly or indirectly relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts, bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

6. Non-Confidential Information. Notwithstanding the provisions of Section 5, information shall not be deemed confidential that: (i) becomes generally available to the public; (ii) is already known to the receiving Party at the time of receipt by the receiving Party; or (iii) is acquired after such receipt from a Third Party not known to the receiving Party to be prohibited from making disclosures. The receiving Party shall give prompt notice to the other Party in the event it believes that any of the other Party’s information in its possession is not Confidential Information as a result of the provisions of this Section 6.

7. Property of PPL Electric or the RFP Bidder. Confidential Information belonging to PPL Electric shall consist of Confidential Information supplied by PPL Electric to the RFP Bidder and shall also include the portion of Confidential Information furnished by the RFP Bidder to PPL Electric that incorporates Confidential Information furnished to the RFP Bidder by PPL Electric. Confidential Information belonging to the RFP Bidder consists of all other Confidential Information supplied by the RFP Bidder to PPL Electric. PPL Electric and the RFP Bidder acknowledge that each Party’s Confidential Information is and at all times remains the sole and exclusive property of that Party, who, it is agreed, has the exclusive right, title, and interest to its Confidential Information. Neither Party grants any right or license, by implication or otherwise, as a result of the provision of Confidential Information to the receiving Party.

8. Disclosure Prohibited Except Where Explicitly Permitted. Neither Party shall disclose or use the other Party’s Confidential Information without the other Party’s prior written consent except as explicitly stated in Sections 3, 4, 9 and 10 of this Agreement.

9. Disclosure For Bid Evaluation Purposes. A Party may disclose the other Party’s Confidential Information to its Representatives for the purposes set forth in Section 3. The obligations and restrictions under this Agreement that apply to a Party also apply to a Party’s Representatives.

10. Disclosure to Governmental Authorities.

(a) A Party (the “disclosing Party”) may also disclose the other Party’s Confidential Information to any governmental, judicial, or regulatory authority (“Authority”) requiring such Confidential Information; provided that, the disclosing Party a) promptly informs the other Party of the substance of any inquiries, requests or requirements in order to afford the other Party an

opportunity to attempt to prevent or limit the disclosure of the Confidential Information; b) makes a good faith effort to persuade the Authority (i) that submission of the Confidential Information should not be required, or, if that effort fails, (ii) that submission of the Confidential Information on a non-public basis should be permitted; and c) endeavors in good faith to protect the Confidential Information provided to an Authority from disclosure to Third Parties. If an Authority orders the disclosing Party to disclose any documents containing the other Party's Confidential Information, the disclosing Party shall a) attempt to obtain from the other Party, if the Authority allows the time, a "Public Disclosure Copy", or b) if the Authority does not allow such time, shall prepare itself a "Public Disclosure Copy" in which the Confidential Information has been redacted to the extent that such redaction is permitted by the Authority requiring disclosure. Confidential Information disclosed pursuant to this Section 10 on a non-public basis shall not lose its status as Confidential Information by virtue of such non-public disclosure.

(b) Notwithstanding the foregoing, the Parties agree that either party may be required to provide Confidential Information to FERC in order to comply with FERC Form 1 or FERC transaction reporting requirements. Each Party agrees that to the extent it is required to provide FERC any such information, the Party required to provide such information will provide only the information that is reasonably necessary to comply with such reporting requirements and shall not be required to comply with the provisions of Section 10(a) of this Agreement unless there have been substantive changes to the information required for FERC reporting purposes.

11. Termination of RFP Participation. If the RFP Bidder determines that it does not wish to proceed with the RFP, or if PPL Electric excludes the RFP Bidder from the RFP for any of the reasons set forth in the RFP, it will immediately notify the other Party of that decision. In such case, or if the RFP is not consummated, upon the written request of the Party (the "requesting Party"), the other Party (the "receiving Party") shall not retain and shall promptly return to the requesting Party all the requesting Party's written Confidential Information in the possession of the receiving Party or its Representatives, except for the portion ("said portion") of the requesting Party's Confidential Information that may be found in analyses, compilations, or other documents prepared by, or for, the receiving Party and its Representatives. The said portion and any oral Confidential Information furnished by the requesting Party and not so requested or returned will be held by the receiving Party and kept subject to the terms of this Agreement, or destroyed.

12. Liability and Relief. A Party or any of its Representatives shall be liable for any breach of this Agreement. In the event a non-breaching Party or its Representatives shall have knowledge of any breach of the confidentiality of, or the misappropriation of, any of the Confidential Information, the non-breaching Party shall promptly give notice thereof to the breaching Party. The Parties agree that breach of this confidentiality agreement may cause damages to which a dollar amount may be difficult or impossible to ascribe, however, that such a breach would be irremediable by damages alone and specifically agree to equitable relief as appropriate. The non-breaching Party shall be entitled to specific performance or other equitable relief by way of injunction or otherwise, if the other Party or any of its Representatives breach or threaten to breach any of the provisions of this Agreement. Such remedy shall not be deemed to be the exclusive remedy available to the non-breaching Party, but shall be in addition to all other available remedies. Neither failure nor delay by the non-breaching Party, in exercising any of its

rights or privileges herein, shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise of any right, power or privilege.

13. Representatives, Successors and Assigns. This Agreement shall be binding upon and for the benefit of the Parties, and their respective Representatives, successors, and permitted assigns. Neither Party may assign its rights or obligations hereunder without prior written consent of the other Party.

14. Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania without regard to conflicts of laws rules or principles

15. Full Compliance Required. The failure in any instance to insist on full compliance with the terms of this Agreement shall not be deemed to be a waiver of the right to insist upon full compliance with these terms thereafter.

16. Signatures. The signatures below establish each Party's agreement to the terms hereof.

17. Termination. This Agreement shall terminate three years from the date hereof.

**RFP BIDDER**

**PPL ELECTRIC UTILITIES CORPORATION**

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

As part of your Bidder Qualifications, please send two (2) originals of this Confidentiality Agreement to:

PPL Electric Utilities Corporation RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Attn: PPL Electric SREC RFP Manager

## Appendix 4

### Credit Application

#### 1. Company Information

##### Type of Business

- Corporation
- Limited Liability Company
- Joint Venture
- Other (describe)

##### Applicant Organization

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

##### Applicant Credit Contact Name

Name:

Title:

Street Address:

City, State, Zip Code:

Phone Number:

Fax Number:

Email Address:

**For Corporation/Limited Liability Companies (please enter “n/a”, if this does not apply to you)**

Date and State of Incorporation/Registration:

**For Limited Partnerships (please enter “n/a”, if this does not apply to you)**

Name of General Partner:

Address of General partner:

City, State, Zip Code:

#### 2. Application for Credit

This application for credit is to be based on the creditworthiness of the **Applicant indicated below.**

- The Applicant listed under Section 1.

The parent/guarantor company listed below.

**Parent/Guarantor Company**

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

**3. Credit Information**

The Applicant indicated in Section 2 is required to submit the most recent 2 years of financial statements audited by a firm of certified public accountants of national standing. Please provide one (1) copy of financial statements with your Credit Application. Indicate below what statements are being submitted.

Annual Report

10K

Other (describe)

In the event the above information is inadequate to appropriately assess the Applicant's creditworthiness, the Applicant must provide evidence of its capability to provide collateral instruments, its capability to borrow and other sources of liquidity.

Subject to Article 4.4.2, submitted information must be in the English language, and financial data denominated in United States currency, and conform to generally accepted accounting principles ("GAAP") in the United States. If the Applicant's financial information is consolidated with other entities, then it is the Applicant's responsibility to extract and submit as separate documents all data and information related solely to the Applicant. This must include all financial information, associated notes and all other information that would comprise a full financial report conforming to GAAP.

Has the Applicant or predecessor company declared bankruptcy in the last 5 years?

Yes

No

Are there any pending bankruptcies or other similar state or federal proceedings, outstanding judgments or pending claims or lawsuits that could affect the solvency of the Applicant?

Yes

No

If the answer is "Yes" to either of the above questions, please provide an addendum to this application describing the situation and how it affects the Applicant's ability to meet or not to meet its credit obligations.

#### 4. Bank Reference Information

Bank Name:  
Street Address:  
City, State, Zip Code:  
Contact Name:  
Phone Number:  
Fax Number:  
Account Number:  
Revolving Credit Facility?  Yes  No  
If Yes,  
Amount of Facility: \$  
Expiration Date:

Bank Name:  
Street Address:  
City, State, Zip Code:  
Contact Name:  
Phone Number:  
Fax Number:  
Account Number:  
Revolving Credit Facility?  Yes  No  
If Yes,  
Amount of Facility: \$  
Expiration Date:

Bank Name:  
Street Address:  
City, State, Zip Code:  
Contact Name:  
Phone Number:  
Fax Number:  
Account Number:  
Revolving Credit Facility?  Yes  No  
If Yes,  
Amount of Facility: \$  
Expiration Date:

**5. Applicant's Credit Ratings (please enter "n/a" when the information requested in this item is unavailable)**

**Standard & Poor's**

Current Rating: \_\_\_\_\_

Indicate whether this rating is:

Senior Unsecured Long-Term Debt Rating

Issuer Rating

**Moody's Investor Services**

Current Rating: \_\_\_\_\_

Indicate whether this rating is:

Senior Unsecured Long-Term Debt Rating

Issuer Rating

**Fitch Ratings**

Current Rating: \_\_\_\_\_

Indicate whether this rating is:

Senior Unsecured Long-Term Debt Rating

Issuer Rating

Along with the above information, attach the latest review from each of the agencies. Documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant is acceptable.

**6. Authorization**

Applicant hereby represents and warrants that all statements and representations made herein, including any supporting documents, are true to the best of Applicant's knowledge and belief. The undersigned authorized official of the Applicant warrants that the Applicant agrees to be bound by these representations. The Applicant authorizes the above listed entities to release data requested by PPL Electric Utilities Corporation necessary to perform a credit check in connection with Applicant's interest to bid on this RFP.

Applicant's Company Name: \_\_\_\_\_

Signature of Authorized Official: \_\_\_\_\_

Name of Authorized Official (print): \_\_\_\_\_

Title of Authorized Official (print): \_\_\_\_\_

Date Signed: \_\_\_\_\_

As part of your Bidder Qualifications, please send two (2) originals of this form to:

PPL Electric Utilities Corporation RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Attn: PPL Electric SREC RFP Manager

**APPENDIX 5**

**BID ASSURANCE LETTER OF CREDIT  
SOLAR RENEWABLE ENERGY CREDITS**

**{TO BE ISSUED ON THE LETTERHEAD OF THE ISSUING BANK}  
IRREVOCABLE STANDBY 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 STANDBY 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 \_\_\_\_\_ AT 5:00 PM NEW YORK, NEW YORK TIME, WHICH IS AT LEAST 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS LETTER OF CREDIT OR OTHERWISE EXTENDED BY AMENDMENT.

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.

BENEFICIARY WILL HOLD THIS LETTER OF CREDIT UNTIL WE RECEIVE WRITTEN NOTIFICATION FROM THE BENEFICIARY THAT EITHER:

1. THE APPLICANT’S BID PROPOSAL IN THE PPL ELECTRIC SOLAR RENEWABLE ENERGY CREDIT RFP SOLICITATION ON [INSERT DATE] (THE “SOLICITATION DATE”) HAS BEEN REJECTED IN WHOLE AND THE APPLICANT HAS BEEN NOTIFIED OF SUCH REJECTION; OR
2. THE APPLICANT HAS WON QUANTITIES IN THE PPL ELECTRIC SOLAR RENEWABLE ENERGY CREDIT RFP SOLICITATION ON THE SOLICITATION

DATE AND HAS EXECUTED THE SOLAR RENEWABLE ENERGY CREDIT SUPPLY MASTER AGREEMENT (“SMA”) AND/OR TRANSACTION CONFIRMATIONS FOR SUCH QUANTITIES.

UPON EITHER OF THE ABOVE TWO CONDITIONS, THIS LETTER OF CREDIT WILL BE RETURNED BY THE BENEFICIARY TO THE ISSUER WITHIN TWO BUSINESS DAYS. THE APPLICANT MAY REQUEST THAT THIS LETTER OF CREDIT RESIDE WITH THE BENEFICIARY THROUGH THE ENTIRE MULTI-SOLICITATION PERIOD OF THE PPL SOLAR RENEWABLE ENERGY CREDIT RFP.

THIS LETTER OF CREDIT MAY ALSO BE TERMINATED PRIOR TO THE STATED EXPIRY DATE 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.

IF THE APPLICANT IS AWARDED A QUANTITY OR QUANTITIES IN THE PPL ELECTRIC SOLAR RENEWABLE ENERGY CREDIT RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH QUANTITIES, THE APPLICANT SHALL FORFEIT THE ENTIRE AMOUNT OF THIS LETTER OF CREDIT.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE THE EXPIRY DATE OF THIS LETTER OF CREDIT 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  
\_\_\_\_\_ (INSERT NAME OF BANK) LETTER OF CREDIT  
NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER),  
REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY  
PURSUANT TO THE TERMS OF SUCH LETTER OF CREDIT.”

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.

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 ISSUER UNDER THIS LETTER OF CREDIT AND ISSUER SHALL REMAIN LIABLE TO BENEFICIARY UNTIL THE EXPIRATION DATE OF THIS LETTER OF CREDIT 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 NOT 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"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH 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]

**PPL Electric Utilities  
SREC RFP Process and Rules**

**APPENDIX 6  
Notes**

Instructions:

The RFP Bidder must complete the Bid Proposal Spreadsheet as directed in Article 5.

**All required information must be entered in the shaded cells. The absence of any required information will be deemed a non-conforming bid and will be eliminated from further consideration.**

**PPL Electric Utilities  
Solar Renewable Energy Credits RFP Process and Rules**

**APPENDIX 6  
Example Bid Proposal Spreadsheet -- SRECs**

Solicitation # <number>

Bid Proposal Due Date: <month>, <day>, <year>

**Delivery Period**

Delivery Period: <commencement date> - <expiration date>

**Bidder Information:**

Company Name  
Contact Name  
Phone Number  
Fax Number


\* Required Field  
\* Required Field  
\* Required Field  
\* Required Field

**Target Quantity (SRECs):**

<number>

**Minimum Quantity (SRECs):**

5000

**Tag Number:**

**Bid Information:**

	Total Quantity Supplied	Price (US\$/SREC)	Bid Assurance Collateral Amount
Bid			\$25,000

\* Required Field

**Complete/Incomplete:**

## Appendix 7

### Binding Bid Agreement

Bid Proposal Due Date: <month> <day><year>

In consideration for the privilege of submitting bids as part of the Solar Renewable Energy Credit Requests For Proposals process, \_\_\_\_\_ (“RFP Bidder”) agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Article 5.7 (Expiration of Bid Proposals) of this Request For Proposals (“RFP”), submitted to PPL Electric Utilities Corporation (“PPL Electric”), in response to this multi-solicitation process, which shall constitute a firm offer to supply service in accordance with the Solar Renewable Energy Credit Supply Master Agreement (“SREC SMA”), and applicable Pennsylvania Law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Article 2.10 (Transaction Confirmation) of the SREC SMA.

The submission of any binding offer to PPL Electric shall constitute the Bidder’s acknowledgment and acceptance of all the terms, conditions and requirements of this RFP.

The undersigned represents and warrants that he/she has the authority to act on behalf of, and to bind, the RFP Bidder to perform the terms and conditions and otherwise comply with all obligations stated herein.

Signature of Authorized Official: \_\_\_\_\_

Name of Authorized Official (*print*): \_\_\_\_\_

Title of Authorized Official (*print*): \_\_\_\_\_

Date Signed: \_\_\_\_\_

As part of your Bidder Qualifications, please send two (2) originals of this certification to:

PPL Electric Utilities Corporation RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Attn: PPL Electric SREC RFP Manager

## Appendix 8

### Binding Bid Withdrawal Agreement

\_\_\_\_\_ (“RFP Bidder”) hereby freely and irrevocably withdraws the price quotes entered on the Bid Proposal Spreadsheet(s) previously submitted to PPL Electric Utilities Corporation (“PPL Electric”), and listed next to “Tag Number / Bid Proposal Filename”. This withdrawal of bid(s) is not subject to any contingencies or conditions precedent, and constitutes a final cancellation of the subject bid(s). RFP Bidder expressly acknowledges and agrees that the withdrawn bid(s) will not be considered by PPL Electric, and will not be accepted by PPL Electric under any circumstances.

The submission of this binding bid withdrawal to PPL Electric constitutes RFP Bidder’s continuing acknowledgement and acceptance of all the terms, conditions and requirements of this Request For Proposals.

The person submitting this bid withdrawal represents and warrants that he/she has the authority to act on behalf of, and to bind, the Bidder with respect to all actions and obligations stated herein.

Signature of Authorized Official: \_\_\_\_\_

Name of Authorized Official (*print*): \_\_\_\_\_

Title of Authorized Official (*print*): \_\_\_\_\_

Date Signed: \_\_\_\_\_

Tag Number / Bid Proposal Filename: \_\_\_\_\_

#### **NOTE:**

Please fax your completed form to PPL Electric SREC RFP Manager at the following number: **215-568-9364**.

Please also send an e-mail alert to [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com).

Please note that all bid withdrawals must be received by PPL Electric before 11:00:00 a.m. EPT on the Bid Proposal Due Date.

RECEIVED  
2010 MAY 18 PM 1:06  
PACIFIC  
SECRETARY'S BUREAU

**SREC SMA**  
|  
**APPENDIX B**

**2010**

**PPL ELECTRIC UTILITIES CORPORATION**

**SOLAR RENEWABLE ENERGY CREDIT**

**SUPPLY MASTER AGREEMENT**

**BETWEEN**

**PPL ELECTRIC UTILITIES CORPORATION**

**AND**

**[SELLER NAME]**

**DATED**  
**May 17, 2010**





# SOLAR RENEWABLE ENERGY CREDIT SUPPLY MASTER AGREEMENT

THIS SOLAR RENEWABLE ENERGY CREDIT SUPPLY MASTER AGREEMENT (“Agreement” or “SREC SMA”), is made and entered into as of \_\_\_\_\_ (“Effective Date”), by and between \_\_\_\_\_, hereinafter referred to as “Seller” and PPL Electric Utilities Corporation, hereinafter referred to as “Buyer” (each hereinafter referred to individually as “Party” and collectively as “Parties”).

## WITNESSETH:

WHEREAS, the Pennsylvania legislature has enacted the Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8 (“Act”) establishing an Alternative Energy Portfolio Standard applicable to retail electricity suppliers serving customers in the Commonwealth of Pennsylvania; and

WHEREAS, Buyer has solicited offers for obtaining Solar Renewable Energy Credit(s) to fulfill a portion of its Alternative Energy Portfolio Standards Obligation (“AEPS Obligation”) pursuant to a Request for Proposal (“RFP”) and the Seller is a winning bidder in that solicitation; and

WHEREAS, Seller desires to sell Solar Renewable Energy Credit(s) and Buyer desires to purchase such Solar Renewable Energy Credit(s) to fulfill a portion of its AEPS Obligation; and

NOW, THEREFORE, and in consideration of the foregoing, and of the mutual promises, covenants, and conditions set forth herein, and other good and valuable consideration, the Parties hereto, intending to be legally bound by the terms and conditions set forth in this Agreement, hereby agree as follows:

## ARTICLE 1 DEFINITIONS

In addition to terms defined elsewhere in this Agreement, the following definitions shall apply hereunder:

“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.

“Aggregate Buyer’s Exposure” means all Buyer’s Exposure for Aggregate Transactions.

“Aggregate Transactions” means all Transactions under this Agreement and all other transactions for default service and Alternative Energy Credits under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, including but not limited to agreements under the Competitive Bridge Plan.

“Agreement” means this SREC SMA.

“Alternative Energy Credit (“AEC”)” means a tradable instrument that is used to establish, verify, and monitor compliance with the AEPS Obligation. One AEC equals one megawatt hour of electricity from an alternative energy source.

“Alternative Energy Credits (“AEC”) Program Administrator” means the independent entity that the PUC has identified and approved to administer the AEPS as described in the Act, as amended from time to time.

“Alternative Energy Portfolio Standards (“AEPS”) Obligation” shall have the meaning ascribed to it in Section 2.3 (Alternative Energy Portfolio Standards Obligation).

“Alternative Energy Portfolio Standards (“AEPS”)” shall have the meaning ascribed to it in the Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, as amended from time to time (“AEPS Act”).

“Alternative Energy Source” shall have the meaning ascribed to it in the Act as amended from time to time.

“Alternative Energy System” shall have the meaning ascribed to it in the Act as amended from time to time.

“Bankrupt” means, with respect to any entity, such entity: (i) voluntarily files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it by its creditors and such petition is not dismissed within sixty (60) calendar days of the filing or commencement; (ii) makes an assignment or any general arrangement for the benefit of creditors; (iii) otherwise becomes insolvent, however evidenced; (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they fall due.

“Business Day” means any day except a Saturday, Sunday or a day that PJM declares to be a holiday, as posted on the PJM website. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. Eastern Prevailing Time (“EPT”).

“Buyer Downgrade Event” means that Buyer’s (or Buyer’s Guarantor’s) Credit Rating is less than BBB- by S&P, BBB- by Fitch or Baa3 by Moody’s.

“Buyer’s Exposure” during the term of a Transaction shall be deemed equal to an amount designated as the Credit Exposure under this Agreement.

“Costs” means, with respect to the Non-Defaulting Party, brokerage fees, commissions, GATS charges, and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its Product Delivery obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction or any other default pursuant to this Agreement, or pursuant to transactions for default service or AECs under Supply Master Agreements executed between the Parties pursuant to the PUC Orders.

“Credit Exposure” means a percentage of the Nominal Contract Value calculated pursuant to Exhibit C.

“Credit Rating” means, with respect to any entity, the rating then assigned to such entity’s unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issuer rating by S&P, Moody’s or Fitch.

“Default Damages” means, for the period of time specified in Section 10.2(b)(ii) (Remedies) any direct damages and Costs, calculated in a commercially reasonable manner, that the Non-Defaulting Party incurs with respect to the Specified Amount as a result of an Event of Default. Direct damages may include, but are not limited to: (i) the positive difference (if any) between the price of the Product hereunder and the price at which the Buyer or Seller is able to purchase or sell (as applicable) the Product from or to third parties, or an amount equal to the alternative compliance payment required by the AEPS Act for each SREC not delivered.

“Delivery” or “Delivered” means the transfer from Seller to Buyer of the Product, as specified pursuant to this Agreement and Transaction Confirmation attached thereunder, and recognition by the AEC Program Administrator of the transfer to Buyer. Delivery of Product can be independent of delivery of the electricity with which the Product is associated.

“Delivery Period” means the period of delivery for a Transaction as specified in a Transaction Confirmation.

“Delivery Point” means the Buyer’s account with GATS.

“Eastern Prevailing Time” or “EPT” means Eastern Standard Time or Eastern Daylight Savings Time, whichever is in effect on any particular date.

“Equitable Defenses” means any bankruptcy, insolvency, reorganization and other laws affecting creditors’ rights generally, and with regard to equitable remedies, the discretion of the court before which proceedings to obtain same may be pending.

“FERC” means the Federal Energy Regulatory Commission or its successor.

“Fitch” means Fitch Investor Service, Inc. or its successor.

“Force Majeure” “Force Majeure” means an event or circumstance which prevents one party from performing its obligations under one or more transactions, such as riot 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 result 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 Seller’s supply; (ii) Seller’s ability to sell the Products at a price greater than that received under any Transaction; (iii) Buyer’s ability to purchase the Products at a price lower than paid under any Transaction; or (iv) Labor stoppage or lockout.

“Gains” means, 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 a Terminated Transaction under this Agreement or a transaction for default service or AECs under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, determined in a commercially reasonable manner.

“Generator Attribute Tracking System” or “GATS” means the system owned and operated by PJM Environmental Information Services, Inc., or any successor as approved by the Pennsylvania Public Utility Commission, to provide environmental and emissions attributes reporting and tracking services to its subscribers, inter alia, in support of Pennsylvania Alternative Energy Portfolio Standard (AEPS) Act.

“GATS Subscriber” means an entity that has accepted and agreed to be bound by the Terms of Use for the GATS of PJM Environmental Information Services, Inc., or any successor as approved by the Pennsylvania Public Utility Commission.

“Government Action” means action by a Governmental Authority to change the eligibility of a Product for the AEPS (including a change in law that disqualifies a Product) or substantially change the requirements for compliance by persons obligated to comply with the AEPS which in either case has a material adverse effect on the value of a Product that is the subject of a particular Transaction.

“Governmental Authority” means any federal, state, local, municipal or other governmental entity, authority or agency, department, board, court, tribunal, regulatory commission, or other body, whether legislative, judicial or executive, together or individually, exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power over a Party or this Agreement.

“Guarantor” means any party who agrees to guaranty Seller’s financial obligations under this Agreement pursuant to the Guaranty Agreement recognizing that such a party will be obligated to meet or exceed Buyer’s credit requirements for Seller and that the acceptability of such guaranty will be determined at Buyer’s sole discretion.

“Guaranty Agreement” means the guaranty agreement entered into by a Guarantor in the form attached hereto as Exhibit D.

“Interest Rate” means, for any date, the lesser of: (i) 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%); and (ii) the maximum rate permitted by applicable law.

“Letter(s) of Credit” means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch, with such bank having a Credit Rating of at least A- from S&P or A3 from Moody’s and a minimum of \$10 billion in assets, in a form acceptable to the Party in whose favor the letter of credit is issued (for clarification, the form of Letter of Credit attached as Exhibit B hereto shall be considered an acceptable form). Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit. The Party to whom the Letter of Credit is in favor reserves the right to monitor the financial position of the issuing bank and, if the issuing bank’s Credit Rating is downgraded by any increment or if its assets fall below \$10 billion; or if the issuing bank’s Current, Quick, Return on Assets, or Price/Earnings ratios diminish (reflecting the financial stability of the bank); or if the Party determines, for any reason, at its sole discretion that the issuing bank’s position has deteriorated, then the Party has the right to demand and receive, from the applicant for the Letter of Credit, that the Letter of Credit be reissued from a bank that meets or exceeds the Credit Ratings and asset valuation listed above.

“Losses” means, 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 the termination of a Transaction under this Agreement or a transaction for default service or AECs under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, determined in a commercially reasonable manner.

“Monthly Settlement Amount” means, with respect to any calendar month during the Delivery Period, the product of: (i) the Monthly Settlement Quantity; and (ii) and the Monthly Settlement Price as set forth in the Transaction Confirmation.

“Monthly Settlement Date” means, with respect to any calendar month following the first two months of a Delivery Period, the date(s) determined to be the PJM Settlement Date(s) pursuant to the PJM Agreements. In the event that PJM institutes multiple Settlement Dates pursuant to the PJM Agreements, the Monthly Settlement Date will be last PJM Settlement Date in the month..

“Monthly Settlement Quantity” means, with respect to any calendar month during the Delivery Period, the Specified Amount.

“Monthly Settlement Price” means the price in \$/SREC as set forth in the Transaction Confirmation pursuant to this Agreement.

“Moody’s” means Moody’s Investors Services, Inc. or its successor.

“NERC” means the North American Electric Reliability Council or any successor organization thereto.

“Nominal Contract Value” means the dollar amount resulting by multiplying the Specified Amount by the Monthly Settlement Price by the number of months in the Delivery Period.

“Non-Defaulting Party” means the Party not responsible for an Event of Default, as set forth in Article 10.

“Performance Assurance” means collateral in the form of cash, Letter(s) of Credit, or other security acceptable to the Buyer.

“Photo-voltaic (“PV”)” shall have the meaning ascribed in Tier 1 Alternative Energy Sources in the Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8.

“PJM” means the PJM Interconnection, LLC or any successor organization thereto.

“PJM Agreements” means the PJM OATT, PJM Operating Agreement, PJM RAA, and any other applicable PJM manuals or documents, or any successor, superseding or amended versions that may take effect from time to time.

“PJM OATT” or “PJM Tariff” means the Open Access Transmission Tariff of PJM or the successor, superseding or amended versions of the Open Access Transmission Tariff that may take effect from time to time.

“PJM Operating Agreement” or “PJM OA” means the Operating Agreement of PJM or its successor.

“PJM RAA” means the PJM Reliability Assurance Agreement or any successor, superseding or amended versions of the PJM Reliability Assurance Agreement that may take effect from time to time.

“PJM Settlement Date” means the date on which payments are due to PJM for services provided by PJM in accordance with the PJM Agreements. In the event that PJM institutes multiple Settlement Dates pursuant to the PJM Agreements, the relevant PJM Settlement Date will be last PJM Settlement Date in the month.

“Product” means the SRECs to be delivered as specified in the Transaction Confirmation.

“PUC” means the Pennsylvania Public Utility Commission and any successor thereto.

“PUC Orders” means the orders issued by the PUC pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812 as amended by Act 129, including the order authorizing the parties to enter into this Agreement.

“Reporting Period” means the 12 month period from June 1 through May 31 as defined under the AEPS Act.

“Request for Proposal” or “RFP” means the request for proposals issued from time to time by Buyer pursuant to the PUC Orders.

“S&P” means Standard & Poor's Ratings Service, a division of McGraw Hill, Inc. and any successor thereto.

“Settlement Amount” means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such Party incurs as a result of the liquidation of a Terminated Transaction pursuant to Article 10 (Events of Default; Remedies). The calculation of a Settlement Amount for a Terminated Transaction shall exclude any Default Damages calculated pursuant to Section 10.2(b)(ii) for the same Terminated Transaction. 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 and all other transactions for default service or AECs under Supply Master Agreements executed between the Parties pursuant to the PUC Orders if total of the Losses and Costs exceeds the Gains and shall be considered an amount due to the Defaulting Party under this Agreement and all other transactions for default service or AECs under Supply Master Agreements executed between the Parties pursuant to the PUC Orders if the Gains exceed the total of the Losses and Costs.

“Solar Renewable Energy Credit (“SREC”)” means an AEC generated by a PV Alternative Energy Source.

“Specified Amount” means the amount of SRECs per month as set forth in a Transaction Confirmation pursuant to this Agreement.

“Tangible Net Worth” or “TNW” means an entity’s total assets (exclusive of intangible assets), minus that entity’s total liabilities, each as would be reflected on a balance sheet prepared in accordance with generally accepted accounting principles, and as of the relevant date of determination most recently filed with the United States Securities and Exchange Commission.

“Termination Payment Date” shall have the meaning set forth in Section 10.4 (Notice of Termination Payment).

“Terminated Transaction(s)” means any Transaction which has been terminated in accordance with Section 10.2 (b) (Remedies).

“TNW Amount” shall equal the product of the applicable TNW Percentage and an entity’s Tangible Net Worth.

“TNW Percentage” means the percentage determined pursuant to Section 12.3 (Unsecured Credit) that is multiplied by an entity’s Tangible Net Worth to determine that entity’s TNW Amount.

“Tier 1 Alternative Energy Sources” shall have the meaning ascribed to it in the Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, as amended from time to time.

“Tier 2 Alternative Energy Sources” shall have the meaning ascribed to it in the Pennsylvania Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, as

amended from time to time.

“Transaction” means a particular agreement by which Buyer purchases and Seller sells SRECs pursuant to this Agreement, the details of which are more fully set forth in a Transaction Confirmation.

“Transaction Confirmation” shall have the meaning ascribed to it in Section 2.10 (Transaction Confirmation).

“Transaction Date” means the date that a Transaction is executed as set forth in the Transaction Confirmation.

“Unsecured Credit” means an amount that is the lower of: (i) the relevant Unsecured Credit Limit as determined pursuant to Section 12.3 (Unsecured Credit); (ii) the relevant TNW Amount, as determined pursuant to Section 12.3 (Unsecured Credit); or (iii) the Guaranty Amount from Seller’s Guarantor as set forth in the Guaranty Agreement.

“Unsecured Credit Limit” shall have the meaning ascribed to it in Section 12.3 (Unsecured Credit).

## **ARTICLE 2 TERMS AND CONDITIONS OF SOLAR RENEWABLE ENERGY CREDITS**

2.1 Seller’s Obligation To Provide SRECs. With respect to a Transaction, Seller shall provide SRECs on a monthly basis such that the Specified Amount is supplied during the Delivery Period as set forth in the Transaction Confirmation.

2.2 Buyer’s Obligation to Take SRECs. With respect to a Transaction, Buyer shall accept SRECs as provided by Seller pursuant to Section 2.1 (Seller’s Obligation to Provide SRECs), and shall pay Seller the Monthly Settlement Amounts for such SRECs on the applicable Monthly Settlement Date in accordance with Section 5.3 (Payments of the Invoice).

2.3 Alternative Energy Portfolio Standards Obligation.

- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) and shall provide SRECs in the Specified Amount to Buyer so that Buyer can fulfill Buyer’s AEPS Obligation as set forth in the AEPS Act and PUC rules and Orders that may be promulgated to implement the AEPS Act.
- (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a GATS Subscriber and is responsible for paying its annual

subscription fee. Seller shall transfer SRECs into the Buyer's GATS account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with load serving entity GATS fee requirements.

- (c) Within 40 days after the end of each calendar month during the Delivery Period the Seller shall transfer SRECs into the Buyer's GATS account(s) in an amount commensurate with Specified Amount provided by the Seller during said calendar month.
- (d) SRECs supplied to meet the requirements under this Agreement must be generated during the same 12-month period that corresponds to the applicable Reporting Period during which they are delivered.
- (e) At the conclusion of the Delivery Period, Seller shall complete its transfer of any SRECs, not transferred in accordance with subsection (c) of this Section 2.3, into the Buyer's GATS account(s) in the amount necessary to fulfill the Seller's outstanding Specified Amount under this Agreement no later than 50 calendar days following the completion of the Delivery Period.
- (f) In addition to the Remedies stated in Article 7, Article 8 and Article 10 of this Agreement, Buyer, in its sole discretion, shall have the right to pursue specific performance of Seller's obligations under this Section 2.3.
- (g) Seller shall provide to the Buyer all information regarding SRECs that may be required by the PUC rules governing reporting and auditing of Buyer's compliance with the AEPS Obligation.

2.4 GATS Subscription. For the period of time that this Agreement is in effect, Seller shall be a GATS Subscriber in good standing.

2.5 Title Transfer. Seller shall cease to have title to, possession of, and risk of loss with respect to liability pursuant to Sections 7.1 (Seller's Indemnification for Third-Party Claims) and 7.2 (Buyer's Indemnification for Third-Party Claims) of SRECs delivered hereunder at the Delivery Point(s). Seller warrants that it has good title to the SRECs sold and delivered hereunder and that it has the right to sell such SRECs. As between Buyer and Seller only, Buyer shall take title to, possession of, and risk of loss with respect to liability pursuant to Sections 7.1 (Seller's Indemnification for Third-Party Claims) and 7.2 (Buyer's Indemnification for Third-Party Claims) of SRECs delivered hereunder at the Delivery Point(s). Notwithstanding the foregoing, nothing contained in this Agreement is intended to create or increase liability of Buyer to any third party beyond such liability, if any, under applicable law if Buyer had not taken title.

2.6 Secondary Markets. All representations and warranties made by Seller to Buyer with respect to the Product are transferable by Buyer.

2.7 Disclosure in the Event of Seller Default. If Seller defaults and this Agreement is terminated pursuant to Article 10 (Events of Default; Remedies), Buyer may disclose the terms of this Agreement and any Transaction Confirmation to all other non-defaulting suppliers providing SRECs or AECs to Buyer pursuant to the PUC Orders. Such disclosure by Buyer shall be made for the purpose of allowing each non-defaulting supplier to make its Step-Up elections described in Section 2.8(Seller Step-Up Rights) below.

2.8 Seller Step-Up Rights. In the event of an early termination of a SREC SMA between Buyer and an entity other than the Seller, Buyer shall send a written notification to Seller which: (i) describes the individual supply obligations associated with the Terminated Transaction(s) for the remaining term(s) of such transaction(s); and (ii) requests Seller to agree to supply its full or partial amount of the supply obligation associated with each Terminated Transaction for the remaining term(s) of the Terminated Transaction(s), without change to the pricing, terms and conditions of the terminated agreement and transaction(s). Such agreement to make additional supply available shall be termed a "Step-Up".

In the event that Seller wishes to exercise its option to Step-Up when such an opportunity arises, Seller shall respond to Buyer of such within five (5) Business Days from the date of Buyer's notification. In Seller's response, Seller shall indicate: (i) the maximum amount of the increased obligation that Seller wishes to take on given the additional supply obligation available from the Terminated Transactions (which need not be all); and (ii) that it is willing to meet any additional collateral requirements related to the Step-Up. Seller's response shall take place no later than two (2) Business Days of its receipt of Buyer's notification. The amount of supply obligation assigned to Seller following Seller's Step-Up response will be Seller's pro-rata share of the total of such Step-Up responses from all sellers and will be from zero up to and including the maximum amount that the Seller indicates. Seller's pro-rata share, as described in this paragraph, shall be the ratio of Seller's amount indicated in Seller's Step-Up response, stated on a MW basis, to the total of amounts indicated in all sellers' Step-Up responses. Once Buyer has determined Seller's pro-rata share, the Seller is obligated to execute a Transaction Confirmation in the amount of the pro-rata share within one (1) business day.

For the avoidance of doubt, in the event that Seller does not respond to Buyer's Step-Up request within the relevant timeframe, Seller shall be deemed to have rejected the Buyer's request in full.

2.9 Governing Terms. Each Transaction shall be governed by this Agreement. This Agreement, including all exhibits hereto, any designated collateral, credit support, margin agreement or similar arrangements and all Transaction Confirmations shall form a single integrated agreement between Buyer and Seller. Any inconsistency between terms in this Agreement and terms in a Transaction Confirmation shall be resolved in favor of the terms of this Agreement.

2.10 *Transaction Confirmation.* A Transaction shall be documented in a Transaction Confirmation in the form attached hereto as Exhibit A. On the Business Day on which Seller is selected and approved by the PUC as a provider of an SREC Product, Buyer will forward by facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) (Exhibit A) and shall send by overnight delivery two (2) originals. Except as otherwise provided in the RFP, by 2:00 p.m. EPT on the next Business Day following Seller's receipt of such facsimile of partially executed Transaction Confirmation(s), Seller shall return by facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original. In addition, if such Transaction(s) is the initial Transaction(s) with the Seller under the current RFP solicitation, then Buyer will forward to Seller one (1) fully executed Agreement by overnight delivery service.

### **ARTICLE 3 RECOVERY OF SREC COSTS**

3.1 *Recovery of SREC Costs.* Buyer's obligations under this agreement are contingent on, and limited by, Buyer's ability to recover all costs incurred by it under this Agreement from its retail customers in full on a current basis. In the event that any Government Action (i) has the effect of suspending, limiting or denying Buyer's ability to recover fully such costs from its retail customers on a current basis, (ii) precludes Buyer from using SRECs purchased under this Agreement for compliance with the AEPS Act, (iii) requires Buyer to refund costs previously recovered from its retail customers for SRECs, or (iv) requires Buyer to incur additional expense, including but not limited to purchase of the energy associated with any SRECs procured under this Agreement, Buyer may, in its sole discretion, and without any obligation to seek relief from such Government Action: (x) terminate this Agreement upon 30 calendar days notice; or (y) elect to continue performing under the Agreement and pay the Seller only the costs for the SRECs which Buyer is permitted to recover on a current basis from its retail customers. However, if Buyer elects to reduce its payments under this Agreement to that which it is permitted to recover on a current basis from its retail customers as a result of a Government Action, Seller may terminate this Agreement upon not less than 30 calendar days notice.

### **ARTICLE 4 TERM AND SURVIVAL**

4.1 *Term.* Unless otherwise agreed upon by Buyer and Seller, 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 this Agreement is terminated prematurely pursuant to Article 10 of this Agreement.

- 4.2 *Survival.* All provisions of this Agreement which must, in order to give full force and effect to the rights and obligations of the Parties hereto, survive termination or expiration of this Agreement, shall so survive, including, without limitation, Articles 7, 8, 10, and 11.

## **ARTICLE 5 BILLING AND SETTLEMENT**

- 5.1 *Billing.* Unless otherwise agreed to by the Parties, on or before the last Business Day of each month, Seller shall deliver to Buyer, via electronic transmission or other means agreed to by the Parties, an invoice (“Invoice”) that sets forth the total amount due for the previous calendar month for all Transactions. The Invoice shall detail for each Transaction the following:

- (a) Monthly Settlement Quantity
- (b) Monthly Settlement Amount

- 5.2 *Payments of the Invoice.* On the Monthly Settlement Date, Buyer will pay to Seller, or Seller will pay to the Buyer, as the case may be, the total amount due in the applicable Invoice, subject to Section 5.5 (Netting of Payments). All payments shall be made by “Electronic Funds Transfer” (“EFT”) via “Automated Clearing House” (“ACH”), unless otherwise agreed to by the Parties, to a bank designated in writing by such Party, by 12:00 p.m. EPT on the Monthly Settlement Date. Payment of Invoices shall not relieve the paying Party from any other responsibilities or obligations it has under this Agreement (other than the obligation to make such payment), nor shall such payment constitute a waiver of any claims arising hereunder.

- 5.3 *Billing Disputes and Adjustments of Invoices.*

- (a) Within twelve (12) months of the date on which an Invoice is issued, Buyer may, in good faith, adjust the Invoice to correct any errors. The adjustment shall include interest calculated at the Interest Rate from the original due date to the date of payment. Buyer shall provide Seller a written explanation of the basis for the adjustment.
- (b) Within twelve (12) months of the date on which an Invoice is issued or an Invoice is adjusted pursuant to Section 5.3(a) (Billing Disputes and Adjustment of Invoices), Seller may, in good faith, dispute the correctness of such Invoice or adjustment, pursuant to the provisions of Article 11 (Dispute Resolution), and provided that Seller has paid by the Monthly Settlement Date any portion of an Invoice that is not disputed.

- 5.4 Interest on Unpaid Balances. Interest on delinquent amounts, other than amounts in dispute as described in Section 5.3 (Billing Disputes and Adjustment of Invoices), shall be calculated at the Interest Rate from the original due date to the date of payment.
- 5.5 Netting of Payments. Buyer and Seller shall discharge mutual debts and payment obligations due and owing to each other under this Agreement, as of the Monthly Settlement Date, such that all amounts owed by each Party to the other Party shall be reflected in a single amount due to be paid by the Party who owes it and received by the other Party, provided that the calculation of the net amount shall not include any disputed amounts being withheld pursuant to Section 5.3 (Billing Disputes and Adjustments of Invoices).

## ARTICLE 6 TAXES

- 6.1 Cooperation. Each Party shall use reasonable efforts to implement the provisions of and administer this Agreement in accordance with the intent of the Parties to minimize taxes, so long as neither Party is materially adversely affected by such efforts.
- 6.2 Taxes.
- (a) Seller will be responsible for any taxes imposed on the creation, ownership, and transfer of Product under this Agreement up to and including the time and place of Delivery. Buyer will be responsible for any taxes imposed on the receipt or ownership of Product at or after the time and place of its Delivery. Each Party will be responsible for the payment of any fees, including broker fees, incurred by it in connection with any Transaction hereunder.
  - (b) Any Party paying taxes that should have been paid by the other Party pursuant to Section 6.2(a) (Taxes), shall be reimbursed by such other Party in the next Invoice issued pursuant to Section 5.1 (Billing).
- 6.3 Disclosure of Tax Treatment. Notwithstanding anything to the contrary in this Agreement or in the RFP and appendices thereto, Seller and Buyer agree that: (i) any obligation of confidentiality with respect to the Parties' Transactions hereunder does not apply, and has not applied from the commencement of discussions between the Parties, to the tax treatment and tax structure of the Agreement and all Transactions thereunder, and (ii) Seller and Buyer (and each of their respective employees, representatives, or agents) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Agreement and the Transactions thereunder, as well as any materials of any kind (including opinions or other tax analyses) that have been provided to the disclosing Party relating to such tax treatment and tax structure, all within the meaning of Treasury Regulations Section 1.6011-4; provided, however, that the foregoing is not intended to affect any privileges that each Party is entitled, at its sole discretion, to

maintain, including with respect to any confidential communications with its attorney or any confidential communications with a federally authorized tax practitioner under Section 7525 of the Internal Revenue Code.

## **ARTICLE 7 INDEMNIFICATION**

- 7.1 *Seller's Indemnification for Third-Party Claims*. Seller shall indemnify, hold harmless, and defend Buyer and its Affiliates, and their respective officers, directors, employees, agents, contractors, subcontractors, invitees, successors, representatives and permitted assigns (collectively, "Buyer's Indemnities") from and against any and all claims, liabilities, costs, losses, damages, punitive damages and expenses including reasonable attorney and expert fees, disbursements actually incurred, and any penalties or fines imposed by Government Authorities in any action or proceeding between Buyer and a third party or Seller for damage to property of unaffiliated third parties, injury to or death of any person, including Buyer's employees or any third parties, to the extent directly caused by the negligence, gross negligence or willful misconduct of Seller and/or its officers, directors, employees, agents, contractors, subcontractors or invitees arising out of or connected with Seller's performance under this Agreement, Seller's exercise of rights under this Agreement, or Seller's breach of this Agreement. Buyer shall have the right to hire the attorney of its choice to defend it in any proceeding brought against it pursuant to this provision.
- 7.2 *Buyer's Indemnification for Third-Party Claims*. Buyer shall indemnify, hold harmless, and defend Seller and its Affiliates, and their respective officers, directors, employees, agents, contractors, subcontractors, invitees, successors, representatives and permitted assigns (collectively, "Seller's Indemnities") from and against any and all claims, liabilities, costs, losses, damages, and expenses including reasonable attorney and expert fees, disbursements actually incurred, and any penalties or fines imposed by Government Authorities in any action or proceeding between Seller and a third party or Buyer for damage to property of unaffiliated third parties, injury to or death of any person, including Seller's employees or any third parties, to the extent directly caused by the gross negligence or willful misconduct of Buyer and/or its officers, directors, employees, agents, contractors, subcontractors or invitees arising out of or connected with Buyer's performance under this Agreement, Buyer's exercise of rights under this Agreement, or Buyer's breach of this Agreement. Seller shall have the right to hire the attorney of its choice to defend it in any proceeding brought against it pursuant to this provision.
- 7.3 *Indemnification Procedures*. If either Party intends to seek indemnification under Sections 7.1 (Seller's Indemnification for Third-Party Claims) or 7.2 (Buyers Indemnification for Third-Party Claims), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within ninety (90) calendar 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 or delayed.

## **ARTICLE 8 LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES**

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 COSTS AND DEFAULT DAMAGES AS DEFINED IN THIS AGREEMENT, SUCH COSTS AND DEFAULT 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 OF 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.

## **ARTICLE 9 FORCE MAJEURE**

- 9.1 *Force Majeure* means an event or circumstance as defined in Article 1. 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) fulfills the requirements set forth in Section 9.2 (Notification).
- 9.2 *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 10 EVENTS OF DEFAULT; REMEDIES**

- 10.1 *Events of Default*. An "Event of Default" shall mean, with respect to a Party ("Defaulting Party"), the occurrence of any of the following:
- (a) the failure 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;
  - (b) any representation or warranty made by such Party herein or in response to the RFP is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated;
  - (c) the failure of a Party to comply with the requirements of Section 2.4 (GATS Subscription) if such failure is not remedied within three (3) Business Days after written notice;
  - (d) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default) if such failure is not remedied within three (3) Business Days after written notice;
  - (e) such Party becomes Bankrupt;
  - (f) such Party consolidates with, or merges with or into, or transfers all or

substantially all of its assets to, another entity, or assigns the Agreement or any rights, interests, or obligations hereunder without the prior written consent of the other Party when such consent is required, and, at the time of such consolidation, merger, transfer or assignment, the resulting, surviving, transferee, or assigned entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;

- (g) the occurrence and continuation of: (i) a default, event of default or other similar condition or event in respect of such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than five percent (5%) of such Party's TNW, which results in such indebtedness becoming immediately due and payable or; (ii) a default by such Party in making on the due date therefore one or more payments, individually or collectively, in an aggregate amount of not less than five percent (5%) of such Party's TNW.
- (h) the failure of a Party to comply with its obligations pursuant to Article 12 (Performance Assurance) if such failure is not remedied within three (3) Business Days after written notice.
- (i) with respect to Seller's Guarantor if any: (i) if any representation or warranty made by the Guarantor in connection with this Agreement is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated; (ii) the failure of the Guarantor 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 three (3) Business Days after written notice; (iii) the failure of the Guarantor's guaranty 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; (iv) the Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty; or (v) conditions described with respect to a Party in subparagraph (f) of this Section 10.1 (Events of Default) occurs with respect to its Guarantor.

**10.2 Remedies.** If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party"), shall provide written notice to the Defaulting Party and shall have the right to temporarily suspend performance pursuant to Section 10.2(a) or implement all remedies pursuant to Section 12.0(b):

- (a) If an Event of Default has occurred and is continuing, 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 Section 10.2(b). If, by the end of the ten (10) Business Day period of suspension, the Non-Defaulting Party has not commenced the implementation of the remedies pursuant to Section 10.2(b), then the Non-Defaulting Party must resume performance of its obligations under this Agreement.

- (b) If an Event of Default has occurred under this Agreement or pursuant to a transaction for default service or AECs under Supply Master Agreements executed between the Parties pursuant to the PUC Orders and is continuing, the Non-Defaulting Party shall have the right to implement the following remedies:
  - i. designate a day, in such notice, no earlier than the day such notice is effective and no later than twenty (20) calendar days after such notice is effective, as an early termination date (“Early Termination Date”) for the purposes of determining the Settlement Amount;
  - ii. calculate and receive from the Defaulting Party, payment for any Default Damages and Costs, as defined this Agreement, the Non-Defaulting Party incurs as of the date of the event giving rise to the Event of Default, until the earlier of: (i) the Early Termination Date (if applicable); or (ii) the Event of Default has been cured by the Defaulting Party; or (iii) the Non-Defaulting Party waives such Event of Default;
  - iii. withhold any payments due to the Defaulting Party under this Agreement as an offset to any Default Damages and Costs, as defined in this Agreement, or Termination Payment, as defined in Section 10.3 (Calculation and Net Out of Settlement Amounts); and
  - iv. permanently suspend performance.
  
- (c) If an Event of Default has occurred and the Non-Defaulting Party is the Buyer, then:
  - i. unless the Event of Default was a failure by Seller to meet any or all of its Product Delivery obligations, Buyer may offer to waive the default on such terms and conditions as Buyer, at its sole discretion, may deem appropriate to propose (“Special Remedy”); provided however that;
  - ii. any such Special Remedy can only be offered to Seller if it first is specifically approved by the PUC in accordance with PUC Orders.

### 10.3 Calculation and Net Out of Settlement Amounts.

- (a) The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable. For purposes of calculating the Settlement Amount, the

Non-Defaulting Party shall reflect the net impact of the exercise of the option on the part of other wholesale suppliers as described in Section 2.8 (Seller Step-Up Rights) of this Agreement. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single liquidated amount (the "Termination Payment") by netting out: (i) all Settlement Amounts that are 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 pursuant to Article 12 (Performance Assurance), plus any or all other amounts due to the Defaulting Party under this Agreement; against (ii) all Settlement Amounts that are due to the Non-Defaulting Party plus any or all other amounts due to the Non-Defaulting Party, including but not limited to Default Damages and Costs, under this Agreement, as well as, pursuant to any transactions for Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

*10.4 Notice of Termination Payment.* As soon as practicable after an Early Termination Date is declared, the Non-Defaulting Party shall provide written notice to the Defaulting Party of the amount of the Termination Payment. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The owing Party shall make the Termination Payment within five (5) Business Days after such notice is effective (the "Termination Payment Date").

*10.5 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 five (5) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a notice that it intends to dispute the calculation of the Termination Payment ("Termination Payment Dispute Notice"), pursuant to the provisions of Article 11 (Dispute Resolution), and 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 by the Termination Payment Date.

*10.6 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.

## **ARTICLE 11 DISPUTE RESOLUTION**

*11.1 Informal Dispute Resolution.* Before pursuing resolution of any dispute arising out of this Agreement, 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 Section 11.1 (Informal Dispute Resolution), shall be paid within two (2) Business Days of such resolution and the payment shall include interest calculated at the Interest Rate from the original due date through the date of payment.

*11.2 Formal Dispute Resolution.* After the requirements of Section 11.1 (Informal Dispute Resolution) have been satisfied, all disputes, except as noted below, between the Parties shall be submitted to the appropriate authority.

## **ARTICLE 12 PERFORMANCE ASSURANCE**

*12.1 Requirement for Performance Assurance.* With respect to Aggregate Transactions, if at any time and from time to time during the term of this Agreement, Aggregate Buyer's Exposure exceeds the Unsecured Credit on any Business Day, then Buyer shall request that Seller post Performance Assurance in an amount equal to the amount by which Aggregate Buyer's Exposure exceeds the Unsecured Credit (rounding upwards to the nearest \$25,000), less any Performance Assurance already posted with Buyer. Notwithstanding the above, Seller shall only be required to post the required Performance Assurance to the extent the amount of required Performance Assurance is equal to or greater than \$50,000. Subsequent and incremental requests for Performance Assurance shall be in \$25,000 increments. Buyer's request for Performance Assurance shall not be disputed by Seller.

*12.2 Performance Assurance Transfers/Returns.* If the request for Performance Assurance is made by Buyer before 1:00 p.m. EPT on a Business Day, then if Seller is posting cash as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance cash to Buyer on the Business Day following the date of such request; and if Seller is posting a Letter of Credit or other security as acceptable to Buyer as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance Letter of Credit or other security on the second Business Day following the date of such request. If a request for Performance Assurance is made by Buyer at or after 1:00 p.m. EPT, then if Seller is posting cash as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance cash to Buyer on the second Business Day following the date of such request; and if Seller is posting a Letter of Credit or other security as acceptable to Buyer as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance Letter of Credit or other security on the third Business Day following the date of such request. Telephone, facsimile, or other communication means mutually acceptable by the Parties, are suitable means for the Buyer to make requests for Performance Assurance. If Seller provides its Performance Assurance collateral in cash,

in whole or in part, Seller will also simultaneously grant Buyer a first-priority security interest in that cash, in a form mutually acceptable to Buyer and Seller. Buyer shall not be entitled to hold Performance Assurance in the form of cash; rather, Performance Assurance in the form of cash shall be held in any major U.S. commercial bank, or a foreign bank with a U. S. branch office, (which is not the Buyer or an Affiliate of the Buyer), and has assets of at least \$10 billion and a Credit Rating of at least “A” by Standard and Poor’s, or “A2” by Moody’s Investor Services (“Qualified Institution”). The Buyer will pay to Seller on the first Business Day of each calendar quarter the amount of interest it receives based upon the applicable overnight repurchase interest rate from the Qualified Institution on any Performance Assurance in the form of cash posted by Seller. The interest amount or portion thereof not returned to Seller pursuant to this Section 12.2 will constitute Performance Assurance and will be subject to the provisions of Article 12 of this Agreement.

On any Business Day (but no more frequently than weekly with respect to Letters of Credit or other security acceptable to Buyer, and daily with respect to cash), Seller, at its sole cost, may request that the Performance Assurance be reduced correspondingly to reflect the decrease in Buyer Exposure or an increase in Seller’s Unsecured Credit, if any (rounding upwards for any fractional amount to the nearest \$25,000). Buyer shall be required to return the amount of Performance Assurance due in accordance with the timeframes set forth in the preceding paragraph. A written means is suitable for the Seller to make requests for return of Performance Assurance.

In the event that Seller fails to provide Performance Assurance or Buyer fails to return Performance Assurance pursuant to the terms of this Article 12 (Performance Assurance) within the applicable timeframes, then an Event of Default pursuant to Section 10.1(i) shall be deemed to have occurred with respect to the non-performing Party and the other Party will be entitled to the remedies set forth therein.

In instances caused by the timing of the requests for both the return of Performance Assurance and placement of Performance Assurance, a situation may arise where the Parties are both sending and receiving transactions on the same day. In these instances, the Parties may net the requested amounts and proceed with only one transaction. Netting is only permitted for Performance Assurance purposes if it is mutually agreed to by both Parties in advance and confirmed in advance.

**12.3 Unsecured Credit.** During the term of this Agreement, Buyer shall extend, solely with respect to the Performance Assurance set forth in Section 12.1 (Requirement for Performance Assurance), Unsecured Credit, as defined in Article 1 of this Agreement, to Seller in an amount initially determined on the Effective Date and redetermined each Business Day thereafter pursuant to this Section 12.3.

For purposes of determining Unsecured Credit, the relevant Unsecured Credit Limit for Aggregate Transactions shall not exceed the Unsecured Credit Limit listed in the following table that corresponds to Seller’s (or Seller’s Guarantor’s) lowest Credit Rating most recently published by S&P, Fitch and/or Moody’s. The relevant TNW Amount shall

be calculated using the TNW Percentage listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's.

CREDIT RATING				
S&P	Fitch	Moody's	TNW Percentage	Unsecured Credit Limit
A- or above	A- or above	A3 or above	5%	\$75,000,000
BBB+	BBB+	Baa1	5%	\$50,000,000
BBB	BBB	Baa2	5%	\$35,000,000
BBB-	BBB-	Baa3	5%	\$20,000,000
Below BBB-	Below BBB-	Below Baa3	5%	\$0

Pursuant to this Article 12 and Article 1, the analysis of Unsecured Credit will also include consideration of the Guaranty Agreement, if any, submitted by Seller in connection with this contract.

**12.4 Credit Rating.** If during the term of the Agreement, Seller's or Seller's Guarantor's, if applicable, Credit Rating changes, by either being upgraded or downgraded by any of the rating agencies referenced in Section 12.3 (Unsecured Credit) of the Agreement, the Seller shall be required to provide written notice to Buyer of such Credit Rating change no later than two (2) Business Days after the date of such change. However, if Seller's, or Seller's Guarantor's, if applicable, equity is publicly traded on the New York Stock Exchange, NASDAQ National Market, or American Stock Exchange, the Buyer will waive the requirement to provide written notice.

**12.5 Tangible Net Worth.** During the term of the Agreement, Seller, or Seller's Guarantor, if applicable, shall be required to provide Buyer written financial information to determine the Seller's, or Seller's Guarantor's Tangible Net Worth. Financial information shall include an audited Annual Report, containing, but not limited to, a balance sheet prepared in accordance with generally accepted accounting principles, a schedule of long term debt including maturity dates, and all notes to the financial statement that apply to long term debt, short term borrowing, and liquidity and capital resources. The Seller, or Seller's Guarantor, shall also provide the Buyer written financial information on a quarterly basis containing a balance sheet prepared in accordance with generally accepted accounting principles. However, if Seller's, or Seller's Guarantor's, if applicable, equity is publicly traded on the New York Stock Exchange, NASDAQ National Market, or American Stock Exchange, the Buyer will waive the requirement to provide written financial information.

**12.6 Aggregate Buyer's Exposure.** In order to determine the amount of Performance Assurance during the term of this Agreement, Buyer shall calculate the Aggregate Buyer's Exposure under Aggregate Transactions once per Business Day. On a Transaction Date, the Buyer's Exposure for that Transaction shall be deemed equal to zero. To the extent that the calculations of the Aggregate Buyer's Exposure for a given date result in a negative number, the Aggregate Buyer's Exposure for such date shall be deemed equal to zero.

- (a) Buyer shall use reasonable efforts to provide Seller with Aggregate Buyer's Exposure on each Business Day subject to the confidentiality provisions of this Agreement. However, in the event that Aggregate Buyer's Exposure only varies pursuant to Exhibit C, Buyer will provide Seller a revised Buyer's Exposure consistent with the schedule provided in Exhibit C.
- (b) Pursuant to Section 12.1 above, Seller shall not dispute any request by Buyer for Performance Assurance.

**12.7 Accelerated Payments:** If at any time and from time to time during the term of this Agreement, a Buyer Downgrade Event occurs, or notwithstanding the provisions of Article 5 (Billing and Settlement), Seller shall have the right to require Buyer to divide the Monthly Settlement Amount into weekly amounts and pay such amounts on a weekly basis for so long as the Buyer Downgrade Event continues. A "weekly basis" as referred to in the preceding sentence means a given Monday through Sunday period in a Delivery Period. Seller shall notify Buyer who shall be required to make payment for such period no later than the first Wednesday following such period (or if such day is not a Business Day, on the next Business Day). Buyer's failure to make such accelerated payments shall be deemed an Event of Default under Section 10.1 (Events of Default) of the Agreement.

## **ARTICLE 13 REPRESENTATIONS AND WARRANTIES**

**13.1 Representations and Warranties.** On the Effective Date and throughout the term of this Agreement, each Party represents and warrants to the other Party that:

- (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- (b) it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement and each Transaction;
- (c) the execution, delivery and performance of this Agreement and each Transaction are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like

applicable to it;

- (d) this Agreement and each Transaction constitutes its legally valid and binding obligation enforceable against it in accordance with its terms; subject to any Equitable Defenses;
- (e) it is not Bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it becoming Bankrupt ;
- (f) 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 and each Transaction;
- (g) 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 and each Transaction;
- (h) with respect to Buyer, it is acting to fulfill its obligations under and in accordance with PUC Orders to enter into this Agreement;
- (i) 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 each Transaction, and the other Party is not acting as a fiduciary for or advisor to it in respect of this Agreement;
- (j) it is a “forward contract merchant” within the meaning of the United States Bankruptcy Code; and
- (k) it has entered into this Agreement and each Transaction in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of SRECs; and it is an “eligible contract participant” as defined in Section 1a(12) of the Commodity Exchange Act.

*13.2 Warranties of Seller.* With respect to each Transaction, Seller represents and warrants to Buyer on the Transaction Date for each Product that such Product complies with the AEPS, and for the Delivery Period of each Product that: (i) Seller has good and marketable title to such Product; (ii) Seller has not sold the Product to be transferred to Buyer to any other person or entity; (iii) all right, title and interest in and to such Product are free and clear of any liens, taxes, claims, security interests or other encumbrances except for any right or interest by any entity claiming through Buyer; (iv) the Product is separate from the electric energy; and (v) unless separately disclosed to Buyer, with respect to Seller, the Product is not transferred, and has not been transferred pursuant to a contract filed or required to be filed with or approved by any Governmental Authority having jurisdiction over the sale of electric energy.

13.3 Additional Understandings. This Agreement is for the purchase and sale of SRECs that will be delivered in quantities expected to be used or sold over a defined period(s) in the normal course of business, and it is the intention at the inception and throughout the term of this Agreement and each Transaction hereunder that the Agreement will result in delivery of SRECs and not financial settlement, and the quantity of Product that Seller must deliver and Buyer must receive will be determined by the requirements of the Specified Amount purchased by Buyer, and, as such, the Agreement does not provide for an option by either Party with respect to the quantity of Product to be delivered or received during performance of the Agreement. This Agreement has been drafted to effectuate Buyer's and Seller's specific intent so that in accordance with Financial Accounting Standards Board Statement No. 133 ("FAS 133"), as amended, Buyer would be able to elect to use accrual accounting for its purchases under this Agreement, while Seller would be able to elect to use either accrual or mark-to-market accounting for its sales under the Agreement. If either Buyer or Seller determines, in good faith, that the intended accounting treatment has become jeopardized, due to a change in interpretations of FAS 133, as amended, or otherwise, then Buyer and Seller agree to meet and use their best efforts to reform the Agreement so that, with the minimum changes possible, the Agreement again qualifies for the intended accounting treatments.

## ARTICLE 14 MISCELLANEOUS

14.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight or facsimile (provided a copy is also sent by overnight mail). Notice shall be effective on the next Business Day after it is sent. A Party may change its address by providing notice of the same in accordance with this Section 14.1. Notice information for Buyer and Seller is shown on Exhibit E.

14.2 General. 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. This Agreement shall not impart any rights enforceable by any third party other than a permitted successor or assignee bound to this Agreement or any Transaction. Any provision declared or rendered unlawful will not otherwise affect the remaining lawful obligations that arise under this Agreement or any Transaction; 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.

14.3 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; and
- (e) in carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing.
- (f) in the event of an apparent or actual inconsistency between this Agreement and the PPL Electric Utilities Corporation Solar Renewable Energy Credits Request for Proposals (RFP) Process and Rules, the provisions of this Agreement shall control. This Agreement supersedes all prior and contemporaneous agreements, understandings, negotiations, and discussions, and there are no oral representations or other agreements between the parties in connection with the subject matter hereof, except as specifically set forth herein.

14.4 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 Sections 5.1 (Billing) and 5.4 (Interest on Unpaid Balances).

#### 14.5 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 provision 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; or (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.

(b) Notwithstanding any other provision of this Section 12.5, a Party may disclose 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 14.5, 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) Any independent auditor performing an audit on behalf of a Party pursuant to Section 14.4 shall be required to execute a confidentiality agreement with the Party being audited. Such audit information shall be treated as confidential pursuant to this Section 14.5,

(e) 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 14.5. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the Party breaches or threatens to breach its obligations under this Section 14.5, 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.

14.6 *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.

14.7 *Assignment/Change in Corporate Identity.* Neither Party shall assign this Agreement, its rights or obligations hereunder without the prior written consent of the other Party, which consent may not be unreasonably withheld; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder),

- (a) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements;
- (b) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose: (i) creditworthiness is equal to or higher than that of such Party; or (ii) in such event, the transferee should assume all obligations pursuant to this Agreement and shall provide appropriate Performance Assurances as required by this Agreement; and

(c) provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

14.8 Governing Law. THIS AGREEMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTITUTED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

14.9 Jurisdiction and Venue. 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 Federal or State courts of Pennsylvania and each Party hereby irrevocably submits to the jurisdiction of such courts. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

14.10 Amendments. This Agreement or any Transaction shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed, in writing, by the Parties.

14.11 Delay and Waiver. Except as otherwise provided in this Agreement, no delay or omission to exercise any right, power or remedy accruing to the respective Parties hereto upon any breach or default of any other Party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Agreement, or any waiver of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

14.12 Regulatory Approvals. The commencement of the Delivery Period is subject to the receipt or waiver by Buyer of all Buyer required regulatory approvals. In the event such required regulatory approvals are not received or waived, the Step-Up provisions of Section 2.8 (Seller Step-Up Rights) shall apply.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement to be effective as of the day and year first written above.

ATTEST: PPL ELECTRIC UTILITES CORPORATION

\_\_\_\_\_ By: \_\_\_\_\_

Title: \_\_\_\_\_ Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**TRANSACTION CONFIRMATION EXAMPLE**

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Solar Renewable Energy Credit Supply Master Agreement (“SREC SMA”) dated \_\_\_\_\_ between PPL Electric Utilities Corporation (“Company” or “PPL Electric”) and \_\_\_\_\_ (“Seller”). Terms used but not defined herein shall have the meanings ascribed to them in the SREC SMA. This Transaction Confirmation shall confirm the following terms of the transaction (“Transaction”) agreed to on \_\_\_\_\_ (“Bid Proposal Due Date”).

Product: SREC

Delivery Period: \_\_\_\_\_

The Seller’s Specified Amount is \_\_\_\_\_ SRECs per month for each month of the Delivery Period. The Monthly Settlement Price is \$ \_\_\_\_\_ per SREC for the duration of the Delivery Period.

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by facsimile to PPL Electric at [Fax number to be provided] in accordance with Section 2.10 – Transaction Confirmation of the SREC SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

**SELLER**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**PPL ELECTRIC UTILITIES CORPORATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT B**

**PERFORMANCE ASSURANCE EVERGREEN LETTER OF CREDIT**

{TO BE ISSUED ON THE LETTERHEAD OF THE ISSUING BANK}

IRREVOCABLE STANDBY 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 STANDBY 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 \_\_\_\_\_ AT 5:00 PM NEW YORK, NEW YORK TIME 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 \_\_\_\_\_ (INSERT NAME 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 PPL SREC SUPPLY MASTER AGREEMENT 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 PRIOR TO THE STATED EXPIRY DATE 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 DEBTORRELIEF PETITION, AND/OR APPLICANT'S DISCHARGE THEREUNDER, SHALL IN NO WAY AFFECT THE LIABILITY OF ISSUER UNDER THIS LETTER OF CREDIT AND ISSUER SHALL REMAIN LIABLE TO BENEFICIARY UNTIL THE EXPIRATION DATE OF THIS LETTER OF CREDIT 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 NOT 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"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH 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 C

### CREDIT EXPOSURE

Nominal Contract Value (\$) = Specified Amount (SRECs) x Monthly Settlement Price (\$/SREC) x number of months in the Delivery Period

Months Remaining in Delivery Period	Credit Exposure
Over 108	Nominal Contract Value x 5.0%
97 to 108	Nominal Contract Value x 4.5%
85 to 96	Nominal Contract Value x 4.0%
73 to 84	Nominal Contract Value x 3.5%
61 to 72	Nominal Contract Value x 3.0%
49 to 60	Nominal Contract Value x 2.5%
37 to 48	Nominal Contract Value x 2.0%
25 to 36	Nominal Contract Value x 1.5%
13 to 24	Nominal Contract Value x 1.0%
1 to 12	Nominal Contract Value x 0.5%

## EXHIBIT D

### UNCONDITIONAL 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 PPL Electric Utilities Corporation (the "Buyer"), with an address at \_\_\_, in consideration of all Transactions for Default Service, Alternative Energy Credits and Solar Renewable Energy Credits under Supply Master Agreement(s) (the "SMA(s)") between PPL Electric Utilities Corporation and \_\_\_ (the "Seller") including but not limited to Transactions under the Competitive Bridge Plan and the Default Service Plan, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the \_\_\_ of Seller.

Whereas, Seller \_\_\_ is an affiliate of \_\_\_, \_\_\_ will therefore benefit by Seller entering into the SMA(s) with Buyer and \_\_\_ desires Buyer to enter into the SMA(s) with Seller and to extend credit to Seller thereunder. (May be revised if guarantor is not a parent or affiliate of Seller.)

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees, with effect from date hereof, the prompt and complete payment when due of all of Seller's payment obligations under the SMA(s) (to the extent such payment obligations exceed the amount of any Performance Assurance provided to the Buyer by Seller as defined in and in accordance with the SMA(s)), including, but not limited to AEPS obligations, whether on scheduled payment dates, when due upon demand, upon declaration of termination or otherwise, in accordance with the terms of the SMA(s) and giving effect to any applicable grace period, and, provided only that the Buyer 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 Buyer, all reasonable out-of-pocket costs and expenses incurred by Buyer 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 Buyer'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 SMA(s) 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 Buyer 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 SMA(s) 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 SMA(s) has been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Buyer of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Buyer 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 SMA(s) resulting from the conduct of the Buyer) 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 SMA(s), (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 Buyer, 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 SMA(s); or (iv) any provision of applicable law or regulations purporting to prohibit payment by Seller of amounts to be paid by it under the SMA(s) (other than any law or regulation that eliminates or nullifies the obligations under the SMA(s)).
- (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 Buyer 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 SMA(s).
- (e) The Buyer 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 SMA(s), 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 SMA(s), 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 Buyer deems appropriate at its sole discretion; (iv) substitute, exchange or release any guaranty; or (v) take such actions and exercise such remedies hereunder as Buyer 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 Buyers' 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 creditor 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 Buyer. If any demand is made at any time upon the Buyer 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 Buyer 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 Buyer. 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 Buyer'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 Buyer 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, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payment to Buyer.
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 Buyer 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 Buyer shall be directed to:

Attn: Doug Stinner  
Phone: 610-774-5568  
Fax: 610-774-5694

or such other address as the Buyer 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 Buyer.

8. Preservation of Rights. Except as provided by any applicable statute of limitations, no delay or omission on the Buyer'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 Buyer's action or inaction impair any such right or power. The Buyer's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Buyer 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 Buyer, 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 Buyer 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 Buyer 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 Buyer 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 Buyer assigns the SMA(s) in accordance with Section 16.7(b) of the SMA(s), 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 SMA(s). 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 Buyer 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 Buyer. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BUYER 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 non-exclusive jurisdiction of any federal court in the Commonwealth of Pennsylvania, but in the event that the Guarantor and the Buyer determine in good faith that jurisdiction does not lay with such court or that such court refuses to exercise jurisdiction or venue over the Guarantor and the Buyer or any claims made pursuant to this Guaranty, then the Guarantor and the Buyer agree to submit to the non-exclusive jurisdiction of the Pennsylvania state courts; provided that nothing contained in this Guaranty will prevent the Buyer 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 Buyer 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 BUYER 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 BUYER ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.
  
16. Term. This Guaranty shall survive termination of the SMA(s) 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 SMA(s) 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 SMA(s) shall nonetheless be payable by the Guarantor hereunder on written demand by Buyer.

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.

[Guarantor]

By: \_\_\_\_\_  
Name: \_\_\_\_  
Title: \_\_\_\_

**EXHIBIT E**

**FORM OF NOTICE**

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

**BUYER:** PPL Electric Utilities Corporation

**SELLER:**

**All Notices:**

Street: **Two North Ninth Street**  
City/State/Zip: **Allentown, PA 18101**  
Attn: **Douglas R. Stinner**  
Facsimile: **610-774-5694**  
Duns: **00-790-9427**  
Federal Tax ID Number: **23-0959590**

**All Notices:**

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

**Invoices:**

Attn: **Douglas R. Stinner**  
Phone: **610-774-5568**  
Facsimile: **610-774-5694**

**Invoices:**

Attn:  
Phone:  
Facsimile:

**Scheduling:**

Attn: **N/A**  
Phone: **N/A**  
Facsimile: **N/A**

**Scheduling:**

Attn:  
Phone:  
Facsimile:

**Payments:**

Attn: **Douglas R. Stinner**  
Phone: **610-774-5568**  
Facsimile: **610-774-5694**

**Payments:**

Attn:  
Phone:  
Facsimile:

**Wire Transfer:**

BNK: **Mellon Bank**  
ABA:  
ACCT:

**Wire Transfer**

BNK:  
ABA:  
ACCT:

**Credit and Collections:**

Attn: **Douglas R. Stinner**  
Phone: **610-774-5568**  
Facsimile: **610-774-5694**

**Credit and Collections:**

Attn:  
Phone:  
Facsimile:

**With additional Notices of an  
Event of Default to:**

Attn: **Douglas R. Stinner**  
Phone: **610-774-5568**  
Facsimile: **610-774-5694**

**With Additional Notices of an  
Event of Default to:**

Attn:  
Phone:  
Facsimile:

**ADDENDUM TO  
DSP PLAN SMA  
  
APPENDIX C**

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PA PUC  
SECRETARY'S BUREAU

**ADDENDUM 2**  
**DEFAULT SERVICE**  
**SUPPLY MASTER AGREEMENT**

THIS ADDENDUM to the Default Service Supply Agreement (“Default SMA”), is made and entered into as of \_\_\_ (“Effective Date”), by and between \_\_\_, hereinafter referred to as “Seller” and PPL Electric Utilities Corporation, hereinafter referred to as “Buyer” (each hereinafter referred to individually as “Party” and collectively as “Parties”).

**WITNESSETH:**

WHEREAS, the Parties have executed and agreed to be bound by the terms and conditions of the Default SMA; and

WHEREAS, under Article 16.10 of the Default SMA, the Parties shall not amend, modify, or supplement any provision of the Default SMA unless mutually agreed, in writing, by the Parties; and

WHEREAS, the Parties desire to prospectively amend, modify, or supplement certain provisions of the Default SMA to permit Buyer to establish a Seller’s share of the Buyer’s AEPS Obligation under the Default SMA, as more fully described herein; and

NOW, THEREFORE, and in consideration of the foregoing, and of the mutual promises, covenants, and conditions set forth herein, and other good and valuable consideration, the Parties hereto, intending to be legally bound by the terms and conditions set forth in this Addendum to the Default SMA, hereby agree as follows:

1. Term

- 1.1 The Effective Date of this Addendum shall be the date first written above, subject only to the receipt of any required regulatory approvals from the Pennsylvania Public Utility Commission. The Parties acknowledge and agree that this Addendum is subject to and contingent upon the prior approval of the Pennsylvania Public Utility Commission.
- 1.2 This Addendum will apply prospectively to Transaction Confirmations executed on or after \_\_\_\_\_, 2010. Contracts in place for 2011 prior to Commission approval of the proposed Addendum would not be affected.
- 1.3 Unless other wise agreed upon by the Buyer and Seller, this Addendum shall continue in full force and effect pursuant to Article 5 of the Default SMA.

2. Scope of Addendum.

2.1 Article 4.4 of the Default SMA is superseded and replaced, in its entirety, as follows:

4.4. *Alternative Energy Portfolio Standards Obligation.*

- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) and shall provide the share of AECs to fulfill Seller's AEPS Obligation under this Agreement as set forth in Exhibit B.
- (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a subscriber to GATS and is responsible for paying its annual subscription fee. Seller shall transfer AECs into the Buyer's account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to Seller's Full Requirements Service.
- (c) Within 20 days after the end of each calendar month during the Delivery Period the Seller shall transfer AECs into the Buyer's GATS account(s) in an amount commensurate with the AECs applicable to the requirements service provided by the Seller during said calendar month in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement.
- (d) At the conclusion of the Delivery Period, Seller shall complete its transfer of any AECs, not transferred in accordance with subsection (c) of this Section 4.4, into the Buyer's GATS account(s) in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement no later than 30 calendar days following the completion of the Delivery Period.
- (e) In addition to the Remedies stated in Article 9.1 and Article 12 of this Agreement, Buyer shall have the right, in its sole discretion, to withhold any and all payments pursuant to Article 7 of this Agreement in the event that the Seller does not satisfy its obligations under this Section 4.4, and to pursue any other remedies at law or in equity which may be available including, but not limited to those enumerated in Article 9.1. Moreover, the Seller will be liable for any costs directly or indirectly related to the procurement of AECs by the Buyer or related to any penalties associated with non-compliance of the AEPS Act in the event that the Seller defaults on its obligations under this Section 4.4.
- (f) Seller shall provide to the Buyer all information regarding its share of the AEPS Obligation that may be required by the PUC rules governing reporting and auditing of Buyer's compliance with the AEPS Obligation.

The Buyer will provide the Seller with a version of Exhibit B to this Agreement at the same time that it provides the Transaction Confirmation. Exhibit B as provided with the Transaction Confirmation will apply during the term of the Agreement and will be used to determine the Seller's AEPS Obligation.

IN WITNESS WHEREOF, the Parties hereto have executed this ADDENDUM to be effective as of the day and year first written above.

ATTEST:

PPL ELECTRIC UTILITES CORPORATION

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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**REVISIONS TO  
GENERATION SUPPLY CHARGE – 1  
APPENDIX D**



**PPL Electric Utilities Corporation**

# **GENERAL TARIFF**

## **RULES AND RATE SCHEDULES FOR ELECTRIC SERVICE**

In the territory listed on pages 4, 4A, and 4B  
and in the adjacent territory served.

ISSUED: May 18, 2010

EFFECTIVE: January 1, 2011

Issued by  
**DAVID G. DeCAMPLI, PRESIDENT**  
Two North Ninth Street  
Allentown, PA 18101-1179

# **NOTICE**

THIS TARIFF MAKES (CHANGES) IN EXISTING RATES. SEE PAGE TWO.

LIST OF CHANGES MADE BY THIS SUPPLEMENT

CHANGES:

Generation Supply Charge - 1  
Page Nos. 19Z.4

The charges under the GSC-1 are amended to reflect the acquisition of Solar Alternative Energy Credits for the period January 1, 2011 through May 31, 2013.

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(Continued)

**GENERATION SUPPLY CHARGE-1**

Beginning on January 1, 2011, the Generation Supply Charge-1 (GSC-1) shall be applied to each kilowatt-hour supplied to residential customers who take Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules RS, RTS (R), RTD (R), and small commercial and industrial customers who take BUSS service under Rate Schedules GS-1, GS-3, GH-1 (R), GH-2 (R), IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R), SI-1 (R), and standby service for the foregoing rate schedules. The GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but the GSC-1 will apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW. This peak demand will be based on the customer's peak load contribution to PJM peak load in the 2008-2009 PJM Planning Year. The GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$GSC-1 = \left[ \frac{GS_c - E}{S} \right] \times \frac{1}{(1-T)}$$

Where:

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial (taking service at secondary voltage levels) as designated above.

GS<sub>c</sub> = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of BUSS customers in the applicable Customer Class. These costs shall be reduced by any revenue received by the Company from the sale of Alternative Energy Credits that otherwise would have expired. (C)

The computation quarter (c) shall be each calendar quarter of the PJM Planning Year over which the GSC-1, as computed, will apply. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs. Any costs incurred prior to January 1, 2011 shall be amortized ratably over the 29-month period January 1, 2011 through May 31, 2013, and the quarterly amortization amount shall be included in the computation of the GSC-1. In addition, the initial computation quarter will include any applicable over or undercollection related to the Generation Supply Charge (GSC) for the Residential and Small Commercial and Industrial Customer Classes.

E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for BUSS customers as of the end of the calendar quarter ended two months prior to the computation quarter, including applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest; interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest.

(Continued)

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

### VIA E-MAIL AND FIRST CLASS MAIL

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Aron J. Beatty  
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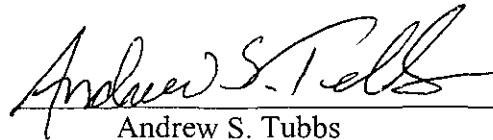
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Date: May 18, 2010

  
Andrew S. Tubbs