

Edward G. Lanza
717.237.7162
elanza@eckertseamans.com

August 26, 2010

VIA OVERNIGHT MAIL

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, Room N201
Harrisburg, PA 17120

RECEIVED
2010 AUG 26 PM 3:16
PA PUC
SECRETARY'S BUREAU

**Re: Discount Energy Group, LLC
Electric Generation Supplier License Application
Docket No.: A-2010-_____**

Dear Secretary Chiavetta:

Enclosed for filing please find an original and three copies of the Application of Discount Energy Group, LLC for an electric generation supplier license. Also enclosed is a check in the amount of \$350.00 to cover the application fee.

Kindly time-stamp the extra copy of the Application and return the same to the undersigned in the enclosed self-addressed stamped envelope. If you have any questions about the filing, do not hesitate to contact me.

Sincerely,



Edward G. Lanza
Counsel for Applicant
Discount Energy Group, LLC

EGL/

Enclosure

cc: Pete McCawley

CERTIFICATE OF SERVICE

I hereby certify that I have on this date served a true copy of the foregoing Application of Discount Energy Group, LLC upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant)

Irwin A. Popowsky
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

William R. Lloyd, Jr.
Commerce Building, Suite 1102
Small Business Advocate
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

Gary A. Jack, Assistant General Counsel
Duquesne Light Company
411 Seventh Street, MD 16-4
Pittsburgh, PA 15219

John P. Litz, Division Controller
UGI Utilities, Inc.
Electric Division
400 Stewart Road
Wilkes-Barre, PA 18773-3200

Blaine W. Uplinger, Jr.,
FirstEnergy
100 APC Building
800 North third Street
Harrisburg, PA 17102-2025

Stephen L. Feld, Attorney
Pennsylvania Power Company
First Energy Corporation
76 South Main Street
Akron, OH 44308

Carol C. Reilly
Manager, Energy Acquisition
PECO Energy Company
2301 Market Street
Philadelphia, PA 19101-8699

Paul E. Russell
Associate General Counsel
PPL
Two North Ninth Street
Allentown, PA 18108-1179

John L. Munsch, Attorney
Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15601-1689



Edward G. Lanza
Counsel for Applicant
Discount Energy Group, LLC

Date: August 26, 2010

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SECRETARY'S BUREAU

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Application of Discount Energy Group, LLC for approval to offer, render, furnish, or supply electricity or electric generation services as a(n) electric generation supplier to the public in the Commonwealth of Pennsylvania.

To the Pennsylvania Public Utility Commission:

1. **IDENTITY OF THE APPLICANT:** The name, address, telephone number, and FAX number of the Applicant are:

Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Tel.: (717) 255-0165
Fax: (717) 441-5444

Please identify any predecessor(s) of the Applicant and provide other names under which the Applicant has operated within the preceding five (5) years, including name, address, and telephone number.

None

2. a. **CONTACT PERSON:** The name, title, address, telephone number, and FAX number of the person to whom questions about this Application should be addressed are:

Pete McCawley
Chief Operating Officer
Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Tel.: (717) 255-0165
Fax: (717) 441-5444

- b. **CONTACT PERSON-PENNSYLVANIA EMERGENCY MANAGEMENT AGENCY:** The name, title, address telephone number and FAX number of the person with whom contact should be made by PEMA:

Pete McCawley
Chief Operating Officer
Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Tel.: (717) 255-0165
Fax: (717) 441-5444

- 3.a. **ATTORNEY:** If applicable, the name, address, telephone number, and FAX number of the Applicant's attorney are:

Edward G. Lanza, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Tel.: (717) 237-7162
Fax: (717) 237-6019
elanza@eckertseamans.com

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- b. REGISTERED AGENT: If the Applicant does not maintain a principal office in the Commonwealth, the required name, address, telephone number and FAX number of the Applicant's Registered Agent in the Commonwealth are:

Corporation Service Company (CSC)
2595 Interstate Drive, Suite 103
Harrisburg, PA 17110
(717) 526-4330

4. FICTITIOUS NAME: (select and complete appropriate statement)

The Applicant will not be using a fictitious name.

5. BUSINESS ENTITY AND DEPARTMENT OF STATE FILINGS: (select and complete appropriate statement)

The Applicant is a:

- domestic general partnership (*)
 domestic limited partnership (15 Pa. C.S. §8511)
 foreign general or limited partnership (15 Pa. C.S. §4124)
 domestic limited liability partnership (15 Pa. C.S. §8201)
 foreign limited liability general partnership (15 Pa. C.S. §8211)
 foreign limited liability limited partnership (15 Pa. C.S. §8211)

Provide proof of compliance with appropriate Department of State filing requirements as indicated above.

Copies of Department of State filings are attached.

Give name, d/b/a, and address of partners. If any partner is not an individual, identify the business nature of the partner entity and identify its partners or officers.

Greg Ruth, Managing Partner
22809 Pacific Coast Highway
Malibu, CA 90265

The Applicant is a :

- domestic corporation (none)
 foreign corporation (15 Pa. C.S. §4124)
 domestic limited liability company (15 Pa. C.S. §8913)
 foreign limited liability company (15 Pa. C.S. §8981)
 Other _____

Provide proof of compliance with appropriate Department of State filing requirements as indicated above. Additionally, provide a copy of the Applicant's Articles of Incorporation.

Copies of Applicant's Department of State filings and Certificate of Formation are attached.

Give name and address of officers.

Gregg Gene Ruth, Sole Member
22809 Pacific Coast Highway
Malibu, CA 90265

The Applicant is incorporated in the state of Delaware.

6. **AFFILIATES AND PREDECESSORS WITHIN PENNSYLVANIA:** (select and complete appropriate statement)

- The Applicant has no affiliates doing business in Pennsylvania or predecessors which have done business in Pennsylvania.

7. **APPLICANT'S PRESENT OPERATIONS:** (select and complete the appropriate statement)

- The Applicant is not presently doing business in Pennsylvania.

8. **APPLICANT'S PROPOSED OPERATIONS:** The Applicant proposes to operate as a:

- Generator and supplier of electric power.
- Municipal generator and supplier of electric power.
- Electric Cooperative and supplier of electric power
- Broker/Marketer engaged in the business of supplying electricity.
- Aggregator engaged in the business of supplying electricity
- Other (Describe):

9. **PROPOSED SERVICES:** Generally describe the electric services or the electric generation services which the Applicant proposes to offer.

Discount Energy Group, LLC proposes to provide service as an electric generation supplier and to sell, purchase, broker, arrange or market electricity and/or related services to retail electric customers using the jurisdictional transmission or distribution facilities of an electric distribution company.

10. **SERVICE AREA:** Generally describe the geographic area in which Applicant proposes to offer services.

Discount Energy Group, LLC intends to provide service as an electric generation supplier throughout the Commonwealth.

11. **CUSTOMERS:** Applicant proposes to initially provide services to:

- Residential Customers
- Commercial Customers - (25 kW and Under)
- Commercial Customers - (Over 25 kW)
- Industrial Customers
- Governmental Customers
- All of above
- Other (Describe):

12 **FERC FILING:** Applicant has:

- Filed an Application with the Federal Energy Regulatory Commission to be a Power Marketer.
- Received approval from FERC to be a Power Marketer at Docket or Case Number _____.
- Not applicable

13. **START DATE:** The Applicant proposes to begin delivering services upon Commission approval of this Application or no later than November 1, 2010.

14. **NOTICE:** Pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14, serve a copy of the signed and verified Application with attachments on the following:

Irwin A. Popowsky
Office of Consumer Advocate
5th Floor, Forum Place
555 Walnut Street
Harrisburg, PA 17120

Office of the Attorney General
Bureau of Consumer Protection
Strawberry Square, 14th Floor
Harrisburg, PA 17120

William R. Lloyd, Jr.
Commerce Building, Suite 1102
Small Business Advocate
300 North Second Street
Harrisburg, PA 17101

Commonwealth of Pennsylvania
Department of Revenue
Bureau of Compliance
Harrisburg, PA 17128-0946

Any of the following Electric Distribution Companies through whose transmission and distribution facilities the applicant intends to supply customers:

Gary A. Jack, Assistant General Counsel
Duquesne Light Company
411 Seventh Street, MD 16-4
Pittsburgh, PA 15219

John P. Litz, Division Controller
UGI Utilities, Inc.
Electric Division
400 Stewart Road
P.O. Box 3200
Hanover Industrial Estates
Wilkes-Barre, PA 18773-3200

(Metropolitan Edison Company or Pennsylvania Electric Company)
Blaine W. Uplinger, Jr., Director of Governmental and Regulatory Affairs
FirstEnergy
100 APC Building
800 North third Street
Harrisburg, PA 17102-2025

Paul E. Russell, Associate
General Counsel
PPL
Two North Ninth Street
Allentown, PA 18108-1179

Carol C. Reilly, Manager, Energy Acquisition
PECO Energy Company
2301 Market Street
Philadelphia, PA 19101-8699
215.841.4512
carol.reilly@peco-energy.com

Stephen L. Feld, Attorney
Pennsylvania Power Company
First Energy Corporation
76 South Main Street
Akron, OH 44308

John L. Munsch, Attorney
Allegheny Power
800 Cabin Hill Drive
Greensburg, PA 15601-1689

Pursuant to Sections 1.57 and 1.58 of the Commission's Regulations, 52 Pa. Code §§1.57 and 1.58, attach Proof of Service of the Application and attachments upon the above named parties. Upon review of the Application, further notice may be required pursuant to Section 5.14 of the Commission's Regulations, 52 Pa. Code §5.14.

15. **TAXATION:** Complete the TAX CERTIFICATION STATEMENT attached as Appendix B to this application.

16. **COMPLIANCE:** State specifically whether the Applicant, an affiliate, a predecessor of either, or a person identified in this Application has been convicted of a crime involving fraud or similar activity. Identify all proceedings, by name, subject and citation, dealing with business operations, in the last five (5) years, whether before an administrative body or in a judicial forum, in which the Applicant, an affiliate, a predecessor of either, or a person identified herein has been a defendant or a respondent. Provide a statement as to the resolution or present status of any such proceedings.

None

17. **STANDARDS, BILLING PRACTICES, TERMS AND CONDITIONS OF PROVIDING SERVICE AND CONSUMER EDUCATION:** Electricity should be priced in clearly stated terms to the extent possible. Common definitions should be used. All consumer contracts or sales agreements should be written in plain language with any exclusions, exceptions, add-ons, package offers, limited time offers or other deadlines prominently communicated. Penalties and procedures for ending contracts should be clearly communicated.

a. **Contacts for Consumer Service and Complaints:** Provide the name, title, address, telephone number and FAX number of the person and an alternate person responsible for addressing customer complaints. These persons will ordinarily be the initial point(s) of contact for resolving complaints filed with Applicant, the Electric Distribution Company, the Pennsylvania Public Utility Commission or other agencies.

Pete McCawley
Chief Operating Officer
Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Tel.: (717) 255-0165
Fax: (717) 441-5444

b. Provide a copy of all standard forms or contracts that you use, or propose to use, for service provided to residential customers.

A copy of the Applicant's Residential Terms of Service and Customer Agreement is attached.

c. If proposing to serve Residential and/or Small Commercial (under 25 kW) customers, provide a disclosure statement. A sample disclosure statement is provided as Appendix C to this Application.

A copy of the Applicant's Residential Terms of Service and Customer Agreement is attached.

18. **BONDING:** In accordance with 66 PA. C.S. Section 2809(C) (1)(I), the Applicant is:

- Furnishing a copy of initial bond, letter of credit or proof of bonding to the Commission in the amount of \$250,000. (To be provided under separate cover).
- Furnishing proof of other initial security for Commission approval, to ensure financial responsibility.
- Filing for a modification to the \$250,000 and furnishing a copy of an initial bond, letter of credit or proof of bonding to the Commission for the amount of \$_____. Applicant is required to provide information supporting an amount less than \$250,000.

At the conclusion of Applicant's first year of operation it is the intention of the Commission to tie security bonds to a percentage of Applicant's gross receipts resulting from the sale of generated electricity consumed in Pennsylvania. The amount of the security bond will be reviewed and adjusted on an annual basis.

19. **FINANCIAL FITNESS:**

A. Applicant shall provide sufficient information to demonstrate financial fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- Actual (or proposed) organizational structure including parent, affiliated or subsidiary companies.

Please see attached organization structure chart.

- Published parent company financial and credit information.
- Applicant's balance sheet and income statement for the most recent fiscal year. Published financial information such as 10K's and 10Q's may be provided, if available.

Applicant's Financial Statements are attached.

- Evidence of Applicant's credit rating. Applicant may provide a copy of its Dun and Bradstreet Credit Report and Robert Morris and Associates financial form or other independent financial service reports.
- A description of the types and amounts of insurance carried by Applicant which are specifically intended to provide for or support its financial fitness to perform its obligations as a licensee.
- Audited financial statements
- Such other information that demonstrates Applicant's financial fitness.

B. Applicant must provide the following information:

- Identify Applicant's chief officers including names and their professional resumes.

The professional biographies of principal officers are attached.

- Provide the name, title, address, telephone number and FAX number of Applicant's custodian for its accounting records.

Lynn Acorda
Chief Financial Officer
Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Tel.: (717) 255-0165
Fax: (717) 441-5444

20. **TECHNICAL FITNESS:** To ensure that the present quality and availability of service provided by electric utilities does not deteriorate, the Applicant shall provide sufficient information to demonstrate technical fitness commensurate with the service proposed to be provided. Examples of such information which may be submitted include the following:

- The identity of the Applicant's officers directly responsible for operations, including names and their professional resumes.

Pete McCawley
Chief Operating Officer
Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Tel.: (717) 255-0165
Fax: (717) 441-5444

- Proposed staffing and employee training commitments
- Business plans

A non-proprietary version of the Applicant's Business Plan is attached.

- Documentation of membership in ECAR, MAAC or other regional reliability councils shall be submitted if applicable to the scope and nature of the applicant's proposed services.

Not applicable to the scope and nature of the Applicant's proposed services.

- An affidavit stating that you will adhere to the reliability protocols of the North American Electric Reliability Council, the appropriate regional reliability council(s), and the Commission, and that you agree to comply with the operational requirements of the control area(s) within which you provide retail service.

Not applicable to the scope and nature of the Applicant's proposed services.

21. **TRANSFER OF LICENSE:** The Applicant understands that if it plans to transfer its license to another entity, it is required to request authority from the Commission for permission prior to transferring the license. See 66 Pa. C.S. Section 2809(D). Transferee will be required to file the appropriate licensing application.

22. **ASSESSMENT:** The Applicant acknowledges that Title 66, Chapter 5, Section 510 grants to the Commission the right to make assessments to recover regulatory expenses and that as a supplier of electricity or an electric generation supplier it will be assessed under that section of the Pennsylvania Code. The Applicant also acknowledges that the continuation of its license as a supplier of electricity or an electric generation supplier will be dependent upon the payment of all prior years assessments.

23. **UNIFORM STANDARDS OF CONDUCT AND DISCLOSURE:** As a condition of receiving a license, Applicant agrees to conform to any Uniform Standards of Conduct and Disclosure as set forth by the Commission.

24. **REPORTING REQUIREMENTS:** Applicant agrees to provide the following information to the Commission or the Department of Revenue, as appropriate:

- Reports of Gross Receipts: Applicant shall report its Pennsylvania intrastate gross receipts to the Commission on a quarterly and year to date basis no later than 30 days following the end of the quarter.
- The Treasurer or other appropriate officer of Applicant shall transmit to the Department of Revenue by March 15, an annual report, and under oath or affirmation, of the amount of gross receipts received by Applicant during the prior calendar year.
- Applicant shall report to the Commission the following information on an annual basis:
 - the percentages of total electricity supplied by each fuel source

Applicant will be required to meet periodic reporting requirements as may be issued by the Commission to fulfill the Commission's duty under Chapter 28 pertaining to reliability and to inform the Governor and Legislature of the progress of the transition to a fully competitive electric market.

25. **FURTHER DEVELOPMENTS:** Applicant is under a continuing obligation to amend its application if substantial changes occur in the information upon which the Commission relied in approving the original filing.
26. **FALSIFICATION:** The Applicant understands that the making of false statement(s) herein may be grounds for denying the Application or, if later discovered, for revoking any authority granted pursuant to the Application. This Application is subject to 18 Pa. C.S. §§4903 and 4904, relating to perjury and falsification in official matters.
27. **FEE:** The Applicant has enclosed the required initial licensing fee of \$350.00 payable to the Commonwealth of Pennsylvania.

Applicant: Peter J. McCawley
By: PETER J. MCCAWLEY
Title: CEO

AFFIDAVIT

State of California :
 :
 : ss.
County of LOS ANGELES :

Pete McCawley, Affiant, being duly sworn according to law, deposes and says that:

He is the Chief Operating Officer of Discount Energy Group, LLC.

That he is authorized to and does make this affidavit for said Applicant;

That Discount Energy Group, LLC the Applicant herein, acknowledges that it may have obligations pursuant to this Application consistent with the Public Utility Code of the Commonwealth of Pennsylvania, Title 66 of the Pennsylvania Consolidated Statutes; or with other applicable statutes or regulations including Emergency Orders which may be issued verbally or in writing during any emergency situations that may unexpectedly develop from time to time in the course of doing business in Pennsylvania.

That Discount Energy Group, LLC, the Applicant herein, asserts that it possesses the requisite technical, managerial, and financial fitness to render electric service within the Commonwealth of Pennsylvania and that the Applicant will abide by all applicable federal and state laws and regulations and by the decisions of the Pennsylvania Public Utility Commission.

That Discount Energy Group, LLC, the Applicant herein, certifies to the Commission that it is subject to , will pay, and in the past has paid, the full amount of taxes imposed by Articles II and XI of the Act of March 4, 1971 (P.L. 6, No. 2), known as the Tax Reform Act of 1971 and any tax imposed by Chapter 28 of Title 66. The Applicant acknowledges that failure to pay such taxes or otherwise comply with the taxation requirements of Chapter 28, shall be cause for the Commission to revoke the license of the Applicant. The Applicant acknowledges that it shall report to the Commission its jurisdictional Gross Receipts and power sales for ultimate consumption, for the previous year or as otherwise required by the Commission. The Applicant also acknowledges that it is subject to 66 Pa. C.S. §506 (relating to the inspection of facilities and records).

As provided by 66 Pa. C.S. §2810 (C)(6)(iv), Applicant, by filing of this application waives confidentiality with respect to its state tax information in the possession of the Department of Revenue, regardless of the source of the information, and shall consent to the Department of Revenue providing that information to the Pennsylvania Public Utility Commission.

That Discount Energy Group, LLC, the Applicant herein, acknowledges that it has a statutory obligation to conform with 66 Pa. C.S. §506, §2807 (C), §2807(D)(2), §2809(B) and the standards and billing practices of 52 PA. Code Chapter 56.

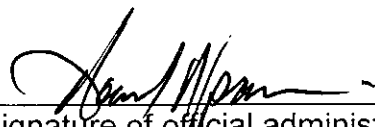
That the Applicant agrees to provide all consumer education materials and information in a timely manner as requested by the Bureau of Public Liaison or other Commission bureaus. Materials and information requested may be analyzed by the Commission to meet obligations under applicable sections of the law.

That the facts above set forth are true and correct/true and correct to the best of his/her knowledge, information, and belief.



Signature of Affiant

Sworn and subscribed before me this 24th day of August, 2010.



Signature of official administering oath, **NOTARY PUBLIC**

My commission expires 7/4/2013



AFFIDAVIT

State of California

:

:

ss.

County of LOS ANGELES

:

Pete McCawley, Affiant, being duly sworn according to law, deposes and says that:

He is the Chief Operating Officer of Discount Energy Group, LLC.

That he is authorized to and does make this affidavit for said Applicant;

That the Applicant herein Discount Energy Group, LLC has the burden of producing information and supporting documentation demonstrating its technical and financial fitness to be licensed as an electric generation supplier pursuant to 66 Pa. C.S. § 2809 (B).

That the Applicant herein Discount Energy Group, LLC has answered the questions on the application correctly, truthfully, and completely and provided supporting documentation as required.

That the Applicant herein Discount Energy Group, LLC acknowledges that it is under a duty to update information provided in answer to questions on this application and contained in supporting documents.

That the Applicant herein Discount Energy Group, LLC acknowledges that it is under a duty to supplement information provided in answer to questions on this application and contained in supporting documents as requested by the Commission.

That the facts above set forth are true and correct to the best of his/her knowledge, information, and belief, and that he/she expects said Applicant to be able to prove the same at hearing.

Peter J. McCawley

Signature of Affiant

Sworn and subscribed before me this 24th day of August, 2010.



Howard R. Spanier

Signature of official administering oath, **NOTARY PUBLIC**

My commission expires 7/4/2013

APPENDIX A

License Bond to be provided under separate cover.

APPENDIX B

**COMMONWEALTH OF
PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

**TAX CERTIFICATION
STATEMENT**

A completed Tax Certification Statement must accompany all applications for new licenses, renewals or transfers. Failure to provide the requested information and/or any outstanding state income, corporation, and sales (including failure to file or register) will cause your application to be rejected. If additional space is needed, please use white 8 1/2" x 11" paper. Type or print all information requested.

1. CORPORATE OR APPLICANT NAME Discount Energy Group, LLC	2. BUSINESS PHONE NO. (717) ___ - ___ CONTACT PERSON(S) FOR TAX ACCOUNTS: Pete McCawley, CEO
---	---

3. TRADE/FICTITIOUS NAME (IF ANY)
None

4. LICENSED ADDRESS (STREET, RURAL ROUTE, P.O. BOX NO.) (POST OFFICE) STATE (ZIP)
22809 Pacific Coast Highway, Malibu, CA 90265

5. TYPE OF ENTITY SOLE PROPRIETOR PARTNERSHIP CORPORATION

8. LIST OWNER(S), GENERAL PARTNERS, OR CORPORATE OFFICER(S)

NAME (PRINT)	SOCIAL SECURITY NUMBER (OPTIONAL)
Greg Ruth, Managing Partner	_____ - _____ - _____
NAME (PRINT)	SOCIAL SECURITY NUMBER (OPTIONAL) _____ - _____ - _____
NAME (PRINT)	SOCIAL SECURITY NUMBER (OPTIONAL) _____ - _____ - _____
NAME (PRINT)	SOCIAL SECURITY NUMBER (OPTIONAL) _____ - _____ - _____
NAME (PRINT)	SOCIAL SECURITY NUMBER (OPTIONAL) _____ - _____ - _____

9. LIST THE FOLLOWING STATE TAX IDENTIFICATION NUMBERS. (ALL ITEMS: A, B, AND C MUST BE COMPLETED)

A. SALES TAX LICENSE (8 DIGITS) APPLICATION PENDING N/A _____ - _____ - _____ <input checked="" type="checkbox"/> <input type="checkbox"/>	C. CORPORATE BOX NUMBER (7 DIGITS) APPLICATION PENDING N/A _____ - _____ - _____ <input checked="" type="checkbox"/> <input type="checkbox"/>
B. EMPLOYER ID (EIN) (9 DIGITS) APPLICATION PENDING N/A 2 7 - 3 2 9 5 1 7 0 <input type="checkbox"/> <input type="checkbox"/>	

10. Do you have PA employees either resident or non-resident? YES NO

11. Do you own any assets or have an office in PA? YES NO

NAME AND PHONE NUMBER OF PERSON(S) RESPONSIBLE FOR FILING TAX RETURNS

Greg Ruth	Greg Ruth	Greg Ruth
PA SALES AND USE TAX	EMPLOYER TAXES	CORPORATE TAXES
(310) 456-1888 Ext. 111	(310) 456-1888 Ext. 111	(310) 456-1888 Ext. 111
PHONE	PHONE	PHONE

Appendix C

Discount Energy Group, LLC PA Residential Terms of Service and Customer Agreement

Discount Energy Group, LLC
Pennsylvania Residential Terms of Service and Customer Agreement

The following is your Terms of Service ("Agreement") with Discount Energy Group LLC ("Discount Energy") for the purchase of residential electricity service. Discount Energy agrees to sell and Customer agrees to buy the quantity of electricity necessary delivered to you, as measured or estimated by your Electric Distribution Company ("EDC"). Discount Energy is an Electric Generation Supplier ("EGS") and as such will, in accordance with the terms of this Agreement, arrange for the delivery of electricity from your EDC to your residence. The words "we," "us," and "our" refer to Discount Energy, and the words "you" and "your" refer to the Customer. Please retain this Agreement for your records.

Background: Discount Energy is licensed by the Pennsylvania Public Utility Commission as an EGS to offer and supply electric generation services in Pennsylvania. Discount Energy's license number is A-2010-XXXXXXX. Discount Energy sets the Electric Generation Service Charge and the Public Utilities Commission ("PUC") regulates electric distribution prices and services. The Federal Energy Regulatory Commission ("FERC") regulates electric transmission prices and services.

Definitions:

Generation Charge -- Charge for production of electricity.

Transmission Charge -- Charge for moving high voltage electricity from a generation facility to the distribution lines of an electric distribution company.

Terms of Service: The essential terms of your electric generation service are as follows:

1. **Term.** You will buy your electric generation service from Discount Energy beginning on a date set by your electric distribution company (EDC) and will continue Through December 2011 meter read ("Initial Term").
2. **Change in Terms:** If you have a fixed term agreement with Discount Energy and it is approaching the expiration date, renewal period or if we propose to change terms of service, we will send you two (2) advance notices either in your bill or in separate mailings between 45 and 90 days before either the expiration date or the effective date of the changes. We will explain your options in these two (2) advance notices.
3. **Pricing, Billing and Payment Terms.** You will receive a single bill from your EDC that includes our generation supply charges (as outlined in this terms of service), as well as the EDC's delivery charges. Your contract price for generation supply charges for the term of your agreement is \$0.0XXX per kWh. This contract price includes Electric Generation Service Charges, Transmission Charges and Gross Receipts Tax, but excludes applicable state and local sales taxes and the Distribution Charges from your local EDC, PECO . Your payment will be due to the EDC by the date specified in the EDC bill.
4. **Eligibility.** Discount Energy does not deny residential electric service or determine eligibility for pricing based on credit history, utility payment data or credit score. Discount Energy does not deny service based on a customer or applicant's race, creed, color, national origin, ancestry, sex, marital status, lawful source of income, level of income, disability, familial status, location of a customer/applicant in an economically distressed geographic area, or qualification for low income or energy efficiency services.
5. **Access to Customer Information:** Customer understands that by executing this Agreement, Discount Energy will be provided certain basic information about Customer by the EDC, including, but not limited to, account number, data about meter readings, rate class and electric usage, Customer's address(es) and telephone number, and whether or not Customer is on a budget billing plan or payment arrangement or as otherwise approved by the PUC Bureau of Consumer Services. Customer further understands that the EDC is required by PUC to communicate with Customer following a notice of change of EGS to confirm the change was authorized.
6. **Consumer Protections.** The services provided by Discount Energy are protected by the terms and conditions of this Agreement and the Pennsylvania Public Utilities Commission ("PUC"). The complete text of the PUC Customer Protection Rules referenced herein can be found in the Pennsylvania Code, Title 52, Public Utilities at: <http://www.pacode.com/secure/data/052/chapter54/subchapAtoc.html> and <http://www.pacode.com/secure/data/052/chapter56/chap56toc.html>
7. **Dispute Resolution.** In the event of a billing dispute or a disagreement involving any essential element of this Agreement, the parties will use their best efforts to resolve the dispute. Customer should contact the EDC regarding any billing dispute, and should contact Discount Energy in writing at

Discount Energy Group, LLC
Pennsylvania Residential Terms of Service and Customer Agreement

- _____ or by telephone at _____ for any terms of service dispute. If, after discussing your problem with Discount Energy or the EDC you remain dissatisfied, you may file an informal complaint with the Public Utility Commission. You may file an informal complaint by telephoning the Utility Choice Hotline at 1-800-692-7380, or by writing to the following address: Public Utility Commission, Box 3265, Harrisburg, Pennsylvania 17120.
8. **Customer's Right to Rescind or Cancel Services:** You may rescind this Agreement without fee or penalty of any kind within three (3) business days of receiving this Agreement. You can rescind this agreement by calling PECO at 1-800-342-5775 from 8 a.m to 5 p.m. Please provide your name, address, phone number and a statement that you are rescinding your Agreement under the three (3) day Right of Rescission. After your service begins, you may cancel services during the Initial Term but you will be charged an Early Cancellation Fee of \$0. When you cancel services, you agree to pay for the services provided by Discount Energy through the date you are switched to another EGS or returned to the EDC for service. Your cancellation will not be effective until the next regularly scheduled meter-reading date which follows the date on which Discount Energy gives the EDC notice of your cancellation request. You are responsible for all charges incurred through the date on which cancellation is effected by the EDC.
 9. **Discount Energy's Right to Cancel Service.** Discount Energy reserves the right to cancel this agreement (i) if your EDC is unable to read your meter for three (3) months in a row; (ii) if at any time you request separate bills from your EDC and Discount Energy Group; or (iii) if the EDC removes you from their consolidated billing program and requires that Discount Energy bill you separately for your electricity generation. You agree to pay for the services provided by Discount Energy through the date you are switched to another EGS or returned to the EDC for service. Your cancellation will not be effective until the next regularly scheduled meter-reading date which follows the date on which Discount Energy gives notice to the EDC of your cancellation request. We will notify both you and your EDC of the cancellation of this agreement at least 14 days prior to the effective date of cancellation.
 10. **Default Liability.** LIABILITIES NOT EXCUSED BY REASON OF FORCE MAJEURE OR OTHERWISE SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY (WHICH WILL NOT EXCEED THE AMOUNT OF CUSTOMER'S SINGLE LARGEST MONTHLY INVOICE DURING THE PRECEDING TWELVE MONTHS). SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES AT LAW OR IN EQUITY ARE HEREBY WAIVED. IN NO EVENT SHALL CUSTOMER OR DISCOUNT ENERGY BE LIABLE FOR ANY PUNITIVE, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, INDIRECT, THIRD-PARTY CLAIMS OR OTHER DAMAGES WHETHER BASED ON CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, OR FOR LOST PROFITS ARISING FROM A BREACH OF THIS AGREEMENT.
 11. **Governing Law.** Venue for any lawsuit brought to enforce any term or condition of this agreement or to construe the terms hereof shall be exclusively in the Commonwealth of Pennsylvania. This Agreement shall be construed under and shall be governed by the laws of the Commonwealth of Pennsylvania. If at some future date there is a change in any law, rule, regulation or pricing structure, or there is a regulatory or judicial ruling or decision which shall have a detrimental economic impact upon Discount Energy's performance under this Agreement, or in the event that compliance with such change, ruling or decision shall result in a material change in the way prices are calculated under this Agreement, or a material change in the level of components of pricing under this Agreement, or Discount Energy is otherwise prevented, prohibited or frustrated from carrying out this Agreement, Discount Energy shall have the right to cancel this Agreement upon thirty (30) days' notice.
 12. **Assignment.** You may not assign this Agreement, in whole or part, or any of your rights or obligations hereunder, without prior consent from Discount Energy; which shall be executed in writing by Discount Energy, Customer, and any party to whom the Agreement is being assigned. Nothing in this Agreement shall create, or be construed as creating; any express or implied rights in any person or entity other than Discount Energy and Customer. Customer hereby acknowledges and consents that Discount Energy may freely pledge, assign, or subrogate all of its rights hereunder as Discount Energy may deem necessary. In the event any other provision of this Agreement shall be deemed to prohibit or otherwise restrict Discount Energy's right to assign, subrogate or pledge its rights hereunder, this provision shall control.
 13. **Severability.** If any provision of this Agreement is held by a court or regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force without being invalidated in any way.

Discount Energy Group, LLC
Pennsylvania Residential Terms of Service and Customer Agreement

14. **No Warranties.** Unless otherwise expressly set forth in this Agreement, Discount Energy provides and Customer receives no warranties, express or implied, statutory, or otherwise and Discount Energy specifically disclaims any warranty of merchantability or fitness for a particular purpose.
15. **Delay or Failure to Exercise Rights.** No partial performance, delay or failure on the part of Discount Energy in exercising any rights under this Agreement and no partial or single exercise thereof shall constitute a waiver of such rights or of any other rights hereunder.
16. **Force Majeure.** The term "Force Majeure" shall mean any cause not reasonably within the control of the Party claiming suspension and which by the exercise of due diligence, such Party is unable to prevent or overcome, including but not limited to, any act or cause which is deemed a Force Majeure by the EDC or any transportation or transmitting entity. If either party is unable, wholly or in part, by Force Majeure to perform or comply with any obligations or conditions of this Agreement, such party shall give immediate written notice, to the maximum extent practicable, to the other party. Such obligations or conditions, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, and such party shall be relieved of liability and shall suffer no prejudice for failure to perform the same during the period. The party claiming suspension of obligations must in good faith attempt to mitigate and/or terminate the Force Majeure.
17. **Pennsylvania and Laws.** Except as otherwise provided in this Agreement or by law, all taxes of whatsoever kind, nature and description, due and payable with respect to Customer's performance of its obligations under this Agreement, shall be paid by Customer. The parties' obligations under this Agreement are subject to present and future legislation, orders, rules, or regulations of a duly constituted governmental authority having jurisdiction over this Agreement or the services to be provided herein.
18. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties with respect to the terms and conditions of this transaction; any and all other agreements, understandings and representations by and between the parties with respect to the matters addressed herein are superseded by this Agreement.
19. **Acceptance and Amendments.** This Agreement shall not become effective until accepted by Discount Energy. Discount Energy may amend the terms of this Agreement at any time, consistent with any applicable law, rule or regulation, by providing notice to Customer of such amendment at least thirty (30) days prior to the effective date thereof. Discount Energy will supply Customer with a current version of this document annually and upon request.

20. CONTACT INFORMATION

Generation Supplier

Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Toll-Free Telephone: 1- _____
www.DiscountEnergyGroup.com
support@DiscountEnergyGroup.com

Electric Distribution Company and Provider of Last Resort

PECO
2301 Market Street
Philadelphia, PA 19101
Toll Free Telephone: 1-800-841-4141

Public Utility Commission (PUC)

PO Box 3265
Harrisburg, PA 17105-3265
Utility Choice Hotline: 1-800-692-7380

Universal Service Program:

Your EDC has programs available to customers who are on a limited or fixed income to assist them with utility bills.
Contact PECO at 1-800-841-4141

APPENDIX D

FORM OF NOTICE

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
NOTICE**

*Application of **Discount Energy Group, LLC** For Approval To Offer, Render, Furnish Or Supply Electricity Or Electric Generation Services As A Generator And Supplier Of Electric Power, A Marketer/Broker Engaged In The Business Of Supplying Electricity, And An Aggregator Engaged In The Business Of Supplying Electricity, To The Public In The Commonwealth Of Pennsylvania.*

On **August 26, 2010**, **Discount Energy Group, LLC** filed an application with the Pennsylvania Public Utility Commission (“PUC”) for a license to supply electricity or electric generation services as a generator and supplier of electric power, engaged in the business of supplying electricity. **Discount Energy Group, LLC** proposes to sell electricity and related services throughout all of Pennsylvania under the provisions of the new Electricity Generation Customer Choice and Competition Act.

The PUC may consider this application without a hearing. Protests directed to the technical or financial fitness of **Discount Energy Group, LLC** may be filed within 15 days of the date of this notice with the Secretary of the PUC, P.O. Box 3265, Harrisburg, PA 17105-3265. You should send copies of any protest to **Discount Energy Group, LLC’s** attorney at the address listed below.

By and through Counsel:

Edward G. Lanza, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
(717) 237-7162
(717) 237-6019

APPENDIX E

Electronic Data Interchange & Internet Requirements

Prior to doing business in an EDC service territory it is required that an EGS successfully test the appropriate EDI transactions. To initiate the testing process, an EGS must contact the PA EDC contact person designated on the EDI Testing Contacts zip file, which is located on the Pa. PUC website (http://www.puc.state.pa.us/electric/electric_edewg_download.aspx). Using the approved internet protocols, the EDI testing contacts list contact list is also provided for any EDC that may want to initiate contact with an EGS. To have your contact information added or updated, please send an email to kawall@greenmountain.com.

Electric Distribution Companies (EDC):

Company Name	Contact Name	Telephone	Email	Pref.
Allegheny Power	Jim Mazanek	(724) 838-6014	Jmazane@alleghenypower.com	Email
Duquesne Light Co.	Dervel Reed	(412) 393-6301	D. A. Reed@dlc.dge.com	None
GPU Energy	Pete Byrne	(610) 375-5942	Pbyrne@gpu.com	None
PECO Energy	Hotline	(215) 841-3700	egc@peco-energy.com	None
Penn Power Co.	Stephanie Gibson	(724) 656-4311	Gibsons@firstenergycorp.com	None
PP&L Inc.	Kim Wall	(610) 774-4850	Kawall@papl.com	Email
UGI Utilities Inc.	Eric Sorber	(570) 830-1286	Esorber@ugi.com	Email
All Pennsylvania Rural Electric Cooperatives	Bob Truetken	(314) 922-9158 x1543	Bobtr@cadp.org	Phone

Electric Generation Suppliers (EGS):

Company Name	Contact Name	Telephone	Email	Pref.
American Cooperative Services	Linda Johnson	(717) 901-4406	Linda.Johnson@prea.com	Phone
American Energy	David Butsack	(610) 372-8500	Dave.kel@cwix.com	Email
Bruin Energy d/b/a The Mack Services Group	David McCorry	(610) 644-0562	macksergrp@msn.com	None
Columbia Energy Services	Tracy Myer	(703) 561-6385	Tmyer@columbiaenergygroup.com	Email
CMS Marketing, Svcs & Trading	Aaron Martin	(517) 768-2063	Amartin@cmsenergy.com	None
Con Edison Solutions	Bill Hunsicker	(610) 926-7155	Bhunsick@sctcorp.com	Email
Conectiv	Russell Coultriss	(800) 397-2001	Russell@accessedi.com	Email
Constellation Energy Source	Sam Schmidt	(410) 468-3528	EDI@cesource.com	Email
DTE-CoEnergy	David Tyl	(313) 235-9055	Tyld@dteenergy.com	Email
DTE Edison America	Merle Glasgow	(615) 371-5199	Merle.Glasgow@stercomm.com	None
Edison Source	Jon Silva	(562) 463-3000	Jsilva@edisonenterprises.com	None
Enron Energy Services	Allyson Hafner	(614) 761-7160	Ahafner@ees.enron.com	None
Exelon Energy	Joyce Walsh	(610) 645-1423	Jwalsh@peco-energy.com	Email
First Energy Services	Winston Stein	(281) 342-2646	Bswa@attmail.com	Phone
GPU Advanced Resources	Gary Gokhman	(610) 856-5831	Ggokhman@gpu.com	Email
Green Mountain Energy	Jamie Barras	(802) 846-6120	Barras@greenmountain.com	Email
New Energy Ventures	Dan Griffiths	(215) 563-9290 x226	dgriffiths@newenergy.com	None
NorAm Energy Management	Nick Waters	(713) 207-1376	Nwaters@noram.com	Email
PacifiCorp Power Marketing	Jeff Ponsness	(503) 813-5143	Jeff.Ponsness@pacificorp.com	Email
Penn Power Energy	Winston Stein	(281) 342-2646	Bswa@attmail.com	Phone
PG Energy PowerPlus	Jeff Besecker	(570) 829-8698	Besecker@pg-energy.com	Email
PP&L EnergyPlus	Kim Wall	(610) 774-4850	Kawall@papl.com	Email
PSEG Energy Technologies	Douglas Nicholls	(732) 744-2155	Douglas.Nicholls@pseg.com	Phone
Statoil Energy Inc	Keith Mills	(703) 317-2643	Kmills@statoilenergy.com	Email
Strategic Energy Limited	Jim Thomas	(412) 394-5650	Jthomas@sel.com	Email
UGI Energy Services, Inc.	Sal Franco	(610) 373-7999 x118	Electricenrollment@gasmark.com	None

Pennsylvania's Electronic Data Exchange Working Group (EDEWG) EDI transactions and related business practices can be found on the Pa. PUC website (http://www.puc.state.pa.us/electric/electric_edewg_download.aspx). In addition, in

order to keep up with changes in the standards, it is advised that each company have one representative on the edtwg email listserv. To subscribe to the edtwg listserv, send an email with your full name, company name, mailing address, telephone number, fax number and email address to subscribe-edtwg@ls.eei.org with a copy to Annunciata Marino (marino@puc.state.pa.us).

Application of Discount Energy Group, LLC

INDEX OF ATTACHMENTS

Attachment	Description
1	Department of State filing for a foreign liability company
2	Certificate of Formation -- Delaware
3	Residential Terms of Service and Customer Agreement
4	Organizational Structure Chart
5	Financial Statements
6	Professional Biographies of Executive Staff
7	Business Plan (Proprietary and Confidential)

Attachment 1

Department of State filing for a foreign LLC

PENNSYLVANIA DEPARTMENT OF STATE
CORPORATION BUREAU

Application for Registration - Foreign
(15 Pa.C.S.)

- Registered Limited Liability General Partnership (§ 8211)
 Registered Limited Liability Limited Partnership (§ 8211)
 Limited Partnership (§ 8582)
 Limited Liability Company (§ 8981)

Name Eckert Seamans Cherin & Mellott, LLC		
Address COUNTER/DO NOT MAIL		
City	State	Zip Code

Document will be returned to the name and address you enter to the left.



2010 AUG 25 AM 11:59
 PA. DEPT. OF STATE

Fee: \$250

In compliance with the requirements of the applicable provisions (relating to registration), the undersigned, desiring to register to do business in this Commonwealth, hereby states that:

1. The name to be registered is:
Discount Energy Group, LLC

2. (If the name set forth in paragraph 1 is not available for use in this Commonwealth, complete the following):

The name under which the limited liability company/limited liability partnership/limited partnership proposes to register and do business in this Commonwealth is:

3. The name of the jurisdiction under the laws of which it was organized and the date of its formation:

Jurisdiction: Delaware Date of Formation: 08/20/2010

4. The (a) address of its initial registered office in this Commonwealth or (b) name of its commercial registered office provider and the county of venue is:

(a) Number and street	City	State	Zip	County
(b) Name of Commercial Registered Office Provider Corporation Service Company				County Dauphin

5. Check and complete one of the following:

The address of the office required to be maintained by it in the jurisdiction of its organization by the laws of that jurisdiction is:

Number and street	City	State	Zip

It is not required by the laws of its jurisdiction of organization to maintain an office therein and the address of its principal office is:

22809 Pacific Coast Highway	Malibu	CA	90625
Number and street	City	State	Zip

6. For Restricted Professional Limited Liability Company Only. Strike out if inapplicable: ~~The company is a restricted professional company organized to render the following professional service(s):~~

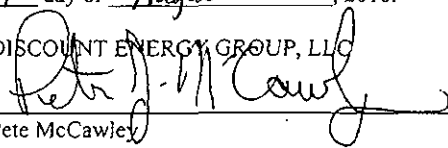
Limited Liability Partnership and Limited Partnership: Complete paragraphs 7 and 8

7. The name and business address of each general partner.

Name	Business Address

IN TESTIMONY WHEREOF, the undersigned has caused This Application for Registration to be signed by a duly Authorized officer/member or manager thereof this 24th day of August, 2010.

DISCOUNT ENERGY GROUP, LLC

By: 

Name: Pete McCawley

Title: CEO

Attachment 2

Delaware Certificate of Formation

Delaware

PAGE 1

The First State

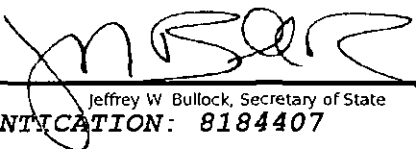
I, JEFFREY W. BULLOCK, SECRETARY OF STATE OF THE STATE OF DELAWARE, DO HEREBY CERTIFY THE ATTACHED IS A TRUE AND CORRECT COPY OF THE CERTIFICATE OF FORMATION OF "DISCOUNT ENERGY GROUP, LLC", FILED IN THIS OFFICE ON THE TWENTIETH DAY OF AUGUST, A.D. 2010, AT 2:08 O'CLOCK P.M.



4862609 8100

100846112

You may verify this certificate online
at corp.delaware.gov/authver.shtml


Jeffrey W. Bullock, Secretary of State
AUTHENTICATION: 8184407

DATE: 08-20-10

CERTIFICATE OF FORMATION
OF
Discount Energy Group, LLC

The undersigned authorized person hereby forms a limited liability company under the Delaware Limited Liability Company Act and adopts as the Certificate of Formation of such limited liability company the following:

1. The name of the Company:

Discount Energy Group, LLC

2. The name and address of the registered agent and office of the Company in Delaware: c/o Corporation Service Company, 2711 Centerville Road, Suite 400, Wilmington, Delaware 19808, County of New Castle.

IN WITNESS WHEREOF, the undersigned has duly executed this Certificate of Formation on this 20th day of August, 2010.

ORGANIZER:


Michael J. Sally, Authorized Person

Attachment 3

Terms of Service and Customer Agreement

Discount Energy Group, LLC
Pennsylvania Residential Terms of Service and Customer Agreement

The following is your Terms of Service ("Agreement") with Discount Energy Group LLC ("Discount Energy") for the purchase of residential electricity service. Discount Energy agrees to sell and Customer agrees to buy the quantity of electricity necessary delivered to you, as measured or estimated by your Electric Distribution Company ("EDC"). Discount Energy is an Electric Generation Supplier ("EGS") and as such will, in accordance with the terms of this Agreement, arrange for the delivery of electricity from your EDC to your residence. The words "we," "us," and "our" refer to Discount Energy, and the words "you" and "your" refer to the Customer. Please retain this Agreement for your records.

Background: Discount Energy is licensed by the Pennsylvania Public Utility Commission as an EGS to offer and supply electric generation services in Pennsylvania. Discount Energy's license number is A-2010-XXXXXXX. Discount Energy sets the Electric Generation Service Charge and the Public Utilities Commission ("PUC") regulates electric distribution prices and services. The Federal Energy Regulatory Commission ("FERC") regulates electric transmission prices and services.

Definitions:

Generation Charge -- Charge for production of electricity.

Transmission Charge -- Charge for moving high voltage electricity from a generation facility to the distribution lines of an electric distribution company.

Terms of Service: The essential terms of your electric generation service are as follows:

1. **Term.** You will buy your electric generation service from Discount Energy beginning on a date set by your electric distribution company (EDC) and will continue Through December 2011 meter read ("Initial Term").
2. **Change in Terms:** If you have a fixed term agreement with Discount Energy and it is approaching the expiration date, renewal period or if we propose to change terms of service, we will send you two (2) advance notices either in your bill or in separate mailings between 45 and 90 days before either the expiration date or the effective date of the changes. We will explain your options in these two (2) advance notices.
3. **Pricing, Billing and Payment Terms.** You will receive a single bill from your EDC that includes our generation supply charges (as outlined in this terms of service), as well as the EDC's delivery charges. Your contract price for generation supply charges for the term of your agreement is \$0.0XXX per kWh. This contract price includes Electric Generation Service Charges, Transmission Charges and Gross Receipts Tax, but excludes applicable state and local sales taxes and the Distribution Charges from your local EDC, PECO . Your payment will be due to the EDC by the date specified in the EDC bill.
4. **Eligibility.** Discount Energy does not deny residential electric service or determine eligibility for pricing based on credit history, utility payment data or credit score. Discount Energy does not deny service based on a customer or applicant's race, creed, color, national origin, ancestry, sex, marital status, lawful source of income, level of income, disability, familial status, location of a customer/applicant in an economically distressed geographic area, or qualification for low income or energy efficiency services.
5. **Access to Customer Information:** Customer understands that by executing this Agreement, Discount Energy will be provided certain basic information about Customer by the EDC, including, but not limited to, account number, data about meter readings, rate class and electric usage, Customer's address(es) and telephone number, and whether or not Customer is on a budget billing plan or payment arrangement or as otherwise approved by the PUC Bureau of Consumer Services. Customer further understands that the EDC is required by PUC to communicate with Customer following a notice of change of EGS to confirm the change was authorized.
6. **Consumer Protections.** The services provided by Discount Energy are protected by the terms and conditions of this Agreement and the Pennsylvania Public Utilities Commission ("PUC"). The complete text of the PUC Customer Protection Rules referenced herein can be found in the Pennsylvania Code, Title 52, Public Utilities at: <http://www.pacode.com/secure/data/052/chapter54/subchapAtoc.html> and <http://www.pacode.com/secure/data/052/chapter56/chap56toc.html>
7. **Dispute Resolution.** In the event of a billing dispute or a disagreement involving any essential element of this Agreement, the parties will use their best efforts to resolve the dispute. Customer should contact the EDC regarding any billing dispute, and should contact Discount Energy in writing at

Discount Energy Group, LLC
Pennsylvania Residential Terms of Service and Customer Agreement

_____ or by telephone at _____ for any terms of service dispute. If, after discussing your problem with Discount Energy or the EDC you remain dissatisfied, you may file an informal complaint with the Public Utility Commission. You may file an informal complaint by telephoning the Utility Choice Hotline at 1-800-692-7380, or by writing to the following address: Public Utility Commission, Box 3265, Harrisburg, Pennsylvania 17120.

8. **Customer's Right to Rescind or Cancel Services:** You may rescind this Agreement without fee or penalty of any kind within three (3) business days of receiving this Agreement. You can rescind this agreement by calling PECO at 1-800-342-5775 from 8 a.m to 5 p.m. Please provide your name, address, phone number and a statement that you are rescinding your Agreement under the three (3) day Right of Rescission. After your service begins, you may cancel services during the Initial Term but you will be charged an Early Cancellation Fee of \$0. When you cancel services, you agree to pay for the services provided by Discount Energy through the date you are switched to another EGS or returned to the EDC for service. Your cancellation will not be effective until the next regularly scheduled meter-reading date which follows the date on which Discount Energy gives the EDC notice of your cancellation request. You are responsible for all charges incurred through the date on which cancellation is effected by the EDC.
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10. **Default Liability.** LIABILITIES NOT EXCUSED BY REASON OF FORCE MAJEURE OR OTHERWISE SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY (WHICH WILL NOT EXCEED THE AMOUNT OF CUSTOMER'S SINGLE LARGEST MONTHLY INVOICE DURING THE PRECEDING TWELVE MONTHS). SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES AT LAW OR IN EQUITY ARE HEREBY WAIVED. IN NO EVENT SHALL CUSTOMER OR DISCOUNT ENERGY BE LIABLE FOR ANY PUNITIVE, INCIDENTAL, CONSEQUENTIAL, EXEMPLARY, INDIRECT, THIRD-PARTY CLAIMS OR OTHER DAMAGES WHETHER BASED ON CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, OR FOR LOST PROFITS ARISING FROM A BREACH OF THIS AGREEMENT.
11. **Governing Law.** Venue for any lawsuit brought to enforce any term or condition of this agreement or to construe the terms hereof shall be exclusively in the Commonwealth of Pennsylvania. This Agreement shall be construed under and shall be governed by the laws of the Commonwealth of Pennsylvania. If at some future date there is a change in any law, rule, regulation or pricing structure, or there is a regulatory or judicial ruling or decision which shall have a detrimental economic impact upon Discount Energy's performance under this Agreement, or in the event that compliance with such change, ruling or decision shall result in a material change in the way prices are calculated under this Agreement, or a material change in the level of components of pricing under this Agreement, or Discount Energy is otherwise prevented, prohibited or frustrated from carrying out this Agreement, Discount Energy shall have the right to cancel this Agreement upon thirty (30) days' notice.
12. **Assignment.** You may not assign this Agreement, in whole or part, or any of your rights or obligations hereunder, without prior consent from Discount Energy; which shall be executed in writing by Discount Energy, Customer, and any party to whom the Agreement is being assigned. Nothing in this Agreement shall create, or be construed as creating; any express or implied rights in any person or entity other than Discount Energy and Customer. Customer hereby acknowledges and consents that Discount Energy may freely pledge, assign, or subrogate all of its rights hereunder as Discount Energy may deem necessary. In the event any other provision of this Agreement shall be deemed to prohibit or otherwise restrict Discount Energy's right to assign, subrogate or pledge its rights hereunder, this provision shall control.
13. **Severability.** If any provision of this Agreement is held by a court or regulatory agency of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions shall continue in full force without being invalidated in any way.

Discount Energy Group, LLC
Pennsylvania Residential Terms of Service and Customer Agreement

14. **No Warranties.** Unless otherwise expressly set forth in this Agreement, Discount Energy provides and Customer receives no warranties, express or implied, statutory, or otherwise and Discount Energy specifically disclaims any warranty of merchantability or fitness for a particular purpose.
15. **Delay or Failure to Exercise Rights.** No partial performance, delay or failure on the part of Discount Energy in exercising any rights under this Agreement and no partial or single exercise thereof shall constitute a waiver of such rights or of any other rights hereunder.
16. **Force Majeure.** The term "Force Majeure" shall mean any cause not reasonably within the control of the Party claiming suspension and which by the exercise of due diligence, such Party is unable to prevent or overcome, including but not limited to, any act or cause which is deemed a Force Majeure by the EDC or any transportation or transmitting entity. If either party is unable, wholly or in part, by Force Majeure to perform or comply with any obligations or conditions of this Agreement, such party shall give immediate written notice, to the maximum extent practicable, to the other party. Such obligations or conditions, so far as they are affected by such Force Majeure, shall be suspended during the continuance of any inability so caused, and such party shall be relieved of liability and shall suffer no prejudice for failure to perform the same during the period. The party claiming suspension of obligations must in good faith attempt to mitigate and/or terminate the Force Majeure.
17. **Pennsylvania and Laws.** Except as otherwise provided in this Agreement or by law, all taxes of whatsoever kind, nature and description, due and payable with respect to Customer's performance of its obligations under this Agreement, shall be paid by Customer. The parties' obligations under this Agreement are subject to present and future legislation, orders, rules, or regulations of a duly constituted governmental authority having jurisdiction over this Agreement or the services to be provided herein.
18. **Entire Agreement.** This Agreement sets forth the entire agreement between the parties with respect to the terms and conditions of this transaction; any and all other agreements, understandings and representations by and between the parties with respect to the matters addressed herein are superseded by this Agreement.
19. **Acceptance and Amendments.** This Agreement shall not become effective until accepted by Discount Energy. Discount Energy may amend the terms of this Agreement at any time, consistent with any applicable law, rule or regulation, by providing notice to Customer of such amendment at least thirty (30) days prior to the effective date thereof. Discount Energy will supply Customer with a current version of this document annually and upon request.

20. **CONTACT INFORMATION**

Generation Supplier

Discount Energy Group, LLC
22809 Pacific Coast Highway
Malibu, CA 90265
Toll-Free Telephone: 1-_____
www.DiscountEnergyGroup.com
support@DiscountEnergyGroup.com

Public Utility Commission (PUC)
PO Box 3265
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Electric Distribution Company and Provider of Last Resort

PECO
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Toll Free Telephone: 1-800-841-4141

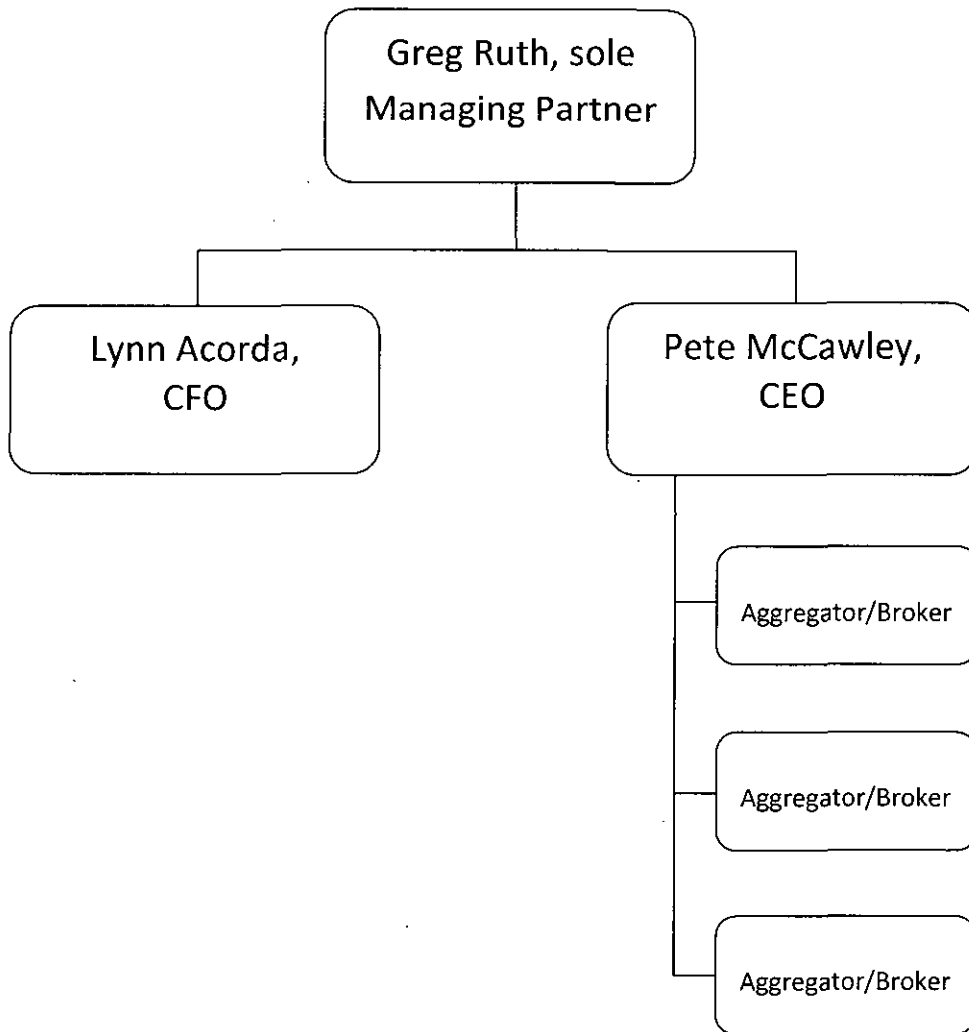
Universal Service Program:
Your EDC has programs available to customers who are on a limited or fixed income to assist them with utility bills.
Contact PECO at 1-800-841-4141

Attachment 4

Organizational Chart

Discount Energy Group, LLC

Organization Chart



Attachment 5

Financial Statements

Projected
Diamond Discount Energy Group
Balance Sheet

<u>Assets</u>	<u>2010</u>
Current Assets	
Cash & Cash Equivalents	\$1,932,607
Loans Receivable	
Accounts Receivable	\$10,541,587
Prepaid Expenses	\$160,300
Other Current Assets	
Total Current Assets	
Licenses	\$10,000
Bond	\$10,000
Accumulated Depreciation	\$0
Net pat. & license asset	\$0
Property & Equipment	
Accumulated Depreciation	\$0
Net Property & Equipment	\$0
Other Assets	
Other	\$0
Total Assets	\$12,654,493

Liabilities and Stockholders Equity

Current Liabilities	\$1,188,201
Accounts Payable	\$718,551
Accrued Expenses	\$0
Accrued Interest	\$0
Receivables Funding	\$8,565,440
Other Current Liabilities	
Total Current Liabilities	<u>\$10,472,192</u>
Loans	
Total Liabilities	<u>\$10,472,192</u>
Stockholder's Equity	
Preferred Stock	\$0
Common Stock	\$0
New Investor	\$400,000
Total	\$0
Retained Earnings	\$1,782,301
Total Shareholder's Equity	<u>\$2,182,301</u>
Total Liabilities & Stockholder's Equity	\$12,654,493

Projected
Diamond Discount Energy Group
Profit and Loss

Ver2b 8/23/10

	<u>2010</u>
<u>Revenue</u>	
PA Revenue - PPL	\$7,105,864
NJ Revenue - JCPL & PSEG	\$14,458,375
Total Revenue	<u>\$21,564,239</u>
<u>Cost of Sales</u>	
<u>Direct Expenses</u>	
PA Costs	\$5,184,241
NJ Costs	\$10,723,615
Total direct expenses	<u>\$15,907,856</u>
	\$0
<u>Indirect Expenses</u>	
	\$0
ESG - Maintenance	\$256,321
ESG - Set-up	\$20,000
Commissions	\$661,050
L/C charges	\$120,000
Salaries	\$900,000
Consulting - Marc Kippur	\$77,000
Website - Prime O Visibility	\$120,000
Direct Marketing	\$60,000
Travel Meals & Entertainment	\$0
Systems Integration	\$12,000
Telephone	\$0
Operation Overhead	\$0
Total indirect expenses	<u>\$2,226,371</u>
Total cost of sales	<u>\$18,134,227</u>
Gross Profit	\$3,430,013
	\$0
<u>Less: Operating Expenses</u>	\$0
Salaries & Benefits	\$0
Salary Bonuses	\$0
Rent & Utilities	\$64,000
Bank Charges	\$47,500
Finance Commission Fees	\$87,333
Professional Fees & Expenses	\$0
Bond	\$0
License Fees	\$0
Legal Fees and Expenses	\$38,000
Freight	\$24,000
Travel & Entertainment	\$0
Total Operating expenses	<u>\$260,833</u>
	\$0
Net Profit	\$3,169,180
	\$0
	\$0
	\$0
EBITDA	\$3,169,180
% EBITDA	15%
Depreciation	\$0
EBIT	\$3,169,180
% EBIT	15%
Interest Factoring	\$198,678
Interest	\$0
Taxes	40% \$ 1,188,201
After Tax Profit	<u>1,782,301</u>
As a % of Revenue	8.27%

Projected
Diamond Discount Energy Group

Cash / Source & Use of Funds

	<u>Year 1</u> <u>2010</u>
<u>Sources of Cash</u>	
Earnings	\$ 1,782,301
Debt	\$ -
Equity	\$ 400,000
Receivables Funding	\$ 8,565,440
Increase in Payables	\$ 718,551
Depreciation & Amortization	\$ -
Current Liabilities (Taxes payable)	<u>\$ 1,188,201</u>
Total	<u>\$ 12,654,493</u>
 <u>Uses of Cash</u>	
Increases in Receivables	\$ 10,541,587
Property & Equipment	\$ -
License	\$ 10,000
Current Assets	\$ -
Other Assets	<u>\$ 170,300</u>
Total	<u>\$ 10,721,887</u>
Net Cash Change	<u>\$ 1,932,607</u>
Cash Balance, beginning	\$ -
Cash Balance Year End	<u><u>\$ 1,932,607</u></u>

Attachment 6

Biographies – Executive Staff

Discount Energy Group, LLC

Professional Biographies - DEG Executive Staff

Gregg Ruth – Chairman

Gregg Ruth, the Founder and Owner of Gregg Ruth and Company with more than 40 years of sales management experience, Gregg Ruth is a industry leading designer in the wholesaling and manufacturing of high end jewelry. Mr. Ruth enjoys an excellent reputation and position in the U.S., Canadian, Great Britain and Caribbean markets.

He is known for a keen eye and being able to anticipate and create market trends. He is also known for his resilience, being able to constantly reinvent himself and his brand to always maintain strategic market positioning in the luxury branded jewelry market place.

He has shown the ability to manage successful growth and the recent downturn. He also has demonstrated the ability to manage the balance sheet and the market place successfully. All banking relationships he has entered have been positive for both the banks as well as his company. Currently Gregg Ruth and Company is self financed.

Mr. Ruth has acquired significant real estate holdings in Malibu, California. This includes ocean view land that is 1.2 miles in length containing 144 acres. The land contains Escondido Falls, which at 125 feet tall, is the tallest water fall in the Santa Monica Mountains. He is currently negotiating to donate the falls and a portion of the land to the California Park system in return development rights to build 3 ocean view estates in central Malibu.

Gregg Ruth's insight and savvy in the marketing arena can easily translate over to the exiting newly developing energy markets.

Pete McCawley – CEO

Pete brings a history of strong performance in several industries and a talent for managing complex projects. As the Associate Director of Site Development and Head of Real Estate for Amgen, the world's largest biotech company his responsibilities included local agency approvals, negotiations with the utility companies for long term supply contracts and the design of a co-generation facility. He was the Project Executive for Amgen's Cambridge Research Center responsible for all aspects of the \$100+ million project. As a consultant for Novartis he created a unique partnership between MIT and Novartis by negotiating a deal for MIT to sell steam to Novartis bypassing the local utility saving millions in operating costs. During his time with Amgen and Novartis he co-developed the very successful project management methodology known as Hypertrack. Hypertrack is specific to very complex projects with tight schedules and budgets.

As a consultant and real estate developer he negotiates with and obtains approvals from local government agencies, State agencies, utilities and community groups to obtain project approvals and services. As the financial project manager he recently successfully completed the construction of a one of a kind biotech manufacturing facility in Maryland.

He was the co-founder President and CEO of the National Boat Owners Association (NBOA). NBOA is similar to an automobile club for pleasure boat owners. Benefits included on-water/on-road (trailer boat) towing, free nautical charts, discounts, and the NBOA marine extended warranty. During the early 1990's NBOA had acquired over 450 marine dealerships nationwide to promote and sell the NBOA program which included the NBOA MasterCard offered through MBNA Bank. NBOA was an exclusive provider for the Sea Ray Owners Club. NBOA became a national competitor in this market and acquired over 35,000 members. He successfully sold the company to pursue other opportunities. Pete Attend Pepperdine University's School of Business Management and has completed the University of Michigan School of Business, Management Development Program.

Lynn Acorda – CFO

Ms. Acorda graduated from the Philippine Women's University with a Degree in Business Management with an emphasis on accounting. She attended UCLA studying accounting. She was the staff account for a Philippine movie studio and a plastics manufacturer. In 2000 she became the accounting staff of Greg Ruth and Company, a \$7 million company at that time.

Lynn has grown with Gregg Ruth and Company starting as and full charge bookkeeper and in 2003 she became Controller responsible for all accounting functions. Along with Mr. Ruth, she managed the growth of the company through 2006 when it was a \$24 million company.

As the economy slowed she successfully managed the financial needs of the company. As the economy continued to slow she helped navigate a successful transition to a new business model again positioning the company as a market leader. The company now has market positions in the Caribbean, Canada, Great Britain and the U.S. working with manufactures in Italy and the Far East. As Controller she is responsible for all of the company's accounting and financial affairs.

She is responsible for interfacing with the company's CPA and has successfully managed 5 banking facilities. She has also successfully completed more than 100 audits, including 2 with the IRS that resulted in "no change."

Ms. Acorda's professionalism and excellent demeanor have significantly contributed to the success of Gregg Ruth and Company and will bring that professionalism to the DEG.

Marc Kipper – Wholesale Energy Procurement and Risk Management

Hands on highly skilled in quantitatively and qualitatively indentifying, analyzing, manage and mitigating financial market risk, and hedging in energy portfolios. Experienced in servicing a broad spectrum of underlying demand and cross commoditization load requirement types in the power, natural gas and liquefied hydrocarbon markets. Proven strengths in applying advanced statistical methodologies encompassing a broad array of mathematical tools to provide for profit maximization and insuring price stability while limiting corporate risk exposure associated with volatile trading markets. Effective capabilities in developing, implementing, and managing corporate-wide risk management policies and procedures. Proven ability in preparing management reports and executive level presentations.

Attachment 7

**Business Plan
(Proprietary and Confidential)**

Submitted under separate cover