

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :  
for Approval of a Default Service Program and : Docket No. P-2014-\_\_\_\_\_  
Procurement Plan for the Period June 1, 2015 :  
through May 31, 2017 :

---

**PETITION OF PPL ELECTRIC UTILITIES CORPORATION  
FOR APPROVAL OF A DEFAULT SERVICE  
PROGRAM AND PROCUREMENT PLAN**

---

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Section 2807 of the Public Utility Code, 66 Pa.C.S. § 2807, and 52 Pa. Code §§ 54.181-54.189, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby requests approval of its third Default Service Program and Procurement Plan (“DSP III Program”) to establish the terms and conditions under which PPL Electric will acquire and supply Default Service or provider of last resort service (“Default Service”), from June 1, 2015 through May 31, 2017 (the “DSP III Program Period”). As explained below, the DSP III Program, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits (“AECs”) during the DSP III Program Period; an implementation plan; a proposed rate design, including a Time-of-Use (“TOU”) rate option for Default Service during the DSP III Program Period; a proposal to continue and expand the Company’s current Standard Offer Referral Program; and a contingency plan for the DSP III Program.

The Company's primary goal with respect to the DSP III Program is to obtain a portfolio of Default Service supply contracts that provide power for non-shopping customers from June 1, 2015, through May 31, 2017. To meet this objective, PPL Electric proposes to use a portfolio of fixed-price, full-requirements, load-following electricity supply contracts to meet the demand of its Residential and Small Commercial and Industrial ("Small C&I") customers, and full-requirements, load-following spot market service supply contracts to meet the demand of its Large Commercial and Industrial ("Large C&I") customers. Included in the DSP III Program is a TOU rate option for Default Service Residential and Small C&I customers for the DSP III Program Period. The DSP III Program also proposes to continue and expand PPL Electric's Standard Offer Program.

PPL Electric requests that the Pennsylvania Public Utility Commission ("PUC" or "Commission") approve the DSP III Program, as further described in this Petition, within nine months, or no later than January 15, 2015, to provide sufficient time to implement procurement under the DSP III Program. The June 1, 2015 start date for the DSP III Program coincides with the scheduled expiration of PPL Electric's Commission-approved Default Service Program and Procurement Plan for the period of June 1, 2013 through May 31, 2015 ("DSP II Program").

## **I. INTRODUCTION**

1. This Application is filed by PPL Electric, a public utility subject to the regulatory jurisdiction of the Commission.

2. PPL Electric's address is PPL Electric Utilities Corporation, Two North Ninth Street, Allentown, Pennsylvania 18101.

3. PPL Electric's attorneys are:

Paul E. Russell (Pa. Bar I.D. 21643)  
Associate General Counsel  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-4254  
Fax: 610-774-6726  
E-mail: perussell@aplweb.com

David B. MacGregor (Pa. Bar I.D. 28804)  
Michael W. Hassell (Pa. Bar I.D. 34851)  
Christopher T. Wright (Pa. Bar I.D. 203412)  
Post & Schell, P.C.  
17 North Second Street, 12th Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6029  
Fax: 717-731-1985  
E-mail: dmacgregor@postschell.com  
E-mail: mhassell@postschell.com  
E-mail: cwright@postschell.com

4. PPL Electric furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania.

5. PPL Electric is a “public utility,” an “electric distribution company” (“EDC”), and a “default service provider” as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803.

6. On January 1, 1997, the Electricity Generation Customer Choice and Competition Act (“Customer Choice Act”) became effective, adding Chapter 28 to the Public Utility Code. In summary, Chapter 28 deregulated the generation of electricity, established certain caps on rates charged by EDCs, allowed EDCs to recover their stranded generation costs over a transition period and created the framework for a competitive retail electric market in which customers could choose among competing electric generation suppliers (“EGSs”). Pertinent to this Petition, Section 2807 requires each EDC to act as the Default Service provider for its non-shopping customers until the end of the EDC’s transition period, and thereafter in accordance with regulations to be promulgated by the Commission.

7. The Commission's Default Service Regulations provide that the Default Service provider shall be the EDC in its certificated service territory unless the Commission assigns the Default Service obligation to another entity. A Default Service provider is responsible for the reliable provision of Default Service to retail customers who do not choose to receive generation services from an EGS, or whose EGS has failed to deliver electric energy.

8. House Bill No. 2200, subsequently identified as Act 129 of 2008 ("Act 129"), became effective on October 15, 2008. Among other provisions, Act 129 amended the Customer Choice Act to require EDCs, in their role as Default Service providers, to procure supply through competitive processes utilizing a "prudent mix" of contracts, and to offer a TOU rate option to customers with smart meters.

9. PPL Electric's current Commission-approved DSP II Program expires on May 31, 2015. To meet its statutory and regulatory default service obligation after the expiration of the DSP II Program, PPL Electric herein proposes the DSP III Program to establish the terms and conditions under which PPL Electric will acquire and supply Default Service during the DSP III Program Period.

10. The Company's primary goal with respect to the DSP III Program is to obtain a laddered portfolio of default service supply contracts that provide generation supply for non-shopping customers from June 1, 2015, through May 31, 2017.<sup>1</sup> To meet this objective, PPL Electric plans to acquire the generation supply and related services needed to meet its Default Service obligation for the DSP III Program Period through procedures similar to those previously approved by the Commission and successfully used by PPL Electric to acquire Default Service supply under the DSP II Program.

---

<sup>1</sup> As explained in Paragraph 121, *infra*, PPL Electric anticipates that it will continue in the role of Default Service provider beyond May 31, 2017, and, therefore, the final procurements under the DSP III Program are structured to avoid procuring all Default Service supplies at one time to be effective June 1, 2017.

11. Through the Default Service procurement process, the Company will purchase, net of transmission and distribution losses, energy, capacity, transmission (other than Non-market-based Transmission Services<sup>2</sup>), ancillary services, congestion management, and such other services or products that are required to supply Default Service to PPL Electric's retail customers, including AECs, for each Customer Class, and will recover the cost of obtaining these services from Default Service customers in that Customer Class.

12. For non-shopping Residential and Small C&I<sup>3</sup> default service customers, the DSP III Program provides for the purchase of fixed-price, full-requirements, load-following products with 6 and 12 month contract terms using a laddering approach so that the procurements are staggered to avoid procuring 100% of the Default Service products at the same time.

13. For non-shopping Large C&I default service customers, the DSP III Program provides for the purchase of power supply through 12-month, full-requirements, load-following spot market supply contracts to meet the default service demand of those customers electing to receive such service.

14. As part of the DSP III Program, the Company will provide a TOU rate option to Residential and Small C&I customers, but will rely on the retail market and EGSs to provide actual TOU service to customers. Retail EGSs that choose to participate in the TOU Program will offer TOU rate options and provide the TOU service to customers in PPL Electric's service territory. TOU load will not be included in the Default Service load procured for Residential and

---

<sup>2</sup> The Non-market-based Transmission Services that will not be purchased by the Company through the Default Service procurement process include: Network Integration Transmission Services; Transmission Enhancement Costs; Expansion Cost Recovery Costs; Non-Firm Point-to-Point Transmission Service Credits; Regional Transmission Expansion Plan; and Generation Deactivation Charges.

<sup>3</sup> As explained in further detail in this Petition, PPL Electric proposes to revise the definition of the Small C&I Customer Class to shift certain larger Small C&I customers to the Large C&I Customer Class.

Small C& I customers because the TOU load will be separately supplied by retail EGSs that choose to participate in the TOU Program.

15. This filing contains the following items in support of the DSP III Program:

- PPL Electric’s Petition
- Attachment A - Request for Proposals Process and Rules (“RFP”)
- Attachment B - Default Service Supply Master Agreement (“SMA”)
- Attachment C - DSP III Program Product Procurement Schedule
- Attachment D - *Pro Forma* Tariff provisions for the Generation Supply Charge-1, the Generation Supply Charge-2 and the Transmission Service Charge

16. In support of this Petition, PPL Electric will file and serve Direct Testimony within one week of the date this Petition is filed, *i.e.*, on or before April 25, 2014. Therein, PPL Electric will more fully explain the details of the proposed DSP III Program, and explain why the Company believes that the proposed DSP III Program includes and/or addresses all of the elements prescribed by Section 2807(e) of the Public Utility Code, the Commission’s regulations and policies for a Default Service plan.

17. As summarized below and more fully explained in the testimony to be submitted in support of this Petition, the DSP III Program satisfies the requirements of Act 129, the applicable provisions of the Commission’s Default Service Regulations, the Commission’s Policy Statement in *Proposed Policy Statement Regarding Default Service and Retail Electric Markets*, Docket No. M-2009-2140580 (September 23, 2011) (hereinafter “*DSP Policy Statement*”), and takes into consideration the Commission’s Default Service decisions issued subsequent to its approval of the DSP II Program, in particular the Commission’s Final Order in *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket

No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (February 15, 2013) (hereinafter “*End State Order*”).

18. Consistent with 66 Pa.C.S. § 2807(e)(3.6), PPL Electric requests that the Commission issue an order approving the DSP III Program within nine months from the date of this filing, or no later than January 18, 2015, to provide sufficient time to implement procurement under the DSP III Program.

## **II. LEGAL STANDARDS**

19. The DSP III Program includes and/or addresses all of the elements prescribed by Section 2807(e) of the Public Utility Code, the Commission’s regulations and policies for a Default Service plan.

20. Pursuant to 52 Pa. Code § 54.185, a Default Service provider must file a Default Service program with the Commission no later than 12 months prior to the conclusion of the currently effective Default Service program. 52 Pa. Code § 54.185(a). As discussed in detail below, PPL Electric’s DSP II Program will conclude May 31, 2015.

21. The Commission’s regulations provide that after the first Default Service program, the program term will be determined by the Commission. 52 Pa. Code § 54.185(c). Section 69.1804 of the Commission’s Default Service and Electric Retail Markets Statement of Policy, 52 Pa. Code § 69.1804, provides that default service plans should be for two to three years, unless otherwise directed by the Commission. Consistent with Section 69.1804, the Company is proposing that the DSP III Program be in place for a period of two years, from June 1, 2015 through May 31, 2017.

22. Sections 2807(e)(3.1), (3.2), (3.4) of the Public Utility Code provide, among other things, that:

- The Default Service provider shall provide electric generation supply service to customers pursuant to a Commission-approved competitive procurement plan.
- The electric power acquired shall be procured through competitive procurement processes and shall include one or more of the following: (i) auctions; (ii) requests for proposal; and (iii) bilateral agreements.
- The electric power procured shall include a prudent mix of the following: (i) spot market purchases; (ii) short-term contracts; and (iii) long-term purchase contracts, entered into as a result of an auction, request for proposal or bilateral contract.
- The prudent mix of contracts shall be designed to ensure: (i) adequate and reliable service; (ii) the least cost to customers over time; and (iii) compliance with the requirements of Section 2807(e)(3.1).

23. In addition, pursuant to 52 Pa. Code §§ 54.185(d)(1)-(6), a Default Service program must include, among other things, the following elements:

- (1) A procurement plan identifying the default service provider's electric generation supply acquisition strategy for the period of service. The procurement plan should identify the means of satisfying the minimum portfolio requirements of the Alternative Energy Portfolio Standards Act (73 P.S. §§ 1648.1 – 1648.8) for the period of service.
- (2) An implementation plan identifying the schedules and technical requirements of competitive bid solicitations and spot market energy purchases, consistent with § 54.186 (relating to default service procurement and implementation plans).
- (3) A rate design plan recovering all reasonable costs of default service, including a schedule of rates, rules and conditions of default service in the form of proposed revisions to its tariff.
- (4) Documentation that the program is consistent with the legal and technical requirements pertaining to the generation, sale and transmission of electricity of the RTO or other entity in whose control area the default service provider is providing service. The default service procurement plan's period of service must align with the planning period of that RTO or other entity.
- (5) Contingency plans to ensure the reliable provision of default service when a wholesale generation supplier fails to meet its contractual obligations.

(6) Copies of agreements or forms to be used in the procurement of electric generation supply for default service customers. This includes all documents used as part of the implementation plan, including supply master agreements, request for proposals documents, credit documents and confidentiality agreements. When applicable, the default service provider shall use standardized forms and agreements that have been approved by the Commission.

24. Pursuant to 66 Pa.C.S. § 2807(f)(5), as the default service provider, PPL Electric also is required to offer a TOU rate option to its default service customers.

25. The Alternative Energy Portfolio Standards Act (“AEPS Act”) and the Commission’s implementing regulations further requires EDCs to obtain AECs in an amount equal to certain percentages of electric energy sold to retail customers in this Commonwealth. See 52 Pa. § Code 54.182.

26. In addition to addressing each of these requirements, this Petition and the DSP III Program also address the various other guidelines established by the Commission’s *DSP Policy Statement* and *End State Order*.

27. An explanation of the DSP III Program and how the program satisfies the requirements of the aforementioned statutory provisions, regulations and orders is set forth below and in the direct testimony submitted in support of this Petition.

28. In addition to the approvals requested herein, the Company requests certain waivers pursuant to 52 Pa. Code § 54.185(f). The requested waivers are described in Section VI below.

### **III. PPL ELECTRIC’S CURRENT DSP PROGRAM**

29. PPL Electric plans to acquire the generation supply and related services needed to meet its Default Service obligation for the DSP III Program Period through procedures similar to those previously approved by the Commission and successfully used by PPL Electric for its

Default Service supply under the DSP II Program. Therefore, before describing the proposed DSP III Program, this Petition first provides a summary of the existing DSP II Program.

30. PPL Electric's current DSP II Program was approved by the Commission on January 24, 2013. *See Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan*, Docket No. P-2012-2302074 (Jan. 24, 2013).

31. PPL Electric's DSP II Program relies on a portfolio of fixed-price full-requirements supplies for Residential and Small C&I customers. The Residential customer portfolio also includes a decreasing quantity of pre-existing longer-term fixed-price block supply. The product mixture is designed around the purchase of fixed-price, full-requirements, load-following products with 9 and 12 month contract terms using a laddered procurement approach.<sup>4</sup> The Company conducts competitive solicitations to purchase these default service products. The current procurement plan also includes 3 month and 6 month products in the final procurement in order to create a "hard stop" to all supplies procured under DSP II as of May 31, 2015. The DSP II Program does provide an option for PPL Electric to request to extend the terms of these final contracts if PPL Electric is to continue in its role as Default Service provider after May 31, 2015.<sup>5</sup>

32. For its Large C&I customers, PPL Electric's DSP II Program provides full-requirements, load-following power supply contracts with an energy component priced at wholesale electricity spot market prices on a real-time hourly basis to meet the default service demand of those customers electing to receive such service.

---

<sup>4</sup> Under the laddered procurement approach, the procurements are staggered rather than procuring all of the products at the same time.

<sup>5</sup> As explained in Paragraph 37, *infra*, PPL Electric will file a separate petition to exercise the previously Commission-approved option to amend the DSP II Program to extend the contract terms of the Residential and Small C&I fixed-price, load-following contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-month contracts.

33. PPL Electric also offers a Default Service TOU rate option to Residential and Small C&I customers. Under the TOU rate option, the electric generation price a customer pays varies by season and by time of day. Prices are lower during “off-peak” hours, like nighttime, early morning and weekends, and higher during “on-peak” hours when electric demand is greatest. Under the current TOU rate option, the TOU load is procured using the DSP II Program products.<sup>6</sup> Currently, both the on- and off-peak rates are fixed, and any net over/under collections are reconciled and refunded/recovered, as appropriate, from all Default Services customers via the Generation Supply Charge.

34. PPL Electric has successfully procured fixed-priced, full-requirement supply and spot market supply as part of its product portfolio going back to at least July 2007, when PPL Electric first began procuring supplies for its 2010 Competitive Bridge Plan, through its most recent DSP II solicitation. The results from PPL Electric’s auctions confirm that these default service products draw numerous competitors and that multiple bidders are successful suppliers.

---

<sup>6</sup> PPL Electric’s initial or first TOU program was filed on July 31, 2009, and approved by the Commission on March 9, 2010. *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2009-2122718 (Ma. 9, 2010). PPL Electric’s second TOU program implemented changes to the initial TOU program by, *inter alia*, using spot market purchases under the DSP for TOU supply. *PPL Electric Utilities Corporation Supplement No. 94 to Tariff Electric – Pa. P.U.C. No. 201-Time of Use Rates*, Docket No. R-2010-2201138 (Dec. 2, 2010). During the period from June 1, 2011 through August 31, 2011, both the on-peak and off-peak TOU rates in the second TOU program were higher than the fixed price default service rate and, therefore, the Commission granted PPL Electric’s request to suspend the TOU rates and directed PPL Electric to file a new TOU program. *See* Docket No. M-2011-2258733 (Aug. 25, 2011). PPL Electric filed a third TOU program on September 26, 2011. The Commission denied PPL Electric’s third TOU program and ruled that the Company’s current TOU program and current rates should remain in effect until the issuance of a final order in PPL Electric’s DSP II Program. *Pa. PUC v. PPL Electric Utilities Corporation*, Docket No. R-2011-2264771 (Aug. 30, 2012). PPL Electric proposed a new TOU program in its DSP II program. The Commission rejected the TOU program proposed in the DSP II Program and continued the currently effective TOU rate option until a new TOU program was approved following the conclusion of a collaborative. *Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan*, Docket No. P-2012-2302074 (Jan. 24, 2013). On August 23, 2013, PPL Electric filed a Petition at Docket No. P-2013-2389572, requesting Commission approval of a new TOU program to replace the currently effective TOU rates. The proposed new TOU Program currently is pending before the Commission for disposition. As a result, the existing TOU program remains in effect at this time. Because the TOU rates are frozen under the existing TOU program, the current on- and off-peak rates are both higher than the Price to Compare.

There currently is substantial competition to supply the fixed-price, full-requirements, load-following products.

35. The product mixture currently used within the DSP II Program product portfolio for non-shopping Residential and Small C&I customers simplified the default service procurement process for PPL Electric, relative to PPL Electric's DSP I Program, by reducing the types of products procured and the frequency of procurements. The semiannual DSP II Program procurement has been and continues to be responsive to market changes. Through its DSP II Program product mixture, PPL Electric has tried to strike an appropriate balance between price stability and reflecting the market. It also results in reduced administrative costs by having fewer energy auctions as compared to DSP I, which undertook quarterly procurements.

36. The DSP II Program's procurement process is administered by an independent third-party, NERA Economic Consulting ("NERA"). NERA monitors the results of each solicitation to ensure that they are consistent with prevailing market prices. NERA also submits confidential reports to the Commission evaluating the solicitation process and the results of each solicitation.

37. As noted above, under the DSP II Program, the Commission approved PPL Electric's proposal to end all fixed-price, load-following contracts by May 31, 2015, and granted the Company the option to seek to extend the term of its final DSP II procurements by an additional six months should the Company continue its role as default service provider beyond May 31, 2015. At the time of this filing, PPL Electric anticipates that it will continue in the role of Default Service provider. Therefore, consistent with the Commission's Opinion and Order approving the DSP II Program, PPL Electric will file a separate petition to exercise the previously Commission-approved option to amend the DSP II Program to extend the contract

terms of the Residential and Small C&I fixed-price, load-following contracts procured during the October 2014 procurement from six- and three-month contracts to twelve- and nine-month contracts. As a result of the extension, the Company will avoid procuring 100% of its fixed-price contracts at a single time. Issues related to the extension of the October 2014 procurement contracts will be fully addressed in the separate petition.

38. The DSP III Program incorporates the best practices and lessons learned from the DSP II Program, and includes modifications designed to better address customer needs for the DSP III Program Period.

#### **IV. PROPOSED DSP III PROGRAM**

##### **A. PROCUREMENT AND RATE DESIGN**

39. PPL Electric has learned various lessons through the administration of the DSP I and II Programs and has adopted these lessons in the DSP III Program. Since DSP I, PPL Electric has reduced the number and types of products procured and the frequency of procurements for non-shopping Residential and Small C&I customers to simplify the default service procurement process. PPL Electric procures full-requirements, load-following, spot market products for Large C&I customers because the extremely high level of shopping by customers in this class will not support the use of a fixed-price product.<sup>7</sup>

40. The DSP III Program will continue a similar procurement approach taken in DSP II, with a slight change to the contract terms for the products being procured. Rather than the 9-month and 12-month procurements used in the DSP II Program, PPL Electric proposes to procure layered 6-month and 12-month products twice per year, in April and October, with the

---

<sup>7</sup> Although a fixed-price, full-requirements, load-following product for the Large C&I Customer Class was approved under the DSP I Program, PPL Electric did not receive fully subscribed bids from any suppliers for the Large C&I fixed-price product and, therefore, did not offer a fixed-price product for this Customer Class.

first procurement occurring in April 2015 for Default Service beginning June 1, 2015. See Attachment C.

41. Fixed-price, full-requirements, load-following contracts will be separately procured for Residential and Small C&I Customer Classes. The Large C&I Customer Class will continue to be served by 12-month, full-requirements, load-following, spot market contracts procured once a year.

42. The Company also will provide a TOU rate option to Residential and Small C&I customers in its tariff. The TOU rate option proposed herein is consistent with the Joint Petition for Partial Settlement filed with the Commission on April 11, 2014, at Docket No. P-2013-2389572. Under the proposed TOU rate option, PPL Electric will rely on EGSs to offer TOU rate options and provide the TOU service to customers in PPL Electric's service territory. TOU load will not be included in the Default Service load procured for Residential and Small C& I customers because the TOU load will be separately supplied by retail EGSs that choose to participate in the TOU Program.

#### **1. Residential Fixed-Price Procurement and Rate Design**

43. The Residential Customer Class is comprised of customers served under current PPL Electric Rate Schedules RS and RTS.

44. Under the proposed DSP III Program, PPL Electric will acquire 100% of the fixed-price Residential Customer Class Default Service supply, exclusive of supply previously committed under block contracts for Residential customers,<sup>8</sup> through a series of load-following, full-requirements contracts. The Company will purchase, net of transmission and distribution losses, energy, capacity, transmission (other than Non-market-based Transmission Services),

---

<sup>8</sup> The Company has pre-existing block supply contracts for 150 MW through December 31, 2015 and 50 MW committed from January 1, 2016 through May 31, 2021.

ancillary services, congestion management, and such other services or products that are required to supply Default Service to PPL Electric's retail customers, including AECs.

45. The DSP III Program provides for the purchase of fixed-price, full-requirements, load-following products with 6 and 12 month contract terms using a laddering or staggered approach so that all of the products are not procured at the same time.

46. The costs incurred by PPL Electric to provide Default Service to the Residential Customer Class will be recovered through the Generation Supply Charge-1 ("GSC-1"), separately computed with respect to the Residential Customer Class.

47. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts and costs incurred to acquire the supply and administer the DSP III Program. The costs incurred prior to June 1, 2015, related to procurement of supply and other costs related development and implementation of the DSP III Program will be included in the GSC-1, as applicable, and will be amortized ratably over the 24-month term of the DSP III Program.

48. The GSC-1 will be adjusted every six months to reflect the cost of the Default Service supply contracts in place for the upcoming six-month period. It will be reconciled every six months for over and under recoveries by Customer Class.<sup>9</sup> *Pro forma* tariff pages for the GSC-1 rate are attached in Attachment D.

## **2. Small C&I Fixed-Price Procurement and Rate Design**

49. The proposed Small C&I Customer Class is comprised of customers served under current PPL Electric Rate Schedules GS-1, GS-3 (under 100 kW), LP-4 (under 100 kW), GH-2, , BL, SA, SM, SHS, SE, TS, SI-1, and standby service for qualifying facilities.

---

<sup>9</sup> Also, any remaining under/over collections from the DSP II Program will be included in this reconciliation, as well as the consolidation of the time-of-use under/over collection within the customer class.

50. In DSP II, the Small C&I Customer Class included customers with a peak demand of 500 kW or less; however, PPL Electric agreed in the DSP II proceedings to reduce the peak demand for the Small C&I Customer Class in its next filing. Here, PPL Electric proposes to reduce the peak demand limitation for the Small C&I Customer Class from 500 kW to 100 kW consistent with the Commission's *End State Order*.<sup>10</sup> PPL Electric will provide notice and other education materials to the Small C&I Customer Class prior to the effective date of the DSP III Program.<sup>11</sup>

51. Similar to the Residential Customer Class, under the proposed DSP III Program, PPL Electric will acquire 100% of the Small C&I Customer Class fixed-price Default Service supply through a series of load-following supply contracts. The Company will purchase, net of transmission and distribution losses, energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management, and such other services or products that are required to supply Default Service to PPL Electric's retail customers, including AECs.

52. The DSP III Program provides for the purchase of fixed-price, full-requirements, load-following products with 6 and 12 month contract terms using a laddering or staggered approach so that all of the products are not procured at the same time.

---

<sup>10</sup> In its *End State Order*, the Commission explained that it supports the threshold of 100 kW and directed that all hourly spot-market Default Service customers be grouped into one single auction class for each EDC. *Id.* at \*50. The Commission also directed EDCs to offer hourly spot-market products only to customers above the 100 kW demand level who have interval meters. *Id.* To the extent they do not already have the necessary demand meters, PPL Electric will install demand meters for all Small C&I customers with a peak demand of 100 kW or greater.

<sup>11</sup> At this time, PPL Electric has approximately 3,200 Small C&I customers with a peak demand between 100 kW and 500 kW. Of that total, approximately 88% of these customers currently are shopping. As a result, the change in the qualification for the Small C&I Customer Class from 500 kW to 100 kW, as directed by the Commission's *End State Order*, will move approximately 370 customers from fixed-price Default Service rates to spot market Default Service rates..

53. The costs incurred by PPL Electric to provide Default Service to the Small C&I Customer Class will be recovered through the GSC-1, separately computed with respect to the Small C&I Customer Class.

54. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts and costs incurred to acquire the supply and administer the DSP III Program. The Company's costs incurred prior to June 1, 2015, related to the procurement of supply for and other costs related to development and implementation of the DSP III Program will be included in the GSC-1, as applicable, and will be amortized ratably over the 24-month term of the DSP III Program.

55. The GSC-1 will be adjusted every six months to reflect the cost of Default Service supply contracts in place for the upcoming six-month period. It will be reconciled every six months for over and under recoveries by Customer Class.<sup>12</sup> *Pro forma* tariff pages for the GSC-1 rate are attached as Attachment D.

### **3. Large C&I Procurement and Rate Design**

56. The proposed Large C&I Customer Class under the DSP III Program includes customers served under current PPL Electric Rate Schedules GS-3 (over 100 kW), LP-4 (over 100 kW), LP-5, LP-6, LPEP, and standby service for qualifying facilities.

57. In DSP II, the Large C&I Customer Class included customers with a peak demand of 500 kW or greater; however, PPL Electric agreed in the DSP II proceeding to reduce the peak demand for the Large C&I Customer Class in future filings. Here, PPL Electric is proposed to

---

<sup>12</sup> Also, any remaining under/over collections from the DSP II Program will be included in this reconciliation, as well as the consolidation of the time-of-use under/over collection within the customer class.

reduce the peak demand minimum for the Large C&I Customer Class from 500 kW to 100 kW consistent with the Commission's *End State Order*.<sup>13</sup>

58. For the Large C&I Customer Class, the Company proposes to obtain Default Service supply on a real-time hourly basis through the PJM spot market. PPL Electric proposes to issue a single annual solicitation to obtain competitive offers from suppliers to provide the Default Service spot market supply to the Large C&I Customer Class. These annual procurements will coincide with the PJM Planning Period. Annual solicitations will be held in April for the upcoming PJM planning period. This is the same solicitation process and product for Large C&I Customers currently used in the Commission-approved DSP II Program and previously used under the Competitive Bridge Plan and DSP I.

59. The costs incurred by PPL Electric to provide Default Service to the Large C&I Customer Class will be recovered through the Generation Supply Charge-2 ("GSC-2"), which remains unchanged from the GSC-2 tariff provisions approved in the DSP II Program.

60. Costs recovered in the GSC-2 will include PJM spot market energy, PJM capacity charges, the suppliers' charge for all other services (including AECs) based upon winning bids in the annual solicitation and PPL Electric's costs to acquire the supply and administer the DSP III Program. Customers in the Large C&I Customer Class will continue to pay the following three charges for Default Service under the GSC-2:

- An energy charge per kWh based on the real-time hourly spot-market price and the customer's actual hourly energy use.
- A capacity charge per kW based on the PJM Reliability Pricing Model ("RPM") price for capacity and the customer's peak load contribution.

---

<sup>13</sup> See Footnotes 10 and 11, *supra*.

- An energy charge per kWh to recover all supplier charges and PPL Electric's cost of administration, both prospective costs and an amortization of previously incurred costs over the term of the DSP III Program.

61. The GSC-2 will be revised annually, effective June 1 on thirty days advance notice, to reflect changes in costs.

62. The GSC-2 will continue to be reconciled on an annual basis. Also, any remaining under/over collections from the DSP II Program will be included in this reconciliation.

*Pro forma* tariff pages for the GSC-2 rate are attached as Attachment D.

#### **4. Time of Use Procurement and Rate Design**

63. On May 1, 2012, PPL Electric submitted a TOU proposal as part of its DSP II Program. On May 23, 2013, the Commission entered an order rejecting PPL Electric's TOU rate and directing the Company to file a new TOU rate proposal on or before August 23, 2013. *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket Nos. P-2012-2302074, *et al.* (Order Entered May 23, 2013) ("*May 23 Order*").

64. Consistent with the Commission's *May 23 Order*, on August 23, 2013, PPL Electric filed a Petition at Docket No. P-2013-2389572, requesting Commission approval of a new TOU Program to replace the currently effective TOU rates.

65. On April 11, 2014, the parties to the TOU proceeding filed a Joint Petition for Partial Settlement ("*TOU Settlement*").<sup>14</sup> The TOU Settlement and the proposed TOU Program currently are pending before the Commission for disposition.

66. Under the terms of the proposed TOU Program as modified by the terms of the TOU Settlement, the Company will provide a TOU rate option to customers in its tariff, but will

---

<sup>14</sup> The Partial Settlement resolved all issues among the parties to the proposed new Pilot TOU Program, except for the net metering issue raised by Dauphin County Industrial Development Authority, which was reserved for litigation.

rely on the retail market and EGSs to provide actual TOU service to customers. Retail EGSs that choose to participate in the TOU Program would offer TOU rate options and provide TOU service to customers in PPL Electric's service territory. The key features of the proposed TOU Program as modified by the terms of the TOU Settlement are as follows:

- PPL Electric will provide a TOU rate option to customers in its tariff; however, it will utilize the retail market and EGSs to satisfy its statutory obligation to offer TOU service to its default service customers.
- Retail EGSs that choose to participate in the TOU Program will offer TOU rate options and provide the TOU service to customers in PPL Electric's service territory.
- A participating EGS will define the term of the contract between the EGS and the TOU customer, but the contract terms cannot change more often than quarterly.
- A participating EGS also will define the on- and off-peak rates that it will offer to customers. However, an EGS's off-peak/discounted pricing hours cannot include 2 p.m. to 6 p.m., Monday through Friday, excluding PJM holidays during the summer, *i.e.*, June, July, and August.
- A participating EGS also may not charge an early termination penalty or fee to any customer that leaves the TOU rate option offered by the EGS as part of the TOU Program.
- EGSs are responsible for publicizing and marketing their participation in the TOU Program and the TOU rate options provided thereunder.
- All Residential and Small C&I customers, except for customers in the Company's low-income customer assistance program ("CAP"), will be eligible to participate in the Pilot TOU Program for the term of the program.
- The TOU Program and the EGS rate options offered thereunder will be available to PPL Electric's Residential and Small C&I default service customers, as well as any other Residential and Small C&I customers that choose to participate, subject to any terms of a customer's existing contract for service from an EGS.
- Customers, including net metering customers, who volunteer to participate in an EGS's rate option offered as part of the TOU Program will be treated as shopping customers, and all of the rules applicable to shopping customers will apply. A customer may leave a participating EGS's rate option under the TOU Program subject to the Commission's switching rules.

67. As part of its DSP III Program, PPL Electric herein proposes to continue the TOU Program as set forth in the TOU Settlement assuming it is approved by the Commission without modification.<sup>15</sup> If the Commission modifies the Partial Settlement, PPL Electric will reflect those modifications in the TOU Program under its DSP III Program.

68. The TOU Program as modified by the TOU Settlement will be effective less than one year prior to the beginning of the DSP III Program. PPL Electric believes that it is reasonable and appropriate to continue the TOU Program as modified by the TOU Settlement and obtain additional information on the operation of the TOU Program, rather than implementing a new TOU program. Further, continuing the TOU Program as modified by the TOU Settlement will provide certainty to both customers and EGSs that seek to participate in the TOU program.

69. Under the terms of the TOU Settlement, if the new TOU Program is unsuccessful, PPL Electric will adopt a contingency plan similar in concept to the TOU program approved by the Commission for PECO Energy Company.<sup>16</sup> *See Petition of PECO Energy Company for Expedited Approval of its Dynamic Pricing Plan Vendor Selection and Dynamic Pricing Plan Supplement*, Docket No. P-2012-2297304, 2012 Pa. PUC LEXIS 1525 (Orders entered Sept. 26, 2012, and May 9, 2013).

---

<sup>15</sup> Currently pending before the Commonwealth Court at Docket No.445 C.D. 2014 is a Petition for Review of the Commission's Order partially approving PECO Energy Company's CAP Shopping Plan. The PECO CAP Shopping Plan, if affirmed by the Commonwealth Court, would allow CAP customers who have been limited to purchasing generation supply only from PECO to shop for competitive electric generation supply. On March 28, 2014, the Commonwealth Court entered an Opinion that stayed the implementation of the Commission's Order approving the PECO CAP Shopping Plan. As a result of the pending Petition for Review and stay of the Commission's Order, there is significant uncertainty whether CAP customers ultimately will be permitted to shop and, further, whether CAP customers should be included in the new TOU Program. Given this uncertainty, PPL Electric herein proposes to implement the new TOU Program consistent with the terms agreed by the parties in the TOU Settlement, including the exclusion of CAP customers from participating in the new TOU Program.

<sup>16</sup> The proposed TOU contingency plan will be similar but not identical to the PECO TOU plan. For example, under the PECO TOU plan, the winning bidder provides the on- and off-peak TOU hours, as well as the rate structure. Under PPL Electric's TOU contingency plan, PPL Electric will set the on- and off-peak hours and the suppliers participating in the RFP will submit bids for the on- and off-peak rates.

70. Under the TOU contingency plan, if no wholesale suppliers participate in the new TOU Program as modified by the TOU Settlement, or if all suppliers opt out of the TOU Program, PPL Electric will issue an RFP to solicit bids for a single supplier to provide both the TOU commodity supply and the TOU program management. If the TOU contingency plan is implemented, it will remain in effect for the remainder of the DSP III Program period, or until the Commission eliminates EDCs' default service obligation.

71. The on- peak hours will be from 2-6 pm, Monday through Friday during the summer, excluding weekends and holidays. All other summer hours will be off-peak hours. This program will run year-round, without any gaps in service or availability to customers. Suppliers participating in the RFP will submit bids for the summer on- and off-peak rates, and the Company's Price to Compare ("PTC") will be the rate applicable to non-summer hours. PPL Electric will select the single supplier ("TOU Supplier") generating the greatest cost savings for customers based upon the load for an average customer of the customer class.

72. The TOU Supplier will be responsible for both commodity supply and program management. The TOU Supplier will be responsible for providing the on- and off-peak TOU commodity supply, performing bill calculations, providing bill-ready data, and all associated reporting and administrative tasks and costs. The TOU Supplier also will be responsible for implementing the TOU program, including marketing.

73. If the Contingency TOU Plan fails due to a lack of EGS participation or the selected EGS is no longer able to provide service to new customers, PPL Electric will seek immediate Commission guidance on how to proceed.

## **5. AEPS Procurement**

74. Under the DSP III Program, PPL Electric will procure certain AECs to meet its obligation under the AEPS Act as a component of its fixed-price and spot-market Default

Service supply contracts. The seller must provide its proportional share of AECs to fulfill PPL Electric's AEPS obligation, in accordance with the terms of the SMA. Additionally, the SMA requires the seller to complete its transfer of AECS into PPL Electric's Generation Attribute Tracking System ("GATS") account(s) in the amount necessary to fulfill the seller's AEPS obligation, pursuant to the schedule set forth in the SMA. The proposed procurement of AECs remains unchanged from the DSP II Program.

75. PPL Electric previously acquired long-term solar Tier I AECs associated with its 10-year, 50 MW block product in its Commission-approved DSP I Program. PPL Electric may also need to acquire additional Tier I non-solar and Tier II AECs to cover the period from June 1, 2015 through May 31, 2017, associated with its 10-year long-term product obligation. Because PPL Electric only needs to acquire additional AECs to cover 50 MW of supply, the Company proposes to continue the practice put in place under DSP II of soliciting at least three pricing offers from AEC brokers in June of 2015 and 2016 for Tier I non-solar and Tier II credits required to cover this long-term contract obligation. The Company will accept the least cost offer and will document the entire process, including the brokers contacted and price offerings by AEC vintage. All AEC transfers will take place through PJM GATS.

76. The quantities of AECs procured will be sized such that no significant banking will take place, and that cost recovery takes place on a current basis for those AECs purchased by compliance period.

77. The costs incurred to procure the AECs will be recovered through the GSC-1, which is the same cost recovery method used in the DSP II Program.

#### **6. DSP III Program Procurements Represent a Prudent Mix of Supplies**

78. The various procurements proposed for the different customer classes represent a prudent mix of supplies considering the success of retail competition in the Company's service

territory, ongoing plans to continue supporting retail competition and the goal of providing reliable supply at reasonably stable rates over time.

79. The DSP III Program product portfolio provides for Residential and Small C&I customer rates to change on a semiannual basis (and more frequently for larger industrial customers), ensuring that customers have continued opportunities to assess competitive retail opportunities, while striking an appropriate balance between price stability and reflecting the market. Further, the DSP III Program product portfolio will be obtained through transparent competitive solicitations that have been successful in the Company's DSP I and II and elsewhere throughout Pennsylvania and the Mid-Atlantic U.S.

80. The proposed DSP III Program continues to use a laddering approach whereby fixed-price, full-requirements, load-following products for Residential and Small C&I customers are purchased to establish default service pricing for 6-month periods, and in doing so, provides market reflective prices while continuing to reduce the risk of price volatility when compared to the Company's previous default service plans.

81. PPL Electric's proposed DSP III Program product portfolio for its Residential and Small C&I customers continues to rely on short-term fixed-price, full-requirements, load-following products which have a proven track record as prudent default service products. In addition, these products are well known throughout the industry and can be competitively procured by PPL Electric to obtain competitively priced reliable power supplies for default service. These short-term, fixed-price, full-requirements, load-following products support retail competition by tracking ongoing changes in wholesale electricity market prices and will provide the benefit of reasonable price stability. Further, the default service load is continually re-priced

through semiannual solicitations for non-shopping Residential and Small C&I customers under the DSP III Program.

82. PPL Electric's proposed DSP III Program product portfolio for its Large C&I customers continues the existing successful approach of using a full-requirements, load-following, spot market product that is bid annually. There currently are very few non-shopping Large C&I customers within PPL Electric's service territory. Based on the success of retail competition for Large C&I customers, and the Company's prior experience where a fixed-price, full-requirements, load-following product for Large C&I customers did not attract sufficient bids, the Company proposes to continue its successful Large C&I spot market default service.

83. Further support for the Company's position that the proposed DSP III Program product portfolio is prudent will be provided in the testimony submitted in support of this Petition.

#### **B. DSP III PROGRAM RFP PROCESS**

84. PPL Electric will implement the DSP III Program by holding solicitations pursuant to an RFP to obtain the Default Service products described above from competitive wholesale power suppliers.<sup>17</sup> The *pro forma* RFP is provided as Attachment A to this Petition.

85. PPL Electric based the *pro forma* RFP on the documents approved by the Commission in the DSP II Program proceeding. The RFP incorporates considerable experience obtained in other procurement proceedings and represents a transparent, well-defined and objective approach for PPL Electric's DSP III Program.

---

<sup>17</sup> This section applies only to the procurement of the Default Service load for the Residential, Small C&I and Large C&I Customer Classes. As explained above, the TOU load will be separately supplied by retail EGSs that choose to participate in the TOU Program and, therefore, will not be procured through the DSP III Program RFP process described in this section.

86. Separate bids will be solicited for the Residential, Small C&I, and Large C&I Customer Classes. The Company proposes to hold solicitations consistent with the schedule presented in Attachment C to this Petition.

87. PPL Electric requests that the Commission approve the results of each competitive solicitation. As stated in the RFP, the results for each solicitation will be presented to the Commission within one business day of the bid proposal due date for that solicitation. At that time, the Commission will have one business day to review those results and render a final decision. The Commission may either accept or reject all of the winning bids presented for a customer group in their entirety. This is the same approval procedure used in the DSP II Program.

88. After receiving Commission approval of the solicitation results, PPL Electric will then execute transaction confirmations with the winning suppliers. The prices in the resulting wholesale supply agreements will form the basis of the rates charged to each of the customer classes. This is the same process used in the DSP II Program.

89. Each solicitation will be designed to procure a percentage of the fixed-price Default Service load for each customer class. See Attachment C. The percentage of total Default Service supply included in each solicitation is further divided into “tranches” which each represent a small percentage of Default Service load. For both the Residential and Small C&I Customer Classes, each tranche is a fixed percentage of the total Customer Class Default Service load.

90. Under DSP III, the tranche sizes for the Residential and Small C&I Customer Classes will be modified slightly when compared to the DSP II Program. The fixed percentage of the fixed-price Customer Class Default Service load for the Residential Customer Class will

be decreased slightly from the DSP II Program (from about 3.5% to 2.5% per tranche), and the fixed percentage of the Customer Class Default Service load for the Small C&I Customer Class will be increased slightly from the DSP II Program (from about 4.5% to 5% per tranche). The RFP tranche percentages are estimated to produce approximately 100 MW of peak load per tranche for both the Residential Customer Class and Small C&I Customer Class based on current PPL Electric forecasts and the Customer Class 2014-2015 projected peak load contribution with PJM, including both default service and shopping load. The actual MW size of each tranche will depend on the Company's actual Default Service load at the time of delivery. Supply must be load following.

91. For the Large C&I Customer Class, the tranche sizes for the Large C&I Customer Class will be increased slightly from the DSP II Program (from 5% to 10% per tranche) to ensure that the load is sufficiently sized to obtain competitive bids.

92. As the RFP describes in detail, each winning supplier must provide all products and services required by the Company to fulfill its obligations as Default Service provider. These products and services include, net of transmission and distribution losses, energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management, and such other services or products that are required to supply Default Service to PPL Electric's retail customers, including AECs. As a result, each supplier will become the load-serving entity ("LSE") in PJM for its share of PPL Electric's Default Service load. PPL Electric, however, will remain the Default Service supplier for its retail customers.

93. All qualified suppliers, including the Company's affiliates, will have an opportunity to respond to PPL Electric's RFPs. Qualification is straightforward and requires primarily that the supplier be a member of PJM in good standing, and meet certain fundamental

credit-worthiness criteria. However, an individual bidder cannot bid on more than 85% of the available tranches for a Customer Class offered in each solicitation. In addition, for the Residential and Small C&I Customer Classes, an individual bidder cannot supply more than 50% of the Default Service load for a Customer Class during the DSP III period. These limitations will encourage continued development of the competitive wholesale market by ensuring that all qualified competitors will have a true opportunity to be a winning supplier while aggregate exposure to any one fixed-price default service Customer Class supplier will be limited to 50%. This is a continuation of the supplier load caps ordered by the Commission for the DSP-II Program.

94. As has been required under the DSP I and DSP II Programs, PPL Electric proposes that suppliers selected to serve any portion of PPL Electric's Default Service load be required to provide performance assurance. Such assurance is required to enable PPL Electric to recover costs arising from a supplier default. Depending upon its credit rating, a supplier will be extended an unsecured credit amount, and the required performance assurance will be a calculated amount in excess of any unsecured credit. The Company proposes that the performance assurance will be recalculated every business day based upon forward prices for energy and capacity to be delivered under the contract, as has been the practice in the DSP I and DSP II Programs.

### **C. SUPPLY MASTER AGREEMENT**

95. In the Commission's *End State Order*, the Commission directed the Office of Competitive Markets Oversight to form a Procurement Collaboration Working Group to, among other things, develop a draft uniform supply master agreement template. PPL Electric actively participated in the Procurement Collaboration Working Group, including the development of the draft uniform supply master agreement template.

96. The Procurement Collaboration Working Group drafted a uniform supply master agreement template; however, the Commission has not commented on or approved this template.

97. PPL Electric's proposed SMA is generally based on the current draft of the uniform supply master agreement developed by the Procurement Collaboration Working Group, as well as the lessons learned from the SMA approved under the Company's DSP II Program. The SMA under PPL Electric's DSP II Program was used by the Company to supplement and complete the current draft uniform supply master agreement.

98. PPL Electric's proposed *pro forma* SMA is provided as Attachment B to this Petition.

**D. THIRD-PARTY MANAGER**

99. PPL Electric has retained NERA as the independent third-party to administer each procurement, analyze the results of the solicitations for each Customer Class, select the supplier(s) that will provide services at the lowest cost, and submit all necessary reports to the Commission.

100. NERA has successfully administered PPL Electric's Competitive Bridge Plan, DSP I and DSP II Program procurements to date. NERA also is the administrator for other Default Service programs in Pennsylvania and elsewhere, and has substantial expertise in this arena. Based on NERA's proven track record and significant experience, the Company proposes to continue to retain NERA to administer the DSP III Program.

101. The Company believes that the use of NERA as a third-party manager should result in lower costs for customers. The provision of this service internally by PPL Electric would require substantial new resources. The use of NERA as a third-party provider will avoid these costs and will provide the expertise of an experienced independent third-party manager. A

similar administrative service has been successfully utilized by other Pennsylvania EDCs and for several years as part of New Jersey's basic generation service auctions.

#### **E. RTO COMPLIANCE**

102. Section 54.185(d)(4) of the Commission's regulations requires Default Service plans to include documentation that the program is consistent with the requirements regarding the generation, sale and transmission of electricity of the RTO in the control area where the Default Service provider is providing service. 52 Pa. Code § 54.185(d)(4). PPL Electric's DSP III Program fully meets this requirement.

103. The SMA and the RFP Rules require that both PPL Electric and any bidder in the procurement process must be in compliance with PJM requirements. For example, the *pro forma* SMA recognizes PJM's authority and assures that each party is in compliance with PJM's tariff, operating agreement, reliability agreement, and business practices.

104. Additionally, Article 4 of the RFP requires that an applicant must certify that it is a member of PJM, qualified as a market buyer, and market seller in good standing that is able to secure generation or otherwise obtain and deliver electricity in PJM through compliance with all applicable requirements of PJM to fulfill a full-requirements obligation. An applicant must also certify that it has been authorized by Federal Energy Regulatory Commission ("FERC") to make sales of energy, capacity and ancillary services at market-based rates.

#### **F. CONTINGENCY PLANNING**

105. Section 54.185(d)(5) of the Commission's regulations requires that Default Service plans include contingency plans to ensure the reliable provision of Default Service if a wholesale generation supplier fails to meet its contractual obligations. 52 Pa. Code § 54.185(d)(5). The DSP III Program meets these requirements.

106. If the Commission rejects all bids for a given product, in any solicitation, or if some tranches of a given product in a particular solicitation do not receive bids, the Company will expeditiously seek guidance and approval from the Commission to address this shortfall in procurement of Default Service supply.

107. To the extent that unfilled tranches remain at the commencement of delivery for a given product, the Company will obtain Default Service supply through the spot market administered by PJM. Specifically, PPL Electric will supply the unserved load by purchasing energy and all other necessary services through the PJM-administered markets, including, but not limited to, the PJM energy, capacity, and ancillary services markets, any other service required by PJM to serve such unserved load, and any AEPS requirements. PPL Electric proposes to recover all the costs of such purchases from Default Service customers in the retail rates charged for the service for which the purchases are made.

108. In the event a supplier defaults, PPL Electric will offer full-requirements supply assignment to other winning bidders for the same product consistent with the step-up process described in the Default Service SMA. If this assignment is not successful, PPL Electric will offer full-requirements supply assignment to all Default Service suppliers consistent with the Default Service SMA, even if a Default Service supplier does not serve tranches for that product. 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.

#### **G. STANDARD OFFER REFERRAL PROGRAM**

109. Retail competition has been strong in the PPL Electric service territory under the DSP II Program. Since the expiration of the generation rate caps on December 31, 2009, a significant number of customers in PPL Electric's service territory have begun taking competitive supply from EGSs. In addition, residential and commercial customer shopping rates

within PPL Electric’s service territory continue to slowly increase and the majority of larger customers that have already shopped are not returning to default service.<sup>18</sup> Further, there continues to be a large number of licensed EGSs serving residential customers in PPL Electric’s service territory.<sup>19</sup>

110. As part of PPL Electric’s DSP II Program, the Commission approved a Standard Offer Referral Program pursuant to the Commission’s *Investigation of Pennsylvania’s Retail Electricity Market: Intermediate Work Plan*, Docket No. I-2011-2237952, 2012 Pa. PUC LEXIS 324 (March 2, 2012).<sup>20</sup>

111. The Standard Offer Referral Program is available to all Residential customers, including customers enrolled in a CAP program, and Small C&I customers under 25 kW peak demand. The Standard Offer Referral Program provides participants with a standard 7% discount off the then-current Price to Compare (“PTC”) for a twelve-month term. A customer who elects the standard offer price may choose to receive service from a particular EGS that is then participating in the program, and customers who do not chose a specific EGS will be randomly assigned to an EGS. Customers may exit a standard offer contract at any time without penalty, either to select another EGS or to return to default service.

---

<sup>18</sup> According to the Pennsylvania Office of Consumer Advocate’s January 1, 2014 quarterly survey of Pennsylvania’s electric distribution companies, the number and percentage of PPL Electric customers and customer load served by EGSs are as follows:

<u>Customer Class</u>	<u>Customers Served by EGSs</u>	<u>Load Served by EGSs</u>
Residential	566,163 (46%)	1,606 (51.8%)
Commercial	98,406 (55.2%)	1,975 (90.0%)
Industrial	1,127 (85.8%)	1,857 (95.4%)

<sup>19</sup> As of January 2014, thirty-five EGSs were reported as offering service to PPL Electric’s Residential customers.

<sup>20</sup> Originally, the Commission also approved a Retail Opt-In Program as an additional retail market enhancement. Subsequently, the Commission reconsidered and directed PPL Electric to remove the Retail Opt-In Program from its DSP II Program. *Petition of PPL Electric Utilities Corporation*, Docket No. R-2012-2302074 (Order Entered Apr. 4, 2013).

112. PPL Electric solicits EGSs on a quarterly basis to participate in the Standard Offer Program. Participating EGSs set up program specific rate codes at 7% off the current PTC. EGSs must establish a new rate code each PTC period. EGSs are required to commit to offering the product for the duration of the effective PTC. EGSs have the ability to change their participation status with each PTC period.

113. The expense of the Standard Offer Program is recovered from participating EGSs in the following manner:

- \$500 per EGS registration fee for market certification testing costs. This only applies if the EGS is not currently rate ready certified.
- Participating EGSs are required to pay a fee of \$28 per referred customer.

114. The Standard Offer Referral Program is promoted during all customer calls other than those regarding emergencies or terminations. These calls typically fall under the categories of High Bill (Billing-Other), Choice, Moving and Start Service. PPL Electric's shopping customers, who proactively inquire, can participate in the Standard Offer Program.

115. PPL Electric Customer Service Representatives provide an overview of the Standard Offer Program to eligible customers. Any customer that is interested in the Standard Offer Program is transferred to a separate dedicated team that will provide more detail regarding the Standard Offer Program.<sup>21</sup>

116. As of April 14, 2014, approximately 66,100 eligible customers were transferred to the third-party service provider and approximately 56,600 of those customers enrolled in the Standard Offer Referral Program, *i.e.*, the Standard Offer Referral Program has had a success

---

<sup>21</sup> The process is designed to ensure that a dedicated team is available to devote all the time necessary to provide more detailed information and answer all of a customer's questions about the Program. For High Bill calls, the program will be presented only after the customer's concerns have been satisfied.

rate of approximately 86%. Of those customers that opted to participate in the Standard Offer Program, approximately 55,500 (98%) were new or moving customers.

117. Given the success of the Standard Offer Referral Program, PPL Electric proposes to continue to offer the Standard Offer Referral Program during the DSP III Program period, or until the Commission eliminates EDCs' default service obligation.

118. The Standard Offer Referral Program currently is promoted during all customer calls other than those regarding emergencies or terminations. PPL Electric proposes to expand the promotion of the Standard Offer Referral Program to include customers that contact the Company using the Web Self Service application. Similar to customers that call the Company, customers that have signed up to utilize the Web Self Service program will be able to choose to participate in the Standard Offer Referral Program.

119. There will be no other material changes to the Standard Offer Referral Program approved under the DSP II Program.

120. PPL Electric currently uses a third-party service provider to administer the Standard Offer Referral Program. Under the DSP II Program, PPL Electric undertook an RFP process and selected the bid submitted by the third-party service provider that could provide the appropriate level of service at the least cost, *i.e.*, at cost of \$28 per referred customer. The lowest bid was submitted by PPL Electric's affiliate, PPL Solutions. The current third-party Standard Offer Referral Program service contract between PPL Electric and PPL Solutions is set to expire on May 31, 2015. PPL Electric herein proposes to extend the current third-party Standard Offer Referral Program service contract during the DSP III Program period or until the Commission eliminates EDCs' default service obligation. The terms, conditions, and cost of the extended

third-party Standard Offer Referral Program service contract will remain the same as the existing service contract.

**H. END STATE**

121. At the time of this filing, PPL Electric anticipates that it will continue in the role of Default Service provider beyond May 31, 2017. As a result, the final procurements under the DSP III Program are structured to avoid procuring all Default Service supplies at one time to be effective June 1, 2017. That is, the October 2016 procurement will continue to obtain both 12- and 6-month fixed-price products.

122. Should the Commission determine, any time prior to the last solicitation under the DSP III Program in October 2016, that the Company will not continue in its role as Default Service provider beyond May 31, 2017, PPL Electric will file an appropriate petition with the Commission requesting to amend the DSP III Program to ensure that no fixed-priced contracts extend beyond May 31, 2017, or the date set by the Commission for the termination of PPL Electric's role as Default Service provider.

123. In addition, PPL Electric's proposed SMA contains provisions that anticipate the possibility that the Commission may determine that the Company will no longer continue in its role as Default Service provider and, as a result, PPL Electric may be required to terminate or transfer/assign its Default Service obligations to a third-party supplier. These provisions can be used to implement any change to PPL Electric's role as Default Service provider that may be made in the future.

**V. ADDITIONAL REQUESTED RULING PURSUANT TO 66 PA.C.S. § 2102**

124. In addition to approving all aspects of the DSP III Program and the requested waivers, PPL Electric respectfully requests that the Commission approve the SMA and the

Third-Party Standard Offer Referral Program Services Contract extension as affiliated interest agreements under 66 Pa.C.S. § 2102 and include such approval in its final order.<sup>22</sup>

125. Under 52 Pa. Code § 54.186(b)(5), an affiliated supplier may participate in a Default Service provider's competitive bid solicitations for generation service. Therefore, PPL Electric's unregulated affiliates will be permitted to participate in the Company's Default Service supply solicitations. If one of those affiliates is the successful bidder for one or more tranches of Default Service supply, PPL Electric would enter into a SMA with that affiliate.

126. Further, as explained above, PPL Electric proposes to extend the current third-party Standard Offer Referral Program service contract with its affiliate, PPL Solutions, during the DSP III Program period or until the Commission eliminates EDCs' default service obligation.

127. It would not be practical or efficient, in light of the procurement schedule noted above, for the Commission to review the SMA or the Third-Party Standard Offer Referral Program Services Contract extension under 66 Pa.C.S. § 2102 at that time. Moreover, rejection or significant modification of these agreements after a solicitation has concluded, and winning bidders have been selected, could significantly disrupt the Company's Default Service procurement process or the Standard Offer Referral Program.

128. The Company notes that the DSP I and DSP II Programs Default Service Supply Master Agreements were approved by the Commission under 66 Pa.C.S. § 2102(b) in advance of execution of contracts with PPL Electric's affiliate.

## **VI. WAIVERS**

129. Pursuant to 52 Pa. Code § 54.185(f), a Default Service provider "shall include requests for waivers from the provisions of this subchapter in their Default Service program

---

<sup>22</sup> Copies of the exiting contract and the contract extension will be provided with the Company's direct testimony.

filings.”<sup>23</sup> Consistent with the Commissions regulations, PPL Electric requests a waiver of a limited number of the Commission’s regulations as identified below.

130. In the *End State Order*, the Commission directed EDCs to offer quarterly PTCs that are synchronized with the PJM energy year for Residential and Small C&I Customer Classes. Further, the Commission directed that the EDC auctions be held far enough in advance to permit EDCs to establish a final PTC no less than 45 days prior to the effective date of the PTC.

131. PPL Electric seeks a waiver of the quarterly PTC requirement and, instead, proposes to offer semi-annual PTC changes. The semi-annual PTC is consistent with the 6- and 12-month procurements proposed in the DSP II Program. The six-month PTC changes, and associated six-month reconciliations, will reduce volatility in the PTC. Moreover, the six-month PTC changes support retail competition by providing customers greater certainty when evaluating shopping opportunities and by providing EGSs greater certainty when developing offers.

132. PPL Electric also seeks a waiver from the requirement to issue a final PTC 45 days prior to the effective date of the PTC. If the PTC is issued 45 days before becoming effective, the PTC would be on a different schedule from its underlying components, including GSC-1, which is required to be filed 10 days prior to the implementation of the rate, and GSC-2 and Transmission Service Charge (“TSC”), which are required to be filed 30 days prior to the implementation of the rate. Further, collections would be on-going during the 45-day issuance period, which would change the e-factor and affect the actual PTC. A PTC issued 45 days before becoming effective would not reflect the current market as accurately as a shorter

---

<sup>23</sup> See also 52 Pa. Code § 1.91 (2008).

issuance period. Therefore, PPL Electric seeks a waiver from the 45-day PTC issuance period and, instead, proposes to continue to issue a final PTC 10 days prior to the effective date of the PTC. If the waiver is granted, PPL Electric will continue its current practice of issuing a preliminary PTC in advance of the effective date of the final PTC.

133. Notwithstanding the foregoing, to the extent that the Commission denies PPL Electric's request for a waiver of the 45-day PTC issuance period, PPL Electric requests that the 45-day rule not be implemented for the first procurement under the DSP III Program. Based on the timing of the Commission's final approval of the DSP III Program, it may not be practical to conduct and complete the first procurement in sufficient time to meet the 45-day PTC rule. Therefore, to the extent that the Commission denies PPL Electric's request for a waiver of the 45-day PTC issuance period for the entirety of the DSP III Program period, PPL Electric requests a waiver of the 45-day PTC rule for the first procurement under the DSP III Program.

## **VII. DSP III PROGRAM IS IN THE PUBLIC INTEREST**

134. PPL Electric believes that the proposed DSP III Program is in the public interest because it contains many features that support the continued development of retail competition in Pennsylvania. The Company will procure contracts for its Default Service supply needs through transparent competitive solicitations with all qualified wholesale suppliers being eligible to participate. EGSs will continue to have an ability to compete to supply all of PPL Electric's retail customers.

135. The DSP III Program, consistent with 66 Pa.C.S. § 2807(3.7), will obtain supply at least cost, and provide adequate and reliable service to customers via a prudent mix of products. Specifically, the DSP III Program proposes to obtain (or continue to obtain) supply through the use of short (under 12 months) and long term (one year or longer) contracts and spot market purchases.

136. The proposed DSP III Program satisfies “least cost” requirement by regularly holding transparent solicitations in which wholesale suppliers can compete with one another to provide Default Service supply. Over time this approach will produce Default Service prices that are least cost given the underlying energy market conditions.

137. By using the spot market to price the energy component of Default Service for Large C&I customers, and a fixed-price full-requirements adder to cover the other components associated with the load (capacity, ancillary services, AECs, etc.), the proposed program insures that customers receive price-reflective energy costs. As explained above, almost all of the Large C&I Customer loads are shopping and Company experience has shown that a fixed-price, full-requirements, load-following product for Large C&I customers is not likely to attract any interested bidders.

138. The DSP III Program also includes prudent steps to obtain supply contracts. PPL Electric has designed its proposal to incorporate both third-party administration and Commission oversight. PPL Electric anticipates that the independent third-party procurement manager will work closely with the Commission and that the Commission will monitor each step of the process, including implementation of each RFP, the evaluation of bids and final selection of winning bidders.

139. Furthermore, PPL Electric is proposing a proven RFP process, which will continue to promote competition among wholesale suppliers.

140. The DSP III Program procurement and rate design reflects a careful and appropriate balance of customer and competitive interests. Default Service supply for Residential and Small C&I customers will include fixed-price procurement, and customer rates will change every six months. Through this process, customers will be exposed to changing

market conditions and prices, but in a way that reduces price volatility. Large C&I customers will be more fully exposed to market prices through the procurement of electric energy at spot market prices.

141. The proposed continuation of the TOU Program as modified by the TOU Settlement also is in the public interest. The TOU Program is consistent with the Commission's guidance that PPL Electric utilize the retail market and EGSs to satisfy its statutory obligation to offer TOU service to its default service customers. *See Petition of PPL Elec. Utils. Corp. for Approval of a Default Serv. Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket No. P-2012-2302074 (Order Entered January 24, 2013). PPL Electric believes that it is reasonable and appropriate to continue the TOU Program as modified by the TOU Settlement and obtain additional information on the operation of the TOU Program, rather than implementing a new TOU program. Further, continuing the TOU Program as modified by the TOU Settlement will provide certainty to both customers and EGSs that seek to participate in the TOU program.

142. Section 2807(e)(3.7) requires that the Commission make a specific finding, *inter alia*, that “[n]either the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates Federal law.” 66 Pa.C.S. § 2807(e)(3.7). Under the various FERC codes of conduct, PPL Electric is precluded from discussing any market-related issues with its affiliates that own generation. However, PPL Electric is not aware of any public documents issued by those affiliates (*e.g.*, SEC filings), orders of the FERC or decisions by relevant federal and state courts that indicate that its affiliates have withheld generation supply from the market in violation of federal law.

## **VIII. CUSTOMER NOTICE**

143. The Company will provide public notice of this filing.

144. First, PPL Electric has served copies of the filing on the Pennsylvania Office of Consumer Advocate, Pennsylvania Office of Small Business Advocate, the Commission's Bureau of Investigation and Enforcement, EGSs registered in its service territory<sup>24</sup> and PJM as required by the Commission's regulations at 52 Pa. Code § 54.185(b).

145. Second, on the date of filing this Petition, the Company will issue a press release to major newspapers, radio and television stations serving its service area.

146. Third, shortly thereafter, PPL Electric will publish a notice describing the DSP III Program and comment procedures in major newspapers serving its service territory. *See* 52 Pa. Code § 54.188(e)(1) referencing 52 Pa. Code § 53.68. That notice will inform customers about this filing, explain where to obtain copies, and describe the procedure for filing comments or complaints with the Commission.

147. Fourth, consistent with 52 Pa. Code § 54.185(b), the filing will be posted on PPL Electric's web site at [www.pplelectric.com](http://www.pplelectric.com).

148. Fifth, the Company requests that the Commission publish notice of this filing in the Pennsylvania Bulletin, and that a reasonable deadline for intervention be set as part of that notice.

149. PPL Electric believes that these various communications initiatives will provide all interested parties with full notice of the Company's proposals and an opportunity to participate in any Commission proceeding addressing those proposals. However, if the

---

<sup>24</sup> Due to the number of EGSs registered in PPL Electric's service territory, the Company is providing an electronic link to a full copy of the Petition and supporting Attachments to the EGSs that did not actively participate in the Company's last DSP proceeding. Hard copies will be made available upon request.

Commission concludes that additional notice would be appropriate, the Company will provide such additional notice as the Commission may direct.

**IX. CONCLUSION**

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve the Default Service Program and Procurement Plan for the Period June 1, 2015 through May 31, 2017, as set forth in this Petition and the attachments hereto, to establish the terms and conditions under which PPL Electric will obtain supply for its Provider of Last Resort obligation, approve recovery of all costs of obtaining that supply, and grant the requested waivers explained above to implement the DSP III Program. PPL Electric respectfully requests that the Commission enter its final order approving the DSP III Program within nine months or no later than January 15, 2015.

Respectfully submitted,



Paul E. Russell (Pa. Bar I.D. 21643)  
Associate General Counsel  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-4254  
Fax: 610-774-6726  
E-mail: perussell@pplweb.com

Of Counsel

Post & Schell, P.C.

Dated: April 18, 2014

David B. MacGregor (Pa. Bar I.D. 28804)  
Michael W. Hassell (Pa. Bar I.D. 34851)  
Christopher T. Wright (Pa. Bar I.D. 203412)  
Post & Schell, P.C.  
17 North Second Street  
12th Floor  
Harrisburg, PA 17101-1601  
Phone: 717-612-6029  
Fax: 717-731-1985  
E-mail: dmacgregor@postschell.com  
E-mail: mhassell@postschell.com  
E-mail: cwright@postschell.com

Attorneys for PPL Electric Utilities Corporation

## VERIFICATION

I, James M. Rouland, being the Supervisor of Energy Procurement at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: April 16, 2014

  
\_\_\_\_\_



# Attachment A

**PPL Electric Utilities Corporation**

**Default Service**

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

**[MONTH DAY], [YEAR]**

**DEFAULT SERVICE RFP PROCESS AND RULES**

**TABLE OF CONTENTS**

**ARTICLE 1 INTRODUCTION..... 4**

    1.1 OVERVIEW..... 4

    1.2 SUMMARY OF RFP DOCUMENTS..... 12

    1.3 DEFAULT SERVICE LOAD AND SUPPLIER OBLIGATIONS..... 12

**ARTICLE 2 INFORMATION AND SCHEDULE..... 14**

    2.1 INFORMATION PROVIDED TO POTENTIAL BIDDERS..... 14

    2.2 RFP SCHEDULE..... 14

    2.3 MULTI-SOLICITATION PROCESS..... 15

**ARTICLE 3 GENERAL REQUIREMENTS FOR PROPOSALS ..... 17**

    3.1 RFP GENERAL REQUIREMENTS ..... 17

**ARTICLE 4 BIDDER QUALIFICATION ..... 19**

    4.1 OVERVIEW OF BIDDER QUALIFICATION PROCESS..... 19

    4.2 EXPRESSION OF INTEREST..... 20

    4.3 CONFIDENTIALITY AGREEMENT ..... 20

    4.4 APPLICANT'S PJM QUALIFICATION AND FERC AUTHORIZATION CERTIFICATIONS..... 21

    4.5 CREDIT APPLICATION AND FINANCIAL INFORMATION ..... 21

    4.6 BINDING BID AGREEMENT..... 22

    4.7 CURE TIME FOR DEFICIENCIES IN QUALIFICATION REQUIREMENTS..... 22

    4.8 BID ASSURANCE COLLATERAL AND ALTERNATIVE LETTER OF CREDIT FORM ..... 22

    4.9 ALTERNATIVE FORMS OF PERFORMANCE ASSURANCE ..... 23

**ARTICLE 5 BID PROPOSAL REQUIREMENTS ..... 24**

    5.1 BID PROPOSAL FORMAT ..... 24

    5.2 SUBMITTAL OF BID PROPOSALS..... 26

    5.3 CONFIRMATION AND PROPOSAL TAGGING PROCESS..... 26

    5.4 BID ASSURANCE COLLATERAL ..... 26

    5.5 SUBMITTAL OF DEFAULT SERVICE SMA ..... 27

    5.6 CONFORMING BID PROPOSALS..... 27

    5.7 EXPIRATION OF BID PROPOSALS..... 27

    5.8 ADDITIONAL REQUIREMENTS ..... 27

**ARTICLE 6 INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS AND BID PROPOSALS..... 29**

    6.1 GENERAL..... 29

    6.2 PACKAGING ..... 30

**ARTICLE 7 EVALUATION OF PROPOSALS ..... 31**

    7.1 BIDDER QUALIFICATIONS PROCESSING..... 31

    7.2 BIDDER QUALIFICATIONS EVALUATION ..... 31

    7.3 BID PROPOSAL PROCESSING ..... 32

    7.4 BID PROPOSAL EVALUATION ..... 33

    7.5 COMMISSION APPROVAL AND REVIEW ..... 35

**ARTICLE 8 RESERVED RIGHTS..... 36**

    8.1 NON-BINDING RFP..... 36

    8.2 PROPOSALS BECOME PPL ELECTRIC'S PROPERTY ..... 36

**APPENDIX 1 DEFAULT SERVICE SUPPLIER MASTER AGREEMENT .....37**

**APPENDIX 2 EXPRESSION OF INTEREST FORM .....38**

**APPENDIX 3 CONFIDENTIALITY AGREEMENT .....39**

**APPENDIX 4 PJM QUALIFICATION CERTIFICATION FORM..... 44**

**APPENDIX 5..... 45**

**FERC AUTHORIZATION CERTIFICATION FORM..... 45**

**APPENDIX 6 CREDIT APPLICATION .....46**

**APPENDIX 6B CONFIRMATION OF PREVIOUSLY SUBMITTED CREDIT AND FINANCIAL INFORMATION .....50**

**APPENDIX 7 BID ASSURANCE LETTER OF CREDIT.....51**

**APPENDIX 8 EXAMPLE BID PROPOSAL SPREADSHEET—DEFAULT SERVICE FIXED PRICE SUPPLY ..... 56**

**APPENDIX 9 BINDING BID AGREEMENT .....58**

**APPENDIX 10 BINDING BID WITHDRAWAL AGREEMENT ..... 60**

# **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 Default Service Supplier Master Agreement (“Default SMA” or “Default Service 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 electric supply sufficient for the Company to meet its default service obligations, pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812, and Pennsylvania Public Utility Commission (“PUC” or “Commission”) Orders and Regulations (“Default Service Supply”). This Request for Proposals (“RFP”) is being issued to select electricity suppliers for default service beginning on June 1, 2015.
- 1.1.3 PPL Electric is issuing this RFP to procure Default Service Supply for the period beginning June 1, 2015, under the terms described below, for each of three groupings of rate classes (“Customer Group”): Residential, Small Commercial and Industrial (“Small C&I”), and Large Commercial and Industrial (“Large C&I”). Each Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

<b>Customer Group</b>	<b>Rate Schedule</b>	<b>Description</b>
<b>Residential</b>	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
<b>Small Commercial &amp; Industrial</b>	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 100 kW peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.
<b>Large Commercial &amp; Industrial</b>	GS-3	GS-3 – Large General Service – Customers with 100 KW or higher peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with 100 KW or higher peak demand
	LP-5	LP-5 – Large General Service (69 KV or Higher)
	LPEP	Power Service to Electric Propulsion
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

**Notes:**

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 100 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 100 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer's ICAP peak load contribution assigned for the 2015-2016 PJM Interconnection, LLC ("PJM") Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2015 through May 31, 2017.
4. For the purposes of this RFP, Time-of-Use load will not be included in the calculation of Default Service Load unless required by an appropriate order of the Pennsylvania Public Utility Commission.

- 1.1.4 The Default Service Load for each of these Customer Groups for purposes of this Default Service RFP is the Full Requirements Service as recorded by PPL Electric and reported to the PJM Interconnection, LLC (“PJM”) for PPL Electric’s retail customers within that Customer Group, excluding customers that have chosen to take service from an Electric Generation Supplier (“EGS”). For the purposes of this RFP, the Default Service Load will be reduced by any net excess generation purchased from net metering (customer generation) as well as supply the Company is obligated to purchase pursuant to the Public Utility Regulatory Policies Act (“PURPA”). In addition, for the Residential Customer Group, the Default Service Load will be reduced by PPL Electric’s fractional percentage of committed capacity and energy obtained under a long-term contract with the Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”), and supply associated with load supplied through 150 MW of energy and capacity purchased under separate block supply contracts for the period June 1, 2015 through December 31, 2015, and 50 MW for the period January 1, 2016 through May 31, 2021 (referred to collectively herein as “Block Supply Purchases”). Appropriate contract and performance data will be provided on PPL Electric’s RFP Web site.
- 1.1.5 An electricity supplier selected through this RFP is to provide Default Service Supply for a portion of a particular Customer Group, and once approved by the PUC, becomes a Default Service Supplier for that Customer Group. A Default Service Supplier may be selected to provide Default Service Supply for one or more Customer Groups, and may be selected to supply Default Service Fixed Price Load and/or Default Service Spot Market Load (i.e., be a Default Service Fixed Price Supplier and/or Default Service Spot Market Supplier, referred to collectively herein as “Default Service Suppliers” unless otherwise noted). Default Service Suppliers will be responsible for supplying the Full Requirements Service including, without limitation, energy, capacity, transmission (excluding: Non-Market-Based Transmission Service Costs, which include Network Integration Transmission Services (“NITS”), Transmission Enhancement Costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Service Credits, Regional Transmission Expansion Plan (“RTEP”); and Generation Deactivation Charges) ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply Default Service to PPL Electric. In addition, Default Service Suppliers will also be responsible for providing supply necessary for PPL Electric to meet its obligations under the Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, (“AEPS Act”) as set forth in Appendix D and Exhibit 2 of the Default Service SMA, during the Delivery Period of a Transaction Confirmation. PPL Electric will be responsible for complying with all applicable PJM demand response operating rules.
- 1.1.6 A Default Service customer for the purposes of these RFP Rules is a PPL Electric retail customer in the Residential Customer Group, the Small C&I Customer Group, or the Large C&I Customer Group that is not taking service from an EGS. Any shopping customer (i.e., a customer served by an EGS) may return to Default Service in accordance with the Company’s standard switching requirements.
- 1.1.7 A “Product” is Default Service Supply provided: (i) for a given Customer Group; (ii) for a given period of time (“Delivery Period”); and (iii) under the terms of the Default Service SMA where supply is provided for Full Requirements Service at either an all-in fixed price or paid at the hourly real-time spot market energy price for the PPL Zone plus

additional specified payments for other components of the Full Requirements Service. Products under the Default Service SMA will be referred to as “Fixed Price Products” for the Residential and Small C&I Customer Groups and “Spot Market Products” for the Large C&I Customer Group.

1.1.8 For each Customer Group, PPL Electric will provide Default Service from separate portfolios of products (i.e., one portfolio for the Residential Customer Group, a different portfolio for the Small C&I Customer Group and a different portfolio for the Large C&I Customer Group) from Default Service Suppliers, with no Default Service customer being assigned to a specific Default Service Supplier. The Delivery Period for each product begins at 12:00:00 a.m. Eastern Prevailing Time (“EPT”) of that product’s commencement date and ends at 11:59:59 p.m. EPT of that product’s expiration date. The Residential and Small C&I Customer Groups may receive Default Service from supply provided by Default Service Suppliers under a fixed rate from PPL Electric. For the Large C&I Customer Group, PPL Electric will provide Default Service with the Spot Market Product. Default Service Spot Market Suppliers for the Large C&I Customer Group will be selected to supply the Spot Market Product annually for 12-month Delivery Periods (e.g., the Delivery Period for the first annual Spot Market Product will be June 1, 2015 through May 31, 2016).

1.1.9 For the Residential and Small C&I Customer Groups, the first solicitation seeks to procure 12-month Fixed Price Products serving 30.00% of the Default Service Load for each Customer Group and 6-month Fixed Price Products serving 25.00% of the Default Service Load for each Customer Group. The second solicitation seeks to procure 12-month Fixed Price Products serving 25.00% of the Default Service Load for each Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for each Customer Group. The third solicitation seeks to procure 12-month Fixed Price Products serving 30.00% of the Default Service Load for each Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for each Customer Group. The fourth solicitation seeks to procure 12-month Fixed Price Products serving 25.00% of the Default Service Load for each Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for each Customer Group.

1.1.10 Each Product will be solicited separately for each Customer Group. The following table shows the commencement and expiration dates for the Products.

<b>Products for Default Service</b>			
<b>Solicitation #</b>	<b>Product Term</b>	<b>Commencement Date and Time</b>	<b>Expiration Date and Time</b>
1	6-month	12:00:00 a.m. EPT, June 1, 2015	11:59:59 p.m. EPT, November 30, 2015
1	12-month <sup>1</sup>	12:00:00 a.m. EPT, June 1, 2015	11:59:59 p.m. EPT, May 31, 2016
2	6-month	12:00:00 a.m. EPT, December 1, 2015	11:59:59 p.m. EPT, May 31, 2016
2	12-month	12:00:00 a.m. EPT,	11:59:59 p.m. EPT,

		December 1, 2015	November 30, 2016
3	6-month	12:00:00 a.m. EPT, June 1, 2016	11:59:59 p.m. EPT, November 30, 2016
3	12-month <sup>1</sup>	12:00:00 a.m. EPT, June 1, 2016	11:59:59 p.m. EPT, May 31, 2017
4	6-month	12:00:00 a.m. EPT, December 1, 2016	11:59:59 p.m. EPT, May 31, 2017
<sup>1</sup> 4	12-month	12:00:00 a.m. EPT, December 1, 2016	11:59:59 p.m. EPT, November 31, 2017

Includes the procurement of Spot Market products for the Large C&I Customer Group.

1.1.11 A Default Service Fixed Price Supplier selected to supply a Fixed Price Product shall be paid under a firm price contract in which it will receive the price it bid. A Default Service Spot Market Supplier will receive the hourly real-time spot market energy price for the PPL Zone, PJM's pre-determined capacity charge for the PPL Zone, and the price it bid covering all other components of the Default Service Supply necessary for PPL Electric to satisfy its obligations to its customers for that portion of the supply being served by the Default Service Spot Market Supplier.

1.1.12 Default Service Fixed Price Load for each Customer Group and Default Service Spot Market Load will be divided into tranches. A tranche represents a share of the Default Service Load for that Customer Group. A Default Service Supplier serving one tranche in a particular product for a Customer Group is responsible for serving a fixed percentage of that Customer Group's Default Service Fixed Price Load or Default Service Spot Market Load represented by one tranche. The following tables show the percentage of Default Service Fixed Price Load and Default Service Spot Market Load provided by each of the products, the number of tranches for each of the products, and the tranche size.

Tranches and Tranche Size for Fixed Price and Spot Market Products					
Customer Group	Product Term <sup>1</sup>	Product Size (% of Load)	Total Tranches	Tranche Size (% of Load)	PLC (MW)
<b>Residential</b>	12-month (Solicitation #1)	30.00%	12	2.50%	3,280
	6-month (Solicitation #1)	25.00%	10	2.50%	
	12-month (Solicitation #2)	25.00%	10	2.50%	
	6-month (Solicitation #2)	45.00%	18	2.50%	
	12-month (Solicitation #3)	30.00%	12	2.50%	
	6-month (Solicitation #3)	45.00%	18	2.50%	

	12-month (Solicitation #4)	25.00%	10	2.50%	
	6-month (Solicitation #4)	45.00%	18	2.50%	
<b>Small Commercial and Industrial</b>	12-month (Solicitation #1)	30.00%	6	5.00%	2,015
	6-month (Solicitation #1)	25.00%	5	5.00%	
	12-month (Solicitation #2)	25.00%	5	5.00%	
	6-month (Solicitation #2)	45.00%	9	5.00%	
	12-month (Solicitation #3)	30.00%	6	5.00%	
	6-month (Solicitation #3)	45.00%	9	5.00%	
	12-month (Solicitation #4)	25.00%	5	5.00%	
	6-month (Solicitation #4)	45.00%	9	5.00%	
<b>Large Commercial and Industrial</b>	Spot Market (12-month)	100.00%	10	10.00%	1,704

<sup>1</sup> Unless otherwise noted the product type is a Fixed Price Product.

- 1.1.13 The actual Default Service Load for each Customer Group will depend upon many factors including, but not limited to, customer migration to EGSs and weather conditions. The maximum peak load of each Customer Group may be higher or lower than the Projected PLC. Respondents to this RFP (“RFP Bidders”) are responsible for evaluating the uncertainties associated with Default Service Load for each of the Customer Groups.
- 1.1.14 PPL Electric will issue solicitations beginning in 2015 to competitively procure electric supply sufficient for the Company to meet its Default Service obligations (the solicitation schedule can be modified based on the decision of the Commission). Each of the solicitations from 2015 through 2016 will obtain Products providing Default Service Supply for retail customers in the Residential Customer Group and the Small C&I Customer Group. The first and third scheduled solicitations will also obtain the Default Service Spot Market Product providing supply for retail customers in the Large C&I Customer Group.
- 1.1.15 Any prospective supplier, including any PPL Electric generation supply affiliate, that can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will serve tranches of Default Service Load for any product serving any Customer Group, may respond to any solicitation in this RFP.

- 1.1.16 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 electricity supplier and to submit documents establishing the RFP Bidder's credit. A Bid Proposal must include the RFP Bidder's Bid(s) for each product for each Customer Group it is interested in bidding on, and must be accompanied by the executed Default Service SMA and sufficient Bid Assurance Collateral. A Bid is a price or prices, in U.S. Dollars per megawatt-hour ("MWh") for each product's Delivery Period, at which the RFP Bidder is willing to serve a tranche or tranches of a given product for a given Customer Group.
- 1.1.17 All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Section 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.
- 1.1.18 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals for one or more products for any Customer Group, subject to the restrictions of this Article 1. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. For each solicitation, the number of tranches across all product(s) for a Customer Group for which an RFP Bidder submits a Bid cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the Available Tranches for that Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group. The Aggregate Load Cap for a Customer Group ensures that, at any given point in time during the period June 1, 2015 through May 31, 2017, the Customer Group has no more than a 50% exposure to any one Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under Docket No. P-2012-2302074. Thus, for each of these two (2) Customer Groups, the sum of: (i) the percentage of Default Service Load corresponding to the number of tranches across all product(s) for the Customer Group for which an RFP Bidder submits a Bid; and: (ii) the percentage of Default Service Load corresponding to tranches for which the RFP Bidder is a Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under or Docket No. P-2012-2302074, respectively; must not exceed the Aggregate Load Cap at any given point in time during the period June 1, 2015 through May 31, 2017. The Solicitation Load Cap for each Customer Group and Aggregate Load Cap for each Customer Group are provided in Section 2.3.2. In any solicitation, when an RFP Bidder submits a Bid to supply a number of tranches in a product for a Customer Group, the RFP Bidder must submit a price at which that RFP Bidder is willing to serve each number of tranches up to and including that number of tranches in that product for that Customer Group. No Bid for any number of tranches in any product for any Customer Group may be made contingent upon winning or losing another Bid for some number of tranches in another product of some other Customer Group. Instructions for preparation of Bid Proposal(s) are addressed in Articles 5 and 6.

- 1.1.19 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (1) business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have one (1) business day 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, as defined in Section 1.1.7, in its entirety. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 1.1.20 If the PUC rejects all Bids for a given product, for a given Customer Group, in any solicitation, or if some tranches of a given product, for a given Customer Group, in a particular solicitation do not receive bids, the Company will expeditiously seek guidance and approval from the PUC to address this shortfall in procurement of Default Service Supply. However, unless directed otherwise by the Commission, to the extent that unfilled tranches remain at the commencement of delivery for a given product, the Company will obtain Default Supply through the spot market administered by PJM. In the event a Default Supplier defaults, PPL Electric will offer full requirements supply assignment as specified in Section 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 Default Service SMA
- Appendix 2: Expression of Interest Form
- Appendix 3: Confidentiality Agreement
- Appendix 4: PJM Qualification Certification Form
- Appendix 5: FERC Authorization Certification Form
- Appendix 6: Credit Application
- Appendix 6b: Confirmation of Previously Submitted Credit and Financial Information
- Appendix 7: Bid Assurance Letter of Credit
- Appendix 8: Bid Proposal Spreadsheets
- Appendix 9: Binding Bid Agreement
- Appendix 10: Binding Bid Withdrawal Agreement

## **1.3 Default Service Load and Supplier Obligations**

- 1.3.1 This section contains a general description of the Default Service Load for each Customer Group, and a Default Service Supplier's obligations. It is only a summary and is subject to and qualified in its entirety by the Default Service SMA, incorporated hereto as Appendix 1.
- 1.3.2 Default Service Suppliers for a Customer Group shall serve the Company's Default Service Load for that Customer Group. Default Service Load for a Customer Group is the Company's Full Requirements Service including, without limitation, energy, capacity, transmission (excluding Non-market-based Transmission Services, as defined above), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply the Default Service Load. In addition, as a requirement of any Bid Proposal, each RFP Bidder submitting a Bid for a product for a Customer Group must accept the obligations and associated rights to provide Default Service defined in the Default Service SMA.
- 1.3.3 Default Service Suppliers are also responsible for providing supply necessary for PPL Electric to meet its obligations under the AEPS Act during the Delivery Period as specified in Appendix D and Exhibit 2 of the Default Service SMA. Default Service Suppliers will be required to participate exclusively in the PJM-Environmental Information System ("EIS") Generation Attribute Tracking System ("GATS") to demonstrate proof of performance and will be responsible for any costs and penalties incurred by PPL Electric associated with non-performance.
- 1.3.4 Each Default Service Supplier for a product for a Customer Group will be paid a supplier-specific price for each MWh of electric load served as specified in a Transaction Confirmation to the Default Service SMA. The Supplier-specific price will be the Default Service Supplier's winning price for tranche(s) that the Default Service Supplier

has been awarded in the product for that Customer Group. The price(s) will be expressed in U.S. Dollars per MWh and will each be reported in a Transaction Confirmation.

## 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 Section 4.3.

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

Home/Welcome Page  
Other Presentations  
Schedule  
Register  
Bidder Information Session  
PPL Electric Rate Categories and Load Data  
RFP Results  
Supplier Documents  
DSPP Regulatory Filings  
Alternative Energy Act  
NYPA Contracts  
Switching Rules  
PJM Deration Factors  
Size Distributions  
FAQs  
Ask a Question/Contact Us  
File Transfer

### 2.2 RFP Schedule

2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric may publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. Beginning April 2015, Default Service solicitations will take place on a semi-annual basis. The Bid Proposal Due Dates will occur on or about the following dates:

- April 28, 2015
- October 20, 2015
- April 26, 2016
- October 25, 2016

As stated in Section 1.1.8, Default Service Spot Market Suppliers will be selected on an annual basis to administer spot market purchases for the Large C&I Customer Group.

2.2.2 Default Service solicitations will generally span a four-week to six-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 default service contracts.

- Five weeks or more: RFP Addendum Issued, Bidder Interest Form and Confidentiality Agreement Available, RFP Data Room Opens;
- Three and one-half weeks: Bidder Information Session;
- Two and one-half weeks: Bidder Qualifications Due;
- Two weeks: Cure Deficiency Deadline;
- One and one-half weeks: Qualified Bidders Notified;
- Final week: 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 2015 and 2016, PPL Electric will seek to procure Default Service Supply for Fixed Price Products for the Residential and Small C&I Customer Groups corresponding to each Customer Group’s Default Service Load (see table below). In the first and third solicitations, PPL Electric will also seek to procure Default Service Supply for the Spot Market Product for the Large C&I Customer Group corresponding to 100% of the Customer Group’s Default Service Load.

<b>Available Tranches in Solicitations</b>					
<b>Customer Group</b>	<b>Product<sup>1</sup> Term</b>	<b>Solicitation #1</b>	<b>Solicitation #2</b>	<b>Solicitation #3</b>	<b>Solicitation #4</b>
<b>Residential</b>	6-month	10	18	18	18
	12-month	12	10	12	10
<b>Small Commercial and Industrial</b>	6-month	5	9	9	9
	12-month	6	5	6	5
<b>Large Commercial and Industrial</b>	Spot Market (12-month)	10		10	

<sup>1</sup>Unless otherwise noted, the product type is a Fixed Price Product.

2.3.2 The Available Tranches for each Product in a solicitation are the number of tranches the Company seeks to procure for that Product serving a given Customer Group in that solicitation. In the event that PPL Electric is unable to secure Default Service Suppliers for all of the Available Tranches for a product in a solicitation, the unfilled tranches in that solicitation will be procured as specified in Section 1.1.20. In each solicitation, an RFP Bidder's maximum number of tranches offered must be a whole number that does not exceed the multiplicative product of the Solicitation Load Cap (85%) for that Customer Group and Available Tranches for that Customer Group. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18. The Aggregate Load Cap for the Residential Customer Group is 50% and the Aggregate Load Cap for the Small C&I Customer Group is 50%.

## **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 a maximum of one Bid Proposal for each product for a Customer Group on each Bid Proposal Due Date in response to this RFP.

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 a Default Service SMA, with two or more winning RFP Bidders for each Customer Group.

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 (including attorney 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. Unless otherwise noted, 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 five (5) 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) certifies that it meets the PJM membership and Federal Energy Regulatory Commission ("FERC") authorization requirements stated in Section 4.4 (Applicant's PJM Qualification and FERC Authorization Certifications); 4) demonstrates that its, or its guarantor's, unsecured senior long-term debt rating (or issuer rating, if the unsecured senior long-term debt rating is unavailable) is currently available from Standard & Poor's, Fitch Ratings, or Moody's Investor Services; 5) submits the Credit Application and associated financial information requested in Section 4.5 (Credit Application and Financial Information); and, 6) submits an executed copy of the Binding Bid Agreement provided as Appendix 9. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral in an amount directly proportional to the amount of load bid upon. 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 Section 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 Section 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 Section 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 Section 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 by submitting Appendix 6b; 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 email to the email address below:

PPL Electric Utilities Corporation RFPs  
1835 Market Street, Suite 1205  
Philadelphia, PA 19103  
Attn: PPL Electric Default Service RFP Manager  
Email: [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com)

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 Section 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 Applicant's PJM Qualification and FERC Authorization Certifications**

4.4.1 An applicant must certify that it is a member of PJM and qualified as a market buyer and market seller in good standing able to secure generation or otherwise obtain and deliver electricity in PJM through compliance with all applicable requirements of PJM to fulfill a Full Requirements Service obligation. In addition, an applicant must certify that it has been authorized by the FERC to make sales of energy, capacity and ancillary services at market-based rates. The PJM Qualification Certification Form (Appendix 4) and the FERC Authorization Certification Form (Appendix 5) can be found on PPL Electric's RFP Web site. Such certifications must be signed by an Officer as defined in Section 3.1.6. Applicants are required to submit such certifications no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications two (2) originals of such certifications as directed in Section 6.1.2. The applicant will not be eligible to submit bids until such certifications have been provided to PPL Electric.

#### **4.5 Credit Application and Financial Information**

4.5.1 Applicants are required to submit the Credit Application (Appendix 6) 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 Section 6.1.2. Supporting documents to the Credit Application include the most recent 2 years of financial statements audited by a firm of certified public accountants of national standing for the entity whose creditworthiness the RFP Bidder is relying on, and documentation from the credit rating agencies showing the name of the rating agency, the type of rating, and the rating indicated in the Credit Application.

4.5.2 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.

4.5.3 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 Default Service SMA (Exhibit 6) and as such the Guarantor must be able to make all representations and warranties therein.

#### **4.6 Binding Bid Agreement**

4.6.1 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 service in accordance with the Default Service SMA. The signatory to the Binding Bid Agreement must be an Officer, as defined in Section 3.1.6, binding the RFP Bidder to perform the terms and conditions of the Default Service SMA at the prices and for the load 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 Section 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 9, no later than the Bidder Qualifications Due Date for that solicitation. The applicant should send such certification as directed in Section 6.1.2.

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

4.7.1 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.

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

4.8.1 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 \$500,000 per tranche bid. The purpose of this collateral is to assure commitment of the RFP Bidder to execute the Transaction Confirmations for the tranches awarded to the RFP Bidder. The form of collateral must be either cash or an irrevocable Letter of Credit ("LOC"). An acceptable Bid Assurance LOC form is provided as Appendix 7; 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 Products under this RFP.

4.8.2 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.

#### **4.9 Alternative Forms of Performance Assurance**

- 4.9.1 Subsequent to the return of an applicant'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 Default Service SMA may be required, as set forth in the Default Service SMA. Any performance assurance required of the applicant determined in accordance with the Default SMA may be in the form of cash or LOC. An acceptable Performance Assurance LOC form is provided as Exhibit 5 in the Default Service SMA. An acceptable Unconditional Guaranty form is provided as Exhibit 6 in the Default Service 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. The acceptability of such proposed modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be determined 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 8; an electronic copy is available on PPL Electric's RFP Web site. There is a separate Bid Proposal Spreadsheet for each solicitation and each product for a Customer Group, as indicated in the title area of each Bid Proposal Spreadsheet. The Bid Proposal Spreadsheets contain sections of information labeled Bidder Information, Tranche 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 total number of tranches, the RFP Bidder must enter a price quote in the price cells associated with each of the total number of tranches up to and including that particular total number of tranches and must enter an "X" in price cells associated with each of the total number of tranches beyond that particular total number of tranches.** 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 must be provided by the RFP Bidder. As set forth in Section 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 Tranche Information – The contents of these cells are provided by PPL Electric and include the Solicitation Load Cap, Aggregate Load Cap, Available Tranches and Tranche Size (% of Total Customer Group Default Service Load). The Available Tranches for a product represents an initial target consistent with the multi-solicitation structure described in Section 2.3 (Multi-Solicitation Process). However, as discussed in Section 2.3 (Multi-Solicitation Process), such targets are subject to change depending on the results of prior solicitations. In the event that the initial target changes, PPL Electric will, prior to a solicitation, revise such targets in the Bid Proposal Spreadsheets accordingly. The Solicitation Load Cap for each Customer Group is the maximum percentage of the sum of the Available Tranches for all products of that Customer Group that each RFP Bidder can bid and win in that solicitation. For each of the Residential and the Small C&I Customer Groups, the number of tranches that each RFP Bidder can bid and win cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18

and Section 2.3.2. The Tranche Size (% of Total Customer Group Default Service Load) represents the share of the Customer Group's Default Service Load measured by one tranche. The Tranche Size is applicable to each rate schedule within the Customer Group. For example, if there are three rate schedules being bid in aggregate within a Customer Group, and the Tranche Size is 2%, an RFP Bidder awarded one tranche will supply 2% of each of the three rate schedules in that Customer Group.

- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder can offer to supply.
- 5.1.6 Bid Assurance Collateral Amount – The contents of these cells are computed as the product of the Total Tranches Supplied and \$500,000.
- 5.1.7 Price (U.S. \$/MWh) – These cells are **RFP Bidder input cells** for the RFP Bidder's price quote corresponding to each Total Tranches Supplied. The price quotes shall be in terms of U.S. \$/MWh for the time period of the product's delivery. As set forth in the Default Service SMA, the MWh of energy shall be equivalent to the amount of energy reported as the Supplier's obligation by PPL Electric to PJM adjusted for losses in accordance with PPL Electric's initial and subsequent retail load settlement process. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to supply a particular Total Tranches Supplied must: 1) provide a price quote in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied up to and including that particular Total Tranches Supplied; and 2) mark an "X" in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied beyond that particular Total Tranches Supplied. For example, if an RFP Bidder wishes to offer to supply six Total Tranches Supplied, then the RFP Bidder must provide a price quote for each Total Tranches Supplied from one to six and mark an "X" for all Total Tranches Supplied greater than six.
- 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 Section 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Section 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 the RFP Manager confirms receipt of the RFP Bidder's Bid Proposal, as described in Section 5.3 (Confirmation and Proposal Tagging Process).
- 5.1.10 The RFP Bidder may choose to bid in one or several of the three Customer Groups, subject to the restrictions of this Article 5. On any Bid Proposal Due Date, the number of tranches in a Customer Group for which an RFP Bidder submits a Bid Proposal must be a whole number and cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the number of Available Tranches for that Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18 and Section

2.3.2. The Solicitation Load Cap, the Aggregate Load Cap and the number of Available Tranches for each product and each solicitation are provided in Section 2.3 (Multi-Solicitation Process).

## **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 Section 5.1 by secure electronic file transfer to the PPL secure server between 12:00:00 p.m. EPT and 2:00:00 p.m. EPT, on the Bid Proposal Due Date for each solicitation as indicated in Section 2.2 (RFP Schedule). An RFP Bidder may only withdraw one or more of its Bid Proposal(s) before 2:00:00 p.m. EPT on the Bid Proposal Due Date by submitting the Binding Bid Withdrawal Agreement, provided as Appendix 10, to the fax number provided in Section 6.1.2 or by email to [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com). 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, the RFP Manager 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 RFP Manager 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 7; 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 equal to the sum of \$500,000 times the total number of tranches bid in all its Bid Proposal(s). PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder is notified by PPL Electric that it has not been awarded tranches for a solicitation or until the RFP Bidder executes the Transaction Confirmation forms upon being awarded tranches. 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 tranche(s) and does not timely execute the Transaction

Confirmation forms associated with such tranches 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 Default Service 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 Default Service SMA, as instructed in Section 6.1.5, including the completed signature page of the Default SMA and Exhibit 3 of the Default SMA filled in with the appropriate contact information for the RFP Bidder. Other exhibits of the Default Service SMA either are samples or are documents that do not need to be completed until execution of the Transaction Confirmation form.
- 5.5.2 RFP Bidders must execute and submit the current form of Default Service SMA set forth in Appendix 1. SMA's executed as part of a prior energy Plan (i.e. the Competitive Bridge Plan, Default Service Plan I, and Default Service Plan II) are not applicable to this energy plan and will not be accepted.

## **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 Section 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 Default Service SMA as instructed in Section 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 the RFP Manager 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 three (3) 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 LOC 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 number of tranches bid; the RFP Bidder's estimation of the value of a tranche; the RFP Bidder's estimation of the risks associated with serving Default Service Load; the RFP Bidder's preference for bidding on one or several Customer Groups; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for power with a party to serve the Default Service Load were the RFP Bidder to become a Default Service Supplier.

**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 a Bid Proposal for each product, along with all other required documents as described in Section 5.6, by the Bid Proposal Due Date as indicated in Section 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 Default Service RFP Manager
- 6.1.3 Bidder Qualifications must be delivered to the address designated in Section 6.1.2 by the Bidder Qualifications Due Date for the appropriate solicitation as indicated in the RFP Schedule developed pursuant to Section 2.2. Bidder Qualifications received after the due date will be considered for the next solicitation if there are remaining solicitations; otherwise Bidder Qualifications will be returned to the RFP Bidder, 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 Section 6.1.2.
- 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 Section 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 Section 6.1.2.
- 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 Default Service SMA as instructed in Section 5.5.1 and sent these by certified mail, registered mail, hand delivery, or courier service to the address specified in Section 6.1.2 by noon EPT on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any tranches in any solicitation in this RFP, the signed Default Service 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 Default Service SMA in a satisfactory manner is awarded additional tranches. If the RFP Bidder was not awarded tranches in the solicitation for which Default Service SMAs were provided, PPL Electric will retain the Default Service SMAs for any future solicitation in which the RFP Bidder may again submit a Bid Proposal, in which case it is the responsibility of the RFP Bidder to submit any updated pages of the Default Service SMA no later than two (2) business days prior to the Bid Proposal Due Date of the solicitation in which the RFP Bidder is participating.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the Default Service 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 Section 5.1 by secure electronic file transfer to the PPL secure server between 12:00:00 p.m. EPT and 2:00:00 p.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 Default Service 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 Section 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 Default Service 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 Section 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 Section 4.1.1 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 five (5) 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 RFP Manager communicates with the RFP Bidder by email. If an RFP Bidder receives a first deficiency notice from the RFP Manager, regarding any item of the Bidder Qualifications, the RFP Bidder has until 12:00:00 p.m. (noon) EPT, on the Bidder Qualifications Due Date, or until 6:00:00 p.m. EPT, on the second business day following the business day during which a first deficiency notice is sent to the Bidder, whichever comes later, to respond. If the Bidder does not correct or adequately explain the deficiency within the time allowed, the Bidder Qualifications may be rejected. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted. If a response to a deficiency is provided by an RFP Bidder within the time allowed 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 for that solicitation. In no event, notwithstanding the foregoing provisions, will a Bidder be allowed to respond after 12:00:00 p.m. EPT, on the Cure Deficiency Deadline.

- 7.2.3 If a deficiency notice is sent and the RFP Bidder does not respond within the time allowed and 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. 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). An 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 Proposal 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 designated to act 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 Section 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 Section 5.6.1, if practicable to do so before the Bid Proposal Due Date. 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, has been submitted. If the required information has 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 Section 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 Default Service 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 given the sum of the maximum number of tranches offered for each product by the RFP Bidder as specified in Section 4.8.
- 7.4.5 If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the sum of the maximum number of tranches offered for each product by the RFP Bidder, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that its amount of Bid Assurance Collateral is sufficient to support. The Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal

Spreadsheet for any Total Tranches Supplied that is not supported by the amount of Bid Assurance Collateral. The Bid Proposal Evaluation Team will remove a Bid first from the product where there is the most competition, as measured by the ratio of the tranches bid to the number of tranches needed. If, within a Customer Group, the sum of the maximum number of tranches offered for Product(s) in that Customer Group exceeds the Solicitation Load Cap or the Aggregate Load Cap established for that Customer Group, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that the RFP Bidder will be allowed to offer for the Products within the Customer Group without violating the Solicitation Load Cap first. The Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied from such Product(s). If, after removal of Total Tranches Supplied from such Product(s) to enforce the Solicitation Load Cap, the sum of the maximum number of tranches offered for Product(s) in that Customer Group exceeds the Aggregate Load Cap established for that Customer Group, the Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied from such Product(s). If there is more than one Product identified to enforce the Solicitation Load Cap or Aggregate Load Cap, the Bid Proposal Evaluation Team will remove a Bid first from the Product where there is the most competition, as measured by the ratio of the tranches bid to the number of tranches needed. 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.

- 7.4.6 The remaining Bid Proposals will be evaluated on a price-only basis as follows. The Bid Proposal Evaluation Team will, for each product, consider all combinations of Bid(s) (across RFP Bidders) whose sum of Total Tranches Supplied is equal to the Available Tranches for that product in that solicitation. In the event that the greatest sum of Total Tranches Supplied for any combination for that product is less than the Available Tranches in Solicitation for that product, the Bid Proposal Evaluation Team will consider all combinations of Bids for that product whose sum of Total Tranches Supplied equal the most obtainable given those Bids. For each combination, the Bid Proposal Evaluation Team will calculate the Combination Average Price ("CAP") equal to the average Price (U.S. \$/MWh) of the Bids in the combination weighted by their corresponding Total Tranches Supplied. The winning Bid(s) will be the Bid(s) contained in the combination with the lowest CAP. An RFP Bidder that is awarded tranches shall receive the Price (U.S. \$/MWh) corresponding to the winning Bid as stated in its Bid Proposal Spreadsheet under the Bid Information section.
- 7.4.7 In the event that two or more combinations have the lowest CAP for a given Customer Group, the winning Bid(s) will be the Bid(s) contained in the combination that is drawn randomly from the set of combinations with the lowest CAP.
- 7.4.8 After sufficient financial guarantees are determined, all combinations of Bid(s) are ranked from lowest to highest for each of the products, and the tied combinations, if any, are resolved, the Bid Proposal Evaluation Team will communicate with each RFP Bidder that has submitted at least one of the Bid(s) in the winning combination for each product and present the winning Bid(s) to the Commission. For each such RFP Bidder for a

product, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination for that product being presented to the PUC; and (ii) identify the Bid(s) submitted by such RFP Bidder that will be presented to the PUC for that product.

The Bid Proposal Evaluation Team will also communicate to the Company the CAP of the winning combination for each product and the number of Bids presented to the PUC.

7.4.9 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 one (1) business day to decide whether to approve the results. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.

7.5.2 The winning RFP Bidders will receive a Transaction Confirmation(s) 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. Specifically, PPL Electric will forward by e-mail, facsimile or other acceptable means, to each winning RFP Bidder a partially executed Transaction Confirmation(s) and the winning RFP Bidder's Alternative Energy Portfolio Standards Obligation (Appendix D and Exhibit 2 of the Default Service SMA) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following the RFP Bidder's receipt of such partially executed Transaction Confirmation(s), the RFP Bidder shall return by email, facsimile, or other acceptable means, to PPL Electric one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original of each Transaction Confirmation(s). In addition, if such Transaction(s) is the initial Transaction(s) with the winning RFP Bidder under the current RFP solicitation, then PPL Electric will forward to the RFP Bidder one (1) fully executed Default Service SMA by overnight delivery service. If a winning RFP Bidder fails to execute the Transaction Confirmation(s) as required under this Section 7.5.2, the winning RFP Bidder may forfeit its Bid Assurance Collateral.

7.5.3 In the event that results for any solicitation are rejected by the PUC or that some tranches are unfilled in a particular solicitation, those tranches will be offered consistent with Section 1.1.20. In the event that a Default Supplier for a product defaults, PPL Electric will offer full requirements supply assignment consistent with the Step-Up process described in the Default Service SMA.

## **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 a Default Service SMA. Nothing herein may be construed to bind the Company unless and until the PUC has approved winning Bid(s), and each Default Service SMA with an RFP Bidder has been executed and is effective. Once effective, the Default Service 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**  
**Default Service Supplier Master Agreement**

## Appendix 2

### Expression of Interest Form Default Service Fixed Price and Spot Market Supply

EMAIL TO: pplpolr@pplweb.com

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 wholesale fixed price and/or spot market service.

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 Full Requirements Service to serve a portion of PPL Electric’s obligation as the Default Service. 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 service pursuant to PPL Electric’s Default Service Supplier Master Agreement (“Default Service 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 Default Service 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 Default Service 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 a Default Service 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 load 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 Default Service 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 an Event of Default by RFP Bidder, as provided for in the Default Service SMA. PPL Electric may disclose to any RFP Bidder with whom it has executed the Default Service SMA and who is not a Defaulting Party, the contract price of the Defaulting Party for the purpose of allowing the Bidder to make the election provided for in Section 5.5 of the Default Service 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 Other than the Pennsylvania PUC.

(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 Federal Energy Regulatory Commission ("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 \_\_\_\_\_

Name \_\_\_\_\_

Name \_\_\_\_\_

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 Default Service RFP Manager

**Appendix 4**

**PJM Qualification Certification Form**

I, \_\_\_\_\_ (“Agent”) am an authorized signatory for  
\_\_\_\_\_ (“Company”) and hereby certify that Company is a member of  
the PJM Interconnection, LLC (“PJM”) and is qualified as a market buyer and market seller in  
good standing able to secure generation or otherwise obtain and deliver electricity in PJM  
through compliance with all applicable requirements of PJM to fulfill a Full Requirements  
Service obligation.

Signed:

Date:

\_\_\_\_\_

\_\_\_\_\_

Type or Print Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

Company:

\_\_\_\_\_

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 Default Service RFP Manager

**Appendix 5**

**FERC Authorization Certification Form**

I, \_\_\_\_\_ (“Agent”) am an authorized signatory for  
\_\_\_\_\_ (“Company”) and hereby certify that Company has been  
authorized by the Federal Energy Regulatory Commission (“FERC”) to make sales of energy,  
capacity and ancillary services at market-based rates, pursuant to the Federal Power Act and the  
provisions of FERC’s regulations promulgated thereunder. The Company’s authorization to  
make such sales at market-based rates was granted in Docket No(s).

\_\_\_\_\_.

Signed:

Date:

\_\_\_\_\_

\_\_\_\_\_

Type or Print Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

Company:

\_\_\_\_\_

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 Default Service RFP Manager

## Appendix 6

### Credit Application

#### 1 Company Information

##### Type of Business

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

##### RFP Bidder Organization

Legal Corporate Name:  
Street Address:  
City, State, Zip Code:  
DUNS Number:  
Federal Tax ID Number:

**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:

**Applicant Credit Contact Name**

Name:

Title:

Street Address:

City, State, Zip Code:

Phone Number:

Fax Number:

Email Address:

**3 Credit Information**

The Applicant indicated in Section 2 is required to submit the most recent 2 years of financial statements (i.e., balance sheet, income statement, cash flow statement) 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 Section 4.5.2 of the Default Service RFP, 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:

**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

The Applicant indicated in Section 2 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 RFP Bidder'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 Default Service RFP Manager

## Appendix 6b

### Confirmation of Previously Submitted Credit and Financial Information

The RFP Bidder, \_\_\_\_\_, has qualified for a prior solicitation in the Default Service RFP. I confirm that with the Exceptions indicated below and that are enclosed herein, all previously submitted credit and financial information remain up-to-date and accurate. I provide this statement as part of the abbreviated Qualifications process for the following solicitation of the PPL Electric Default Service RFP.

- October 2015 solicitation
- April 2016 solicitation
- October 2016 solicitation

Exceptions:

- None
- Updated Annual Audited Financial Statements (SEC 10-K, Annual Report, etc).
- Updated credit ratings support documentation.

Signature: \_\_\_\_\_

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

RFP Bidder: \_\_\_\_\_

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

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

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 Default Service RFP Manager

**APPENDIX 7**

**BID ASSURANCE LETTER OF CREDIT  
SUPPLY FOR DEFAULT SERVICE LOAD**

**{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 DEFAULT SERVICE 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 TRANCHES IN THE PPL ELECTRIC DEFAULT SERVICE RFP SOLICITATION ON THE SOLICITATION DATE AND HAS EXECUTED THE DEFAULT SERVICE SUPPLIER MASTER AGREEMENT (“SMA”) AND/OR TRANSACTION CONFIRMATIONS FOR SUCH TRANCHES.

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 DEFAULT SERVICE 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 TRANCHE(S) IN THE PPL DEFAULT SERVICE RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH TRANCHES, 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 EXPIRY 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**  
**Default Service RFP Process and Rules**  
**APPENDIX 8**  
**Example Bid Proposal Spreadsheet—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.**

Residential -- is comprised of the following rate schedules:

- RS\*      RS – Residential Service
- RTS\*     RTS(R) – Residential Service – Thermal Storage

Small Commercial and Industrial -- is comprised of the following rate schedules:

- GS-1\*    GS-1 – Small General Service
- GS-3\*    GS-3 – Large General Service – Customers with less than 100 kW peak demand
- LP-4     LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
- GH-2\*    GH-2(R) – Separate Meter General Space Heating Service
- BL        BL – Borderline Service – Electric Utilities
- SA        SA – Private Area Lighting
- SM        SM – Mercury Vapor Street Lighting
- SHS      SHS – High Pressure Sodium Street Lighting
- SE        SE – Energy Only Street Lighting Service
- TS        TS(R) – Municipal Traffic Signal Lighting Service
- SI-1      SI-1(R) – Municipal Street Lighting
- Standby   Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

Large Commercial and Industrial -- is comprised of the following rate schedules:

- GS-3     GS-3 – Large General Service –Customers with 100 KW and higher peak demand
- LP-4     LP-4 – Large General Service (12 KV or Higher) – Customers with 100 KW and higher peak demand
- LP-5     LP-5 – Large General Service (69 KV or Higher)
  
- LPEP     Power Service to Electric Propulsion
  
- Standby   Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

**NOTES:**

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 100 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 100 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer's peak load contribution to PJM Interconnection, LLC ("PJM") in the 2015-2016 PJM Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2015 through May 31, 2017.
4. For the purposes of this RFP, Time-of-Use load will not be included in the calculation of Default Service Load unless required by an appropriate order of the Pennsylvania Public Utility Commission.

**PPL Electric Utilities Corporation  
Default Service RFP Process and Rules**

**APPENDIX 8**

**Example Bid Proposal Spreadsheet—Default Service Fixed Price Supply**

Solicitation # <number>  
Full Requirements Service  
Bid Proposal Due Date: <month>, <day>, <year>

<Customer Group>  
<number>-Month Delivery Period: <commencement date> - <expiration date>

**Bidder Information:**

Company Name	<input type="text"/>	* Required Field
Contact Name	<input type="text"/>	* Required Field
Phone Number	<input type="text"/>	* Required Field

**Tranche Information:**

Solicitation Load Cap	85%
Aggregate Load Cap	50%
Total Available Tranches	
Tranche Size (% of Total Residential Default Service Load)	<percentage>%

**Tag Number:**

**Bid Information:**

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (US\$/MWh)	
Bids	1	\$500,000	<input type="text"/>	* Required Field
	2	\$1,000,000	<input type="text"/>	* Required Field
	3	\$1,500,000	<input type="text"/>	* Required Field
	4	\$2,000,000	<input type="text"/>	* Required Field
	5	\$2,500,000	<input type="text"/>	* Required Field

**Complete/Incomplete:**

**PPL Electric Utilities Corporation  
Default Service RFP Process and Rules**

**APPENDIX 8**

**Example Bid Proposal Spreadsheet—Default Service Spot Market Supply**

Solicitation # <number>

Full Requirements Service

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

**Large Commercial and Industrial**

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

**Bidder Information:**

Company Name

Contact Name

Phone Number


\* Required Field

\* Required Field

\* Required Field

**Tranche Information:**

Solicitation Load Cap

85%

Total Available Tranches

Tranche Size (% of Total Large Commercial and Industrial

Default Service Load)

<percentage>%

**Tag Number:**

**Bid Information:**

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (US\$/MWh)
Bids	1	\$500,000	
	2	\$1,000,000	
	3	\$1,500,000	
	4	\$2,000,000	

\* Required Field

\* Required Field

\* Required Field

\* Required Field

**Complete/Incomplete:**

## Appendix 9

### Binding Bid Agreement

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

In consideration for the privilege of submitting bids as part of the Default Service Requests For Proposals process, \_\_\_\_\_ (“RFP Bidder”) agrees to be bound by the price quotes entered for Fixed Price and/or Spot Market Products on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Section 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 Default Service Supplier Master Agreement (“Default Service 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 Section 7.5.2 of the RFP Rules.

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 RFP Bidder certifies 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. The RFP Bidder certifies 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 Pennsylvania Public Utility Commission 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.

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 Default Service RFP Manager

## Appendix 10

### 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 send your completed form to PPL Electric Default Service RFP Manager either by fax (215-568-9364) or by email ([pplpolr@pplweb.com](mailto:pplpolr@pplweb.com)).

Please note that all bid withdrawals must be received by PPL Electric between 12:00:00 p.m. EPT and 2:00:00 p.m. EPT on the Bid Proposal Due Date.



## Attachment B

**DEFAULT SERVICE  
SUPPLIER MASTER AGREEMENT (SMA)  
BETWEEN  
PPL ELECTRIC UTILITIES CORPORATION  
AND  
[DS SUPPLIER NAME]**

**DATED** \_\_\_\_\_

# DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

## Articles and Provisions

### Table of Contents

<b>PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT....</b>	<b>5</b>
<b>ARTICLE 1 DEFINITIONS.....</b>	<b>6</b>
<b>ARTICLE 2 GENERAL TERMS AND CONDITIONS.....</b>	<b>17</b>
2.1 Capacity In Which Company Is Entering Into This Agreement.....	17
2.2 Parties' Obligations.....	18
2.3 Congestion and Congestion Management .....	20
2.4 PJM Services.....	20
2.5 PJM Billing .....	23
2.6 PJM Agreement Modifications .....	23
2.7 PJM Member Default Cost Allocation .....	24
2.8 Other Fines and Penalties.....	24
2.9 Communications and Data Exchange .....	25
2.10 Record Retention .....	25
2.11 Verification .....	26
<b>ARTICLE 3 REPRESENTATIONS AND WARRANTIES.....</b>	<b>26</b>
3.1 DS Supplier's Representations and Warranties .....	26
3.2 Company's Representations and Warranties .....	29
3.3 Survival of Obligations .....	32
<b>ARTICLE 4 COMMENCEMENT AND TERMINATION OF AGREEMENT.....</b>	<b>34</b>
4.1 Commencement and Termination.....	34
4.2 Termination of Right to Supply .....	34
4.3 Survival of Obligations .....	34
4.4 Mutual Termination .....	35
<b>ARTICLE 5 BREACH AND DEFAULT .....</b>	<b>36</b>
5.1 Events of Default .....	36
5.2 Rights upon Default .....	40
5.3 Damages Resulting From an Event of Default .....	41
5.4 Declaration of an Early Termination Date and Calculation of Settlement Amount and Termination Payment.....	44
5.5 Step-Up Provision.....	48
5.6 Setoff of Payment Obligations of the Non-Defaulting Party.....	50
5.7 Preservation of Rights of Non-Defaulting Party.....	50
<b>ARTICLE 6 CREDITWORTHINESS .....</b>	<b>51</b>
6.1 Applicability .....	51
6.2 Creditworthiness Determination .....	52
6.3 Credit Exposure .....	52
6.4 Credit Limit.....	53
6.5 Posting Margin and Return of Surplus Margin.....	56
6.6 Grant of Security Interest/Remedies.....	59
6.7 Security Instruments .....	61

6.8	Maintenance of Creditworthiness .....	62
6.9	Calling on Security .....	63
6.10	Interest on Cash Held by Company .....	63
6.11	No Endorsement of DS Supplier.....	64
6.12	Multiple DS Supply Agreements.....	64
<b>ARTICLE 7 Procedures For Energy Scheduling, Capacity Resource Submission And Transmission Procurement.....</b>		<b>64</b>
7.1	Load Obligations.....	64
7.2	Data Transmission .....	64
7.3	Energy Scheduling.....	65
<b>ARTICLE 8 THE ENERGY SETTLEMENT/RECONCILIATION PROCESS ....</b>		<b>65</b>
8.1	Energy Settlement By PJM.....	65
8.2	Energy Settlement by the Company .....	65
<b>ARTICLE 9 BILLING AND PAYMENT .....</b>		<b>66</b>
9.1	The Company Payment of Obligations to the DS Supplier .....	66
9.2	Billing for DS Supplier’s Obligations to Other Parties .....	70
9.3	The DS Supplier Payment of Obligations to the Company .....	70
<b>ARTICLE 10 SYSTEM OPERATION.....</b>		<b>72</b>
10.1	Disconnection and Curtailment By the Company .....	72
10.2	Inadvertent Loss of Service to DS Customers .....	73
10.3	PJM Requirements.....	73
10.4	Compliance With Governmental Directives.....	74
<b>ARTICLE 11 DISPUTE RESOLUTION .....</b>		<b>74</b>
11.1	Informal Resolution of Disputes.....	74
11.2	Recourse to Agencies or Courts of Competent Jurisdiction .....	75
<b>ARTICLE 12 REGULATORY AUTHORIZATIONS AND JURISDICTION.....</b>		<b>76</b>
12.1	Compliance With Applicable Legal Authorities.....	76
12.2	FERC Jurisdictional Matters.....	76
12.3	Energy Efficiency, Conservation, and Retail Market Programs.....	76
<b>ARTICLE 13 LIMITATION OF REMEDIES, LIABILITY AND DAMAGES.....</b>		<b>77</b>
13.1	Limitations on Liability .....	77
13.2	Risk of Loss .....	78
<b>ARTICLE 14 INDEMNIFICATION .....</b>		<b>79</b>
14.1	Indemnification.....	79
14.2	Survives Agreement.....	81
<b>ARTICLE 15 FORCE MAJEURE.....</b>		<b>81</b>
15.1	Force Majeure .....	81
15.2	Notification .....	82
<b>ARTICLE 16 MISCELLANEOUS PROVISIONS .....</b>		<b>82</b>
16.1	Notices .....	82
16.2	No Prejudice of Rights.....	82
16.3	Effect of Regulatory or Legislative Actions .....	83
16.4	Assignment .....	84
16.5	Governing Law and Venue .....	85
16.7	Headings .....	86
16.8	Third Party Beneficiaries.....	86

16.9	General Miscellaneous Provisions.....	86
16.10	Taxes.....	88
16.11	Disclosure of Tax Treatment .....	88
16.12	Audit .....	89
16.13	Rules of Interpretation .....	89
16.14	Confidentiality .....	90
16.15	Federal Acquisition Regulation .....	92
16.16	Binding Terms .....	93
16.17	Amendment.....	93
16.18	Counterparts.....	94
16.19	Successors .....	94
<b>APPENDIX A</b>	<b>96Maximum Unsecured Credit .....</b>	<b>96</b>
<b>APPENDIX B</b>	<b>MtM Exposure Amount Calculation Information.....</b>	<b>97</b>
<b>APPENDIX C</b>	<b>DS Supply Specifications.....</b>	<b>100</b>
<b>APPENDIX D</b>	<b>DS Supplier’s Obligations for AEPS Compliance .....</b>	<b>104</b>
<b>EXHIBIT 1 – TRANSACTION CONFIRMATION EXAMPLE .....</b>		<b>107</b>
<b>EXHIBIT 2 – ALTERNATIVE ENERGY PORTFOLIO STANDARD OBLIGATION .....</b>		<b>109</b>
<b>EXHIBIT 3 – FORM OF NOTICE.....</b>		<b>110</b>
<b>EXHIBIT 4 – PJM DECLARATION OF AUTHORITY .....</b>		<b>112</b>
<b>EXHIBIT 5 - PERFORMANCE ASSURANCE EVERGREEN LETTER OF CREDIT .....</b>		<b>120</b>
<b>EXHIBIT 6 – UNCONDITIONAL GUARANTY .....</b>		<b>124</b>

# **PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT**

**THIS DEFAULT SERVICE SUPPLIER MASTER AGREEMENT**, made and entered into this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ (“Effective Date”), by and between \_\_\_\_\_ (the “Company” and “Buyer”), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania and **[INSERT NAME OF SUPPLIER]** (“DS Supplier”), the Company and the DS Supplier hereinafter sometimes referred to collectively as the “Parties”, or individually as a “Party”,

## **WITNESSETH:**

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

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

**WHEREAS**, the PaPUC has found that, for periods further identified in Appendix C and Exhibit 1, it would serve the public interest for the Company to secure Default Service Supply (“DS Supply”) through a competitive procurement process (“DS Solicitation”) and the PaPUC has approved such a process; and

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

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

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

## **ARTICLE 1 DEFINITIONS**

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

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

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

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

**Allocated AECs** – Shall mean the types and amounts of AECs specified on Appendix D and Exhibit 2.

**Alternative Energy Portfolio Standards or “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.

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

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

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

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

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

**Block Supply** – Shall mean, such MWs of around-the-clock Energy, Capacity, transmission service, Ancillary Services and associated AECs, delivered to the Delivery Point, as established by the PaPUC Orders. Under the PaPUC Orders, Block Supply is currently scheduled to be 150 MW for the period June 1, 2015 through December 31, 2015, and to be 50 MW for the period January 1, 2016 through May 31, 2021. The entirety of this Block Supply will be allocated to the Residential Customer Group.

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

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

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

**Company** – PPL Electric Utilities Corporation.

**Costs** – With respect to the Non-Defaulting Party, brokerage fees, commissions and other similar transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace Transaction(s) under this Agreement; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement.

**Credit Limit** – Shall mean an unsecured line of credit pursuant to Article 6.

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

**Customer Group** – Shall have the meaning ascribed to it in Appendix C.

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

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

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

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

**Delivery Period** – The period of months, as specified on an executed Transaction Confirmation (Exhibit 1), where a DS Supplier has an obligation to provide service.

**Delivery Point** – Means the applicable zone or aggregate of the Company as designated by PJM and set forth in the Transaction Confirmation (Exhibit 1).

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

**Default Service Fixed Price (“DS Fixed Price”)** – The price in dollars per MWh as determined pursuant to the DS Solicitation.

**Default Service Load (“DS Load”)** – Shall mean the net total default service customer sales at the retail meter, plus any transmission and distribution losses and Unaccounted for Energy, adjusted for PJM’s derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PaPUC Orders, as such sales vary from hour to hour, in Buyer’s Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to *de minimis* geographic border changes to the service territory that exists on the Effective Date, less excess

generation purchased from net metering (customer generation) and less supply the Company is obligated to purchase pursuant to the Public Utility Regulatory Policies Act (“PURPA”). Additionally, with respect to the Residential Customer Group, less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”) and less Block Supply. For the purposes of this Agreement, Time-of-Use load will not be included in the calculation of DS Load unless required by an appropriate order of the Pennsylvania Public Utility Commission.

**Default Service Solicitation (“DS Solicitation”)** – The competitive bidding processes, procedures and rules employed by the Company to competitively procure DS Supply for purposes of this Agreement.

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

**Default Service Supplier Responsibility Share (“DS Supplier Responsibility Share”)** – The fixed percentage share of the Company’s DS Load for a given Customer Group as indicated in the Transaction Confirmation (Exhibit 1) which the DS Supplier is responsible.

**Default Service Supply (“DS Supply”)** – Shall mean Full Requirements Service as detailed in Appendix C that the DS Supplier is required to provide in order to meet the DS Supplier’s DS Supplier Responsibility Share.

**Early Termination** – Termination of this Agreement prior to the end of the term of all Transactions under this Agreement due to the occurrence of an Event of Default as specified in Section 5.1 of this Agreement and the declaration of Early Termination as specified in Section 5.2.

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

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

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

**Emergency** – (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric

system or the safety of persons or property; or (ii) a condition that requires implementation of Emergency Operations Procedures as defined in the PJM Agreements or PJM manuals; or (iii) any other condition or situation that the Company or PJM deems imminently likely to endanger life or property or to affect or impair the Company's electrical system or the electrical system(s) of other(s) to which the Company's electrical system is directly or indirectly connected (a "Connected Entity"). Such a condition or situation may include, but shall not be limited to, potential overloading of the Company's transmission and/or distribution circuits, PJM minimum generation ("light load") conditions, or unusual operating conditions on either the Company's or a Connected Entity's electrical system, or conditions such that the Company is unable to accept Energy from the DS Supplier without jeopardizing the Company's electrical system or a Connected Entity's electrical system. Other additional emergencies can only be declared by PJM, FERC, or the PaPUC.

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

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

**FERC** – The Federal Energy Regulatory Commission or its successor.

**Final Hourly Energy Allocation or "FHEA"** – A quantity in MWh which, for any hour, is the PHEA, adjusted for any billing or metering errors found subsequent to the calculation of PHEA, of which PJM is notified within 60 days.

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

**Fixed Price Transaction** – A Transaction for Full Requirements Service on a fixed price basis as indicated on the Transaction Confirmation (Exhibit 1).

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

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

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

**Guaranty** – A guaranty, suretyship, hypothecation agreement, margins or security agreement or any other document in the form attached as Exhibit 6 to this Agreement or other form approved by the Company.

**Guarantor** – Any party having the authority and agreeing to guarantee the DS Supplier’s financial obligations under this Agreement, recognizing that such party shall be obligated to meet the Company’s creditworthiness requirements specified in this Agreement for such DS Supplier.

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

**Kilowatt or “kW”** – Unit of measurement of useful power equivalent to 1000 watts.

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

**Large Commercial and Industrial Customer Group** – Group of Rate Schedules that comprise the large commercial and industrial class for DS Supply and itemized in Appendix C.

**Load Serving Entity or “LSE”** – Shall have the meaning ascribed to it in the PJM Agreements.

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

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

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

**Market Price Hub** - A liquid pricing point located within PJM’s geographic footprint, as specified in Appendix B.

**Maximum Credit Limit** – The lesser of the applicable percentage of TNW or the applicable Credit Limit Cap as specified in Appendix A of this Agreement.

**Megawatt or MW** – One thousand kilowatts.

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

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

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

**Minimum Transfer Amount** - \$100,000.

**NERC** – The North American Electric Reliability Council or its successor.

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

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

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

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

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

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

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

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

**PJM Final Zonal Capacity Price** – Shall have the meaning ascribed to it in the PJM Agreements.

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

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

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

**PJM OI** – The PJM Office of Interconnection, the system operator for the PJM Control Area or its successor.

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

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

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

**Preliminary Hourly Energy Allocation or “PHEA”** – A quantity in MWh which, for any hour, is the preliminary calculation of the DS Supplier’s DS Supplier Responsibility Share for that hour.

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

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

**Reference Market Maker** – Shall mean any broker in energy products.

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

**Residential Customer Group** – Group of Rate Schedules that comprise the residential class for the DS Supply and itemized in Appendix C.

**Rounding Amount** - \$100,000.

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

**Small Commercial and Industrial Customer Group** – Group of Rate Schedules that comprise the small commercial and industrial class for DS Supply and itemized in Appendix C.

**Spot Market Transaction** – A Transaction for Full Requirements Service with spot market pricing as indicated on the Transaction Confirmation (Exhibit 1).

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

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

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

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

**Tier I AEC** – Shall mean an AEC generated by a non-solar photovoltaic energy source that will satisfy the non-solar photovoltaic Tier I requirements of the AEPS Act applicable to the Company (as specified in Appendix D and Exhibit 2).

**Tier I (Solar) AEC** – Shall mean an AEC generated by a solar photovoltaic energy source that will satisfy the Tier I solar photovoltaic requirements of the AEPS Act applicable to the Company (as specified in Appendix D and Exhibit 2).

**Tier II AEC** - Shall mean an AEC generated by a non-solar photovoltaic energy source that will satisfy the Tier II requirements of the AEPS Act applicable to the Company (as specified in Appendix D and Exhibit 2).

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

**Tranche** – A fixed percentage share of the Company’s DS Load for the Customer Group as indicated in any given Transaction Confirmation (Exhibit 1).

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

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

**Transaction Date** – Means the date that a Transaction is effective as set forth in the Transaction Confirmation (Exhibit 1).

**Unaccounted for Energy** – Means an energy accounting adjustment for settlement purposes among retail energy suppliers in the PPL Zone. Unaccounted for Energy is distributed among all retail energy suppliers in the PPL Zone on an hourly basis.

## **ARTICLE 2**

### **GENERAL TERMS AND CONDITIONS**

#### **2.1 Capacity In Which Company Is Entering Into This Agreement**

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

The Parties acknowledge that the Agreement is a "forward contract" within the meaning of the United States Bankruptcy Code ("USBC"), that each Party hereto is a "forward contract merchant" within the meaning of the USBC, that all setoffs, netting and liquidations contemplated hereunder constitute "settlement payments" within the meaning of the USBC, that each payment or transfer of performance assurance is a "margin payment", "settlement payment" or transfer within the meaning of the USBC, and, accordingly, the Parties hereto are entitled to the protections of Section 556 of the

Bankruptcy Code. The Parties therefore agree that the Agreement may be terminated by either Party upon the commencement of a proceeding by the other Party under any chapter of the Bankruptcy Code in accordance with Section 5.2 of this Agreement.

## **2.2 Parties' Obligations**

### **(a) Obligations of DS Supplier**

The DS Supplier hereby agrees as follows:

- (i) To provide service on a firm and continuous basis such that the supply delivered for the term of each Transaction under the Agreement meets the terms and conditions set forth in Appendix C and Exhibit 1;
- (ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times during the Delivery Period of each Transaction and supplied to the Delivery Point to meet the DS Supplier Responsibility Share;
- (iii) To procure those services provided by the PJM OI and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder;
- (iv) To cooperate with the Company in any regulatory compliance efforts that may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of DS Supply before the PaPUC, the FERC or any other regulatory body asserting jurisdiction;
- (v) To become the LSE with respect to the provision of DS Supply for the DS Supplier Responsibility Share and to comply with all requirements of an LSE with respect to such DS Supplier Responsibility Share;

- (vi) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, and to pay to the Company adjustments pursuant to Sections 9.1(b)(iii) and 9.1(b)(iv) if applicable, as more fully described in Article 9 of this Agreement;
- (vii) To accept assignment of and to fulfill all obligations of an LSE that are assigned to it by this Agreement;
- (viii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and
- (ix) To comply with the AEPS requirements set forth in Appendix D and Exhibit 2.

**(b) Obligations of the Company**

The Company hereby agrees as follows:

- (i) To pay to the DS Supplier every month an amount due, resulting from the calculations, as detailed in Article 9 of this Agreement, subject to the adjustments as expressed therein;
- (ii) To pay to the DS Supplier the PMEA/FMEA Adjustment Amount for any Billing Month in which the FMEA exceeds the PMEA, and to pay to the DS Supplier adjustments pursuant to Sections 9.1(b)(iii) and 9.1(b)(iv) if applicable, as more fully described in Article 9 of this Agreement;
- (iii) To provide to each DS Supplier its estimated aggregate load obligation (Capacity MW value) for each Supply Day no less than five (5) calendar days prior to the day of delivery. Further, this information will be posted

in the DS Supplier's specific PJM eMTR account, or successor system or process;

- (iv) To comply in a timely manner with all obligations under this Agreement imposed upon the Company; and
- (v) Accept the delivery of DS Supply necessary to meet the DS Load.

### **2.3 Congestion and Congestion Management**

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to ARRs to which the Company is entitled as an LSE pursuant to the PJM Agreements, provided that such rights are related to the service being provided to meet the DS Supplier Responsibility Share and such rights are for the Delivery Period indicated in the Transaction Confirmation(s) (Exhibit 1). All rights, liabilities and obligations associated with such ARRs will accrue and be assumed by the DS Supplier through the transfer or assignment from the Company to the DS Supplier including the responsibility and ability of the DS Supplier to request or nominate such ARRs when applicable and feasible. Should the conditions above not be met, the entity recognized by PJM as having the right to make the nominations will nominate such ARRs for the upcoming PJM planning period and such ARRs will be allocated to the DS Supplier in accordance with the PJM Agreements based upon its DS Supplier Responsibility Share.

### **2.4 PJM Services**

- (a) The DS Supplier shall make all necessary arrangements for the delivery of DS Supply through the PJM OI. The Company will advise the PJM OI of the magnitude and location of each DS Supplier's actual DS Supplier

Responsibility Share, as required by the PJM OI, for the purpose of calculating such DS Supplier's appropriate DS Supply requirements related to the provision of service under this Agreement by DS Supplier arising under the PJM Agreements. The DS Supplier shall remain responsible to PJM for the performance of its LSE obligations associated with the provision of DS Supply under this Agreement until the effective date of the transfer of such LSE obligations.

- (b) The Company will manage PJM load response programs in accordance with PJM Agreements as amended from time to time and the provisions of its applicable riders and retail electric service tariffs, as amended and approved by the PaPUC from time to time, or the Company customer contracts, as amended by the Company from time to time. The Company will retain all of the benefits associated with its load response programs, including but not limited to all associated wholesale revenues from PJM for Capacity, Energy and Ancillary Services. Unless specifically prohibited by its retail electric service tariffs, DS Customers may, at their election, participate in demand response programs offered under the PJM Agreements.
- (c) DS Supplier will be responsible for any costs pursuant to FERC Order No. 745 regarding demand response compensation in organized wholesale energy markets.
- (d) The Company and DS Supplier shall work with PJM to establish any PJM E-Accounts necessary for the DS Supplier to provide Full Requirements

Service. The Company shall generate and provide to DS Supplier PJM shortname(s) associated with supplier's unique contract type(s), as necessary. Unique shortname(s) may be generated for each differing contract type. DS Supplier shall complete all required forms and processing to PJM to create shortname(s) within the PJM system.

- (e) Upon DS Supplier's creation of new shortname(s), the Company shall establish PJM E-Account contract(s) for the entire duration of the Transaction(s).
- (f) The Company will complete and partially execute the PJM Declaration of Authority , Exhibit 4, and issue to the DS Supplier to execute. The PJM Declaration of Authority will be used to allocate PJM costs, in association with the shortnames created in accordance with Section 2.4(d) above, and Appendix C.
- (g) Following the Company's establishing new contracts within the PJM eSuite system, the DS Supplier shall review and confirm the PJM E-Account contract(s) for the entire duration of the Transaction(s).
- (h) For the period of time this Agreement is in effect, DS Supplier shall be: (i) a member in good standing of PJM; (ii) qualified as a PJM "Market Buyer" and "Market Seller" pursuant to the PJM Agreements; and (iii) qualified as a PJM "Load Serving Entity." For the period of time this Agreement is in effect, the Company shall be a member in good standing of PJM.
- (i) For the period of time this Agreement is in effect, both the Company and

DS Supplier shall have executed the PJM Declaration of Authority (Exhibit 4), which shall remain in effect during the term of each Transaction under this Agreement. In the event PJM requires that the Declaration of Authority be amended after execution by the DS Supplier, DS Supplier agrees to execute a revised PJM Declaration of Authority in accordance with PJM requirements.

## **2.5 PJM Billing**

- (a) Buyer and Seller shall direct PJM to invoice Seller and Buyer for charges and credits relating to Seller's and Buyer's rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with this Agreement, Buyer shall rectify such PJM invoice discrepancy in the invoice sent pursuant to Section 9.1 (Billing and Payment).
- (b) The Parties agree that the PJM bill may change from time to time. Allocation of any charges that are reflected in a PJM bill that are not included on or are inconsistent with this Agreement will be determined pursuant to Appendix C (DS Supply Specifications), Section 2.4 (PJM Services), and Section 2.6 (PJM Agreement Modifications) of this Agreement.

## **2.6 PJM Agreement Modifications**

- (a) If the PJM Agreements are amended or modified so that any schedule or section references herein to such agreements is changed, such schedule or section references herein shall be deemed to automatically (and without

any further action by the Parties) refer to the new or successive schedule or section in the PJM Agreements which replaces that originally referred to in this Agreement.

- (b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement, including the DS Supplier's responsibility for changes in PJM products and pricing during the term of each Transaction under this Agreement.

## **2.7 PJM Member Default Cost Allocation**

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

## **2.8 Other Fines and Penalties**

If fees, fines, penalties, or costs are claimed or assessed against the Company by any Applicable Legal Authority or PJM due to non-compliance by the DS Supplier with this Agreement, any other requirements of law or the PJM Agreements, the DS Supplier shall indemnify and hold the Company harmless against any and all losses, liabilities, damages, and claims suffered or incurred by the Company, including claims for

indemnity or contribution made by third parties against the Company, except to the extent the Company recovers any such losses, liabilities or damages through other provisions of this Agreement.

## **2.9 Communications and Data Exchange**

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

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

## **2.10 Record Retention**

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

## **2.11 Verification**

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

# **ARTICLE 3 REPRESENTATIONS AND WARRANTIES**

## **3.1 DS Supplier's Representations and Warranties**

The DS Supplier hereby represents, warrants and covenants to the Company as of the Effective Date and throughout the term of the Transaction(s) under this Agreement as follows:

- (a) It is a corporation, partnership, limited liability company or other legal entity, duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania or, if another jurisdiction, under the laws of such jurisdiction and, in such case, is duly registered and authorized to do business in such other jurisdiction and in the Commonwealth of Pennsylvania;
- (b) It has all requisite power and authority to execute and deliver this Agreement and to carry on the business to be conducted by it under this Agreement and to enter into and perform its obligations hereunder, including satisfaction of all applicable FERC requirements;
- (c) The execution and delivery of this Agreement and the performance of

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

- (d) All necessary and appropriate action that is required on the DS Supplier's part to execute this Agreement has been completed;
- (e) This Agreement is the legal, valid and binding obligation of the DS Supplier, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights in general or by general principles of equity;
- (f) There are no actions at law, suits in equity, proceedings or claims pending or, to the DS Supplier's knowledge, threatened against the DS Supplier before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the DS Supplier's performance of its obligations under this Agreement;

- (g) It has entered into this Agreement and all Transactions under this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;
- (h) It is in good standing as an LSE in PJM, is a signatory to all applicable PJM Agreements, and is in compliance with, and will continue to comply with, all obligations, rules and regulations, as established and interpreted by the PJM OI, that are applicable to LSEs as defined by the PJM Agreements; provided that the DS Supplier shall not be obligated to become an LSE in PJM until the date it begins providing DS Supply;
- (i) It has made its trading and investment decisions (including regarding the suitability thereof) based upon its own judgment and any advice from such advisors as it has deemed necessary and not in reliance upon any view expressed by the Company;
- (j) It will comply with any and all information and data transfer protocols that may be adopted by the Company or that are set by, and from time to time modified by, the PaPUC; provided that DS Supplier shall be entitled to exercise its reserved right to challenge any such protocols in the appropriate forum;
- (k) It is not bankrupt or insolvent and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming bankrupt or insolvent;

- (l) 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;
- (m) It is not relying upon the advice or recommendations of the other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement, and the other Party is not acting as a fiduciary for or advisor to it in respect of this Agreement; and
- (n) It has entered into this Agreement and all Transactions under this Agreement in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of DS Supply as required by this Agreement; and it is an “eligible contract participant” as defined in Section 1a(18) of the Commodity Exchange Act.

### **3.2 Company’s Representations and Warranties**

The Company hereby represents, warrants and covenants to the DS Supplier as of the Effective Date and throughout the term of the Transaction(s) under this Agreement as follows:

- (a) The Company is an electric utility corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania;
- (b) The Company has all requisite power and authority to carry on the business to be conducted by it under this Agreement and to enter into and

perform its obligations hereunder;

- (c) The execution and delivery of this Agreement and the performance of the Company's obligations hereunder have been duly authorized by all necessary action on the part of the Company and do not and will not conflict with, or constitute a breach of or default under, any of the terms, conditions, or provisions of the Company's certificate of incorporation or bylaws or other constituent instruments or any indenture, mortgage, other evidence of indebtedness, or other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Company is a party or by which the Company or any of its properties is bound or subject;
- (d) All necessary and appropriate action that is required on the Company's part to execute this Agreement has been completed;
- (e) This Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights in general or by general principles of equity and the Commission's power under section 508 of the Public Utility Code, 66 Pa.C.S. § 508, to amend or modify the contracts of public utilities;
- (f) The ability of the Company to pay any and all amounts due and payable under this Agreement, or upon any potential breach thereof, is not conditioned upon any governmental or administrative appropriation by the

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

- (g) There are no actions at law, suits in equity, proceedings or claims pending or, to the Company's knowledge, threatened against the Company before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the Company's performance of its obligations under this Agreement;
- (h) It has entered into this Agreement and all Transactions under this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;
- (i) It is in good standing with PJM, is a signatory to all applicable PJM Agreements, and is in compliance with, and will continue to comply with, all obligations, rules and regulations applicable to Company, as established and interpreted by the PJM OI;
- (j) The Company's performance under this Agreement is not contingent upon the performance of Customers or the ability of Customers to pay rates;
- (k) The Company shall have sole responsibility for metering and billing with respect to DS Customers;
- (l) The Company shall be responsible for electric distribution services and the DS Supplier shall not be responsible for distribution charges;
- (m) It has made its trading and investment decisions (including regarding the suitability thereof) based upon its own judgment and any advice from such advisors as it has deemed necessary and not in reliance upon any view

expressed by the DS Supplier;

- (n) It is not bankrupt or insolvent and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it being or becoming bankrupt or insolvent;
- (o) 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;
- (p) It is not relying upon the advice or recommendations of the other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement, and the other Party is not acting as a fiduciary for or advisor to it in respect of this Agreement; and
- (q) It has entered into this Agreement and all Transactions under this Agreement in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of DS Supply as required by this Agreement; and it is an “eligible contract participant” as defined in Section 1a(18) of the Commodity Exchange Act.

### **3.3 Survival of Obligations**

All representations and warranties contained in this Article must be maintained up through the termination or expiration of all Transactions under this Agreement. If a Party learns that any of the representations, warranties or covenants in this Agreement are no longer true during the term of any Transaction under this Agreement, the Party shall immediately notify the other Party via facsimile, with a hard copy of the notice delivered

by overnight mail, and Company may, in its sole discretion treat such occurrence as an Event of Default hereunder.

### **3.4 Joint Representations and Warranties**

This Agreement is for the purchase and sale of Full Requirements Service 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 each Transaction under this Agreement that the Agreement will result in physical delivery and not financial settlement, and the quantity of Full Requirements Service that DS Supplier must deliver and Company must receive will be determined by the requirements of the applicable DS Load, and, as such, the Agreement does not provide for an option by either Party with respect to the quantity of Full Requirements Service to be delivered or received during performance of the Agreement. This Agreement has been drafted to effectuate Company's and DS Supplier's specific intent so that in accordance with Financial Accounting Standards Board Statement No. 133 ("FAS 133"), as amended, Company would be able to elect to use accrual accounting for its purchases under this Agreement, while DS Supplier would be able to elect to use either accrual or mark-to-market accounting for its sales under the Agreement. If either Company or DS Supplier 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 Company and DS Supplier 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 4 COMMENCEMENT AND TERMINATION OF AGREEMENT**

### **4.1 Commencement and Termination**

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

### **4.2 Termination of Right to Supply**

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

### **4.3 Survival of Obligations**

Termination of this Agreement for any reason shall not relieve the Company or the DS Supplier of any obligation accrued or accruing prior to such termination. Applicable provisions of this Agreement shall continue in effect after termination to the extent necessary to provide for final billings including, without limitation, Article 4 (Commencement and Termination of Agreement), Article 5 (Breach and Default), Article 11 (Dispute Resolution), Article 13 (Limitations of Remedies, Liabilities and Damages), Article 14 (Indemnification) and Article 16 (Miscellaneous Provisions).

#### **4.4 Mutual Termination**

The Company and the DS Supplier may agree at any time during the term of this Agreement to terminate their respective rights and obligations hereunder on such terms and under such conditions that they mutually deem to be appropriate as set forth in a mutual termination agreement acceptable in form and substance to the Company and the DS Supplier (“Mutual Termination Agreement”); provided that Company may enter into such a Mutual Termination Agreement, which will discharge the terminating DS Supplier (the “Terminating DS Supplier”) with respect to liabilities arising after the effective date of the Mutual Termination Agreement if the following conditions precedent are met: (i) the Terminating DS Supplier identifies a replacement DS Supplier willing to assume all obligations of the Terminating DS Supplier hereunder for the remaining term of Transactions under this Agreement (the “Replacement DS Supplier”); (ii) the Replacement DS Supplier demonstrates its compliance with Article 6 of this Agreement, “Creditworthiness”, as of the effective date of the Mutual Termination Agreement, that determination to be made in the sole discretion of Company; (iii) the Replacement DS Supplier executes a counterpart signature page to this Agreement and all Transaction Confirmation(s) that are currently in effect (Exhibit 1) and thereby becomes a Party under this Agreement and all relevant Transaction(s), effective immediately following the effective date of the Mutual Termination Agreement; and (iv) the Terminating DS Supplier is not, to the belief or knowledge of the Company, subject to an Event of Default as of the effective date of the Mutual Termination Agreement or, if the Company believes that the Terminating DS Supplier may be subject to an Event of Default, either (a) the Company has determined that, as of the effective date of the Mutual Termination

Agreement, it has not incurred any Damages as a result of the Event of Default or (b) if the Company has determined that, as of the effective date of the Mutual Termination Agreement, it may have incurred Damages as a result of the Event of Default, the Replacement DS Supplier has agreed in writing to be responsible for the payment of such Damages or to otherwise cure the Event of Default, in either case to the satisfaction of the Company in its sole discretion.

## **ARTICLE 5 BREACH AND DEFAULT**

### **5.1 Events of Default**

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

- (a) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;
- (b) Fails to transfer Alternative Energy Credits in compliance with the requirements of Appendix D and Exhibit 2 (DS Supplier’s Obligations for AEPS Compliance) if such failure is not remedied within three (3) Business Days after written notice;
- (c) In the case of a DS Supplier, fails to comply with the requirements of Section 3.1(b) and (h) if such failure is not remedied within three (3) Business Days after written notice;
- (d) Makes an assignment for the benefit of its creditors;
- (e) Applies for, seeks consent to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets;

- (f) In the case of a DS Supplier, is dissolved or is the subject of a Merger Event;
- (g) Has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets;
- (h) Has a resolution passed for its winding-up, official management or liquidation;
- (i) In the case of a DS Supplier, PJM terminates the DS Supplier's ability to make purchases from PJM markets or PJM holds the Company responsible for the provision of DS Supply to meet the DS Supplier's DS Supplier Responsibility Share under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;
- (j) Fails to comply with the creditworthiness requirements as set forth in Article 6 of this Agreement, including, without limitation, compliance with the creditworthiness requirements to cover the Margin calculated under Section 6.3 or post any performance assurance collateral as set forth in Section 6.7 to cover Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;
- (k) Is declared by PJM to be in default of any provision of any PJM Agreement, which default prevents a Party's performance hereunder if such failure is not remedied within three (3) Business Days after written

notice;

- (l) Fails to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;
- (m) Violates any federal, state or local code, regulation or statute applicable to the provision of DS Supply and/or AECs in a manner that materially, and adversely, affects the Party's performance under this Agreement, including by way of failure to continually satisfy all applicable FERC requirements, or, in the case of the DS Supplier, by way of failure to maintain any other governmental approvals required for participation in the Pennsylvania retail energy market, or defaults on any obligation or other failure to comply with PJM requirements under the PJM Agreements;
- (n) Is the subject of an involuntary bankruptcy or similar proceeding;
- (o) Subject to Section 5.3 (b) of this Agreement, in the case of the Company, fails to accept DS Supply properly tendered by the DS Supplier under this Agreement;
- (p) Fails to perform any material covenant or obligation set forth in this Agreement, if such failure is not remedied within three (3) Business Days after written notice;
- (q) Makes a materially incorrect or misleading representation or warranty under this Agreement or under any response to the DS Solicitation;
- (r) Makes an omission or commits an act that constitutes an "Event of

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

- (s) With respect to the DS Supplier’s Guarantor, if any:
  1. any representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
  2. Guarantor fails to make, when due, any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice;

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

## **5.2 Rights upon Default**

Upon and during the continuation of an Event of Default, the Non-Defaulting Party shall have the right to suspend performance, provided that such suspension shall not continue for longer than ten (10) Business Days. At any time during or subsequent to the temporary suspension of performance, the Non-Defaulting Party may proceed with the steps outlined in Sections 5.6 and 5.7. In addition to any other remedies available at law or in equity to the Non-Defaulting Party, if an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right to implement all of the following remedies:

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

terminate automatically and without notice in the case of any Event of Default in which a DS Supplier is the Defaulting Party occurring under subsections (a), (d), (e), (f), (g), (h), (i), and (j) of Section 5.1 of this Agreement and such date of automatic termination shall be deemed the Early Termination Date of this Agreement with respect to such DS Supplier; and

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

### **5.3 Damages Resulting From an Event of Default**

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

that would have been payable to the defaulting DS Supplier under this Agreement. Costs incurred by the Company for the purpose of calculating Damages hereunder will consist of:

- (1) The cost of DS Supply allocated to the Company by the PJM OI due to the failure of the DS Supplier to meet obligations owing to the PJM OI in connection with its obligations under this Agreement;
- (2) The costs of DS Supply purchased by the Company to replace DS Supply that the DS Supplier was obligated to supply under this Agreement during the term hereof;
- (3) Administrative and legal costs associated with procuring replacement DS Supply; and
- (4) Financial hedging costs incurred by the Company on behalf of DS Customers as a result of having to procure DS Supply not provided by the DS Supplier.

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

been finally determined under this Section 5.3, the amounts of Damages due and owing will be reconciled with payments already made by the DS Supplier under Section 5.4 of this Agreement.

(b) **Failure By Company on Behalf of Customers To Accept DS Supply**

**Tendered By DS Supplier:** Damages resulting from the failure of the Company on behalf of Customers to accept DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under Transaction(s) of this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to the DS Supplier hereunder had the Company accepted the DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under Transaction(s) of this Agreement and (ii) the amount realized by the DS Supplier in disposing, in a commercially reasonable manner, of the DS Supply not accepted by the Company.

(c) **Damages Resulting From Early Termination Due To An Event of**

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

(d) **Damages Resulting from DS Supplier's Failure to Satisfy its AEPS**

**Obligations:** Damages resulting from the DS Supplier's failure to continuously meet and satisfy all or any portion of its obligations under Section 2.2(a)(ix) of this Agreement shall include, but not be limited to, the amount of all penalties and costs associated with the procurement of additional AECs, including, without limitation, interest, attorneys' fees and other charges, if any, levied against the Company related to AEPS regulations, due to such DS Supplier's conduct or inaction. In addition to such penalties and costs, DS Supplier will remain liable for AECs that were not supplied as part of its obligations set forth in Section 2.2(a)(ix), Appendix D and Exhibit 2 of this Agreement.

- (e) **Other Damages:** Damages for Events of Default not specified above shall consist of the direct Damages incurred by the Non-Defaulting Party.
- (f) **Waiver of Event of Default:** If an Event of Default has occurred and the Non-Defaulting Party is the Company, then unless the Event of Default was a failure by the DS Supplier to meet any or all of its DS Supply obligations, the Company may elect, at its sole discretion, to offer to waive the default on such terms and conditions as the Company, at its sole discretion, may deem appropriate to propose a special remedy. Any such special remedy can only be offered to the DS Supplier if it first is specifically approved by the PaPUC in accordance with Commission Orders.

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

- (a) **Settlement Amount.** If an Event of Default with respect to a Defaulting

Party shall have occurred and be continuing, the Non-Defaulting Party shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than twenty (20) days after such notice is effective, as the Early Termination Date to accelerate all amounts owing between the Parties and to liquidate and terminate the undertakings set forth in this Agreement, (ii) to withhold any payments due to the Defaulting Party under this Agreement, and (iii) to suspend performance as provided in Section 5.2 of this Agreement; provided however, that an Early Termination Date shall be deemed to occur automatically and concurrently with the Event of Default, without any requirement for the provision of notice by the Non-Defaulting Party, with respect to an Event of Default under subsections (a), (d), (e), (f), (g), (h), (i), and (j) of Section 5.1 of this Agreement. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount with respect to the obligations under this Agreement.

The DS Supplier may, in its sole discretion, add the following subsection 5.4(a)(1) by checking this box. If DS Supplier does not check this box, subsection 5.4(a)(1) will be deemed to be excluded from this Agreement.

5.4. (a) (1) For the purposes of such determination, the DS Supply provided for under this Agreement for the period following the Early Termination Date through the remainder of the term of Transaction(s) under this Agreement shall be deemed to be those quantity amounts that would have been delivered on an hourly basis, had such Transaction(s) this Agreement been in effect during the previous calendar year adjusted

for such DS Load changes as may have occurred since the previous calendar year.

- (b) **Net Out of Settlement Amounts.** The Non-Defaulting Party shall calculate a Termination Payment by aggregating all Settlement Amounts due under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply into a single amount by netting out (i) all Settlement Amounts that are due or will become due to the Defaulting Party, plus at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party and actually received, liquidated and retained by the Non-Defaulting Party, plus any or all other amounts due to the Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply against (ii) all Settlement Amounts that are due or will become due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply, so that all such amounts shall be netted out to a single liquidated amount; provided, however, that if the DS Supplier is the Defaulting Party and the Termination Payment is due to the DS Supplier, the Company shall be entitled to retain a commercially reasonable portion of the Termination Payment, which may be equal to the entire amount of the Termination Payment, as security for additional amounts that may be determined to be

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

- (c) **Notice of Termination Payment.** As soon as practicable after an Early Termination Date, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Subject to Section 5.4(b) above, the Termination Payment shall be made by the Party that owes it within three (3) Business Days after such notice is effective (“Termination Payment Date”).
- (d) **Disputes With Respect to Termination Payment.** If the Defaulting Party disputes the Non-Defaulting Party’s calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within three (3)

Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party as specified in the notice of Termination Payment pursuant to Section 5.4(c).

- (e) **Multiple DS Supply Agreements**. It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the Effective Date of this Agreement or are entered into after the Effective Date of this Agreement, all such agreements may be considered, at the Company's sole discretion, to be in default, and the Company will calculate a single Termination Payment applicable to all such agreements as set forth herein.

### **5.5 Step-Up Provision**

In the event of an early termination of a Default Service SMA between the Company and an entity other than the DS Supplier, the Company shall send a written notification to the DS Supplier 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 the DS Supplier 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 Default Service SMA transaction(s). Such agreement to make additional supply available shall be termed a "Step-Up".

In the event that the DS Supplier wishes to exercise its option to Step-Up when such an opportunity arises, the DS Supplier shall respond to Company of such within five (5) Business Days from the date of Company's notification. In the DS Supplier's response, the DS Supplier shall indicate: (i) the maximum amount of the increased obligation that the DS Supplier 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. The DS Supplier's response shall take place no later than five (5) Business Days of its receipt of the Company's notification. The amount of supply obligation assigned to the DS Supplier following the DS Supplier's Step-Up response will be the DS Supplier's pro-rata share of the total of such Step-Up responses from all DS Suppliers and will be from zero up to and including the maximum amount that the DS Supplier indicates. The DS Supplier's pro-rata share, as described in this paragraph, shall be the ratio of the DS Supplier's amount indicated in the DS Supplier's Step-Up response, stated on a PLC basis, to the total of amounts indicated in all DS Suppliers' Step-Up responses. The Company will determine the DS Supplier's pro-rata share within six (6) Business Days from the date of the Company's initial notification. Once the Company has determined the DS Supplier's pro-rata share, the Company will forward by e-mail, facsimile or other immediate means acceptable to both Parties, to the DS Supplier a partially executed Transaction Confirmation(s) and shall send by overnight delivery two (2) originals. By 2:00 p.m.

Eastern Prevailing Time (“EPT”) on the next Business Day following the DS Supplier’s receipt of such partially executed Transaction Confirmation(s), the DS Supplier shall return by email, facsimile, or other immediate means acceptable to both Parties, to the Company one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original.

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

#### **5.6 Setoff of Payment Obligations of the Non-Defaulting Party**

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

#### **5.7 Preservation of Rights of Non-Defaulting Party**

The rights of the Non-Defaulting Party under this Agreement, including without

limitation Sections 5.4 and 5.6 of this Agreement, shall be supplemental to, and not in lieu of, any right of recoupment, lien, or set-off afforded by applicable law, and all such rights are expressly preserved for the benefit of the Non-Defaulting Party.

- (a) Duty to Mitigate – Each Party agrees that it has a duty to mitigate Damages and covenants that it will use commercially reasonable efforts to minimize any Damages it may incur as a result of the other Party’s failure to perform pursuant to this Agreement.
  
- (b) Return of Auction Revenue Rights – When the DS Supplier is the Defaulting Party, the DS Supplier will make best efforts to facilitate the transfer or reassignment to the entity which is the replacement DS Supplier on the Early Termination Date, any and all of the replacement DS Supplier’s rights to ARR to which the replacement DS Supplier is entitled as an LSE pursuant to the PJM Agreements, which were transferred or assigned to the DS Supplier under Section 2.3 (Congestion and Congestion Management).

## **ARTICLE 6 CREDITWORTHINESS**

### **6.1 Applicability**

With respect to all Transactions under this Agreement and all other transactions for supply serving DS Load under other agreements executed between the Parties pursuant to the PaPUC Orders, if at any time and from time to time during the term of Transaction(s) under this Agreement, DS Supplier’s aggregate credit exposure exceeds the Credit Limit on any Business Day, then the Company shall have the right to request

that DS Supplier post performance assurance in an amount equal to the amount by which DS Supplier's aggregate exposure exceeds the Credit Limit (rounding upwards to the nearest \$100,000), less any performance assurance already posted with the Company. The Company's request for performance assurance shall not be disputed by DS Supplier in the absence of manifest error.

## **6.2 Creditworthiness Determination**

The DS Supplier may submit and maintain a security deposit in accordance with Section 6.4(e) of this Agreement in lieu of submitting to or being qualified under a creditworthiness evaluation. The DS Supplier shall have the opportunity to request that the Company re-evaluate its creditworthiness whenever an event occurs that the DS Supplier believes would improve the determination made by the Company of its creditworthiness. The Company's credit re-evaluation must be completed as soon as possible but no longer than thirty (30) days after receiving a fully documented request. The Company must provide the rationale for its determination of the Credit Limit and any resulting security requirement. The Company must perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. DS Supplier shall provide the Company and its agents unrestricted access to audited financial statements; provided that if audited financial statements are not available, the Company, in its sole discretion, may specify other types of financial statements that will be accepted.

## **6.3 Credit Exposure**

### **(a) Fixed Price Transactions**

To calculate the daily exposure for each DS Supplier for Fixed Price Transactions, the MtM credit exposure methodology will be used. For each Fixed

Price Transaction, the “initial marks” for each Billing Month will be determined at the time the DS Solicitation is completed based on the available On-Peak Energy Forward Price and Off-Peak Energy Forward Price. At the time the DS Solicitation is completed, the MtM credit exposure for Fixed Price Transaction(s) arising from such DS Solicitation shall be equal to zero. Subsequently, the differences between (i) the available On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices on the valuation date and (ii) the “initial mark” prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DS Supplier. The MtM Exposure Amount for a given Fixed Price Transaction will be equal to 1.1 times the sum of the MtM credit exposures across all Billing Months of such Fixed Price Transaction minus amounts due pursuant to such Fixed Price Transaction to such DS Supplier for the delivery of DS Supply. The methodology for calculation of the MtM credit exposure on a per Tranche basis is illustrated in Appendix B hereto.

**(b) Spot Market Transactions**

Credit exposure for Spot Market Transactions shall be the product of \$75,000 and the total number of Tranches awarded to DS Supplier for each Spot Market Transaction under this Agreement.

**6.4 Credit Limit**

The following criteria constitute the Company’s creditworthiness requirements for the DS Supplier to cover the Total Exposure Amount. In all instances, the most current senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating)

will be used.

- (a) For a DS Supplier to be granted an unsecured line of credit, the DS Supplier must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch. The methodology for determining the credit rating to use is set forth in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount will be determined based on the credit matrix table in Appendix A of this Agreement.
- (b) The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7(b) of this Agreement (see standard format in Exhibit 5) for the Margin due the Company as set forth in Section 6.5 of this Agreement.
- (c) For a DS Supplier having a Guarantor, the Guarantor (i) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (ii) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating, as defined in Appendix A. If the Guarantor is rated by only two rating agencies, and the ratings are split, the rating will be established based on the methodology outlined in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount that could be provided through the Guaranty (see standard format in Exhibit 6) will be determined based on the credit matrix table for Guarantors on Appendix A. The DS Supplier will be granted a Credit Limit equal to the lesser of (i) the amount of the Guaranty as provided to the Company at the time this Agreement is

executed as such amount may be modified in any amended or substitute Guaranty provided to the Company during the term of this Agreement, or (ii) the applicable Maximum Credit Limit as determined in Appendix A. The DS Supplier, however, may not increase or substitute its Guaranty for the purpose of increasing its applicable Credit Limit during the time period after the Company has made a Margin call, but before the DS Supplier has posted the required performance assurance collateral as set forth in Section 6.7 to cover Margin. Notwithstanding anything herein to the contrary, the DS Supplier may increase the limit of its Guaranty after satisfying a Margin call from the Company, and upon the Company's receipt of an amended or substitute Guaranty increasing the limit of the Guaranty, the DS Supplier may request a return of the posted performance assurance collateral in accordance with Section 6.5 of this Agreement. The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7(b) of this Agreement (see standard format in Exhibit 5) for the Margin due the Company as set forth in Section 6.5 of this Agreement.

- (d) For a Guarantor that has not been incorporated or otherwise formed under the laws of the United States; in addition to the requirements set forth in 6.4(c), they shall supply the following additional information:
  - i. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty is, or upon completion of execution

formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;

- ii. The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of the Guarantor has approved the execution of the Guaranty;
- iii. The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the Guaranty; and
- iv. Such other documents and certificates as may be required by the Company in its sole discretion.

- (e) If a DS Supplier chooses not to undertake a creditworthiness evaluation, they shall be required to post cash or a letter of credit for the Total Exposure Amount as set forth in Section 6.5 of this Agreement.

#### **6.5 Posting Margin and Return of Surplus Margin**

- (a) If at any time and from time to time during the term of Transaction(s) under this Agreement, the Total Exposure Amount, rounded by the Rounding Amount, exceeds the DS Supplier's or the Guarantor's Credit Limit by the Minimum Transfer Amount, then the Company on any Business Day, may request that the DS Supplier provide cash or a letter of

credit in an acceptable form as defined in Section 6.7(b) of this Agreement (see standard format in Exhibit 5), in an amount equal to the Margin (less any performance assurance collateral for Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply). If the DS Supplier receives written notice for performance assurance collateral to cover Margin from the Company by 1:00 p.m. New York time on a Business Day, then the DS Supplier shall post the performance assurance collateral to cover Margin the next following Business Day, if posting cash, and by the second Business Day following the date of notice, if posting a letter of credit, unless the Company agrees in writing to extend the period to provide performance assurance collateral to cover Margin. If the DS Supplier receives notice for performance assurance collateral to cover Margin from the Company after 1:00 p.m. New York time on a Business Day, whether posting cash or a letter of credit, then the DS Supplier must post performance assurance collateral to cover Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide performance assurance to cover Margin. The Company will not unreasonably deny a request for a one-day extension of such period. In the event that the DS Supplier fails to post performance assurance to cover Margin when due in accordance with this Section 6.5, then an Event of Default under Article 5 of this Agreement will be deemed to have

occurred and the Company will be entitled to the remedies set forth in Article 5 of this Agreement.

- (b) Surplus Margin being held by the Company that is not needed to satisfy the Total Exposure Amount, as determined above, will be returned to the DS Supplier upon receipt of a written request by the DS Supplier. Surplus Margin means cash or a letter of credit posted by the DS Supplier as a result of a request by the Company pursuant to Section 6.5(a) that exceeds the Total Exposure Amount less the DS Supplier's or the Guarantor's Credit Limit (rounded by the Rounding Amount). If the resulting surplus Margin amount is more than the Minimum Transfer Amount, it will be returned to the DS Supplier. If the DS Supplier posted cash and notice is received by 1:00 p.m. New York time on a Business Day, the surplus Margin will be returned by the next following Business Day, and if the DS Supplier posted cash and notice is received by the Company after 1:00 p.m. New York time on a Business Day, the surplus Margin shall be returned by the second Business Day following the date of notice, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. If the DS Supplier posted a letter of credit, the surplus Margin shall be returned on the next Business Day following the Business Day on which the amendment to the letter of credit is received from the issuing bank, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. The DS Supplier will not unreasonably deny a request for a one-day extension of such period. In the event that the

Company fails to return the surplus Margin when due in accordance with this Article, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the DS Supplier will be entitled to the remedies set forth in Article 5 of this Agreement.

#### **6.6 Grant of Security Interest/Remedies**

To secure its obligations under this Agreement and to the extent that the DS Supplier posted performance assurance collateral to cover Margin hereunder, the DS Supplier hereby grants to the Company a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, the Company, and the DS Supplier and the Company agree to take such action as is reasonably required to perfect the secured Party's first priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Company may do any one or more of the following: (i) exercise any of the rights and remedies of the Company with respect to all collateral, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the DS Supplier in the possession of the Company whether held in connection with this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply; (iii) draw on any outstanding letter of credit issued for its benefit; and (iv) liquidate all security held by or

for the benefit of the Company free from any claim or right of any nature whatsoever of the DS Supplier, including any equity or right of purchase or redemption by the DS Supplier. The Company shall apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce the DS Supplier's obligation under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply (the DS Supplier remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

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

**If to a DS Supplier to:**

**Copy to:**

**If to the Company to:**

Attn: Frank Marian – Snr. Manager, Credit Risk

Two North Ninth Street, PL7, Allentown, PA 18101

**Copy to:**

James M. Rouland – Supervisor, Energy Procurement

Two North Ninth Street, GENN5, Allentown, PA 18101

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

## **6.7 Security Instruments**

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

- (a) Cash; or
- (b) A standby irrevocable letter of credit acceptable to the Company, in its sole discretion, issued by a bank or other financial institution with a minimum "A" senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from S&P and "A2" from Moody's (see standard format in Exhibit 5). The letter of credit shall state that it shall renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days prior written notice from the issuing financial institution. If the Company receives notice from the issuing financial institution that the letter of credit is being cancelled, the DS Supplier will be required to provide a substitute letter of credit from an alternative bank satisfying the minimum requirements. The receipt of the substitute letter of credit must be effective as of the cancellation date and delivered to the Company thirty (30) days before the cancellation date of the original letter of credit. If the DS Supplier fails to supply a substitute letter of credit as required, then the Company will have the right to draw

on the existing letter of credit and to hold the amount as Margin.

- (c) If the credit rating of a bank or other financial institution from which a DS Supplier has obtained a letter of credit falls below the levels specified in Section 6.7(b) of this Agreement, the DS Supplier shall have two (2) Business Days following written notice by the Company to obtain a suitable letter of credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by the Company. The Company shall have no obligation under this Agreement or otherwise to make or grant such extension.

## **6.8 Maintenance of Creditworthiness**

### **(a) Reporting of Changes.**

The DS Supplier shall promptly notify the Company within three (3) Business Days of any change in its credit rating or financial condition or that of its Guarantor. The DS Supplier or Guarantor shall also furnish evidence of an acceptable credit rating or financial condition upon the request of the Company.

### **(b) Change in Credit Standing.**

The Company will re-evaluate the creditworthiness of a DS Supplier whenever it becomes aware of an adverse change, through the provision of notice by the DS Supplier or otherwise, in the DS Supplier's or Guarantor's credit standing. If the lowest credit rating (whether senior unsecured debt rating or corporate issuer rating) used to determine the DS Supplier's Maximum Credit Limit or its Credit Limit adversely changes, the Company will require additional security from the DS Supplier in accordance with Section 6.5 of this Agreement. The additional

security must be in a form acceptable to the Company in its sole discretion, as specified in Section 6.7 of this Agreement and must be posted as set forth in Section 6.5 of this Agreement.

#### **6.9 Calling on Security**

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

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

The foregoing notwithstanding, the security posted by the DS Supplier shall become due automatically without prior notice or right of cure in the case of any Event of Default arising under subsections (a), (d), (e), (f), (g), (h), (i), and (j) of Section 5.1 of this Agreement.

#### **6.10 Interest on Cash Held by Company**

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

### **6.11 No Endorsement of DS Supplier**

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

### **6.12 Multiple DS Supply Agreements**

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the Effective Date of this Agreement, the Company will calculate the Margin applicable to all such agreements based upon the terms and conditions of the applicable agreements.

## **ARTICLE 7 Procedures For Energy Scheduling, Capacity Resource Submission And Transmission Procurement**

### **7.1 Load Obligations**

The Company and the DS Supplier acknowledge and agree that (1) the Company shall determine the DS Load, (2) the Company shall allocate the DS Supply obligation using the DS Supplier Responsibility Share, (3) the Company shall provide the DS Supplier's DS Supply obligation to PJM, and (4) the DS Supplier shall be responsible for meeting its DS Supply obligations as an LSE under the PJM Agreements.

### **7.2 Data Transmission**

The procedures for transmitting load obligation data to PJM for the DS Supplier's

DS Load shall be as set forth by PJM.

### **7.3 Energy Scheduling**

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

## **ARTICLE 8 THE ENERGY SETTLEMENT/RECONCILIATION PROCESS**

### **8.1 Energy Settlement By PJM**

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

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

### **8.2 Energy Settlement by the Company**

In the event that actual DS Customer consumption data is not available until after the PJM deadline for conducting the final settlement, the Company will conduct the settlement process with the DS Supplier. In the event PJM imposes penalties against the Company as a result of the DS Supplier's Transactions or failure to meet PJM

requirements, such penalties shall be passed through by the Company to the DS Supplier as part of this settlement process. In addition, all other applicable charges from PJM, including any billing adjustments, will be appropriately allocated to the DS Supplier.

## **ARTICLE 9 BILLING AND PAYMENT**

### **9.1 The Company Payment of Obligations to the DS Supplier**

The Company shall pay all amounts due to the DS Supplier hereunder in accordance with the following provisions. Unless specified otherwise, the following provisions apply to both Fixed Price Transactions and Spot Market Transactions. Specifically:

#### **(a) Fixed Price Transactions:**

- (i) With respect to each Fixed Price Transaction, for each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier. This Statement will show the aggregate amounts due based on the DS Fixed Price indicated in such Transaction Confirmation multiplied by the PMEA of the Billing Month.
- (ii) With respect to each Fixed Price Transaction, to the extent that the FMEA differs from the PMEA, the Company shall pay or charge the DS Supplier for the PMEA/FMEA Adjustment Amount within the PJM deadline for conducting the final settlement.

#### **(b) Spot Market Transactions:**

- (i) With respect to each Spot Market Transaction, for each Billing Month, the Company will prepare a Statement of amounts due to

the DS Supplier. This Statement will show the amounts due the DS Supplier, equal to the sum of: (a) an energy charge equal to sum of the products of each hour's hourly real-time PJM load weighted average Locational Marginal Price for the Delivery Point, the DS Supplier Responsibility Share, and the PHEA in each hour of the Billing Month, (b) a capacity charge equal to the sum of the product of the PJM Final Zonal Capacity Price for the Delivery Point in \$/MW-day and the daily amounts of Capacity reported as the DS Supplier's Capacity obligation by Buyer to PJM for each day of the Billing Month; and (c) the product of the DS Fixed Price and the PMEA.

- (ii) With respect to each Spot Market Transaction, to the extent that the FMEA differs from the PMEA, the Company shall pay or charge the DS Supplier for the PMEA/FMEA Adjustment Amount within the PJM deadline for conducting the final settlement. The PMEA/FMEA Adjustment Amounts apply only to payments unrelated to the energy charge or capacity charge as described in Section 9.1(b)(i) above.
- (iii) With respect to each Spot Market Transaction, to the extent that the FHEA differs from the PHEA, the Company will calculate the PHEA/FHEA Adjustment Amount for each hour by multiplying the difference between the two amounts by the hourly real-time PJM load weighted average Locational Marginal Price for the

Delivery Point, and will sum the negative and positive dollar values over all hours to arrive at a net PHEA/FHEA Adjustment Amount for the Billing Month. Based on the calculated net PHEA/FHEA Adjustment Amount, the Company will pay or charge the DS Supplier for such billing adjustments within the PJM deadline for conducting the final settlement.

- (iv) With respect to each Spot Market Transaction, to the extent that the daily Capacity obligations used in the calculation detailed in Section 9.1(b)(i) are adjusted, the Company will pay or charge the DS Suppliers any net difference between the payment made and the payment calculated using the adjusted values. For avoidance of doubt, the MW of Capacity reported as DS Supplier's Capacity obligation shall be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer's or PJM's operation of its load response programs shall be reflected as a reduction in the MW of Capacity.

**(c) General Provisions:**

- (i) The Statement(s) will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.
- (ii) The Company shall make payment on the first Business Day after the 19<sup>th</sup> day of each calendar month.

- (iii) If each Party owes an amount to the other Party pursuant to this Agreement, including any related interest, payments or credits, the Parties may satisfy their respective obligations to each other by netting the aggregate amounts due to one Party against the aggregate amounts due to the other Party, with the Party, if any, owing the greater aggregate amount paying the other Party the difference between the amounts owed.
- (iv) Payments shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of all Transactions under this Agreement.
- (v) The Company shall make payments of funds payable to the DS Supplier by electronic transfer to a bank designated by the DS Supplier.
- (vi) If a good faith dispute arises between the Company and the DS Supplier regarding a Statement, the disputing Party shall be obligated to pay only the undisputed portion of the Statement, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the date of the Statement in dispute. Statement disputes shall be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 11 (Dispute Resolution) of this Agreement. Upon

resolution of a Statement dispute, any payments made to either Party will include simple interest on the payment at the lower of the Interest Index or six (6) percent per annum payable from the date that notice of a Statement dispute was received by the non-disputing Party.

- (vii) If payment is made to the DS Supplier after the due date shown on the Statement, a late fee will be added to the unpaid balance until the entire Statement is paid. This late fee shall be the lesser of (a) the per annum rate of interest equal to the prime lending rate as may from time to time be published in The Wall Street Journal under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%) or (b) the maximum rate permitted by applicable law.
- (viii) If DS Supplier has entered into more than one Transaction with Buyer, DS Supplier shall receive a single Statement listing the relevant information detailed above.

## **9.2 Billing for DS Supplier’s Obligations to Other Parties**

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

## **9.3 The DS Supplier Payment of Obligations to the Company**

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

following provisions:

- (a) Each Billing Month, the Company shall submit an invoice to the DS Supplier for all Charges owed by the DS Supplier under this Agreement. The DS Supplier shall make payment for Charges shown on the invoice. The due date will be on the first Business Day after the 19<sup>th</sup> day of each calendar month. The invoice will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.
- (b) Invoices shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of all Transactions of this Agreement.
- (c) The DS Supplier shall make payments of funds payable to the Company by electronic transfer to a bank designated by the Company.
- (d) If a good faith dispute arises between the Company and the DS Supplier regarding an invoice, the disputing Party shall be obligated to pay only the undisputed portion of the invoice, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the due date of the invoice in dispute. Billing disputes shall be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 11 of this Agreement. Upon resolution of a billing dispute, any payments made to either Party will include simple interest on the payment at the lower of

the Interest Index or six (6) percent per annum payable from the date that notice of a bill dispute was received by the non-disputing Party.

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

## **ARTICLE 10 SYSTEM OPERATION**

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

### **10.1 Disconnection and Curtailment By the Company**

The Company shall have the right, without incurring any liability to the DS Suppliers, to disconnect (or otherwise curtail, interrupt or reduce deliveries from) the DS Suppliers or to disconnect (or otherwise curtail, interrupt or reduce deliveries to) any Customer whenever the Company determines in the exercise of its good faith discretion,

or when the Company is directed by PJM, that such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of the Company's facilities; or due to any other reason affecting the safe and reliable operation of the Company's or a Customer's facilities, including, without limitation, an Emergency, forced outage or potential overloading of the Company's transmission and/or distribution circuits, potential damage to any Customer's facilities or any risk of injury to persons or property.

### **10.2 Inadvertent Loss of Service to DS Customers**

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

### **10.3 PJM Requirements**

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

but are not limited to, those procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

#### **10.4 Compliance With Governmental Directives**

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

## **ARTICLE 11 DISPUTE RESOLUTION**

### **11.1 Informal Resolution of Disputes**

Before pursuing resolution of any dispute arising out of this Agreement (other than an Event of Default under Section 5.1 (a), (d), (e), (f), (g), (h), (i), and (j)), 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 Resolution of Disputes), shall be paid within two (2) Business Days of such resolution and the payment shall include interest calculated at the Interest Index from the original due date through the date of payment.

## **11.2 Recourse to Agencies or Courts of Competent Jurisdiction**

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

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

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

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

## **ARTICLE 12 REGULATORY AUTHORIZATIONS AND JURISDICTION**

### **12.1 Compliance With Applicable Legal Authorities**

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

### **12.2 FERC Jurisdictional Matters**

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

### **12.3 Energy Efficiency, Conservation, and Retail Market Programs**

DS Supplier acknowledges that DS Customers may participate in new or existing

energy efficiency and conservation programs, and retail market programs offered by the Company (required by Applicable Legal Authorities or otherwise offered by the Company whether voluntarily or not), by PJM, or by other third parties, and that such participation may reduce or change the amount of DS Supply that DS Supplier is required to provide and the amount of monies it may receive under this Agreement. The Company shall have no obligation whatsoever to DS Supplier with respect to the effect, if any, of such programs. DS Supplier is solely responsible for determining the effect, if any, of such programs on future load requirements.

## **ARTICLE 13**

### **LIMITATION OF REMEDIES, LIABILITY AND DAMAGES**

#### **13.1 Limitations on Liability**

Except as set forth in this Agreement, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. The Parties confirm that the express remedies and measures of Damages provided in this Agreement satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of Damages is provided, such express remedy or measure of Damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or Damages at law or in equity are waived. If no remedy or measure of Damages is expressly provided herein, the obligor's liability shall be limited to direct actual Damages only, such direct actual Damages shall be the sole and exclusive remedy and all other remedies or Damages at law or in equity are waived. Unless expressly herein provided, neither Party shall be liable for consequential, incidental, punitive, exemplary or indirect Damages, lost profits or other

business interruption Damages, by statute, in tort or contract, under any indemnity provision or otherwise. It is the intent of the Parties that the limitations herein imposed on remedies and the measure of Damages be without regard to the cause or causes related thereto, including the negligence or any Party, whether such negligence by sole, joint or concurrent, or active or passive. To the extent any Damages required to be paid hereunder are liquidated, the Parties acknowledge that the Damages are difficult or impossible to determine, or otherwise obtaining an adequate remedy is inconvenient and the Damages calculated hereunder constitute a reasonable approximation of the harm or loss.

### **13.2 Risk of Loss**

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

## **ARTICLE 14 INDEMNIFICATION**

### **14.1 Indemnification**

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

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

- (c) If either Party intends to seek indemnification under Section 14.1(a) or Section 14.1(b), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within ninety (90) days of the later of the commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail, and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially

prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld, conditioned or delayed.

#### **14.2 Survives Agreement**

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article 14 (Indemnification) shall survive termination of this Agreement, and shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for either Party under any statutory scheme, including any workers' compensation acts, disability benefit acts or other employee benefit acts.

## **ARTICLE 15 FORCE MAJEURE**

#### **15.1 Force Majeure**

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

damages to the other Party; and (iii) fulfills the requirements set forth in Section 15.2 (Notification).

### **15.2 Notification**

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

## **ARTICLE 16 MISCELLANEOUS PROVISIONS**

### **16.1 Notices**

Unless otherwise stated herein, all notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by overnight express mail or courier service. Notice may also be provided via e-mail or facsimile transmission (with the original transmitted by any of the other delivery methods specified in the previous sentence) addressed per the notification information for the DS Supplier and Company as set forth in Exhibit 3 hereto.

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

### **16.2 No Prejudice of Rights**

The failure of a Party to insist on any one or more instances upon strict

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

**16.3 Effect of Regulatory or Legislative Actions**

- (a) The Parties agree that the Company's obligations under this Agreement are contingent on, and limited by, the Company's ability to recover all costs incurred by it under this Agreement from its retail customers in full and on a current basis. If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which have the effect of depriving the Company's full and current recovery of said costs, the Company may terminate this Agreement upon ten (10) days written notice. The Parties agree that any such termination shall not constitute an Event of Default under this Agreement.
- (b) If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which (i) eliminate the Company's obligation to obtain or provide DS Supply, (ii) terminate this Agreement, or (iii) modify this Agreement so that implementation becomes impossible or impracticable, the Company may terminate this Agreement upon ten (10) days written notice to the DS Supplier. The Parties agree that any such termination shall not constitute an Event of Default under this Agreement.
- (c) If any statutes, rules, regulations, or orders are enacted, amended, entered,

or revoked which transfers the Company's obligation to procure or supply DS Supply to third party, this Agreement may be transferred to such third party in accordance with the provisions of Section 16.4 below. The Parties agree that any such transfer shall not constitute an Event of Default under this Agreement.

- (d) In the event that this Agreement is terminated as a result of any of the reasons set forth in subsections (a) through (c) of Section 16.3 above, the Parties agree that the Company shall not be liable for any costs or damages incurred or otherwise associated with (i) the transfer of the Company's obligation to obtain or provide DS Supply to third party, or (ii) the elimination of the Company's obligation to obtain or provide DS Supply.

#### **16.4 Assignment**

Parties shall not assign any of their rights or obligations under this Agreement without obtaining the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee and all necessary consents have been obtained. Any assignment in violation of this Section 16.4 shall be void; provided, however, the Company may assign any or all of its rights and obligations under this Agreement notwithstanding anything contained herein to the contrary, without the DS Supplier's consent, to any entity succeeding to all or substantially all of the assets of the Company, or to a third party in accordance with 16.3(c), if such assignee agrees, in writing, to be bound by all of the terms and conditions hereof and all necessary regulatory approvals are

obtained. The DS Supplier may, with prior written notice to the Company but without obtaining the approval of the Company, assign the accounts, revenues or proceeds under this Agreement to a third party. The Company agrees that, following receipt of such notice of the assignment of accounts, revenues or proceeds and such other documentation that the Company may reasonably request, the Company will pay amounts becoming due to the assigning DS Supplier under this Agreement directly to the designated assignee; provided, however, that nothing herein shall enlarge or expand the rights of such designated assignee beyond the rights granted to the DS Supplier and the right of such designated assignee to receive payments shall be subject to all defenses, offsets and claims of the Company arising under this Agreement.

#### **16.5 Governing Law and Venue**

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law. Except for matters jurisdictional to the FERC, the PaPUC or the appellate courts having jurisdiction over the PaPUC or FERC matters, all disputes hereunder shall be resolved in the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania in Allentown. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

#### **16.6 Regulatory Approvals**

DS Supplier agrees to cooperate, to the fullest extent necessary, to obtain any and all required State, Federal or other regulatory approvals of the Agreement and/or

Transaction Confirmations hereunder. The commencement of the Delivery Period of each Transaction and the obligations hereto are subject to (i) the receipt or waiver by Company of all Company required regulatory approvals, (ii) the receipt or waiver by DS Supplier of all DS Supplier required regulatory approvals, and (iii) PaPUC approval.

### **16.7 Headings**

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

### **16.8 Third Party Beneficiaries**

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

### **16.9 General Miscellaneous Provisions**

- (a) This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties, or to impose any partnership obligation or liability upon any Party. No Party shall have any right, power, or authority to enter into any agreement or undertaking for, or on behalf of, or to act as or be an agent or representative of, or to otherwise bind, any other Party.
- (b) Cancellation, expiration or Early Termination of this Agreement shall not relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including warranties, remedies, promises of indemnity and confidentiality.

- (c) Should any provision of this Agreement be held invalid or unenforceable, such provision shall be invalid or unenforceable only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable any other provision hereof unless it materially changes the agreement of the Parties; provided that in such event the Parties shall use commercially reasonable efforts to amend this Agreement or any Transaction in order to give effect to the original intention of the Parties.
- (d) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto. In the case of an actual or apparent inconsistency between this Agreement and the PPL Electric Utilities Corporation Default Service Request for Proposals Process and Rules (“RFP”), the provisions of this Agreement shall control. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement or any Transaction.

### **16.10 Taxes**

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

### **16.11 Disclosure of Tax Treatment**

Notwithstanding anything to the contrary in this Agreement or in the RFP and appendices thereto, DS Supplier and Company 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) DS

Supplier and Company (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.

#### **16.12 Audit**

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

#### **16.13 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) References to the singular include the plural and vice versa;
- (c) 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;
- (d) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (e) If any payment due under this Agreement would be, by operation of the terms and conditions of any provision hereof, due and payable on a day other than a Business Day, such payment shall be made on the next following Business Day.

#### **16.14 Confidentiality**

- (a) Each Party shall hold in confidence and not release or disclose any document or information furnished by the other Party in connection with this Agreement, unless: (i) compelled to disclose such document or information by judicial, regulatory or administrative process or other provisions of law; (ii) such document or information is generally available to the public; (iii) such document or information was available to the receiving Party on a non-confidential basis; (iv) such document or

information was available to the receiving Party on a non-confidential basis from a third-party, provided that the receiving Party does not know, and, by reasonable effort, could not know that such third-party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation; or (v) such disclosure is made to PJM or PaPUC and is necessary in order for the Transactions contemplated by this Agreement to be consummated or to otherwise comply with the provisions of this Agreement.

- (b) Notwithstanding any other provision of this Section 16.14, a Party may disclose to its employees, representatives and agents all documents and information furnished by the other Party in connection with this Agreement, provided that such employees, representatives and agents have been advised of the confidentiality provisions of this Section 16.14, and further provided that in no event shall a document or information be disclosed in violation of the standard of conduct requirements established by the 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 or is being disclosed to PJM or PaPUC in order for the Transactions contemplated by this Agreement to be consummated or to otherwise comply with the provisions of this Agreement, shall: (i) promptly notify the other Party; and (ii) use

reasonable efforts in cooperation with the other Party to seek confidential treatment of such confidential information.

- (d) The Parties agree that monetary damages may be inadequate to compensate a Party for the other Party's breach of its obligations under this Section 16.14. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the receiving Party breaches or threatens to breach its obligations under this Section 16.14, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law.

#### **16.15 Federal Acquisition Regulation**

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

- 1) Clean Air and Water: § 52.223-2;
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation: § 52.222-4;
- 3) Equal Opportunity: § 52.222-26;
- 4) Affirmative Action for and Employment Reports on Special Disabled and Vietnam Era Veterans: § 52.222-35 and § 52.222-37;
- 5) Affirmative Action for Handicapped Workers: § 52.222-36;

- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: § 52.219-8 and § 52.219-9.

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

#### **16.16 Binding Terms**

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

#### **16.17 Amendment**

This Agreement, including the appendices hereto, cannot be amended without the written agreement of all Parties prior to such amendment becoming effective. Except as provided in Appendix C, the rates, terms and conditions contained in this Agreement are not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. Absent the agreement of all parties to the proposed change, the standard of review for changes to this Agreement proposed by a Party, a non-Party or the FERC acting *sua sponte* shall be the “public interest” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the “Mobile-Sierra Doctrine”).

#### **16.18 Counterparts**

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

#### **16.19 Successors**

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

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

**ATTEST:**

**PPL ELECTRIC UTILITIES CORPORATION**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

**ATTEST:**

**[DS SUPPLIER]**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

## APPENDIX A

### Maximum Unsecured Credit

S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap (\$)
A- and above	A3 and above	A- and above	5%	60M
BBB+	Baa1	BBB+	5%	40M
BBB	Baa2	BBB	5%	30M
BBB-	Baa3	BBB-	5%	15M
BB+	Ba1	BB+	5%	5M
BB	Ba2	BB	5%	3M
BB-	Ba3	BB-	5%	1M
Below BB-	Below Ba3	Below BB-	0	0

#### Credit Rating Determination Methodology

The DS Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating<sup>1</sup>. If the DS Supplier or its Guarantor is rated by more than one rating agency, and the ratings are split, the lowest of the available ratings will be used. The Maximum Credit Limit shall be calculated as the lesser of the percentage of TNW or the Credit Limit Cap.

---

<sup>1</sup> **Minimum Rating** – The lowest credit rating, as set forth in this Appendix A, that a DS Supplier or Guarantor must have to obtain unsecured credit.

## APPENDIX B

### MtM Exposure Amount Calculation Information

Table 1 provides information that will be determined on each DS Solicitation Date for each month of the Delivery Period for each applicable Transaction. An average of broker quotes will be used to develop monthly on- and off-peak energy forward price marks when quotes are available for individual months, two-month blocks (e.g., January-February) or quarterly blocks (e.g., October-December)<sup>2</sup>. For all the remaining months the Company will be using a proprietary method that reflects forward market conditions. The Company reserves the right to examine the quotes from sources for anomalies or inconsistencies and to discard anomalous quotes as appropriate in its sole discretion. The initial mark for each Billing Month is the On-Peak Energy Forward Price and the Off-Peak Energy Forward Price that was calculated on the date that the DS Solicitation closes and will not change over the life of the applicable Transaction.

After the close of the DS Solicitation On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM credit exposures will be adjusted monthly to reflect the most current changes. If quotes are obtained from more than one broker for a month, the mark for that month will be the average mark over all sources that are available. If quotes for individual months are unavailable then the Company may make use of quotes that are available for a two-month block or a quarterly block to develop the monthly mark as described above. The Company reserves the right to examine the quotes from sources for

---

<sup>2</sup> If quotes are obtained from more than one broker for a month, the mark for that month will be the average mark over all sources that are available. If quotes for individual months are unavailable, then the Company may make use of quotes that are available for a two-month block or a quarterly block to develop the monthly mark. For example, when an On-Peak Energy Forward Price is available for a two-month block or a quarterly block and a component of the block are both quoted, the component will be equal to its quoted price and the other months in the block will be constructed so that the weighted average (weighted by on-peak hours in each month) of the block equals the quote for the block; e.g., Q4 2013 = \$50 and Oct 2013 = \$40; therefore, Oct 2013 = \$40 and Nov-Dec 2013 = \$55.61 (i.e.,  $(\$50 \times (336 + 320 + 368) - \$40 \times 336) / (336 + 320) = \$55.61$ ). If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2014 = \$35, then Jan 2014 = \$35 and Feb 2014 = \$35.

anomalies or inconsistencies and to discard anomalous quotes as appropriate in its sole discretion. On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices for the months, two-month blocks or quarterly blocks where broker quotes are unavailable will be equal to the last available broker quotes or in case they have not been quoted on the broker sheets since the applicable DS Solicitation closed, they will be equal to the marks set at the close of the applicable DS Solicitation.

### **MtM Calculation Example**

#### **Parameters**

On the closing day of a DS Solicitation, the following parameters are set for each applicable Transaction:

- (a) The estimated monthly On-Peak Load per Tranche.
- (b) The estimated monthly Off-Peak Load per Tranche.
- (c) The monthly On-Peak Energy Forward Prices (to be used as the inception on-peak price “initial mark” for each month of the Delivery Period).
- (d) The monthly Off-Peak Energy Forward Prices (to be used as the inception off-peak price “initial mark” for each month of the Delivery Period)

All On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices are based on a Market Price Hub that the Company will specify as follows: PJM Western Hub.

**Table 1 - Data set on the Closing Day of the DS Solicitation (MWh/Tranche)**

	On-Peak Volume <sup>3</sup>	Off-Peak Volume <sup>4</sup>	Initial Mark On-Peak Price <sup>5</sup>	Initial Mark Off-Peak Price <sup>6</sup>
Month 1				
Month 2				
Month 3				
Month 4				
Month 5				
Month 6				
Month 7				
Month 7				
Month 8				
Month 9				
Month 10				
Month 11				
Month 12				

Intentionally Left Blank (for expression purposes only)

**EXAMPLE**

**Table 2 – Post DS Solicitation Close MTM Credit Exposure Calculation (MWh/Tranche)**

	On-Peak Load per Tranche (MWh)	Off-Peak Load per Tranche (MWh)	Initial Mark On-Peak Price	Initial Mark Off-Peak Price	On-Peak Energy Forward Price <sup>7</sup>	Off-Peak Energy Forward Price <sup>8</sup>	MtM <sup>9</sup>
Month 1							
Month 2							
Month 3							
Month 4							
Month 5							
Month 6							
Month 7							
Month 8							
Month 9							
Month 10							
Month 11							
Month 12							
							<b>Total</b>

Intentionally Left Blank (for expression purposes only)

<sup>3</sup> On-peak and off-peak volumes will be adjusted monthly.

<sup>4</sup> On-peak and off-peak volumes will be adjusted monthly.

<sup>5</sup> Initial Mark On-peak price set at day DS Solicitation closes. Remains constant through term of applicable Transaction.

<sup>6</sup> Initial Mark Off-peak price set at day DS Solicitation closes. Remains constant through term of applicable Transaction.

<sup>7</sup> On-peak Energy Forward Price as available and quoted by Referenced Market Makers.

<sup>8</sup> Off-peak Energy Forward as available and quoted by Referenced Market Makers.

<sup>9</sup> MTM = (On-Peak Load \* (On-Peak Energy Forward Price - Initial Mark On-Peak Price) + (Off-Peak Load \*(Off-Peak Energy Forward Price- Initial Mark Off-Peak Price)

## **APPENDIX C**

### **DS Supply Specifications**

- 1) With respect to a Transaction, DS Supplier shall provide Full Requirements Service on a firm and continuous basis. The terms of the Transaction shall be set forth in a Transaction Confirmation to this SMA, in a form as set forth in Exhibit 1. Full Requirements Service shall mean, all of the following necessary services or products that are required to supply the DS Supplier Responsibility Share for the DS Customers associated with the Transaction Confirmation, including: Energy, Capacity, transmission, Ancillary Services, Alternative Energy Credits for compliance with the AEPS Act, transmission and distribution system losses, congestion management costs, and such other products and services that are required except for distribution service
- 2) With respect to a Transaction, the Company shall be responsible, at its sole cost and expense, for the following costs: (1) Network Integration Transmission Services (“NITS”), (2) Transmission Enhancement Costs, (3) Expansion Cost Recovery Costs, (4) Non-Firm Point-to-Point Transmission Service Credits, (5) Regional Transmission Expansion Plan (“RTEP”); and (6) Generation Deactivation Charges. These terms shall have the meaning ascribed to them in the PJM Agreements. Additionally, the Company will be responsible for any distribution service necessary to serve the DS Supplier Responsibility Share.
- 3) Except as provided in Paragraph 1 above, DS Supplier bears the risk of any other changes in PJM products and pricing during the term of all Transactions under this Agreement. However, if there are any other new FERC-approved PJM

transmission charges other than those referred to in Paragraph 1 above or other new PJM charges and costs, charged to network transmission customers, that DS Supplier believes the Company should recover through retail rates because they are directly related to the Company's obligations, then Company may file with the PaPUC a request for approval to recover such new costs. DS Supplier is required to intervene in any such proceeding before the PaPUC. Such new costs can only be charged to the Company to the extent that the PaPUC approves the Company's recovery of those costs. DS Supplier agrees to be bound by the decision of the PaPUC (subject to the normal rules for appeal of the decision of the PaPUC) and waives all claims concerning this issue before the FERC. Notwithstanding the foregoing, nothing in the Agreement shall preclude DS Supplier or Company from taking any position before the FERC regarding the creation and allocation of any such PJM charges.

**Customer Group and Service Type:**

<b>Customer Group</b>	<b>Rate Schedule</b>	<b>Description</b>
<b>Residential</b>	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
<b>Small Commercial &amp; Industrial</b>	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 100 kW peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.
<b>Large Commercial &amp; Industrial</b>	GS-3	GS-3 – Large General Service – Customers with 100 KW or higher peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with 100 KW or higher peak demand
	LP-5	LP-5 – Large General Service (69 KV or Higher)
	LPEP	Power Service to Electric Propulsion
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

**Notes:**

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 100 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 100 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer’s ICAP peak load contribution assigned for the 2015-2016 PJM Interconnection, LLC (“PJM”) Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2015 through May 31, 2017.

**Number of Tranches and Percentage for Each Tranche**

<b>Tranches and Tranche Size for Fixed Price and Spot Market Products</b>				
<b>Customer Group</b>	<b>Product Term<sup>1</sup></b>	<b>Product Size (% of Load)</b>	<b>Total Tranches</b>	<b>Tranche Size (% of Load)</b>
<b>Residential</b>	12-month (Solicitation #1)	30.00%	12	2.50%
	6-month (Solicitation #1)	25.00%	10	2.50%
	12-month (Solicitation #2)	25.00%	10	2.50%
	6-month (Solicitation #2)	45.00%	18	2.50%
	12-month (Solicitation #3)	30.00%	12	2.50%
	6-month (Solicitation #3)	45.00%	18	2.50%
	12-month (Solicitation #4)	25.00%	10	2.50%
	6-month (Solicitation #4)	45.00%	18	2.50%
<b>Small Commercial &amp; Industrial</b>	12-month (Solicitation #1)	30.00%	6	5.00%
	6-month (Solicitation #1)	25.00%	5	5.00%
	12-month (Solicitation #2)	25.00%	5	5.00%
	6-month (Solicitation #2)	45.00%	9	5.00%
	12-month (Solicitation #3)	30.00%	6	5.00%
	6-month (Solicitation #3)	45.00%	9	5.00%
	12-month (Solicitation #4)	25.00%	5	5.00%
	6-month (Solicitation #4)	45.00%	9	5.00%
<b>Large Commercial &amp; Industrial</b>	Spot Market (12-month)	100.00%	10	10.00%

## **Appendix D**

### **DS Supplier's Obligations for AEPS Compliance**

To satisfy AEPS with respect to the DS Supplier's DS Supplier Responsibility Share, DS Supplier has the following obligations:

- (1) DS Supplier shall enable the Company 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 Company's AEPS Obligation as set forth in the AEPS Act and PaPUC rules and Orders that may be promulgated to implement the AEPS Act.
- (2) Provide the required percentage of each type of AEC as set forth in Exhibit 2;
- (3) Paying any AEPS penalties, costs, charges, etc. assessed against the DS Supplier and/or the Company associated with the DS Supplier's non-performance with AEPS requirements;
- (4) DS Supplier shall establish the proper accounts within the GATS. DS Supplier shall be a subscriber to GATS and is responsible for paying its annual subscription fee. DS Supplier shall transfer AECs into the Buyer's account(s) in the amount necessary to fulfill DS Supplier's AEPS Obligation under this Agreement. DS Supplier shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to DS Supplier's DS Supplier Responsibility Share.
- (5) Within 40 calendar days after the end of each calendar month during the Delivery Period of a given Transaction the DS Supplier shall transfer AECs into the Company's GATS account(s) in an amount commensurate with the AECs

applicable to the requirements service provided by the DS Supplier during said calendar month.

(6) At the conclusion of each annual June to May Period (“Reporting Period”), DS Supplier shall complete its transfer of any AECs not transferred in accordance with this Appendix D and Exhibit 2, into the Company’s GATS account(s) in the amount necessary to fulfill the DS Supplier’s AEPS Obligation under this Agreement. Transfers must be made no later than 70 calendar days following the completion of a Reporting Period.

(7) DS Supplier may not transfer AECs in advance of future Reporting Periods.

(8) Submitting to the Company proof of AEPS compliance under this Agreement in such form and manner as may be required by the Company.

(9) Provide to the Company all information the Company may require to comply with the AEPS Act and its implementing regulations and other Requirements of Law, including, but not limited to the price paid per AEC required by 73 P.S. §§1648.3(e)(8).

(10) In addition the Remedies stated in Article 13 (Limitations of Remedies Liabilities and Damages) and Article 14 (Indemnification) of this Agreement, Company shall have the right, in its sole discretion, to withhold any and all payments pursuant to Article 9 (Billing and Payment) of this Agreement in the event that the DS Supplier does not satisfy its obligations under this Appendix, and to pursue any other remedies at law or in equity which may be available including, but not limited to those enumerated in Article 14 (Indemnification).

Moreover, the DS Supplier will be liable for any additional AECs and/or costs directly or indirectly related to the procurement of AECs by the Company or related to any penalties and costs associated with non-compliance of the AEPS Act in the event that the DS Supplier defaults on its obligations under this Appendix.

(11) **Allocated AECs** shall be zero (0) Tier I AECs, Tier I (Solar) AECs and Tier II AECs allocated by Buyer to DS Supplier under this Agreement.

## EXHIBIT 1 – TRANSACTION CONFIRMATION EXAMPLE

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Default Service Supplier Master Agreement (“Agreement”) dated [INSERT SMA Effective DATE] between PPL Electric Utilities Corporation (“Company”) and [INSERT DS SUPPLIER NAME] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [INSERT DS Solicitation PaPUC approval date] (“Transaction Date”).

Transaction Type: [Fixed Price Transaction / Spot Market Transaction]

Product: Full Requirements Service

Customer Group: Residential

Service Type: Rate Schedules RS and RTS.

Delivery Point: PPL Zone

Delivery Period: [MONTH] [DAY], [YEAR] through [MONTH] [DAY],  
[YEAR]

The DS Supplier’s DS Supplier Responsibility Share is [INSERT]. DS Supplier will supply [INSERT] Tranche(s) at a DS Fixed Price of \$ [INSERT] per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	MW-Measure
Rate Schedules RS and RTS	[INSERT]	[INSERT]	[INSERT]	[INSERT]

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between the DS Supplier and the Company by returning an executed copy of this Transaction Confirmation by pdf to the Company at [pplpolr@pplweb.com](mailto:pplpolr@pplweb.com). The signatories to this Transaction must have the authority to enter into this Transaction.

**WITNESS:**

**PPL ELECTRIC UTILITIES  
CORPORATION**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

**WITNESS:**

**[DS SUPPLIER]**

BY: \_\_\_\_\_

BY: \_\_\_\_\_

NAME: \_\_\_\_\_

NAME: \_\_\_\_\_

TITLE: \_\_\_\_\_

TITLE: \_\_\_\_\_

## EXHIBIT 2 – ALTERNATIVE ENERGY PORTFOLIO STANDARD OBLIGATION

This Exhibit 2 shall confirm the Alternative Energy Portfolio Standards obligation of the Transaction agreed to on \_\_\_\_\_ ("Transaction Date").

### Residential Load Obligation:

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/15 to 5/31/16	5.5%	0.1250%	8.2%
6/1/16 to 5/31/17	6.0%	0.1467%	8.2%

### Small Commercial & Industrial Load Obligation:

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/15 to 5/31/16	5.5%	0.2500%	8.2%
6/1/16 to 5/31/17	6.0%	0.2933%	8.2%

### Large Commercial & Industrial Load Obligation:

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/15 to 5/31/16	5.5%	0.2500%	8.2%
6/1/16 to 5/31/17	6.0%	0.2933%	8.2%

The percentages set forth above may be revised for future DS Solicitations to reflect changes in law or other applicable regulatory requirements. DS Supplier shall provide the percentages set forth above in order to comply with its obligations under Full Requirements Service and the Company shall adjust the quantities/products being procured in future DS Solicitations to make up any shortfall or utilize any excess AECs resulting from such change. Any such adjustments will be made known to bidders prior to the conclusion of the applicable DS Solicitation.

## EXHIBIT 3 – FORM OF NOTICE

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

Buyer: PPL Electric Utilities Corporation    DS Supplier: [INSERT]

### All Notices:

Street: Two North Ninth Street  
City/State/Zip: Allentown, PA 18101  
Attn: James M. Rouland  
Facsimile: 610-774-5694  
Duns: 00-790-9427  
Federal Tax ID Number: 23-0959590  
Email: jmrouland@pplweb.com

### Invoices:

Attn: Cheryl Oehler  
Phone: 610-774-6567  
Facsimile: 610-774-5694  
Email: ctoehler@pplweb.com

### Scheduling:

Attn: Cheryl Oehler  
Phone: 610-774-6567  
Facsimile: 610-774-5694  
Email: ctoehler@pplweb.com

### Payments:

Attn: Cheryl Oehler  
Phone: 610-774-6567  
Facsimile: 610-774-5694  
Email: ctoehler@pplweb.com

### Wire Transfer:

BNK: Mellon Bank  
ABA:  
ACCT:

### Credit and Collections:

Attn: Frank Marian  
Phone: 610-774-2432  
Facsimile: N/A  
Email: famarian@pplweb.com

### All Notices:

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

### Invoices:

Attn:  
Phone:  
Facsimile:  
Email:

### Scheduling:

Attn:  
Phone:  
Facsimile:  
Email:

### Payments:

Attn:  
Phone:  
Facsimile:  
Email:

### Wire Transfer

BNK:  
ABA:  
ACCT:

### Credit and Collections:

Attn:  
Phone:  
Facsimile:  
Email:

**With additional Notices of an**

**Event of Default to:**

Attn: James M. Rouland

Phone: 610-774-3042

Facsimile: 610-774-5694

Email: [jmrouland@pplweb.com](mailto:jmrouland@pplweb.com)

**With Additional Notices of an**

**Event of Default to:**

Attn:

Phone:

Facsimile:

Email:

## EXHIBIT 4 – PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this \_\_\_\_ day of \_\_\_\_\_, 201\_ by the following:

PARTY A: PPL Electric Utilities Corporation (“Party A”).

PARTY B: \_\_\_\_\_ (“Party B”).

### RECITALS

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

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

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

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

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

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

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

## DECLARATION

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

### 1. Exclusivity of Party B's Authority.

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

### 2. Specification of Authorized Rights and Responsibilities.

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

(a) Load Server Responsibilities.

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

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

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

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

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

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

(b) Electric Distributor Responsibilities.

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

(c) Generator Responsibilities.

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

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

- Or -

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

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

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

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

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

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

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

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

Resource Name:

Resource ID:

(d) Market Buyer/Market Seller Responsibilities.

\_\_\_\_\_ \_\_\_\_\_ Party B is authorized to satisfy Party A's rights and obligations as a Market Buyer or Market Seller under the Operating Agreement, including, but not limited to, arranging for a Market Operations Center capable of real-time communication with PJM during normal and Emergency conditions; reporting to PJM sources of energy available for operation; providing to PJM scheduling and other information, including, but not limited to, maintenance and other anticipated outages of generation or transmission facilities, scheduling and related information on bilateral transactions and self-scheduled resources, and implementation of active load management, interruption of load, and other load reduction measures; obtaining Spot Market Backup for bilateral transactions; submitting to PJM binding offers to purchase or sell energy and ancillary services in compliance with all applicable Offer Data specifications; responding to PJM's directives to start, shut down or change output levels of generation units, or change scheduled voltages or reactive output levels; responding to PJM's directives to schedule delivery or change delivery schedules for external resources; and following PJM's directions to take actions to prevent, manage, alleviate or end an Emergency.

(e) Billing and Payment Responsibilities.

\_\_\_\_\_ \_\_\_\_\_ In connection with all rights and responsibilities specified by Party A and Party B in any of subparts (a) through (d) of this Section, Party B shall be billed for, and shall make payment to PJM for, all charges, penalties, costs and fees. (If this option is not specified, PJM will issue billings to, and collect amounts due from, Party A.)

\_\_\_\_\_ \_\_\_\_\_ In connection with all rights and responsibilities specified by Party A and Party B above, Party B is entitled to receive from PJM in Party B's account all credits, revenues, distributions, and disbursements. (If this option is not specified, PJM will pay such amounts to Party A.)

(f) General Membership Responsibilities.

\_\_\_\_\_ \_\_\_\_\_ Party B is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Party A's behalf.

\_\_\_\_\_ \_\_\_\_\_ Party B is authorized to participate on Party A's behalf in the regional transmission expansion planning process.

\_\_\_\_\_ Party B is authorized to provide information or otherwise cooperate on Party A's behalf in connection with any investigation or request for information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Party B and/or Party A.)

\_\_\_\_\_ Party B shall be billed for, and shall make payment of, Party A's costs of membership in PJM, including payment of the Membership fee, and payment of any other general assessments on the PJM members, including, but not limited to, amounts assessed as a consequence of defaults by other Members.

(g) Additional Responsibilities.

\_\_\_\_\_ Party B has been Authorized other rights and responsibilities of Party A as  
(Initial) specified on Attachment "A" to this Declaration.

(h) Limitation on Responsibilities.

\_\_\_\_\_ The rights and responsibilities specified in parts (a) through (f) above apply to a limited portion of Party A's facilities or loads located in the PJM Region, as specified on Attachment "B" to this Declaration, and to no other facilities or loads of Party A.

### **3. Continuing Responsibilities and Liabilities of Party A.**

3.1 The Authorized Rights and Responsibilities are the only rights and responsibilities under the PJM Agreements for which Party B is authorized to act for Party A, and Party A retains all rights and responsibilities under the PJM Agreements not specified by Party A and Party B in Section 2.

3.2 With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Party A shall remain liable to PJM for all amounts due or to become due to PJM under the PJM Agreements, and Party B's authorization to make payment of any such amounts hereunder (if specified in Section 2) shall not release Party A from liability for any financial obligations to PJM not satisfied by Party B.

### **4. Reliance and Indemnity, Duty to Inform, Liability Waiver, and Rules of Construction.**

4.1 Party A and Party B each recognizes, accepts and intends that PJM will rely, upon on the truth, accuracy and completeness of the declarations herein in

matters including but not limited to creditworthiness and in assuring compliance with the PJM Agreements. Party A and Party B each recognizes and accepts that PJM or its members may suffer losses and damages if any declaration is or becomes untrue, inaccurate or incomplete, and each agrees to indemnify PJM for any such losses and damages.

4.2 Party A and Party B each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with Party A and Party B as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Party A (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Party B is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days' notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.

4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Party A and Party B expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.

4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.

4.5 The Recitals are hereby incorporated into the body of this Declaration.

IN WITNESS WHEREOF, Party A and Party B execute this Declaration to be effective as of the date written above or upon receipt of a fully executed original by PJM, whichever date is later.

**PARTY A:**

**PARTY B:**

Signature: \_\_\_\_\_

Signature: \_\_\_\_\_

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

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

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

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

Company Name:  
PPL Electric Utilities Corporation

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

**EXHIBIT 5 - 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**

PPL ELECTRIC UTILITIES CORPORATION  
TWO NORTH NINTH STREET  
ALLENTOWN, PA 18101  
ATTN: JAMES ROULAND

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 BY PHYSICAL DELIVERY OR BY FACSIMILE TRANSMISSION, PROVIDED THAT ANY PRESENTATION BY FACSIMILE TRANSMISSION SHALL ALSO BE FOLLOWED BY PHYSICAL DELIVERY OF DOCUMENTS WITHIN ONE (1) BUSINESS DAY THEREAFTER, 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 OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN, OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS (WITH BLANKS APPROPRIATELY COMPLETED AND BRACKETED INSTRUCTIONS DELETED):

“THE AMOUNT FOR THIS DRAWING, USD [INSERT AMOUNT], BEING MADE UNDER THE [INSERT NAME OF BANK] IRREVOCABLE STANDBY LETTER OF CREDIT NO. [INSERT LETTER OF CREDIT REFERENCE NUMBER], REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT OR AN AFFILIATE OF APPLICANT UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLIER MASTER AGREEMENT DATED [INSERT DATE OF SUCH AGREEMENT] BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY.”; OR

“AN EVENT OF DEFAULT UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLIER MASTER AGREEMENT DATED [INSERT DATE OF SUCH AGREEMENT] BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY HAS OCCURRED AND THAT BENEFICIARY DEMANDS PAYMENT IN THE AMOUNT OF [INSERT AMOUNT UP TO ENTIRE REMAINING UNDRAWN AMOUNT] PURSUANT TO SUCH AGREEMENT.”; OR

“THE EXPIRY DATE OF IRREVOCABLE STANDBY LETTER OF CREDIT NO. [INSERT LETTER OF CREDIT REFERENCE NUMBER] IS LESS THAN THIRTY (30) DAYS FROM THE DATE OF THIS STATEMENT AND THAT THE APPLICANT UNDER SUCH LETTER OF CREDIT HAS FAILED TO PROVIDE A REPLACEMENT LETTER OF CREDIT THAT SATISFIES THE REQUIREMENTS UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLIER MASTER AGREEMENT DATED \_\_\_\_\_ BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY. WE THEREFORE DEMAND PAYMENT IN THE AMOUNT OF [INSERT AMOUNT UP TO ENTIRE REMAINING UNDRAWN AMOUNT] PURSUANT TO SUCH AGREEMENT.”

2. THIS ORIGINAL LETTER OF CREDIT AND ANY AMENDMENT(S).

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED. IN THE EVENT OF ANY PARTIAL DRAWING WE WILL, PROMPTLY FOLLOWING PRESENTATION THEREOF, RETURN THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS TO YOU. ALL AMOUNTS PAID BY US TO BENEFICIARY IN

COMPLIANCE WITH THIS LETTER OF CREDIT SHALL CONSTITUTE A PRO TANTO REDUCTION IN THE STATED AMOUNT OF THIS LETTER OF CREDIT.

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. ALL PAYMENTS MADE UNDER THIS LETTER OF CREDIT SHALL BE MADE BY MEANS OF WIRE TRANSFER IN IMMEDIATELY AVAILABLE UNITED STATES DOLLARS TO YOUR BANK ACCOUNT INDICATED BY BENEFICIARY.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENTS PRESENTED IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED IF PRESENTED FOR PAYMENT ON OR BEFORE THE EXPIRY DATE, AS EXTENDED FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

IN THE EVENT OF ANY NON-CONFORMING PRESENTATION, WE SHALL IMMEDIATELY NOTIFY BENEFICIARY IN WRITING BY FACSIMILE TO FAX NUMBER 610-774-5694 THAT THE PRESENTATION HAS BEEN REJECTED, WHICH NOTICE SHALL INDICATE THE REASONS FOR DISHONORING SUCH PRESENTATION AND SHALL PLACE AT THE DISPOSAL OF BENEFICIARY THE DOCUMENTS PRESENTED BY BENEFICIARY IN SUPPORT OF ITS DEMAND FOR PAYMENT. BENEFICIARY MAY THEREAFTER PRESENT DOCUMENTS AND RECEIVE PAYMENT HEREUNDER IN THE EVENT A CONFORMING PRESENTATION IS MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRY DATE HEREOF, OR ANY FUTURE EXPIRY DATE, UNLESS AT LEAST 90 DAYS PRIOR TO ANY EXPIRY 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.

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.

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS, FEES, COSTS, AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. 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; STATE OF NEW YORK], INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK]. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
3. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS, AND THEN ONLY TO THE EXTENT THAT, THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER EXPRESSLY WAIVING SUCH RIGHT OR RIGHTS. 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 ANY BREACH OR NON-COMPLIANCE AFTER THE WAIVER.
4. A FAILURE TO MAKE ANY 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 ANY SUBSEQUENT DEMAND OR 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 6 – 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 Two North Ninth Street, Allentown, PA 18101, in consideration of all Transactions for Default Service and Alternative Energy Credit under Supplier Master Agreement(s) (“SMA(s)”) between PPL Electric Utilities Corporation and \_\_\_\_ (the “Seller”), including but not limited to all transactions under other agreements providing for default service or similar service, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the \_\_\_\_ of Seller. Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings assigned thereto in the applicable SMA(s).

Whereas, Seller is an affiliate of Guarantor, and Guarantor desires Buyer to enter into SMA(s) with Seller and Guarantor’s provision of this Guaranty is an inducement for Buyer to be willing to enter into SMA(s) with Seller.

Now, therefore, intending to be legally bound hereby, Guarantor covenants and agrees as follows:

1. Guaranty of Obligations.
  - (a) The Guarantor hereby irrevocably and unconditionally guarantees as primary obligor and not as a surety, with effect from date hereof, the prompt and complete payment in immediately available funds in the United States when due of all of Seller’s obligations (present or future, direct or indirect, secured or unsecured, fixed or contingent and whenever due, whether on scheduled payment dates, upon demand, on a Termination Payment Date or otherwise) under the SMA(s), as well as, 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”) 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. [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 Guarantor shall not be required to pay any consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages except in each case to the extent that they constitute Obligations that are required to be paid under the applicable SMA(s).

## 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 proceed first against Seller or any performance assurance or any collateral that Guarantor may hold, or to pursue any rights which may be available to it with respect to any other person or entity who may be liable for the payment of the Obligations. This is not a guaranty of performance (other than of performance of payment obligations) and the Guarantor is not obligated to provide power or to deliver AECs 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) have been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Buyer or any other party, or any other guaranty, performance assurance or other 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, performance assurance, or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof.
- (c) Except as to any claims, defenses, or rights of set-off to which Seller is entitled under the SMA(s), exclusive of any claims, defenses, and rights of set-off that are based upon the insolvency, bankruptcy or reorganization of Seller, the power or authority to enter into and perform under the SMA(s) or the Transactions, 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 Buyer or any other person or entity exhaust any right to take any action against Seller or Seller's assets or any other guarantor, person or entity, and Buyer shall not be bound or obligated to exhaust its recourse against Seller or any other person or entity or against any performance assurance or other collateral it may hold or take any other action before being entitled to receive payment from Guarantor. Any failure of Buyer to give notice shall not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all claims, defenses, and rights of set-off 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, defenses, or rights of set-off of Seller in respect of its obligations under the SMA(s) that are expressly reserved under Section 2(c) above.

- (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 performance assurance or any guaranty; or (v) take such actions and exercise such remedies hereunder or under the SMA(s) as Buyer deems appropriate in its sole discretion.

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, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law);

- (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;
- (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 could reasonably be expected to have a material adverse effect on this Guaranty or Guarantor's ability to perform all of its obligations hereunder.

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 shall 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. Furthermore, this Guaranty shall continue to be effective or be reinstated, as the case may be, without any release or discharge of any obligations if at any time any payment of any of the Obligations is rescinded, avoided, recovered or must otherwise be returned by Buyer upon the insolvency, bankruptcy, or reorganization of Seller, Guarantor or any other guarantor or any other person or entity or otherwise, all as though such payment had not been made.

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. Guarantor shall not be subrogated to any of the rights (or if subrogated by operation of law, such Guarantor hereby waives such rights to the extent permitted by applicable law) of Buyer as the result of any payment or enforcement of any of the Obligations until all of the SMA(s) have terminated and all Obligations (other than contingent indemnities not then due) have been paid in full (such date, the "Obligations Full Payment Date"). If any amount shall be paid to Guarantor on account of subrogation at any time prior to the Obligations Full Payment Date, such amount shall be held by Guarantor in trust for Buyer, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to Buyer in the exact form received by Guarantor (duly endorsed by Guarantor to Buyer, if required) to be applied against the Obligations, whether due or to become due, in such order as Buyer may determine. On the Obligations Full Payment Date, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payments to Buyer hereunder that have not been rescinded, avoided or otherwise required to be returned.
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: James Rouland  
Phone: 610-774-3042  
Fax: 610-774-5694  
E-mail: [jmrouland@pplweb.com](mailto:jmrouland@pplweb.com)  
Address: 2 North 9<sup>th</sup> Street, GEN N5, Allentown, PA 18101

or such other address as the Buyer shall from time to time specify to Guarantor by notice given in accordance with this Section 7.

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 by notice given in accordance with this Section 7.

8. Preservation of Rights. 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 or in respect of any performance assurance or 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 statement of the terms of this Guaranty 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 the successors and permitted assigns of Guarantor and inure to the benefit of the Buyer and its successors and assigns. Any assign must meet the requirements of a Guarantor under the SMA. Guarantor shall not assign this Guaranty in whole or in part without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, 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 concurrently assumes in a writing provided to the Buyer all of Guarantor's obligations hereunder 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 Baa3, as rated by Moody's, and (ii) the Seller is in compliance with all of its obligations under the SMA(s) before and immediately after giving effect to such assignment and assumption. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings (or, if unavailable, the most current corporate issuer rating) 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 SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES THAT WOULD APPLY THE LAWS OF ANY OTHER JURISDICTION.
  
  - (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 jointly 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 agrees 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 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.
18. Severability. Any provision contained in this Guaranty which is prohibited or severability in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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: \_\_\_\_\_



# Attachment C



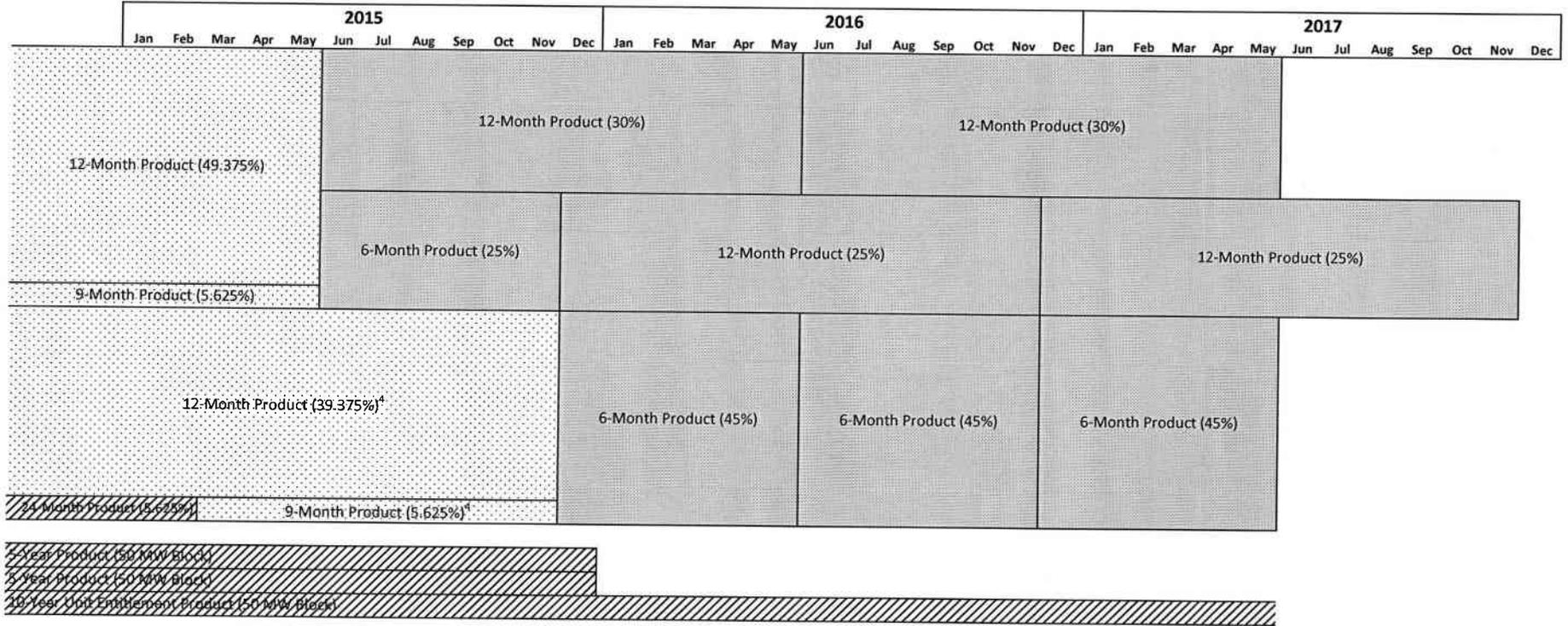
DSP I Product



DSP II Product



DSP III Product



- Notes:
- (1) All products are fixed price full requirements service except where noted.
  - (2) Auctions will be held every six months approximately two months prior to the start of delivery.
  - (3) The first auction will be held at the end of March 2015.
  - (4) Original DSP-II product term extended 6 months to continue supply product laddering.



# Attachment D

**GENERATION SUPPLY CHARGE-1**

**(C)**

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 and RTS (R), small commercial and industrial customers who take BUSS service under Rate Schedules GS-1, GS-3, GH-2 (R), IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R) and 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 100 kW or greater, but the GSC-1 will apply to those Rate Schedule LP-4 customers who have a peak demand of less than 100 kW. For billing purposes, this peak demand will be based on the customer's ICAP peak load contribution to PJM peak load assigned for the 2015-2016 PJM Planning Year. The GSC-1 shall have the options listed below.

**(C)**

**FIXED PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL**

**PURPOSE**

The Fixed Price Option provides eligible customers in the Residential and Small Commercial/ Industrial Customer Class with default electric service for those customers who have not selected a retail electric generation supplier (EGS) or the TOU Program.

**(C)**

**PRICING PROVISIONS**

The Fixed Price GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for service provided during the billing month:

$$\text{Fixed Price GSC-1} = \left[ \frac{GS_{fp}}{S_{fp}} - \frac{E}{S} \right] \times \frac{1}{(1-T)} \quad \text{(C)}$$

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 as designated above.

**GS<sub>fp</sub>** = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers on the Fixed Price Option 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.

The computation period shall be the six calendar months over which the Fixed Price 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 period 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 June 1, 2015, shall be amortized ratably over the 24-month period June 1, 2015, through May 31, 2017, and the semi-annual amortization amount shall be included in the computation of the GSC-1.

(Continued)

**GENERATION SUPPLY CHARGE – 1 (Continued)**

**(C)**

**FIXED PRICE SERVICE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)**

- E** = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers on the Fixed Price Option, and the Time-of-Use Program Contingency Plan, if in effect, for the applicable Customer Class. These costs will be computed as of the end of the calendar month ended one month prior to the beginning of the computation period, and will include 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. In addition, this E factor will include any remaining over or undercollection balance as of May 31, 2015 related to application of the GSC-1.
- S<sub>fp</sub>** = The Company's total retail KWH sales to participating BUSS customers on the Fixed Price Option in the applicable Customer Class, projected for the computation period.
- S** = The Company's total retail KWH sales to participating BUSS customers on the Fixed Price Option and the Time-of-Use Program Contingency Plan, if in effect, in the applicable Customer Class.
- T** = The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing month, expressed in decimal form.

**(C)**

Minimum bills shall not be reduced by reason of the GSC-1, nor shall GSC-1 charges be a part of the monthly rate schedule minimum. The GSC-1 shall not be subject to any credits or discounts and Part 2 of the STAS shall apply.

The following GSC-1 charges apply for the Fixed Price Option during the period June 1, 2015 through November 30, 2015.

Customer Class	Small I&C	Residential
Rate Schedule / Charge	GS-1, GS-3 (< 100 kW), LP-4 (< 100 kW), IS-1 (R), BL, and GH-2 (R) \$0.XXXXX/KWH/KWH	RS and RTS (R) \$0.XXXXX/KWH

Small I&C – Street Lights									
Rate Schedule/ Charge	SA	SM (R)		SHS		SE	TS (R)	SI-1 (R)	
	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	\$/KWH	\$/Watt	Lumens	\$/Lamp
	X.XXX		3,350	X.XXX	5,800	X.XXX	0.XXXXX	0.XXXXX	600
		6,650	X.XXX	9,500	X.XXX	1,000			X.XXX
		10,500	X.XXX	16,000	X.XXX	4,000			X.XXX
		20,000	X.XXX	25,500	X.XXX				
		34,000	X.XXX	50,000	X.XXX				
		51,000	X.XXX						

(Continued)

**(D)** Indicates Decrease    **(I)** Indicates Increase    **(C)** Indicates Change

Issued:

Effective:

---

GENERATION SUPPLY CHARGE -1 (Continued)

(C)

TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL

PURPOSE

Beginning on June 1, 2015, this Time-of-Use (TOU) Program provides eligible existing (C) and new residential and small commercial/industrial customers the opportunity to shift energy usage away from the on-peak periods, when wholesale electricity demand and prices are high, to off-peak periods, when demands and prices are lower. Eligible customers must meet the APPLICATION PROVISIONS of this TOU Program.

(Continued)

---

GENERATION SUPPLY CHARGE – 1 (Continued)

TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL  
(Continued)

TOU PROGRAM

(C)

The Company has received approval from the Pennsylvania Public Utility Commission (Commission), at Docket P-2013-2389572, for a TOU Program with provisions as follows. The Company has solicited retail electric generation suppliers (EGS) that meet certain eligibility requirements to offer TOU service to residential and small commercial/industrial customers. The Company will provide on its website, or if requested through other means, contact information for those qualifying EGSs. Customers may take TOU service from one of the qualifying EGSs based on terms agreed to between the customer and the EGS, except that the EGS's contract term may not be less than three calendar months, and if a participating TOU customer elects to no longer receive TOU service from a qualified EGS, the EGS may not charge a termination fee. Peak and off peak times and rates are established at the discretion of the EGS, except that the off peak discounted pricing hours may not include 2:00 PM to 6:00 PM, Monday through Friday during June, July and August, except Independence Day.

Customers taking service under this TOU Program do not receive Basic Utility Supply Service (BUSS) as defined in Rule 1 of this Tariff.

CONTINGENCY PLAN

In the event no EGSs participate in this TOU program, or if all of the participating EGSs opt out of the program or default on the program's requirements during the term of the TOU Program, resulting in no TOU rate option being offered to residential or small commercial/industrial customers that desire it, the Company will expeditiously seek approval of a new subsequent TOU program.

The Contingency Plan will be implemented separately for residential customers and small commercial/industrial customers. The Company will recover all costs of implementing the Contingency Plan through this Generation Supply Charge - 1.

(Continued)

**GENERATION SUPPLY CHARGE -1 (Continued)**

**(C)**

**TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL  
(Continued)**

**APPLICATION PROVISIONS**

**(C)**

This TOU Program is available to existing and new residential and small commercial/industrial customers who are served, or qualify to be served, under Rate Schedules RS, RTS(R), GS-1, GS-3 (customers with peak demands less than 100 KW), GH-2 (R), and IS-1 (R). This includes Volunteer/Non-Profit organizations (Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services) served under Rate Schedules GS-1 and GS-3, but does not include customers in the Company's OnTrack program. Customers taking service under the above-referenced rate schedules, who also participate in the Company's Net Metering for Renewable Customer Generator programs, are eligible for the TOU Program.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL  
(Continued)

TERMINATING PARTICIPATION

A customer may leave this TOU Program after providing notice to the EGS. The customer, if still receiving BUSS, will return to the standard Fixed Price GSC-1.

GSC – 1 RECONCILIATION PROVISIONS -

(C)

The GSC-1 shall be filed with the Commission ten (10) days prior to the effective date of the rate for each computation period. The rate shall become effective for BUSS service rendered during the computation period, unless otherwise ordered by the Commission, and shall remain in effect for six calendar months.

The Company will file with the Commission ten (10) days prior to each computation period, a reconciliation of GSC-1 actual billed revenues and actual incurred costs for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation period and shall remain in effect for a period of six calendar months, or until new GSC-1 rates are approved by the Commission.

The reconciliation will be conducted separately for each of the two Customer Classes. The reconciliation will include a calculation of the adjustment to the GSC-1, in cents per kWh, required to refund or recover previous application period over or under recoveries of the generation supply acquisition costs. Any over/under collection will be reflected in the GSC-1 charges for the subsequent computation period.

The Company shall file a report regarding GSC-1 over/under collections within thirty (30) days following the conclusion of each computation period. These reports shall be in a form prescribed by the Commission.

Application of the GSC-1 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-1 and the costs included therein.

**GENERATION SUPPLY CHARGE-2**

**(C)**

The Generation Supply Charge-2 (GSC-2) shall be charged to each customer in the Large Commercial & Industrial Customer Class who takes Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules LP-4, LP-5, LPEP, and standby service for the foregoing rate schedules. The GSC-2 will not apply to those Rate Schedule LP-4 customers who have a peak demand of less than 100 kW, but the GSC-2 will apply to those Rate Schedule GS-3 customers who have a peak demand of 100 kW or greater. This peak demand will be based on the customer's ICAP peak load contribution assigned for the 2015-2016 PJM Planning Year. The GSC-2 shall have one rate option provision: Hourly Default Service Option.

**PURPOSE**

The Hourly Default Service Rate Option provides default electric generation service to eligible customers in the Commercial & Industrial Customer Class who have not selected an alternative generation supplier.

**PRICING PROVISIONS**

All of the following charges apply to this rate option.

- **GSC-2 Energy Charge per KWH:** The product of actual real-time PL Zone Locational Marginal Prices for each hour of the billing month expressed in cents per KWH times the customer's actual energy use, adjusted for losses, during each hour of the billing month.
- **GSC-2 Capacity Charge:** The product of the PJM Reliability Pricing Model ("RPM") price of capacity expressed in dollars per KW-Day, as reported by PJM for the PL Zone, for the applicable billing month times the customer's fixed peak load capacity obligation, as determined by the Company in accordance with the applicable PJM Agreements, times the number of days in the billing month.
- **GSC-2 Administrative Charge per KWH:** The product of all administrative charges (both the (C) supplier's charges and PPL Electric's charges) expressed in cents per KWH times the customer's actual energy use, adjusted for losses, during each hour of the billing month. The supplier's charges shall be the supplier's winning bid in PPL Electric's most recent solicitation for supply of default service to customers in the Large C&I Customer Class. The supplier's charges may include, but are not limited to, the costs of transmission service (other than non-market-based transmission service charges), ancillary services, congestion management costs, and such other services or products that are required to supply hourly default service to customers in the Large C&I Customer Class, including Alternative Energy Credits. PPL Electric's charges shall be a monthly pro rata amortization of the actual costs incurred by the Company to acquire generation supply from any source for the Large C&I Customer Class during the most recent 12-month period ended May 31 (as determined by amortizing such costs ratably over a 12-month period) plus the monthly amortization of the cost of administering that program prior to June 1, 2015 (as determined by amortizing such costs ratably over the 24-month period June 1, 2015 through May 31, 2017). In addition, the over or undercollection will include any remaining over or undercollection balance as of May 31, 2015 related to application of the GSC-2 for the Large Commercial and Industrial Customer Class.

(Continued)

**GENERATION SUPPLY CHARGE-2 (CONTINUED)**

**(C)**

The following rate components of the GSC-2 shall be filed with the Pennsylvania Public Utility Commission (Commission) thirty (30) days prior to each application year (June 1 through May 31). The rate components subject to this filing requirement are: (1) the supplier's charges to be included in the GSC-2 Administrative Charge and (2) PPL Electric's charges to be included in the GSC-2 Administrative Charge. The reconciliation of the GSC-2 will be the difference between the actual administration costs incurred and the applicable billed revenue for the computation period. These rate components, as well as any net over or undercollection of these rate components as of the end of the 12-month period ending April 30 immediately preceding the computation period and set forth as a separate E-factor reconciliation component, shall become effective for BUSS rendered on and after the following June 1, and shall remain in effect for a period of one year.

**(C)**

By May 1 of each year, the Company will file with the Commission the experienced net over or undercollection of the GSC-2 associated with the above-identified costs that are incurred to provide generation supply for participating BUSS customers as of the end of the calendar month ending one month prior to the computation period, 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.

The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within the tariff) in effect during the billing month shall apply to charges under the GSC-2.

Minimum bills shall not be reduced by reason of the GSC-2, nor shall GSC-2 charges be a part of the monthly rate schedule minimum. The GSC-2 shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply.

The Company shall file a report regarding GSC-2 collections within thirty (30) days following the conclusion of each computation year. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC-2 for the next computation year.

Application of the GSC-2 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-2 and the costs included therein.

**TRANSMISSION SERVICE CHARGE**

**(C)**

The Transmission Service Charge (TSC) shall be applied to charges for electricity supplied to customers who receive Basic Utility Supply Service ("BUSS"), as defined in Rule 1B(1), from the Company under this Tariff.

The TSC shall be computed separately for each of the following four customer classes:

- (1) Residential: Consisting of Rate Schedules RS and RTS (R),
- (2) Small Commercial and Industrial: Consisting of Rate Schedules GS-1, GS-3, IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R), SI-1 (R), and GH-2 (R) (Small C&I),
- (3) Large Commercial and Industrial – Primary: Consisting of Rate Schedule LP-4 (Large C&I – Primary), and
- (4) Large Commercial and Industrial – Transmission: Consisting of Rate Schedules LP-5, LPEP and L5S (Large C&I – Transmission).

The TSC, computed using the formulae described below, shall be applied to the monthly bill of each customer receiving BUSS service from the Company and shall be reconciled on an annual basis for undercollections and overcollections experienced during the previous year.

The TSC for the Residential class and the Small C&I class shall be computed using the following formula:

$$TSC = [TCe/S + TCd/S - E/S] \times 1/(1-T)$$

The TSC for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formulae:

$$TSC = TSCd + TSCe$$

The demand – related portion of the TSC (TSCd) for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formula:

$$TSCd = [TCd/D] \times 1/(1-T)$$

The other portion of the TSC (TSCe) for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formula:

$$TSCe = [TCe/S - E/S] \times 1/(1-T)$$

Where:

TCd = The demand-related (kW) portion of the charges that the Company incurs to provide transmission service (including ancillary service charges and all non-market-based transmission service charges) to customers who receive BUSS service from the Company. These charges are all Federal Energy Regulatory Commission (FERC)-approved charges imposed by PJM Interconnection, LLC (PJM) on a kW basis. These charges are allocated to each customer class based upon the contribution of that class to the 5 coincident peaks used by PJM to establish such demand – related charges.

TCe = All other charges not recovered through TCd that the Company incurs to provide transmission service (including ancillary service charges and all non-market-based transmission service charges) to customers who receive BUSS service from the Company. These charges are all FERC-approved charges imposed by PJM on any basis other than a kW basis. These charges are allocated to each customer class based upon the projected kWh usage of that class, including estimated distribution system losses during the computation year.

(Continued)

**TRANSMISSION SERVICE CHARGE (CONTINUED)**

**(C)**

- D = For the Large C&I – Primary customer class, the total of the monthly billing demands for all customers in the class, projected for the computation year. For the Large C&I – Transmission customer class, the total of the monthly contributions of all customers in the class to the Company’s 5 coincident peaks used by PJM to establish such demand – related charges.
- E = Net over or undercollection of the TCe and TCd charges associated with the acquisition of transmission service as of the end of the 12-month period ending April 30 immediately preceding the computation year, including applicable interest. Reconciliation of the TSC will be conducted separately for each of the four customer classes. Beginning with the reconciliation period ending April 30, 2013, the percentage of demand-related costs assigned to each customer class will change monthly to reflect the class’ actual share of default service peak load responsibility in that month. Interest shall be computed monthly at the appropriate rate, as provided for in Section 1308(d) of the Public Utility Code, from the month the over or undercollection occurs to the effective month that the overcollection is refunded or the undercollection is recouped.
- S = The Company’s total retail KWH sales to customers in each customer class who receive BUSS under this tariff (including distribution losses) projected for the computation year.
- T= The total Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing period, expressed in decimal form.

The TSC shall be filed with the Pennsylvania Public Utility Commission (Commission) by May 1 of each year. The TSC rate shall become effective for transmission service acquired on behalf of BUSS customers and rendered to those customers on or after the following June 1, unless otherwise ordered by the Commission, and shall remain in effect for a period of one year, unless revised on an interim basis subject to the approval of the Commission. Upon determination that a customer class's TSC, if left unchanged, would result in a material over or undercollection of all transmission service charges incurred or expected to be incurred during the current 12-month period ending April 30, the Company may file with the Commission for an interim revision of the TSC to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

Reconciliation of the TSC will be conducted separately for each of the four Customer classes. The reconciliation will include a calculation of the application period over or under recoveries of transmission service costs. The reconciliation of the TSC will be the difference between actual transmission service costs incurred and actual revenue billed for the application period.

Minimum bills shall not be reduced by reason of the TSC, nor shall charges hereunder be a part of the monthly rate schedule minimum. The TSC shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply.

The Company shall file a report of collections under the TSC within thirty (30) days following the conclusion of each computation-year quarter. These reports will be in a form prescribed by the Commission. The third-quarter report shall be accompanied by a preliminary forecast of the TSC for the next computation year.

Application of the TSC shall be subject to review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the TSC and the costs included therein.

(Continued)

**TRANSMISSION SERVICE CHARGE (CONTINUED)**

(C)

**TRANSMISSION SERVICE CHARGE**

(C)

Changes under the TSC for the period June 1, 2015 through May 31, 2016, as set forth in the applicable Rate Schedules.

Customer Class	Large I&C - Transmission	Large I&C - Primary	Small I&C	Residential
Rate Schedule / Charge	L5S, LP-5 and LPEP	LP-4	GS-1, GS-3, IS-1 (R), BL and GH-2 (R)	RS and RTS (R)
Energy Rate (\$/kWh)			0.XXXXX	0.XXXXX
Demand Rate (\$/kW)	X.XXX	X.XXX		

Small I&C – Street Lights									
Rate Schedule/ Charge	SA	SM (R)		SHS		SE	TS (R)	SI-1 (R)	
	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	\$/KWH	\$/Watt	Lumens	\$/Lamp
	X.XXX		3,350	X.XXX	5,800	X.XXX	0.XXXXX	0.XXXXX	600
		6,650	X.XXX	9,500	X.XXX	1,000			X.XXX
		10,500	X.XXX	16,000	X.XXX	4,000			X.XXX
		20,000	X.XXX	25,500	X.XXX				
		34,000	X.XXX	50,000	X.XXX				
		51,000	X.XXX						

(I) Indicates Increase (D) Indicates Decrease (C) Indicates Change

Issued:

Effective: June 1, 2015