

1. REPORT DATE: 00/00/00 :  
 2. BUREAU: FUS :  
 3. SECTION(S) : 4. PUBLIC MEETING DATE:  
 5. APPROVED BY: : 00/00/00  
   DIRECTOR: :  
   SUPERVISOR: :  
 6. PERSON IN CHARGE: : 7. DATE FILED: 08/02/06  
 8. DOCKET NO: P-00062227 : 9. EFFECTIVE DATE: 00/00/00

PARTY/COMPLAINANT: COMPETITIVE BRIDGE PLAN

RESPONDENT/APPLICANT: PPL ELECTRIC UTILITIES CORP

COMP/APP COUNTY: UTILITY CODE: 110500

ALLEGATION OR SUBJECT

PPL ELECTRIC UTILITIES CORPORATION FILED A PETITION FOR APPROVAL OF A COMPETITIVE BRIDGE PLAN TO ESTABLISH THE TERMS AND CONDITIONS UNDER WHICH PPL ELECTRIC WILL SUPPLY PROVIDER OF LAST RESORT SERVICE DURING 2010, AS A TRANSITION TO A FULLY COMPETITIVE STATEWIDE MARKET BEGINNING JANUARY 1, 2011.....

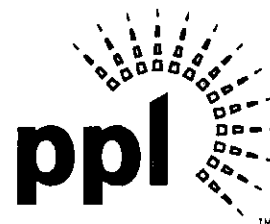
DOCUMENT  
FOLDER

**DOCKETED**  
AUG 02 2006

ORIGINAL

Paul E. Russell  
Associate General Counsel

PPL  
Two North Ninth Street  
Allentown, PA 18101-1179  
Tel. 610.774.4254 Fax 610.774.6726  
perussell@pplweb.com



**HAND DELIVERED**

August 2, 2006

James J. McNulty, Esquire  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, Pennsylvania 17120

DOCUMENT  
FOLDER

RECEIVED  
2006 AUG -2 AM 11:54  
PA PUC  
SECRETARY'S BUREAU

**Re: Petition of PPL Electric Utilities Corporation  
for Approval of a Competitive Bridge Plan  
Docket No. P-00062227**

Dear Mr. McNulty,

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") are an original and three (3) copies of the Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Plan ("CBP"). The CBP consists of proposal for competitive procurement of Provider of Last Resort supply for 2010, enhancement of demand side response programs, expanded consumer education and increased assistance for low-income customers. PPL Electric respectfully requests that the Commission rule on this petition no later than January 31, 2007.

As indicated on the attached Certificate of Service, PPL Electric has served copies of the enclosed petition upon the Public Utility Commission's Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate.

If you have any questions regarding the enclosed filing, please call.

Very truly yours,

Paul E. Russell

Enclosures

cc: J. Edward Simms, Esquire  
Irwin A. Popowsky, Esquire  
William R. Lloyd, Esquire

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Petition of PPL Electric Utilities :  
Corporation for Approval of a :  
Competitive Bridge Plan :

Docket No.

P-0006<sup>2227</sup>

---

CERTIFICATE OF SERVICE

---

I hereby certify that I have this day served a true copy of the foregoing documents upon the participant(s), listed below, in accordance with the requirements of §1.54 (relating to service by a participant):

J. Edward Simms, Esquire  
Office Of Trial Staff  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 3rd Floor West  
Harrisburg, PA 17120

Irwin A. Popowsky, Esquire  
Office Of Consumer Advocate  
555 Walnut Street  
5<sup>th</sup> Floor Forum Place  
Harrisburg, PA 17101-1923

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

PA PUC  
SECRETARY'S BUREAU

2006 AUG -2 AM 11:54

RECEIVED

Dated this 2<sup>nd</sup> day of August, 2006.



---

Paul E. Russell, Esquire  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
(610) 774-4254  
FAX: 610-774-6726  
E-mail: [perussell@pplweb.com](mailto:perussell@pplweb.com)

ORIGINAL

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED  
2006 AUG -2 AM 11:54  
PA PUC  
SECRETARY'S BUREAU

Re: Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Plan

Docket No.

P-00062227

Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Plan

DOCUMENT  
FOLDER

Pursuant to 52 Pa. Code § 5.41, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby requests approval of a Competitive Bridge Plan ("CBP") to establish the terms and conditions under which PPL Electric will supply Provider of Last Resort ("POLR") service during 2010, as a transition to a fully competitive statewide market beginning January 1, 2011. The CBP consists of proposals for competitive procurement of POLR supply for 2010, enhancement of demand-side response ("DSR") programs, expanded consumer education and increased assistance for low-income customers. PPL Electric requests a 2007 effective date for the CBP, although several of its components, including new POLR service rates, will not take effect until January 1, 2010. PPL Electric respectfully requests that the Pennsylvania Public Utility Commission ("PUC" or the "Commission") approve the CBP as further described in this Petition and attachments thereto.

DOCKETED  
AUG 02 2006

## I. Introduction

1. 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 ("Code"). 66 Pa. C.S. Chapter 28. In summary, Chapter 28 deregulated the generation of electricity, established certain caps on rates charged by electric distribution companies ("EDCs") and permitted EDCs to recover stranded costs during transition periods that extend, in some cases, until the end of 2010. To implement these various changes, Section 2806(d) required all EDCs in Pennsylvania to file restructuring plans with the Commission. 66 Pa. C.S. § 2806(d). In addition, Section 2807(e)(1) required each EDC to act as POLR for its non-shopping customers until the end of the EDC's transition period. 66 Pa. C.S. § 2807(e)(1).

2. Pursuant to the statutory requirements discussed above, on April 1, 1997, PPL Electric's predecessor (Pennsylvania Power & Light Company) submitted a comprehensive restructuring plan to the Commission. After evidentiary hearings, issuance of a recommended decision, entry of a final PUC order and extensive post-order settlement discussions, the Company and virtually all other active parties reached a settlement of that restructuring case. Joint Petition for Full Settlement of PPL, Inc.'s Restructuring Plan and Related Court Proceedings, Docket No. R-00973954 ("Restructuring Settlement"). In a final order entered August 27, 1998, the Commission approved the Restructuring Settlement. Application of Pennsylvania Power & Light Company for Approval of its Restructuring Plan Under Section 2806 of the Public Utility Code, Docket No. R-00973954 ("Restructuring Order").

3. Among other things, the Restructuring Settlement extended PPL Electric's generation rate cap from the end of 2005 to the end of 2009. Restructuring Settlement, Section B.3. It also confirmed that PPL Electric would continue to serve as the POLR for its non-shopping retail customers for the duration of the stranded cost recovery period, i.e., through December 31, 2009. Restructuring Settlement, Section C.1. To meet its POLR obligation within the rate cap constraints, PPL Electric issued a request for proposals ("RFP") to obtain, through a competitive bidding process, the required supply of energy and capacity. PPL EnergyPlus, LLC, an affiliate of PPL Electric, was the winning bidder. On June 20, 2001, the parties executed a generation supply agreement ("GSA") under which PPL Electric purchases its POLR supply requirements from PPL EnergyPlus. On July 13, 2001, the Commission approved the GSA. *Affiliated Interest Agreement Between PPL Electric and PPL EnergyPlus for the Supply by PPL EnergyPlus of Wholesale Capacity and Energy Sufficient to Meet 100% of PPL Electric's Obligation as a Provider of Last Resort*, Docket No. G-00010886.

4. PPL Electric has made extraordinary efforts to keep its rates within the POLR rate caps and, thereby, avoid the need to request any exceptions to those limitations. 66 Pa. C.S. § 2804(4)(iii). The price that the Company pays for supply under the GSA is equal to the revenues it bills to its POLR customers. There is no provision in the GSA for an increase in those prices other than the annual increases established by the Restructuring Settlement. To obtain these guaranteed prices, PPL Electric was required to provide its supplier with a one-time up-front payment of approximately \$90 million. The Company did not seek to recover any part of this payment from its retail customers. Finally, there is no provision in the

GSA permitting either party to terminate or modify the agreement before December 31, 2009. There can be no doubt that PPL Electric has honored all of its rate cap commitments under both the Restructuring Settlement and the Restructuring Order.

5. By its terms, the GSA terminates on December 31, 2009, and, after that date, PPL EnergyPlus has no obligation to provide generation supply to PPL Electric. GSA, Article 2.1. As a result, beginning January 1, 2010, PPL Electric must obtain the supply needed to meet its POLR obligations from the competitive market. The price for that supply will be set by the market and ultimately reflected in the POLR rates charged to its retail customers.

6. Over the past year, significant price increases resulting from the end of rate caps and the purchase of POLR supply in the competitive market have become an important public policy issue. For example, in its order scheduling an en banc hearing to address this issue, the Commission cited the experience of Pike County Light and Power Company (an increase of over 70% in total electric bills beginning in 2006), Delmarva Power Company (an increase of 59% in residential rates beginning May 1, 2006) and Baltimore Gas & Electric Company (an increase of 72% in total electric bills beginning July 1, 2006). Policies to Mitigate Potential Electricity Price Increases, Docket No. M-00061957, Order Entered May 24, 2006 ("Price Mitigation Proceeding").

7. PPL Electric believes, based on current forward market prices for generation in 2010, that its total POLR rate increase on January 1, 2010 should be much smaller than those cited above. The Company currently estimates that the increase will be on the order of 20% to 30%. This amount is still substantial,

however, and could be higher or lower based on actual market prices at that time. PPL Electric, therefore, believes it is prudent to take action now to begin to obtain POLR supply for 2010, which may help to moderate POLR rate increases on January 1, 2010.

8. To that end, PPL Electric proposes, in this filing, a CBP consisting of the following major components:

- a three-year competitive procurement program, beginning in 2007, to obtain all of the supply needed to meet the Company's POLR obligations in 2010;
- enhancements of the Company's existing DSR programs;
- a three-year consumer education program beginning in 2007; and
- an increase in assistance for low-income customers beginning January 1, 2010.

Each of these initiatives is discussed in more detail below and in the attachments to this Petition.

9. It is important to emphasize that PPL Electric's proposals address POLR procurement and rate issues only for 2010. The following year, on January 1, 2011, transition periods end for the other major EDCs in Pennsylvania – Metropolitan Edison Company, Pennsylvania Electric Company, PECO Energy Company and West Penn Power Company. PPL Electric anticipates that, well before January 1, 2011, the Commission will promulgate comprehensive regulations to address POLR procurement and rate issues for 2011 and beyond. In fact, the Commission's rulemaking process is well underway with draft regulations currently in the review process. *Rulemaking re Electric Distribution Companies' Obligation to*

Serve Retail Customers at the Conclusion of the Transition Period Pursuant to 66 Pa C.S. § 2807(e)(2), Docket Nos. L-00040169 and M-00041792 ("POLR Rulemaking").

10. As explained in its comments in the above-referenced rulemaking, PPL Electric believes that the Commission's POLR regulations should establish a statewide descending clock auction that all Pennsylvania EDCs will use to obtain POLR supply beginning in 2011. However, in this filing, PPL Electric is proposing to issue a series of RFPs to obtain POLR supply for 2010. The Company is proposing this approach for 2010, rather than its preferred auction approach, for two reasons. First, because several major Pennsylvania EDCs will remain under POLR rate caps until 2011, the solicitations for 2010 POLR supply cannot be structured on a statewide basis. Second, because the 2010 solicitation is for only one year and involves only PPL Electric, it would not be cost effective to establish an auction process. Although PPL Electric's preferred approach for obtaining POLR supply after 2010 continues to be a statewide descending clock auction, the Company is not seeking approval of that mechanism in this filing.

11. Although the Company anticipates that the Commission's POLR regulations will be in place for 2011, it proposes alternatives to address other potential outcomes. If the regulations are not in place for 2011, PPL Electric will submit another filing with the Commission requesting permission to implement a descending clock auction to obtain POLR supply for 2011 and beyond. In order to "ladder in" supply over a three-year period, that auction would begin in 2008 to obtain the first one-third of the POLR supply needed in 2011. Conversely, if the Commission's POLR regulations are effective before 2011, PPL Electric requests a waiver of those regulations to the extent necessary to honor any agreements for

2010 POLR supply previously entered into under the CBP. The Company believes that such a waiver is necessary to support its proposed three-year POLR procurement initiative. On a prospective basis, PPL Electric would comply fully with the Commission's POLR regulations.

12. Finally, PPL Electric's proposed approaches, both the RFP process for 2010 and the statewide descending clock auction for 2011 and beyond, are fully consistent with the development of a robust competitive wholesale market in PJM. Competition exists through the PJM wholesale market, and it has been highly successful. At the present time, there are approximately 390 buyers, sellers and traders participating in the competitive PJM energy markets. The markets themselves have expanded, with improved liquidity and an expanded family of products, including futures contracts. In addition, there has been a continued evolution of standard market rules and an increased transparency of market prices. These changes, combined with appropriate market oversight by FERC's Office of Enforcement, Division of Investigation and PJM's Market Monitoring Unit, have contributed to the stability necessary to attract market participants. Competition also has provided the incentives necessary to improve the operation of generating facilities. For example, aggregate generator availability in PJM, as measured by equivalent availability factors, has increased from 81% in 1994 to approximately 87% in 2004. In addition, the risk associated with large investments in new generation facilities now is borne by investors, not by customers, as was the case under regulation.

13. Some commentators have argued that recent price increases in the PJM wholesale markets reflect fundamental flaws in those markets. The

Company disagrees. In competitive markets, including the wholesale electricity market, prices are driven by changes in supply and demand and are expected to vary over time. The price increases in the PJM markets reflect increases in the component costs of energy, particularly fuel costs and environmental compliance costs. Since 2000, oil prices have increased by approximately 200%, natural gas prices by 300% and coal prices by 150%. The resulting increases in PJM market prices are to be expected and are not any indication of an inefficient market. Rather, *they are clear evidence that the market is functioning as it should.* However, PPL Electric supports efforts to moderate price volatility, particularly for smaller customers. The Company's CBP, with its three-year "laddered" procurements, is specifically designed to achieve price moderation for its POLR customers without unduly affecting retail competition.

## 2. Legal Requirements

14. The Company's basic statutory obligation to provide POLR or default service is set forth in Section 2807(e)(3) of the Code which provides as follows:

"If a customer contracts for electric energy and it is not delivered or if a customer does not choose an alternative electric generation supplier, the electric distribution company or commission-approved alternative supplier shall acquire electric energy at prevailing market prices to serve that customer and shall recover fully all reasonable costs."

66 Pa. C.S. § 2807(e)(3). The Company is proposing to obtain POLR supply for 2010 from the competitive market at prevailing market prices in a series of six individual procurements over a three-year period (2007-2009). PPL Electric

proposes to recover the blended costs of those procurements on a dollar-for-dollar basis from its retail POLR customers through a fully reconcilable rate mechanism that ensures PPL Electric will neither over or under recover these costs. For the reasons set forth in more detail below, PPL Electric believes that its proposal fully complies with the above-referenced statutory requirements.

15. Pursuant to Section 2807(e)(3), PPL Electric's basic statutory obligation regarding POLR service is to obtain power at prevailing market prices and to recover all reasonable costs from customers. Application of this provision, however, has been a matter of considerable controversy. The statute does not define the term "prevailing market prices," leaving that task to the Commission through the issuance of regulations, and the Commission has yet to issue those regulations in final form. Absent definitive guidance from the legislature or the Commission, PPL Electric has sought to apply the plain language of Section 2807(e)(3) in a manner consistent with Chapter 28 and the overall provisions of the Code. Specifically, PPL Electric proposes to acquire power through an RFP process, which by its nature, reflects prevailing market prices, and further proposes a fully reconcilable rate mechanism to ensure that it fully recovers the cost of that power, no more and no less.

16. In other POLR-related proceedings, some parties and commentators have contended that the term "prevailing market prices" requires the POLR provider to acquire power only in the short-term, spot market. These participants also have contended that the overriding purpose of Chapter 28 is to establish retail competition and that a "laddered" procurement approach, such as the one proposed by PPL Electric, might adversely affect retail competition and should

be rejected. PPL Electric disagrees with both of these contentions and does not believe they reflect an accurate reading of Section 2807, Chapter 28 and the Public Utility Code as a whole.

17. As noted above, the term "prevailing market prices," was not defined by the legislature; rather, the legislature directed the Commission to issue regulations interpreting and applying the term. This is clear and compelling evidence that the legislature intended to leave this issue to the Commission's broad administrative discretion. Under well-established case law, an administrative agency has very broad discretion in issuing regulations and its exercise of that discretion will be upheld unless the regulations bear no reasonable relationship to the underlying statutory provision on which they are based. Rohrbaugh v. Pa. PUC, 556 Pa. 199, 727 A.2d 1080 (1999) ("In evaluating the 'reasonableness' of any discretionary agency action, appellate courts accord deference to agencies and reverse agency determinations only if they were made in bad faith or if they constituted a manifest or flagrant abuse of discretion or a purely arbitrary execution of the agency's duties or functions."). Thus, there is no basis to contend that the legislature, in adopting Section 2807, intended to limit the term "prevailing market prices" to short-term, spot market prices.

18. This is further evidenced by the use of the term "prevailing market prices" in the plural, rather than the singular. There are many prevailing market prices for electricity, short-term, medium-term and long-term. There also is a wide variety of electricity products, including capacity, load following energy, around-the-clock energy, full requirements service, derivatives, hedges, etc. There is no one, single prevailing market price; rather, the prevailing market price will vary based

on a number of important factors. By using the plural term, the legislature obviously did not intend to restrict the Commission's discretion to consider only short-term spot prices in determining prevailing market price. Therefore, the procurement and pricing of POLR service should allow for the use of longer term contracts and a "laddered" procurement process such as the one proposed in this filing. Finally, it should be noted that customers participating in competitive retail markets have available to them products that represent fixed terms of various lengths. Clearly, the existence of these products demonstrates that the prevailing market is not simply a short-term market. As a consequence, limiting POLR service to only short-term products would ignore the true nature of the market and would be contrary to the "prevailing market prices" standard of the Competition Act.

19. PPL Electric's position on these issues is further supported by experience in other commodity markets, e.g., grain, soybeans, coffee, etc. A review of those markets reveals the availability of many different products that can be purchased on the spot market, in the futures market or over a specified term of years. As indicated above, competitive wholesale electricity markets currently reflect many different products and agreements. As these markets have matured, they more closely resemble other commodity markets. All market participants, including POLR entities, should be able to take advantage of the resulting market diversity.

20. Limiting the term "prevailing market prices" to only short-term prices also is inconsistent with the remainder of Section 2807(e)(3), which directs the POLR provider to recover all reasonable costs. Clearly, the legislature intended that the Commission would adopt, and the POLR entities would implement, a reasoned strategy for purchases designed to reflect customers' best interests. PPL Electric's

proposed CBP, which encompasses longer term "laddered" procurements rather than simply the acquisition of power at short-term, spot market prices, meets that standard.

21. PPL Electric believes that if generation supply for POLR default service is procured through a competitive process, as it proposes in this filing, then that supply will be acquired at "prevailing market prices." The Company does not agree that longer terms may lead to a divergence from the "prevailing market prices" standard. If the price for POLR supply is tied to the term of the procurement, and that supply is obtained through a competitive process, then the "prevailing market prices" standard is fully satisfied.

22. PPL Electric also does not agree that the purpose of Chapter 28 was to promote retail competition, at all costs. Although PPL Electric agrees that customer choice and competition are important objectives of the Act, the Company believes that implementation of the POLR provisions of the Act must be based on broader considerations. There is more to the Act than just the development of retail competition, regardless of the cost to customers.

23. For example, Item 6 of the Customer Choice Act's Declaration of Policy states: "The cost of electricity is an important factor in decisions made by businesses concerning locating, expanding and retaining facilities in this Commonwealth." 66 Pa. C.S. § 2802(6). As this statement demonstrates, the legislature considered job retention and expansion to be important purposes of the Act, and the Commission's efforts to implement the POLR provisions in the Act should also advance this purpose.

24. Similarly, Item 9 of the Customer Choice Act's Declaration of Policy states: "Electric service is essential to the health and well-being of residents, to public safety and to orderly economic development, and electric service should be available to all customers on reasonable terms and conditions." 66 Pa. C.S. § 2802(9) (emphasis added). In interpreting the POLR's duty to provide service to customers that do not receive service from an electric generation supplier, the Commission has the responsibility to approve POLR supply acquisition strategies that further this goal of reasonably priced electric service.

25. As demonstrated above, the intent of the Customer Choice Act is not limited solely to developing competition. The legislature's expectations, as expressed in the above-quoted Declarations of Policy, were that the Commission would balance competitive energy procurement with other factors such as business needs and availability of electric service on reasonable terms. This approach fully supports a conclusion that the Commission is authorized to approve a multi-year procurement as PPL Electric proposes in this filing.

26. Moreover, under generally accepted principles of statutory construction, a statute should be interpreted to give effect to all of its provisions. A particular piece of legislation should be construed as an integral part of the whole and not as a separate portion with independent meaning. 1 Pa. C.S. § 1922(2). Although it frequently is identified as the "Customer Choice Act," Chapter 28 of the Code addresses more than competition. For example, the section entitled "standards for restructuring of electric utility industry" identifies many other considerations, including safety, reliability, corporate reorganization, customer discrimination, universal service and energy conservation. 66 Pa. C.S. § 2804. Ratemaking

considerations in the Competition Act are broad and include flexible pricing to meet specific needs of a utility customer and Commission-approved performance-based rates. 66 Pa. C.S. § 2806(h) and (i). Accordingly, Chapter 28 should be evaluated in the context of this broad interpretation, including rate considerations, as well as competitive concerns.

27. The Statutory Construction Act also provides that statutes or parts of statutes are in pari materia when they relate to the same persons or things, and statutes in pari materia must be construed together, if possible, as one statute. 1 Pa. C.S. § 1932. In addressing implementation and enforcement of the Alternative Energy Portfolio Standards Act ("AEPS Act"), the Commission noted that both the AEPS Act and the Code "involve the regulation of electric distribution companies, electric generation suppliers and the sale of electric energy to retail customers in the Commonwealth of Pennsylvania. As such, the Act and the Public Utility Code are in pari materia and shall be construed together as one statute." Implementation of Alternative Energy Portfolio Standards Act of 2004, Docket No. M-00051865, Implementation Order entered March 25, 2005, at 3. The rationale for interpreting Chapter 28 and the Code in pari materia is even stronger. Both Chapter 28 and the Code address the regulation of electric utility service in Pennsylvania, including reliability, customer service and rate issues. Chapter 28 is a part of the Code and, in fact, is only one of 33 chapters in the Code. Taken as a whole, the Code addresses, in great detail, a wide range of regulatory issues, including establishment of reasonable rates and provision of safe, reliable and adequate service. 66 Pa. C.S. Chapter 13 and Chapter 15.

28. It is important to view PPL Electric's proposals within this broader statutory perspective. The Company has made an effort to recognize the wide range of considerations addressed in the Code and proposed an appropriate balancing of those interests. As the discussion below will demonstrate, the Company's CBP supports continued development of the competitive market while, at the same time, attempting to reduce the risk of "rate shock" on January 1, 2010.

3. Proposed Procurement of POLR Supply for 2010

29. The centerpiece of the Company's CBP is its proposal to obtain 2010 POLR supply in six competitive solicitations beginning in 2007. The primary components of that proposal are set forth below. Attachment 1 contains all the documents required to implement the competitive solicitations, including a draft RFP process and rules and a draft Provider of Last Resort Supply Master Agreement ("POLR SMA"). Most of these documents were developed utilizing documents that were approved for use in RFP processes by this Commission or the Maryland Public Service Commission.

30. PPL Electric is proposing multiple procurements of POLR supply to provide its customers with the benefits of dollar cost averaging over time. Because it is impossible to predict future wholesale market prices, some of the Company's procurements will be at higher prices and some will be at lower prices, but, over time, the overall cost will be an average of the year 2010 market prices prevailing at the times of the solicitations. It would not be appropriate for PPL Electric to speculate with customer's money in the wholesale market, and it is not proposing to do so.

Rather, the Company proposes six regularly scheduled procurements over a three-

year period in an effort to obtain the benefits of dollar cost averaging for its customers.

A. Proposed Process

31. The Company proposes to obtain its 2010 POLR supply utilizing a RFP process as a bridge to a fully competitive statewide market. This approach will support continued development of competitive wholesale markets. An independent third party would administer the RFP with continuing oversight by the Commission. PPL Electric proposes to obtain POLR supply for the following three separate Customer Classes: (1) residential; (2) small commercial and industrial (taking service at secondary voltage levels); and (3) large commercial and industrial (taking service at primary and transmission voltage levels). Purchasing capacity, energy, transmission and ancillary services for each separate Customer Class will enable the Company to assign the cost of obtaining POLR supply to the customers responsible for that cost.

32. The Company proposes to issue RFPs twice a year – in March and September of 2007, 2008 and 2009 – to purchase 2010 POLR supply for all Customer Classes, except the large commercial and industrial class. For these larger customers, the Company proposes to conduct two RFPs, both in 2009. The large commercial and industrial customers will have an opportunity in late 2008 to decide whether to select a fixed annual rate for 2010 and the Company will issue RFPs in 2009 to obtain POLR supply for those customers. Large commercial and industrial customers who do not timely elect the fixed annual POLR rate will be able to receive POLR service in 2010 at hourly rates.

33. These multiple procurements of POLR supply should help to avoid the problem encountered by some EDCs of purchasing all of their POLR supply at the time of a price spike in the competitive market. The different procurement schedule for the large commercial and industrial Customer Class recognizes the various shopping options available to those customers and the implications of those alternatives for PPL Electric's procurement efforts.

34. All qualified suppliers will have an opportunity to respond to the Company's RFP. Qualification is straightforward, requiring primarily that the supplier be a member in good standing of PJM Interconnection, LLC ("PJM") and meet certain fundamental credit-worthiness criteria. However, an individual bidder cannot supply more than 85% of a Customer Class' POLR load offered in each solicitation. This limitation will further encourage continued development of the competitive wholesale market.

35. Finally, PPL Electric proposes that suppliers selected to serve any portion of the Company's POLR load be required to post Performance Assurance. Such assurance is required to enable PPL Electric to recover costs arising from a supplier default. However, if in its order in this proceeding, the Commission provides an adequate commitment that PPL Electric will be permitted to recover any costs it incurs as a result of supplier default, the Company is willing to cap a qualifying supplier's Performance Assurance at a level to be determined at the time of each solicitation, subject to review by the independent third party at that time. To qualify for a Performance Assurance cap, a supplier must have an investment grade rating of BBB or above by Standard and Poor's, BBB or above by Fitch and Baa2 or above by Moody's. The Company cannot propose a specific cap in this filing

because the level of the cap is driven by changing market conditions. A Performance Assurance cap set in each RFP should encourage additional participation in the RFP and keep bid prices for POLR supply as low as possible. However, if the Commission is unwilling or unable to provide assurance of full rate recovery, the Company cannot assume the financial risk of placing a cap on the suppliers' obligation to provide Performance Assurance.

B. Proposed Products

36. In each RFP, the Company will procure a pro rata portion of the estimated 2010 POLR load for each Customer Class. The portion of total POLR supply included in each RFP will be established such that, over the three-year period, a total of 60 tranches will be purchased for the Residential Class (6 solicitations of 10 tranches each); a total of 42 tranches will be purchased for the Small Commercial and Industrial Class (6 solicitations of 7 tranches each); and a total of 38 tranches will be purchased for the Large Commercial and Industrial Class (2 solicitations of 19 tranches each). Each tranche will be a fixed percentage of the Customer Class' POLR load, with that percentage estimated to produce tranches of approximately 50 MW. Supply must be load-following and must include generation from renewable sources sufficient to meet the Company's 2010 obligations under the AEPS Act. This structured approach will keep the procurement process simple, recognizing that it will be in place for only one year. More importantly, this approach will simplify bid evaluation because, after bidders have qualified to participate and have posted adequate bid assurance collateral, the sole variable will be bid price.

37. Each supplier must provide all products and services required by the Company to fulfill its obligations as POLR. These products and services include: energy, capacity, transmission service, ancillary services and AEPS compliance. As a result, each supplier will become the load serving entity ("LSE") in PJM for its share of PPL Electric's POLR load. PPL Electric, however, will remain the POLR for its retail customers.

C. Proposed Rates

38. PPL Electric proposes to offer fixed annual rates to all customers for POLR service in 2010. This approach continues the fixed rate concept currently embodied in PPL Electric's retail tariff. Tariff Electric Pa. P.U.C. No. 201. Those POLR rates will reflect a blend of the prices realized in the series of solicitations proposed by the Company and will be different for each of the three Customer Classes. The Company proposes to establish a new rate, the Generation Supply Charge ("GSC") for each of the three Customer Classes. The GSC will be an automatic cost recovery mechanism with annual reconciliation of any over recovery or under recovery of the Company's actual costs. It's important to note that, because of the proposed structure of the Company's POLR supply procurement, it expects the annual reconciliation to be relatively small. Accordingly, it should not have any significant impact on POLR rates and should not adversely affect retail competitive opportunities in PPL Electric's service area.

39. Although not expected to have a major impact on POLR rates, reconciliation is a critical element of the Company's proposal. PPL Electric is entitled by law to fully recover its costs of obtaining supply to meet its POLR obligations. 66

Pa. C.S. § 2807(e)(3). Moreover, recognizing the Company's full compliance with its POLR rate caps for over a decade, fundamental fairness requires that it be permitted to fully recover all costs of obtaining POLR supply after the rate caps end. The only way to ensure full cost recovery is to permit an annual reconciliation of the GSC, as proposed in this filing.

40. The GSC will replace the generation charges that currently appear on customers' bills. For some Rate Schedules, the current generation charges include a demand component and/or declining block energy charges. The GSC will not include any of these rate design elements, but instead will be structured as a flat "cents per kilowatt hour" charge. PPL Electric is not proposing any changes to its distribution rates or transmission rates in this filing. However, the Company anticipates that the Transmission Service Charge ("TSC") will decrease significantly in 2010 because POLR suppliers will provide transmission service and the cost of that service will be recovered through the GSC.

41. The design of the proposed GSC is based on the automatic adjustment clauses currently included in PPL Electric's retail tariff for recovery of transmission charges – the TSC – and the Company's allowed stranded costs – the Competitive Transition Charge ("CTC") and Intangible Transition Charge ("ITC"). These latter two mechanisms have worked well for over five years and provide a good ratemaking model for recovering costs of POLR supply. In addition, the reconciliation feature of the GSC will protect PPL Electric from the financial harm that would result from an inability to recover, on a full and current basis, the costs of obtaining supply to meet its POLR obligation. Recognizing that this reconciliation

provision will provide such risk protection, the Company is not proposing to receive a return on any element of generation supply service to POLR customers.

D. Proposed Shopping Rules

42. In its filing, PPL Electric is not proposing any new restrictions on shopping by retail customers, except minimum "opt-in" requirements for large commercial and industrial customers who desire to receive annual fixed rates for 2010 POLR service. Under these "opt-in" rules, large commercial and industrial customers must decide by the end of 2008 whether to elect annual fixed rates. If such a customer does not select the fixed rate option and returns to POLR service during 2010, the Company will charge that customer the hourly Locational Marginal Price ("LMP") for POLR service. Conversely, if a customer elects the fixed price option and leaves POLR service to shop during 2010, it will be charged the Generation Rate Adjustment ("GRA") currently included in the Company's tariff. Amounts collected under the GRA will be distributed on a pro rata basis to the suppliers serving the applicable Customer Class. These "opt-in" rules and the associated POLR rate ramifications should reduce suppliers' perceived risk of providing POLR supply to PPL Electric for these customers. The result should be lower prices for that supply and, ultimately, lower POLR rates.

43. By minimizing, to the extent possible, restrictions on shopping, the Company's filing supports the continued development of competitive retail markets in Pennsylvania. This approach also gives customers maximum shopping flexibility throughout the 2007-2010 time period.

#### 4. Proposed DSR Programs

44. PPL Electric currently has two DSR programs in place – one for residential customers, and the other for commercial and industrial customers. Both of the Company's DSR programs enable customers to manage their loads in response to pricing information provided by PPL Electric. In this filing, the Company is proposing to enhance these programs. The Company proposes to extend the termination date of the residential program from 2007 through the end of 2010, double the limit on participation to 600 customers in 2008 and 2009, and then remove participation limits in 2010. In addition, the Company proposes to expand the residential program from a summertime-only program to a program that is available to customers year-round in 2010, with the inclusion of pricing for those periods not currently included. Also, the pricing for 2010 will be revised to more fully reflect actual competitive market prices. The Company proposes to extend the existing commercial and industrial program from 2007 through the end of 2010. Because the commercial and industrial program permits customers to have a portion of their load served at a fixed price, customers desiring to participate in this program in 2010 must make an election by the end of 2008. If such a customer leaves POLR service before the end of 2010, it will be subject to the GRA, as described above.

45. The Company's proposed approach provides several advantages. First, it builds on PPL Electric's existing DSR programs. Customers generally are familiar with these programs and the Company has established processes and procedures to administer them. The residential program has been successful and popular with customers. PPL Electric believes that an expansion of this program will be well-received by its customers. Second, the Company's

proposed approach begins to use customer consumption data provided by its Automated Meter Reading ("AMR") system. This data will enable PPL Electric to make these programs available to additional customers and to provide additional information to participants that will help them manage their usage and their bills. Finally, the Company currently offers a number of legacy DSR programs which involve small numbers of participants and unique pricing structures. The Company believes it is impractical to obtain POLR supply for these programs beyond 2009, but expansion of the two existing DSR programs should provide participants in the legacy programs with opportunities to continue to manage their usage and their bills should they desire to do so.

#### 5. Proposed Consumer Education

46. In this filing, PPL Electric proposes to implement a comprehensive consumer education program (in addition to its existing programs) beginning in 2007 and continuing through 2009. Attachment 2 contains a more detailed description of the proposed program. The Company requests permission to fund this program using the approximately \$875,000 that remains in its current customer choice education account. Spending on the proposed program would be ramped up over three years as follows: \$200,000 in 2007; \$300,000 in 2008; and \$375,000 in 2009.

47. PPL Electric proposes that the consumer education program focus on the following four areas:

- existing customer choice education;
- demand-side response education;

- wise use of energy education;
- POLR rate education.

The education program would address each of these areas over the three-year period. However, the relative emphasis on each and the specific messages in each would evolve over that period to recognize that the POLR rate caps end on December 31, 2009.

48. The Company believes that its consumer education proposals will achieve two critical objectives. First, and most importantly, they will increase customers' knowledge of retail customer choice in Pennsylvania and their options to participate. Customers who understand the operation and benefits of the competitive market will be more receptive to shopping opportunities offered by Electric Generation Suppliers ("EGSs"). Consumers also will better understand POLR service, how that service is priced, and the role it plays in the competitive environment.

49. Second, PPL Electric's proposed plan should increase customers' awareness of the benefits of using energy wisely and their familiarity with various applications of DSR. With this information, consumers should be able to manage their electricity usage and, perhaps, reduce their bills. Consumer use patterns driven by changes in energy prices and other market characteristics can support continued development of a reliable and cost-effective competitive energy market. Moreover, additional opportunities to manage their electricity consumption and to obtain electricity from EGSs will directly benefit customers. With these options, they should be able to reduce their overall cost of electricity, as well as choose specific products attractive to them, e.g., "green power." A significant portion

of the consumer education will be built around usage data and analytical tools that will be available to customers for the first time as the result of further development of the Company's AMR system.

50. The program described above is intended to address consumer education needs related only to the Company's CBP program. It is not intended to address broad statewide consumer education needs. As stated previously in its comments filed in the Price Mitigation Proceeding, PPL Electric would support a collaborative effort to develop a statewide program to educate consumers on broad topics such as the competitive generation market and demand side response.

#### 6. Proposed Low-Income Assistance

51. Because any increase in POLR rates could have an adverse effect on low-income customers, PPL Electric proposes an increase in funding for programs that provide assistance to these customers. Attachment 3 contains a detailed description of these programs, current funding levels and the Company's proposal to increase that funding. PPL Electric currently administers three major universal service programs. OnTrack provides reduced payment agreements based on a low-income customer's ability to pay. WRAP offers free weatherization measures and energy education conservation to qualified households. Operation HELP provides funds to pay any type of home energy bill for qualified low-income customers. Funding for OnTrack and WRAP comes from retail rates paid by all residential customers. Funding for Operation HELP is provided by donations from PPL Electric, its customers and its employees. The Company will propose to ramp

up the annual funding for these three programs from a 2006 level of approximately \$27.5 million to a 2010 level of approximately \$33 million.

52. The Company's proposal attempts to address, in part, the adverse impact that any increase in POLR rates could have on low-income customers. As noted above, the Company projects a rate increase of 20% to 30% in 2010. For that reason, additional funding for programs to assist low-income customers, as proposed in this filing, is appropriate.

#### 7. Public Interest Considerations

53. PPL Electric's proposed CBP is in the public interest for at least the following five reasons. First, the Company's proposals reflect the balanced approach that PPL Electric believes is required by Chapter 28 and the Code. PPL Electric's CBP recognizes the wide range of considerations set forth in the Code and proposes an appropriate balancing of those interests. It supports continued development of the competitive market through a detailed procurement proposal, while at the same time attempting to reduce the risk of "rate shock" on January 1, 2010 through the use of multiple solicitations. However, the Company's proposed POLR procurement proposal may not significantly moderate those increases if competitive prices remain consistently high throughout the RFP period. Under those circumstances, other "rate shock" mitigation measures may be appropriate such as the "early phase-in" approach discussed in PPL Electric's comments and reply comments in the proceeding initiated by the Commission's Mitigation Order. PPL Electric also is proposing additional assistance for low-income customers consistent

with the public policy articulated in both the Code and the Commission's regulations. 66 Pa. C.S. § 2807(d); 52 Pa. Code Chapter 56.

54. Second, the CBP contains many features that will support the continued development of competition in Pennsylvania, one of the objectives of Chapter 28. PPL Electric will procure its 2010 POLR supply needs through six competitive solicitations spread over a three-year period (2007-2009). All qualified wholesale suppliers will be eligible to participate. At the retail level, the Company is proposing a comprehensive education program to encourage its customers to use energy wisely, to educate them to manage their electricity costs and to facilitate shopping. In addition, it is proposing to expand and enhance two existing DSR programs which enable customers to manage their load in response to market price information.

55. Third, PPL Electric has designed a proposal that incorporates both PUC and third party oversight. The Company envisions that the Commission will work closely with the third party administrator discussed above. PPL Electric proposes that the Commission monitor each step of the process, including selection of the third party administrator, administration of the RFP, evaluation of bids and final selection of winning bidders.

56. Fourth, PPL Electric has kept its procurement proposal as simple as possible. This approach recognizes that the Company will procure its POLR supply under the CBP for only one year as a bridge to a fully competitive statewide market. The Company proposes to use a straightforward RFP process. In addition, the Company is not proposing additional complexity such as multiple supply products or different contract duration periods.

57. Fifth, the PPL Electric CBP is coordinated with other events expected to occur in Pennsylvania over the next several years. If accepted by the Commission, the Company's proposal will provide a mechanism for it to obtain generation supply necessary to meet its POLR obligations in 2010. At the end of that year, PPL Electric will be on the same transition schedule as the other major EDCs in Pennsylvania. The result will be a statewide transition to competitive POLR rates, pursuant to Commission POLR regulations that are expected to be in place to guide future supply procurement and cost recovery. Implementation of the Company's proposed CBP prior to that time may provide additional information and experience useful in development of the Commission's final regulations.

#### 8. Proposed Tariff Revisions

58. Implementation of several proposals discussed above will require revisions to PPL Electric's retail tariff. Attachment 4 contains pro forma tariff language required to make these changes. The attached tariff pages do not include either an issuance date or an effective date. PPL Electric respectfully requests that the Commission approve these draft tariff provisions and direct the Company to file, in compliance with the Commission's final order in this proceeding, an appropriate tariff supplement effective on one-day's notice. Following is a summary description of each proposed tariff revision.

59. The Company proposes to establish the GSC, discussed above, to recover the costs of obtaining generation supply for its POLR customers. The design of the GSC is based upon the Company's currently effective TSC, CTC and

ITC. It is a formula rate which is revised and reconciled annually. The formula creates different GSC levels for each of the three Customer Classes defined above.

60. PPL Electric proposes to modify the TSC, which enables PPL Electric to recover the charges it incurs for transmission service, to reflect the purchase of POLR supply in the competitive market. The TSC, as currently drafted, permits recovery of transmission charges imposed by PJM under its Open Access Transmission Tariff ("OATT"). The Company is proposing to purchase POLR supply in the competitive market and those purchases will include transmission and ancillary services which the supplier obtains from PJM. PPL Electric proposes to modify the TSC to permit recovery of transmission charges to the extent those charges may be imposed on it directly by PJM or indirectly through a supplier.

61. The Company proposes to modify the GRA so that the Company can charge the rate to any large commercial or industrial customer who elects fixed price POLR service for 2010, but does not remain a POLR customer for the entire year. The GRA, as currently drafted, contains several procedural elements that would make such an application extremely difficult or, perhaps, impossible. In 2010, all revenue received by PPL Electric from operation of the GRA will be remitted to the applicable POLR suppliers.

62. PPL Electric proposes revisions to its existing DSR tariff provisions to extend the effective date of the residential rider and increase customer participation. In addition, the Company proposes a modification to the commercial and industrial rider to extend its termination date to December 31, 2010.

## 9. Requested Rulings

63. In addition to approval of all aspects of its CBP, PPL Electric respectfully requests that the Commission include the following three specific provisions in its final order.

64. First, the Company requests that the Commission approve the POLR SMA as an affiliated interest agreement under Section 2101 of the Code. 66 Pa. C.S. § 2101. PPL Electric's unregulated generation affiliates will be permitted to participate in the Company's POLR supply solicitations. If one of those affiliates is the successful bidder for one or more tranches of POLR supply, PPL Electric would enter into a POLR SMA with that affiliate. It would not be practical or efficient for the Commission to review the POLR SMA under Section 2101 of the Code at that time. Moreover, rejection or significant modification of the agreement after a solicitation has concluded and winning suppliers have been selected could significantly disrupt the Company's POLR procurement process.

65. Second, the Company requests that the Commission include a commitment that it will neither order nor approve any wholesale or retail "opt-out" customer aggregation plan applicable to PPL Electric's retail customers during the 2007-2010 period. These aggregation plans typically assign retail customers to one or more EGSs and a customer must affirmatively "opt-out" of that supply to return to POLR service from the EDC. In response to a petition filed by Direct Energy Services, LLP, the Commission approved such an aggregation plan in the Pike County case. *Initiation of a Fact-Finding Investigation of the Competitive Market Conditions re: Pike County Light & Power Company, Docket No. P-00052168.* PPL Electric understands that many wholesale suppliers consider this type of aggregation

an additional financial risk to them and would reflect a premium in their prices to compensate for that risk. This perceived risk also could reduce the number of suppliers willing to participate in the RFPs. The Company believes that a commitment by the Commission that it will not accept or approve such a plan, as described above, during the 2007-2010 period should help to hold market prices for POLR supply as low as possible and encourage supplier participation.

66. Third, PPL Electric requests a ruling that, if the Commission's POLR regulations become effective before January 1, 2011, PPL Electric will be granted a waiver of those regulations to the extent necessary to honor any agreements previously entered into under the CBP. The Company believes that such a waiver is necessary to support its proposed three-year POLR procurement initiative. Suppliers who respond to the Company's RFP must have some assurance that they will be able to deliver the identified POLR supply under the rates, terms and conditions set forth in the RFP. If there is any possibility that a supplier's agreement would be superseded or significantly modified by Commission regulations, promulgated after that agreement had been executed, the supplier could be expected to include a premium for that risk in its bid price. The result would be an increase in the overall cost of POLR supply to PPL Electric's retail customers. On a prospective basis, the Company would fully comply with the Commission's POLR regulations.

#### 10. Requested Notice

67. PPL Electric has served copies of this filing upon the Commission's Office of Trial Staff, the Office of Consumer Advocate and the Office of Small Business Advocate, as required by the Commission's regulations at 52 Pa.

Code § 5.41. , In addition, PPL Electric has posted this filing on its website at www.pplweb.com. Finally, 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. In this way, all interested parties will have full notice of the Company's proposals and an opportunity to participate in any Commission proceeding addressing those proposals.

#### 11. Requested Decision Date

68. As discussed above, PPL Electric proposes to issue the first RFP for 2010 POLR supply in March 2007. Initiating the RFP process on that date will enable the Company to conduct the six POLR procurements that it proposes in the filing. However, the Company cannot proceed with an initial RFP in March 2007 unless the Commission has acted on this Petition. Accordingly, the Company respectfully requests that the Commission enter its final order approving the Company's proposed CBP no later than January 31, 2007. In making this request, PPL Electric recognizes the tremendous workload facing both the Commission and the major parties participating in Commission proceedings. However, the Company believes that its proposals should be relatively non-controversial and that any concerns raised by intervening parties can be resolved without evidentiary hearings. Of course, the Company will cooperate fully with the Commission and intervening parties to support resolution of this matter by January 2007.

#### 12. Conclusion

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Public Utility Commission approve the Competitive Bridge Plan set forth in

this Petition and the attachments thereto. In addition, PPL Electric respectfully requests that the Commission include in its final order approving the Competitive Bridge Plan the specific findings set forth in Section 9 of the Petition, and approval of the proposed tariff revisions summarized in Section 8 of the Petition and set forth in Attachment 4. Finally, PPL Electric respectfully requests that the Commission enter its final order approving the Competitive Bridge Plan on or before January 31, 2007.

Respectfully submitted,



Paul E. Russell  
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](mailto:perussell@pplweb.com)

David B. MacGregor  
Post & Schell, P.C.  
Four Penn Center  
1600 John F. Kennedy Boulevard  
Philadelphia, Pennsylvania 19103-2921  
Phone: 215-587-1000  
FAX: 215-320-4879  
E-mail: [dmacgregor@postschell.com](mailto:dmacgregor@postschell.com)

Michael W. Hassell  
Post & Schell, P.C.  
17 North Second Street, 12<sup>th</sup> Floor  
Harrisburg, PA 17101-1601  
Phone: 717-731-1970  
FAX: 717-731-1985  
E-mail: [mhassell@postschell.com](mailto:mhassell@postschell.com)  
Counsel for  
PPL Electric Utilities Corporation

Of Counsel:  
Post & Schell, P.C.

Dated: August 2, 2006



**PPL Electric Utilities Corporation**

**Provider of Last Resort (POLR)**

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

**February 1, 2007**

# POLR RFP PROCESS AND RULES

## TABLE OF CONTENTS

<b>ARTICLE 1 INTRODUCTION .....</b>	<b>4</b>
1.1 OVERVIEW.....	4
1.2 SUMMARY OF RFP DOCUMENTS .....	8
1.3 POLR LOAD AND SUPPLIER OBLIGATIONS.....	8
<b>ARTICLE 2 INFORMATION AND SCHEDULE .....</b>	<b>9</b>
2.1 INFORMATION PROVIDED TO POTENTIAL BIDDERS.....	9
2.2 RFP SCHEDULE .....	10
2.3 MULTI-SOLICITATION PROCESS .....	12
<b>ARTICLE 3 GENERAL REQUIREMENTS FOR PROPOSALS.....</b>	<b>12</b>
3.1 RFP GENERAL REQUIREMENTS .....	12
<b>ARTICLE 4 BIDDER QUALIFICATION .....</b>	<b>14</b>
4.1 OVERVIEW OF BIDDER QUALIFICATION PROCESS .....	14
4.2 EXPRESSION OF INTEREST .....	15
4.3 CONFIDENTIALITY AGREEMENT.....	15
4.4 APPLICANT'S PJM AND FERC QUALIFICATIONS .....	15
4.5 CREDIT APPLICATION AND FINANCIAL INFORMATION.....	16
4.6 BINDING BID AGREEMENT .....	16
4.7 CURE TIME FOR DEFICIENCIES IN QUALIFICATION REQUIREMENTS .....	16
4.8 BID ASSURANCE COLLATERAL AND ALTERNATIVE LETTER OF CREDIT FORM.....	17
4.9 ALTERNATIVE FORMS OF PERFORMANCE ASSURANCE.....	17
<b>ARTICLE 5 BID PROPOSAL REQUIREMENTS.....</b>	<b>18</b>
5.1 BID PROPOSAL FORMAT .....	18
5.2 SUBMITTAL OF BID PROPOSALS.....	20
5.3 CONFIRMATION AND PROPOSAL TAGGING PROCESS .....	20
5.4 CONFORMING PROPOSALS .....	20
5.5 EXPIRATION OF PROPOSALS .....	21
5.6 SUBMITTAL OF POLR SMA .....	21
5.7 ADDITIONAL REQUIREMENTS .....	21
<b>ARTICLE 6 INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS AND BID PROPOSALS .....</b>	<b>22</b>
6.1 GENERAL.....	22
6.2 PACKAGING.....	23
<b>ARTICLE 7 EVALUATION OF PROPOSALS.....</b>	<b>24</b>
7.1 BIDDER QUALIFICATIONS PROCESSING .....	24
7.2 BIDDER QUALIFICATIONS EVALUATION .....	24
7.3 BID PROPOSALS PROCESSING .....	25
7.4 BID PROPOSAL EVALUATION.....	26
7.5 COMMISSION APPROVAL AND REVIEW.....	27
<b>ARTICLE 8 RESERVED RIGHTS.....</b>	<b>28</b>
8.1 NON-BINDING RFP .....	28
8.2 PROPOSALS BECOME PPL ELECTRIC'S PROPERTY .....	29
<b>APPENDIX 2 EXPRESSION OF INTEREST FORM.....</b>	<b>30</b>

**TABLE OF CONTENTS**

**APPENDIX 3 CONFIDENTIALITY AGREEMENT ..... 31**

**APPENDIX 4 PJM QUALIFICATION CERTIFICATION FORM ..... 36**

**APPENDIX 6 CREDIT APPLICATION ..... 38**

**APPENDIX 7 BID ASSURANCE LETTER OF CREDIT ..... 42**

**APPENDIX 8 BID PROPOSAL SPREADSHEET ..... 46**

**APPENDIX 9 BINDING BID AGREEMENT ..... 51**

**APPENDIX 10 BINDING BID WITHDRAWAL AGREEMENT ..... 52**

# 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 Provider of Last Resort Supply Master Agreement (“POLR SMA”), attached 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 obligations as the Provider of Last Resort (“POLR”), pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812. This Request for Proposals (“RFP”) is being issued to select electricity suppliers and to determine POLR retail service rates for the period January 1, 2010, through December 31, 2010.

1.1.3 PPL Electric is issuing this RFP to procure full requirements electricity service for the period beginning January 1, 2010, through December 31, 2010, under the terms described below, for each of three groupings of rate classes (“Group”): Residential, Small Commercial and Industrial, and Large Commercial and Industrial. Each 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 Group.

Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
	RTD	RTD(R) – Residential Service – Time of Day
Small Commercial and Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service
	GH-1	GH-1(R) – Single Meter Com'l. Space Heating Service
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	IS-1	IS-1(R) – Interruptible Service – Greenhouses
	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	LP-4	LP-4 – Large General Service – 12 KV or Higher
	ISP	IS-P(R) – Interruptible Large General Service – 12 KV or Higher

Group	Rate Schedule	Description
	LP-5	LP-5 – Large General Service – 69 KV or Higher
	LP-6	LP-6 – Large General Service – 69 KV or Higher
	LPEP	Power Service to Electric Propulsion
	IST	IS-T(R) – Interruptible Large General Service – 69 KV or Higher
	ISM	Interruptible Service by Agreement (R)
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

1.1.4 The POLR Load for each of these Groups for purposes of this POLR RFP is the full requirements electricity service as recorded by PPL Electric and reported to the PJM Interconnection, LLC (“PJM”) of PPL Electric’s retail customers within that Group, excluding customers that have chosen to take service from an Electric Generation Supplier (“EGS”), and excluding customers that have elected to take POLR service from PPL Electric on an hourly pricing option to be included in PPL Electric’s retail tariff for qualifying customers (“Hourly Service”). For the purposes of this RFP, the POLR Load will be reduced by PPL Electric’s Year 2010 fractional percentage of committed capacity and energy obtained under long-term contracts (appropriate contract and performance data provided on PPL Electric’s RFP Web site).

1.1.5 An electricity supplier selected through this RFP to provide POLR Supply for a portion or all of a particular Group and approved by the Pennsylvania Public Utility Commission (“PUC” or “Commission”) becomes a POLR Supplier for that Group. A POLR Supplier may be selected to provide POLR Supply for one or more Groups. POLR Suppliers will be responsible for fulfilling all the requirements of a PJM Load Serving Entity including, without limitation, energy, capacity, transmission (including network integration transmission service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply POLR service to PPL Electric. In addition, POLR 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”), during the term of the supply agreement. PPL Electric will be responsible for complying with all PJM Active Load Management program operating rules.

1.1.6 A POLR Customer for the purposes of these RFP Rules is: 1) a PPL Electric retail customer in the Residential Group or the Small Commercial and Industrial Group that is not taking service from an EGS; or 2) a PPL Electric retail customer in the Large Commercial and Industrial Group that is not taking service from an EGS and that elects, by December 31, 2008, to receive annual fixed price POLR service in 2010. If a PPL Electric retail customer in the Large Commercial and Industrial Group has not elected annual fixed price POLR service for 2010 by December 31, 2008, that customer cannot return to the fixed-price POLR service during the term of the Delivery Period (January 1, 2010, to December 31, 2010). Such a retail customer in the Large Commercial and Industrial Group, however, may return to Hourly Service. Any other shopping customer (i.e., a customer served by an EGS) may return to POLR service on any meter reading date in accordance with the Company’s standard switching

requirements. Switching customers may be charged the Generation Rate Adjustment (“GRA”) consistent with PPL Electric’s General Tariff. Any GRA revenues collected by PPL Electric for service rendered during the Delivery Period to the Groups will be credited on a pro-rata basis to each POLR Supplier, consistent with the POLR Load served by that POLR Supplier, serving those rate schedules, subject to the GRA, within the Groups.

1.1.7 Each POLR customer in a Group will receive electric service from all POLR Suppliers for that Group, starting on 12:00:00 a.m. Eastern Prevailing Time (“EPT”) on January 1, 2010. POLR customers in a Group cease to be served by all POLR Suppliers for that Group selected through this RFP after December 31, 2010, at 11:59:59 p.m. EPT. POLR customers in a Group shall pay for retail service based on the bid prices.

1.1.8 POLR Load for each Group will be divided into tranches. A tranche in a Group represents a fixed percentage of the POLR Load for that Group and is approximately 50 megawatts (“MW”). A POLR Supplier serving one tranche in a particular Group is responsible for serving the percentage of that Group’s POLR Load represented by one tranche. The total number of tranches placed into each Group is based on that Group’s 2010 Projected Peak Load Contribution (“PLC”) on the PPL Electric system in accordance with PJM. Given the current PLC, tranches will be distributed among the three Groups as follows: 60 tranches for the Residential Group, 42 tranches for the Small Commercial and Industrial Group, and 38 tranches for the Large Commercial and Industrial Group. A figure in megawatts, called the MW-Measure, is calculated for reference purposes only, as the 2010 Projected PLC for the Group divided by the total number of tranches. The currently projected percentage size and projected MW-Measure of each tranche are shown in the following table:

Group	Total Tranches	% Size of a Tranche	Peak (MW)	MW-Measure
Residential	60	1.67%	3,001	50.0
Small Commercial and Industrial	42	2.38%	2,279	54.3
Large Commercial and Industrial	38	2.63%	1,890	49.7

1.1.9 The actual POLR Load for each Group will depend upon many factors including, but not limited to, customer migration to EGSs and weather conditions. The maximum peak load of each Group may be higher or lower than the 2010 Projected PLC utilized to determine the MW-Measure assigned to each Group. Respondents to this RFP (“RFP Bidders”) are responsible for evaluating the uncertainties associated with POLR Load for each of the Groups.

1.1.10 PPL Electric will issue a solicitation in March and September of 2007, 2008, and 2009 to competitively procure electric supply sufficient for the Company to meet its 2010

obligations as the POLR. Each of the six solicitations from 2007 through 2009 will obtain POLR Supply for the retail customers in the Residential Group and the Small Commercial and Industrial Group. Each of the two solicitations in 2009 will also obtain the POLR Supply for retail customers in the Large Commercial and Industrial Group that have elected annual fixed price POLR service for 2010 by December 31, 2008.

- 1.1.11 Any prospective supplier, including PPL Electric's unregulated generation supply affiliate PPL EnergyPlus, that believes it can meet the qualification standards established in this RFP and is willing to provide prices at which it will serve tranches of POLR Load for any Group may respond to any solicitation in this RFP.
- 1.1.12 Any prospective respondent to this RFP will meet the Bidder Qualification requirements provided in Article 4, and submit a Bid Proposal 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. The Bid Proposal must include the RFP Bidder's "Bid(s)" for each Group, additional certifications, and an executed Bid Assurance Letter of Credit. A Bid Proposal is a price or prices, in 2010 U.S. Dollars per megawatt-hour ("MWh") at which the RFP Bidder is willing to serve a tranche or tranches, of a given Group.
- 1.1.13 All elements of this RFP will be carried out pursuant to the RFP Schedule provided in Article 2.2. In general, for each of the six solicitations 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 confidential data on supply obligations; 3) attend RFP Bidder Information Sessions; and 4) submit and receive answers to questions regarding the solicitation. In all instances, PPL Electric reserves the right to modify the RFP Schedule at its own discretion.
- 1.1.14 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals for one or more Groups, subject to the restrictions of this article. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. The number of tranches in a Group for which an RFP Bidder submits a Bid cannot exceed the product of the Load Cap for that Group and the Available Tranches for that Group in that solicitation. The Load Cap for each Group is provided in Article 2.3.1. In any solicitation, when an RFP Bidder submits a Bid to supply a number of tranches in a 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 Group. No Bid for any number of tranches in any Group may be made contingent upon winning or losing another Bid for some number of tranches in another Group. Instructions for preparation of the Bid Proposal are addressed in Articles 6.1 and 6.2.
- 1.1.15 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have two business days to consider the report of

the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. The PUC may either accept or reject all of the Bid Proposals presented for a Group in their entirety.

- 1.1.16 If, for a given Group, the PUC rejects all Bids in any solicitation prior to the last scheduled solicitation, or if some tranches in any particular solicitation do not receive bids, the unfilled tranches from that solicitation will be included in the next solicitation as specified in Article 2.3. In the event that some load remains unserved after the last scheduled solicitation, or if a POLR Supplier defaults, PPL Electric will offer full requirements electricity supply assignment as specified in Article 7.5. After all solicitations, if Bids are received for all tranches in a given Group and the PUC accepts those Bids, the resulting retail rates will be effective for a given customer in that Group for POLR service provided from January 1, 2010 at 12:00:00 a.m. EPT through December 31, 2010, at 11:59:59 p.m. EPT.

## **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 POLR 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 7: Bid Assurance Letter of Credit  
Appendix 8: Bid Proposal Spreadsheets  
Appendix 9: Binding Bid Agreement  
Appendix 10: Binding Bid Withdrawal Agreement

## **1.3 POLR Load and Supplier Obligations**

- 1.3.1 This section contains a general description of the POLR Load for each Group, and a POLR Supplier's obligations. It is only a summary and is subject to and qualified in its entirety by the POLR SMA, attached hereto as Appendix 1.
- 1.3.2 POLR Suppliers for a Group shall serve the Company's POLR Load for that Group. POLR Load for a Group is the Company's full requirements electricity service including, without limitation, energy, capacity, transmission (including network integration transmission service), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply the POLR load. In addition, as a qualification requirement, each RFP

Bidder submitting a Bid for a Group must accept the obligations and associated rights to provide POLR service defined in the POLR SMA.

- 1.3.3 POLR Suppliers are also responsible for providing supply necessary for PPL Electric to meet its obligations under the AEPS Act during the term of the supply agreement. In order to comply with the AEPS Act and the Commission's Orders in Docket No. P-00052188, Electricity Distribution Companies ("EDCs") must supply a portion of their POLR load consistent with the requirements set forth in the AEPS Act and the Commission's Orders. POLR Suppliers will be required to participate exclusively in the PJM-Environmental Information System ("EIS") and Generation Attribute Tracking System ("GATS") to demonstrate proof of performance and will be responsible for any costs incurred by PPL Electric associated with non-performance.
- 1.3.4 Each POLR Supplier for a Group will be paid a supplier-specific price for each MWh of electric load served as specified in a Transaction Confirmation to the POLR SMA. The supplier-specific price will be the average of the POLR Supplier's winning prices for each and every tranche in the Group that the POLR Supplier has been awarded. The price(s) will be expressed in U.S. Dollars per MWh and 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 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 will be password-protected at PPL Electric's sole discretion. Passwords will be provided upon execution of the Confidentiality Agreement as described in Article 4.3.

2.1.2 The information on the Web site will be organized in the following sections:

Home: This section provides announcements of interest to prospective bidders and other interested parties regarding the RFP process.

Regulatory Information Page: This section provides presentations regarding this RFP prepared by PPL Electric and/or its RFP Manager, as well as the Orders from the PUC in the proceeding.

PPL Electric Rate Categories and Load Data: This section provides data pertinent to prospective bidders, such as retail and POLR hourly load data by Group, switching data, retail tariffs, load profiles by rate class, etc.

Supplier Documents: This section provides RFP-related documents including all the RFP Rules and the POLR SMA. It also provides all credit instruments necessary for prospective bidders and for POLR Suppliers, including the standard form for the Bid Assurance Letter of Credit, the standard form for the Letter of Credit for the term of the POLR SMA, and the standard Guaranty for the term of the POLR SMA.

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

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

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

Calendar: This section provides prospective bidders with all crucial dates in the RFP process.

## 2.2 RFP Schedule

The schedule for this RFP is below. The time for all deadlines and due dates is 12:00:00 p.m. EPT.

### PPL Electric Utilities Corporation POLR RFP Schedule

<u>Activity</u>	<u>Date</u>
PPL Electric Utilities Issues RFP	Thursday, February 1, 2007
Bidder Interest Form and Confidentiality Agreement Available	Thursday, February 1, 2007
RFP Data Room Opens	Thursday, February 8, 2007
Bidder Information Session	Thursday, February 22, 2007
<b><u>Solicitation # 1</u></b>	
Bidder Qualifications Due	Monday, March 5, 2007
Cure Deficiency Deadline	Wednesday, March 14, 2007
Qualified Bidders Notified	Monday, March 19, 2007
Bid Proposals Due	Monday, March 26, 2007
PUC Decision	Thursday, March 29, 2007
Execute Transaction Confirmation	Thursday, March 29, 2007
<b><u>Solicitation # 2</u></b>	
RFP Addendum Issued	Monday, August 27, 2007
Bidder Interest Form and Confidentiality Agreement Available	Monday, August 27, 2007
Bidder Information Session	Wednesday, September 5, 2007

### PPL Electric Utilities Corporation POLR RFP Schedule

Bidder Qualifications Due	Monday, September 10, 2007
Cure Deficiency Deadline	Wednesday, September 19, 2007
Qualified Bidders Notified	Monday, September 24, 2007
Bidder Proposals Due	Monday, October 1, 2007
PUC Decision	Thursday, October 4, 2007
Execute Transaction Confirmation	Thursday, October 4, 2007

#### Solicitation # 3

---

RFP Addendum Issued	Tuesday, February 19, 2008
Bidder Interest Form and Confidentiality Agreement Available	Tuesday, February 19, 2008
Bidder Information Session	Wednesday, February 27, 2008
Bidder Qualifications Due	Monday, March 3, 2008
Cure Deficiency Deadline	Wednesday, March 12, 2008
Qualified Bidders Notified	Monday, March 17, 2008
Bidder Proposals Due	Monday, March 24, 2008
PUC Decision	Thursday, March 27, 2008
Execute Transaction Confirmation	Thursday, March 27, 2008

#### Solicitation # 4

---

RFP Addendum Issued	Monday, August 25, 2008
Bidder Interest Form and Confidentiality Agreement Available	Monday, August 25, 2008
Bidder Information Session	Wednesday, September 3, 2008
Bidder Qualifications Due	Monday, September 8, 2008
Cure Deficiency Deadline	Wednesday, September 17, 2008
Qualified Bidders Notified	Monday, September 22, 2008
Bidder Proposals Due	Monday, September 29, 2008
PUC Decision	Thursday, October 2, 2008
Execute Transaction Confirmation	Thursday, October 2, 2008

#### Solicitation # 5

---

RFP Addendum Issued	Monday, February 23, 2009
Bidder Interest Form and Confidentiality Agreement Available	Monday, February 23, 2009
Bidder Information Session	Wednesday, March 4, 2009
Bidder Qualifications Due	Monday, March 9, 2009
Cure Deficiency Deadline	Wednesday, March 18, 2009
Qualified Bidders Notified	Monday, March 23, 2009
Bidder Proposals Due	Monday, March 30, 2009
PUC Decision	Thursday, April 2, 2009
Execute Transaction Confirmation	Thursday, April 2, 2009

#### Solicitation # 6

---

RFP Addendum Issued	Monday, August 31, 2009
Bidder Interest Form and Confidentiality Agreement Available	Monday, August 31, 2009
Bidder Information Session	Wednesday, September 9, 2009
Bidder Qualifications Due	Monday, September 14, 2009
Cure Deficiency Deadline	Wednesday, September 23, 2009
Qualified Bidders Notified	Monday, September 28, 2009
Bidder Proposals Due	Monday, October 5, 2009
PUC Decision	Thursday, October 8, 2009

**PPL Electric Utilities Corporation POLR RFP Schedule**

Execute Transaction Confirmation

Thursday, October 8, 2009

**Post Bid Activities**

Post Revised Tariff with POLR Rates  
Begin Delivery of POLR Supply

Monday, November 2, 2009  
Friday, January 1, 2010

**2.3 Multi-Solicitation Process**

2.3.1 In each of the solicitations in 2007 through 2009, PPL Electric will seek to procure POLR Supply for the Residential Group and Small Industrial and Commercial Group. In each of the solicitations in 2009, PPL Electric will also seek to procure POLR Supply for the Large Industrial and Commercial Group. The Available Tranches for each Group in a solicitation are the maximum number of tranches the Company seeks to procure for that Group in that solicitation. In the event that PPL Electric is unable to obtain POLR Supply for all of the Available Tranches for a Group in a solicitation, POLR Supply for the unfilled tranches in that solicitation will be added to the Available Tranches for that Group in the subsequent solicitation. Therefore, the Available Tranches for each Group in the solicitations in the table below may change depending on the results of prior solicitations. In each solicitation, an RFP Bidder's maximum number of tranches offered must be a whole number that does not exceed the product of the Load Cap for that Group and Available Tranches for that Group.

Group	Solicitation #1 Available Tranches	Solicitation #2 Available Tranches	Solicitation #3 Available Tranches	Solicitation #4 Available Tranches	Solicitation #5 Available Tranches	Solicitation #6 Available Tranches	Load <sup>1</sup> Cap
Residential	10	10	10	10	10	10	85%
Small Commercial and Industrial	7	7	7	7	7	7	85%
Large Commercial and Industrial	-	-	-	-	19	19	85%

**ARTICLE 3  
GENERAL REQUIREMENTS FOR PROPOSALS**

**3.1 RFP General Requirements**

3.1.1 A party that submits a Proposal to PPL Electric in response to this RFP is an "RFP Bidder." A qualified RFP Bidder can submit a maximum of one Bid Proposal for each

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 POLR SMA with two or more winning RFP Bidders.

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

- 3.1.5 The submission of a Bid 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. The RFP Bidder must provide the name, title, and full contact information (address, phone number, fax number, email address) of the Officer of the RFP Bidder who will be making the representations in the RFP.

- 3.1.7 Each RFP Bidder must comply with all the qualification standards 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 business days after the applicable Bid Proposal Due Date. Regardless of the reason, if any information provided in the Bidder Qualifications changes or any previous certification fails to remain valid, it is the sole

responsibility of the RFP Bidder to notify the Qualification Evaluation Team of such change at least three 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. The Qualification Evaluation Team reserves the right to vary the assessment of 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 if, in a timely fashion, it fully completes 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 Article 4.4 (Applicant's PJM and FERC Qualifications); 4) demonstrates that its, or its guarantor's, unsecured senior long-term debt is currently rated by Standard & Poor's Ratings Group, Fitch Investor Services, or Moody's Investor Services; 5) submits the Credit Application and associated financial information requested in Article 4.5 (Credit Application and Financial Information); and, 6) submits an executed copy of the Binding Bid Agreement provided as Appendix 9. Upon submission of a Bid Proposal, qualified 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 bidder subsequent to contract execution or the rejection of its bid(s), as described in Article 4.8 (Bid Assurance Collateral and Alternative Letter of Credit Form).
- 4.1.2 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Article 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in Article 2.2 (RFP Schedule). However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline indicated in Article 2.2 (RFP Schedule), and PPL Electric assumes no liability or obligation for a defective submission or for notifying any 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 Qualification documents as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants as soon as PPL Electric has determined that they have met the Bidder Qualification requirements.

- 4.1.3 After an RFP Bidder is qualified for a solicitation in the RFP, that RFP Bidder can qualify for a subsequent solicitation by verifying, in writing, that the previously submitted credit and financial information is up-to-date and accurate, and by submitting the appropriate Bid Assurance Collateral for the subsequent solicitation. It is the sole responsibility of the RFP Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted qualification materials.

## **4.2 Expression of Interest**

- 4.2.1 Applicants interested in participating in this RFP are 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. The applicant should send the completed Expression of Interest Form by fax to the number below:

PPL Electric Utilities Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Attn: PPL Electric POLR RFP Manager  
[Fax number to be provided]

## **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 should send the executed agreement as directed in Article 6.1.2. Upon submission of the executed Confidentiality Agreement, an applicant will be issued a password to access additional data and information on 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 and FERC Qualifications**

- 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 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 a signatory with the authority to act on behalf of the applicant. Applicants are required to submit such certifications no later than the Bidder Qualifications Due Date, noted in Article 2.2 (RFP Schedule). The applicant should send such certifications as directed in Article 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 Dates noted in Article 2.2 (RFP Schedule). The applicant should send the completed application and the associated financial information as directed in Article 6.1.2.
- 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.

#### **4.6 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 POLR SMA. The signatory to the Binding Bid Agreement must certify that he/she has the authority to act on behalf of, and to bind, the RFP Bidder to perform the terms and conditions of the POLR SMA at the prices and for the load amounts specified in its proposal(s). In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Article 5.7 of this RFP. An electronic copy of the Binding Bid Agreement can be found on PPL Electric's RFP Web site. Applicants are required to submit such certification no later than the Bidder Qualifications Due Date noted in Article 2.2 (RFP Schedule). The applicant should send such certification as directed in Article 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 bid 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 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 Accompanying each Bid Proposal, each RFP Bidder must provide liquid Bid Assurance Collateral. The purpose of this collateral is to assure commitment of the bidder to execute the POLR SMA and/or 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. Applicants are required to submit an acceptable Bid Assurance LOC form as directed in Article 6.1.2.
- 4.8.2 The amount of the Bid Assurance Collateral is \$500,000 per tranche. PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder's proposal is rejected in whole, or the RFP Bidder executes the POLR SMA and/or transaction confirmations. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one business day, and Bid Assurance Collateral in the form of an LOC will be returned within two business days. The RFP Bidder may request that the Bid Assurance Collateral reside with PPL Electric through the entire multi-solicitation period. A bidder that is awarded tranche(s) and does not execute the POLR SMA and/or transaction confirmations associated with such tranches shall forfeit its Bid Assurance Collateral.
- 4.8.3 If an applicant prefers to use an alternative LOC form for the Bid Assurance Collateral, the applicant must provide such form along with its Credit Application and financial information. The acceptability of such an alternative LOC form 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 indicated in Article 2.2 (RFP Schedule).

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

- 4.9.1 Subsequent to the return of a supplier's Bid Assurance Collateral, another instrument of performance assurance to secure PPL Electric's exposure during the term of the POLR SMA may be required, as set forth in the POLR SMA. Any performance assurance required of the supplier determined in accordance with the POLR SMA may be in the

form of cash, LOC, or other security acceptable to PPL Electric. An acceptable Performance Assurance LOC form is provided as Exhibit C in the POLR SMA. If an applicant prefers to use an alternative LOC form for the performance assurance, the applicant must provide such alternative form along with its Credit Application and financial information. If an applicant intends to use security other than cash or LOC, PPL Electric requests that the applicant describe such other security at the time it submits its Credit Application and financial information. The acceptability of such alternative LOC form or such other form of security will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline indicated in Article 2.2 (RFP Schedule).

## ARTICLE 5 BID PROPOSAL REQUIREMENTS

### 5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their proposals 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 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 offers. **In order to prevent any misunderstanding of an RFP Bidder's 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 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. All formulas in cells in which computations are performed can be viewed by simply placing the cursor on the cell.
- 5.1.2 No proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposals in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name, Phone Number, and Fax Number and must be provided by the

RFP Bidder. As set forth in Article 5.3 (Confirmation and Proposal Tagging Process), such information may be used to confirm receipt of the RFP bidder's offer(s).

- 5.1.4 Tranche Information – The contents of these cells are provided by PPL Electric and include the Available Tranches, Load Cap, Tranche Size (% of Total Group Load), and MW-Measure (based on Projected 2010 PLC). The Available Tranches represents an initial target consistent with the multi-solicitation structure described in Article 2.3 (Multi-Solicitation Process). However, as discussed in Article 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 for the Available Tranches changes, PPL Electric will, prior to the next solicitation, revise such targets in the Bid Proposal Spreadsheets accordingly as indicated in Article 2.2 (RFP Schedule). The Load Cap is the maximal percent of the Group's Available Tranches that each RFP Bidder can win that solicitation. The Tranche Size (% of Total Group Load) represents the share of the Group's load measured by one tranche. The Tranche Size (% of Total Group Load) is applicable to each rate schedule within the Group. For example, if there are three rate schedules being bid in aggregate within a Group, and the Tranche Size is 2%, the RFP Bidders awarded those tranches will supply 2% of each of the three rate schedules in that Group. The MW-Measure (based on Projected 2010 PLC) is provided in terms of PLC and is consistent with the reporting of PLC to PJM (as shown in Article 1.1.8).
- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder offers to supply.
- 5.1.6 Bid Assurance Collateral Amount – The contents of these cells are computed as the product of the Total Tranches Supplied Offered and \$500,000.
- 5.1.7 Price (2010 US\$/MWh) – These cells are **RFP Bidder input cells** for the RFP Bidder's price offer corresponding to each Total Tranches Supplied. The energy price offers shall be in terms of 2010 US\$/MWh. All MWh energy shall be at the customer premise or retail meter-level. As set forth in the POLR 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 (2010 US\$/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 (2010 US\$/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

Article 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Article 5.4 (Conforming 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 Bidders. This identification will be communicated to the RFP Bidder at the time PPL Electric confirms receipt of the RFP Bidder's Bid Proposal, as described in Article 5.3 (Confirmation and Proposal Tagging Process).
- 5.1.10 The RFP Bidder may choose to bid in one or several of the three Groups, subject to the restrictions of this article. On any Bid Proposal Due Date, the number of tranches in a Group for which an RFP Bidder submits a Bid must be a whole number and cannot exceed the product of the Load Cap for that Group and the number of Available Tranches for that Group in that solicitation. The Load Caps and the number of Available Tranches for each Group and each solicitation are provided in the table in Article 2.3 (Multi-Solicitation Process).

## **5.2 Submittal of Bid Proposals**

- 5.2.1 Each RFP Bidder shall only submit its Bid Proposal using the Bid Proposal Spreadsheet described in Article 5.1 by secure electronic file transfer to the secure server on PPL Electric's RFP Web site by 12:00:00 p.m. EPT, on the Bid Proposal Due Date for each solicitation as indicated in Article 2.2 (RFP Schedule). An RFP Bidder may only withdraw its proposal before 12:00:00 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 6.1.2. The signatory to the Binding Bid Withdrawal Agreement must certify that he/she has the authority to act on behalf of the bidder in such a manner. Upon receipt of a Binding Bid Withdrawal Agreement, PPL Electric will provide the RFP Bidder with a notice by phone of receipt of such withdraw.

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

- 5.3.1 PPL Electric will confirm receipt of an RFP Bidder's proposal and communicate the RFP Bidder's tagging number by phone. 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 Conforming Proposals**

- 5.4.1 In order for a proposal to be conforming, the proposal must be: (i) submitted using the Bid Proposal Spreadsheet, completed in full and without modification; (ii) submitted by the due date(s) and due time; and (iii) submitted by an eligible applicant.

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

## **5.5 Expiration of Proposals**

- 5.5.1 An RFP Bidder's proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its proposal has been rejected or at midnight EPT on the scheduled day of awarding bids within each solicitation, as indicated in Article 2.2 (RFP Schedule).

## **5.6 Submittal of POLR SMA**

- 5.6.1 For the first solicitation in which an RFP Bidder submits a Bid Proposal, the RFP Bidder must also submit the POLR SMA as instructed in Article 6.1.5.

## **5.7 Additional Requirements**

- 5.7.1 The RFP Bidder certifies by its submission of a Binding Bid Agreement 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.
- 5.7.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Bid Proposal to this RFP or on the contents of such Bid 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 Bid 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 POLR Load; the RFP Bidder's preference for bidding on one or several 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 POLR Load were the RFP Bidder to become a POLR 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 separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Qualifications standards) as required in Article 4 of this RFP. RFP Bidders that are notified as qualified bidders are qualified to submit a Bid Proposal for each Group on the Bid Proposal Due Dates as indicated in Article 2.2 (RFP Schedule).

6.1.2 For each solicitation, each RFP Bidder must deliver its Bidder Qualifications described in Article 4 by certified mail, registered mail, hand delivery, or courier service to PPL Electric at the following address:

PPL Electric Utilities Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Attn: PPL Electric POLR RFP Manager  
[Fax Number to be provided]

6.1.3 Bidder Qualifications must be delivered to the address designated in Article 6.1.2 above by the Bidder Qualifications Due Date for the appropriate solicitation as specified in Article 2.2 (RFP Schedule). Bidder Qualifications received after the due date specified in Article 2.2 will be considered for the next solicitation if there are remaining solicitations; otherwise Bidder Qualifications will be returned to the RFP Bidder unopened, the Bidder Qualification(s) will be rejected, and the RFP Bidder will have failed to qualify for submitting a Bid Proposal. Each RFP Bidder assumes full responsibility for timely delivery to the location specified in Article 6.1.2 above.

6.1.4 Bid Assurance Collateral must be sent by certified mail, registered mail, hand delivery, or courier service to the address specified in Article 6.1.2 for delivery on the Bid Proposal Due Dates specified in Article 2.2 (RFP Schedule), and at a time on that date prior to the submission of Bid Proposal Spreadsheets. Bid Assurance Collateral received after the Bid Proposal Due Date specified in Article 2.2 will result in the rejection of the corresponding Bid Proposal. Each RFP Bidder assumes full responsibility for timely delivery to the address specified in Article 6.1.2 above.

6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal Spreadsheet, the RFP Bidder must have signed the POLR SMA and sent it by certified mail, registered mail, hand delivery, or courier service to the address specified in Article 6.1.2 for delivery on or before the Bid Proposal Due Date specified in Article 2.2 (RFP Schedule). If the RFP Bidder is awarded any tranches in any solicitation in this RFP, the signed POLR SMA that was initially submitted will be executed upon the

exchange of the Transaction Confirmation form. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein a RFP Bidder that has previously executed the POLR SMA is awarded additional tranches.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the POLR SMA(s) 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 using the Bid Proposal Spreadsheet described in Article 5.1 by secure electronic file transfer to the secure server on PPL Electric's RFP Web site by 12:00:00 p.m. EPT, on the Bid Proposal Due Date for each solicitation as indicated in Article 2.2 (RFP Schedule).

## **6.2 Packaging**

- 6.2.1 In response to this RFP, each RFP Bidder must provide the RFP Manager three originals of its Bidder Qualification materials on the Bidder Qualifications Due Date. In response to this RFP, if the RFP Bidder is qualified and submits Bid Proposals on a given Bid Proposal Due Date, the RFP Bidder must also provide the RFP Manager three originals of the Binding Bid Agreement for the appropriate solicitation and an executed Bid Assurance Letter of Credit supporting its bid. In response to this RFP, if the RFP Bidder is submitting Bid Proposals for the first time, the RFP Bidder must provide three originals of the POLR SMA by the Bid Proposal Due Date. Each original must bear original signatures.
- 6.2.2 The three original Bidder Qualifications must be provided in one box or envelope clearly bearing the name of the RFP Bidder and the appropriate Bidder Qualifications Due Date.
- 6.2.3 Only Proposals using the Bid Proposal Spreadsheet submitted by secure electronic file transfer to the secure server on PPL Electric's RFP Web site will receive consideration.
- 6.2.4 The three originals of the Binding Bid Agreement and an executed Bid Assurance Letter of Credit must be provided in one box or envelope clearly bearing the name of the RFP Bidder and the appropriate Bid Proposal Due Date.
- 6.2.5 The three originals of the POLR SMA must be provided in one box or envelope clearly bearing the name of the RFP Bidder and the appropriate Bid Proposal Due Date only for the first solicitation in which an RFP Bidder submits a Bid Proposal.

## ARTICLE 7 EVALUATION OF PROPOSALS

### 7.1 Bidder Qualifications Processing

- 7.1.1 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.
- 7.1.2 All boxes 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 bidders of a deficiency in a submission prior to the Cure Deficiency Deadline.
- 7.1.3 A Bidder Qualification of an RFP Bidder that does not comply with the packaging instructions will be returned to the RFP Bidder.
- 7.1.4 Each Bidder Qualification must include all documents and information required to satisfy the Qualification Standards as set out in Article 4 for Bidder Qualifications.
- 7.1.5 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt until the Qualified Bidders Notified Date as specified in Article 2.2 (RFP Schedule). The Bidder Qualification Evaluation Team will assess the Bidder Qualifications for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Article 7.2.

### 7.2 Bidder Qualifications Evaluation

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualification to be complete and compliant if: (i) all financial information specified in Article 4 has been provided; (ii) a proposed alternative Bid Assurance Letter of Credit is for the account of the RFP Bidder and is in a form acceptable to the Company; and (iii) all certifications and other requirements have been provided and are signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt as specified in Article 2.2 (RFP Schedule). If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualification 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 qualifications. The Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, including aspects of any

proposed alternative Bid Assurance Letter of Credit that are not acceptable, no later than forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability for any failure to notify bidders of a deficiency in a submission prior to the Cure Deficiency Deadline. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted by the specified Cure Deficiency Deadline in Article 2.2 (RFP Schedule). If a response to a deficiency is provided by an RFP Bidder before the Cure Deficiency Deadline specified in Article 2.2 (RFP Schedule) and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency until the Cure Deficiency Deadline for that solicitation.

- 7.2.3 A deficiency notice may be issued in connection with the credit instruments (i.e., an alternative Bid Assurance Letter of Credit or any another aspect of the Bidder Qualification).
- 7.2.4 If a deficiency notice is sent and the RFP Bidder does not respond by the Cure Deficiency Deadline established by the Bidder Qualification Evaluation Team in accordance with the procedure specified in Article 7.2.2, 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.
- 7.2.5 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.
- 7.2.6 Bidders will be notified on the Qualified Bidders Notified Date in the RFP Schedule if they qualify to submit Bid Proposal(s) on the Bid Proposal Due Date. (i) Only those RFP Bidders whose response to the Bidder Qualification on Qualifications Standards is complete and compliant with the terms of this RFP will be invited to submit a Bid Proposal for Bid. (ii) 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 Proposals Processing**

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a Bidder Qualification.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives on behalf of the Company.

- 7.3.3 A Bid Proposal that does not comply with the submission instructions in Article 6.1.5 will be returned to the RFP Bidder.
- 7.3.4 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be opened at the same time. A representative of the PUC may be present to attend the opening of the Bid Proposals. Information regarding the content or status of any Bid Proposal will not be released during the evaluation process.
- 7.3.5 The Bid Proposal Evaluation Team will assess the Bid Proposal for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Article 7.4.

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

- 7.4.1 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 Bid Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all certifications required in the Bid Proposal, as specified in Article 5, have been submitted. If they have not, the Bid Proposal will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Article 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous information; or (iii) it is not supported by a Bid Assurance Letter of Credit acceptable to the Company; or (iv) the RFP Bidder has not submitted the signed POLR 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 in each Group by the RFP Bidder as specified in Article 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 in each Group 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 Group where there is the most competition. By submitting a Bid Proposal in response to this RFP, each RFP Bidder is authorizing the Bid Proposal Evaluation Team to modify the RFP Bidder's Bid Proposal documents as specified in and as required by this article.

- 7.4.6 The remaining Bid Proposals will be evaluated on a price-only basis as follows. The Bid Proposal Evaluation Team will, for each Group, consider all combinations of Bid(s) (across RFP Bidders) whose sum of Total Tranches Supplied is equal to the Available Tranches for that Group in that solicitation. In the event that the greatest sum of Total Tranches Supplied for any combination in that Group is less than the Available Tranches for that Group, the Bid Proposal Evaluation Team will consider all combinations of Bids in that Group 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 (2010 US\$/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 (2010 US\$/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 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 Groups, 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) for a Group in the winning combination that will be presented to the Commission. For each such RFP Bidder for a Group, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination for that Group being presented to the PUC; and (ii) identify the Bids submitted by such RFP Bidder that will be presented to the PUC for that Group.

The Bid Proposal Evaluation Team will also communicate to the Company the average of all Bids in each Group weighted by the number of tranches associated with each Bid 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 Bid Proposal Due Date 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 two business days to decide whether to approve the results. If the results are approved by the PUC, the Bid Proposal Evaluation Team will notify all RFP Bidders of the PUC's decision. The winning RFP Bidders will then receive a transaction confirmation from PPL Electric on the date of the PUC's approval. The winner RFP Bidders must follow the transaction confirmation directions in the POLR SMA. If a winning RFP Bidder fails to execute the transaction confirmation as required under Article 2.8 of the POLR SMA, the winning RFP Bidder may forfeit its Bid Assurance Collateral.

- 7.5.2 In the event that results for any solicitation are rejected by the PUC or that some tranches are unfilled in a particular solicitation, those tranches will be offered in next scheduled solicitation. In the event that some load remains un-served for a Group after the last scheduled solicitation, or in the event that a POLR Supplier for a Group defaults, PPL Electric will offer full requirements supply assignment to other winning RFP Bidders for the same Group consistent with the Step-Up process described in the POLR SMA. If this assignment is not successful, PPL Electric will offer full requirements supply assignment to all POLR Suppliers consistent with the Step-Up process described in the POLR SMA, even if a POLR Supplier does not serve tranches for that Group. 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 Group in the event of insufficient bids.

## **ARTICLE 8 RESERVED RIGHTS**

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

- 8.1.1 At any time prior to the execution of the POLR SMA, PPL Electric has the exclusive 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 POLR SMA. Nothing herein may be construed to bind the Company unless

and until the PUC has approved winning Bid(s), and each POLR SMA with an RFP Bidder has been executed and is effective. Once effective, the POLR 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 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**

**2006**

**PPL ELECTRIC UTILITIES CORPORATION**

**PROVIDER OF LAST RESORT**

**SUPPLY MASTER AGREEMENT**

**BETWEEN**

**[BUYER NAME]**

**AND**

**[SELLER NAME]**

**DATED [DATE]**

# PROVIDER OF LAST RESORT SUPPLY MASTER AGREEMENT

## Articles and Provisions

### Table of Contents

<b>ARTICLE 1 DEFINITIONS</b> .....	<b>5</b>
<b>ARTICLE 2 TERMS AND CONDITIONS OF FULL REQUIREMENTS SERVICE</b> .....	<b>14</b>
2.1 SELLER'S OBLIGATION TO PROVIDE SERVICE.....	14
2.2 BUYER'S OBLIGATION TO TAKE SERVICE.....	14
2.3 DISTRIBUTION SERVICE.....	15
2.4 CHANGES IN PJM CHARGES .....	15
2.5 STATUS OF SELLER .....	15
2.6 SALES FOR RESALE.....	15
2.7 GOVERNING TERMS.....	15
2.8 TRANSACTION CONFIRMATION .....	15
<b>ARTICLE 3 SCHEDULING, FORECASTING, AND INFORMATION SHARING</b> .....	<b>15</b>
3.1 SCHEDULING .....	15
3.2 LOAD FORECASTING.....	15
3.3 INFORMATION SHARING .....	15
<b>ARTICLE 4 SPECIAL TERMS AND CONDITIONS</b> .....	<b>16</b>
4.1 CONGESTION AND CONGESTION MANAGEMENT.....	16
4.2 LOAD RESPONSE PROGRAMS .....	16
4.3 PJM E-ACCOUNTS.....	16
4.4 ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION .....	16
4.5 TITLE TRANSFER .....	17
4.6 RELIABILITY GUIDELINES.....	17
4.7 PJM MEMBERSHIP.....	17
4.8 DECLARATION OF AUTHORITY .....	17
4.9 FERC AUTHORIZATION.....	17
4.10 DISCLOSURE IN THE EVENT OF SELLER DEFAULT.....	17
4.11 SELLER STEP-UP RIGHTS.....	18
<b>ARTICLE 5 TERM AND SURVIVAL</b> .....	<b>18</b>
5.1 TERM.....	18
5.2 SURVIVAL.....	18
<b>ARTICLE 6 DETERMINATION OF DELIVERED QUANTITIES</b> .....	<b>19</b>
6.1 MONTHLY SETTLEMENT LOAD.....	19
<b>ARTICLE 7 BILLING AND SETTLEMENT</b> .....	<b>19</b>
7.1 BILLING.....	19
7.2 PJM BILLING.....	19
7.3 PAYMENTS OF THE INVOICE.....	19
7.4 BILLING DISPUTES AND ADJUSTMENTS OF INVOICES .....	20
7.5 INTEREST ON UNPAID BALANCES .....	20
<b>ARTICLE 8 TAXES</b> .....	<b>20</b>
8.1 COOPERATION .....	20
8.2 TAXES .....	20
8.3 DISCLOSURE OF TAX TREATMENT.....	21
<b>ARTICLE 9 INDEMNIFICATION</b> .....	<b>21</b>
9.1 SELLER'S INDEMNIFICATION FOR THIRD-PARTY CLAIMS.....	21
9.2 BUYER'S INDEMNIFICATION FOR THIRD-PARTY CLAIMS.....	21
9.3 INDEMNIFICATION PROCEDURES .....	22
<b>ARTICLE 10 LIMITATIONS ON LIABILITY</b> .....	<b>22</b>

# Table of Contents

<b>ARTICLE 11 FORCE MAJEURE</b> .....	<b>23</b>
11.1    FORCE MAJEURE .....	23
11.2    NOTIFICATION .....	23
<b>ARTICLE 12 EVENTS OF DEFAULT; REMEDIES</b> .....	<b>23</b>
12.1    EVENTS OF DEFAULT.....	23
12.2    REMEDIES.....	24
12.3    CALCULATION AND NET OUT OF SETTLEMENT AMOUNTS .....	25
12.4    NOTICE OF TERMINATION PAYMENT .....	26
12.5    DISPUTES WITH RESPECT TO TERMINATION PAYMENT .....	26
12.6    DUTY TO MITIGATE.....	26
<b>ARTICLE 13 DISPUTE RESOLUTION</b> .....	<b>26</b>
13.1    INFORMAL DISPUTE RESOLUTION.....	26
13.2    FORMAL DISPUTE RESOLUTION.....	27
<b>ARTICLE 14 PERFORMANCE ASSURANCE</b> .....	<b>27</b>
14.1    REQUIREMENT FOR PERFORMANCE ASSURANCE.....	27
14.2    PERFORMANCE ASSURANCE TRANSFERS/RETURNS.....	27
14.3    UNSECURED CREDIT.....	28
14.4    CREDIT RATING.....	29
14.5    TANGIBLE NET WORTH .....	29
14.6    AGGREGATE BUYER’S EXPOSURE .....	29
<b>ARTICLE 15 REPRESENTATIONS AND WARRANTIES</b> .....	<b>30</b>
15.1    REPRESENTATIONS AND WARRANTIES .....	30
15.2    ADDITIONAL UNDERSTANDINGS .....	31
<b>ARTICLE 16 MISCELLANEOUS</b> .....	<b>32</b>
16.1    NOTICES .....	32
16.2    GENERAL.....	32
16.3    RULES OF INTERPRETATION.....	32
16.5    CONFIDENTIALITY .....	33
16.6    SUCCESSORS.....	33
16.7    ASSIGNMENT/CHANGE IN CORPORATE IDENTITY .....	33
16.8    GOVERNING LAW .....	33
16.9    JURISDICTION AND VENUE .....	34
16.10   AMENDMENTS .....	34
16.11   PJM AGREEMENT MODIFICATIONS .....	34
16.12   DELAY AND WAIVER.....	34
16.13   REGULATORY APPROVALS .....	35
<b>EXHIBIT A TRANSACTION CONFIRMATION EXAMPLE</b> .....	<b>36</b>
<b>EXHIBIT B ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION</b> .....	<b>37</b>
<b>EXHIBIT C PERFORMANCE ASSURANCE EVERGREEN LETTER OF CREDIT</b> .....	<b>38</b>
<b>EXHIBIT D SAMPLE PJM INVOICE</b> .....	<b>41</b>
<b>EXHIBIT E METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE</b> ..	<b>43</b>
<b>EXHIBIT F UNCONDITIONAL GUARANTY</b> .....	<b>46</b>
<b>EXHIBIT G FORM OF NOTICE</b> .....	<b>53</b>
<b>EXHIBIT H PJM DECLARATION OF AUTHORITY</b> .....	<b>54</b>

# PROVIDER OF LAST RESORT SUPPLY MASTER AGREEMENT

THIS PROVIDER OF LAST RESORT SUPPLY MASTER AGREEMENT (“Agreement” or “POLR SMA”), is made and entered into as of \_\_\_\_\_ (“Effective Date”), by and between \_\_\_\_\_, hereinafter referred to as “Seller” and \_\_\_\_\_, hereinafter referred to as “Buyer” (each hereinafter referred to individually as “Party” and collectively as “Parties”).

## WITNESSETH:

WHEREAS, the Pennsylvania Public Utility Commission Orders issued pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2182, direct Buyer to supply electric service to Provider of Last Resort Service Load (“POLR Load”) within Buyer's Pennsylvania franchise service territory; and

WHEREAS, the Pennsylvania legislature has enacted a law establishing an Alternative Energy Portfolio Standard applicable to retail electricity suppliers serving customers in the Commonwealth of Pennsylvania; and

WHEREAS, Buyer has solicited offers for obtaining all or a portion of the supply it requires to serve its POLR Load pursuant to a Request for Proposal (“RFP”) and the Seller is a winning bidder in that solicitation; and

WHEREAS, Seller desires to sell Full Requirements Service and Buyer desires to purchase such Full Requirements Service to supply a Specified Percentage in Buyer's Pennsylvania franchised service territory on a firm and continuous basis; and

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

## ARTICLE 1 DEFINITIONS

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

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

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

“Aggregate Transactions” means all Transactions under this Agreement and all other transactions under Supply Master agreements executed between the Parties pursuant to the PUC Orders.

“Ancillary Services” shall have the meaning ascribed thereto in the PJM Agreements.

“Alternative Energy Portfolio Standards (“AEPS”) Obligation” shall have the meaning ascribed to it in Section 4.4 (Alternative Energy Portfolio Standards Obligation).

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

“Amended and Restated PJM Operating Agreement” means the Operating Agreement of PJM or the successor, superceding or amended versions of the Operating Agreement that may take effect from time to time.

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

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

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

“Buyer’s Exposure” during the term of a Transaction shall be deemed equal to the positive difference between: (i) the MtM Exposure pursuant to a Transaction under this Agreement; less (ii) the sum of any unpaid or unbilled amounts owed by Buyer to Seller pursuant to a Transaction under this Agreement. With respect to the preceding sentence, “unbilled amounts owed by Buyer” shall consist of a good faith estimate by Buyer as to any amounts which will be owed by Buyer for service already rendered by Seller under a Transaction.

“Capacity” means “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).

“Capacity Forward Price” means the price, as reported by PJM, for Capacity stated in terms of \$/MWD associated with each month remaining in a Transaction Delivery Period.

“Capacity Initial Mark Price” means the Capacity Forward Price as of the Transaction Date.

“Capacity Obligation” means the product of the capacity obligation, consistent with PJM unforced capacity accounting and corresponding to the Current PLC Per Tranche, and the number of Tranches awarded to the Seller.

“Congestion Revenue Rights” or “CRR” means the current or any successor congestion management mechanism or mechanisms as may be employed by PJM (whether set forth in the PJM Tariff or elsewhere) for the purpose of allocating financial congestion hedges.

“Costs” means, with respect to the Non-Defaulting Party, brokerage fees, commissions, PJM charges, and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its POLR Load obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

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

“Current PLC Per Tranche” means, on any given Business Day, for each Transaction, the product of: (i) the aggregate PLC for an entire Service Type; and (ii) the quotient of (x) the Specified Percentage and (y) the number of Tranches.

“Declaration of Authority” shall have the meaning ascribed to it in Section 4.8 (Declaration of Authority).

“Default Damages” means, for the period of time specified in Section 12.2(b)(ii) (Remedies) any direct damages and Costs, calculated in a commercially reasonable manner, that the Non-Defaulting Party incurs with respect to the Specified Percentage as a result of an Event of Default. Direct damages may include, but are not limited to: (i) the positive difference (if any) between the price of Full Requirements Service hereunder and the price at which the Buyer or Seller is able to purchase or sell (as applicable) Full Requirements Service (or any components of Full Requirements Service it is able to purchase or sell) from or to third parties, including PJM; (ii) Emergency Energy charges; and (iii) additional transmission or congestion costs incurred to purchase or sell Full Requirements Service.

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

“Delivery Point” means the PPL Zone as defined within PJM.

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

“Emergency Energy” shall have the meaning ascribed to it in the PJM Agreements.

“Energy” means three-phase, 60-cycle alternating current electric energy, expressed in units of

kilowatt-hours or megawatt-hours.

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

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

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

“Force Majeure” “Force Majeure” means an event or circumstance which prevents one party from performing its obligations under one or more transactions, such riot or revolutions, demands or embargoes of the United States Government, fire, flood, drought, insurrection, acts of God which are not within the reasonable control of, or the result of the negligence of the affected party and which, by the exercise of due diligence, the Party is unable to mitigate or avoid or cause to be avoided. Notwithstanding the foregoing, under no circumstance shall an event of Force Majeure be based on: (i) the loss or failure of Seller’s supply; (ii) Seller’s ability to sell the Full Requirements Service at a price greater than that received under any Transaction; (iii) curtailment by a Transmitting Utility; (iv) Buyer’s ability to purchase the Full Requirements Service at a price lower than paid under any Transaction; or (v) Labor stoppage or lockout.

“Full Requirements Service” means all necessary Energy, Capacity, Transmission, Ancillary Services, Pennsylvania Alternative Energy Portfolio Standard (AEPS) requirement, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply the Specified Percentage of distribution service.

“Gains” means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from a Terminated Transaction, determined in a commercially reasonable manner.

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

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

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

“Interest Rate” means, for any date, the lesser of: (i) the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under “Money Rates” on such day (or if not published on such day on the most recent preceding day on which published), plus two percent (2%); and (ii) the maximum rate permitted by applicable law.

“kWh” means one kilowatt of electric power over a period of one hour.

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

“Load Percentage” means the percentage of the Monthly Settlement Load that the Monthly Settlement Price is applicable to, as set forth in Section 6.2 (Load Percentages).

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

“Losses” means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction, determined in a commercially reasonable manner.

“Mark to Market Exposure” or “MtM Exposure” means, with respect to each month remaining in each Transaction Delivery Period, the sum of: (i) the relevant month On-Peak Forward Price minus the relevant month On-Peak Initial Mark Price, multiplied by the relevant month On-Peak Estimated Energy Quantity; (ii) the relevant month Off-Peak Forward Price minus the relevant month Off-Peak Initial Mark Price, multiplied by the relevant month Off-Peak Estimated Energy Quantity; and (iii) the relevant month Capacity Forward Price minus the relevant month Capacity Initial Mark Price, multiplied by the remaining Capacity Obligation.

The methodology for calculating the MtM Exposure and an example are included in Exhibit E.

“Monthly Settlement Amount” means with respect to any calendar month during the Delivery Period, the sum of: (i) the product of the applicable Monthly Settlement Price and Monthly Settlement Load; and (ii) any other adjustments as set forth in this Agreement.

“Monthly Settlement Price” means the price for Monthly Settlement Load for the applicable month of the Delivery Period as set forth in a Transaction Confirmation.

“Monthly Settlement Date” means, with respect to any calendar month of a Delivery Period, the date(s) determined to be the PJM Settlement Date(s) pursuant to the PJM Agreements.

“Monthly Settlement Load” means, with respect to any calendar month during an applicable Delivery Period, the product of Specified Percentage and POLR Load.

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

“MWD” means one megawatts of electric power available over a period of one day which shall be rounded in a manner consistent with the standards in the PJM Agreements.

“MWh” means one megawatt of electric power used over a period of one hour which shall be rounded in a manner consistent with standards in the PJM Agreements. The current rounding standards are to the nearest one-thousandth of a megawatt hour.

“MW-Measure” means the estimated megawatt measure of PLC corresponding to a single Tranche.

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

“Network Integration Transmission Service” shall have the meaning ascribed to it in the PJM Agreements.

“Non-Defaulting Party” means the Party not responsible for an Event of Default, as set forth in Article 12.

“Off-Peak Estimated Energy Quantity” means, for each month in each Transaction, the product of: (i) the relevant month Off-Peak Estimated Energy Quantity per MW-Measure; (ii) the quotient of the Current PLC Per Tranche divided by the MW-Measure; (iii) the number of Tranches awarded to the Seller per the Transaction Confirmation; and (iv) the percentage of Off-Peak Hours remaining (excluding current day) in each month.

“Off-Peak Estimated Energy Quantity Per MW-Measure” means the estimation of Energy, inclusive of electrical line losses, in the Off-Peak Hours for each of the twelve (12) calendar months, as set forth in the Transaction Confirmation.

“Off-Peak Forward Price” means the price, as provided by the Pricing Agent, for Off-Peak Hours, stated in terms of \$/MWh, associated with each month remaining in a Transaction Delivery Period, and based on the most recent publicly available information and/or quotes from Reference Market-Makers on forward Energy transactions occurring at the PJM Western HUB (as discussed in Exhibit E). If the publicly available information is not available from the Reference Market-Makers then the price shall equal the product of: (i) the relevant month Off-Peak Forward Price; and (ii) the relevant month Off-Peak Price Ratio.

“Off-Peak Hours” means those hours which are not On-Peak Hours.

“Off-Peak Initial Mark Price” means the Off-Peak Forward Price as of the Transaction Date.

“Off-Peak Price Ratio” means the ratio of the relevant month’s average off-peak price to the annual average off-peak price calculated using PJM’s reported day-ahead hourly prices as set forth by Buyer each month based on the previous 36-month rolling period.

The historical off-peak prices used to calculate the ratio will be the PJM Western Hub day-ahead hourly prices for the Off-Peak Hours. The relevant month’s average off-peak price will be calculated as the sum of all the off-peak hourly prices in all such months divided by the total amount of off-peak hours in all such months (e.g., for the month of January, there would be three

such months). The annual average off-peak price will be calculated as the sum of all the off-peak hourly prices in the 36-month rolling period divided by the total amount of off-peak hours in the 36-month rolling period.

“On-Peak Estimated Energy Quantity” means, for each month in each Transaction, the product of: (i) the relevant month On-Peak Estimated Energy Quantity per MW-Measure; (ii) the quotient of the Current PLC Per Tranche divided by the MW-Measure; (iii) the number of Tranches awarded to the Seller per the Transaction Confirmation; and (iv) the percentage of On-Peak Hours remaining (excluding current day) in each month.

“On-Peak Estimated Energy Quantity Per MW-Measure” means the estimation of Energy, inclusive of electrical line losses, in the On-Peak Hours for each of the twelve (12) calendar months, as set forth in the Transaction Confirmation.

“On-Peak Forward Price” means the price, as provided by the Pricing Agent, for On-Peak Hours, stated in terms of \$/MWh, associated with each month remaining in a Transaction Delivery Period, and based on the most recent publicly available information and/or quotes from Reference Market-Makers on forward Energy transactions occurring at the PJM Western HUB (as discussed in Exhibit E). If the publicly available information is not available from the Reference Market-Makers then the price shall equal the product of: (i) the relevant month On-Peak Forward Price; and (ii) the relevant month On Peak Price Ratio.

“On-Peak Hours” means Hour Ending (“HE”) 0800 through HE 2300 EPT, Monday through Friday, excluding Saturday, Sunday and PJM holidays.

“On-Peak Initial Mark Price” means the On-Peak Forward Price as of the Transaction Date.

“On-Peak Price Ratio” means the ratio of the relevant month’s average on-peak price to the annual average on-peak price calculated using PJM’s reported day-ahead hourly prices as set forth by Buyer each month based on the previous 36-month rolling period.

The historical on-peak prices used to calculate the ratio will be the PJM Western Hub day-ahead hourly prices for the On-Peak Hours. The relevant month’s average on-peak price will be calculated as the sum of all the on-peak hourly prices in all such months divided by the total amount of on-peak hours in all such months (e.g., for the month of January, there would be three such months). The annual average on-peak price will be calculated as the sum of all the on-peak hourly prices in the 36-month rolling period divided by the total amount of on-peak hours in the 36-month rolling period.

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

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

“Photo-voltaic (“PV”)” means shall have the meaning ascribed in Tier 1 Alternative Energy Sources.

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

“PJM Active Load Management” shall have the meaning ascribed to it in the PJM Agreements.

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

“PJM Control Area” shall have the meaning ascribed to it in the PJM Agreements.

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

“PJM Planning Period” shall have the meaning ascribed to it in the PJM Agreements. Currently, the PJM Planning Period is the twelve (12) months beginning June 1 and extending through May 31 of the following year.

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

“PJM Settlement Date” means the date on which payments are due to PJM for services provided by PJM in accordance with the PJM Agreements. Such date currently occurs on the first Business Day after the nineteenth (19<sup>th</sup>) calendar day of the month following service.

“PJM Western Hub” means the aggregated Locational Marginal Price (“LMP”) nodes defined by PJM.

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

“POLR Service” shall have the meaning ascribed to it in the Electricity Generation Customer Choice and Competition Act and PUC Orders enacted thereunder.

“Pricing Agent” shall be the person or entity described in Article 14.6, Exhibit B, and Exhibit E.

“Provider of Last Resort Service Load” or “POLR Load” means the total sales at the retail meter, plus any losses and Unaccounted For Energy, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PUC Orders and Settlements, 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. For purposes of clarification, POLR Load shall not include sales resulting from changes in the Buyer’s Pennsylvania service territory which occur as a result of a merger, consolidation, or acquisition of another entity which has a franchised service territory in Pennsylvania or a result of a significant franchise territory swap with another entity which has a franchised service territory in Pennsylvania.

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

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

“Rate Classes” means the existing, and modified or successor, customer rate schedule designations in PPL Electric Utilities Corporation’s General Tariff.

“Reference Market-Maker” means any broker in energy products.

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

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

“Service Type” means the customer class, partial customer class and/or group of customer classes, as set forth in a Transaction Confirmation.

“Settlement Amount” means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such Party incurs as a result of the liquidation of a Terminated Transaction pursuant to Article 12 (Events of Default – Remedies). The calculation of a Settlement Amount for a Terminated Transaction shall exclude any Default Damages calculated pursuant to Section 12.2(b)(ii) for the same Terminated Transaction. For the purposes of calculating the Termination Payment, the Settlement Amount shall be considered an amount due to the Non-Defaulting Party under this Agreement if 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.

“Specified Percentage” means the percentage of POLR Load as set forth in a Transaction Confirmation.

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

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

“TNW Percentage” means the percentage determined pursuant to Section 14.3 (Unsecured Credit) that is multiplied by an entity’s Tangible Net Worth to determine that entity’s TNW Amount.

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

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

“Tranche” means a fixed percentage share of load for a Service Type that is awarded to Seller in accordance with Buyer's RFP as set forth in a Transaction Confirmation. The fixed percentage defines the Tranche size for each of the Company's Service Types.

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

“Transaction Confirmation” shall have the meaning ascribed to it in Section 2.8 (Transaction Confirmation).

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

“Transmitting Utility” means the utility or utilities and their respective control area operators and their successors, transmitting Full Requirements Service.

“Unaccounted For Energy” means an energy accounting adjustment assessed by PJM for settlement purposes among retail energy suppliers in the PPL zone. It is the difference on an hourly basis (as either a credit or a charge), between, the PPL zonal load as measured and billed by PJM and adjusted for losses, and, the sum of the individually metered customer hourly loads served within the zone as billed and adjusted for losses. Unaccounted for Energy also includes energy related adjustments for PJM billing charges that are normally billed to PPL Electric and not necessarily billed to LSEs serving retail load in the zone. Load profiles adjusted for losses are used to determine individual hourly customer usage when actual hourly loads are not available. Unaccounted for Energy is distributed by PJM among all retail energy suppliers in the PPL zone on an hourly basis.

“Unsecured Credit” means an amount that is the lower of: (i) the relevant Unsecured Credit Limit as determined pursuant to Section 14.3 (Unsecured Credit); (ii) the relevant TNW Amount, as determined pursuant to Section 14.3 (Unsecured Credit); or (iii) the Guaranty Amount from Seller's Guarantor as set forth in the Guaranty Agreement.

“Unsecured Credit Limit” shall have the meaning ascribed to it in Section 14.3 (Unsecured Credit).

## ARTICLE 2

### TERMS AND CONDITIONS OF FULL REQUIREMENTS SERVICE

- 2.1 Seller's Obligation To Provide Service. With respect to a Transaction, Seller shall provide Full Requirements Service on a firm and continuous basis such that the Specified Percentage is supplied during the Delivery Period.
- 2.2 Buyer's Obligation to Take Service. With respect to a Transaction, Buyer shall accept Full Requirements Service as provided by Seller pursuant to Section 2.1 (Seller's Obligation to Provide Service), and shall pay Seller the Monthly Settlement Amounts for such Full Requirements Service on the applicable Monthly Settlement Date in accordance with Section 7.3 (Payments of the Invoice).

- 2.3 Distribution Service. With respect to a Transaction, Buyer shall be responsible, at its sole cost and expense, for the provision of distribution service necessary to serve the Specified Percentage.
- 2.4 Changes in PJM Charges. Seller bears the risk of any other changes in PJM products and pricing during the term of this Agreement.
- 2.5 Status of Seller. Seller, for purposes of this Agreement and any Transaction, is a Load Serving Entity.
- 2.6 Sales for Resale. All Full Requirements Service provided by Seller to Buyer shall be sales for resale, with Buyer reselling such Full Requirements Service to POLR Load customers.
- 2.7 Governing Terms. Each Transaction shall be governed by this Agreement. This Agreement, including all exhibits hereto, any designated collateral, credit support, margin agreement or similar arrangements and all Transaction Confirmations shall form a single integrated agreement between Buyer and Seller. Any inconsistency between terms in this Agreement and terms in a Transaction Confirmation shall be resolved in favor of the terms of this Agreement.
- 2.8 Transaction Confirmation. A Transaction shall be documented in a Transaction Confirmation in the form attached hereto as Exhibit A. On the Business Day on which Seller is selected and approved by the PUC as a provider of Full Requirements Service, Buyer will forward by facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) and shall send by overnight delivery three (3) originals. Except as otherwise provided in the RFP, by 2:00 p.m. EPT on the next Business Day following Seller's receipt of such facsimile of partially executed Transaction Confirmation(s), Buyer shall return by facsimile, or other immediate means acceptable to both Parties, to Seller a fully executed Transaction Confirmation(s), and shall send by overnight delivery two (2) originals. In addition, if such Transaction(s) is the initial Transaction(s) with the Seller under the current RFP solicitation, then Buyer will forward by facsimile or other immediate means acceptable to both Parties, to Seller a fully executed Agreement, and shall send by overnight delivery two (2) originals.

### **ARTICLE 3**

## **SCHEDULING, FORECASTING, AND INFORMATION SHARING**

- 3.1 Scheduling. Seller shall schedule Full Requirements Service pursuant to the PJM Agreements. Buyer will provide to Seller and PJM all information required by PJM, for the purpose of calculating Seller's Full Requirements Service obligations.
- 3.2 Load Forecasting. Buyer shall not be required to provide to the Seller any load forecasting services for any Transaction.
- 3.3 Information Sharing. On each Business Day, Buyer shall provide to the Seller on a reasonable efforts basis, Buyer's estimation of the PLC for the seventh (7<sup>th</sup>) following

day, representing the Seller's Specified Percentage of each Service Type. Buyer does not warrant the accuracy of such information.

## ARTICLE 4 SPECIAL TERMS AND CONDITIONS

- 4.1 Congestion and Congestion Management. Seller is responsible for any congestion costs incurred to supply the Specified Percentage. Because the PJM Planning Period does not correspond exactly with the supply term of this POLR SMA, Buyer, in its capacity as LSE for POLR Load during the Year 2009, will ensure that rights to CRRs for the period January 1, 2010, through May 31, 2010, obtained in conjunction with Buyer's designation as LSE for POLR Load will be provided to Seller as described herein. Buyer shall transfer or assign to Seller, Buyer's rights to CRRs for the period January 1, 2010 through May 31, 2010 to which Buyer is entitled as an LSE pursuant to the PJM Agreements, provided that such rights are related to the service being provided to the Specified Percentage. All rights and obligations associated with such CRRs will accrue to the Seller through the transfer or assignment from Buyer to Seller including the ability of Seller to request or nominate such CRRs when applicable. The Seller is responsible for nominating and obtaining CRRs for the period June 1, 2010, through December 31, 2010. Seller, as a LSE serving POLR Load, shall have the right to request and nominate CRRs provided all Transactions for the Seller's Specified Percentage of POLR Load have been executed and are in full force and effect. Effective January 1, 2011 all CRR rights will transfer back to the Buyer.
- 4.2 Load Response Programs. Buyer will manage its load response programs in accordance with the provisions of its applicable riders and retail electric service tariffs, as amended and approved by the PUC from time to time or distribution utility customer contracts, as amended by the distribution utility from time to time. Unless specifically prohibited by its retail electric service tariffs, POLR Service customers may, at their election, participate in demand response programs offered under the PJM OATT.
- 4.3 PJM E-Accounts. Buyer and Seller shall work with PJM to establish any PJM E-Accounts necessary for Seller to provide Full Requirements Service. In a timely manner, Buyer shall establish PJM E-Account contract(s) for the entire duration of the Transaction(s) and Seller shall confirm the PJM E-Account contract(s) for the entire duration of the Transaction(s).
- 4.4 Alternative Energy Portfolio Standards Obligation.
- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) and shall provide its proportional share of the Buyer's AEPS Obligation as set forth in the AEPS Act and PUC rules that may be promulgated to implement the AEPS Act.
  - (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a subscriber to GATS and is responsible for paying its

annual subscription fee. Seller shall transfer certificates into the Buyer's account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to Seller's Full Requirements Service.

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

- 4.5 Title Transfer. Seller shall cease to have title to, possession of, and risk of loss with respect to liability pursuant to Sections 9.1 (Seller's Indemnification for Third-Party Claims) and 9.2 (Buyer's Indemnification for Third-Party Claims) of Full Requirements Service scheduled and received or delivered hereunder at the Delivery Point(s). Seller warrants that it has good title to the Full Requirements Service sold and delivered hereunder and that it has the right to sell such Full Requirements Service. The word "loss" in this Section 4.5 (Title Transfer) does not encompass electrical transmission and distribution losses. As between Buyer and Seller only, Buyer shall take title to, possession of, and risk of loss with respect to liability pursuant to Sections 9.1 (Seller's Indemnification for Third-Party Claims) and 9.2 (Buyer's Indemnification for Third-Party Claims) of Full Requirements Service scheduled and received or delivered hereunder at the Delivery Point(s). Notwithstanding the foregoing, nothing contained in this Agreement is intended to create or increase liability of Buyer to any third party beyond such liability, if any, that would otherwise exist under the PJM Agreements or under applicable law if Buyer had not taken title.
- 4.6 Reliability Guidelines. Each Party agrees to adhere to the applicable operating policies, criteria and/or guidelines of the NERC, PJM, their successors, and any regional or sub regional requirements.
- 4.7 PJM Membership. For the period of time that this Agreement is in effect, Seller 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 that this Agreement is in effect, Buyer shall be a member in good standing of PJM.
- 4.8 Declaration of Authority. For the period of time that this Agreement is in effect, both Buyer and Seller shall have executed the Declaration of Authority in the form attached hereto as Exhibit H.
- 4.9 FERC Authorization. For the period of time that this Agreement is in effect, Seller shall have FERC authorization to make sales of energy, capacity, and ancillary services at market based rates within PJM. (Appendix 5 in RFP Process and Rules Document)
- 4.10 Disclosure in the Event of Seller Default. If Seller defaults and this Agreement is terminated pursuant to Article 12 (Events of Default; Remedies), Buyer may disclose the terms of this Agreement and any Transaction Confirmation to all other non-defaulting wholesale suppliers providing service to Buyer pursuant to the PUC Orders and Settlements. Such disclosure by Buyer shall be made for the purpose of allowing each

non-defaulting wholesale supplier to make its Step-Up elections described in Section 4.11 (Seller Step-Up Rights) below.

- 4.11 Seller Step-Up Rights. In the event of an early termination of a POLR SMA and associated transactions between Buyer and an entity other than Seller, Buyer shall send a written notification to Seller which: (i) describes the individual supply obligations associated with the terminated transaction(s) for the remaining term(s) of such transaction(s), including all available information regarding the associated CRRs; and (ii) requests Seller to agree to supply its full or partial pro-rata share 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 full requirements service agreement and transaction(s). Such agreement to make additional supply available shall be termed a “Step-Up”.

In the event that Seller wishes to exercise its option to Step-Up, Seller shall notify Buyer of such within five (5) Business Days from the date of Buyer’s notification. In Seller’s notification, Seller shall indicate: (i) the amount of the increased obligation that Seller wishes to take on in respect of certain specified transaction(s) (which need not be all); and (ii) that it is willing to meet any additional collateral requirements related to the Step-Up. If other sellers do not exercise their option to Step-Up, Buyer shall again notify Seller as to the amount available for Step-Up and Seller will again have an option to take a full or partial pro-rata share of the amount that such other sellers declined to take. Seller’s notification shall take place no later than two (2) Business Days of its receipt of Buyer’s notification. Seller’s pro-rata share, as described in this paragraph, shall be the ratio of Seller’s total load obligation across all service types and customer classes at the time the Step-Up option is offered, stated on a PLC basis, to the total load being supplied under this Agreement and other full requirements service agreements pursuant to the PUC Orders and Settlements on a PLC basis, excluding the terminated transactions(s) and, if applicable, excluding the full requirement service agreements under which other sellers declined to exercise their Step-Up option in part or full.

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

## **ARTICLE 5 TERM AND SURVIVAL**

- 5.1 Term. Unless otherwise agreed upon by Buyer and Seller, this Agreement shall continue in full force and effect from the Effective Date until the end of all Transaction(s) executed under this Agreement unless this Agreement is terminated prematurely pursuant to Article 12 of this Agreement.
- 5.2 Survival. All provisions of this Agreement which must, in order to give full force and effect to the rights and obligations of the Parties hereto, survive termination or expiration of this Agreement, shall so survive, including, without limitation, Articles 9, 10, 12, and 13.

## ARTICLE 6 DETERMINATION OF DELIVERED QUANTITIES

- 6.1 Monthly Settlement Load. The amount of Monthly Settlement Load with respect to any calendar month during the Delivery Period shall be determined in terms of megawatt-hours ("MWh") of Energy. The MWh of Energy shall be equivalent to the amount of Energy reported as the Seller's Specified Percentage obligation by Buyer to PJM, and shall include seller's share of 500KV losses as determined by PJM. The MWh of Energy shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. The MWh of Energy as reported includes any reduction in load as a result of the Buyer's and PJM's operation of its load response programs.

## ARTICLE 7 BILLING AND SETTLEMENT

- 7.1 Billing. Unless otherwise agreed to by the Parties, on or before the sixth (6<sup>th</sup>) Business Day of each month, Buyer shall deliver to Seller, via electronic transmission or other means agreed to by the Parties, an invoice ("Invoice") that sets forth the total amount due for the previous calendar month for all Transactions. The Invoice shall detail for each Transaction the following:

- (a) Monthly Settlement Load
- (b) Monthly Settlement Price
- (c) Monthly Settlement Amount
- (d) PJM billing adjustments
- (e) Any other adjustments set forth in this Agreement

- 7.2 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 as set forth in Exhibit D attached hereto and made a part hereof. If PJM is unable to invoice charges or credits in accordance with Exhibit D, Buyer shall rectify such PJM invoice discrepancy in the Invoice sent pursuant to Section 7.1 (Billing).
- (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 Exhibit D will be determined pursuant to Sections 2.3 (Distribution Service), 2.4 (Changes in PJM Charges), and 16.11 (PJM Agreement Modifications) of this Agreement.

- 7.3 Payments of the Invoice. On the Monthly Settlement Date, Buyer will pay to Seller, or Seller will pay to the Buyer, as the case may be, the total amount due in the applicable Invoice. All payments shall be made by "Electronic Funds Transfer" ("EFT") via

“Automated Clearing House” (“ACH”), to a bank designated in writing by such Party, by 12:00 p.m. EPT on the Monthly Settlement Date. Payment of Invoices shall not relieve the paying Party from any other responsibilities or obligations it has under this Agreement (other than the obligation to make such payment), nor shall such payment constitute a waiver of any claims arising hereunder.

7.4 Billing Disputes and Adjustments of Invoices.

- (a) Within twelve (12) months of the date on which an Invoice is issued, Buyer may, in good faith, adjust the Invoice to correct any errors. The adjustment shall include interest calculated at the Interest Rate from the original due date to the date of payment. Buyer shall provide Seller a written explanation of the basis for the adjustment.
- (b) Within twelve (12) months of the date on which an Invoice is issued or an Invoice is adjusted pursuant to Section 7.4(a) (Billing Disputes and Adjustment of Invoices), Seller may, in good faith, dispute the correctness of such Invoice or adjustment, pursuant to the provisions of Article 13 (Dispute Resolution), and provided that Seller has paid by the Monthly Settlement Date any portion of an Invoice that is not disputed.
- (c) Within twelve (12) months of the date on which a PJM bill is issued, Buyer or Seller may, in good faith, dispute the correctness of any such PJM bill, pursuant to the provisions of Article 13 (Dispute Resolution), and provided that the disputing Party has paid by the Monthly Settlement Date any portion of an Invoice that is not disputed.

7.5 Interest on Unpaid Balances. Interest on delinquent amounts, other than amounts in dispute as described in Section 7.4 (Billing Disputes and Adjustment of Invoices), shall be calculated at the Interest Rate from the original due date to the date of payment.

## ARTICLE 8 TAXES

8.1 Cooperation. Each Party shall use reasonable efforts to implement the provisions of and administer this Agreement in accordance with the intent of the Parties to minimize taxes, so long as neither Party is materially adversely affected by such efforts.

8.2 Taxes.

- (a) As between the Parties: (i) Seller is responsible for the payment of all taxes imposed by any Governmental Authority on the wholesale sales of Full Requirements Service under this Agreement; and (ii) Buyer is responsible for the payment of all taxes imposed by any Governmental Authority on retail sales of Full Requirements Service under this Agreement.

- (b) Any Party paying taxes that should have been paid by the other Party pursuant to Section 8.2(a) (Taxes), shall be reimbursed by such other Party in the next invoice issued pursuant to Section 7.1 (Billing).

8.3 Disclosure of Tax Treatment. Notwithstanding anything to the contrary in this Agreement or in the RFP and appendices thereto, Seller and Buyer agree that: (i) any obligation of confidentiality with respect to the Parties' Transactions hereunder does not apply, and has not applied from the commencement of discussions between the Parties, to the tax treatment and tax structure of the Agreement and all Transactions thereunder, and (ii) Seller and Buyer (and each of their respective employees, representatives, or agents) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Agreement and the Transactions thereunder, as well as any materials of any kind (including opinions or other tax analyses) that have been provided to the disclosing Party relating to such tax treatment and tax structure, all within the meaning of Treasury Regulations Section 1.6011-4; provided, however, that the foregoing is not intended to affect any privileges that each Party is entitled, at its sole discretion, to maintain, including with respect to any confidential communications with its attorney or any confidential communications with a federally authorized tax practitioner under Section 7525 of the Internal Revenue Code.

## ARTICLE 9 INDEMNIFICATION

- 9.1 Seller's Indemnification for Third-Party Claims. Seller shall indemnify, hold harmless, and defend Buyer and its Affiliates, and their respective officers, directors, employees, agents, contractors, subcontractors, invitees, successors, representatives and permitted assigns (collectively, "Buyer's Indemnitees") from and against any and all claims, liabilities, costs, losses, damages, punitive damages and expenses including reasonable attorney and expert fees, disbursements actually incurred, and any penalties or fines imposed by Government Authorities in any action or proceeding between Buyer and a third party or Seller for damage to property of unaffiliated third parties, injury to or death of any person, including Buyer's employees or any third parties, to the extent directly caused by the negligence, gross negligence or willful misconduct of Seller and/or its officers, directors, employees, agents, contractors, subcontractors or invitees arising out of or connected with Seller's performance under this Agreement, Seller's exercise of rights under this Agreement, or Seller's breach of this Agreement. Buyer shall have the right to hire the attorney of its choice to defend it in any proceeding brought against it pursuant to this provision.
- 9.2 Buyer's Indemnification for Third-Party Claims. Buyer shall indemnify, hold harmless, and defend Seller and its Affiliates, and their respective officers, directors, employees, agents, contractors, subcontractors, invitees, successors, representatives and permitted assigns (collectively, "Seller's Indemnitees") from and against any and all claims, liabilities, costs, losses, damages, and expenses including reasonable attorney and expert fees, disbursements actually incurred, and any penalties or fines imposed by Government Authorities in any action or proceeding between Seller and a third party or Buyer for damage to property of unaffiliated third parties, injury to or death of any person, including Seller's employees or any third parties, to the extent directly caused by the

gross negligence or willful misconduct of Buyer and/or its officers, directors, employees, agents, contractors, subcontractors or invitees arising out of or connected with Buyer's performance under this Agreement, Buyer's exercise of rights under this Agreement, or Buyer's breach of this Agreement. Seller shall have the right to hire the attorney of its choice to defend it in any proceeding brought against it pursuant to this provision.

- 9.3 Indemnification Procedures. If either Party intends to seek indemnification under Sections 9.1 (Seller's Indemnification for Third-Party Claims) or 9.2 (Buyers Indemnification for Third-Party Claims), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within ninety (90) days of the later of the commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail, and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld or delayed.

## **ARTICLE 10 LIMITATIONS ON LIABILITY**

Limitation of Remedies, Liability and Damages. EXCEPT AS SET FORTH IN THIS AGREEMENT, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO COSTS AND DEFAULT DAMAGES AS DEFINED IN THIS AGREEMENT, SUCH COSTS AND DEFAULT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE.

## ARTICLE 11 FORCE MAJEURE

- 11.1 Force Majeure means an event or circumstance as defined in Article 1 and fulfills the requirements set forth in Section 11.2 (Notification).
- 11.2 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 12 EVENTS OF DEFAULT; REMEDIES

- 12.1 Events of Default. An "Event of Default" shall mean, with respect to a Party ("Defaulting Party"), the occurrence of any of the following:
- (a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within two (2) Business Days after written notice;
  - (b) any representation or warranty made by such Party herein or in response to the RFP is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated;
  - (c) the failure of a Party to comply with the requirements of Section 4.7 (PJM Membership) and 4.9 (FERC Authorization) if such failure is not remedied within three (3) Business Days after written notice;
  - (d) PJM has declared a Party 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;
  - (e) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default) if such failure is not remedied within three (3) Business Days after written notice;
  - (f) such Party becomes Bankrupt;
  - (g) such Party consolidates with, or merges with or into, or transfers all or substantially all of its assets to, another entity, or assigns the Agreement or any rights, interests, or obligations hereunder without the prior written consent of the other Party when such consent is required, and, at the time of such consolidation, merger, transfer or assign, the resulting, surviving, transferee, or assigned entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;

- (h) the occurrence and continuation of: (i) a default, event of default or other similar condition or event in respect of such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than five percent (5%) of such Party's TNW, which results in such indebtedness becoming immediately due and payable or; (ii) a default by such Party in making on the due date therefore one or more payments, individually or collectively, in an aggregate amount of not less than five percent (5%) of such Party's TNW.
- (i) the failure of a Party to comply with its obligations pursuant to Article 14 (Performance Assurance) if such failure is not remedied within three (3) Business Days after written notice.
- (j) with respect to Seller's Guarantor if any: (i) if any representation or warranty made by the Guarantor in connection with this Agreement is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated; (ii) the failure of the Guarantor to make any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice; (iii) the failure of the Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement without the written consent of the other Party; (iv) the Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty; or (v) conditions described with respect to a Party in subparagraph (f) of this Section 12.1 (Events of Default) occurs with respect to its Guarantor.

12.2 Remedies. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party"), shall provide written notice to the Defaulting Party and shall have the right to temporarily suspend performance pursuant to Section 12.2(a) or implement all remedies pursuant to Section 12.2(b):

- (a) If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right to suspend performance, provided that such suspension shall not continue for longer than ten (10) Business Days. At any time during or subsequent to the temporary suspension of performance, the Non-Defaulting Party may proceed with the steps outlined in Section 12.2(b). If, by the end of the ten (10) Business Day period of suspension, the Non-Defaulting Party has not commenced the implementation of the remedies pursuant to Section 12.2(b), then the Non-Defaulting Party must resume performance of its obligations under this Agreement.
- (b) 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, but not less than all, the following remedies:

- i. designate a day, in such notice, no earlier than the day such notice is effective and no later than twenty (20) calendar days after such notice is effective, as an early termination date (“Early Termination Date”) for the purposes of determining the Settlement Amount;
  - ii. calculate and receive from the Defaulting Party, payment for any Default Damages and costs, as defined this Agreement, the Non-Defaulting Party incurs as of the date of the event giving rise to the Event of Default, until the earlier of: (i) the Early Termination Date (if applicable); or (ii) the Event of Default has been cured by the Defaulting Party; or (iii) the Non-Defaulting Party waives such Event of Default; (iv) withhold any payments due to the Defaulting Party under this Agreement as an offset to any Default Damages and costs, as defined this Agreement, or Termination Payment, as defined in Section 12.3 (Calculation and Net Out of Settlement Amounts); and (v) permanently suspend performance.
- (c) If an Event of Default has occurred and the Non-Defaulting Party is the Buyer, then:
- i. unless the Event of Default was a failure by Seller to meet any or all of its Full Requirements Service obligations, Buyer may offer to waive the default on such terms and conditions as Buyer, at its sole discretion, may deem appropriate to propose (“Special Remedy”); provided however that;
  - ii. any such Special Remedy can only be offered to Seller if it first is specifically approved by the PUC in accordance with PUC Orders and Settlements.

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

- (a) The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable. For purposes of calculating the Settlement Amount, the Non-Defaulting Party shall reflect the net impact of the exercise of the option on the part of other wholesale suppliers as described in Section 4.11 (Seller Step-Up Rights) of this Agreement. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single liquidated amount (the “Termination Payment”) by netting out: (i) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article 14 (Performance Assurance), plus any or all other amounts due to the Defaulting Party under this Agreement; against (ii) all Settlement Amounts that are due to the Non-Defaulting Party plus any or all other amounts due to the Non-Defaulting Party, including but not limited to Default Damages and costs, under this Agreement. The Termination Payment shall be due to the Non-Defaulting Party. In no event will a termination payment result in payment from the Non-Defaulting Party to the Defaulting Party.

- (b) In order to avoid doubt regarding a commercially reasonable calculation for the purposes of calculating the Settlement Amount by the Non-Defaulting Party, the quantity of amounts of Energy, Capacity and other services to have been provided under the POLR SMA for the period following the Early Termination Date (the "Termination Quantity") shall be deemed those quantity amounts that would have been delivered on an hourly basis had the POLR SMA been in effect during the previous calendar year, adjusted for such POLR load changes as have occurred since the previous calendar year. Nothing in this section shall limit the right of the Buyer when Seller is the Defaulting Party to replace Seller's full requirements obligation and the result of any Commission-approved procedure will be deemed to be commercially reasonable for purposes of calculating the Settlement Amount and will be deemed to have been determined by reference to the Termination Quantity.
- 12.4 Notice of Termination Payment. As soon as practicable after an Early Termination Date is declared, the Non-Defaulting Party shall provide written notice to the Defaulting Party of the amount of the Termination Payment. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The Defaulting Party shall make the Termination Payment within five (5) Business Days after such notice is effective.
- 12.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within five (5) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a notice that it intends to dispute the calculation of the Termination Payment ("Termination Payment Dispute Notice"), pursuant to the provisions of Article 13 (Dispute Resolution), and provided, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party by the Termination Payment Date.
- 12.6 Duty to Mitigate. Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party's failure to perform pursuant to this Agreement.

## ARTICLE 13 DISPUTE RESOLUTION

- 13.1 Informal Dispute Resolution. Before pursuing resolution of any dispute arising out of this Agreement, the disputing Party shall provide written notice to the other Party setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. The Parties shall use good faith and reasonable commercial efforts to informally resolve such dispute. Such efforts shall last for a period of at least thirty (30) calendar days from the date that the notice of the dispute is first delivered from one Party to the other Party. Any amounts that are owed by one Party to the other Party as a result of resolution of a dispute pursuant to this Section 13.1 (Informal Dispute Resolution), shall be paid within two (2) Business Days of such resolution and the payment shall include interest calculated at the Interest Rate from the original due date through the date of payment.

- 13.2 Formal Dispute Resolution. After the requirements of Section 13.1 (Informal Dispute Resolution) have been satisfied, all disputes, except as noted below, between the Parties shall be submitted to the appropriate authority.

## ARTICLE 14 PERFORMANCE ASSURANCE

- 14.1 Requirement for Performance Assurance. With respect to Aggregate Transactions, if at any time and from time to time during the term of this Agreement, Aggregate Buyer's Exposure exceeds the Unsecured Credit on any Business Day, then Buyer shall request that Seller post Performance Assurance in an amount equal to the amount by which Aggregate Buyer's Exposure exceeds the Unsecured Credit (rounding upwards to the nearest \$100,000), less any Performance Assurance already posted with Buyer. Notwithstanding the above, Seller shall only be required to post the required Performance Assurance to the extent the amount of required Performance Assurance is equal to or greater than \$500,000. Subsequent and incremental requests for Performance Assurance shall be in \$100,000 increments. Buyer's request for Performance Assurance shall not be disputed by Seller.
- 14.2 Performance Assurance Transfers>Returns. If the request for Performance Assurance is made by Buyer before 1:00 p.m. EPT on a Business Day, then if Seller is posting cash as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance cash to Buyer on the Business Day following the date of such request; and if Seller is posting a Letter of Credit or other security as acceptable to Buyer as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance Letter of Credit or other security on the second Business Day following the date of such request. If a request for Performance Assurance is made by Buyer at or after 1:00 p.m. EPT, then if Seller is posting cash as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance cash to Buyer on the second Business Day following the date of such request; and if Seller is posting a Letter of Credit or other security as acceptable to Buyer as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance Letter of Credit or other security on the third Business Day following the date of such request. Telephone, facsimile, or other communication means mutually acceptable by the Parties, are suitable means for the Buyer to make requests for Performance Assurance. If Seller provides its Performance Assurance collateral in cash, in whole or in part, Seller will also simultaneously grant Buyer a first-priority security interest in that cash, in a form mutually acceptable to Buyer and Seller. Buyer shall not be entitled to hold Performance Assurance in the form of cash; rather, Performance Assurance in the form of cash shall be held in any major U.S. commercial bank, or a foreign bank with a U. S. branch office, (which is not the Buyer or an affiliate of the Buyer), and has assets of at least \$10 billion and a credit rating of at least "A" by Standard and Poor's, or "A2" by Moody's Investor Services ("Qualified Institution"). The Buyer will pay to Seller on the first Business Day of each calendar quarter the amount of interest it receives based upon the applicable overnight repurchase interest rate from the Qualified Institution on any Performance Assurance in the form of cash posted by Seller. The interest amount or portion thereof not returned to Seller pursuant to this Section 14.2 will constitute Performance Assurance and will be subject to the provisions

of Article 14 of this Agreement.

On any Business Day (but no more frequently than weekly with respect to Letters of Credit or other security acceptable to Buyer, and daily with respect to cash), Seller, at its sole cost, may request that the Performance Assurance be reduced correspondingly to reflect the decrease in Buyer Exposure or an increase in Seller's Unsecured Credit, if any (rounding upwards for any fractional amount to the nearest \$100,000). Buyer shall be required to return the amount of Performance Assurance due in accordance with the timeframes set forth in the preceding paragraph. A written means is suitable for the Seller to make requests for return of Performance Assurance.

In the event that Seller fails to provide Performance Assurance or Buyer fails to return Performance Assurance pursuant to the terms of this Article 14 (Performance Assurance) within the applicable timeframes, then an Event of Default pursuant to Section 12.1(i) shall be deemed to have occurred with respect to the non-performing Party and the other Party will be entitled to the remedies set forth therein.

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

- 14.3 Unsecured Credit. During the term of this Agreement, Buyer shall extend, solely with respect to the Performance Assurance set forth in Section 14.1 (Requirement for Performance Assurance), Unsecured Credit, as defined in Article 1 of this Agreement, to Seller in an amount initially determined on the Effective Date and redetermined each Business Day thereafter pursuant to this Section 14.3.

For purposes of determining Unsecured Credit, the relevant Unsecured Credit Limit shall be the Unsecured Credit Limit listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's. The relevant TNW Amount shall be calculated using the TNW Percentage listed in the following table that corresponds to Seller's (or Seller's Guarantor's) lowest Credit Rating most recently published by S&P, Fitch and/or Moody's.

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

Pursuant to this Article 14 and Article 1, the analysis of Unsecured Credit will also include consideration of the Guaranty Agreement, if any, submitted by Seller in connection with this contract.

- 14.4 Credit Rating. If during the term of the Agreement, Seller's or Seller's Guarantor's, if applicable, Credit Rating changes, by either being upgraded or downgraded by any of the rating agencies referenced in Section 14.3 (Unsecured Credit) of the Agreement, the Seller shall be required to provide written notice to Buyer of such Credit Rating change no later than two (2) Business Days after the date of such change. However, if Seller's, or Seller's Guarantor's, if applicable, equity is publicly traded on the New York Stock Exchange, NASDAQ National Market, or American Stock Exchange, the Buyer will waive the requirement to provide written notice.
- 14.5 Tangible Net Worth. During the term of the Agreement, Seller, or Seller's Guarantor, if applicable, shall be required to provide Buyer written financial information to determine the Seller's, or Seller's Guarantor's Tangible Net Worth. Financial information shall include an audited Annual Report, containing, but not limited to, a balance sheet prepared in accordance with generally accepted accounting principles, a schedule of long term debt including maturity dates, and all notes to the financial statement that apply to long term debt, short term borrowing, and liquidity and capital resources. The Seller, or Seller's Guarantor, shall also provide the Buyer written financial information on a quarterly basis containing a balance sheet prepared in accordance with generally accepted accounting principles. However, if Seller's, or Seller's Guarantor's, if applicable, equity is publicly traded on the New York Stock Exchange, NASDAQ National Market, or American Stock Exchange, the Buyer will waive the requirement to provide written financial information.
- 14.6 Aggregate Buyer's Exposure. In order to determine the amount of Performance Assurance during the term of this Agreement, Buyer shall calculate the Aggregate Buyer's Exposure under Aggregate Transactions once per Business Day, pursuant to the process and methodology described in Exhibit E. On a Transaction Date, the Buyer's Exposure for that Transaction shall be deemed equal to zero.

To the extent that the calculations of the Aggregate Buyer's Exposure for a given date results in a negative number, the Aggregate Buyer's Exposure for such date shall be deemed equal to zero.

- (a) Pricing Agent. Buyer shall contract with and pay for the services of a single independent consultant to provide pricing services with respect to the Transactions under this Agreement ("Pricing Agreement"). The Pricing Agent shall provide to the Buyer the On-Peak Initial Mark Price and the Off-Peak Initial Mark Price. In addition, on each Business Day, the Pricing Agent shall provide to the Buyer the On-Peak Forward Price and the Off-Peak Forward Price. To the extent that information and/or quotes are not available to determine an On-Peak Forward Price or Off-Peak Forward Price for a given month the Pricing Agent shall be permitted to use information and/or quotes relevant to such month for which information/and quotes are available in order to provide the Buyer the required On-Peak Forward Price and Off-Peak Forward Price for such month. Exhibit E presents in more detail the methodology to be used by the Pricing Agent in determining the Off-Peak Initial Mark Price, On-Peak Initial Mark Price, Capacity Forward Price, Capacity Initial Mark Price, the On-Peak Forward Price, and the Off-Peak Forward Price.
- (b) Buyer shall use reasonable efforts to provide Seller with Aggregate Buyer's Exposure on each Business Day subject to the Confidentiality provisions of this Agreement.
- (c) Pursuant to Section 14.1 above, Seller shall not dispute any request by Buyer for Performance Assurance. Notwithstanding such provision, Seller may dispute the Pricing Agent's determinations of the On-Peak Initial Mark Price, Off-Peak Initial Mark Price, Capacity Forward Price, Capacity Initial Mark Price, On-Peak Forward Price, and Off-Peak Forward Price if Seller can demonstrate that the Pricing Agent has been grossly negligent or has exhibited willful misconduct in such determinations, or that the Pricing Agent is making such determinations in a manner that is arbitrary, capricious or erroneous on its face. Such dispute of the Pricing Agent's determinations by the Seller shall not be cause for any delay by the Seller in posting any Performance Assurance requested by the Buyer.

## **ARTICLE 15 REPRESENTATIONS AND WARRANTIES**

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

- (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- (b) it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement and each Transaction;
- (c) the execution, delivery and performance of this Agreement and each Transaction

are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

- (d) this Agreement and each Transaction constitutes its legally valid and binding obligation enforceable against it in accordance with its terms; subject to any equitable defenses;
- (e) it is not Bankrupt and there are no proceedings pending or being contemplated by it or, to its knowledge, threatened against it which would result in it becoming Bankrupt ;
- (f) there are no pending, or to its knowledge threatened, actions, suits or proceedings against it or any of its Affiliates any legal proceedings before any Governmental Authority that could materially adversely affect its ability to perform its obligations under this Agreement and each Transaction;
- (g) no Event of Default with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement and each Transaction;
- (h) with respect to Buyer, it is acting to fulfill its obligations under and in accordance with PUC Orders and Settlements to enter into this Agreement;
- (i) it is not relying upon the advice or recommendations of the other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement and each Transaction, and the other Party is not acting as a fiduciary for or advisor to it in respect of this Agreement;
- (j) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code; and
- (k) it has entered into this Agreement and each Transaction in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of the Full Requirements Service; and it is an "eligible contract participant" as defined in Section 1a(12) of the Commodity Exchange Act.

15.2 Additional Understandings. 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 this Agreement and each Transaction hereunder that the Agreement will result in physical delivery and not financial settlement, and the quantity of Full Requirements Service that Seller must deliver and Buyer must receive will be determined by the requirements of the POLR Load served by Buyer, 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 Buyer's and Seller's specific intent so that in accordance with Financial Accounting Standards Board

Statement No. 133 (“FAS 133”), as amended, Buyer would be able to elect to use accrual accounting for its purchases under this Agreement, while Seller would be able to elect to use either accrual or mark-to-market accounting for its sales under the Agreement. If either Buyer or Seller determines, in good faith, that the intended accounting treatment has become jeopardized, due to a change in interpretations of FAS 133, as amended, or otherwise, then Buyer and Seller agree to meet and use their best efforts to reform the Agreement so that, with the minimum changes possible, the Agreement again qualifies for the intended accounting treatments.

## **ARTICLE 16 MISCELLANEOUS**

- 16.1 Notices. Unless otherwise specified herein, all notices shall be in writing and delivered by hand, overnight or facsimile (provided a copy is also sent by overnight mail). Notice shall be effective on the next Business Day after it is sent. A Party may change its address by providing notice of the same in accordance with this Section 16.1. Notice information for Buyer and Seller is shown on Exhibit G.
- 16.2 General. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement. This Agreement shall not impart any rights enforceable by any third party other than a permitted successor or assignee bound to this Agreement or any Transaction. Any provision declared or rendered unlawful will not otherwise affect the remaining lawful obligations that arise under this Agreement or any Transaction; provided that in such event the Parties shall use commercially reasonable efforts to amend this Agreement or any Transaction in order to give effect to the original intention of the Parties.
- 16.3 Rules of Interpretation. The following principles shall be observed in the interpretation and construction of this Agreement:
- (a) unless otherwise stated, the terms “include” and “including” when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;
  - (b) all titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;
  - (c) references to the singular include the plural and vice versa;
  - (d) references to Articles, Sections, Clauses and the Preamble are, unless the context indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement; and

(e) in carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing.

16.4 Audit. Each Party has the right on at least three (3) Business Days prior written notice, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made in accordance with Sections 7.1 (Billing) and 7.5 (Interest on Unpaid Balances).

16.5 Confidentiality. The POLR SMA is subject to the conditions of the Confidentiality Agreement contained as part of the POLR RFP Rules and Procedures document as approved by the PUC.

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

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

- (a) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements;
- (b) transfer or assign this Agreement to an affiliate of such Party if: (i) such affiliates creditworthiness is equal to or higher than that of such Party; or (ii) in such event, the Transferee should assume all obligations pursuant to this Agreement and shall provide appropriate performance assurances as required by this Agreement;
- (c) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose: (i) creditworthiness is equal to or higher than that of such Party; or (ii) in such event, the Transferee should assume all obligations pursuant to this Agreement and shall provide appropriate performance assurances as required by this Agreement; and
- (d) provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

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

- 16.9 Jurisdiction and Venue. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Federal or State courts of Pennsylvania and each Party hereby irrevocably submits to the in personam jurisdiction of such courts. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.
- 16.10 Amendments. Except as provided in Section 16.11 (PJM Agreement Modifications), this Agreement or any Transaction shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed, in writing, by the Parties. Except as provided in Section 16.11 (PJM Agreement Modifications), the rates, terms and conditions contained in this Agreement or any Transaction 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) (the “*Mobile-Sierra*” doctrine).
- 16.11 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. It is the intention of the Parties that Seller bear the risks of changes to the applicable provisions of PJM Agreements, or any other PJM Rules relating to the implementation of this Agreement.
- 16.12 Delay and Waiver. Except as otherwise provided in this Agreement, no delay or omission to exercise any right, power or remedy accruing to the respective Parties hereto upon any breach or default of any other Party under this Agreement shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character of any breach or default under this Agreement, or any waiver of any provision or condition of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

16.13 Regulatory Approvals. The commencement of the Delivery Period is subject to the receipt or waiver by Buyer of all Buyer required regulatory approvals. In the event such required regulatory approvals are not received or waived, the Step-Up provisions of Section 4.11 (Seller Step-Up Rights) shall apply.

**EXHIBIT A**

**TRANSACTION CONFIRMATION EXAMPLE**

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

Product: Full Requirements Electric Service  
Group: Residential  
Service Type: Rate Classes RS, RTS, RTD  
Delivery Location: PPL Electric Zone  
Delivery Period: January 1, 2010 through December 31, 2010

The Seller's specified percentage is \_\_\_\_\_. Seller will supply \_\_\_\_ tranches at a monthly settlement price of \$ \_\_\_\_\_ per MWh for the duration of the delivery period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	Approximate Tranche Size (MW)
Rate Classes RS, RTS, RTD		1.67%		50.0

2010 Estimated Quantity Per Tranche (MWh)											
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by facsimile to PPL Electric at [Fax number to be provided] in accordance with Section 2.8 – Transaction Confirmation of the POLR SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

**SELLER**

BY:

Name:

Title:

**PPL ELECTRIC UTILITIES CORPORATION**

BY:

Name:

Title:

**EXHIBIT B**

**ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION**

Alternative Energy Portfolio Standards Obligations for the period beginning January 1, 2010:

<u>Compliance Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
1/1/10 to 5/31/10	2.5%	0.0013%	4.2%
6/1/10 to 12/31/10	3.0%	0.0203%	6.2%

EXHIBIT C

PERFORMANCE ASSURANCE EVERGREEN LETTER OF CREDIT

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

IRREVOCABLE LETTER OF CREDIT NO.

ISSUE DATE \_\_\_\_\_ EXPIRY DATE \_\_\_\_\_

APPLICANT  
[NAME]  
[ADDRESS]

BENEFICIARY  
[NAME]  
[ADDRESS]

CURRENCY AMOUNT USD  
\*\*\*\*\*\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE LETTER OF CREDIT NO:  
\_\_\_\_\_ FOR THE ACCOUNT OF \_\_\_\_\_ (APPLICANT) FOR AN  
AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS  
\_\_\_\_\_ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE  
BANK OF \_\_\_\_\_ (“ISSUER”) \_\_\_\_\_ (ADDRESS),  
EFFECTIVE \_\_\_\_\_ AND EXPIRING AT OUR COUNTERS ON  
\_\_\_\_\_ OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS  
PROVIDED HEREIN. THIS LETTER OF CREDIT IS AVAILABLE IN ONE OR MORE  
DRAFTS UP TO THE AGGREGATE AMOUNT SET FORTH HEREIN.

THIS LETTER OF CREDIT IS PRESENTABLE AND PAYABLE AT OUR COUNTERS  
AND WE HEREBY ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN  
COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE HONORED  
ON PRESENTATION IF ACCOMPANIED BY THE REQUIRED DOCUMENTS  
PURSUANT TO THE TERMS OF THIS LETTER OF CREDIT.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE  
THE EXPIRY DATE OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND  
CONDITIONS OF THIS LETTER OF CREDIT.

1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS:

“THE AMOUNT FOR THIS DRAWING, USD (INSERT AMOUNT), BEING  
MADE UNDER THE BANK OF \_\_\_\_\_ (BANK) LETTER  
OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE  
NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO  
BENEFICIARY FROM APPLICANT FOR PERFORMANCE ASSURANCE

RELATED TO THE FULL REQUIREMENTS SERVICE AGREEMENT(S)  
DATED \_\_\_\_\_ BETWEEN \_\_\_\_\_ AND  
\_\_\_\_\_.”

2. THIS ORIGINAL LETTER OF CREDIT AND ANY AMENDMENT(S).

IF PRESENTATION OF ANY DRAWING IS MADE ON A BUSINESS DAY (AS HEREIN DEFINED) AND SUCH PRESENTATION IS MADE ON OR BEFORE 11:00 A.M. NEW YORK TIME, ISSUER SHALL SATISFY SUCH DRAWING REQUEST ON THE NEXT BUSINESS DAY. IF THE DRAWING IS RECEIVED AFTER 11:00 A.M. NEW YORK TIME, ISSUER WILL SATISFY SUCH DRAWING REQUEST ON THE SECOND FOLLOWING BUSINESS DAY.

IT IS A CONDITION OF THIS LETTER OF CREDIT THAT IT WILL BE AUTOMATICALLY EXTENDED WITHOUT AMENDMENT FOR ONE YEAR FROM THE EXPIRATION DATE HEREOF, OR ANY FUTURE EXPIRATION DATE, UNLESS AT LEAST 90 DAYS PRIOR TO ANY EXPIRATION DATE WE NOTIFY YOU AT THE ABOVE ADDRESS BY REGISTERED MAIL OR HAND DELIVERED COURIER THAT WE ELECT NOT TO CONSIDER THIS LETTER OF CREDIT RENEWED FOR ANY SUCH PERIOD.

THIS LETTER OF CREDIT MAY BE TERMINATED UPON BENEFICIARY'S RECEIPT OF FULL PAYMENT FROM THE APPLICANT AND ISSUER'S RECEIPT OF A WRITTEN RELEASE FROM THE BENEFICIARY RELEASING THE ISSUER FROM ITS OBLIGATIONS UNDER THIS LETTER OF CREDIT.

THE TERM "BUSINESS DAY" AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

APPLICANT'S FILING OF A BANKRUPTCY, RECEIVERSHIP OR OTHER DEBTOR-RELIEF PETITION, AND/OR APPLICANT'S DISCHARGE THEREUNDER, SHALL IN NO WAY AFFECT THE LIABILITY OF [BANK] UNDER THIS LETTER OF CREDIT AND [BANK] SHALL ALWAYS REMAIN LIABLE TO [BENEFICIARY] FOR THE FULL AMOUNT OF APPLICANT'S OBLIGATIONS HEREIN TO [BENEFICIARY] NOT TO EXCEED THE AVAILABLE AMOUNT IN THIS LETTER OF CREDIT.

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY 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") OR SUCH LATER REVISION(S) OF THE ISP AS MAY BE HEREAFTER ADOPTED. AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN

ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.

5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILTY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: \_\_\_\_\_

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

PLEASE DIRECT ANY WRITTEN CORRESPONDENCE, INCLUDING DRAWING OR INQUIRIES TO:

[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT D

SAMPLE PJM INVOICE

FINAL BILLING STATEMENT ISSUED ON: MM/DD/YYYY FOR PERIOD:  
MM/DD/YYYY TO MM/DD/YYYY

	Day-Ahead	Balancing	Total
<b>OPERATING AGREEMENT OF PJM INTERCONNECTION, L.L.C.:</b>			
<b>Charges:</b>			
Spot Market Energy	Seller	Seller	Seller
Transmission Congestion	Seller	Seller	Seller
Transmission Losses (Point-to-Point)	Seller	Seller	Seller
Regulation			Seller
Spinning Reserve			Seller
Operating Reserves	Seller	Seller	Seller
Synchronous Condensing			Seller
Capacity Credit Market			Seller
Reconciliation for Spot Market			Seller
Reconciliation for Regulation			Seller
Reconciliation for Operating Reserves			Seller
Emergency Energy			Seller
FTR Auction			Seller
Meter Error Correction			Seller
PJM Load Response Program			Seller
<b>Credits:</b>			
Spot Market Energy	Seller	Seller	Seller
Transmission Congestion			Seller
Transmission Losses (Point-to-Point)			Seller
Regulation			Seller
Spinning Reserve			Seller
Operating Reserves	Seller	Seller	Seller
Synchronous Condensing			Seller
Capacity Credit Market			Seller
Emergency Energy			Seller
FTR Auction			Seller

**EXHIBIT D (Continued)**

**SAMPLE PJM INVOICE**

**FINAL BILLING STATEMENT ISSUED On: MM/DD/YYYY FOR PERIOD:  
MM/DD/YYYY TO MM/DD/YYYY**

<b>PJM OPEN ACCESS TRANSMISSION TARIFF:</b>	
	<b>Total</b>
<b>Charges:</b>	
PJM Scheduling, System Control and Dispatch Service	Seller
Transmission Owner Scheduling, System Control and Dispatch Service	Seller
Reactive Supply and Voltage Control from Generation Sources Service	Seller
Black Start Service	Seller
Network Integration Transmission Service	Seller
Firm Point-to-Point Transmission Service	Seller
Non-Firm Point-to-Point Transmission Service	Seller
Transitional Market Expansion Charges (Transmission Customer Charge Only)	Seller
Reconciliation for PJM Scheduling, System Control and Dispatch Service	Seller
Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service	Seller
Intra-PJM Seams Elimination Cost Assignment Charges	Seller
PJM/MISO Seams Elimination Cost Assignment Charges	Seller
<b>Credits:</b>	
Transmission Owner Scheduling, System Control and Dispatch Service Credits	Seller
Reactive Supply and Voltage Control from Generation Sources Service	Seller
Black Start Service	Seller
Network Integration Transmission Service	Seller
Firm Point-to-Point Transmission Service	Seller
Non-Firm Point-to-Point Transmission Service	Seller
Other Supporting Facilities	Seller
Energy Imbalance Credits	Seller
Intra-PJM Seams Elimination Cost Assignment Credits	Seller
PJM/MISO Seams Elimination Cost Assignment Credits	Seller
<b>Reliability Assurance Agreement Among Load Serving Entities in the PJM Control Area:</b>	
	<b>Total</b>
<b>Charges:</b>	
Capacity Deficiency	Seller
<b>Credits:</b>	
Capacity Excess	Seller

## EXHIBIT E

### METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE

#### Parameters

In calculating the Mark to Market (MtM) Exposure for each Transaction, the following parameters are set on the Transaction Date:

1. On-Peak Initial Mark Price
2. Off-Peak Price Ratio/On-Peak Price Ratio
3. Off-Peak Initial Mark Price
4. On-Peak Estimated Energy Quantity Per Tranche for each of the twelve calendar months
5. Off-Peak Estimated Energy Quantity Per Tranche for each of the twelve calendar months
6. Capacity Initial Mark Price
7. Capacity Obligation
8. Number of awarded Tranches

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

1. On-Peak Forward Price
2. Off-Peak Forward Price
3. Capacity Forward Price
4. Capacity Obligation
5. On-Peak Estimated Energy Quantity
6. Off-Peak Estimated Energy Quantity

#### Calculation of the MtM Exposure

On each Business Day subsequent to the Transaction Date, the MtM Exposure will be calculated, with respect to each month remaining in the Transaction Delivery Period, as the sum of the following:

- (i) the relevant month On-Peak Forward Price minus the relevant month On-Peak Initial Mark Price, multiplied by the relevant month On-Peak Estimated Energy Quantity;
- (ii) the relevant month Off-Peak Forward Price minus the relevant month Off-Peak Initial Mark Price, multiplied by the relevant month Off-Peak Estimated Energy Quantity;
- (iii) the relevant month Capacity Forward Price minus the relevant month Capacity Initial Mark Price, multiplied by the remaining Capacity Obligation per Tranche and number of Tranches award to the Seller.

#### Determination of On-Peak Forward Prices

On each Business Day subsequent to the Transaction date, the Pricing Agent will follow the steps outlined below to determine the on-peak forward prices.

1. The Pricing Agent will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for PJM Western Hub On-Peak Hours for each month of the Delivery Period. Both bid and ask Energy price quotes must be available to be considered a valid quote.
2. If a minimum of two quotes in a particular month are available, the Pricing Agent will determine the On-Peak Forward Price by averaging the bid and ask Energy prices.
3. If a minimum of two quotes in a particular month are not available, then the Pricing Agent will determine the On-Peak Forward Price using an annual quote, obtain in the same manner above. In this case, the On-Peak Forward Price will be calculated as the product of the Off-Peak Price Ratio and the annual price quote.

#### **Determination of Off-Peak Forward Prices**

On each Business Day subsequent to the Transaction date, the Pricing Agent will follow the steps outlined below to determine the off-peak forward prices.

1. The Pricing Agent will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for PJM Western Hub Off-Peak Hours for each month of the Delivery Period. Both bid and ask Energy price quotes must be available to be considered a valid quote.
2. If a minimum of two quotes in a particular month are available, the Pricing Agent will determine the Off-Peak Forward Price by averaging the bid and ask Energy prices.
3. If a minimum of two quotes in a particular month are not available, then the Pricing Agent will determine the Off-Peak Forward Price using an annual quote obtained in the same manner as the in the following manner obtained in the same manner as discussed above. In this case, the Off-Peak Forward Price will be calculated as the product of the Off-Peak Price Ratio and the annual price quote.

#### **Determination of Capacity Forward Prices**

The Pricing Agent will obtain Capacity Forward Prices for the PPL Zone, or capacity pricing region within which the PPL Zone is included, as reported by PJM. To the extent that actual Capacity Forward Prices are unavailable through PJM, the Pricing Agent will obtain applicable Capacity Forward Prices as estimated by PJM.

**EXHIBIT E (Continued)**

**MTM EXAMPLE CALCULATION FOR A TRANSACTION**

<b>Information from a Transaction Confirmation:</b>	
Delivery Period: January 1, 2010, through December 31, 2010	
Total Tranches (p):	4
MW-Measure (q):	50

Estimated Quantity Per MW-Measure		
Month	On-Peak MWh (n)	Off-Peak MWh (o)
Jan-2010	13500	9000
Feb-2010	11500	8400
Mar-2010	9900	7500
Apr-2010	8000	6000
May-2010	9500	7600
Jun-2010	13500	10100
Jul-2010	16300	11400
Aug-2010	17000	12100
Sep-2010	14000	9000
Oct-2010	9900	7300
Nov-2010	10400	8400
Dec-2010	11500	8400

<b>MtM Exposure Calculation</b>		
Business Day on which MtM is calculated:		24-Jun-10
Current PLC Per Tranche (r):		51.3
Percent of On-Peak Hours Remaining in Current Month (s):		18.2%
Percent of Off-Peak Hours Remaining in Current Month (t):		21.7%

Month	On-Peak				Off-Peak				Capacity				MtM Exposure (\$) (m) = (c)*(d)*(f)*(g)*(k)*(l)
	Forward Price (a)	Initial Mark Price (b)	Change in Price (c) = (a) - (b)	Estimated Energy Quantity (d) = (n)*(r)/(q)*(p)*(s)	Forward Price (e)	Initial Mark Price (f)	Change in Price (g) = (e) - (f)	Estimated Energy Quantity (MWh) (h) = (o)*(r)/(q)*(p)*(t)	Forward Price (i)	Initial Mark Price (j)	Change in Price (k) = (i) - (j)	Obligation (MW) (l)	
Jan-2010	95.00	105.00	-10.00	10084	60.00	65.00	-5	8015	50	20	30	200	(134,910.84)
Feb-2010	95.00	105.00	-10.00	8590	60.00	65.00	-5	7481	50	20	30	200	(117,300.58)
Mar-2010	85.00	95.00	-10.00	7395	50.00	55.00	-5	6679	50	20	30	200	(101,342.17)
Apr-2010	65.00	75.00	-10.00	5975	50.00	55.00	-5	5343	50	20	30	200	(80,471.28)
May-2010	70.00	80.00	-10.00	7096	60.00	65.00	-5	6768	50	20	30	200	(98,799.74)
Jun-2010	75.00	85.00	-10.00	10084	60.00	65.00	-5	8995	50	20	30	200	(139,808.96)
Jul-2010	125.00	135.00	-10.00	12175	65.00	70.00	-5	10152	50	20	30	200	(168,511.64)
Aug-2010	125.00	135.00	-10.00	12898	65.00	70.00	-5	10778	50	20	30	200	(174,857.12)
Sep-2010	105.00	115.00	-10.00	10457	60.00	65.00	-5	8015	50	20	30	200	(138,645.48)
Oct-2010	85.00	90.00	-5.00	7395	55.00	60.00	-5	6501	50	20	30	200	(63,478.67)
Nov-2010	85.00	90.00	-5.00	7768	55.00	60.00	-5	7481	50	20	30	200	(70,244.11)
Dec-2010	100.00	110.00	-10.00	8590	70.00	75.00	-5	7481	50	20	30	200	(117,300.58)

## EXHIBIT F

### 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 [Utility] (the "Buyer"), with an address at \_\_\_\_\_, in consideration of the Provider of Last Resort Supply Master Agreement(s) (the "POLR SMA(s)") between [Utility] and \_\_\_\_\_ (the "Seller") dated \_\_\_\_\_, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the \_\_\_\_\_ of Seller.

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

#### 1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees, with effect from date hereof, the prompt and complete payment when due of all of Seller's payment obligations under the POLR SMA (to the extent such payment obligations exceed the amount of any Performance Assurance provided to the Buyer by Seller as defined in and in accordance with the POLR SMA), whether on scheduled payment dates, when due upon demand, upon declaration of termination or otherwise, in accordance with the terms of the POLR SMA and giving effect to any applicable grace period, and, provided only that the Buyer is the prevailing party in any judicial suit, action or proceeding arising out of, resulting from, or in any way relating to this Guaranty, or if by mutual agreement by Guarantor and Buyer, all reasonable out-of-pocket costs and expenses incurred by Buyer in the enforcement of the Guarantor's obligations or collection under this Guaranty, including reasonable attorney's fees and expenses (collectively, the "Obligations"). [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Buyer's right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$ \_\_\_\_ ("Guaranty Amount"), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]
- (b) The limitations on liabilities of the Seller set forth in Article 10 of the POLR SMA shall also apply to the liabilities of the Guarantor hereunder.

#### 2. Nature of Guaranty; Waivers

- (a) This is a guaranty of payment and not of collection and the Buyer shall not be required, as a condition of the Guarantor's liability, to pursue any rights which may be available to it with respect to any other person who may be liable for the payment of the Obligations. This is not a performance guaranty and the Guarantor is not obligated to provide power under the POLR SMA 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 POLR SMA has been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Buyer of any other party, or any other guaranty or any security held by it for any of the Obligations, by any failure of the Buyer to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations (other than any irregularity, unenforceability or invalidity of any of the obligations under the POLR SMA resulting from the conduct of the Buyer) or any part thereof.
- (c) Except as to any claims, defenses, rights of set-off or to reductions of Seller in respect of its obligations under the POLR SMA, (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 POLR SMA; or (iv) any provision of applicable law or regulations purporting to prohibit payment by Seller of amounts to be paid by it under the POLR SMA (other than any law or regulation that eliminates or nullifies the obligations under the POLR SMA).
- (d) Guarantor waives notice of acceptance of this Guaranty, diligence, presentment, notice of dishonor and protest and any requirement that at any time any person exhaust any right to take any action against Seller or their assets or any other guarantor or person, provided, however, that any failure of Buyer to give notice will not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all defenses based on suretyship or impairment of collateral or any other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims or defenses of Seller in respect of its obligations under the POLR SMA.
- (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 POLR SMA, 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 POLR SMA, renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, or any other guaranties for any Obligations; (iii) settle, compromise or deal with any other person, including Seller, with respect to any Obligations in such manner as the Buyer deems appropriate at its sole discretion; (iv) substitute, exchange or release any guaranty; or (v) take such actions and exercise such remedies hereunder as Buyer deems appropriate.

3. Representations and Warranties. The Guarantor hereby represents and warrants that:

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of Buyers' rights generally, general equitable principles and an implied covenant of good faith and fair dealing;
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor (except to the extent that any such violation would not reasonably be expected to have a material adverse effect on the Guarantor or this Guaranty);
- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and
- (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that would have a material adverse effect on this Guaranty.

4. Repayments or Recovery from the Buyer. If any demand is made at any time upon the Buyer for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Buyer repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor (subject to Sections 2 (c) and (d) of this Guaranty) will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Buyer. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Buyer's rights hereunder and will be deemed to

have been conditioned upon such payment having become final and irrevocable.

5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
  
6. Postponement of Subrogation. Only to the extent that, at the relevant time, there are Obligations, or other amounts hereunder, that are then due and payable but unpaid, the Guarantor postpones and subordinates in favor of the Buyer any and all rights which the Guarantor may have to (a) assert any claim against the Seller based on subrogation rights with respect to payments made by Guarantor hereunder and (b) any realization on any property of the Seller, including participation in any marshalling of the Seller's assets. Upon payment of such due and unpaid Obligations, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payment to Buyer.
  
7. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Buyer and the Guarantor set forth below or to such other address as one may give to the other in writing for such purpose:

All communications to Buyer shall be directed to:

Attn:  
Phone:  
Fax:  
With a copy to:

Phone  
Fax

or such other address as the Buyer shall from time to time specify to Guarantor.

All communications to Guarantor shall be directed to:

Attn:  
Phone:  
Fax:

or such other address as the Guarantor shall from time to time specify to Buyer.

8. Preservation of Rights. Except as provided by any applicable statute of limitations, no delay or omission on the Buyer's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Buyer's action or inaction impair any such right or power. The Buyer's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Buyer may have under other agreements with the Guarantor, at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Buyer with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Buyer and their respective successors and permitted assigns. Neither party may assign this Guaranty in whole or in part without the other's prior written consent, which consent will not be unreasonably withheld or delayed, except that Buyer may at any time assign this Guaranty without Guarantor's consent, in the same manner, on the same terms and to the same persons as Buyer assigns the POLR SMA in accordance with Section 16.7(b) of the POLR SMA, and except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that assumes all obligations thereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB, as rated by S&P or Fitch, or Baa2, as rated by Moody's, and (ii) the Seller is in compliance with Article 14

of the POLR SMA. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings determined by Moody's Investor Services, Inc. (or its successor) ("Moody's"), the Standard & Poor's Rating Group, a division of McGraw-Hill, Inc., (or its successor) ("S&P"), or Fitch Investor Service, Inc. (or its successor) ("Fitch") immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.

13. Interpretation. In this Guaranty, unless the Buyer and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty unless otherwise indicated. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.
14. Governing Law.
  - (a) This Guaranty has been delivered to and accepted by the Buyer. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE BUYER AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES.
  - (b) The Guarantor hereby irrevocably consents to the non-exclusive jurisdiction of any federal court in the Commonwealth of Pennsylvania, but in the event that the Guarantor and the Buyer determine in good faith that jurisdiction does not lay with such court or that such court refuses to exercise jurisdiction or venue over the Guarantor and the Buyer or any claims made pursuant to this Guaranty, then the Guarantor and the Buyer agree to submit to the non-exclusive jurisdiction of the Pennsylvania state courts; provided that nothing contained in this Guaranty will prevent the Buyer from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Buyer and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

15. WAIVER OF JURY TRIAL. THE GUARANTOR AND BUYER IRREVOCABLY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND BUYER ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.
16. Term. This Guaranty shall survive termination of the POLR SMA and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid or performed in full.
17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the POLR SMA 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 POLR SMA shall nonetheless be payable by the Guarantor hereunder on written demand by Buyer.

The Guarantor acknowledges that it has read and understood all the provisions of this Guaranty, and has been advised by counsel as necessary or appropriate.

[Guarantor]

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

**EXHIBIT G**

**FORM OF NOTICE**

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

Buyer: Seller:

**All Notices: All Notices:**

Street: Street:

City/State/Zip: City/State/Zip

Attn: Attn:

Facsimile: Facsimile:

Duns: Duns:

Federal Tax ID Number: Federal Tax ID Number:

**Invoices: Invoices:**

Attn: Attn: Phone: Phone: Facsimile: Facsimile:

**Scheduling: Scheduling:**

Attn: Attn: Phone: Phone: Facsimile: Facsimile:

**Payments: Payments:**

Attn: Attn: Phone: Phone: Facsimile: Facsimile:

**Wire Transfer: Wire Transfer**

BNK: BNK: ABA: ABA: ACCT: ACCT:

**Credit and Collections: Credit and Collections:**

Attn: Attn: Phone: Phone: Facsimile: Facsimile:

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

Attn: Attn: Phone: Phone: Facsimile: Facsimile:

Exhibit H is included in the RFP Rules and Procedure document as Appendix 4 and can be removed from the POLR SMA.

## EXHIBIT H

### PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is a statement and certification made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_ by [Utility], (“PARTY A”) and [Seller] (“PARTY B”) for the benefit of PJM Interconnection, LLC.

#### **RECITALS:**

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

WHEREAS, PJM administers 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 control area functions, including economic dispatch, the scheduling of transmission service and emergency response to ensure reliability across an integrated transmission system; and

WHEREAS, in capacities more fully described below, PARTY A and PARTY B seek to participate either directly or indirectly in the markets administered by PJM or engage in operations that use or affect the integrated transmission system operated by PJM.

#### **DECLARATION:**

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy and completeness of the statements made below, PARTY A and PARTY B, as indicated below, provide the following certifications:

##### **1. Certification.**

- (a) PARTY B hereby certifies that in all activities with PJM regarding PARTY B’s provision of energy, capacity, ancillary services, scheduling and procurement of transmission service, congestion management and all other required products and services necessary to serve the standard offer service load obligation assumed by PARTY B, PARTY B shall be billed and be primarily liable to PJM for all costs associated in its procurement of such products and services; provided, however, that charges for Network Integration Transmission Service, Transitional Market Expansion assessed to Network Integration Transmission Service customers, Expansion Integration assessed to Network Integration Transmission Service customers, and credits for Transmission Losses, Reconciliation for Transmission Losses, Non-firm Point-to-point Transmission service, and any Transmission Congestion credits remaining at the end of a planning period for such standard

offer service load shall be billed to PARTY B and remain the sole and primary responsibility of PARTY B.

2. Reliance By PJM On Certifications.

- (a) Each of PARTY A and PARTY B recognizes and accepts that PJM is relying on the truth, accuracy and completeness of the certifications herein made in making its assessments as to creditworthiness and in assuring PJM's own compliance with its tariff, operating agreement, reliability agreement and business practices.
- (b) Each of PARTY A and PARTY B recognizes and accepts that each has a continuing duty to notify PJM if and when the certifications herein made cease to be accurate or complete. Until such time as PJM receives written notification of any changes to such certifications, signed by both PARTY A and PARTY B, 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. Any written notice of changes to the certifications herein made must be provided to PJM at least thirty days in advance of their effectiveness.
- (c) Each of PARTY A and PARTY B recognize and acknowledge that PJM will receive and rely on individually modeled POLR Seller accounts that contain only zonal-specific POLR load to manually adjust the accounts to move the applicable billing line items' amounts in their entirety from the applicable POLR Seller's account to the applicable EDC's account.
- (d) PARTY A and PARTY B recognize and acknowledge that they have entered into a Provider of Last Resort Supply Master Agreement (POLR SMA) and that this Certification is not intended in any way to change, revise or redistribute the rights and obligations of the PARTY A or PARTY B under the POLR SMA. If this Certification is determined to be inconsistent with any provision of the POLR SMA, with respect to the rights and obligations of PARTY A and PARTY B under the POLR SMA, the provisions of the POLR SMA shall be controlling on PARTY A and PARTY B.

3. Duration. Each of PARTY A and PARTY B acknowledge and agree that this Declaration shall terminate upon the termination of the POLR SMA in accordance with its terms. To this end, within 30 days prior to the termination of the POLR SMA in accordance with its terms or as soon thereafter as is practicable, each of PARTY A and PARTY B will provide written notice to PJM of the termination of this Declaration.

IN WITNESS WHEREOF, PARTY A and PARTY B execute this Declaration to be effective as of the date written above.

**PARTY A**

**PARTY B**

NAME:

NAME:

TITLE:

TITLE:

## Appendix 2

### Expression of Interest Form

FAX TO: [Insert Contact Info]

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 full requirements service beginning January 1, 2010.

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 electricity service to serve a portion of PPL Electric’s obligation as the Provider of Last Resort Service (“POLR”). 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 POLR Supply Master Agreement (“POLR 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 Request for Proposals dated XXX, 2006, and/or the POLR 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 POLR 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 POLR 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 or PPL Electric's POLR 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, its Staff, or the Consultant working for the Pennsylvania Public Utility Commission pursuant to Section 84 of the Settlement Agreement approved by the Commission in Order No. 78400 (collectively "Pennsylvania PUC"). Any such information shared will be designated as confidential, and PPL Electric will ask the Pennsylvania PUC to hold and use it on a confidential basis.

4. Disclosure upon Default. Notwithstanding the foregoing or any other provision of the Agreement, PPL Electric may disclose Confidential Information in the event of a Supplier Default, as provided for in the POLR SMA. PPL Electric may disclose to any RFP Bidder with whom it has executed the POLR SMA and who is not a Defaulting Supplier, the contract price of the Defaulting Supplier for the purpose of allowing the Bidder to make the election provided for in Section 4.11 of the POLR SMA.

5. Definition of Confidential Information. Confidential Information shall consist of oral, electronic and written information that is confidential, proprietary, or generally not available to the public. Whenever possible, such Confidential Information shall be marked prior to or at the time of disclosure as being "Confidential Information". Confidential Information in the case of information provided by PPL Electric to the RFP Bidder shall include, without limitation, all data, reports, interpretations, forecasts or records relating to PPL Electric and/or its customers, and any other document created by PPL Electric or others which directly or indirectly relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts, bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

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

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

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

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

10. Disclosure to Governmental Authorities.

(a) A Party (the "disclosing Party") may also disclose the other Party's Confidential Information to any governmental, judicial, or regulatory authority ("Authority") requiring such

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

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

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

12. Liability and Relief. A Party or any of its Representatives shall be liable for any breach of this Agreement. In the event a non-breaching Party or its Representatives shall have knowledge of any breach of the confidentiality of, or the misappropriation of, any of the Confidential Information, the non-breaching Party shall promptly give notice thereof to the breaching Party. The Parties agree that breach of this confidentiality agreement may cause damages to which a dollar amount may be difficult or impossible to ascribe, however, that such a breach would be irremediable by damages alone and specifically agree to equitable relief as appropriate. The non-breaching Party shall be entitled to specific performance or other equitable relief by way of injunction or otherwise, if the other Party or any of its Representatives breach or threaten to breach any of the provisions of this Agreement. Such remedy shall not be deemed to

be the exclusive remedy available to the non-breaching Party, but shall be in addition to all other available remedies. Neither failure nor delay by the non-breaching Party, in exercising any of its rights or privileges herein, shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise of any right, power or privilege.

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

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

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

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

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

**RFP BIDDER**

**PPL ELECTRIC UTILITIES CORPORATION**

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_

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 obligation.

Signed:

Date:

\_\_\_\_\_

\_\_\_\_\_

Type or Print Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

Company:

\_\_\_\_\_

Upon completion, please mail this form to:

PPL Electric Utilities Corporation  
Xxxx x xxxxxx  
Two North Ninth Street  
Allentown, PA 18101

Or send by facsimile to Xxxxx X. Xxxx at the following number: **(610) 774-XXXX**

**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:

Upon completion, please mail this form to:

PPL Electric Utilities Corporation  
Xxxx x xxxxxx  
Two North Ninth Street  
Allentown, PA 18101

Or send by facsimile to Xxxxx X. Xxxx at the following number: **(610) 774-xxxx**

## Appendix 6

### Credit Application

#### 1. Company Information

##### Type of Business

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

##### Applicant Organization

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

##### Applicant Credit Contact Name

Name:  
Title:  
Street Address:  
City, State, Zip Code:  
Phone Number:  
Fax Number:  
Email Address:

##### For Corporation/Limited Liability Companies

Date and State of Incorporation/Registration:  
Registered Agent Name:  
Street Address:  
City, State, Zip Code:

##### For Limited Partnerships

Name of General Partner:  
Address of General partner/Registered Agent:  
City, State, Zip Code:

#### 2. Application for Credit

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

- The Applicant listed under Section 1.
- The parent/guarantor company listed below.

**Parent/Guarantor Company**

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

**3. Credit Information**

The Applicant indicated in Section 2 is required to submit the most recent 2 years of financial statements audited by a firm of certified public accountants of national standing. Indicate below what statements are being submitted.

- Annual Report
- 10K
- 10Q
- 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.

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

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

- Yes
- No

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

- Yes
- No

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

#### 4. Bank Reference Information

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

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

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

#### 5. Applicant's Credit Ratings

##### Standard & Poors

Last Rating Date:  
Senior Unsecured Long-Term Debt Rating:

**Moody's**

Last Rating Date:

Senior Unsecured Long Term Debt Rating:

**Fitch**

Last Rating Date:

Senior Unsecured Long Term Debt Rating:

Along with the above information, attach the latest review from each of the agencies.

**6. Authorization**

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

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

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

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

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

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

APPENDIX 7

BID ASSURANCE LETTER OF CREDIT

{TO BE ISSUED ON THE LETTERHEAD OF THE ISSUING BANK}
IRREVOCABLE LETTER OF CREDIT NO.

ISSUE DATE
APPLICANT
[NAME]
[ADDRESS]

EXPIRY DATE

BENEFICIARY
[NAME]
[ADDRESS]

CURRENCY AMOUNT
USD \*\*\*\*\*\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE LETTER OF CREDIT NO:
FOR THE ACCOUNT OF (APPLICANT) FOR AN
AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS
AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE
BANK OF ("ISSUER") (ADDRESS),
EFFECTIVE AND EXPIRING AT OUR COUNTERS ON
WHICH IS 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS
TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THE
REQUEST FOR PROPOSALS FOR FULL REQUIREMENTS SERVICE DATED (DATE)
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.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE
THE EXPIRY DATE OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND
CONDITIONS OF THIS LETTER OF CREDIT.

- 1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS:

"THE AMOUNT FOR THIS DRAWING, USD (INSERT AMOUNT), BEING
MADE UNDER THE BANK OF (BANK) LETTER OF
CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER),
REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY
FROM APPLICANT FOR BID ASSURANCE RELATED TO THE REQUEST

FOR PROPOSALS FOR PPL POLR SUPPLY MASTER AGREEMENT  
DATED XX, 2006 (RFP).”

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.

THIS LETTER OF CREDIT MAY BE TERMINATED UPON BENEFICIARY’S RECEIPT OF FULL PAYMENT FROM THE APPLICANT AND ISSUER’S RECEIPT OF A WRITTEN RELEASE FROM THE BENEFICIARY RELEASING THE ISSUER FROM ITS OBLIGATIONS UNDER THIS LETTER OF CREDIT.

THE TERM “BUSINESS DAY” AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

APPLICANT'S FILING OF A BANKRUPTCY, RECEIVERSHIP OR OTHER DEBTOR-RELIEF PETITION, AND/OR APPLICANT'S DISCHARGE THEREUNDER, SHALL IN NO WAY AFFECT THE LIABILITY OF [BANK] UNDER THIS LETTER OF CREDIT AND [BANK] SHALL ALWAYS REMAIN LIABLE TO [BENEFICIARY] FOR THE FULL AMOUNT OF APPLICANT'S OBLIGATIONS HEREIN TO [BENEFICIARY] NOT TO EXCEED THE AVAILABLE AMOUNT IN THIS LETTER OF CREDIT.

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY 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”) OR SUCH LATER REVISION (S) OF THE ISP AS MAY BE HEREAFTER ADOPTED. AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE

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  
POLR RFP Process and Rules**

**APPENDIX 8  
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
RTD	RTD(R) – Residential Service – Time of Day

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
GH-1	GH-1(R) – Single Meter Com'l. Space Heating Service
GH-2	GH-2(R) – Separate Meter General Space Heating Service
IS-1	IS-1(R) – Interruptible Service – Greenhouses
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:

LP-4	LP-4 – Large General Service – 12 KV or Higher
ISP	IS-P(R) – Interruptible Large General Service – 12 KV or Higher
LP-5	LP-5 – Large General Service – 69 KV or Higher
LP-6	LP-6 – Large General Service – 69 KV or Higher
LPEP	Power Service to Electric Propulsion
IST	IS-T(R) – Interruptible Large General Service – 69 KV or Higher
ISM	Interruptible Service by Agreement (R)
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

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

**APPENDIX 8  
Bid Proposal Spreadsheet**

**Solicitation #1**

Bid Proposal Due Date: March 26, 2007

**Residential**

12-Month Term: January 1, 2010 - December 31, 2010

**Bidder Information:**

Company Name  
Contact Name  
Phone Number  
Fax Number


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

**Tranche Information:**

Available Tranches	10
Load Cap	85%
Tranche Size (% of Total Residential Load)	1.67%
MW-Measure (based on Projected 2010 PLC)	50.0

**Bid Information:**

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (2010 US\$/MWh)
Bids	1	\$500,000	
	2	\$1,000,000	
	3	\$1,500,000	
	4	\$2,000,000	
	5	\$2,500,000	
	6	\$3,000,000	
	7	\$3,500,000	
	8	\$4,000,000	
	9	\$4,500,000	
	10	\$5,000,000	

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

**Complete/Incomplete:**

**Tag Number:**

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

**APPENDIX 8  
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
RTD	RTD(R) – Residential Service – Time of Day

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
GH-1	GH-1(R) – Single Meter Com'l. Space Heating Service
GH-2	GH-2(R) – Separate Meter General Space Heating Service
IS-1	IS-1(R) – Interruptible Service – Greenhouses
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:

LP-4	LP-4 – Large General Service – 12 KV or Higher
ISP	IS-P(R) – Interruptible Large General Service – 12 KV or Higher
LP-5	LP-5 – Large General Service – 69 KV or Higher
LP-6	LP-6 – Large General Service – 69 KV or Higher
LPEP	Power Service to Electric Propulsion
IST	IS-T(R) – Interruptible Large General Service – 69 KV or Higher
ISM	Interruptible Service by Agreement (R)
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

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

**APPENDIX 8  
Bid Proposal Spreadsheet**

**Solicitation #1**  
Bid Proposal Due Date: March 26, 2007

**Small Commercial and Industrial**  
12-Month Term: January 1, 2010 - December 31, 2010

**Bidder Information:**

Company Name  
Contact Name  
Phone Number  
Fax Number


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

**Tranche Information:**

Available Tranches 7  
Load Cap 85%  
Tranche Size (% of Total Small Commercial and Industrial Load) 2.38%  
MW-Measure (based on Projected 2010 PLC) 54.3

**Bid Information:**

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (2010 US\$/MWh)
Bids	1	\$500,000	
	2	\$1,000,000	
	3	\$1,500,000	
	4	\$2,000,000	
	5	\$2,500,000	
	6	\$3,000,000	
	7	\$3,500,000	

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

**Complete/Incomplete:**

**Tag Number:**

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

**APPENDIX 8  
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
RTD	RTD(R) – Residential Service – Time of Day

**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
GH-1	GH-1(R) – Single Meter Com'l. Space Heating Service
GH-2	GH-2(R) – Separate Meter General Space Heating Service
IS-1	IS-1(R) – Interruptible Service – Greenhouses
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:**

LP-4	LP-4 – Large General Service – 12 KV or Higher
ISP	IS-P(R) – Interruptible Large General Service – 12 KV or Higher
LP-5	LP-5 – Large General Service – 69 KV or Higher
LP-6	LP-6 – Large General Service – 69 KV or Higher
LPEP	Power Service to Electric Propulsion
IST	IS-T(R) – Interruptible Large General Service – 69 KV or Higher
ISM	Interruptible Service by Agreement (R)
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

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

**APPENDIX 8  
Bid Proposal Spreadsheet**

Solicitation #5  
Bid Proposal Due Date: March 30, 2009

Large Commercial and Industrial  
12-Month Term: January 1, 2010 - December 31, 2010

**Bidder Information:**

Company Name  
Contact Name  
Phone Number  
Fax Number


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

**Tranche Information:**

Available Tranches	19
Load Cap	85%
Tranche Size (% of Total Large Commercial and Industrial Load)	2.63%
MW-Measure (based on Projected 2010 PLC)	49.7

**Bid Information:**

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (2010 US\$/MWh)
Bids	1	\$500,000	
	2	\$1,000,000	
	3	\$1,500,000	
	4	\$2,000,000	
	5	\$2,500,000	
	6	\$3,000,000	
	7	\$3,500,000	
	8	\$4,000,000	
	9	\$4,500,000	
	10	\$5,000,000	
	11	\$5,500,000	
	12	\$6,000,000	
	13	\$6,500,000	
	14	\$7,000,000	
	15	\$7,500,000	
	16	\$8,000,000	
	17	\$8,500,000	
	18	\$9,000,000	
	19	\$9,500,000	

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

**Complete/Incomplete:**

**Tag Number:**

## Appendix 9

### Binding Bid Agreement

In consideration for the privilege of submitting bids as part of the POLR SMA Requests For Proposals process, \_\_\_\_\_ (“RFP Bidder”) agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Article 5.5 (Expiration of 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 Provider of Last Resort Supply Master Agreement (“POLR SMA”) and applicable Pennsylvania Law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Article 2.8 (Transaction Confirmation) of the POLR SMA.

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

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

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

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

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

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

## 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 fax your completed form to Xxxx X. Xxxx at the following number: **610-774-xxxx**.

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

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

**PPL Electric Utilities  
Consumer Education Plan 2007-2009**

PPL Electric Utilities (EU) will conduct extensive consumer education efforts to prepare customers for the final phases of deregulation and the transition to Provider of Last Resort (POLR) generation rates.

The components and objectives of the consumer education efforts for 2007 thru 2009 include:

- Continuation of Existing Customer Choice Efforts
  - To provide useful, informative reference materials educate customers (residential and non-residential) about electric choice and how to shop
- Continuation and Expansion of Demand-Side Response Programs
  - To educate customers about energy usage, demand response and new rates
  - To give customers adequate knowledge to respond to requests to conserve or cut back on usage
- Introduction of Wise Use of Energy Education
  - To educate customers regarding energy use and conservation in preparation for post-transition electric rates
- Introduction of Provider of Last Resort (POLR) Rate Education
  - To increase awareness and understanding about the electric service components, POLR pricing and customer rate options

The attached matrix provides more details of how PPL EU intends to implement these efforts.

**PPL Electric Utilities  
Consumer Education Plan 2007-2009**

Activity	2007	2008	2009
<b>Existing Choice Education</b>	<ul style="list-style-type: none"> <li>• Twice annual Choice bill insert</li> <li>• New customer package with privacy release form to all new customers</li> <li>• Fulfillment package to respond to customer requests for information</li> <li>• PPL EU Choice Website</li> <li>• Respond to customers calling PPL EU for Choice information</li> </ul>	Same activities as 2007	Same activities as 2008
<b>Projected Budget</b>	\$100,000	\$100,000	\$100,000
<b>Demand-Side Response Education (DSR)</b>	<ul style="list-style-type: none"> <li>• Begin early education about DSR via PPL EU Connect newsletter</li> <li>• Provide enhanced customer usage information to existing DSR pilot program customers</li> <li>• Begin collecting additional usage and interval data through PPL's Meter Data Management System (MDMS)</li> <li>• Offer data to customers and suppliers, as permitted, via web, spreadsheets, and EDI</li> </ul>	Same activities as 2007 plus: <ul style="list-style-type: none"> <li>• Extend existing DSR pilot programs through 2009</li> <li>• Expand residential program to include 600 customers</li> <li>• Recruit participants</li> <li>• Conduct pilots and gather feedback for future rate developments and programs</li> </ul>	<ul style="list-style-type: none"> <li>• Continue pilots and gather feedback for future rate developments and programs</li> <li>• Open DSR programs up to all eligible customers for 2010</li> </ul>
<b>Wise Use of Energy Education</b>	<ul style="list-style-type: none"> <li>• Introduction of web-based Energy Analyzer to customers and increased energy usage information from new meter technology</li> <li>• Explanation of wise use of energy via PPL EU website and Connect Newsletter</li> </ul>	<ul style="list-style-type: none"> <li>• Continue promotion of web-based Energy Analyzer and increased energy usage information from new meter technology</li> <li>• Explanation of wise use of energy via PPL EU website</li> </ul>	Same activities as 2008

	<ul style="list-style-type: none"> <li>Public speaking engagements on Wise Use of Energy</li> </ul>	<ul style="list-style-type: none"> <li>and Connect Newsletter</li> <li>Public speaking engagements on Wise Use of Energy</li> </ul>	
<b>Provider of Last Resort (POLR) Rate Education</b>	<ul style="list-style-type: none"> <li>Education on the end of the rate caps and the completion of the transition via newsletters, PPL EU website, and presentations</li> <li>Sensitize customers to future POLR rates and, in particular, market pricing for industrial and commercial customers.</li> </ul>	<ul style="list-style-type: none"> <li>Work with large industrial/commercial customers regarding their rate options for 2010 to prepare them to make selections by end of 2008</li> <li>Continue to educate customers regarding future POLR rates and, in particular, market pricing for industrial and commercial customers.</li> </ul>	<ul style="list-style-type: none"> <li>Education on new 2010 rate options and choices for customers via rate notices, mailings, PPL EU website and newsletters</li> <li>Conduct community advertising as appropriate</li> <li>Public speaking engagements on rates</li> </ul>
New rate Changes/Options			<ul style="list-style-type: none"> <li>Introduce 2010 rate options to affected customers</li> <li>Educate customers on new options and choices via mailings and presentations</li> </ul>
<b>Projected Budget</b>	\$100,000	\$200,000	\$275,000
<b>Total Projected Annual Budget:</b>	<b>\$200,000</b>	<b>\$300,000</b>	<b>\$375,000</b>

Lma 8/1/06

**PPL Electric Utilities**  
**Removal of the Generation Rate Cap and**  
**Universal Service Programs**

**I. Introduction**

PPL Electric Utilities (“PPL Electric” or the “Company”) has a well-established history of effectively identifying and addressing customer needs. PPL Electric has a strong record of accomplishment of serving customers, as evidenced by numerous awards from J. D. Power & Associates and the University of Michigan’s American Customer Satisfaction Index (“ACSI”). For example, PPL Electric has won the ACSI award for combined electric and gas utilities for six consecutive years. With regard to providing assistance to its low-income residential customers, PPL Electric has offered special programs and services to needy customers for nearly 25 years, has expended nearly \$98 million on these programs between 2001 and 2005,<sup>1</sup> and has established an extensive network of community-based organizations (“CBOs”).

Recent third-party surveys of customers who participate in the Company’s Customer Assistance Program (“CAP” or “OnTrack”) and Low Income Usage Reduction Program (“LIURP” or “WRAP”) reveal positive reactions regarding the effectiveness of these programs. Over the years, PPL Electric has used feedback from the Commission, customers and the CBOs to improve the delivery of its universal service programs by revising procedures, strengthening communications and automating processes.

All of these factors (i.e., extensive implementation experience, effective network of CBOs and commitment to improvement) have positioned PPL Electric well

---

<sup>1</sup>The programs include OnTrack (\$64 million), WRAP (\$29.3 million) and the Operation HELP hardship fund (\$4.4 million).

for the challenges confronting low-income households when the Company's provider-of-last-resort ("POLR") rate cap expires on December 31, 2009. PPL Electric's objective is to identify issues and concerns, begin planning efforts well in advance of the removal of the generation rate cap, and ensure adequate funding for programs to address the needs of low-income customers.

## **II. Strategy for Mitigating Increased Prices**

The POLR rate cap does not expire until December 31, 2009; however, PPL Electric believes it is prudent to begin planning and developing a mitigation strategy for residential customers. Although the strategy and associated initiatives would affect all residential customers, the Company is particularly concerned about low-income households. As noted in PPL Electric's comments (page 8) to the Commission's Order regarding Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, Docket No. M-00051923, approximately 80 percent of the Company's low-income customers are not chronically payment-troubled and generally pay their bills in full. A significant increase in generation charges could make it more difficult for some of these customers to pay their electric bills, which could have a spillover effect on overdue receivables, write-offs, PUC complaints and universal service programs ("USPs").

A potential increase in POLR supply requires PPL Electric to reassess the funding levels for OnTrack, WRAP and Operation HELP. The Company is proposing an increase in funding for its USPs but, at the same time, cautions that any increase should be balanced against consumer, utility, legislative and regulatory interests. Funding for USPs comes from increased electric rates and/or some type of reconcilable surcharge.

Either way, residential customers, including the low income, pay for utility-sponsored assistance programs. PPL Electric would like to avoid the scenario where customers receive the proverbial “double whammy.” Not only do POLR supply charges increase significantly, but distribution rates also increase significantly to fund programs like OnTrack. PPL Electric believes it is best to serve a core group of low-income customers who have the greatest need for assistance. This approach not only addresses the most vulnerable households, but also defines a reasonable spending boundary. The challenge is to fund programs at the appropriate level while minimizing cost impacts on residential customers.

### **III. Universal Service Programs**

PPL Electric offers the following universal service programs: OnTrack, WRAP, Operation HELP and CARES. A brief description of each program follows.

- **OnTrack (1993)** – provides reduced payment agreements based on low-income customers’ ability to pay and includes pre-program arrearage forgiveness and referrals to other energy assistance programs (e.g., WRAP).
- **WRAP (1985)** – offers free weatherization measures and energy conservation education to qualified households. The program is available to homeowners and renters. Professional contractors/CBOs install the weatherization measures.
- **Operation HELP (1983)** – provides funds to pay any type of home energy bill for qualified low-income customers. Administered by 14 CBOs, the program provides a yearly grant up to a maximum of \$500.

- **CARES (1982)** – offers payment agreements, protection against shut-offs and referrals to other programs for any customer who has a temporary hardship.

The Company also promotes the availability of the federally funded and state administered Low Income Home Energy Assistance Program (“LIHEAP”).

LIHEAP is an important program that PPL Electric and the CBOs use in concert with programs like OnTrack and Operation HELP. Promotional efforts include bill inserts, targeted mailings, outreach telephone calls and joint efforts with local CBOs. The Company also provides LIHEAP refresher training to its call center Customer Service Representatives.

The estimated annual funding levels in 2006 for the Company’s three major programs appear in the following table:

<b>Program</b>	<b>Funding Level</b>
OnTrack	\$19,000,000
WRAP	7,300,000
Operation HELP	1,125,000
<b>Total</b>	<b>\$27,425,000</b>

Funding for OnTrack and WRAP comes from rates paid by all residential customers. In the Joint Petition for Full Settlement of PP&L, Inc.’s Restructuring Plan and Related Court Proceedings, Docket No. R-00973954, dated August 12, 1998, PPL Electric agreed to fund annually OnTrack and WRAP at a maximum of \$11.7 million and \$5.7 million, respectively. In its 2004 base rate case proceeding, Docket No. R-0049255, the Company proposed to increase funding for OnTrack and WRAP to \$14.7 million and \$6.7 million, respectively. The proposed funding levels represented increases of 26

percent for OnTrack and 18 percent for WRAP. The Commission ultimately approved a funding level of \$13.2 million for OnTrack and \$6.25 million for WRAP.

PPL Electric believes that participation in universal service programs provides benefits to both customers and the Company. Customer benefits include protection from shut-offs, affordable electric bills, reduced usage and improved living comfort. Customers also benefit from referrals to and participation in other social service programs. PPL Electric benefits include improved customer satisfaction, avoided collection costs, reduction in complaints to the PUC and better management of residential overdue receivables.

The following table shows the level of customer participation in OnTrack, WRAP and Operation HELP over the past four years.

<b>Program</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
OnTrack	10,919	12,420	15,801	14,033
WRAP	2,890	2,801	2,356	2,626
Operation HELP	2,660	2,706	2,597	3,103
<b>Total</b>	<b>16,649</b>	<b>17,927</b>	<b>20,754</b>	<b>19,762</b>

Regarding the level of customer participation in these programs in 2006, PPL Electric projects approximately 25,000 customers – 19,000 for OnTrack, 3,000 for WRAP and 3,000 for Operation HELP. As of June 30, 2006, there were approximately 17,500 active OnTrack accounts.

Concerned about the impact of rising energy prices for oil and natural gas on low-income households in 2005, the Governor initiated the Stay Warm PA campaign. The Governor called upon various energy vendors to join in the campaign. While these price increases did not directly affect PPL Electric's customers, the Company realized

that price pressures for heating bills from other energy sources could place a strain on low-income consumers. As a result, the Company implemented the following actions in support of Stay Warm PA for the winter of 2005-2006:

- Suspended winter shut-offs for residential customers earning less than 300 percent of the federal poverty level.
- Increased by 40 percent the corporate contribution to Operation HELP from \$500,000 to \$700,000.
- Continued to refer income-eligible customers to OnTrack and WRAP.
- Promoted the budget billing and third-party notification programs.
- Offered more lenient payment agreement plans and reconnection arrangements for residential customers.

#### **IV. Funding for USPs: 2007- 2010**

PPL Electric believes it is important to prepare for the inevitable increase in POLR rates. A prudent ramping up of funding in advance of December 31, 2009, reflects good planning. An incremental approach also allows time to modify, test and readjust procedures and to train internal and external personnel involved in the administration of programs like OnTrack, WRAP and Operation HELP. Regarding funding levels for these major low-income programs over the next several years, PPL Electric recommends the following:

<b>Program</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
OnTrack	\$19,000,000	\$19,000,000	\$20,000,000	\$24,500,000
WRAP	6,300,000	6,300,000	6,700,000	7,000,000
Operation HELP	1,125,000	1,225,000	1,325,000	1,425,000
<b>Total</b>	<b>\$26,425,000</b>	<b>\$26,425,000</b>	<b>\$28,025,000</b>	<b>\$32,925,000</b>

This proposed level of funding for the three major universal service programs would jump from \$26.4 million in 2007 to \$32.9 million in 2010 – an increase of 25 percent. Similarly, the estimated number of customers assisted by these programs would likely expand by several thousand by 2010. This proposed increase in funding for PPL Electric's USPs attempts to balance the need to serve more low-income customers in anticipation of increased POLR rates, while also being sensitive to the cost pressures on all residential customers who would fund the programs.

**OnTrack:**

Regarding funding for OnTrack over the next four years (2007 through 2010), the Company proposes to increase the annual funding level by \$5.5 million, or 28.9 percent. As noted above, PPL Electric expects to spend approximately \$19 million for OnTrack in 2006. The Company proposes to maintain the annual funding level at \$19 million for 2007 and 2008, and to ramp up the funding to \$20 million in 2009 and \$24.5 million in 2010. The Company suggests this incremental approach to funding because, at this time, the level of impact on POLR rates after the expiration of the generation rate cap on December 31, 2009 is unclear. Although PPL Electric does not expect an increase similar to those experienced by customers in other states, such as Maryland and Delaware, POLR rates will increase in 2010, perhaps by 20-30 percent, to reflect more accurately market-driven prices.

The proposed \$5.5 million increase in funding for OnTrack would allow the OnTrack CBOs to enroll more customers and permit PPL Electric to recover fully all costs associated with OnTrack. The Commission's *2004 Report on Universal Service*

*Programs & Collections* shows that PPL Electric's average cost for an OnTrack customer is \$977. This is a prudent approach that allows the Company to enroll more customers in OnTrack and to manage costs, while gaining more understanding and experience on the cost impact of POLR rates in 2010 and beyond. The year 2010 will be a learning experience in which the Commission, PPL Electric and customers will obtain valuable knowledge and insight about POLR rates. Based on its experience, in 2010, the Company will be in a better position to evaluate the cost impact on low-income customers and to determine if it should adjust funding levels in the future for programs like OnTrack.

**WRAP:**

From 2007 through 2010, the Company proposes a modest increase in the annual level of funding for WRAP – from \$6.3 million to \$7 million, or 11 percent. The estimated number of customers assisted annually will remain at 3,000 over this four-year period. The number of customers assisted will remain static because of cost increases for weatherization materials and price increases from CBOs that administer WRAP. As shown above, the funding level for WRAP in 2006 is \$7.3 million; this funding level for 2006 is higher than normal due to a one-time transfer, approved by the Commission, of \$1 million from PPL Electric's consumer education funds.

PPL Electric suggests this level of ongoing funding for WRAP for the following reasons:

1. Begun in 1985, WRAP is a mature program that has provided weatherization services for over 20 years to nearly 53,000 low-income households. In some areas, there are limited opportunities to provide more WRAP services.

2. Approximately 50 percent of all WRAP applicants do not have electric heat or *significant electric usage during the winter months*. As a result, under Commission regulations for LIURP, PPL Electric can provide only a modest amount of weatherization measures.
3. Although WRAP is open to both homeowners and renters, the Company must receive permission from the property owner to install the weatherization measures. Approximately 25 percent of property owners do not respond to requests for permission to assist customers through WRAP.
4. Most of the CBOs involved with WRAP also administer the Department of Community and Economic Development's Weatherization Assistance Program ("WAP"). Over the years, PPL Electric has experienced situations where the CBOs struggle to complete both WRAP and WAP jobs in a timely manner. In addition, there are a limited number of private contractors willing to accept low-cost LIURP jobs.
5. Other than improvements in diagnostic techniques to identify areas to save energy, the Company has not seen any major breakthroughs in weatherization techniques that would allow it to serve more customers. PPL Electric has implemented various pilots over the years (e.g., improved cooling measures, horizontal axis washing machines and hydronic baseboard heating), but none of these new measures has gained widespread acceptance.
6. PPL Electric does not envision an expansion of its solar water heating ("SWH") option for WRAP customers. Most low-income customers do not meet the

minimum requirements for a SWH application (e.g., adequate kWh usage, proper roof orientation, no shade trees and structural integrity).

The Company will continue to work with the Commission's Bureau of Consumer Services and CBOs to improve the delivery of WRAP weatherization services and energy conservation education. Encouraging residential customers to use energy wisely and safely is an important objective for PPL Electric.

**Operation HELP:**

PPL Electric's hardship fund (known as Operation HELP) has been functioning for 23 consecutive years. From January 1, 1983 through June 30, 2006, Operation HELP has assisted approximately 58,000 low-income customers. Administered by 14 CBOs, the program helps pay any type of home energy bill (e.g., electric, natural gas, oil or coal). PPL Electric conducts annual fund-raising activities in December to encourage donations to Operation HELP from its customers and employees. In addition, in 2006, PPL Corporation raised its contribution to the program from \$500,000 to \$700,000 – an increase of 40 percent.

From 2007 through 2010, PPL Electric will continue to solicit contributions from customers and employees to support Operation HELP. Regarding the level of contributions to the program over the years, approximately 52 percent come from the Company as a corporate contribution and 48 percent come from customers and employees who give via their electric bill or payroll deduction. In addition to soliciting contributions, PPL Corporation proposes to raise its contribution to Operation HELP by

\$100,000 annually from 2008 through 2010. The following table shows the proposed increase in funding from PPL Corporation.

<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
\$700,000	\$700,000	\$800,000	\$900,000	\$1,000,000

In other words, by 2010, PPL Corporation would be contributing \$1,000,000 annually to Operation HELP or 43 percent more than its contribution in 2006.



**PPL Electric Utilities Corporation**

**GENERAL TARIFF**

**RULES AND RATE SCHEDULES  
FOR ELECTRIC SERVICE**

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

ISSUED:

EFFECTIVE:

Issued by  
**JOHN F. SIPICS, PRESIDENT**  
Two North Ninth Street  
Allentown, PA 18101-1179

**NOTICE**

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

**LIST OF CHANGES MADE BY THIS SUPPLEMENT**

**CHANGES:**

*Generation Rate Adjustment Rider (GRA)*  
Page Nos. 15 and 15A

*BUS Service is changed to BUSS. In the last paragraph of Page 15A, the Application of the GRA in 2010 is defined.*

*Demand Side Initiative Rider (Experimental)*  
Page 19T

*The Service date under this Rider is extended three years to January 1, 2011.*

*Demand Side Response Rider – Residential (Experimental)*  
Page 19W

*The pilot program and billing under this Rider was extended three years to September 30, 2010.*

*Transmission Service Charge*  
Page 19Z

*The Transmission Charge definition was expanded to include charges billed indirectly by any entity providing generation supply to the Company for BUSS.*

*Generation Supply Charge (GSC)*  
Page Nos. 19Z.2 and 19Z.3

*The new GSC provides a method for recovery of the generation supply costs to customers taking BUSS from the Company under this tariff.*



TABLE OF CONTENTS

	<u>Page</u>	<u>Revision</u>
Table of Contents -----	3	Forty-Fourth
	3A	Twenty-Third
	3B	Twenty-Second
	3C	Eighteenth
	3D	Twelfth
	3E	Third
Territory Covered by This Tariff -----	4	Second
	4A	Second
	4B	Second
<b>RULES FOR ELECTRIC SERVICE</b>		
1 - Electric Service Tariff -----	5	Fourth
	5A	Second
2 - Requirements for Service -----	6	Second
	6A	Sixth
	6B	Third
3 - Extension of Service -----	7	Fourth
	7A	Fourth
	7B	Fifth
4 - Supply of Service -----	8	Fourth
	8A	Fourth
	8B	Fourth
	8C	Fourth
	8D	Fourth
	8E	First
5 - Use of Service -----	9	Fourth
	9A	Fourth
6 - Auxiliary Service For Non-Qualifying Facilities -----	10	Third
	10A	Second
	10A.1	First
6A - Standby Service for Qualifying Facilities -----	10B	Fifth
	10C	Second
	10D	Twelfth
	10E	Eleventh
	10F	Seventh
	10G	Tenth
	10H	Tenth
	10I	Third
	10J	Second
	10K	First
7 - Temporary Service -----	11	Fourth
8 - Measurement of Service -----	12	Fourth
9 - Billing and Payment for Service -----	13	Second
	13A	Fourth
	13B	Second
10 - Disconnection and Reconnection of Service -----	14	Second
	14A	Sixth
11 - Net Service for Generation Facilities -----	14B	Original
	14C	Original
GENERATION RATE ADJUSTMENT SURCHARGE -----	15	Fifth
	15A	Fifth
	15B	Second
STATE TAX ADJUSTMENT SURCHARGE -----	16	Twenty-First
EMERGENCY ENERGY CONSERVATION RIDER -----	17	Third
	17A	First
	18	Second
ECONOMIC DEVELOPMENT INITIATIVES RIDER -----	19	Fourth
	19A	Fifth
	19A.1	Second
	19A.2	Third
	19A.3	First
	19A.4	First

TABLE OF CONTENTS (CONTINUED)

	<u>Page</u>	<u>Revision</u>
INTERRUPTIBLE SERVICE BY AGREEMENT (R) -----	19B	Second
-----	19C	Second
INDUSTRIAL DEVELOPMENT INITIATIVES RIDER -----	19D	Fourth
-----	19D.1	Fifth
-----	19D.2	Second
-----	19D.3	Third
-----	19D.4	First
-----	19D.5	First
COMPETITIVE RATE RIDER (R)-----	19E	Second
-----	19E.1	Fourth
-----	19F	Fourth
-----	19F.1	Fourth
-----	19G	Fourth
-----	19G.1	Fourth
-----	19H	Sixth
-----	19I	Fifth
COMPETITIVE TRANSITION CHARGE RECONCILIATION RIDER -----	19J	Third
-----	19J.1	Original
SUSTAINABLE ENERGY FUND RIDER -----	19K	Fourth
RENEWABLE ENERGY DEVELOPMENT RIDER -----	19L	Fourth
-----	19L.1	First
METERING AND BILLING CREDIT RIDER -----	19M	Fourth
INTERIM CODE OF CONDUCT -----	19N	Original
-----	19O	Original
PP&L-GENCO CODE OF CONDUCT -----	19P	Original
INTANGIBLE TRANSITION CHARGE RECONCILIATION RIDER -----	19Q	Original
-----	19R	Original
-----	19S	Original
DEMAND SIDE INITIATIVE RIDER (EXPERIMENTAL) -----	19T	Third
-----	19U	Original
-----	19V	First
DEMAND SIDE RESPONSE RIDER – RESIDENTIAL (EXPERIMENTAL) -----	19W	Fifth
-----	19X	Third
-----	19Y	Third
TRANSMISSION SERVICE CHARGE -----	19Z	Second
-----	19Z.1	First
GENERATION SUPPLY CHARGE -----	19Z.2	Original
-----	19Z.3	Original
RATE SCHEDULES - GENERAL		
RS - Residential Service -----	20	Eleventh
-----	20A	Tenth
-----	20B	Eighth
-----	20C	Fifth
-----	20D	Ninth
-----	20E	Fifth
-----	20F	Seventh
-----	20G	Fourth
-----	20H	First
RTS(R) - Residential Service - Thermal Storage -----	21	Twelfth
-----	21A	Eleventh
-----	21B	Fifth
-----	21C	Fifth
-----	21D	Third

**GENERATION RATE ADJUSTMENT RIDER**

**(C)**

A Generation Rate Adjustment (GRA) shall be applied to each kilowatt-hour supplied under this Tariff, to each customer who has returned to Basic Utility Supply Service (BUSS) and who, prior to the anniversary date of the customer's return to BUSS, has chosen to purchase its energy needs from an alternative electric generation supplier. The application of this Rider will begin with bills rendered on or after the effective date of this Rider. This Rider is applicable to service under all rate schedules contained in this Tariff except Rate Schedules RS, RTS, and RTD.

When the customer commences to purchase its electric energy needs from an alternative electric generation supplier on any date before the anniversary date of the customer's return to BUSS, the customer shall pay a net GRA calculated as follows. The net GRA is the summation of each monthly positive or negative GRA for the period beginning with the date of the customer's return to BUSS and ending with and including the billing period immediately preceding the billing period in which the customer begins to purchase its electric energy needs from an alternative electric generation supplier.

The net GRA will not be applied to a customer's bill if the customer begins to purchase its electric energy needs from an alternative electric generation supplier on or after the anniversary date of the customer's return to BUSS.

Not less than 30 days prior to the commencement of the customer's purchase of its electric energy needs from an alternative electric generation supplier, the customer must provide notice to the Company that the customer will no longer purchase BUSS and will purchase its electric energy needs from an alternative electric generation supplier.

The net GRA, calculated for each applicable customer, shall be applied to the customer's bill as soon as possible after the customer begins to purchase its electric energy needs from an alternative electric generation supplier. The monthly GRA shall be determined in accordance with the formula set forth below:

$$GRA = \frac{[KWH * [(LMP + A + C) * V]] - C\&E}{100 * [1 - T]}$$

Where GRA = Generation rate adjustment to be applied to short-term BUSS, when this option is chosen by a customer who has returned from being supplied by an alternative electric generation supplier.

KWH = The total kilowatt-hours used by the customer during the current billing period.

(Continued)

## GENERATION RATE ADJUSTMENT RIDER (CONTINUED)

(C)

LMP = The monthly average Locational Marginal price (LMP) for the current billing period, expressed in cents per kilowatt-hour. The monthly average LMP for the current billing period is determined by averaging the daily average LMP for the days of the current billing period. The daily average LMP is determined by using the actual Pennsylvania-New Jersey-Maryland Interconnection, LLC (PJM) hourly LMPs for the day and weighting those hourly prices by the historical load profile for the customer's rate class.

A = Administrative costs and Ancillary Services required to provide short-term BUSS. Ancillary Services include, but are not limited to: regulation, operating reserves, scheduling, system control, dispatch services and transmission line losses.

C = The price of generation capacity, expressed in cents per kilowatt-hour. The price is developed by using the PJM Monthly Capacity Credit Market Clearing Price for the calendar month immediately preceding the customer's current billing period.

V = The adjustment for line losses to the Secondary delivery voltage is 1.05682. The adjustment for line losses to the Primary delivery voltage level is 1.02841. The adjustment to the Transmission delivery voltage level is 1.000.

T = The Pennsylvania gross receipts tax rate, expressed in decimal form.

C&E = The Capacity and Energy component of the customer's bill calculated for the current billing period under the customer's applicable rate schedule.

The net GRA, calculated by using the above formula, shall not be less than zero. The GRA shall be in addition to minimum bills under the various applicable rate schedules. The GRA shall not be subject to any credits or discounts, and shall not be affected by the State Tax Adjustment Surcharge. The GRA shall not be subject to the rate caps established by the Electricity Generation Customer Choice and Competition Act.

During 2010, the GRA shall apply, as described above, to all customers except as provided for in this section. If a customer in the Large Commercial and Industrial customer class elects, before December 31, 2008, to receive BUSS from the Company during 2010 and purchases its generation supply needs from an alternative electric generation supplier anytime in 2010, the customer shall pay a net GRA for the period beginning with the billing period in which the customer begins to purchase its generation supply needs from an alternative energy supplier and ending on December 31, 2010. The anniversary date provisions and calculations shall not apply to the customer, but, in all other aspects, the GRA shall apply as described above.

DEMAND SIDE INITIATIVE RIDER  
(EXPERIMENTAL)

PURPOSE

This experimental Rider provides an option for eligible existing and new commercial and industrial customers to adjust their load requirements in response to market prices of energy.

APPLICATION PROVISIONS

This Rider is applicable to commercial and industrial customers who have a monthly maximum demand of 1000 KW or greater year round and are served under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R). An electric service contract, or supplement to an existing electric service contract, is required for billing under this Rider.

Service under this Rider will end on January 1, 2011.

(C)

DEFINITIONS

1. Customer Reference Load (CRL) -- is the customer's normal historic hourly KWH usage under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R) for one complete year. The CRL represents the customer's electricity consumption pattern and typical level of operation.

If less than one complete year of billing history is available, the Company initially will determine an appropriate CRL level prior to the application of this Rider. Agreement on the CRL level by the customer and the Company is a precondition for customer participation under this Rider. The Company will adjust the CRL if, on a calendar month basis, the customer's total monthly KWH usage changes by more than plus or minus ten (10) percent.

2. Customer Reference Load Adjustment Factor (CRLAF) -- is the portion of the CRL elected by the customer to be billed under Rate Schedule LP-4, LP-5, LP-6, IS-P(R), or IS-T(R). The remainder of the CRL will be billed under this Rider. The customer may select values for the CRLAF, ranging from zero (0) to one hundred (100) percent, in ten (10) percent increments. The CRLAF, expressed as a decimal fraction, is fixed for twelve consecutive months. The customer may change the CRLAF annually by December 31 for application to service billed on and after April 1 of the following year under this Rider.

3. Adjusted Customer Reference Load (Adjusted CRL) -- is the CRL multiplied by the CRLAF.

4. Marginal Energy Cost -- is an hourly marginal cost based on the PJM Locational Marginal Price for the PPL zone.

5. Loss Adjustment Factor -- is an adjustment for losses between the generator and the customer's metering point.

6. Market Price (MP) -- is an hourly price determined by the Company from its estimated Marginal Energy Cost and Loss Adjustment Factor. For informational purposes only, the Company will make available on the Internet, by 5:00 p.m. each day, 24 forecasted hourly MP rates for the next day's service. Billing for service under this Rider is based on actual PJM Locational Marginal Prices for the PPL zone, multiplied by the Loss Adjustment Factor, multiplied by the Market Adjustment Factor.

(Continued)

**DEMAND SIDE RESPONSE RIDER – RESIDENTIAL  
(EXPERIMENTAL)**

**PURPOSE**

This experimental Rider provides for the voluntary participation of eligible existing and new residential customers in a demand side response pilot program. The objective of this Rider is to shift residential energy usage away from the peak demand hours that can occur during the summer months, when wholesale electricity prices are high.

**APPLICATION PROVISIONS**

This Rider is applicable to existing and new residential customers who are served, or qualify to be served, under Rate Schedule RS and have a monthly energy usage of 1000 KWH or greater during each of the months of June, July, August, and September. Eligibility for existing customers will be determined by actual usage during the year prior to application and, for new customers, by the Company's standard usage estimating techniques.

Customers served under this Rider must receive Basic Utility Supply Service as defined in Rule 1 of this Tariff.

This pilot program is available for up to 300 eligible residential customers who volunteer to be served under this Rider through 2007. In 2008 and 2009, the participation level will be increased to 600 customers. In 2010, the program will be open to all customers. (C)

Customers served under this Rider must have an Automatic Meter Reading (AMR) device available at their premises.

Customers served under this Rider may not receive Off-Peak Water Heating or Separate Water Heating Service under Rate Schedule RS.

The pilot program and billing under this Rider will end on January 1, 2011. (C)

**DEFINITIONS**

1. Eligible Customers – are residential customers who meet the Application Provisions of this Rider.

2. Participating Customers – are Eligible Customers who apply to the Company, and subsequently are selected by the Company, on a first-come, first-served basis, to participate in its demand side response pilot program. All Eligible Customers selected by the Company to participate in the pilot program will be notified by the Company of their selection. Participation in year one will commence at the beginning of the Participating Customer's first billing cycle on or after June 1, 2002.

If more than the permitted number of Eligible Customers apply to the Company to participate in the pilot program, the Company will select, on a first-come, first-served basis, only the permitted number of Eligible Customers set forth above. If any Participating Customers terminate participation, the Company will select annually, additional Eligible Customers to participate, on a first-come, first-served basis, until the permitted number of Eligible Customers are participating. Participation will commence at the beginning of the Participating Customer's first billing cycle after selection. (C)

(Continued)

(C) Indicates Change

Issued:

Effective:

TRANSMISSION SERVICE CHARGE

A Transmission Service Charge (TSC) shall be applied to each kilowatt-hour supplied to customers who receive Basic Utility Supply Service ("BUSS"), as defined in Rule 1B(1), from the Company under this Tariff. The TSC, determined to the nearest one-thousandth of 1 mill per kilowatt-hour, in accordance with the formula set forth below:

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

Where:

TSC = Transmission Service Charge, stated in mills per kilowatt-hour.

TC<sub>c</sub> = The total estimated charges to be incurred by the Company to provide transmission service under the PJM Open Access Transmission Tariff (OATT), approved or accepted by the Federal Energy Regulatory Commission, for customers who receive BUSS from the Company, unless such customers obtain transmission service from another provider.

Transmission Charge – all applicable charges incurred by the Company to acquire transmission service (including all ancillary service charges) on behalf of BUSS customers which are billed by PJM under the OATT or by any entity providing generation supply to the Company for BUSS. (C)

The computation year (c) shall be January 1 through December 31 over which the TSC, as computed, will apply.

E = Net over or undercollection of the charges associated with the acquisition of transmission service as of the end of the 12-month period ending November 30 immediately preceding the computation year, including applicable interest. 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 who receive BUSS under this tariff, and to which the TSC applies, projected for the computation year (c).

T = The total Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

(Continued)

GENERATION SUPPLY CHARGE

Beginning on January 1, 2010, the Generation Supply Charge (GSC) shall be applied to each kilowatt-hour supplied to customers taking Basic Utility Supply Service ("BUSS") from the Company under this Tariff. The GSC, determined to the nearest one-thousandth of 1 mill per kilowatt-hour, in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

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

Where:

GSC = Generation Supply Charge, stated in mills per kilowatt-hour, to be applied to each kilowatt-hour supplied to customers taking BUSS from the Company under this Tariff. The GSC shall be calculated separately for each of the following three Customer Classes: (1) residential; (2) small commercial and industrial (taking service at secondary voltage levels); and (3) large commercial and industrial (taking service at primary and transmission voltage levels).

GS<sub>c</sub> = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of BUSS customers in the applicable Customer Class.

The computation year (c) shall be January 1 through December 31 over which the GSC, as computed, will apply. Projections of the Company's costs to acquire generation supply for the computation year 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.

E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for BUSS customers as of the end of the 12-month period ending November 30 immediately preceding the computation year, including applicable interest. Interest shall be computed monthly at the rate provided for in Section 1308(d) of the Public Utility Code, from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped.

S = The Company's total retail KWH sales to BUSS customers in the applicable Customer Class, projected for the computation year (c).

T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

(Continued)

## GENERATION SUPPLY CHARGE (CONTINUED)

The GSC shall be filed with the Pennsylvania Public Utility Commission (Commission) by *December 1 of each year, beginning on December 1, 2009. The rate shall become effective for BUSS service rendered on and after the following January 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 the GSC, if left unchanged, would result in a material over or undercollection of generation supply-related costs incurred or expected to be incurred during the current 12-month period ending November 30, the Company may file with the Commission for an interim revision of the GSC to become effective 30 days from the date of filing, unless otherwise ordered by the Commission.*

The Company will file with the Commission by December 1 of each year, beginning on December 1, 2010, an annual reconciliation of the GSC revenue recovery during the immediately preceding application period pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered on and after January 1 and shall remain in effect for a period of one year, or until new GSC rates are approved by the Commission.

Reconciliation of the GSC will be conducted separately for each of the three Customer Classes. Any over/under collection for a Customer Class will be allocated to each individual Rate Schedule included within that Customer Class based upon the ratio of (1) the cumulative GSC over/under collection applicable to the Customer Class to (2) the projected GSC revenues for the Customer Class for the period during which the GSC reconciliation factor will be applied. The reconciliation will include a calculation of the adjustment to the GSC, in cents per KWH, by Rate Schedule, *required to refund or recover previous application period over or under recoveries of the annual GSC. The reconciliation will be the difference between GSC revenue produced by actual usage and GSC revenue estimated on the basis of projected usage for that previous application period. Any over/under collection allocated to an individual Rate Schedule will be reflected in the GSC for that Rate Schedule during the application period. Any amount of under recovery that will not be recovered will be collected in the subsequent application period.*

*Minimum bills shall not be reduced by reason of the GSC, nor shall GSC charges be a part of the monthly rate schedule minimum. The GSC shall not be subject to any credits or discounts and shall not be affected by the State Tax Adjustment Surcharge (STAS).*

The Company shall file a report regarding GSC collections within thirty (30) days following the conclusion of each computation-year quarter. These reports shall be in a form prescribed by the Commission. The third-quarter report shall be accompanied by a tentative estimate of the GSC for the next computation year.

Application of the GSC 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 and the costs included therein.

COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P. O. BOX 3265, HARRISBURG PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE  
Secretary  
717-772-7777

August 2, 2006

P-00062227

PAUL E RUSSELL  
ASSOCIATE GENERAL COUNSEL  
PPL SERVICES CORPORATION  
TWO NORTH NINTH STREET  
ALLENTOWN PA 18101

DOCUMENT  
FOLDER

Dear Mr. Russell:

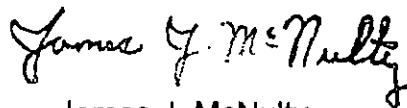
Receipt is acknowledged of the Petition of PPL Electric Utilities Corporation for approval of a Competitive Bridge Plan to establish the terms and conditions under which PPL Electric will supply Provider of Last Resort service during 2010, as a transition to a fully competitive statewide market beginning January 1, 2011, which has been captioned and docketed to the above number.

Publication in a local newspaper is not required.

Enclosed is a copy of the Publication Notice that will appear in the Saturday, August 12, 2006 edition of the Pennsylvania Bulletin. This notice is being sent to you for informational purposes only. The protest period for this petition will expire on Monday, August 28, 2006.

This matter will receive the attention of the Commission and you will be advised of any further necessary procedure.

Sincerely,



James J. McNulty  
Secretary

Enclosure

cc: Michael W. Hassell, Esquire  
David B. MacGregor, Esquire

DOCKETED  
AUG 02 2006

**DATE:** August 2, 2006

**SUBJECT:** P-00062227

**TO:** Bureau of Fixed Utility Services

**FROM:** James J. McNulty, Secretary *ddt*

DOCUMENT  
FOLDER

**Petition of PPL Electric Utilities Corporation**

---

We attach hereto a copy of the *Petition of PPL Electric Utilities Corporation* for approval of a Competitive Bridge Plan to establish the terms and conditions under which PPL Electric will supply Provider of Last Resort service during 2010, as a transition to a fully competitive statewide market beginning January 1, 2011, which has been captioned and docketed to the above number.

Notice will be published in the Saturday, August 12, 2006 edition of the Pennsylvania Bulletin.

This matter is assigned to your Bureau for appropriate action.

Attachment

cc: Law Bureau

ddt

**DOCKETED**  
AUG 02 2006