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March 31, 2020

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

**RE: Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and
Wellsboro Electric Company For the Period June 1, 2021 through May 31, 2025
Docket Nos. _____**

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is the Joint Default Service Plan of Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (together, the "Companies").

As shown by the attached Certificate of Service, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Bureau of Investigation and Enforcement ("I&E"), PJM and the Electric Generation Suppliers that serve in the Companies' territories are being duly served. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By 
Pamela C. Polacek

c: Daniel Mumford, Office of Competitive Market Oversight (via email)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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Dated this 31st day of March, 2020, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Joint Default Service Plan for Citizens' :
Electric Company of Lewisburg, PA and :
Wellsboro Electric Company for the Period : Docket Nos.
June 1, 2021 Through May 31, 2025 :**

**JOINT DEFAULT SERVICE PLAN OF CITIZENS' ELECTRIC COMPANY OF
LEWISBURG, PA AND WELLSBORO ELECTRIC COMPANY**

Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively, the "Companies") hereby submit to the Pennsylvania Public Utility Commission ("PUC" or "Commission") for approval their Sixth Joint Default Service Plan ("Sixth Joint DSP"), pursuant to the Electric Generation Customer Choice and Competition Act, 66 Pa. C.S. § 2801 et seq. ("Competition Act"), as amended by Act 129 of 2008 ("Act 129"), the Commission's Default Service Regulations, 52 Pa. Code §§ 54.181 – 54.189¹, and the Policy Statement on Default Service ("Policy Statement"), 52 Pa. Code §§ 69.1801 – 69.1817. In this filing, Citizens' and Wellsboro propose to continue, in substantial part, the procurement structure and rate design that were approved in the existing Fifth Joint DSP.

The Companies propose to maintain the same Procurement and Implementation Plan that was approved by the Commission in the Fifth Joint DSP. Under the Procurement and Implementation Plan, the Companies propose to conduct a competitive bid process and enter into Load-Following Full Requirements ("Load-Following FR") contracts with one or more wholesale suppliers to serve all default service customers. Each Company will independently select one

¹ See *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 No. L-00040169 (Order entered May 10, 2007) ("First Rulemaking Order"); See *Implementation of Act 129 of October 15, 2008; Default Service and Electric Markets*, Docket No. L-2009-2095604 (Order entered Oct. 4, 2011) ("Second Rulemaking Order").

wholesale supplier; the Companies may be served by the same supplier or different suppliers depending on the lowest qualifying bid for each territory. Wellsboro's supplier will serve all of Wellsboro's wholesale needs.² Citizens' supplier will supply all Citizens' wholesale needs.³

The Companies' Rate Design Plans will also remain the same. The current Commission-approved Generation Supply Service Rate ("GSSR") for each company will continue to calculate the price of default service supply, including the GSSR-1 fixed price option for residential and small commercial customers and the GSSR-2 hourly priced option for large customers. The Companies also are proposing to reduce the time frame for the effectiveness of interim changes to the GSSR. Finally, the Companies also propose to maintain their non-bypassable Customer Choice Support ("CCS") Riders that have been effective since 2014. For both companies, the CCS Riders will remain available for appropriate costs approved by the Commission for recovery by the Companies.

To implement the Sixth Joint DSP, the Companies request waivers as contemplated by Section 54.185(g) of the Commission's Regulations.⁴ The proposed waivers are similar to waivers approved by the Commission in the Companies' Fifth Joint DSP. These proposed waivers, set forth in the Companies' Appendix A, include requests to establish a four (4) year DSP for the period June 1, 2021 through May 31, 2025 and to offer Hourly Priced Service ("HPS") only to Large C&I customers with a registered peak demand at or above 400 kW. Approval of the waivers

² The Wellsboro Supplier's obligations are net of the energy that Wellsboro receives from any net metered installations.

³ The Citizens' wholesale supplier's obligations are net of the energy that Citizens' receives from any net-metered installations and from Bucknell University. Citizens' is required to purchase excess load from the University under the Public Utility Regulatory Policies Act ("PURPA"), Pub.L. 95-617, 92 Stat. 3117 (enacted November 9, 1978).

⁴ "For DSPs with less than 50,000 retail customers, the Commission will grant waivers to the extent necessary to reduce the regulatory, financial or technical burden on the DSP or to the extent otherwise in the public interest." 52 Pa. Code § 54.185(f).

will enable the Companies to continue to offer market-based default service products in a manner appropriate for their current circumstances.

With a similar market-based procurement approach, rate design, and requested waivers, the Companies believe that the Sixth Joint DSP satisfies the directives from the End State Order and remains consistent with the Competition Act, Act 129, and the Commission's Default Service Regulations.

I. INTRODUCTION AND BACKGROUND

1. Citizens' and Wellsboro are two of the smallest jurisdictional EDCs in Pennsylvania. The stock of both Companies is wholly owned by C&T Enterprises, Inc. ("C&T"). C&T is a holding company that is jointly owned by Tri-County Rural Electric Cooperative and Claverack Rural Electric Cooperative. Citizens' provides service to approximately 6,997 customers in Lewisburg and the surrounding area; 5,858 of these are residential customers, with the remaining 1,182 consisting of commercial, industrial and lighting accounts. Citizens' has a peak load of approximately 52 MW. Wellsboro is of similar size, serving approximately 6,311 customers, 5,106 of which are residential, and 1,205 of which are commercial, industrial, resale or lighting. Wellsboro's peak load is approximately 23 MW. Citizens' is located in the PPL Electric Utilities ("PPL") transmission zone, while Wellsboro is located in the Pennsylvania Electric Company ("Penelec") transmission zone.

2. The rate caps applicable under the Competition Act for Citizens' and Wellsboro customers expired on January 31, 2002, and January 2, 1999, respectively. As a result, Citizens' and Wellsboro have been operating in the "post transition period" for a number of years. The abbreviated rate cap period was a result of the Companies' historic reliance on wholesale purchases to obtain the generation supply to serve customers, rather than owning generation facilities. Both before and after the rate unbundling accomplished in the Competition Act, the Companies obtained energy via a series of fixed-price, multi-year wholesale full requirements contracts.

3. As their rate caps expired, Citizens' and Wellsboro initially engaged in individual processes to select wholesale suppliers to meet the needs of their default service customers. After the Commission commenced the rulemaking to adopt its Default Service Regulations and Policy Statement, which provided a comprehensive strategy for the provision of default electric service

in the Commonwealth, the Companies pursued joint planning and procurements for default service.

4. On June 1, 2007, the Companies submitted their First Joint DSP, which proposed to implement a portfolio of energy products from multiple suppliers to include a mix of spot market, fixed-block, and other energy supply products to meet their default service obligations for the period January 1, 2008, through May 31, 2010.

5. On October 3, 2007, the Commission issued its Opinion and Order, which approved, with modifications, the First Joint DSP advocated by the Companies and supported by the Office of Consumer Advocate ("OCA") and the Office of Trial Staff, now operating as the Bureau of Investigation and Enforcement ("I&E").⁵

6. The Companies continued the portfolio procurement approach in their Second Joint DSP and Third Joint DSPs.⁶

7. On February 14, 2013, the PUC issued its "End State Order" regarding default service, which endorsed a "market reflective" approach to procuring default service supply.⁷

8. On May 30, 2014, Citizens' and Wellsboro submitted their Fourth Joint DSP. In the Fourth Joint DSP, Citizens' and Wellsboro proposed substantial changes to their procurement approach. Based on the Commission's support for market-reflective, full requirements default

⁵ See *Petition for a Joint Default Service Plan for Citizens' Electric Company of Lewisburg, Pennsylvania and Wellsboro Electric Company for the Period of January 1, 2008 through May 31, 2010*, Docket Nos. P-00072306 and P-00072307 (Order entered Oct. 3, 2007) ("Oct. 2007 Order").

⁶ See *Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for the Period of June 1, 2010 through May 31, 2013*, Docket Nos. P-2009-2110798 and P-2009-2110780 (Order entered Feb. 26, 2010) ("Feb. 2010 Order"); *Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for the Period of June 1, 2010 through May 31, 2013*, Docket Nos. P-2009-2110798 and P-2009-2110780 (Order entered Feb. 11, 2011) ("Feb. 2011 Order"); and *Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for the Period of June 1, 2013 through May 31, 2015*, Docket Nos. P-2012-2307827 and P-2012-2307931 (Order entered Dec. 5, 2012) ("Dec. 2012 Order").

⁷ See *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered Feb. 15, 2013) ("End State Order").

service products, as well as the Companies' experience with previous DSPs, Citizens' and Wellsboro proposed to implement a modified DSP relying on forward market price quotations and hourly spot prices for the period June 1, 2015, through May 31, 2018. In place of the portfolio, the Companies proposed to conduct a competitive bid process and to select one or more wholesale suppliers to enter into Load-Following FR contracts for the three-year period ending on May 31, 2018. The suppliers compete by submitting bids for a Supplier Adder.

9. In the Fourth Joint DSP, the Supplier Adder included the costs associated with risk for load following and other risks, and for all electricity-related products except transmission, capacity, and energy. Transmission and capacity costs were direct pass-through of the actual PJM costs that the wholesale supplier incurs. The energy costs for Residential and Small Commercial customers were originally proposed to be an average of six (6) month pricing periods, based on the PJM Interconnection, LLC ("PJM") West Hub monthly forward pricing, with a trigger date prior to each pricing period where the strip pricing would be used to develop the per kWh energy charge for the upcoming retail pricing period. For Large (over 400 kW) Commercial and Industrial ("Large C&I") customers, the wholesale supplier would provide HPS based on the PJM Locational Marginal Price ("LMP") for the PJM West Hub.

10. On February 27, 2015, the Commission adopted the Companies' Fourth Joint DSP, with four modifications ("February 2015 Order").⁸ **First**, the Commission modified the Companies' indexed energy component to be a "laddered approach." The Commission ordered that half of the energy pricing for residential and small C&I customers be adjusted every six months based on PJM West Hub on-peak monthly forward pricing, using a formula based on the

⁸ See *Joint Petition of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company for their Default Service Program for the Period June 1, 2015 through May 31, 2018*, Docket Nos. P-2014-2425024 and P-2014-2425245 (Order entered Feb. 27, 2015) ("February 2015 Order").

mathematical average of the monthly on-peak MWh strip pricing for a MWh sold to customers during a twelve-month pricing period.⁹ The other half would then be composed of another twelve-month period calculated identically, six months hence. The Commission found that adopting this one modification would ensure adherence to the "prudent mix" DSP standard.¹⁰ **Second**, instead of the trigger dates for the PJM West Hub on-peak monthly forward pricing being pre-designated dates in April and October, the Commission allowed the Companies to select trigger dates that would provide flexibility if market conditions were unfavorable. **Third**, the Commission modified the Companies' plan for Customer Transition Back to Default Service, which proposed that shopping customers returning to default service would go on HPS, requiring instead that upon any reversion to the portfolio approach for wholesale supply, the Companies would treat returning customers as new customers eligible for service under the prior portfolio approach. **Fourth**, the Commission adopted a three-bid minimum to the Companies' RFP process.

11. The Companies conducted their initial RFP shortly after the February 2015 Order was issued by the Commission. However, this RFP yielded only two bids, resulting in noncompliance with the minimum three-bid requirement. As a result, the Companies implemented the Commission-approved Contingency Plan under which the Companies continued to offer default service supply through May 31, 2016 under their previously approved portfolio approach.

⁹ In order to achieve this laddered pricing, the Commission determined that first six months and last six months of the three-year contract should reflect a blend of six-month and twelve-month strip pricing. For all other contract periods, the energy component should reflect a blend or laddering of the twelve-month forward pricing obtained from the two trigger dates six months apart.

¹⁰ The Commission wrote: "The plan results in energy cost hedges of two to fourteen months into the future, while the Supplier Adder price component fully hedges congestion, marginal losses, AEPs Act compliance costs, transmission losses, and transmission charges other than NITS for a period of three years. This will allow for hedges for ancillary and congestion costs which have played a significant role in past volatility in the Companies' DS rates." *February 2015 Order* at 39. "This proposal also effectively deals with many of the challenges faced by a smaller EDC in providing default service, mainly higher per kilowatt hour administrative costs and high potential migration risk."

12. In preparing for a second RFP, the Companies made adjustments based on feedback received from interested wholesale suppliers. Most supplier recommendations could be implemented without modifying the Commission-approved Fourth Joint DSP. The Companies sought approval to recover Regional Transmission Expansion Plan/Transmission Enhancement Costs ("RTEP/TEC") on a pass-through basis; the original Fourth Joint DSP included RTEP costs among those recovered through the fixed Supplier Adder. The Companies concluded that allowing pass-through recovery of RTEP costs would reasonably balance the risks borne by the wholesale suppliers. On November 20, 2015, Citizens' and Wellsboro submitted a Petition to amend the Fourth Joint DSP to allow for pass-through recovery of RTEP costs ("Amended Fourth Joint DSP").¹¹ The Commission granted this Petition on February 11, 2016.

13. The Companies conducted a second RFP after the Amended Fourth Joint DSP was approved. Winning bids were awarded for the period of June 1, 2016 through May 31, 2018.

14. The Companies have been operating under the index-based procurement approach with a Supplier Adder since June 1, 2016.

15. On March 31, 2017, the Companies filed their Petition seeking the Commission's approval of its Fifth Joint DSP. The Companies proposed to eliminate the 3-bidder requirement and to add to Citizens' procurement plan a long-term solar contract.

16. On Dec. 28, 2017, the Commission adopted the Companies' Fifth Joint DSP covering the period of June 1, 2018 - May 31, 2021¹². The Commission accepted the change to the bidder requirement, but rejected the solar contract. In addition, the Commission resolved two

¹¹ See *Petition for Amendment of the Fourth Joint Default Service Plan of Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company*, Docket Nos. P-2014-2425024 and P-2014-2425245 (Nov. 20, 2015).

¹² See *Opinion and Order Joint Default Service Plan for Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company*, Docket Nos. P-2017-2596815 and P-2017-2596838 (Dec 28, 2017).

contested issues regarding the Companies Contingency Plan, finding: (1) the Contingency Plan must be submitted within 14 days in the event of a wholesale supplier failure; and (2) any spot market costs incurred during the period between the supplier failure and implementation of the Contingency Plan must be recovered over a period of twelve months.¹³

17. The Companies conducted an RFP and awarded contracts to the winning bidders for the period of June 1, 2018, through May 31, 2021.

18. In accordance with the Commission's Regulations and Act 129, the Companies submit this Sixth Joint DSP over twelve months in advance of the expiration of the Companies' current DSP. This Plan is similar to the approved Fifth Joint DSP plan with two minor modifications. **First**, the Companies propose to allow interim changes to the GSSR to take effect on five (5) days-notice. **Second**, the Companies propose a four (4) year duration for the DSP, rather than three (3).

19. This Plan consists of the Implementation and Procurement Plan, Alternative Energy Portfolio Standards Act Plan, and Rate Design Plan for the Companies' Sixth Joint DSP. Also included in the filing, in explanation and support of the proposed Sixth Joint DSP, are the following appendices:

1. List of requirements under the Default Service Regulations and Policy Statement, including identification of waivers potentially required to implement the proposed DSP. (Appendix A)
2. Citizens' customer notice that is to be sent to all customers via first-class mail. (Appendix B)
3. Wellsboro's customer notice that is to be sent to all customers via first-class mail. (Appendix C)
4. The draft Request for Proposals ("RFP") to be published for bid solicitation. (Appendix D)
5. The draft Supplier Master Agreement. (Appendix E)

¹³ Id., at 23.

II. JOINT DEFAULT SERVICE PROGRAM

A. *The Implementation and Procurement Plan*

20. As described *supra*, in their Fourth Joint DSP, the Companies proposed a competitive bid process to obtain default service supply directly from wholesale suppliers through Load-Following FR contracts effective from June 1, 2015 through May 31, 2018. In light of Pennsylvania's maturing electricity retail market, the Commission's emphasis on market-reflective default service products, and expected EGS activity, the Companies invested considerable resources to develop a more market-reflective default service product and procurement approach consistent with the End State Order.¹⁴ The Commission commended the Companies for their innovative proposal and approved it with minor modifications.¹⁵

21. For the Sixth Joint DSP, the Companies propose to continue this Implementation and Procurement Plan. The Companies will issue an RFP seeking Load Following FR contracts for each territory for a four-year period from June 1, 2021, through May 31, 2025. The draft RFP, which includes the proposed schedule, is attached as Appendix D.

22. The Companies recognize that the End State Order recommended that EDCs propose default service plans covering two-year periods; however, the Companies were able to extend the Fifth Joint DSP by an additional year and respectfully request to extend the Sixth Joint DSP by an additional two years as well. This extension will allow the Companies to reduce the administrative costs of preparing and filing default service plans with the Commission. This is also consistent with waivers provided to other EDCs granting longer time periods.¹⁶

¹⁴ These efforts included conducting informal meetings with OCA, OSBA, and wholesale suppliers that are potentially interested in offering a full requirements wholesale arrangement for the Companies' service territory

¹⁵ See *February 2015 Order*, p. 40.

¹⁶ See *Petition of Metropolitan Edison Company, et al., for Approval of a Default Service Program for the Period Beginning June 1, 2017 through May 31, 2019*, Docket Nos. P-2015-2511333, P-2015-2511351, P-2015-2511355, and P-2015-2511355 (Order entered May 19, 2016) and *Petition of Duquesne Light Company for Approval of a*

23. The Companies also acknowledge that the proposed threshold of 400 kW for HPS differs from the guidance set forth in the Commission's End State Order. In the End State Order, the Commission recommended that EDCs offer HPS to customers with a peak demand of 100 kW or greater, to the extent that such customers have interval meters. The Commission observed that both "large C&I customers and medium C&I customers are equally well-equipped and educated to manage their commodity costs in an hourly LMP default service environment."¹⁷ However, the Commission also determined that smaller EDCs may furnish evidence showing why the 100 kW demarcation would not be appropriate for their service territories.¹⁸

24. The Companies hereby request a waiver of the prescribed 100 kW demarcation. Based on the customer characteristics in their territories, the Companies believe that maintaining the current 400 kW threshold is appropriate.

25. With the above conditions in place, the Companies propose to continue to meet their DSP obligations by conducting an RFP and entering into Load-Following FR contracts with one or more wholesale suppliers, consistent with the Commission's directive that all default service procurements include auctions, requests for proposals or bilateral agreements.¹⁹ The proposed wholesale default service product will consist of five principal cost components: (1) an energy component that will be priced using an index; (2) a Supplier Adder; (3) a direct pass through of Network Integrated Transmission Service ("NITS") costs for default service customers; (4) a direct pass-through of RTEP/TEC costs for default service customers; and (5) a direct pass-through of Capacity Costs (Locational Reliability and Capacity Performance) for default service customers.

Default Service Plan for the Period June 1, 2017 to May 31, 2021, Docket No. P-2016-2543140 (Order entered Dec. 22, 2016).

¹⁷ End State Order, p. 29.

¹⁸ *Id.* at 32.

¹⁹ 52 Pa. Code § 54.184(a).

The Supplier Adder covers all other costs to deliver default service power (both fixed and hourly energy) to the wholesale meter at the Citizens' or Wellsboro Aggregate Bus. This includes congestion, marginal losses, Alternative Energy Portfolio Standards ("AEPS") Act compliance, and transmission losses, as well as all risks associated with default service customer usage variability, customer migration (switching to an EGS for supply service or returning to default service as permitted under the Companies' tariffs and Pennsylvania law) and deviations between the forward pricing and actual costs. Consistent with the Commission's Regulations, the proposed procurement plan offers a "prudent mix" of products:

26. Citizens' and Wellsboro propose to continue using the International Exchange ("ICE") as the index source to determine wholesale energy pricing for the GSSR-1 customers. The Commission approved the change to ICE in the Fifth Joint DSP.

27. For Residential and Small Commercial customers, the energy component will set a fixed price to be adjusted every six months based on the PJM West Hub on-peak monthly forward pricing at dates ("Trigger Dates") as set forth below:

Price Period	Pricing Formula/Period	Trigger Date
June 1, 2021 – Nov. 30, 2021	50% 6 month Av. (June 2021 – Nov. 2021)	TBD (Apr. 1, 2021 – Apr. 15, 2021)
	50% 12 month Av. (June 2021 – May 2022)	TBD (Apr. 1, 2021 – Apr. 15, 2021)
Dec. 1, 2021 – May 31, 2022	50% 12 month Av. (June 2021 – May 2022)	TBD (Apr. 1, 2021 – Apr. 15, 2021)
	50% 12 month Av. (Dec. 2021 – Nov. 2022)	TBD (June 1, 2021 – Oct. 15, 2021)
June 1, 2022 – Nov. 30, 2022	50% 12 month Av. (Dec. 2021 – Nov. 2022)	TBD (June 1, 2021 – Oct. 15, 2021)
	50% 12 month Av. (June 2022 – May 2023)	TBD (Dec. 1, 2021 – Apr. 15, 2022)
Dec. 1, 2022 – May 31, 2023	50% 12 month Av. (June 2022 – May 2023)	TBD (Dec. 1, 2021 – Apr. 15, 2022)
	50% 12 month Av. (Dec. 2022 – Nov. 2023)	TBD (June 1, 2022 – Oct. 15, 2022)
June 1, 2023 – Nov. 30, 2023	50% 12 month Av. (Dec. 2022 – Nov. 2023)	TBD (June 1, 2022 – Oct. 15, 2022)
	50% 12 month Av. (June 2023 – May 2024)	TBD (Dec. 1, 2022 – Apr. 15, 2023)
Dec. 1, 2023 – May 31, 2024	50% 12 month Av. (June 2023 – May 2024)	TBD (Dec. 1, 2023 – Apr. 15, 2023)
	50% 12 month Av. (Dec. 2023 – May 2024)	TBD (June 1, 2023 – Oct. 15, 2023)
June 1, 2024 – Nov. 30, 2024	50% 12 month Av. (Dec. 2023 – Nov. 2024)	TBD (June 1, 2023 – Oct. 15, 2023)
	50% 12 month Av. (June 2024 – May 2025)	TBD (Dec. 1, 2023 – Apr. 15, 2024)
Dec. 1, 2024 – May 31, 2025	50% 12 month Av. (June 2024 – May 2025)	TBD (Dec. 1, 2023 – Apr. 15, 2024)
	50% 6 month Av. (Dec. 2024 – May 2025)	TBD (June 1, 2024 – Oct. 15, 2024)

28. For Large C&I customers, defined as any customer registering a billing demand of 400 kW or above in any single billing period during the last 12 months, the energy component shall be HPS, based on the real-time PJM LMP for the PJM West Hub.

29. On top of the respective energy component charges, Citizens' and Wellsboro will pay a Supplier Adder²⁰ to their wholesale supplier, which will be a uniform cents-per-kWh charge fixed for the duration of the 4-year contract. The Supplier Adder will compensate the wholesale suppliers for all costs and risks for delivery to the wholesale meter for the Citizens' or Wellsboro Aggregate Bus, including ancillary services, congestion, transmission charges (other than NITS

²⁰ The Supplier Adder will place the risk of deviations in actual versus forward energy costs, sales, on-peak/off-peak customer usage and on-peak/off-peak wholesale pricing differentials on the wholesale supplier.

and RTEP/TEC), AEPS costs, marginal losses, customer load variability, and customer migration. Importantly, the Supplier Adder avoids the need for the Companies to maintain congestion management plans, as wholesale suppliers would continue to assume congestion costs and the associated rights to Auction Revenue and Financial Transmission Rights.

30. The Companies will retain responsibility for directly collecting these Power Purchase Costs charged by the wholesale suppliers, plus any administrative costs incurred in carrying out their default service obligations, from customers through the GSSR already in place. Recovery of such costs through the GSSR is addressed in Section II.C, *infra*.

B. *Alternative Energy Portfolio Standard Act ("AEPS") Plan*

31. Under the Sixth Joint DSP, all AEPS compliance obligations will continue to be assigned to the wholesale suppliers. The wholesale suppliers will procure the requisite AECs and assign the AECs to the Companies via the Generation Attribute Tracking System ("GATS") or any future replacement program.

32. As discussed in Section II.A, *supra*, the Companies will continue to require the wholesale suppliers to include the costs associated with AEPS procurements in the Supplier Adder, which are reflected in retail rates through the GSSR.²¹

C. *Rate Design Plan and Customer Billing*

33. The Commission's Regulations and Policy Statement establish requirements regarding the design and structure of default service rates.²² For all customer classes, the

²¹ See *id.* § 69.1808(a)(4)-(6).

²² See 52 Pa. Code §§ 54.187, 54.188 and 69.1808-69.1811.

Companies intend to preserve the exact design and structure of the existing GSSRs, with the additional refinement discussed below to reduce the effectiveness time frame for interim filings.

34. Under the Fifth Joint DSP, each Company currently has two GSSRs, the GSSR-1 and GSSR-2. Residential and Small Commercial customers pay a fixed per-kWh GSSR ("GSSR-1"), made up of: (1) projected Purchased Power Costs (the fixed energy rate + the Supplier Adder + (Projected NITS + Projected RTEP/TEC + Projected Capacity) Costs for the GSSR-1 class + Company Administrative Costs); **plus or minus** (2) the Reconciliation Period E-factor; **divided by** (3) projected metered sales to GSSR-1 default service customers; **times** (4) a GRT gross-up.²³ This rate is adjusted every 6 months, although the Supplier Adder would remain fixed throughout the 3-year DSP period.

35. Similarly, Large C&I customers pay a GSSR rate ("GSSR-2") consisting of: (1) the real-time HPS rate as calculated by PJM for the PJM West Hub; **plus** (2) the per-kWh Supplier Adder; **plus** (3) the per-kWh Company Administrative Costs; **plus** (4) per-kWh charges based on the applicable PJM rates and each customer's PJM NITS, RTEP/TEC and Capacity obligations; **times** (5) a GRT gross-up. The kWh charges are billed using the customer's metered hourly usage.

36. For the GSSR-1, all Residential and Small Commercial default service costs recovered through the GSSR-1 are reconciled through the E-Factor, which is adjusted to reflect 6-month projection and reconciliation periods in correspondence with the 6-month pricing periods.

37. For the GSSR-1, the Companies propose to continue to adjust rates every 6 months. Consistent with the Commission's End State Order, preliminary rates will be filed 45 days prior to the effective date for new rates, provided the Companies retain authority to update preliminary

²³ Citizens' Purchased Power Costs for the GSSR-1 also include the Bucknell purchases.

rates up to 10 days prior to the effective date. For clarity, the 6-month pricing and reconciliation periods are outlined below:

Price Period	Reconciliation Period in E-factor of default service rate	Preliminary and Final Filing Dates
June 1-November 30	October 1- March 31	April 16/May 20
December 1-May 31	April 1-September 30	October 16/November 20

38. The current tariffs authorize the Companies to make interim filings to address cost or computational changes on 10-days' notice. The Companies respectfully propose to reduce this to five (5) days' notice. This change will ensure that the GSSR can be modified more expeditiously and will minimize the length of time that an inaccurate GSSR rate is applied.

39. Under the GSSR-2, the Companies' model reflects the real-time pricing now available to Large C&I customers. Capacity, NITS, RTEP/TEC and hourly LMPs are direct pass-throughs based on PJM rates and billing determinants. The Supplier Adder also is a direct pass through on a per kWh basis.

40. In the Fourth Joint DSP and Fifth Joint DSP, the GSSR-2 did not contain an E-factor to reconcile projected and actual costs and revenues. The Companies propose to do the same in the Sixth Joint DSP. Any overcollection or undercollection of the GSSR-2 will be reflected in the GSSR-1 E-factor

41. Since the introduction of hourly priced service, most of the customers that would be served under the GSSR-2 have chosen instead to purchase supply from Electric Generation Suppliers ("EGS"). The small number of GSSR-2 customers in each territory that take hourly default service have consistently remained on this service; however, the Companies are concerned that customers may begin switching more regularly on and off of GSSR-2 default service and that all customers may leave the GSSR-2 default service. If this occurs, the Companies will have no

method to recover generation costs from GSSR-2 customers, which would impair the Companies' full and timely recovery of default service costs.

42. Pursuant to 66 Pa. C.S. § 1307, the GSSR will recover through an automatic adjustment mechanism all bidding, contracting, risk management, scheduling and forecasting costs, as well as other costs that are required to procure default service supply.²⁴ In this manner, the Companies will also recover all administrative costs, applicable taxes, and costs associated with the Companies' AEPS compliance.²⁵

43. Customer bills will be issued monthly in 4 cycles, consistent with Citizens' and Wellsboro's current billing practices. Citizens' and Wellsboro will bear the responsibility for converting the wholesale costs into retail default service customer rates, for reconciling default service costs and revenues, and for collecting costs from retail default service customers.

44. Citizens' and Wellsboro also propose the continuation of the Commission-adopted review process of the GSSR (*i.e.*, processing by the Bureau of Audits for each periodic rate change).²⁶

D. Retail Market Enhancement Programs

45. The Commission's RMI Order and End State Order require EDCs to implement several proposals to improve competition in Pennsylvania's retail electricity markets. The RMI Order also requires all jurisdictional EDCs to incorporate a New/Moving Customer Referral Program as part of their DSPs, display the PTC on customer bills, and publish sample customer bills on the EDC website.²⁷ Additionally, the End State Order directs EDCs to develop Seamless

²⁴ See *id.* § 69.1808(a)(3).

²⁵ See *id.* § 69.1808(a)(4)-(6).

²⁶ See 52 Pa. Code §§ 54.187(f), 54.188(e)(3) and (4), and 54.188(f); see also Oct. 2007 Order, pp. 21-22.

²⁷ RMI Order, pp. 17-20, 93, 96.

Moves and Instant Connects Plans to eliminate the necessity for customers to enroll in default service as a transitional step when moving to a new location with a service territory (seamless move) or connecting new utility service (instant connect).²⁸ Despite being exempted from the EDI requirement, Citizens' and Wellsboro both completed EDI implementations to facilitate customer choice. EDI enables competitive suppliers to obtain customer usage and other data, and to submit billing and other requests, over an electronic interface. A significant number of Citizens' and Wellsboro's larger customers are now buying competitive electric supply, which would not be possible without EDI. Additionally, both Companies have implemented Seamless Moves and Instant Connects.

46. As set forth in the RMI Order, customers calling Citizens' or Wellsboro to initiate service or arrange a move within the EDC service territory will continue to be directed to PAPowerswitch.com to further explore competitive opportunities and advised of additional customer choice information that is available on the Companies' websites.

47. With regards to the requirements to provide the PTC on customer bills and post sample bills on the Companies' websites, Citizens' and Wellsboro have complied with the standards set forth in the Second Rulemaking Order. The Companies will continue to participate in the RMI and, as necessary, update the DSP.

F. Responses to Secretarial Letter at Docket M-2019-3007101

48. In 2019, the Commission conducted an *Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms* at Docket No. M-2019-3007101. The Commission concluded the investigation by issuing a Secretarial Letter on January 23, 2020, that directs EDCs

²⁸ *End State Order*, pp. 74-75. In recognition of the limited resources available to smaller electric utilities, the RMI Order specifically exempted Citizens' and Wellsboro from several program requirements, including implementation of a Standard Offer Customer Referral Program. See RMI Order, pp. 33, 45.

to address certain items in their upcoming DSPs. For small EDCs, the Secretarial letter requires: (1) consideration of whether a time of use rate option could be offered for Electric Vehicle ("EV") charging; and (2) an explanation of how the DSP complies with the product mix requirements of the Public Utility Code and case law.

1. EV Charging

49. The Secretarial Letter directed all parties to address whether future DSPs will include a time of use rate for EV charging. Currently, Citizens' and Wellsboro offer the hourly priced service to larger customers, but do not offer a time of use rate to residential and small commercial customers.²⁹ Implementing and reconciling an EV charging time of use rate would be difficult. The Companies believe that the Commission should consider this issue for larger EDCs before requiring small EDCs to introduce new EV offerings.

2. Prudent Mix Compliance

50. The Companies' proposed procurement plan relies on a 4-year Supplier Adder, ladder pricing for one-year forward price strips that are determined each 6 months, a passthrough of certain PJM costs, and hourly-priced energy service for the largest customers. Pursuant to the definitions in Section 2807(e)(3.2), this means that the plan includes long-term contracts, short-term contracts (less than 4 years) and spot market purchases. The Commission, in approving hourly-priced service for Large C&I customers in other DSPs, has confirmed that the prudent mix standard references the total DSP portfolio rather than the procurements applicable to each customer. *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company for Approval of Their Default Service Programs*, slip op., Docket Nos. P-2011-2273650, *et. al.*, (Aug. 2, 2012), p. 37 (hereinafter

²⁹ See 66 Pa. C.S. § 2807(f)(6) (applying the time of use mandate to EDCs with more than 100,000 customers).

"FE 2013-15 DSP"); *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan*, slip op., P-2012-2302074 (Jan. 24, 2013), p. 36 (hereinafter "PPL 2013-15 DSP"). For the Companies, the proposed plan constitutes a prudent mix.

G. Other Plan Requirements

51. The Commission's Regulations and Policy Statement set forth various additional requirements for default service programs. Attached as Appendix A is a list of the various provisions in the Regulations and Policy Statement and an explanation of how the Companies' Sixth Joint Default Service Program fulfills each. Appendix A also identifies the specific provisions for which waivers may be necessary. Finally, attached as Appendix B and C are the Citizens' and Wellsboro notices that are to be sent to all customers announcing the filing of the DSP.

52. In addition, the Companies respond to the additional requirements in Section 54.185 as follows:

1. Documentation that the Program is Consistent with PJM Requirements

53. Citizens' and Wellsboro are full PJM members. Wholesale suppliers will continue to be the LSEs for all default service customers in their service territories. Citizens' and Wellsboro will continue to work with PJM to address any technical and credit issues that may arise.

2. Contingency Plans if Wholesale Suppliers Fail to Deliver

54. If the wholesale suppliers fail to deliver energy supply as contracted, or if there are no bidders in the RFP the Companies will, in the interim, obtain replacement supply through the PJM spot markets and pay all ancillary service, capacity and transmission costs on a fully reconcilable basis. In the case of the whole supplier's failure to deliver energy as contracted, the

impacted Company, or Companies, will contact other entities that submitted bids to the original RFP to assess interest in assuming the non-performing wholesale suppliers' obligations at the price, terms and conditions in place at the time of default. If no wholesale suppliers are willing to assume the contract terms, or in the case of insufficient bidders for the RFP, then the Companies will submit a Contingency Plan to the PUC to replace the interim PJM spot market purchasing plan within 14 days.

3. Copies of Agreements or Forms

a. RFPs

55. To solicit competitive wholesale suppliers to obtain the desired Default Service products, the Companies have prepared the RFP attached hereto as Appendix D. The proposed RFP incorporates best practices developed through the Companies' experience through other procurement processes and with its successful RFP process under the Fifth Joint DSP.

56. Accordingly, the Companies propose to conduct separate sealed bid RFPs for each service territory, with bids submitted directly to Citizens' and Wellsboro for internal review. To minimize transaction costs, the Companies do not intend to retain a third-party agency to conduct the RFP or review submitted bids. Any bid failing to conform to the RFP will be rejected. Additionally, the Companies will develop a prequalification process for evaluation of credit and technical qualifications. Bids will be reviewed in conformance with the below schedule:

Proposed RFP Schedule	
Dec. 2020	PUC Order Approving DSP
Jan. 19, 2021	RFP Issued
Mar. 22, 2021	Supplier Bids Due by 10:00 AM EPT
Mar. 23, 2021	Confidential Summary of Bid Results Submitted to PUC Bureau of Audits and Bureau of Technical Utility Services by Noon, with a Recommendation of the Supplier to be Awarded the Contract for Each Territory
Mar. 25, 2021	PUC Issues Secretarial Letter Accepting or Rejecting the Recommendation(s); if No Action by PUC, then Recommendations Shall be Deemed Accepted

57. Each Company will independently select the lowest qualifying bid. A single supplier may serve both Citizens' and Wellsboro if the same supplier submits the lowest qualifying bid in both territories.

58. Winning bidders will receive a notification from the Companies on March 25, 2021, or earlier if the PUC confirms acceptance of the recommendations in the report earlier than expected.

59. All wholesale supplier bids shall expire at midnight EST on March 25, 2021, unless the Companies provide a wholesale supplier with prior notice of rejection.

60. As specified in the RFP, the wholesale suppliers must provide a Load-Following FR product, as detailed in Section II.A, *supra*. The wholesale suppliers will serve as the PJM Load Serving Entity for customers taking default service from the Companies, assuming responsibility for energy supply, ancillary services, congestion, marginal losses, customer load variability, customer migration and customer non-payment.

b. Supply Master Agreement

61. The Commission previously directed the Office of Competitive Markets Oversight to convene a Procurement Collaboration Working Group for the purpose of drafting a uniform supply master agreement ("SMA") template. Citizens' and Wellsboro used the template to draft

the proposed SMA attached hereto as Appendix F. This is the SMA that was used in the Fifth Joint DSP, with minor changes to update terms, to reflect the dates for the new contract, and to implement the revised pricing index source.

4. Generation Contracts With Customers Greater than Two Years

62. Neither Citizens' nor Wellsboro have any contracts with a customer for generation service that is longer than two years.

5. Proposed Litigation Schedule

63. In anticipation of intervention in this proceeding by interested parties and to ensure adequate time for completion of a competitive bid process prior to implementation of the Sixth Joint DSP, the Companies propose the following litigation schedule:

Proposed Litigation Schedule	
Mar. 31, 2020	DSP Filed
Apr. 13, 2020	Citizens' and Wellsboro Direct Testimony Distributed

64. The Companies propose to work out the remainder of the procedural schedule with all parties that intervene.

III. CONCLUSION

Citizens' and Wellsboro propose to implement a competitive bid process to procure Load-Following Full Requirements Contracts for all customers, consistent with the implementation and procurement plan described above. The Companies request the Commission's authorization to do so through approval of this Sixth Joint Default Service Plan.

WHEREFORE, Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company respectfully request that the Commission grant this Petition and enter an Order providing:

1. Approval of the Sixth Joint Default Service Plan as presented; and
2. Approval of all necessary waivers of the Commission's Regulations to the extent

that the Commission finds the Companies' Sixth Joint Default Service Plan to be inconsistent with its Final Policy Statement, Default Service Regulations, and End State Order.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By *Pamela C. Polacek*

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Dated: March 31, 2020

Counsel for Citizens' Electric Company of
Lewisburg, PA and Wellsboro Electric Company

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Default Service Plan for Citizens' :
Electric Company of Lewisburg, PA and :
Wellsboro Electric Company for the Period : Docket Nos.
June 1, 2021 Through May 31, 2025 :

VERIFICATION

I, John Kelchner, President & CEO of Citizens' Electric Company of Lewisburg, PA, hereby state that the facts above set forth in the foregoing document are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

3/30/2020
Date

John A. Kelchner
Signature

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Joint Default Service Plan for Citizens' :
Electric Company of Lewisburg, PA and :
Wellsboro Electric Company for the Period : Docket Nos.
June 1, 2021 Through May 31, 2025 :

VERIFICATION

I, Byron (Barney) Farnsworth, Jr., President & CEO of Wellsboro Electric Company, hereby state that the facts above set forth in the foregoing document are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

3/30/2020
Date


Signature

A

**APPENDIX A
COMPLIANCE WITH REGULATIONS AND POLICY STATEMENT**

Regulation	Joint Default Service Plan	Waiver Needed
§54.183: The DSP shall be the incumbent EDC in each service territory, except as provided under subsection (b).	Citizens' and Wellsboro retain DSP function.	No
§54.184(a): The DSP shall be responsible for the reliable provision of default service to all retail customers who are not receiving generation services from an alternative EGS or whose EGS has failed to deliver electric energy.	Citizens' and Wellsboro will continue to hold this responsibility.	No
§54.184(b): The DSP shall comply with the Public Utility Code to the extent those obligations are not modified by the regulations or waived.	Citizens' and Wellsboro hold this responsibility, subject to confirmation of the waivers that the PUC deems necessary to accommodate the Joint Default Service Plan set forth in this filing.	No
§54.184(c): The DSP shall provide electric generation supply service pursuant to a Commission-approved competitive procurement process including Auctions, Requests for proposals, or Bilateral agreements.	The Joint Default Service Plan requests Commission approval of a procurement process including requests for proposals.	No
§54.184(d): The DSP shall continue the universal service and energy conservation programs in effect in the EDC's territory.	The Joint Default Service Plan makes no changes to the universal service and energy conservation programs available in the Citizens' or Wellsboro territories.	No

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.185(a): The DSP shall file a default service plan with the Commission no later than 12 months prior to the conclusion of the currently effective default service Plan, unless the Commission authorizes another filing date. Thereafter, the DSP shall file its programs consistent with a schedule identified by the Commission.</p>	<p>The Companies' current default service Plans are set to expire on May 31, 2021; the Companies submit the instant filing more than 12 months in advance of that date.</p>	<p align="center">No</p>
<p>§54.185(c): Default service Plans must comply with the Commission's regulations applicable to documentary filings. The DSP shall serve the default service plan on the OCA, OSBA, I&E¹, EGSs registered in its service territory, and the RTO in whose control area the DSP is operating. Copies shall be provided upon request to other EGSs and shall be available on the DSP's website.</p>	<p>The Joint Default Service Plan adheres to the Commission's filing requirements. The Plan has been served as required on OCA, OSBA, I&E, PJM Interconnection, L.L.C, and the EGSs that are currently serving customers in the Companies' service territories. The Companies also request for the Commission to provide notice of the filing to the listserve for the CHARGE group. The Plan will be posted on the Citizens' and Wellsboro websites.</p>	<p align="center">No</p>
<p>§54.185(e)(1): The default service plan shall include a Procurement Plan identifying the DSP's electric generation supply acquisition strategy for the period of service, including the means of satisfying the minimum portfolio requirements of the AEPS Act.</p>	<p>The Joint Default Service Plan proposes to conduct a competitive bid process and enter into Load Following Full Requirements contracts with wholesale suppliers for electric generation supply. Under the contracts, the wholesale suppliers will be assigned responsibility for satisfying the minimum portfolio requirements of the AEPS Act.</p>	<p align="center">No</p>

¹ In recognition of the replacement of the former Office of Trial Staff with the current Bureau of Investigation and Enforcement, all references in the Commission's regulations to "OTS" have been replaced with "I&E." for purposes of this Appendix A.

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.185(e)(2): The default service plan shall include an implementation plan identifying the schedules and technical requirements of competitive bid solicitation and spot market energy purchases.</p>	<p>The schedules for the competitive bid solicitations are included in the RFP that is attached to the Joint Default Service Plan.</p>	<p align="center">No</p>
<p>§54.185(e)(3): The default service plan shall include a rate design plan recovering all reasonable costs of default service, including a schedule of rates, rules, and conditions of default service in the form of proposed revisions to its tariff.</p>	<p>The Joint Default Service Plan includes the proposed Rate Design Plan. There are no proposed changes to the tariff sheets.</p>	<p align="center">No</p>
<p>§54.185(e)(4): The default service plan shall include documentation that the plan is consistent with PJM's legal and technical requirements pertaining to the generation, sale and transmission of electricity.</p>	<p>As confirmed by the Joint Default Service Plan, Citizens' and Wellsboro are PJM members and will coordinate with PJM to ensure that all technical and credit requirements continue to be met. The Companies will also evaluate the PJM compliance issues in their evaluation of entities that submit bids to be the wholesale supplier(s). The end date for the Joint Default Service Plan (i.e., May 31, 2025) was selected to comply with the PJM planning year.</p>	<p align="center">No</p>
<p>§54.185(e)(5): The default service plan shall include contingency plans to ensure the reliable provision of default service when a wholesale generation supplier fails to meet its contractual obligations.</p>	<p>The contingency plan is set forth in Section II.G.2 of the Joint Default Service Plan. In the event of a wholesale supplier default, the Companies anticipate relying on PJM spot market purchases until a replacement supplier is found. If the Companies' RFP fails to attract qualified bids, the Companies anticipate relying on PJM spot market purchases; the RFP will be reissued to obtain qualified bids.</p>	<p align="center">No</p>

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.185(e)(6): The default service plan shall include copies of agreements or forms to be used in the procurement of electric generation supply for default service customers; including all documents used as part of the implementation plan, including supplier master agreements, RFP documents, credit documents, and confidentiality agreements. When applicable, the DSP shall use standardized forms and agreements that have been approved by the Commission.</p>	<p>The Joint Default Service Plan includes the RFP and the Supplier Master Agreement. The Supplier Master Agreement is based on the Standardized Agreement that was developed by the working group.</p>	<p align="center">No</p>
<p>§54.185(e)(7): The default service plan shall include a schedule identifying generation contracts of greater than 2 years in effect between the DSP, when it is the incumbent EDC, and retail customers in that service territory. The schedule should identify the load size and end date of the contracts.</p>	<p>None.</p>	<p align="center">No</p>
<p>§54.185(f): After notice and hearing, the Commission may require some DSPs to file joint default service plans. In the absence of this direction, DSPs may file joint default service plans.</p>	<p>Consistent with this provision, Citizens' and Wellsboro elected to once again file a joint plan. The Joint Default Service Plan is consistent with Section 54.186, as modified by the requested waivers.</p>	<p align="center">No</p>

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.185(g): DSPs shall include requests for waivers from provisions of this chapter in the default service plan filings. The Commission will grant waivers to the extent necessary to reduce the regulatory, financial or technical burden on DSPs with fewer than 50,000, or to the extent that is otherwise in the public interest.</p>	<p>Citizens' and Wellsboro have requested various waivers as necessary to reduce the regulatory, financial or technical burden on the Companies as small DSPs and to the extent otherwise in the public interest.</p>	<p align="center">N/A</p>
<p>§54.186(a): DSPs shall acquire electric generation supply at the least cost to customers over time for default service customers in a manner consistent with procurement and implementation plans approved by the Commission.</p>	<p>The Companies have proposed a Joint Default Service Plan incorporates a combination of purchases at least cost to customers over time.</p>	<p align="center">No</p>
<p>§54.186(b)(1): A default service plan must be designed to procure electric power through a prudent mix of the following (1) Spot market purchases, (2) Short-term contracts, (3) Long-term contracts.</p>	<p>The Companies designed Joint Default Service Plan, including the competitive bid process and procurement plan to procure electric power through a prudent mix of long-term contracts, short-term contracts and real-time hourly priced service. Citizens' also proposes to incorporate a long-term solar energy purchase.</p>	<p align="center">No</p>
<p>§54.186(b)(2): A prudent mix of contracts shall be designed to ensure: (1) Adequate and reliable service, (2) The least cost to customers, (3) Compliance with subsection §54.186(b)(2).</p>	<p>The Companies' Procurement Plan was designed to provide adequate and reliable service and secure generation supply at the least cost to customers over time consistent with this section of the Commission's regulations.</p>	<p align="center">No</p>
<p>§54.186(b)(3): DSPs with loads of 50 MW or less shall evaluate the costs and benefits of joining with other DSPs or affiliates in contracting for electric supply.</p>	<p>Citizens' and Wellsboro elected to file a Joint Default Service Plan.</p>	<p align="center">No</p>

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.186(b)(5): Electric generation supply shall be acquired by competitive bid solicitation processes, spot market energy purchases, short and long-term contracts, auctions, bilateral contracts or a combination of them.</p>	<p>The Companies have proposed the use of a competitive bid process that uses a combination of long-term, short-term and spot market pricing. The Procurement Plan provides additional detail regarding this aspect of the Commission's regulations.</p>	<p align="center">No</p>
<p>§54.186(b)(6): A DSP's affiliate may participate in any competitive bid solicitation process subject to various conditions.</p>	<p>Citizens' and Wellsboro do not have affiliates that can participate in the energy procurement process.</p>	<p align="center">No</p>
<p>§54.186(c)(1): A DSP's implementation plan will include a competitive bid solicitation process that provides, to the extent possible and at the appropriate time, the bidding schedule, definitions and descriptions of products, bid price formats, time period for supply, bid instructions and format, price-determinative bid evaluation criteria, and current load data.</p>	<p>The RFP and Supplier Master Agreement attached to the Joint Default Service Plan describe the Companies' competitive bid process, including the bidding schedule, definitions and descriptions of products, bid price formats, time period for supply, bid instructions and format, and price determinative bid evaluation criteria.</p>	<p align="center">No</p>
<p>§54.186(c)(2): The default service implementation plan shall include fair and non-discriminatory bidder qualification requirements, including financial and operational qualifications, or other reasonable assurances of a supplier's ability to perform.</p>	<p>The RFP attached to the Joint Default Service Plan includes fair and non-discriminatory bidder qualification requirements.</p>	<p align="center">No</p>
<p>§54.186(c)(3): A competitive bid solicitation process used as part of the implementation plan shall be subject to monitoring by the Commission or an independent third party evaluator.</p>	<p>The Companies propose to submit the bid report to the Commission for approval to enable the Commission to monitor the solicitation process.</p>	<p align="center">No</p>

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.186(c)(4): The DSP or third party evaluator shall review and select winning bids procured through a competitive bid solicitation process in a non-discriminatory manner based on the price determinative bid evaluation criteria.</p>	<p>Unless credit or fitness concerns exist, qualifying bids are awarded based on the Supplier Adder price.</p>	<p align="center">No</p>
<p>§54.187(b): The costs incurred for providing default service shall be recovered on a full and current basis through a reconcilable adjustment clause under 66 Pa. C.S. § 1307.</p>	<p>Citizens' and Wellsboro have previously established the GSSR-1 and GSSR-2 default service rates that recovers all reasonable costs associated with bidding, contracting, generation, capacity, transmission, administrative, and AEPS compliance costs, and applicable taxes.</p>	<p align="center">No</p>
<p>§54.187(c): Except for rates available consistent with the automatic adjustment clause, DSPs will offer a single rate option, identified as the PTC, for all default customers</p>	<p>The Companies will offer a single rate option for each customer class: Residential – GSSR-1 (fixed price) Small C&I (below 400 kW) – GSSR-1 (fixed price) Large C&I (above 400 kW) – GSSR-2 (hourly price)</p>	<p align="center">No</p>
<p>§54.187(d): The rates charged for default service may not decline with the increase in KWh of electricity used by a default service customer in a billing period.</p>	<p>The GSSR will contain no "declining blocks."</p>	<p align="center">No</p>

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.187(e): The PTC shall be designed to recover all default service costs, including generation, transmission, and other default service cost elements, incurred in serving the average member of a customer class. Costs recovered through the distribution rate that are reallocated to the default service rate cannot be recovered through the distribution rate, and the distribution rate must be decreased to reflect this reallocation.</p>	<p>Citizens' and Wellsboro have established default service rates that include generation, transmission, and other cost elements. These rates will also represent the PTC for Residential/Small C&I in the fixed price GSSR-1 option, and will not include any costs attributable to distribution.</p>	<p align="center">No</p>
<p>§54.187(f): A DSP shall use an automatic energy adjustment clause to recover all reasonable costs incurred through AEPS compliance, subject to audit and annual review.</p>	<p>The GSSR will be adjusted on June 1 and December 1, through a Section 1307 mechanism that will include reasonable costs associated with AEPS compliance.</p>	<p align="center">No</p>
<p>§54.187(g): A DSP may use an automatic energy adjustment clause to recover reasonable non-alternative energy default service costs, and may collect interest from retail customers on the recoveries of under collection at the legal rate of interest. Refunds for over collection will be made at the legal rate of interest plus 2 percent.</p>	<p>The GSSR will be adjusted every 6 months, through a Section 1307 mechanism that will recover all reasonable costs. The automatic adjustment will reconcile any over- and under-recoveries, and will comply with all interest requirements.</p>	<p align="center">No</p>
<p>§54.187(h): The default service rate schedule shall include rates that correspond to demand side response and demand side management plans when mandated by the Commission.</p>	<p>If mandated by the Commission, the Companies will adjust the GSSR accordingly to reflect these initiatives or seek appropriate waivers.</p>	<p align="center">No</p>

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Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.187(i): Default service rates shall be adjusted no more frequently than a quarterly basis for all customer classes with a maximum registered peak load up to 25 KW. The DSP may propose alternative divisions of customers by registered peak load to preserve existing customer classes.</p>	<p>For customers with a maximum registered peak load up to 400 kW (i.e., Residential and Small C&I customers), the Companies will adjust the single default service rate every 6 months.</p>	<p align="center">No</p>
<p>§54.187(j): Default service rates shall be adjusted on a quarterly basis, or more frequently, for all customer classes with a maximum registered peak load of 25 KW to 500KW. The DSP may propose alternative divisions of customers by registered peak load to preserve existing customer classes.</p>	<p>For customers with a maximum registered peak load up to 400 kW, the Companies will adjust the single default service rate every 6 months. For customers with a maximum registered peak load at or above 400 kW, the Companies will provide real-time hourly priced service.</p>	<p align="center">Yes</p>
<p>§54.187(k): Default service rates shall be adjusted on a monthly basis, or more frequently, for all customer classes with a maximum registered peak load of 500KW or greater. The DSP may propose alternative divisions of customers by registered peak load to preserve existing customer classes.</p>	<p>For customers with a maximum registered peak load of 400 kW or higher, the Companies will provide real-time hourly priced service.</p>	<p align="center">No</p>

APPENDIX A

Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.187(1): The DSP shall be responsible for acquiring replacement electric generation supply consistent with its contingency plan when a supplier fails to deliver. When necessary to procure electric generation supply before the implementation of a contingency plan, the DSP shall acquire supply at the least cost to customers over time and shall fully recover all reasonable costs associated with this activity that are not otherwise recovered through its contract terms with the default supplier.</p>	<p>The contingency plan is set forth in Section II.F.2 of the Joint Default Service Plan. The Companies anticipate relying on PJM spot market purchases until a replacement supplier is found. If the proposed RFP fails to yield qualified bids, the Companies will rely on PJM spot market purchases until a subsequent and/or successful RFP is conducted.</p>	<p align="center">No</p>
<p>§54.188(c): Upon entry of the Commission's Final Order, the DSP shall acquire generation supply for the period of service in a manner consistent with the terms of the approved procurement and implementation plans and Commission regulations.</p>	<p>The Companies anticipate approval of the proposed Joint Default Service Plan and will procure all generation supply in accordance with the final Commission-approved implementation and procurement plans.</p>	<p align="center">No</p>
<p>§54.188(e)(1): The DSP shall provide all customers notice of the filing of the default service plan.</p>	<p>The Companies will provide notice of the default service plan filing to all customers via bill inserts.</p>	<p align="center">No</p>
<p>§54.188(e)(2): The DSP shall provide all customers notice of the initial default service rates and terms and conditions of service 60 days before their effective date, or 30 days after bidding has concluded, whichever is sooner, unless another time is approved by the Commission. The DSP will provide written notice to the OCA, OSBA, I&E, and PJM.</p>	<p>Under the Joint Default Service Plan, the GSSR rate changes on June 1 and December 1 of each year. The GSSR reflecting the projected costs for the first month of the next plan (<i>i.e.</i>, June 2021), will be filed with the Commission on April 16, 2021, and take effect on June 1, 2021. April 16, 2021, is 45 days prior to implementation of the default service plan. Notice will be provided to the parties.</p>	<p align="center">Yes</p>

APPENDIX A

Regulation	Joint Default Service Plan	Waiver Needed
<p>§54.188(e)(3): After the initial steps of implementation and procurement are completed, the DSP shall file tariff supplements designed to reflect, for each customer class, the rates to be charged for default service.</p>	<p>The Companies will file tariff supplements reflecting the rates to be charged for default service 45 days prior to the effective date, subject to updates which may be filed 10 days prior to the effective date.</p>	<p align="center">No</p>
<p>§54.188(f): The DSP shall submit tariff supplements on no more frequently than quarterly basis, and provide written notice to the OCA, OSBA, I&E, and PJM. The tariff supplements shall be posted on the DSP's public internet domain at the time they are filed.</p>	<p>The Companies will submit adjusted tariff supplements in conjunction with the Section 1307 reconciliation filings. The Companies will post these tariff supplements on their respective websites and will provide all necessary parties with written notice.</p>	<p align="center">No</p>
<p>§54.188(g): If a customer chooses an alternative supplier and subsequently desires to return to the local distribution company for generation service, the local distribution company shall treat that customer exactly as it would any new applicant for energy service.</p>	<p>Citizens' and Wellsboro will treat customers switching from alternative suppliers as new applicants for service.</p>	<p align="center">No</p>
<p>§54.188(i): The DSP shall offer residential and small business customers a generation supply service rate that shall change on a no more frequently than quarterly basis. Default service rates shall be reviewed by the Commission to ensure that the costs of providing service to each customer class are not subsidized by any other class.</p>	<p>The Companies will adjust the energy (generation supply) component of default service rate for Residential customers and Small C&I customers, with a maximum registered peak demand below 400 kW, every 6 months.</p>	<p align="center">No</p>

APPENDIX A

Policy Statement	Default Service Plan	Waiver Needed
<p>§69.1801: Scope of the policy statement is to provide guidelines regarding the acquisition of electric generation supply, the recovery of associated costs, and the integration of default service with competitive retail electric markets.</p>	<p>The Joint Default Service Plan effectively provides for the competitive acquisition of generation supply through a competitive bid process, wherein one or more wholesale suppliers provides a combination of fixed and real-time hourly priced products, as well as the recovery of associated costs.</p>	<p align="center">No</p>
<p>§69.1802(a): The goal of the Commission's regulations is to bring competitive market discipline to historically regulated markets through a default service policy that encourages the entry of new retail and wholesale suppliers. A greater diversity of generation suppliers will benefit ratepayers, but the rules are not designed resolve every possible issue related to the acquisition of generation supply, recovery of costs, conditions of service, and the relationship with the competitive market.</p>	<p>The Companies' Joint Default Service Plan was designated to facilitate entry of competitive retail suppliers and wholesale suppliers.</p>	<p align="center">No</p>
<p>§69.1802(b): The Commission is cognizant of the practical limits of regulating complex markets and recognizes the inapplicability of an all-inclusive regulatory approach.</p>	<p>Citizens' and Wellsboro have developed a default service plan that is best suited to their individual service territories. The default service plan effectively balances the interests of the customers with the unique circumstances the Companies face as small DSPs with fewer than 50,000 retail customers.</p>	<p align="center">No</p>

APPENDIX A

Policy Statement	Default Service Plan	Waiver Needed
<p>§69.1802(c): The regulations in Chapter 54 serve as a general framework for default service provision. The Commission anticipates that its guidelines will be reevaluated after the expiration of the initial default service plans submitted by DSPs.</p>	<p>The Companies have complied with the Commission's regulations to the extent possible, and have only deviated from these guidelines where necessary to account for the unique circumstances presented by their recognized status as small DSPs.</p>	<p align="center">No</p>
<p>§69.1804: Initial default service plans should be established for a term of 2 to 3 years. The Commission will monitor developments in the wholesale and retail markets and provide further guidance for the duration of subsequent default service plans.</p>	<p>As proposed, the Companies' Joint Default Service Plan will continue for a duration of 4 years and will remain synced with the PJM planning year.</p>	<p>Yes. The Commission's End State Order requests that EDCs establish 2-year default service plans. The Companies respectfully submit a 4-year default service period as proposed here will reduce administrative costs.</p>
<p>§69.1805: Procurement plans should balance the goals of developing competitive retail supply and include a prudent mix of arrangements to minimize the risk of over-reliance on particular products at a given point in time. DSPs should consider a mix of supply-side and demand-side products of long-term, short-term and spot market purchases with the goal of avoiding excessive long-term contracts. Procurement plans should be tailored to customer groups, but a DSP may propose alternative peak load divisions to preserve current customer classifications</p>	<p>Citizens' and Wellsboro have adopted a Joint Default Service Plan incorporating a competitive bid process requiring winning wholesale suppliers to procure a prudent mix of supply-side products under a 4-year contract with generation supply pricing adjusted every 6 months. Under the contract, the wholesale supplier must provide fixed-price supply for Residential customers and Small C&I customers with a maximum registered peak demand below 400 kW, and real-time hourly priced service for Large C&I customers and Small C&I customers with a maximum registered peak load at or above 400 kW.</p>	<p align="center">No</p>

APPENDIX A

Policy Statement	Default Service Plan	Waiver Needed
<p>§69.1806: The DSP shall comply with the AEPS regulations in procuring its electric generation supply, and the default service plan should reflect incurrence of reasonable costs associated with AEPS compliance.</p>	<p>The Joint Default Service Plan will incorporate procurement of alternative energy sources and the recovery of associated costs.</p>	<p align="center">No</p>
<p>§69.1807: The Commission provides general guidelines applicable to any competitive bid processes that may be included as part of DSP procurement plans.</p>	<p>See response to 52 Pa. Code §54.185(e)(2).</p>	<p align="center">No</p>
<p>§69.1808: The PTC in default service plans should recover all generation, transmission, and other related default service costs. These costs should include wholesale energy, capacity, ancillary, ISO administrative, and transmission costs, but should not include congestion or generation costs imbedded in distribution rates.</p>	<p>Citizens' and Wellsboro have included all reasonable costs in a rate referred to as the GSSR that, when adjusted for the State Tax Adjustment Surcharge (STAS) is the PTC. The Companies include congestion as a recoverable cost because they anticipate that the index pricing reflects PJM West Hub; however, congestion is included in the Supplier Adder that is fixed for the term of the wholesale contact. There are no generation costs imbedded in distribution rates.</p>	<p align="center">Yes</p>
<p>§69.1809: Default service rates and PTCs should be adjusted on a regular basis to reflect changes in energy products, ensure recovery of reasonable costs, and to reconcile over- and underrecoveries. The public interest may be served by reconciliation of these costs more frequently than at the regular interval.</p>	<p>The Companies will implement Section 1307 automatic adjustment mechanism every 6 months; however, the Companies do not propose to file interim adjustments based solely on the anticipated deviation exceeding +/- 4% as stated in §69.1809(c).</p>	<p>Yes – The Companies seek the opportunity to submit an interim filing to address substantial deviations in projected versus actual revenues or costs on five (5) days' notice. In addition, the Companies request to be able to make such interim filings any time they determine that circumstances warrant, rather than adhering strictly to the +/- 4% Standard.</p>

APPENDIX A

Policy Statement	Default Service Plan	Waiver Needed
<p>§69.1810: Retail rates should reflect the actual incurred costs of energy procurement to encourage conservation, and should not include declining blocks, demand charges, or other similar elements.</p>	<p>The Companies' GSSR will reflect actual incurred costs of providing default service, and will not include any other elements, or declining rate blocks.</p>	<p align="center">No</p>
<p>§69.1811: The Commission provides guidance for neutral rate change mitigation following the expiration of generation rate caps.</p>	<p>The Companies' self-imposed generation rate caps have already expired, and as such, the Commission has explicitly excluded the Companies from this requirement.</p>	<p align="center">No</p>

B



NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

On March 31, 2020, Citizens' Electric Company of Lewisburg, PA ("Citizens" or "Company") filed a request with the Pennsylvania Public Utility Commission ("PUC") to make changes to its rates and services. This notice describes the Company's proposal, the PUC's role, and what actions you can take.

In Pennsylvania, electric service is made up of three parts: "Generation" or the production of electricity; "Transmission" or the movement of electricity from where it is generated to the point of distribution; and "Distribution" or the delivery of electricity from transmission lines to your home or business. You can choose the company that generates your electricity. Citizens' is required to provide each customer in its service territory with distribution service and to arrange for generation and transmission service for its customers that do not find a competitive supplier, which is known as default service. Citizens' must obtain the PUC's approval for how it buys the electricity for customers on default service. This does not change the quality, reliability and maintenance of your electric service.

Citizens' Filing

The requested rate and service changes to the Company's default service are necessary in anticipation of the May 31, 2021 expiration of the Company's current default service plan. In this filing, Citizens' is proposing to continue its current process of purchasing power. For Residential customers and Small Commercial customers with a registered peak demand below 400 kW, Citizens' proposes to continue purchasing fixed-price default service supply from a wholesale market supplier. The fixed price will be adjusted semi-annually (every six-months) in order to reflect current market conditions while providing customers with reasonable rate stability. The GSSR changes will occur on June 1 and December 1 of each year. Citizens' can adjust the GSSR rate between those dates, if necessary, to avoid a significant overcollection or undercollection.

Large Commercial & Industrial Customers, and Small Commercial customers with a registered peak demand at or above 400 kW, will receive hourly priced service.

You can examine the material that explains the requested changes and reasons that we filed with the PUC. As required by the Commission's regulations, the material is available at the Company's office located at 1775 Industrial Boulevard, Lewisburg, PA 17837, between the hours of 7:30 A.M. and 4:30 P.M.; however, our office is currently closed due to the COVID-19 virus. You can request a copy of the filing by calling us at (570) 524-2231. The filing is also available on our web site at www.citizenselectric.com.

1775 Industrial Blvd., Lewisburg, PA 17837
570-524-2231 ♦ www.citizenselectric.com ♦ Fax 570-524-5887

Serving the Wonderful Lewisburg-Buffalo Valley since 1911



PUC's Role

The PUC approves rates for public utilities. The PUC will examine the requested rate and service changes.

Actions You Can Take

To challenge our request to make these changes, you can file a formal complaint with the PUC. You can request a formal complaint form by writing the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, or by printing a copy from the PUC's web site at www.puc.state.pa.us. If no formal complaints are filed regarding our request, the Commission may grant all, some or none of the request without holding a hearing before a judge. Hearings may be held among the Company and any participating customers or entities.

For more information, contact Citizens' at (570) 524-2231, or call the PUC at 1-800-782-1110.

Citizens' Electric Company of Lewisburg, PA

1775 Industrial Blvd., Lewisburg, PA 17837
570-524-2231 ♦ www.citizenselectric.com ♦ Fax 570-524-5887

Serving the Wonderful Lewisburg-Buffalo Valley since 1911

C

NOTICE OF PROPOSED RATE CHANGES

To Our Customers:

On March 31, 2020, Wellsboro Electric Company ("Wellsboro" or "Company") filed a request with the Pennsylvania Public Utility Commission ("PUC") to make changes to its rates and services. This notice describes the Company's proposal, the PUC's role, and what actions you can take.

In Pennsylvania, electric service is made up of three parts. "Generation" or the production of electricity. "Transmission" or the movement of electricity from where it is generated to the point of distribution. And "distribution" or the delivery of electricity from transmission lines to your home or business. You can choose the company that generates your electricity. Wellsboro is required to provide each customer in its service territory with distribution service and to arrange for generation and transmission service for its customers that do not find a competitive supplier, which is known as default service. Wellsboro must obtain the PUC's approval for how it buys the electricity for customers on default service. This does not change the quality, reliability and maintenance of your electric service.

Wellsboro's Filing

The requested rate and service changes to the Company's default service are necessary in anticipation of the May 31, 2021 expiration of the Company's current default service plan. In this filing, Wellsboro is proposing to continue its current process of purchasing power from a wholesale supplier through a competitive bid. For Residential customers and Small Commercial customers with a registered peak demand below 400 kW, Wellsboro proposes to continue purchasing fixed-price default service supply from a wholesale market supplier. The Company will continue to change its Generation Supply Service Rate ("GSSR") for fixed price customers on a semi-annual basis. The GSSR changes will occur on June 1 and December 1 of each year. Wellsboro can adjust the GSSR rate between those dates, if necessary, to avoid a significant overcollection or undercollection.

Large Commercial & Industrial Customers, and Small Commercial customers with a registered peak demand at or above 400 kW, will receive hourly priced service.

You can examine the material that explains the requested changes and reasons that we filed with the PUC. As required by the Commission's regulations, the material is available at the Company's office located at 33 Austin Street, Wellsboro, PA 16901, between the hours of 7:30 A.M. and 4:30 P.M.; however, our office has been closed to the public due to the COVID-19 virus. You can request a copy of the filing by calling us at (570) 724-3516. The filing is also available on our web site at www.wellsboroelectric.com.

PUC's Role

The PUC approves rates for public utilities. The PUC will examine the requested rate and service changes.

Actions You Can Take

To challenge our request to make these changes, you can file a formal complaint with the PUC. You can request a formal complaint form by writing the Pennsylvania Public Utility Commission, P. O. Box 3265, Harrisburg, PA 17105-3265, or by printing a copy from the PUC's web site at www.puc.state.pa.us. If no formal complaints are filed regarding our request, the Commission may grant all, some or none of the request without holding a hearing before a judge. Hearings may be held among the Company and any participating customers or entities.

For more information, contact Wellsboro at (570) 724-3516, or call the PUC at 1-800-782-1110.

Wellsboro Electric Company

D

REQUEST FOR PROPOSAL
FULL REQUIREMENTS SUPPLY SERVICE
FOR CITIZENS' ELECTRIC COMPANY
OF LEWISBURG, PA
AND WELLSBORO ELECTRIC COMPANY

JANUARY 19, 2021

I. INTRODUCTION

Through this Request for Proposals ("RFP"), Citizens' Electric Company of Lewisburg, PA ("Citizens") and Wellsboro Electric Company ("Wellsboro") (collectively "Companies") seek proposals to provide full requirements wholesale supply necessary to serve their retail Default Service Provider ("DSP") customers. The Companies invite qualified wholesale electric generation suppliers ("Suppliers" or "Supplier") to submit their qualifications and proposals to provide either or both of the Companies with firm electricity supply service (i.e., load-following firm energy including applicable losses, Alternative Energy Portfolio Standards ("AEPS") compliance, and ancillary services) for the period from June 1, 2021 through May 31, 2025, with Network Integrated Transmission Service ("NITS"), Reliability Pricing Model Auction ("Capacity"), and Regional Transmission Expansion Plan/Transmission Enhancement Charges ("RTEP") costs as a passthrough of PJM charges. All proposals will be evaluated based on the criteria within this RFP to determine which Suppliers' or Supplier's proposal best satisfied Citizens' and Wellsboro's objectives.

II. CITIZENS' BACKGROUND

Citizens' is an investor-owned Electric Distribution Company ("EDC") under the jurisdiction of the Pennsylvania Public Utility Commission ("PUC") operating in Lewisburg Borough, Buffalo, East Buffalo and Kelly Townships in Union County and West Chillisquaque Township in Northumberland County, Pennsylvania. Citizens' service territory is surrounded by PPL Electric Utilities Corporation ("PPL"). Citizens' owns no high-voltage transmission facilities or generation resources.

As of January 2019, Citizens' serves approximately 5,826 residential customers and 1,171 commercial and industrial customers. Citizens' currently has a PUC-approved wholesale supply

acquisition plan to obtain the supply it needs, which terminates on May 31, 2021. Citizens' seeks, through this RFP, bids to become its wholesale supplier as of June 1, 2021.

Citizens' connects to PPL's system with two supply lines at 69 kV bus terminals at the Citizens' St. Mary's substation. Citizens' has a pricing point at PJM that is designated as the Citizens' Aggregate. The prices conveyed in wholesale Suppliers' bids should include all costs and losses necessary to deliver the wholesale electric supply to this delivery point. Interested bidders should be prepared to coordinate with Citizens' and PJM to ensure that the wholesale supply necessary to serve Citizens' customers is delivered to this point.

Citizens' is a winter-peaking utility. Citizens' historical electrical load for winter peaked at approximately 52 MW in February of 2015. These peak loads include coincident output from a behind the meter, customer owned cogeneration facility (5.5 MW in 2015 and 6.7 MW in 2014). Actual delivered peak loads to Citizens' bus were 46.4 MW and 43.4 MW respectively. Excluding energy supplied by EGS's, Citizens' default energy purchases were 128,556 MWh in 2019 and 136,069 MWh in 2018. Based on total energy delivered and peak load delivered, Citizens' current load factor on an annual basis is approximately 44%. Upon execution of a Confidentiality Agreement, Citizens' will make available historical data for Supplier's use in determining pricing for this RFP. Additional background information is available on Citizens' website at www.citizenselectric.com.

III. WELLSBORO'S BACKGROUND

Wellsboro is an investor-owned EDC under the jurisdiction of the Pennsylvania PUC operating in Wellsboro Borough, Charleston, Delmar and Middlebury Townships in Tioga County, Pennsylvania. Wellsboro's service territory is surrounded by Pennsylvania Electric

Company ("Penelec") and Tri-County Rural Electric Cooperative. Wellsboro owns no high-voltage transmission facilities or generation resources.

As of December 31, 2019, Wellsboro served 5,113 residential customers and 1,233 commercial and industrial customers. Wellsboro currently has a PUC-approved wholesale supply acquisition plan to obtain the supply it needs, which terminates on May 31, 2021. Wellsboro seeks, through this RFP, bids to become its wholesale supplier as of June 1, 2021.

Wellsboro connects to Penelec's system with a single 34.5 kV line at the Wellsboro substation. Wellsboro has a pricing point at PJM that is designated as the Wellsboro's Aggregate. The prices conveyed in wholesale Suppliers' bids should include all costs and losses necessary to deliver the wholesale electric supply to this delivery point. Interested bidders should be prepared to coordinate with Wellsboro, Penelec and PJM to ensure that the wholesale supply necessary to serve Wellsboro's customers is delivered to this point. [**Note to Draft:** This paragraph will be updated prior to issuance to reflect the status of the MAIT transmission upgrade]

Wellsboro's historical electrical load for winter 2019/2020 peaked at approximately 18.1 MW in December of 2019, with a historical peak load for winter 2018/2019 of approximately 18.1 MW in December 2018. Wellsboro's system energy purchases were 104,338 MWh for calendar year 2019 and 106,161 MWh for calendar year 2018. The current load factor on an annual basis is approximately 60.1%. Upon execution of a Confidentiality Agreement, Wellsboro will make available historical data for Supplier's use in determining pricing for this RFP. Additional background information is available on Wellsboro's website at www.wellsboroelectric.com.

IV. SCOPE OF SERVICES

The Companies are subject to regulation by the Pennsylvania PUC and must provide DSP electricity supply services to customers within their service territories in accordance with PUC regulations. On December 3, 1996, Pennsylvania Governor Thomas Ridge signed the Electricity Generation Customer Choice in Competition Act ("Competition Act"). The Competition Act provides all retail electric customers with the right to obtain electricity supply from an alternate Electric Generation Supplier ("EGS") rather than their certificated EDC. Despite this direct access right, the Competition Act also established DSP service to be made available to retail customers who have not elected to receive electricity supplies from an EGS. DSP generation service is available to customers who do not choose to obtain generation supply from an EGS, who cannot find an EGS, whose chosen EGS fails to provide service or who have purchased supply from an EGS and returned to DSP service. The Companies have retained the obligation to provide DSP service to customers within their service territories and anticipate remaining as the DSP through the duration of any contracts executed as a result of this RFP. The Commission has approved a formula to calculate the Companies' respective retail DSP rates. To date, Citizens' and Wellsboro's customers have expressed some interest in obtaining service from EGSs; however, this interest has been focused on larger commercial accounts.

The wholesale supply service requested in this RFP includes all energy, ancillary services, losses, NITS, Capacity, RTEP, AEPS and other costs necessary to provide a secure, reliable source of energy to the Companies to meet their respective load obligations. The objective of this RFP is to solicit, evaluate, and select one supplier that can provide firm, full requirements, load-following wholesale electricity generation services necessary for each

territory; however, if a single supplier is the lowest bidder in both territories, then that single supplier will be awarded both contracts.

The selected Supplier(s) must provide sufficient energy to meet its supply obligations (defined as the Companies' actual DSP load requirement, including all losses)¹ on a 7x24 basis. The Supplier(s) must provide sufficient capacity to meet all PJM capacity requirements. The Supplier(s) may provide such services from any source, provided that all applicable PJM requirements are met. The Companies will be obligated to take from the supplier(s) the energy required to serve their DSP load and will use the energy exclusively to satisfy their DSP requirements. The Supplier(s) will be responsible for all load variability, including variability due to weather, usage changes, customer migration and customer decisions to obtain electricity supply from an EGS. The Supplier(s) will serve as the Load Serving Entity for the respective Company's(ies') DSP service.

For purposes of this contract, Citizens' and Wellsboro's DSP customers will be split into two classes. Customers in each territory with demands of 400 kW or more will be offered hourly DSP service. Customers in each territory with demands below 400 kW will be offered fixed price DSP service that changes every six months based on the PJM West Hub on-peak forward pricing strip at the trigger date. The Supplier(s) will compete through bids on a Supplier Adder that will be added to the strip price or PJM West Locational Marginal Price ("LMP") (plus the passthrough items and taxes) to produce the retail DSP rates. The Supplier Adder will remain fixed for the three-year term, and should reflect all risks and costs except NITS and Capacity.

¹ The Companies' actual DSP load requirement will be defined to be net of: (1) any capacity and/or energy that they are required to purchase from any Qualifying Facility ("QF") under the Public Utility Regulatory Policies Act of 1978; (2) the capacity and energy requirements of customers that are served from their co-generation or other behind the meter facilities that operate in parallel with the Companies' system; and (3) the capacity and energy requirements of customers that are served by an EGS. One QF is located within Citizens' service territory. The Companies have various additional customers with existing or planned behind the meter generation. More information will be provided to suppliers who participate in the RFP.

Those risks include variability between the actual prices and forward strip price used to develop the retail DSP rate. The same Supplier Adder will apply to the hourly DSP service for customers with demand of 400 kW or larger.

Attached as Appendix A is a "Scope of Obligation" describing the desired wholesale product, the billing and payment provisions and other key terms of the RFP.

V. BID INFORMATION FORMAT

The Companies seek bids for a four-year term with service starting on June 1, 2021.

The Companies request that suppliers submit bids on an all-in cent per kWh Supplier Adder for all load. Citizens' DSP load requirement as measured at the Citizens' Aggregate Bus. Wellsboro's DSP load requirement as measured at the Wellsboro Aggregate Bus. The prices should not include any Gross Receipts Tax or Sales Tax. Preliminary responses are due by March 9, 2021, and should include an indicative bid, any changes to the appendices in the Pennsylvania Universal Supplier Master Agreement, and credit expectations. The Companies propose to each provide a Letter of Credit for each pricing period equal to the difference between (a) 1.5 times the highest anticipated monthly invoice for the pricing period and (b) the unsecured collateral threshold agreed to between the parties based on the respective Company's financial condition. Collateral Thresholds and a Mark-to-Market Mechanism for the wholesale supply obligation should be proposed by each Supplier in its indicative bid. The Companies will engage in contract and credit negotiations with interested bidders between March 9, 2021, and the Final Bid Date of March 22, 2021. Final Bids must be submitted by 10 AM Eastern Prevailing Time on March 22, 2021. A supplier may bid on either territory or both territories (specifying the Supplier Adder for each). E-mail proposals will be accepted; however, the bidder bears the risk of any failure or errors in delivery whether due to the operation of the bidder's equipment or the

Companies' equipment. Facsimile proposals will not be accepted. Bids should be submitted to the following individuals:

John Kelchner
President & Chief Executive Officer
Citizens' Electric Company
of Lewisburg, PA
1775 Industrial Boulevard
Lewisburg, PA 17837
kelchnerj@citizenselectric.com

Byron Farnsworth Jr.
President & Chief Executive Officer
Wellsboro Electric Company
33 Austin Street
Wellsboro, PA 16901
barneyf@ctenterprises.org

Pamela C. Polacek, Esquire
Adeolu A. Bakare, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
ppolacek@mwn.com
abakare@mwn.com

VI. INQUIRIES AND RESPONSES

The Companies will entertain reasonable requests for further information or clarification regarding this RFP. Inquiries or questions regarding Citizens' should be directed to John Kelchner (570) 522-6141/kelchnerj@citizenselectric.com or Ade Bakare at (717) 237-5290/abakare@mwn.com. Inquiries or questions regarding Wellsboro should be directed to Byron Farnsworth Jr. at (570) 724-6701/barneyf@ctenterprises.org or Ade Bakare at (717) 237-5290/abakare@mwn.com.

VII. RESERVED RIGHTS

The Companies, without qualification and at their sole discretion, reserve the right to take any of the following actions: (1) withdraw and terminate this RFP at any time prior to the execution of the Supplier Master Agreement; (2) reject or accept bids for any reason or to waive any informality or technicality in bids received; (3) modify or waive the process or any of the

criteria described in this RFP; (4) reject or refuse to evaluate bids received for failure to meet any criteria described in this RFP; and/or (5) reject or refuse to evaluate any bids that are incomplete, inaccurate, conditional, non-specific or not in conformance with the requirements of this RFP. The Companies will not be liable or responsible to any bidder or third party for an exercise of their rights under this paragraph.

In addition, the Companies make no representation or warranty as to the accuracy of information provided as part of this RFP including load forecasts. This RFP and any information provided by the Companies as part of this process are provided to assist interested parties in making an evaluation of the proposed transaction but do not purport to contain all of the information that bidders may require. Interested parties should conduct their own independent investigations and analyses to form their opinions as to whether to participate in the proposed transaction. Any discussion of tariff requirements, legislation or regulation is provided for convenience, and no representation is made that this RFP or any information conveyed as part of this process provides a complete explanation of tariff requirements, legislation or regulations.

APPENDIX A

SCOPE OF OBLIGATIONS

REQUEST FOR PROPOSALS

CITIZENS'/WELLSBORO DEFAULT SERVICE PLAN FOR JUNE 2021 – MAY 2025

The Default Service Plan approved for Citizens' and Wellsboro by the Public Utility Commission ("PUC") authorizes the Companies to seek a full requirements wholesale supplier for each territory to provide fixed price service to all residential and small commercial/industrial customers (under 400 kW billing demand in every billing period during the prior 12 months) and hourly priced service for large commercial/industrial customers (400 kW or higher billing demand during any billing period for the prior 12 months)

1. The Companies will conduct a joint RFP to separately award each territory to a wholesale supplier. The territories will be awarded to different suppliers unless the same supplier submits the lowest qualifying bid in each territory.
2. 4 year arrangement (June 1, 2021 through May 31, 2025)
3. The supplier will provide full requirements, load following service for the respective Company's DSP customers. The supplier will serve as the PJM Load Serving Entity for the default service load. The wholesale service will be priced as follows:
 - a. RPM Auction (Capacity) —passthrough of actual monthly costs for the DSP load, without markup
 - b. Network Integrated Transmission Service (NITS)—passthrough of actual monthly costs for the DSP load, without markup
 - c. Regional Transmission Expansion Plan/Transmission Enhancement Charges (RTEP)—passthrough of actual monthly costs for the DSP load, without markup
 - d. Energy (as measured at the wholesale meter for the Citizens' or Wellsboro Aggregate Bus, less kWh for customers supplied by Electric Generation Suppliers ("EGSs") scaled up for losses):
 - i. Residential and Small Commercial/Industrial Default Service – Fixed Price:
 - a) 50% of the energy component of the fixed price service will be adjusted every 6 months and will be a straight passthrough of the mathematical average of the monthly on-peak per MWh strip pricing at the trigger date for all MWh sold to customers during a 12-month pricing period.
 - b) The remaining 50% of the energy component of the fixed price service will be adjusted every 6 months and will be a straight passthrough of the mathematical average of the monthly on-peak per MWh strip pricing at the trigger date for all MWh sold to customers during the 12-month pricing period commencing 6 months after the start of the prior 12-month pricing period.
 - c) Both the first and last six month calculation periods shall use a modified 6-month pricing period for 50% of the energy component, with the remaining 50% priced during a 12-month pricing period. The "bookend" pricing for these 6-month and

12-month pricing periods shall also be a straight passthrough of the mathematical average of the monthly on-peak per MWh strip pricing at the trigger date for all MWh sold to customers.

- d) The following provides a detailed illustration of the pricing formula described above, including the bookend pricing for the first and last 6-month calculation periods:

Calculation Period	Pricing Formula/Period	Trigger Date
June 1, 2021 – Nov. 30, 2021	50% 6 month Av. (June 2021 – Nov. 2021) 50% 12 month Av. (June 2021 – May 2022)	TBD (Apr. 1, 2021 – Apr. 15, 2021) TBD (Apr. 1, 2021 – Apr. 15, 2021)
Dec. 1, 2021 – May 31, 2022	50% 12 month Av. (June 2021 – May 2022) 50% 12 month Av. (Dec. 2021 – Nov. 2022)	TBD (Apr. 1, 2021 – Apr. 15, 2021) TBD (June 1, 2021 – Oct. 15, 2021)
June 1, 2022 – Nov. 30, 2022	50% 12 month Av. (Dec. 2021 – Nov. 2022) 50% 12 month Av. (June 2022 – May 2023)	TBD (June 1, 2021 – Oct. 15, 2021) TBD (Dec. 1, 2021 – Apr. 15, 2022)
Dec. 1, 2022 – May 31, 2023	50% 12 month Av. (June 2022 – May 2023) 50% 12 month Av. (Dec. 2022 – Nov. 2023)	TBD (Dec. 1, 2021 – Apr. 15, 2022) TBD (June 1, 2022 – Oct. 15, 2022)
June 1, 2023 – Nov. 30, 2023	50% 12 month Av. (Dec. 2022 – Nov. 2023) 50% 12 month Av. (June 2023 – May 2024)	TBD (June 1, 2022 – Oct. 15, 2022) TBD (Dec. 1, 2022 – Apr. 15, 2023)
Dec. 1, 2023 – May 31, 2024	50% 12 month Av. (June 2023 – May 2024) 50% 12 month Av. (Dec. 2023 – Nov. 2024)	TBD (Dec. 1, 2022 – Apr. 15, 2023) TBD (June 1, 2023 – Oct. 15, 2023)
June 1, 2024 – Nov. 30, 2024	50% 12 month Av. (Dec. 2023 – Nov. 2024) 50% 12 month Av. (June 2024 – May 2025)	TBD (June 1, 2023 – Oct. 15, 2023) TBD (Dec. 1, 2023 – Apr. 15, 2024)
Dec. 1, 2024 – May 31, 2025	50% 12 month Av. (June 2024 – May 2025) 50% 6 month Av. (Dec. 2024 – May 2025)	TBD (Dec. 1, 2023 – Apr. 15, 2024) TBD (June 1, 2024 – Oct. 15, 2024)

- e) The Company shall provide the supplier with at least 24 hours advanced notice of the Trigger Date.
- ii. Large Commercial/Industrial Default Service – Hourly Priced: The energy component of hourly priced service will be the real time hourly PJM Locational Marginal Price ("LMP") for the PJM West Hub.
- iii. The supplier and/or Citizens' and Wellsboro (as applicable) will establish procedures to ensure that the supplier can separate the hourly energy deliveries to the Aggregate Bus that are to be priced at the hourly LMP. In addition, procedures will be developed to ensure that the load served by the EGSs is appropriately separated and reconciled for PJM purposes. The Companies have installed EDI.
- e. Supplier Adder: A ¢/kWh charge that applies to both fixed and hourly energy that covers all other costs to deliver default service power to the Citizens' or Wellsboro Aggregate Bus, including congestion, marginal losses, Alternative Energy Portfolio Standards ("AEPS") Act compliance, and transmission losses, as well as all risks associated with default service customer usage variability, customer migration (switching to an EGS for supply service or returning to default service as permitted under the Companies' tariffs and Pennsylvania law) and deviations between the forward pricing and actual costs. The Supplier Adder may be different for each territory, but will remain fixed for the 4-year contract term.
- f. Penelec Other Supporting Facilities Charge (Wellsboro only): passthrough of actual monthly costs for all load, including default service load and EGS supplied load. [Note

- to draft:** This provision will be deleted or revised prior to issuing the RFP to reflect the status of the MAIT transmission upgrade.]
4. The supplier for each territory will be assigned any Auction Revenue Right and Financial Transmission Right opportunities for the default service load during the term of the wholesale contract (June 1, 2021 through May 31, 2025). The Company shall have access to the ARR and FTR data for use in subsequent RFPs.
 5. In the RFP, the suppliers will compete based on the Supplier Adder bid, with the contract for each territory going to the lowest qualified bidder
 - a. Pre-qualification process to be determined to confirm credit and ability to perform
 - b. Sealed bid RFP will be conducted by Citizens' and Wellsboro, and their attorneys/advisors. The Companies will not employ an outside agency such as NERA for this procurement.
 - c. Non-conforming bids may be rejected
 - d. Results will be submitted to the PUC for review and confirmation within 3 business days after the bids are reviewed by the Companies
 - e. The Pennsylvania Universal Supplier Master Agreement developed by the EDC Working Group will be used, with modifications as necessary to reflect the product description and credit terms that are specific to the contemplated transactions
 - f. Bids shall expire at the earlier of the time that Citizens' and Wellsboro notify the supplier that the bid proposal has been rejected or at midnight EPT on the day that the PUC is expected to act.
 - g. Schedule:
 - i. January 19, 2021: RFP released
 - ii. Confidentiality Agreement Executed
 - iii. Supplier Q&A, Access to Load Data, Credit Review
 - iv. March 9, 2021: Preliminary Response (indicative bid, contract changes, credit terms)
 - v. March 22, 2021: Supplier Bids Due by 10:00 AM EPT
 - vi. March 23, 2021: Confidential Summary of Bid Results Submitted to the Commission's Bureau of Audits and Bureau of Technical Utility Services by Noon, With Recommendation of the Supplier to be Awarded the Contract for Each Territory
 - vii. March 25, 2021: PUC issues Secretarial Letter Accepting or Rejecting the Recommendation(s); if no action by PUC, then Recommendations shall be deemed to have been accepted
 6. The supplier shall issue a monthly invoice based on the deliveries to the Aggregate Bus in the prior calendar month. The supplier will be paid monthly through ACH, 20 days after the supplier issues an invoice to the Company. If the due date falls on a weekend or holiday, then the due date shall be the next business day. The invoice will be sufficiently detailed to enable Citizens' or Wellsboro to confirm and reconcile the costs, including separation of the costs between the fixed and hourly loads, and confirmation of EGS-supplied load. The parties will work together to establish the bill format.
 7. Customer bills will be issued monthly in 4 cycles, consistent with Citizens' and Wellsboro's current billing practices. Citizens' and Wellsboro will bear the responsibility for converting the wholesale costs into retail default service customer rates, for reconciling default service costs and revenues, and for collecting costs from retail default service customers.

APPENDIX B

RFP SCHEDULE

Citizens'/Wellsboro Distribute RFP	January 19, 2021
Suppliers Return:	
A. Notice of Intent to Participate	
B. Confidentiality Agreement(s)	
C. Requirements of Prequalification Standards	
Citizens'/Wellsboro Issue Bid Packet:	
A. Load Data	
B. Bid Form	
C. Contract	
Preliminary Responses Due	March 9, 2021 (3:00 PM)
• Contract Appendix Changes	
• Credit Terms	
• Indicative Bid	
Final Bids Due	March 22, 2021 (10:00 AM)
Preliminary Notification of Winning Supplier(s)	March 22, 2021 (2:00 PM)
PUC Submission with Confidential Report	March 23, 2021 (by 12:00 PM)
PUC Secretarial Letter Accepting or Rejecting Process	March 25, 2021
Bid Day Requirements:	
• Bids due by 10:00 AM	
• Preliminary Winning Bidders will be notified and must hold bid open until PUC action on March 25, 2021	

E

SUPPLIER MASTER AGREEMENT
CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA
AND WELLSBORO ELECTRIC COMPANY
FOURTH DEFAULT SERVICE PLAN
JUNE 1, 2021 – MAY 31, 2025

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**APPENDIX B – MTM EXPOSURE AMOUNT CALCULATION
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**APPENDIX D – RESPONSIBILITIES FOR PJM BILLING LINE ITEMS
AS DEFINED IN APPLICABLE PJM AGREEMENT
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**APPENDIX E – DS SUPPLIER'S OBLIGATIONS FOR AEPS
COMPLIANCE**

**SUPPLIER MASTER AGREEMENT
FOR FOURTH DEFAULT SERVICE PLAN
JUNE 1, 2021 – MAY 31, 2025**

THIS SUPPLIER MASTER AGREEMENT, made and entered into this _____ day of _____, _____, by and between _____ (the "Company" and "Buyer"), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania **INSERT NAME OF SUPPLIER** ("DS Supplier"), the Company and the DS Supplier hereinafter sometimes referred to collectively as the "Parties", or individually as a "Party",

WITNESSETH:

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

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

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

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

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

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

ARTICLE 1: DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Company - Citizens' Electric Company of Lewisburg, PA or Wellsboro Electric Company

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

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

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

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

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

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

Delivery Period – The delivery period specified in Appendix C.

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

DS Fixed Percentage – The percentage of DS Supply provided at a fixed price, as set forth in Appendix C.

DS Fixed Price – The price in dollars per MWh equal to the index quotation for the applicable Pricing Period as determined on the Trigger Date plus the Supplier Adder, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

DS Load – The aggregate load of DS Customers being provided DS Supply.

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

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

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

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

Default Service Supply or "DS Supply" – All necessary Energy, Capacity, AECs for AEPS Act compliance, Ancillary Services, and transmission services including Network Integration Transmission Service, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to

serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).

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

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

DS Variable Percentage – The percentage of DS Supply provided at a variable price, as set forth in Appendix C hereto.

DS Variable Price – The hourly price in dollars per MWh as determined by PJM for the PJM West Hub plus the Supplier Adder, as set forth in Appendix C hereto.

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

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

Effective Date - The date specified in Appendix C as the effective date.

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

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

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

Connected Entity's electrical system. Other additional emergencies can only be declared by PJM, FERC, or the PaPUC.

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

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

FERC – The Federal Energy Regulatory Commission.

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

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

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

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

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

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

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

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

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

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

Load Serving Entity or "LSE" – An entity that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electricity to retail customers located within the PJM Control Area as that term is defined in the PJM Agreements or in successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement.

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

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

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

Megawatt or MW – One thousand kilowatts.

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

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

Minimum Transfer Amount - \$100,000.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rounding Amount - \$100,000

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

Statement – A monthly report prepared by the DS Supplier for the Company indicating the amount due to the DS Supplier by the Company as compensation for DS Supply supplied to DS Customers by the DS Supplier during the current Billing Month, in accordance with DS Supplier's obligations under this Agreement. The Statement will segregate deliveries and passthrough products for the DS Fixed Price and DS Variable Price load.

Supplier Adder – A ¢/kWh charge that applies to both fixed and hourly energy that covers all other costs to deliver default service power to the Citizens' or Wellsboro Aggregate Bus, including congestion, marginal losses, Alternative Energy Portfolio Standards ("AEPS") Act compliance, and transmission losses, as well as all risks associated with default service customer usage variability, customer migration (switching to an EGS for supply service or returning to default service as permitted under the Companies' tariffs and Pennsylvania law) and deviations between the forward pricing and actual costs.

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

Termination Payment – An amount paid by the Defaulting Party due to Early Termination.

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

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

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

Tranche – A fixed percentage share of the Company's DS Load, as specified in Appendix C.

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

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

ARTICLE 2: GENERAL TERMS AND CONDITIONS

2.1 Capacity In Which Company Is Entering Into This Agreement

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

2.2 Parties' Obligations

(a) Obligations of DS Supplier

The DS Supplier hereby agrees as follows:

(i) DS Supplier shall provide service on a firm and continuous basis such that the supply delivered for the term of the Agreement meets the terms and conditions set forth in Appendix C;

(ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times and supplied to the Delivery Point to meet the DS Supplier Responsibility Share;

(iii) To procure those services provided by the PJM OI and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder;

(iv) To cooperate with the Company in any regulatory compliance efforts that may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of DS Supply, before the PaPUC, FERC or any other regulatory body asserting jurisdiction;

(v) To become the Load Serving Entity ("LSE") with respect to the provision of DS Supply for the DS Supplier Responsibility Share and to comply with all requirements of a LSE with respect to such DS Supplier Responsibility Share;

(vi) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, as more fully described in Article 9 of this Agreement;

(vii) To accept assignment of and to fulfill all obligations of a LSE that are assigned to it by this Agreement;

(viii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and

(ix) To comply with the AEPS requirements of the Company's Default Service Plan, as detailed in Appendix E.

(b) Obligations of the Company

The Company hereby agrees as follows:

(i) To pay to each DS Supplier every month an amount due, resulting from the calculations, as detailed in Article 9 of this Agreement, subject to the adjustments as expressed therein;

(ii) Pay to the DS Supplier the PMEA/FMEA Adjustment Amount for any Billing Month in which the FMEA exceeds the PMEA, as more fully described in Article 9 of this Agreement;

(iii) To coordinate with the DS Supplier to develop protocols to separate the DS Load from EGS load on a daily basis, and to separate the DS Variable Percentage and the DS Fixed Percentage;

(iv) To comply in a timely manner with all obligations under this Agreement imposed upon the Company; and

(v) Accept the delivery of DS Supply necessary to meet the DS Load.

2.3 Congestion and Congestion Management

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to Auction Revenue Rights (ARRs) to which the Company is entitled as an LSE pursuant to the PJM Agreements, including the rights to ARRs, provided that such rights are related to the service being provided to meet the DS Supplier Responsibility Share and such rights are for the Delivery Period. All rights, liabilities and obligations associated with such ARRs will accrue and be assumed by the DS Supplier through the transfer or assignment from the Company to the DS Supplier

including the responsibility and ability of the DS Supplier to request or nominate such ARR's when applicable and feasible. Should the conditions above not be met, the entity recognized by PJM as having the right to make the nominations will nominate such ARR's for the upcoming PJM planning period and such ARR's will be allocated to the DS Supplier in accordance with the PJM Agreements based upon its DS Supplier Responsibility Share. Upon request, DS Supplier shall make ARR information and any other information available to the Company for use of participants in supply negotiations, request for proposals or other processes to obtain wholesale supply for periods beyond the Term of this Agreement.

2.4 PJM Services

The DS Supplier shall make all necessary arrangements for the delivery of DS Supply through the PJM OI. The DS Supplier shall be responsible for the forecasting and reconciliation of the DS Load. The DS Supplier shall remain responsible to PJM for the performance of its LSE obligations associated with the provision of DS Supply under this Agreement until the effective date of the transfer of such LSE obligations.

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

For the period of time this Agreement is in effect, both the Company and DS Supplier shall have executed the PJM Declaration of Authority, and shall remain in effect during the Term of this Agreement. In the event PJM requires that the Declaration of

Authority be amended after execution by the DS Supplier, DS Supplier agrees to execute a revised Declaration of Authority in accordance with PJM requirements.

2.5 PJM Agreement Modifications

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

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

2.6 PJM Member Default Cost Allocation

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

2.7 Other Fines and Penalties

If fees, fines, penalties, or costs are claimed or assessed against the Company by any Applicable Legal Authority or PJM due to noncompliance by the DS Supplier with

this Agreement, any other requirements of law, or the PJM Agreements, the DS Supplier shall indemnify and hold the Company harmless against any and all losses, liabilities, damages, and claims suffered or incurred by the Company, including claims for indemnity or contribution made by third parties against the Company, except to the extent the Company recovers any such losses, liabilities or damages through other provisions of this Agreement.

2.8 Communications and Data Exchange

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

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

2.9 Record Retention

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

the Company agrees that it shall retain all records related to such dispute until the dispute is finally resolved.

2.10 Verification

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

2.11 Forward Contract Merchant

The Parties agree that the Agreement is a "forward contract merchant" within the meaning of the United States Bankruptcy Code, all setoffs, netting and liquidations contemplated hereunder constitute "settlement payments" as set forth in Sections 101 and 741 of the United States Bankruptcy Code and each payment or transfer of Performance Assurance is a "margin payment", "settlement payment" or transfer within the meaning of Section 101 of the United States Bankruptcy Code for the purposes of and as used in such Code.

ARTICLE 3: REPRESENTATIONS AND WARRANTIES

3.1 DS Supplier's Representations and Warranties

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

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

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

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

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

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

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

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

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

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

(j) It will comply with any and all information and data transfer protocols that may be adopted by the Company or that are set by, and from time to time modified by, the PaPUC; provided that DS Supplier shall be entitled to exercise its reserved right to challenge any such protocols in the appropriate forum;

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

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

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

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

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

3.2 Company's Representations and Warranties

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

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

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

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

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

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

(f) The ability of the Company to pay any and all amounts due and payable under this Agreement, or upon any potential breach thereof, is not conditioned upon any governmental or administrative appropriation by the Commission, the Commonwealth of Pennsylvania or any other governmental authority;

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

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

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

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

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

3.3 Survival of Obligations

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

ARTICLE 4: COMMENCEMENT AND TERMINATION OF AGREEMENT

4.1 Commencement and Termination

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

4.2 Termination of Right to Supply

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

4.3 Survival of Obligations

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

4.4 Mutual Termination

The Company and the DS Supplier may agree at any time during the term of this Agreement to terminate their respective rights and obligations hereunder on such terms and under such conditions that they mutually deem to be appropriate as set forth in a mutual termination agreement acceptable in form and substance to the Company and the DS Supplier ("Mutual Termination Agreement"); provided that Company agrees that it

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

ARTICLE 5: BREACH AND DEFAULT

5.1 Events of Default

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

- (a) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;
- (b) Makes an assignment for the benefit of its creditors;
- (c) Applies for, seeks consent to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets;
- (d) Is dissolved (other than pursuant to a consolidation, amalgamation or merger) or is the subject of a Merger Event;
- (e) Has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets;
- (f) Has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (g) In the case of a DS Supplier, PJM terminates the DS Supplier's ability to make purchases from PJM markets or PJM holds the Company responsible for the provision of DS Supply under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;
- (h) Fails to comply with the creditworthiness requirements as set forth in Article 6 of this Agreement;

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

(j) 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;

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

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

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

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

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

(p) Commits an act or makes an omission that constitutes an "Event of Default" under any other agreement(s) for the provision of DS Supply between the

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

(q) With respect to the DS Supplier's Guarantor, if any:

(i) any representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;

(ii) Guarantor fails to make, when due, any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within two (2) Business Days after written notice;

(iii) Guarantor's guaranty fails to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement without the written consent of the other Party; or

(iv) Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty.

5.2 Rights upon Default

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

- (a) Declare an Early Termination Date of this Agreement with respect to the obligations of the Defaulting Party without any liability or responsibility whatsoever except for obligations arising prior to the date of termination, by providing written notice to the Defaulting Party; provided, however, that this Agreement shall immediately terminate automatically and without notice in the case of any Event of Default in which a DS Supplier is the Defaulting Party occurring under subsections (a), (b), (c), (d), (e), (f), (g) or (h) of Article 5.1 of this Agreement and such date of automatic termination shall be deemed the Early Termination Date of this Agreement with respect to such Supplier; and
- (b) Receive Damages in accordance with Section 5.3 of this Agreement.

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

5.3 Damages Resulting From an Event of Default

(a) DS Supplier's Failure to Supply DS Supply or Declaration of Early

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

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

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

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

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

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

(b) **Failure By Company on Behalf of Customers To Accept DS Supply Tendered By DS Supplier:** Damages resulting from the failure of the Company on behalf of Customers to accept DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to the DS Supplier hereunder had the Company accepted the DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement and (ii) the amount realized by the DS Supplier in disposing, in a commercially reasonable manner, of the DS Supply not accepted by the Company; provided, however, that the Company shall not be required to accept on behalf of any Customer, quantities of DS Supply utilized by Customers on an instantaneous basis as a function of electrical load, in excess of such Customer's instantaneous consumption of

such component of DS Supply; and further provided that the Company shall not be liable for any Damages if this Agreement is terminated by the PaPUC, other regulatory authority or a court of law.

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

(d) **Damages Resulting from DS Supplier's Failure to Continuously Satisfy its AEPS Obligations:** Damages resulting from the DS Supplier's failure to continuously meet and satisfy all or any portion of its obligations under Section 2.2 (a)(viii) of this Agreement shall include, but not be limited to, the amount of all penalties, costs associated with the procurement of additional AECs, etc. including, without limitation, interest and other charges, if any, levied against the Company related to AEPS regulations, due to such DS Supplier's conduct or inaction.

(e) **Other Damages:** Damages for Events of Default not specified above shall consist of the direct Damages incurred by the Non-Defaulting Party.

(f) **Waiver of Event of Default:** If an Event of Default has occurred and the Non-Defaulting Party is the Company, then unless the Event of Default was a failure by the DS Supplier to meet any or all of its DS Supply obligations, the Company may elect, at its sole discretion, to offer to waive the default on such terms and conditions as the Company, at its sole discretion, may deem appropriate to propose a special remedy. Any

such special remedy can only be offered to the DS Supplier if it first is specifically approved by the PaPUC in accordance with Commission Orders.

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

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

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

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

Payment, or any portion thereof, is to be made to the DS Supplier, the Company will pay simple interest on the Termination Payment amount being made to the DS Supplier. Simple interest will be calculated at the lower of the Interest Index or six (6) percent per annum.

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

(d) **Disputes With Respect to Termination Payment.** If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within three (3) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party as specified in the Termination Payment Dispute Notice.

(e) **Multiple DS Supply Agreements.** It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the Effective Date of this

Agreement or are entered into after the Effective Date of this Agreement, the Company will calculate a single Termination Payment applicable to all such agreements as set forth herein.

5.5 Step-up Provision

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

5.6 Setoff of Payment Obligations of the Non-Defaulting Party

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

Party to the Non-Defaulting Party pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply.

5.7 Preservation of Rights of Non-Defaulting Party

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

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

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

ARTICLE 6: CREDITWORTHINESS

6.1 Applicability

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

6.2 Intentionally Omitted

6.3 Mark-to-Market Credit Exposure Methodology

The Parties will periodically calculate the Mark-to-Market Credit exposure of DS Supplier in accordance with Appendix B.

6.4 Intentionally Omitted

6.5 Intentionally Omitted

6.6 Intentionally Omitted

6.7 Security Instruments

At the providing Party's choice, the following are deemed to be acceptable methods for posting security, if required:

(a) Cash; or

(b) A standby irrevocable letter of credit acceptable to the Company, in its sole discretion, issued by a bank or other financial institution with a minimum "A" senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from S&P and "A2" from Moody's. The letter of credit shall state that it shall renew

automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days prior written notice from the issuing financial institution. If the requesting Party receives notice from the issuing financial institution that the letter of credit is being cancelled, the providing Party will be required to provide a substitute letter of credit from an alternative bank satisfying the minimum requirements. The receipt of the substitute letter of credit must be effective as of the cancellation date and delivered to the requesting Party thirty (30) days before the cancellation date of the original letter of credit. If the providing Party fails to supply a substitute letter of credit as required, then the Company will have the right to draw on the existing letter of credit and to hold the amount as Margin.

If the credit rating of a bank or other financial institution from which a Party has obtained a letter of credit falls below the levels specified in Article 6 of this Agreement, the Party shall have three (3) Business Days following written notice by the requesting Party to obtain a suitable letter of credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by the requesting Party. The requesting Party shall have no obligation under this Agreement or otherwise to make or grant such extension.

6.8 Maintenance of Creditworthiness

(a) Reporting of Changes.

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

(b) Change in Credit Standing.

Creditworthiness may be re-evaluated whenever a Party becomes aware of a material change, through the provision of notice by the other Party or otherwise, in the Party's or Guarantor's credit standing.

6.9 Calling on Security

Security posted by a Party may be called upon if the other party fails to perform or fails to pay amounts due pursuant to this Agreement or any other agreement(s) between the Parties after all of the following events occur:

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

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

6.10 Interest on Cash Held by Company

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

6.11 No Endorsement of DS Supplier

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

6.12 Multiple DS Supply Agreements

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the effective date of this Agreement or is entered into after the effective date of this Agreement, the Company will calculate the Margin applicable to all such agreements as set forth herein. Each DS Supplier that is a party to such other agreements with the Company for the provision of DS Supply hereby agrees that such other agreements are deemed amended by this Agreement for the purpose of calculating the Margin as described herein.

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

7.1 Load Obligations

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

7.2 Data Transmission

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

7.3 Energy Scheduling

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

ARTICLE 8: THE ENERGY SETTLEMENT/RECONCILIATION PROCESS

8.1 Energy Settlement By PJM

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

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

8.2 Energy Settlement by the Company

In the event that actual DS Customer consumption data is not available until after the PJM deadline for conducting the final settlement, the Company will conduct the settlement process with the DS Supplier. In the event PJM imposes penalties against the Company as a result of the DS Supplier's Transactions or failure to meet PJM requirements, such penalties shall be passed through by the Company, to the DS Supplier as part of this settlement process. In addition, all other applicable charges from PJM, including any billing adjustments, will be appropriately allocated to the DS Supplier.

ARTICLE 9: BILLING AND PAYMENT

9.1 The Company Payment of Obligations to the DS Supplier

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

(a) Each Billing Month, the DS Supplier will prepare a Statement of amounts due to the DS Supplier. This Statement will show the aggregate amounts due based on the DS Price multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C, multiplied by the Seasonal Billing Factor, if applicable, for each hour of the Billing Month, plus the aggregate amounts due based on the DS Variable Price multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Variable Percentage as shown in Appendix C for each hour of the Billing Month.

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

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

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

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

the greater aggregate amount paying the other Party the difference between the amounts owed.

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

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

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

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

day on which published), plus two percent (2%) or (b) the maximum rate permitted by applicable law.

9.2 Billing for DS Supplier's Obligations to Other Parties

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

9.3 The DS Supplier Payment of Obligations to the Company

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

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

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

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

(d) If a good faith dispute arises between the Company and the DS Supplier regarding an invoice, the disputing Party shall pay only the undisputed portion of the invoice, if any, and shall present the dispute in writing and submit supporting

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

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

ARTICLE 10: SYSTEM OPERATION

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

10.1 Disconnection and Curtailment By the Company

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

10.2 Inadvertent Loss of Service to DS Customers

The Parties agree and acknowledge that service to DS Customers may be inadvertently lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of the Company affecting the transmission and distribution system of the Company. Neither Party will have any liability to the other

Party for the occurrence of such events except for the Company's obligation to pursue steps for the resumption of the disrupted service as set forth in Section 10.3 below. In no event will an inadvertent loss of service affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such inadvertent loss of service.

10.3 Good Faith Efforts

The Company shall use good faith efforts to: (a) minimize any curtailment, interruption or reduction in service to DS Customers to the extent reasonably practicable under the circumstances; (b) provide the DS Supplier with prior notification of any curtailment, interruption or reduction in service to DS Customers, to the extent reasonably practicable; and (c) resume service to DS Customers as promptly as reasonably practicable.

10.4 PJM Requirements

The DS Supplier acknowledges and agrees that, as a member of PJM, the Company is bound by all PJM operating instructions, policies and procedures as are currently set forth in the PJM Operating Manual, which are available through the Internet on the PJM Home Page (<http://www.pjm.com>), as may be revised from time to time, which are needed to maintain the integrity of the PJM system. The DS Supplier acknowledges and agrees that it will cooperate with the Company so that the Company will be in compliance with all PJM Emergency Operations Procedures, which include, but are not limited to, those procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

10.5 Compliance With Governmental Directives

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

ARTICLE 11: DISPUTE RESOLUTION

11.1 Informal Resolution of Disputes

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

11.2 Recourse to Agencies or Courts of Competent Jurisdiction

After the requirements of Article 11.1 (Informal Dispute Resolution) have been satisfied, all unresolved disputes, except as noted below, between the Parties shall be submitted to the appropriate authority. Nothing in this Agreement shall restrict the rights of either Party to file a complaint with the FERC under relevant provisions of the Federal Power Act ("FPA"), with the PaPUC under relevant provisions of the Applicable Legal Authorities, with a Pennsylvania State court or a federal court of competent jurisdiction and within reasonably close proximity to the Company. The Party's agreement hereunder is without prejudice to any Party's right to contest the jurisdiction of the agency or court to which a complaint is brought.

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

To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights (i) to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the "public interest" standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the "Mobile-Sierra Doctrine"), and (ii) to argue before any governmental authority that any terms of this Agreement should be modified or rescinded based on (A) any claim of fraud, duress, unfairness, bad faith, or inequity in the relative bargaining power of the Parties or (B) any claim of market manipulation, unlawful activity, disruption, anomaly, dysfunction, or other adverse market conditions of any type or description.

ARTICLE 12: REGULATORY AUTHORIZATIONS AND JURISDICTION

12.1 Compliance With Applicable Legal Authorities

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

12.2 FERC Jurisdictional Matters

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

12.3 Energy Efficiency, Conservation, On-Site Generation and Retail Market Programs

DS Supplier acknowledges that DS Customers may participate in energy efficiency and conservation programs offered by the Company (required by Applicable Legal Authorities or otherwise offered by the Company whether voluntarily or not), by PJM, or by other third parties and, for the avoidance of doubt, any programs offered or

conducted by the Company or other entities relating to or arising from the PaPUC's Investigation of Pennsylvania's Retail Electricity Market, PaPUC Docket No. I-2011-2237952 (including legislation enacted to address the Commission's Final Order in Docket No. I-2011-2237952), and that such participation may reduce or change the amount of DS Supply that DS Supplier is required to provide and the amount of monies it may receive under this Agreement. Furthermore, DS Supplier acknowledges that DS Customers may use, construct and rely on on-site generation facilities, including co-generation, solar, wind and other facilities. The Company shall have no obligation whatsoever to DS Supplier with respect to the effect, if any, of such programs. DS Supplier is solely responsible for determining the effect, if any, of such programs on future load requirements.

ARTICLE 13: LIMITATION OF REMEDIES, LIABILITY AND DAMAGES

13.1 Limitations on Liability

Except as set forth in this Agreement, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. The Parties confirm that the express remedies and measures of Damages provided in this Agreement satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of Damages is provided, such express remedy or measure of Damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or Damages at law or in equity are waived. If no remedy or measure of Damages is expressly provided herein, the obligor's liability shall be limited to direct actual Damages only, such direct actual Damages shall be the sole and exclusive remedy and all other remedies or Damages at law or in equity are waived. Unless expressly herein provided, neither Party shall be liable for consequential, incidental, punitive, exemplary or indirect Damages, lost profits or other business interruption Damages, by statute, in tort or contract, under any indemnity provision or otherwise. It is the intent of the Parties that the limitations herein imposed on remedies and the measure of Damages be without regard to the cause or causes related thereto, including the negligence of any Party, whether such negligence be sole, joint or concurrent, or active or passive. To the extent any Damages required to be paid hereunder are liquidated, the Parties acknowledge that the Damages are difficult or impossible to determine, or otherwise obtaining an adequate remedy is inconvenient and the Damages calculated hereunder constitute a reasonable approximation of the harm or loss.

13.2 Risk of Loss

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

ARTICLE 14: INDEMNIFICATION

14.1 Indemnification

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

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

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

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

14.2 Survives Agreement

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article shall survive termination of this Agreement, and shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for either Party under any statutory scheme, including any Worker's Compensation Acts, Disability Benefit Acts or other Employee Benefit Acts.

ARTICLE 15: FORCE MAJEURE

15.1 Force Majeure

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

15.2 Notification

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

ARTICLE 16: MISCELLANEOUS PROVISIONS

16.1 Notices

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

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

16.2 No Prejudice of Rights

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

16.3 Assignment

Parties shall not assign any of their rights or obligations under this Agreement without obtaining the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. The Company agrees that it shall grant its consent to

a proposed assignment by the DS Supplier if the proposed assignee meets all of the Company's creditworthiness requirements then in effect under this Agreement and any applicable load cap restrictions. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee and all necessary consents have been obtained. Any assignment in violation of this Section 16.3 shall be void; provided, however, the Company may assign any or all of its rights and obligations under this Agreement notwithstanding anything contained herein to the contrary, without the DS Supplier's consent, to any entity succeeding to all or substantially all of the assets of the Company, if such assignee agrees, in writing, to be bound by all of the terms and conditions hereof and all necessary regulatory approvals are obtained. The DS Supplier may, with prior written notice to the Company but without obtaining the approval of the Company, assign the accounts, revenues or proceeds under this Agreement to a third party. The Company agrees that, following receipt of such notice of the assignment of accounts, revenues or proceeds and such other documentation that the Company may reasonably request, the Company will pay amounts becoming due to the assigning DS Supplier under this Agreement directly to the designated assignee; provided, however, that nothing herein shall enlarge or expand the rights of such designated assignee beyond the rights granted to the DS Supplier and the right of such designated assignee to receive payments shall be subject to all defenses, offsets and claims of the Company arising under this Agreement.

16.4 Governing Law and Venue

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement shall be governed by the laws of the

Commonwealth of Pennsylvania, without regard to principles of conflicts of law. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Pennsylvania State court or Federal court of competent jurisdiction and within reasonably close proximity to the Company. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

16.5 Regulatory Approvals

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

16.6 Headings

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

16.7 Third Party Beneficiaries

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

16.8 General Miscellaneous Provisions

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

(b) Cancellation, expiration or Early Termination of this Agreement shall not relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including warranties, remedies, promises of indemnity and confidentiality.

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

(d) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the

preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement or any Transaction.

16.9 Taxes

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

16.10 Audit

Each Party has the right on at least three (3) Business Days prior written notice, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge

or computation made pursuant to this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made in accordance with Article 9 (Billing) and 9.1 (i) (Interest on Unpaid Balances) of this Agreement.

16.11 Rules of Interpretation

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

(a) Unless otherwise stated, the terms "include" and "including" when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;

(b) All titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;

(c) References to the singular include the plural and vice versa;

(d) References to Articles, Sections, Clauses and the Preamble are, unless the context indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement;

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

(f) If any payment due under this Agreement would be, by operation of the terms and conditions of any provision hereof, due and payable on a day other than a Business Day, such payment shall be made on the next following Business Day.

16.12 Confidentiality

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

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

(c) A Party receiving notice or otherwise concluding that any confidential document or information furnished by the other Party in connection with this Agreement is being sought under any provision of law, to the extent it is permitted to do so under any

applicable law, shall: (i) promptly notify the other Party; and (ii) use reasonable efforts in cooperation with the other Party to seek confidential treatment of such confidential information.

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

16.13 Federal Acquisition Regulation

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

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

(f) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: § 52.219-8 and § 52-219-9.

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

16.14 Binding Terms

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

16.15 Amendment

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

16.16 Counterparts

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

16.17 Successors

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

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

ATTEST:

_____ **By:** _____

[SUPPLIER SIGNATURES APPEAR ON SUCCEEDING PAGES]

The following appendices are form documents and may be modified and amended to reflect each individual Company's default service plan.

APPENDIX A- CREDIT REQUIREMENTS

EDCs: CITIZENS' ELECTRIC COMPANY OF LEWISBURG, PA AND WELLSBORO ELECTRIC COMPANY

Credit Rating of the DS Supplier		Maximum Credit Limit	
S&P	Moody's	Fitch	TBD
A- and above	A3 and above	A- and above	
BBB +	Baa1	BBB +	
BBB	Baa2	BBB	
BBB-	Baa3	BBB-	
BB+	Ba1	BB+	
BB	Ba2	BB	
BB-	Ba3	BB-	
Below BB-	Below Ba3	Below BB-	

Credit Rating Determination Methodology

The DS Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. The Maximum Credit Limit will be negotiated after the Preliminary Response is received on March 9, 2021. If the DS Supplier is not rated, alternative arrangements will be negotiated. If the Mark-to-Market exposure calculated under Appendix B exceeds the Maximum Credit Limit, then DS Supplier shall post a security in accordance with Article 6.7(b) in the excess amount.

To ensure performance of its payment obligations and other duties hereunder, Company shall provide to DS Supplier security in an acceptable form as defined in Article 6.7(b) in an amount equal to 1.5 times the highest projected monthly invoice for the then

applicable Pricing Period, as calculated based on a reasonable projection of expected DS Load, minus the Maximum Credit Limit specified for the Company below

Citizens' Electric Company of Lewisburg, PA and Wellsboro Electric Company

Maximum Credit Limit: TBD*

* To be determined based on credit reviews conducted following receipt of Preliminary Bids on March 9, 2021.

APPENDIX B – MTM EXPOSURE AMOUNT CALCULATION INFORMATION

[To be developed by the Parties prior to execution. DS Suppliers must submit a proposed Mark-to-Market methodology for the contract with the Preliminary Response on March 9, 2021.]

APPENDIX C - DS SUPPLY SPECIFICATIONS

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

Product:

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

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

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

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

DS Customer Group:

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

Residential;

Small Commercial (annual peak demands less than or equal to 400kW);

Large Commercial and Industrial (peak demands greater than 400kW)

Service Type: All rate classes on default service

Delivery Point: Citizens' Aggregate or Wellsboro Aggregate

Delivery Period: June 1, 2021 through May 31, 2025

Number of Tranches and Percentage for Each Tranche: 1 Tranche (100%)

DS Supplier Responsibility Share: 100%.

DS Fixed Percentage/DS Variable Percentage: The percentage of DS Supply provided at a fixed price and the percentage of DS Supply provided at a variable price will vary by month based on the usage of the Company's DS customers. The Parties will develop protocols and procedures to accurately track and reconcile deliveries between fixed and variable. In addition, such protocols and procedures will ensure that usage by customers that are served by EGSs is excluded from Supplier's obligations hereunder.

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

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
ID#	CHARGES		
1000	Network Integration Transmission Service	X	
1102	Network Integration Transmission Service (exempt)		X
1104	Network Integration Transmission Service Offset		X
1108	Transmission Enhancement	X	
1110	Direct Assignment Facilities		X
1120	Other Supporting Facilities	X (Wellsboro Only)	
1130	Firm Point-to-Point Transmission Service		X
1133	Firm Point-to-Point Transmission Service Resale Charge		X
1140	Non-Firm Point-to-Point Transmission Service		X
1143	Non-Firm Point-to-Point Transmission Service Resale Charge		X
1200	Day-ahead Spot Market Energy		X
1205	Balancing Spot Market Energy		X
1210	Day-ahead Transmission Congestion		X
1215	Balancing Transmission Congestion		X
1218	Planning Period Congestion Uplift		X
1220	Day-ahead Transmission Losses		X
1225	Balancing Transmission Losses		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
1230	Inadvertent Interchange		X
1240	Day-ahead Economic Load Response		X
1241	Real-time Economic Load Response		X
1245	Emergency Load Response		X
1250	Meter Error Correction		X
1260	Emergency Energy		X
1301	PJM Scheduling, System Control and Dispatch Service – Control Area Administration		X
1302	PJM Scheduling, System Control and Dispatch Service – FTR Administration		X
1303	PJM Scheduling, System Control and Dispatch Service –Market Support		X
1304	PJM Scheduling, System Control and Dispatch Service – Regulation Market Administration		X
1305	PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt.		X
1306	PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center		X
1308	PJM Scheduling, System Control and Dispatch Service Refund – Control Area Administration		X
1309	PJM Scheduling, System Control and Dispatch Service Refund – FTR Administration		X
1310	PJM Scheduling, System Control and Dispatch Service Refund – Market Support		X
1311	PJM Scheduling, System Control and Dispatch Service Refund –Regulation Market Administration		X
1312	PJM Scheduling, System Control and Dispatch Service Refund – Capacity		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
	Resource/Obligation Mgmt.		
1314	Market Monitoring Unit (MMU) Funding		X
1315	FERC Annual Charge Recovery		X
1316	Organization of PJM States, Inc. (OPSI) Funding		X
1317	North American Electric Reliability Corporation (NERC)		X
1318	Reliability First Corporation (RFC)		X
1320	Transmission Owner Scheduling, System Control and Dispatch Service		X
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service		X
1340	Regulation and Frequency Response Service		X
1350	Energy Imbalance Service		X
1360	Synchronized Reserve		X
1365	Day-ahead Scheduling Reserve		X
1370	Day-ahead Operating Reserve		X
1371	Day-ahead Operating Reserve for Load Response		X
1375	Balancing Operating Reserve		X
1376	Balancing Operating Reserve for Load Response		X
1377	Synchronous Condensing		X
1378	Reactive Services		X
1380	Black Start Service		X
1400	Load Reconciliation for Spot Market Energy		X
1410	Load Reconciliation for Transmission Congestion		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
1420	Load Reconciliation for Transmission Losses		X
1430	Load Reconciliation for Inadvertent Interchange		X
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		X
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		X
1445	Load Reconciliation for FERC Annual Charge Recovery		X
1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		X
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)		X
1448	Load Reconciliation for Reliability First Corporation (RFC)		X
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		X
1460	Load Reconciliation for Regulation and Frequency Response Service		X
1470	Load Reconciliation for Synchronized Reserve		X
1475	DASR Load Reconciliation		X
1478	Load Reconciliation for Operating Reserve		X
1480	Load Reconciliation for Synchronous Condensing		X
1490	Load Reconciliation for Reactive Services		X
1500	Financial Transmission Rights Auction		X
1600	RPM Auction	X	
1610	Locational Reliability	X	
1650	Non-Unit Specific Capacity Transaction		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
1660	Demand Resource and ILR Compliance Penalty		X
1661	Capacity Resource Deficiency		X
1662	Generation Resource Rating Test Failure		X
1663	Qualifying Transmission Upgrade Compliance Penalty		X
1664	Peak Season Maintenance Compliance Penalty		X
1665	Peak-Hour Period Availability		X
1710	PJM/MISO Seams Elimination Cost Assignment		X
1720	RTO Start-up Cost Recovery		X
1730	Expansion Cost Recovery		X
1900	Unscheduled Transmission Service		X
1910	Ramapo Phase Angle Regulators		X
1920	Station Power		X
1930	Generation Deactivation		X
1950	Virginia Retail Administrative Fee		X
1980	Miscellaneous Bilateral		X
1995	PJM Annual Membership Fee		X
ID#	CREDITS		
2100	Network Integration Transmission Service	X	
2102	Network Integration Transmission Service (exempt)		X
2104	Network Integration Transmission Service Offset		X
2106	Non-Zone Network Integration Transmission Service		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
2108	Transmission Enhancement	X	
2110	Direct Assignment Facilities		X
2120	Other Supporting Facilities		X
2130	Firm Point-to-Point Transmission Service		X
2132	Internal Firm Point-to-Point Transmission Service		X
2133	Firm Point-to-Point Transmission Service Resale Credit		X
2140	Non-Firm Point-to-Point Transmission Service		X
2142	Internal Non-Firm Point-to-Point Transmission Service		X
2143	Non-Firm Point-to-Point Transmission Service Resale Credit		X
2210	Transmission Congestion		X
2217	Planning Period Excess Congestion		X
2218	Planning Period Congestion Uplift		X
2220	Transmission Losses		X
2240	Day-ahead Economic Load Response		X
2241	Real-time Economic Load Response		X
2245	Emergency Load Response		X
2260	Emergency Energy		X
2320	Transmission Owner Scheduling, System Control and Dispatch Service		X
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service		X
2340	Regulation and Frequency Response Service		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
2350	Energy Imbalance Service		X
2360	Synchronized Reserve		X
2365	Day-ahead Scheduling Reserve		X
2370	Day-ahead Operating Reserve		X
2371	Day-ahead Operating Reserve for Load Response		X
2375	Balancing Operating Reserve		X
2376	Balancing Operating Reserve for Load Response		X
2377	Synchronous Condensing		X
2378	Reactive Services		X
2380	Black Start Service		X
2420	Load Reconciliation for Transmission Losses		X
2500	Financial Transmission Rights Auction		X
2510	Auction Revenue Rights		X
2600	RPM Auction	X	
2620	Interruptible Load for Reliability	X	
2630	Capacity Transfer Rights		X
2640	Incremental Capacity Transfer Rights		X
2650	Non-Unit Specific Capacity Transaction		X
2660	Demand Resource and ILR Compliance Penalty		X
2661	Capacity Deficiency Resource		X
2662	Generation Resource Rating Test Failure		X

ID #	PJM Billing Statement Line Items	Responsible Party	
		Passthrough	DS Supplier Adder
2663	Qualifying Transmission Upgrade Compliance Penalty		X
2664	Peak Season Maintenance Compliance Penalty		X
2665	Peak-Hour Period Availability		X
2710	PJM/MISO Seams Elimination Cost Assignment		X
2720	RTO Start-up Cost Recovery		X
2730	Expansion Cost Recovery		X
2910	Ramapo Phase Angle Regulators		X
2930	Generation Deactivation		X
2950	Virginia Retail Administrative Fee		X
2980	Miscellaneous Bilateral		X
2996	Annual PJM Cell Tower		X
2997	Annual PJM Building Rent		X

APPENDIX E – DS SUPPLIER'S OBLIGATIONS FOR AEPS COMPLIANCE

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

- (1) Providing sufficient AECs for each tranche awarded via the DS Solicitation less the Allocated AECs;
- (2) Paying any AEPS penalties, costs, charges, etc. assessed against the DS Supplier and/or the Company associated with the DS Supplier's non-performance with AEPS requirements;
- (3) Submitting to the Company proof of AEPS compliance under this Agreement in such form and manner as may be required by the Company.
- (4) Provide to the Company all information the Company may require to comply with the AEPS Act and its implementing regulations and other Requirements of Law, including, but not limited to the price paid per AEC required by 73 Pa.C.S. §1648.3(e)(8).

This Appendix E shall confirm the Alternative Energy Portfolio Standards Obligation of the Transaction agreed to on _____ ("Bid Proposal Due Date").

Alternative Energy Portfolio Standards Obligations for the period beginning June 1, 2021 based on the total MWh supplied by DS Supplier:

<u>Compliance Period</u>	<u>Tier 1</u>	<u>PV</u>	<u>Tier 2</u>
6/1/2021 to 5/31/2022	8.0%	0.5000%	10%
6/1/2022 to 5/31/2023	8.0%	0.5000%	10%
6/1/2023 to 5/31/2024	8.0%	0.5000%	10%
6/1/2024 to 5/31/2025	8.0%	0.5000%	10%

The Tier 1 percentages are inclusive of the PV percentages. For example, of the 8.0% of retail sales required to come from Tier 1 sources during the 2021/2022 Compliance Period, at least 0.5000% of all retail sales must come from PV sources.

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

Allocated AECs: Supplier shall take on assignment of any AECs purchased by Company prior to the Effective Date, which shall be specified below:

NONE

EXHIBIT 1
TRANSACTION CONFIRMATION

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated _____ between _____ ("Company") and _____ ("DS Supplier"). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on _____ ("Transaction Date").

Product: Full Requirements - Load Following
Service Type: DS Customers
Delivery Point: Citizens' Aggregate/Wellsboro Aggregate
Delivery Period: June 1, 2021 through May 31, 2025
Bid Blocks: 1
Specified Percentage: 100% of DEFAULT SERVICE Load
Supplier Adder: XXXX cents per kWh
Monthly Settlement Price: (Applicable index + Supplier Adder) x Hourly DSP kWh
Applicable Index: DS Variable Price Load: monthly load-weighted average of the Real Time PJM West Hub LMP (kWh)

DS Fixed Price Load: Mathematical Average of Monthly Prices for PJM West Hub On-Peak (cents per kWh) at the Trigger Date (defined below) as published by the Intercontinental Exchange ("ICE").

If, at any time during the Delivery Period, the Applicable Index is not published by ICE, the Company and DS Supplier shall use commercially reasonable best efforts to agree on a market index substantially equivalent to the Applicable Index.

Trigger dates will be announced 24 hours in advance.

Price Period	Pricing Formula	Trigger Date
June 1, 2021 – Nov. 30, 2021	50% 6 month Av. (June 2021 – Nov. 2021) 50% 12 month Av. (June 2021 – May 2022)	TBD (Apr. 1, 2021 – Apr. 15, 2021) TBD (Apr. 1, 2021 – Apr. 15, 2021)
Dec. 1, 2021 – May 31, 2022	50% 12 month Av. (June 2021 – May 2022) 50% 12 month Av. (Dec. 2021 – Nov. 2022)	TBD (Apr. 1, 2021 – Apr. 15, 2021) TBD (June 1, 2021 – Oct. 15, 2021)
June 1, 2022 – Nov. 30, 2022	50% 12 month Av. (Dec. 2021 – Nov. 2022) 50% 12 month Av. (June 2022 – May 2023)	TBD (June 1, 2021 – Oct. 15, 2021) TBD (Dec. 1, 2021 – Apr. 15, 2022)
Dec. 1, 2022 – May 31, 2023	50% 12 month Av. (June 2022 – May 2023) 50% 12 month Av. (Dec. 2022 – Nov. 2023)	TBD (Dec. 1, 2021 – Apr. 15, 2022) TBD (June 1, 2022 – Oct. 15, 2022)
June 1, 2023 – Nov. 30, 2023	50% 12 month Av. (Dec. 2022 – Nov. 2023) 50% 12 month Av. (June 2023 – May 2024)	TBD (June 1, 2022 – Oct. 15, 2022) TBD (Dec. 1, 2022 – Apr. 15, 2023)
Dec. 1, 2023 – May 31, 2024	50% 12 month Av. (June 2023 – May 2024) 50% 12 month Av. (Dec. 2023 – Nov. 2024)	TBD (Dec. 1, 2023 – Apr. 15, 2023) TBD (June 1, 2023 – Oct. 15, 2023)
June 1, 2024 – Nov. 30, 2024	50% 12 month Av. (Dec. 2023 – Nov. 2024) 50% 12 month Av. (June 2024 – May 2025)	TBD (June 1, 2023 – Oct. 15, 2023) TBD (Dec. 1, 2023 – Apr. 15, 2024)
Dec. 1, 2024 – May 31, 2025	50% 12 month Av. (June 2024 – May 2025) 50% 6 month Av. (Dec. 2024 – May 2025)	TBD (Dec. 1, 2023 – Apr. 15, 2024) TBD (June 1, 2024 – Oct. 15, 2024)

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by facsimile to the Company at 717-260-1744. The signatories to this Transaction must have the authority to enter into this Transaction.

_____ Company _____
By: _____
Name: _____
Title: _____

DS SUPPLIER

EXHIBIT 2
FORM OF NOTICE (CITIZENS')

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

Buyer: Citizens' Electric Company

DS Supplier:

All Notices:

1775 Industrial Boulevard
Lewisburg, PA 17837
Attn: John Kelchner
Phone: 570-522-6141
Facsimile: 570-524-5887
Duns: 003407236
Federal Tax ID Number: 24 0546850

All Notices:

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

Invoices:

Attn: Kathy Stauder
Phone: 570-522-6142
Facsimile: 570-524-5887

Invoices:

Attn:
Phone:
Facsimile:

Scheduling:

Attn: Kathy Stauder
Phone: 570-522-6142
Facsimile: 570-524-5887

Scheduling:

Attn:
Phone:
Facsimile:

Payments:

Attn: Kathy Stauder
Phone: 570-522-6142
Facsimile: 570-524-5887

Payments:

Attn:
Phone:
Facsimile:

Wire Transfer:

BNK:
ABA:
ACCT:

Wire Transfer

BNK:
ABA:
ACCT:

Credit and Collections:

Attn: Kathy Stauder
Phone: 570-522-6142
Facsimile: 570-524-5887

Credit and Collections:

Attn:
Phone:
Facsimile:

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

Attn: John Kelchner
Phone: 570-522-6141
Facsimile: 570-524-5887

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

Attn:
Phone:
Facsimile:

EXHIBIT 2
FORM OF NOTICE (WELLSBORO)

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

Buyer: Wellsboro Electric Company

DS Supplier:

All Notices:

33 Austin Street
Wellsboro, PA 16901
Attn: Barney Farnsworth
Phone: 570-724-6701
Facsimile: 570-724-1798
Duns: 008939852
Federal Tax ID Number: 24 0756920

All Notices:

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

Invoices:

Attn: Jill Campbell
Phone: 570-724-6702
Facsimile: 570-724-1798

Invoices:

Attn:
Phone:
Facsimile:

Scheduling:

Attn: Barney Farnsworth
Phone: 570-724-6701
Facsimile: 570-724-1798

Scheduling:

Attn:
Phone:
Facsimile:

Payments:

Attn: Jill Campbell
Phone: 570-724-6702
Facsimile: 570-724-1798

Payments:

Attn:
Phone:
Facsimile:

Wire Transfer:

BNK:
ABA:
ACCT:

Wire Transfer

BNK:
ABA:
ACCT:

Credit and Collections:

Attn: Jill Campbell
Phone: 570-724-6702
Facsimile: 570-724-1798

Credit and Collections:

Attn:
Phone:
Facsimile:

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

Attn: Barney Farnsworth
Phone: 570-724-6701
Facsimile: 570-724-1798

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

Attn:
Phone:
Facsimile:

EXHIBIT 3
PJM DECLARATION OF AUTHORITY

This Declaration of Authority ("Declaration") is made _____
[Add Date] by the following:

PRINCIPAL: _____ ("Principal – PJM
Member")

AGENT: _____ ("Agent")

RECITALS:

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

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

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

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

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

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

WHEREAS, Principal and Agent desire to declare to PJM their respective authorities concerning such rights and obligations, intend that PJM rely upon such

declaration, and acknowledge that PJM may rely upon such declaration to its detriment.

DECLARATION:

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy, and completeness of the declarations made below, Principal and Agent, as identified below, makes the following declarations:

1. Exclusivity of Agent's Authority.

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

2. Specification of Authorized Rights and Responsibilities.

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

(a) Load Server Responsibilities.

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

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

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

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

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

— — Agent is authorized to provide the facilities and personnel required to coordinate operations with PJM and other PJM Members.

(b) Electric Distributor Responsibilities.

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

(c) Generator Responsibilities.

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

— — Agent is authorized to ensure that the required portion of Principal's Capacity Resources have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;

– or –

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

— — Agent is authorized to communicate and act on behalf of Principal with PJM in all matters concerning the provision of capacity from Principal's generation resources.

— — Agent is authorized to communicate and act on behalf of Principal with PJM in all matters concerning the provision of energy from Principal's generation resources.

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

— — Agent is authorized to provide information on outages of Principal's generation facilities, whether planned, forced, or for maintenance, and to coordinate such outages with PJM.

— — Agent is authorized to act on behalf of Principal with respect to Principal's rights and obligations under any Feasibility Study, System Impact Study, or Facilities Study Agreements.

— — Agent is authorized to act on behalf of Principal with respect to Principal's rights and obligations under any Construction Service Agreements.

— — Agent is authorized to act on behalf of Principal with respect to Principal's rights and obligations under any Interconnection Service Agreements.

— — Agent is authorized to receive from PJM historic and real time data collected by PJM from, or provided to PJM by Principal, with respect to Principal's generation resources.

— — Agent is authorized to act on behalf of Principal for the following specific unit(s) in Principal's primary and subaccounts.

Resource Name:	Resource I.D.:

Market Buyer/ Market Seller Responsibilities.

— — Agent is authorized to satisfy Principal's rights and obligations as a Market Buyer or Market Seller under the Operating Agreement, including, but not limited to, arranging for a Market Operations Center capable of real-time communication with PJM during normal and emergency conditions; reporting to PJM sources of energy available for operation; providing to PJM scheduling and other information, including, but not limited to, maintenance and other anticipated outages of generation or transmission facilities, scheduling and related information on bilateral transactions and self-scheduled resources, and implementation of active load management, interruption of load, and other load reduction measures; obtaining Spot Market Backup for bilateral transactions; submitting to PJM binding offers to purchase or sell energy and ancillary services in compliance with all applicable Offer Data specifications; responding to PJM's directives to start, shut down, or change output levels of generation units, or change scheduled voltages or reactive output levels; responding to PJM's directives to schedule delivery or change delivery schedules for external resources; and following PJM's directions to take actions to prevent, manage, alleviate or end an emergency.

(d) Billing and Payment Responsibilities.

— — In connection with all rights and responsibilities specified by Principal and Agent in any of the subparts (a) through (d) of this Section, or as specified in the attached Addendum, Agent shall be billed for and shall make payment to PJM for, all charges, penalties, costs, and fees. (If this

option is not specified, PJM will issue billings to and collect amounts due from Principal.)

___ ___ In connection with all rights and responsibilities specified by Principal and Agent above, Agent is entitled to receive from PJM, in Agent's account, all credits, revenues, distributions, and disbursements. (If this option is not specified, PJM will pay such amounts to Principal.)

General Membership Responsibilities.

___ ___ Agent is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Principal's behalf.

___ ___ Agent is authorized to participate on Principal's behalf in the regional transmission expansion planning process.

___ ___ Agent is authorized to provide information or otherwise cooperate on Principal's behalf in connection with any investigation or request for information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Agent and/or Principal.)

___ ___ Agent shall be billed for and shall make payment of Principal's costs of membership in PJM, including payment of the Membership fee and payment of any other general assessments on the PJM members, including, but not limited to, amounts assessed as a consequence of defaults by other Members.

(e) Additional Responsibilities.

___ ___ Agent has been Authorized other rights and responsibilities of Principal as specified on Attachment "A" to this Declaration.

(f) Limitation on Responsibilities.

___ ___ The rights and responsibilities specified in subparts (a) through (f) above apply to a limited portion of Principal's facilities or loads located in the PJM Region, as specified on Attachment "B" to this Declaration, and to no other facilities or loads of Principal.

3. Continuing Responsibilities and Liabilities of Principal.

- (a) The Authorized Rights and Responsibilities are the only rights and responsibilities under the PJM Agreements for which Agent is authorized to act for Principal and Principal retains all rights and responsibilities under the PJM Agreements not specified by Principal and Agent in Section 2.
- (b) With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Principal shall remain liable to PJM for all amounts due or become due to PJM under the PJM Agreements, and Agent's authorization to make payment of any such amounts hereunder (if specified in Section 2) shall not release Principal from liability for any financial obligations to PJM not satisfied by Agent.

Reliance and Indemnity, Duty to Inform, Liability Waiver, Termination, and Rules of Construction.

- (a) Principal and Agent each recognizes, accepts, and intends that PJM will rely upon on the truth, accuracy, and completeness of the declarations herein in matters including, but not limited to, creditworthiness and in assuring compliance with the PJM Agreements. Principal and Agent each recognizes and accepts that PJM or its members may suffer losses and damages if any declaration is or becomes untrue, inaccurate, or incomplete and each agrees to indemnify PJM for any such losses and damages.
- (b) Principal and Agent each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate, or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration, as governing its relationship with Principal and Agent, as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Principal (a PJM Member) to PJM at least thirty (30) days in advance of their effectiveness. If Agent is also a PJM Member, then both parties will be required to provide thirty (30) days prior written notification in order for such changes to be effective.
- (c) Termination- Principal (a PJM Member) may, for its sole convenience, terminate this Declaration by providing at least thirty (30) days prior written notification to PJM. If Agent is also a PJM Member, both parties will be required to provide at least thirty (30) days prior written notification in order for termination to become effective. Upon such termination, all rights, responsibilities, and accounts will revert back

to the original status quo prevailing before the Declaration became effective.

- (d) Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Principal and Agent expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.
- (e) Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- (f) The Recitals are hereby incorporated into the body of this Declaration.

IN WITNESS WHEREOF, Principal and Agent execute this Declaration to be effective as of the date written above or upon receipt of a fully executed original by PJM, whichever date is later.

PRINCIPAL (PJM Member):

AGENT:

Signature: _____

Signature: _____

Name: _____

Name: _____

Title: _____

Title: _____

Company Name: _____

Company Name: _____