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File #: 2507/151904

March 25, 2013

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

**Re: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015
Docket No. P-2012-2302074**

Dear Secretary Chiavetta:

As directed in the Order issued on January 24, 2013 in the above-referenced proceeding, enclosed please find the Revised Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015 of PPL Electric Utilities Corporation. Copies will be provided as indicated on the certificate of service.

Respectfully submitted,

Michael W. Hassell

MWH/skr
Enclosure

cc: Certificate of Service

CERTIFICATE OF SERVICE

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

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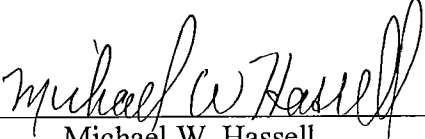
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Date: March 25, 2013


Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities :
Corporation for Approval of a Default : Docket No. P-2012-2302074
Service Program and Procurement Plan for :
the Period June 1, 2013 through May 31, :
2015 :

**REVISED DEFAULT SERVICE PROGRAM AND PROCUREMENT PLAN FOR THE
PERIOD JUNE 1, 2013 THROUGH MAY 31, 2015 OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION

On January 24, 2013, the Pennsylvania Public Utility Commission (“Commission”) entered its Opinion and Order, *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket No. P-2012-2302074 (“January 24 Order”), approving, with modifications, PPL Electric Utilities Corporation’s (“PPL Electric” or the “Company”) Default Service Program and Procurement Plan. In the January 24 Order, the Commission, as pertinent to this filing, directed PPL Electric to file a revised Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015 (“Revised DSP”), including associated tariff supplements, which reflect all of the revisions set forth in the January 24 Order. The Commission ordered PPL Electric to file a Revised DSP within sixty (60) days of the entry date of the January 24 Order, *i.e.*, March 25, 2013.

PPL Electric hereby submits its Revised DSP, including associated tariff supplements, consistent with the Commission’s determinations in the January 24 Order. The Revised DSP is described below and the attachments hereto.

II. PROCEDURAL HISTORY

A full procedural history of this proceeding is contained in the January 24 Order. January 24 Order, pp. 2-3. In summary, on May 1, 2012, PPL Electric filed a Petition requesting approval of a Default Service Program and Procurement Plan for the period of June 1, 2013 through May 31, 2015. Evidentiary hearings were convened as scheduled on September 7, 10 and 11, 2012. The Administrative Law Judge's Recommended Decision was issued on November 15, 2012 and as noted above, the Commission issued an order on January 24, 2013, approving, as modified by the Order, PPL Electric's Petition.

Subsequent to the issuance of the January 24 Order, on February 26, 2013, PPL Electric submitted a revised Default Service Supply Master Agreement ("Revised Default Service SMA") and a revised Request for Proposals ("Revised RFP") Process and Rules. The Revised Default Service SMA and Revised RFP were submitted in compliance with the January 24 Order. The Revised Default Service SMA and Revised RFP were submitted early in order that PPL Electric could undertake the first procurement scheduled under the approved plan by the end of April 2013. No comments were filed in response to the Revised Default Service SMA or Revised RFP. A copy of that filing is appended as Attachment "A".

In addition, on March 11, 2013, the Company submitted a revised Retail Opt-In Program and a revised Standard Offer Program. This submission was made in accordance with the directive in the January 24 Order that revised program terms be submitted within 45 days of the Commission's January 24 Order, following collaboratives to attempt to resolve certain outstanding issues. The revised programs reflected the Commission's determinations in the January 24 Order, address how the costs of the Retail Opt-In and the Standard Offer Programs will be paid for, and contain the terms and conditions which govern participation in the Retail

Opt-In and the Standard Offer Programs.¹ This compliance filing is currently pending before the Commission. A copy of that filing is appended as Attachment “B”.

III. REVISED DEFAULT SERVICE PROGRAM AND PROCUREMENT PLAN

A. OVERVIEW OF THE REVISED DSP

The Revised DSP establishes the terms and conditions under which PPL Electric will acquire and supply Default Service or provider of last resort service (“Default Service”), from June 1, 2013 through May 31, 2015 (“Revised DSP Period”). As explained below, the Revised DSP, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits (“AECs”); an implementation plan; a proposed rate design; an explanation of Regional Transmission Organization (“RTO”) compliance and consistency; and a contingency plan for the Revised DSP. The filing also contains several proposals designed to enhance retail competition in PPL Electric’s service area. As noted previously, copies of the Revised Default Service SMA and Revised RFP were previously submitted in compliance with the January 24 Order, are attached hereto and are the agreements that PPL Electric will use for Default Service procurement. Appended hereto as Attachment “C” is Supplement No. 129 to Tariff Electric Pa. PUC No. 201 to implement rates under the Revised DSP, including Generation Supply Charge-1 (“GSC-1”), Generation Supply Charge-2 (“GSC-2”) and Transmission Service Charge (“TSC”).²

The start date for the Revised DSP coincides with the scheduled expiration of PPL Electric’s Commission-approved Default Service Program and Procurement Plan, pursuant to

¹ On March 14, 2013, the Commission issued a Tentative Order, postponing the implementation of PPL Electric’s Retail Opt-In Program and the programs of other various other electric distribution companies. *See Tentative Order on Reconsideration, Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan, et al.*, at Docket Nos. P-2012-2302074, *et al.* (Order Entered March 14, 2103).

² As discussed in Section II.C.9 below, PPL Electric requests authority to continue its currently effective time-of-use (“TOU”) rate option, in order to permit the TOU collaborative to continue its ongoing process and to permit adequate time for the Commission to approve any subsequently filed TOU rate option proposal,

which PPL Electric has and will continue to meet its Default Service obligations from January 1, 2011 through May 31, 2013 (“DSP I”). The Revised DSP period is designed to match the term of the PJM Interconnection, LLC (“PJM”) planning year.

PPL Electric proposes to obtain Default Service supply separately for the following three Customer Groups:

- Residential;
- Small Commercial and Industrial (taking service at secondary voltage levels (“Small C&I”); and
- Large Commercial and Industrial (taking service at primary and transmission voltage levels) (“Large C&I”).

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

PPL Electric will acquire 100% of the Residential and Small C&I Customer Group Default Service supply, exclusive of supply previously committed under block contracts for Residential customers,³ through a series of load-following supply contracts, inclusive of energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply Default Service to PPL Electric’s retail customers, including

³ The Company has 300 MW of energy and capacity committed under block contracts through August 31, 2013, 250 MW of energy and capacity committed through November 30, 2013, 200 MW committed through February 28, 2014, 150 MW committed through December 31, 2015 and 50 MW committed from January 1, 2016 through May 31, 2021.

AECs.⁴ The load following supply will be obtained primarily through a series of nine and twelve-month term procurements solicited beginning in April 2013. In October 2014, procurements are scheduled for six and three-month products so that all fixed-price contracts end May 31, 2015.

For the Large C&I Customer Group, the Company will obtain Default Service supply on a real-time hourly basis through the PJM spot market. Specifically, PPL Electric will issue a single annual solicitation to obtain competitive offers from suppliers to provide the Default Service spot market supply to the Large C&I Customer Group. These annual procurements will coincide with the PJM Planning Period. Annual solicitations will be held in April for the upcoming PJM planning period.

PPL Electric will implement the Revised DSP by issuing the Revised RFP to obtain the Default Service products described herein from competitive wholesale power suppliers. The Company proposes to issue the Revised RFPs consistent with the Revised DSP procurement schedule. The prices in the resulting wholesale supply agreements, plus costs of acquisition and administration, will form one component of the generation supply charge rates charged to each of the three Customer Groups.

All qualified suppliers will have an opportunity to respond to the Company's solicitations. Qualification is a straightforward process which requires, primarily, that the supplier be a member in good standing of PJM and meet certain fundamental creditworthiness criteria. However, certain solicitation and aggregate caps apply, as discussed below.

The costs incurred by PPL Electric to provide Default Service to the Residential and Small C&I Customer Groups will be recovered through the GSC-1, which has been revised from

⁴ The Company will acquire approximately 3 MW of spot supply for the first six months of the Revised DSP Period to resolve a legacy issue related to certain contracts under DSP I.

the GSC-1 used in DSP I to reflect differences between the two programs. The GSC-1 will be separately calculated for the Residential and Small C&I Customer Groups. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts and costs incurred to acquire the supply and administer the Revised DSP.

The costs incurred by PPL Electric to provide Default Service to the Large C&I Customer Class will be recovered through the GSC-2. Costs recovered in the GSC-2 will include PJM spot market energy, PJM capacity charges, a supplier's charge for all other services and PPL Electric's costs to acquire the supply and administer the DSP II Program. The GSC-2 charge will be reconciled on an annual basis. Also, any remaining under/over collections from the DSP I Program will be included in this reconciliation.

Finally, as discussed below, the Revised DSP contains new initiatives to encourage customers to purchase generation supply from Electric Generation Suppliers ("EGSs"). As stated above, on March 11, 2013, the Company submitted a revised Retail Opt-In Program and a revised Standard Offer Program.

B. CLASS PROCUREMENTS

1. Residential - Fixed Rate

a. Product Mixture

PPL Electric's product mixture for the residential fixed rate procurement is to purchase laddered 12-month and 9-month fixed price full requirements load-following products. The Company will eliminate the purchase of 24-month full requirements load-following products, as well as the 10% of load-following spot price products currently being acquired under the Default Service program in effect for January 1, 2011 through May 31, 2013, *i.e.*, DSP I.⁵ January 24

⁵ PPL Electric will continue to purchase a small amount of spot market supply, approximately 3 MW of energy, priced at the real time locational marginal price ("LMP") for the PPL Zone through a PJM internal bilateral

Order, p. 18. In addition, the Company will not procure any additional block products, with the result that the current layered standard 350 MW of 24 X 7 block products will be reduced by 50 MW every three months beginning June 2013 until only 150 MW of long term block products will remain after March 2014. *Id.* at p. 19.

b. Procurement Schedule

PPL Electric will purchase a series of laddered twelve- and nine-month fixed-price, full-requirements, load-following products semi-annually, resulting in a product mixture in which half of the Company's procurements turns over every six months. Through these semi-annual procurements, the twelve-month product will be solicited approximately one month prior to delivery, while the nine-month product will be procured approximately four months prior to delivery. January 24 Order, p. 23. The procurement schedule is contained in the Revised RFP in Attachment A.

c. Wholesale Supplier Load Cap

The aggregate wholesale supplier load cap for the Residential Customer Group for the Revised DSP is 50%. In the January 24 Order, the Commission explained that the 50% load cap will ensure a healthy level of supplier diversity, which in turn will promote a robust competitive retail energy market, and will result in the lowest supply prices in the long run. January 24 Order, p. 28. Additionally, as part of the Revised DSP, there is a solicitation load cap of 85%

contract, for a six-month period of time from June through November 2013. This purchase will be made to resolve a legacy contract issue. The term "Block Supply" as originally defined in the DSP I Program Supply Master Agreement ("DSP I SMA") identified a total of 350 MW of purchases with no stated reference to potential reductions to block procurements that could occur as block contracts begin to expire at the end of May 2013 and quarterly thereafter. When PPL Electric became aware that full requirement suppliers in the DSP I procurements might be expecting the level of block supplies to continue indefinitely, the Company in December 2011 requested that existing full requirements wholesale suppliers sign a contract addendum containing a revision to the definition of block supply. All new wholesale suppliers were required to sign the same contract addendum going forward. Two existing wholesale suppliers, with two-year term supply contracts extending to November 2013, declined to sign the addendum. To avoid a contract interpretation issue with these suppliers, the Company will use the approximately 3 MW of spot supplies to fill in expiring block supplies for these two wholesale suppliers over the first six months of the new Revised DSP.

that is applicable to each of the three customer solicitation groups (Residential, Small C&I and Large C&I). *See* January 24 Order, p. 24.

2. Small C&I - Fixed Rate

a. Product Mixture and Procurement

PPL Electric will procure a fixed percentage of its Default Service load on a semi-annual basis through twelve- and nine-month contracts for the Small C&I Customer Group.⁶ The Revised DSP eliminates the purchase of spot market and two-year contracts for the Small C&I Customer Group, which were part of DSP I. January 24 Order, p. 24.

b. Procurement Schedule

As with the Residential Customer Group, PPL Electric will procure supplies for the Small C&I Customer Group on a semi-annual basis with 9-month and 12-month contracts procured at the same time. *See* Attachment A.

c. Wholesale Supplier Load Cap

Similar to the Residential Customer Group, the aggregate wholesale supplier load cap for the Small C&I Customer Group for the Revised DSP is 50%. *See* January 24 Order, p. 35. As noted above, as part of the Revised DSP, there is a solicitation load cap of 85% that is applicable to each of the three customer solicitation groups (Residential, Small C&I and Large C&I).

3. Large C&I – Real-Time Hourly Rate

a. Product Mixture

PPL Electric will continue the strategy used in the DSP I to satisfy its Large C&I Customer Group Default Service obligation, *i.e.*, it will acquire supply via the spot market. Specifically, the Company will provide Default Service through one-year term products procured

⁶ PPL Electric, in its October 2014 procurement, will obtain default supply through six- and three-month contracts rather than twelve- and nine-month contracts so that no fixed-price load-following contracts would extend beyond May 31, 2015.

from wholesale suppliers through competitive procurements. Each winning supplier is paid the hourly real-time spot market energy price for the PPL Zone, PJM's capacity charge for the PPL Zone, and the price it bid to cover all other components of the full-requirements, load-following service. *See* January 24 Order, pp. 36-37.

b. Procurement Schedule

PPL Electric will issue a single annual solicitation, wherein the Company will request competitive offers from suppliers to provide Default Service spot market supply. The first solicitation will take place in April 2013 and the second in April 2014 for the subsequent PJM planning period beginning June 1, 2013 and June 1, 2014, respectively. *See* January 24 Order, pp. 37-38.

c. Wholesale Supplier Load Cap

Similar to DSP I, the Revised DSP maintains the solicitation load cap of 85% for the Large C&I Customer Group. There is no separate aggregate load cap for this Customer Group, as all procurements for the year are undertaken at the same time. January 24 Order, p. 38.

4. Contract Terms Beyond May 31, 2015

The contract terms for the final procurements under the Revised DSP for the Residential and Small C&I Customer Groups will be six and three months in length. These short-term contracts, which replace the last of the expiring DSP I contracts and expiring one-year term contracts under the Revised DSP, will permit all contracts for supply, other than the 150 MW of long term five and ten year block supplies for residential customers, to expire as of May 31, 2015. January 24 Order, p. 43. Furthermore, the Company will have the ability to extend the term of the final Revised DSP procurements by an additional six months, should the Commission determine that the Company will continue its role as Default Service provider beyond May 31, 2015, and if the Commission's end-state structure supports contracts layered for a term beyond

that date. January 24 Order, p. 44. The only products extending beyond June 1, 2015 are the legacy 5-year and 10-year block products and associated AECs acquired as part of the DSP I Program. The Commission's January 24 Order confirmed that provisions will be made for PPL Electric's recovery of the costs of these legacy contracts in the event PPL Electric ceases to serve as default service provider.

5. Alternative Energy Portfolio Standards Issues

a. AEPS Procurement

The Alternative Energy Portfolio Standards Act ("AEPS Act") requires that electric distribution companies ("EDCs") and EGSs obtain AECs in an amount equal to certain percentages of electric energy sold to retail customers in this Commonwealth. *See* 52 Pa. Code § 54.182. As part of the Revised DSP, the Company will procure certain AEC credits to meet its obligation under the AEPS Act as a component of its fixed-price and spot-market Default Service supply contracts. This process is unchanged from that used in DSP I. January 24 Order, pp. 44-46. Each wholesale supplier must provide its proportional share of actual AEC credits to fulfill PPL Electric's AEPS obligation, in accordance with the terms of the Revised Default Service SMA. Additionally, the Revised Default Service SMA requires the seller to complete its transfer of AEPS credits into PPL Electric's Generation Attribute Tracking System ("GATS") account(s) in the amount necessary to fulfill the seller's AEPS obligation, with the delivery of AECs monthly pursuant to the schedule set forth in the Revised Default Service SMA. *Id.*

The Company separately has entered into contracts to procure AECs for certain of its residential block contracts. However, PPL Electric must still acquire Tier I non-solar and Tier II AECs to cover the period from June 1, 2013 through May 31, 2015 for the 10-year long-term product obligation during the DSP II Program Period. Because PPL Electric only needs to acquire additional AECs to cover a 50 MW obligation, PPL Electric will solicit at least 3 pricing

offers from AEC brokers in both June of 2013 and June of 2014 for Tier I non-solar and Tier II credits required to cover this long-term contract obligation. The Company will accept the least cost offer and will document the entire process, including the brokers contacted and price offerings by AEC vintage. PPL Electric will recover the costs of these AECs using the same mechanism currently used for AEC costs, *i.e.*, through the GSC-1.

b. Transfer of AECs

The Revised Default Service SMA requires that wholesale suppliers transfer AECs into the Company's GATS accounts on a monthly basis. January 24 Order, p. 48.

6. Administrative Costs and Cash Working Capital

The administrative costs related to this proceeding, and other costs incurred prior to June 1, 2013 related to procurement of supply will be included in the rates for default service, with such costs amortized ratably over the twenty-four month term of the Revised DSP. January 24 Order, p. 48. Pursuant to the January 24 Order, the Company is not claiming a provisional cash working capital allowance in the Revised DSP. January 24 Order, pp. 54-55.

C. RATE DESIGN

1. Residential and Small C&I – Fixed Rate Option: Frequency of Rate Changes

In the Revised DSP, PPL Electric will charge flat Default Service rates, *i.e.*, a single charge per kWh, to the Residential and Small C&I Customer Groups under the GSC-1 fixed rate option. As a flat rate, there is no demand charge or declining energy block rate design. All costs incurred under various wholesale supplier contracts for default service, costs incurred to procure and administer Revised DSP contracts for the Residential and Small C&I Customer Groups and costs incurred for separately acquired AECs will be recovered through the GSC-1. As there are separate procurements for the Residential and Small C&I Customer Groups, so also will there be

separately calculated GSC-1 rates for the two Customer Groups. PPL Electric will recalculate the GSC-1 every three months, beginning June 1, 2013. PPL Electric will further adjust the GSC-1 every three months thereafter to reflect the prices under the Default Service supply contracts for the upcoming three-month period.⁷ See January 24 Order, pp. 56-61. Attachment C, appended hereto contains the tariff supplement describing the GSC-1, GSC-2 and the TSC.

2. Hourly Priced Default Service for Small C&I Customers with Load Over 100 kW

PPL Electric currently provides real time hourly Default Service pricing for its Large C&I Customer Group, which includes customers with demands greater than 500 kW. January 24 Order, p. 62. In the Order issued on December 16, 2011, the Commission directed the Company to file testimony in this Default Service case setting forth the cost to convert its billing system to allow hourly price service to all Default Service customers larger than 100 kW. *Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket No. I-2011-2237952 (Order entered December 16, 2011). In compliance with this directive, PPL Electric estimated that it would cost over \$360,000 to implement real-time Default Service pricing for all Default Service customers larger than 100 kW. Furthermore, in an Order issued by the Commission addressing a petition filed by the Company to modify its Smart Meter Technology Procurement and Installation Plan, PPL Electric was encouraged to propose a mechanism for implementing real-time pricing for Small C&I customers with load over 100 kW in a future Default Service filing. See *Petition of PPL Electric Utilities Corporation for Approval to Modify Its Smart Meter Technology Procurement and Installation Plan and to Extend Its Grace Period*, Docket No. P-2012-2303075 (Order entered August 2,

⁷ The generation supply charges under rate schedule GSC-1 and transmission charges borne by PPL Electric and billed on a flat rate per kWh basis to the Residential and Small C&I customer classes under Rate Schedule Transmission Service Charge are both included in the PTC.

2012). In this proceeding, PPL Electric stated that it will address the implementation of a 100 kW split for Small C&I customers in a future Default Service filing. In the January 24 Order, the Commission accepted this proposal and, therefore, issues related to the implementation of a 100 kW split for Small C&I Customer Groups are not part of the Revised DSP. January 24 Order, p. 62.

3. Residential and Small C&I Customers – Reconciliation

As instructed by the Commission, in the January 24 Order, as part of the Revised DSP, PPL Electric will continue using its current quarterly reconciliation methodology for its GSC-1 rates. January 24 Order, p. 70. PPL Electric notes that in the Company's most recent TOU proceeding, Docket No. R-2011-2264771 (Order Entered August 30, 2012), the Commission held that PPL Electric may recover the net undercollection of its prior period TOU program from all Default Service customers, by customer class, following certification by the Commission's Bureau of Audits that the amount of the net undercollection claimed is correct and has been accounted for consistent with Commission directives. However, as explained in Section III.C.9, *infra*, the Company is proposing to defer implementation of this joint reconciliation pending the outcome of the ongoing TOU collaborative.

4. Large C&I Customers – Rates and Reconciliation

The Revised DSP does not change the calculation of charges for Default Service to customers in the Large C&I Customer Group under the GSC-2 rate which was part of DSP I. *See* Attachment C. The Company will continue to collect the following components:

- (1) An energy charge per kWh based on the real time hourly spot-market price and the customer's actual hourly energy usage;
- (2) A capacity charge per kW based on the PJM reliability pricing model (RPM) price for capacity and the customer's peak load contribution; and

- (3) An energy charge per kWh to recover all supplier charges and PPL Electric's costs of administration, including an amortization of the costs of procurement.

The energy charge per kWh to cover supplier charges and administrative costs is revised annually, consistent with the annual procurement process for Default Service supplies for this Customer Group. The energy charge for real-time hourly spot market prices and capacity charge are derived from PJM markets. January 24 Order, p. 71.

With regard to reconciliation of Default Service charges for the Large C&I class, the Revised DSP reconciles the GSC-2 revenues and costs on an annual basis, consistent with the fact that the bulk of the charges are pass-throughs of PJM real-time spot and capacity charges, and with the annual non-laddered procurement of contracts from suppliers. Any remaining over or under collection from DSP I will be included in the ongoing GSC-2 reconciliation. January 24 Order, p. 71.

5. The Green Power Program

As part of the Revised DSP, the Company's Green Power Program will be terminated on May 31, 2013. PPL Electric will send a letter to each participant prior to the contract termination date informing each customer that the Green Power Program will be ending. January 24 Order, p. 74. PPL Electric will send two notices to each of the customers subscribing to this product. At least one will contain offers (prepared at the EGS's expense) describing alternative green products offered in the competitive market. Any Pennsylvania EGS is eligible to participate and they should be able to discuss in their marketing material any alternative energy product that satisfies Pennsylvania's AEPS Act. The first letter to customers, to each participating Green Power Program customer, will advise them that the Green Power program will be ending and that green power rate options may be available from EGSs. At the election of EGSs, and at the sole expense of electing EGSs, the Company will send a second letter to participating Green

Power Program customers containing offers of EGSs for green products. January 24 Order, pp. 73-74.

6. Optional Monthly Pricing Service

The Company will eliminate procurements for its Optional Monthly Pricing Service, and eliminate this rate option for the Large C&I Customer Group effective June 1, 2013. January 24 Order, p. 75. *See* Attachment C, GSC-2 rate.

7. Price to Compare Calculation Date

PPL Electric will publish a final Price to Compare (“PTC”) rate about 10 days prior to the rate effective date. PPL Electric will also provide a preliminary PTC rate approximately 90 days in advance of the final PTC rate. January 24 Order, p. 78.

8. Recovery of Transmission and Other Related Charges

The Company imposes a TSC on all Default Service customers, through which it recovers the cost of acquiring transmission service for such customers. In the Revised DSP, the Company modifies the language of the TSC to clarify that the FERC-approved costs recovered therein include those charges that, under the Revised Default Service SMA, are billed to the Company and not to Default Service wholesale suppliers. January 24 Order, p. 79 (summarizing the TSC); *see* Attachment C. The types of costs recovered through the TSC, and the Customer Groups to whom the TSC applies, are as follows:

- Under the Revised Default Service SMA, PPL Electric is responsible for payment of all “non-market based transmission services” costs, which the SMA defines as network integration transmission services (NITS), transmission enhancement costs, expansion cost recovery costs, non-firm point-to-point transmission service credits, regional transmission expansion plan (RTEP) and generation deactivation charges. It is these transmission charges that PPL Electric recovers through the TSC.
- Pursuant to PPL Electric’s tariff, the TSC is separately computed and applied to four Customer Groups: Residential, Small C&I, Large C&I Primary and Large C&I Transmission. For TSC purposes, the Large C&I – Primary customers take service at 12 kV primary voltage level and are served under Rate Schedules LP-4 and IS-P(R).

Large C&I – Transmission customers take service at the 69 kV or higher transmission voltage level. Residential and Small C&I customers are served at a secondary voltage level.

a. Non-Bypassable Structure

Pursuant to the January 24 Order, the Revised DSP does *not* recover non-market-based transmission costs through a non-bypassable charge imposed by the Company on both shopping and Default Service customers. January 24 Order, p. 85. The Commission explained that imposition of a non-bypassable charge for the recovery of transmission-based costs is inappropriate. *Id.*

b. Reconciliation

PPL Electric's current TSC cost allocation and reconciliation procedure among the Customer Groups is based on each transmission Customer Group's percentage contribution to the five highest coincident peaks used by PJM to bill PPL Electric for Default Service transmission costs. The percentages for these five days are averaged to develop a Customer Group contribution. The resulting calculated class peak load responsibility is adjusted for the forecast amount of Default Service load for the upcoming annual TSC application period. The adjusted peak load responsibility values then are used to determine the annual percentage of the demand related components of the PJM transmission-related charges assigned to each Customer Group for the term of the annual TSC application period. Currently, PPL Electric uses the same calculated percentages for the after-the-fact reconciliation of the actual demand related costs that are incurred.

The Customer Group allocation factors for demand-related transmission costs will be adjusted monthly as part of the Revised DSP. January 24 Order, p. 88. Under this approach, the percentage of demand-related costs assigned to each Customer Group would change monthly to account for increases and decreases in the Customer Groups' assigned peak load responsibility,

based on a Customer Group's share of Default Service load in a given month. *Id.* This monthly adjustment to the Customer Group allocation factors would then be reflected in the annual reconciliation of TSC demand-related costs. *Id.*

c. Generation Procurement and TSC Classification Criteria

In the January 24 Order, the Commission explained that it was appropriate for PPL Electric's tariff to set forth two different definitions and classification criteria for Small C&I customers related to the TSC and GSC. January 24 Order, pp. 89-90, 91-90. The Commission held customers receiving service under Rate Schedule GS-3 with a peak demand of 500 kW or greater - considered Small C&I customers for TSC purposes but Large C&I customers for generation procurement purposes - should not be switched to the Large C&I Primary class for TSC purposes. Nor should customers receiving service under Rate Schedule LP-4 with a peak demand of less than 500 kW - considered Large C&I Primary customers for TSC purposes but Small C&I customers for generation procurement purposes - should not be switched to the Small C&I class for TSC purposes. Therefore, the Revised DSP does not alter the current designations.

9. Time-of-Use Rate Option

In the January 24 Order, the Commission did not approve PPL Electric's proposed TOU program and encouraged PPL Electric to schedule a collaborative with interested stakeholders within ten (10) business days of the entry date of the Order, to be held within ninety (90) subsequent days, in order to discuss and resolve any issues regarding the development and implementation of a TOU rate option. The Commission directed PPL Electric to subsequently file a new TOU rate proposal within ninety (90) days following the conclusion of the collaborative. PPL Electric initiated a collaborative and discussions with the parties regarding potential TOU program alternatives, including bidding out the TOU rate option, among other

options, are currently ongoing, consistent with the timeframe permitted by the Commission for the collaborative.

While the Company has attempted to resolve the issues surrounding the TOU rate option as soon as possible, there is only a limited likelihood that a new TOU rate option will be submitted and approved by the Commission by May 31, 2013 – the day the current TOU rate option expires. Therefore, in order to permit the TOU collaborative to continue its ongoing process and to permit adequate time for the Commission to approve any subsequently filed TOU rate option proposal, as part of this filing, PPL Electric is requesting authority to continue its currently effective TOU rate option, including the frozen rates initially approved by the Commission in Docket No. M-2011-2258733 (Order Entered August 25, 2011) and carried forward in Docket No. R-2011-2264771 (Order Entered August 30, 2012), until the Commission approves a successor program. As illustrated in Tariff Supplement 129, appended as Attachment C, the Company proposes to remove the end date of May 31, 2013 from the supplement as applicable to the time-of-use generation supply charge, and continue the applicability of the currently frozen charges. When a new TOU program is approved PPL Electric will file a tariff supplement implementing the new program including class reconciliation of the over/under collections to the extent applicable.

D. OTHER DEFAULT SERVICE PROGRAM ISSUES

1. Supply Master Agreement and RFP Process and Rules

As stated above, on February 26, 2013, PPL Electric submitted a Revised Default Service SMA and a Revised RFP, in compliance with the January 24 Order, to ensure that it could solicit and procure Default Service supply in accordance with the procurement schedule approved in this proceeding. Specifically, as part of the Revised DSP, the Company is scheduled to obtain fixed-price, full-requirements, load-following supply through semi-annual solicitations

beginning in April 2013. The April 2013 initial solicitation date was proposed to ensure that supply is acquired beginning June 1, 2013 and to ensure that there is a smooth transition between the Default Service program concluding on May 31, 2013 and the Revised DSP, as approved in this proceeding, is scheduled to begin on June 1, 2013.

As explained in the February 26th filing, the Revised Default Service SMA does not include any various provisions applicable to the proposed separate time-of-use rate procurement, which was not approved by the Commission. The Revised Default Service SMA also includes a revised unsecured credit provision and, as directed by the Commission, includes the unsecured credit thresholds currently established in the DSP I. *See* January 24 Order, p. 122. Also pursuant to the January 24 Order, PPL Electric also revised the letter of credit provisions to permit a supplier three business days to replace a letter of credit. *See Id.*

The Revised Default Service SMA was also updated and modified by the Company in order to ensure that the internal cross references are accurate following the revisions ordered by the Commission and to clarify certain provisions of the agreement.

Regarding the Revised RFP, it includes, as directed by the Commission, an aggregate wholesale fixed price supplier load cap of 50% for the Residential and Small C&I Customer Groups. *See* January 24 Order, pp. 28 and 35. Similar to the Revised Default Service SMA, PPL Electric removed all of the provisions applicable to the time-of-use rate option from the Revised RFP.

The Revised RFP was also updated and modified by the Company in order to ensure that the internal cross references are accurate and to clarify certain provisions. Specifically, PPL Electric has removed references in the Revised RFP to rate schedules that are no longer in effect.

No comments have been submitted by parties in opposition to the filed Revised Default Service SMA and a Revised RFP. Appended as Attachment A is the filing submitted on February 26, 2013, containing the Revised Default Service SMA and the Revised RFP.

2. Third-Party Manager

The Commission's Policy Statement at 52 Pa. Code § 69.1807(8) provides that the competitive bid solicitation process should be monitored by an independent evaluator to achieve a fair and transparent process for each solicitation. As approved by the Commission, PPL Electric has retained NERA as the independent third-party to administer each of the proposed procurements, analyze the results of the solicitations for each Customer Group, select the supplier(s) that will provide services at the lowest cost and submit all necessary reports to the Commission. January 24 Order, p. 124.

3. RTO Compliance and Consistency

52 Pa. Code § 54.185(d)(4) requires that default service plans include documentation which shows that the program is consistent with the requirements regarding the generation, sale and transmission of electricity of the RTO in the control area where the default service provider is providing service. In the January 24 Order, the Commission determined that the Revised DSP plan satisfies this requirement. January 24 Order, p. 125.

4. Contingency Planning

52 Pa. Code § 54.185(d)(5) requires that Default Service plans include contingency plans to ensure the reliable provision of Default Service if a wholesale generation supplier fails to meet its contractual obligations. In the January 24 Order, the Commission approved the contingency methods summarized below. See January 24 Order, pp. 125-126.

If the Commission rejects all bids for a given product, in any solicitation, or if some tranches of a given product, in a particular solicitation do not receive bids, the Company will

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

In the event a supplier defaults, PPL Electric will offer full requirements supply assignment to other winning bidders for the same product consistent with the step-up process described in the Revised Default Service SMA. If this assignment is not successful, PPL Electric will offer full requirements supply assignment to all Default Service suppliers consistent with the Revised Default Service SMA, even if a Default Service supplier does not serve tranches for that product. These assignments will be offered at the original bid price in the event of default(s), or at the average price from the last successful bid for that product in the event of insufficient bids.

5. Additional Information to Wholesale Suppliers Regarding Shopping and Procurements

In the January 24 Order, the Commission approved PPL Electric's proposal to provide additional information to wholesale suppliers regarding shopping and procurements. Therefore, as part of the Revised DSP, PPL Electric will provide daily shopping and non-shopping customer counts by rate class; aggregate historical hourly data for those customers that choose PPL Electric's TOU rate option; and, additional data and information provided to bidders in the Retail

Opt-In Program (to be provided through PPL Electric's Default Service procurement website).
January 24 Order, pp. 127-128.

E. RETAIL MARKET ENHANCEMENTS

1. Separate Consumer Education Mailings

The Commission determined in the January 24 Order that the issuance of a separate customer referral mailing to all residential default customers in mid-2013 was unnecessary. January 24 Order, p. 132. Therefore, the Revised DSP does not include a separate customer referral mailing.

2. New/Moving Customer Program

The Revised DSP includes a New/Moving Customer Program. The Commission explained in the January 24 Order that the New/Moving Customer Program is a program designed to provide shopping information to customers moving into PPL Electric's service territory who call to establish service for the first time and to customers who are moving within PPL Electric's service territory. January 24 Order, p. 132. The objective, according to the Commission, is to provide customers with information which they can use to establish service with a competitive supplier as soon as possible without taking service through the Default Service supplier any longer than necessary. *Id.* In addition, if the customer already knows which EGS the customer would like to take service from, the Company should have the capability to transfer the call to the EGS to permit the customer to sign up for service at the new service address. *Id.* The Commission expects that the New/Moving Customer Program will eventually be merged into the Standard Offer Program. *Id.*

3. Retail Opt-In Program

As stated above, on March 11, 2013, the Company submitted a revised Retail Opt-In Program. The March 11th filing contained a full description of the Retail Opt-In Program and

the applicable Retail Opt-In Program Process and Rules. Appended as Attachment B is the filing submitted on March 11, 2013 containing the revised Retail Opt-In Program.

On March 14, 2013, the Commission issued a Tentative Order, postponing the implementation of PPL Electric's (and other electric distribution company's) Retail Opt-In Programs. See *Tentative Order on Reconsideration, Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan, et al.*, at Docket Nos. P-2012-2302074, *et al.* (Order Entered March 14, 2103). Comments on the Commission's March 14th Tentative Order are due on March 25, 2013, therefore, issues related to that proceeding are pending before the Commission. PPL Electric will not implement the Retail Opt-In Program until it is approved by the Commission.

4. Standard Offer Program

Similar to the Retail Opt-In Program, on March 11, 2013, the Company submitted a revised Standard Offer Program to the Commission. The March 11, 2013 filing contained a full description of the Standard Offer Program and the applicable Standard Offer Program Process and Rules. Appended as Attachment B is the filing submitted on March 11, 2013, containing the revised Standard Offer Program.

The revised Standard Offer Program is currently pending before the Commission and PPL Electric will not implement it until it is approved by the Commission.

F. RULING PURSUANT TO SECTION 2102 OF THE CODE, 66 PA. C.S. § 2102

Under 52 Pa. Code § 54.186(b)(5), an affiliated supplier may participate in a Default Service provider's competitive bid solicitations for generation service. The Commission, in the January 24 Order, granted the Company's request that it approve the Default Service SMA as an affiliated interest agreement pursuant to Section 2102 of the Code, 66 Pa. C.S. § 2102 (relating to

affiliated interest contracts). In approving the Default Service SMA, as an affiliated interest agreement, the Commission explained that, pursuant to 66 Pa. C.S. § 2102(b), the Default Service SMA is reasonable and consistent with the public interest. January 24 Order, p. 185.

G. REQUESTED WAIVERS

The Commission, in the January 24 Order, also granted PPL Electric waivers of the Commission's regulations at 52 Pa. Code § 54.187(i), (j) and (k), relating to Default Service rate design and cost recovery. Furthermore, the Commission also granted a waiver of the Policy Statement at 52 Pa. Code § 69.1805, relating to electric generation supply procurement. January 24 Order, p. 186. Specifically, regarding the Customer Group divisions, the Commission's regulations and policy statement provide that Default Service providers should divide customers into three groups based upon peak loads from 0-25 kW, 25-500 kW or above 500 kW.⁸ However, the regulations and policy statement also provide that Default Service providers may propose alternative divisions of customers by maximum registered peak load to preserve existing Customer Groups.⁹ The rate schedule designations in PPL Electric's tariff are primarily based upon the nature of the service (*e.g.*, residential or commercial) and the voltage at which that service is provided. The Company's tariffs, with limited exceptions, are not based on registered peak demand.

Therefore, in the January 24 Order, the Commission granted the waivers noted above, and thereby permitted PPL Electric to use its current rate schedule designations as a basis for identifying Customer Groups in the Revised DSP.

⁸ 52 Pa. Code §§ 54.187, 69.1805.

⁹ *Id.*

IV. PROPOSED SCHEDULE FOR REVIEW OF THE REVISED PROGRAM

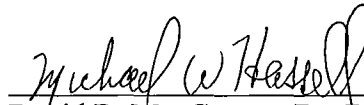
In the January 24 Order, the Commission directed PPL Electric to file a revised Default Service plan, by March 25, 2013. As noted previously, PPL Electric filed compliance RFP and SMA documents on February 26, 2013, in order to proceed with default service procurements as required by the end of April 2013. No party has submitted comments to those documents. In addition, PPL Electric previously submitted, on March 11, 2013, its revised Retail Opt-In and Stand Offer Programs in accordance with the Commission’s directive. PPL Electric requested that the Commission adopt the Comment and Reply Comment schedule of March 21 and March 26, respectively, to allow parties an opportunity to comment on the Company’s revised Retail Market Initiatives. At this time, PPL Electric requests the Commission to set the following schedule for comments to remaining portions of the revised Default Service Plan that were not previously submitted:

April 4, 2013	Comments on the Revised Program
April 10, 2013	Reply Comments
April 18, 2013	Commission Order

V. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation requests that the Pennsylvania Public Utility Commission issue an Order by April 18, 2013, accepting the Company's revised Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015, as proposed herein.

Respectfully submitted,



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February 26, 2013

Ms. Rosemary Chiavetta, Secretary
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Harrisburg, PA 17105-3265

**Re: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015
Docket No. P-2012-2302074**

Dear Ms. Secretary:

Enclosed for filing, on behalf of PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), is a revised Default Service Supply Master Agreement (“Revised Default Service SMA”) and a revised Request for Proposals (“Revised RFP”) Process and Rules. The Revised Default Service SMA and Revised RFP are submitted in compliance with the Order entered by the Pennsylvania Public Utility Commission (“Commission”) on January 24, 2013 at Docket No. P-2012-2302074 (“January 24 Order”). As discussed in further detail below, PPL Electric is submitting the Revised Default Service SMA and Revised RFP at this time to ensure that it can conduct the first solicitation for default service supply in April 2013 for service to commence on June 1, 2013, pursuant to the schedule approved by the Commission in the January 24 Order. As indicated on the attached Certificate of Service, copies of this compliance filing have been served by all parties of record. The Company requests that the Commission approve the Revised Default Service SMA and Revised RFP by March 11, 2013, in order to provide sufficient time for PPL Electric to undertake the pre-solicitation activities necessary to hold a solicitation in late April.

Background

On May 1, 2012, PPL Electric filed its Default Service Program and Procurement Plan (“May 1 Filing”) to establish the terms and conditions under which PPL Electric would provide default service and obtain generation supply for that service for the period of June 1, 2013 through May 31, 2015. Hearings were held on September 7, 10 and 11, 2012 in Harrisburg. Administrative Law Judge Susan D. Colwell (the “ALJ”) issued a Recommended Decision on November 15,

ALLENTOWN HARRISBURG LANCASTER PHILADELPHIA PITTSBURGH PRINCETON WASHINGTON, D.C.

A PENNSYLVANIA PROFESSIONAL CORPORATION

2012. On January 24, 2013, the Commission entered a Final Order, *i.e.*, the January 24 Order, approving the Default Service Program and Procurement Plan subject to the revisions ordered by the Commission. This compliance filing is being submitted in accordance with the Commission's Order.

The Commission, in the January 24 Order, directed PPL Electric to "file a revised Default Service Plan, including associated tariff supplements, which reflect *all* of the revisions set forth in this Opinion and Order" within sixty (60) days of the entry date of the January 24 Order. January 24 Order, Ordering Paragraph No. 44 (*emphasis in original*). PPL Electric will file all of the required items by March 25, 2013, *i.e.*, sixty days of the entry date of the January 24 Order. However, PPL Electric is submitting the attached Revised Default Service SMA and Revised RFP prior to March 25, 2013 to ensure that it can solicit and procure default service supply in accordance with the procurement schedule approved in this proceeding. Specifically, as part of its Default Service Program and Procurement Plan, the Company proposed to obtain fixed-price, full-requirements, load-following supply through semi-annual solicitations beginning in April 2013. The April 2013 initial solicitation date was proposed to ensure that supply is acquired beginning June 1, 2013 and to ensure that there is a smooth transition between the default service program concluding on May 31, 2013 and the Default Service Program and Procurement Plan approved in this proceeding, scheduled to begin on June 1, 2013. The Company requests that the Commission approve the Revised Default Service SMA and Revised RFP by March 11, 2013 in order to permit PPL Electric to issue the Revised RFP in advance of the scheduled April 2013 procurement.

PPL Electric will submit a further compliance filing (or multiple filings as appropriate) that includes a revised Default Service Plan, including associated tariff supplements, once the certain outstanding issues, not resolved in the January 24 Order, are addressed by the collaborative and stakeholder meeting directed by the Commission. Specifically, the January 24 Order did not resolve certain issues concerning the Retail Opt-In Program, the Standard Offer Referral Program and the time-of-use rate option; and, pursuant to the Commission's instructions, the Company is meeting with the parties in this proceeding to discuss these outstanding issues. Therefore, PPL Electric anticipates making a further compliance filing (or filings) once these outstanding issues are discussed with the parties in this proceeding.

Supply Master Agreement

On May 1, 2012, PPL Electric submitted a *pro forma* Default Service Supply Master Agreement ("May 1 Default Service SMA") and the May 1 Default Service SMA has been revised pursuant to the January 24 Order, resulting in the Revised Default Service SMA, appended hereto. Specifically, the Commission did not accept the Company's proposed time-of-use rate option, which would have required, *inter alia*, a separate time-of-use procurement. See January 24 Order, pp. 113-114. The May 1 Default Service SMA contained various provisions applicable to the proposed separate time-of-use rate procurement, which was not approved by the Commission; therefore, PPL Electric has removed all such provisions from the Revised Default Service SMA. The supply for any time-of-use service provided by PPL Electric will be obtained

Ms. Rosemary Chiavetta, Secretary
February 26, 2013
Page 3

under the Revised Default Service SMA. In the event that time-of-use service is bid out to an EGS, supply for that service will be provided by the EGS. PPL Electric also revised the unsecured credit provision and, as directed by the Commission, has included the unsecured credit thresholds currently established in the Company's previous default service proceeding in the Revised Default Service SMA. *See* January 24 Order, p. 122. PPL Electric also changed the letter of credit provisions to permit a supplier three business days to replace a letter of credit. *See id.*

The Revised Default Service SMA has been updated and modified by the Company in order to ensure that the internal cross references are accurate following the revisions ordered by the Commission and to clarify certain provisions of the agreement. The Revised Default Service SMA is appended as Attachment A. Also appended as Attachment B is a redline that compares Revised Default Service SMA to the May 1 Default Service SMA and illustrates all of the revisions to the May 1 Default Service SMA. The redline version is presented to facilitate review and verification of all changes set forth therein.

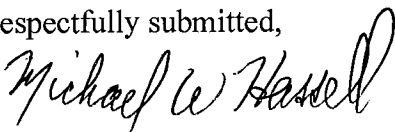
Request for Proposals

On May 1, 2012, PPL Electric also submitted a *pro forma* Request for Proposals ("May 1 RFP"), and this May 1 RFP has been revised pursuant to the January 24 Order resulting in the Revised RFP, appended hereto. Specifically, as directed by the Commission, the Revised RFP includes an aggregate wholesale fixed price supplier load cap of 50% for the Residential and Small Commercial and Industrial classes. *See* January 24 Order, pp. 28 and 35. Similar to the Revised Default Service SMA, PPL Electric removed all of the provisions applicable to the time-of-use rate option from the Revised RFP.

The Revised RFP has also been updated and modified by the Company in order to ensure that the internal cross references are accurate and to clarify certain provisions. Specifically, PPL Electric has removed references in the Revised RFP to rate schedules that are no longer in effect. The Revised RFP is appended as Attachment C. Also appended as Attachment D is a redline that compares Revised RFP to the May 1 RFP and illustrates all of the revisions to the May 1 RFP. As with the SMA, the redline version of the RFP is presented to facilitate review and verification of all changes set forth therein.

If you have any questions regarding this letter or attachments thereto, please contact the undersigned.

Respectfully submitted,



Michael W. Hassell

MWH/skr

cc: Certificate of Service

CERTIFICATE OF SERVICE

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

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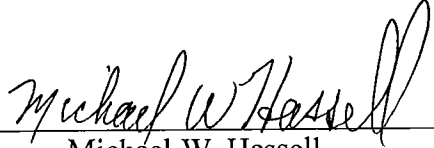
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Michael W. Hassell

Attachments

Attachment A
Revised Default Service SMA

PPL ELECTRIC UTILITIES CORPORATION

DEFAULT SERVICE

SUPPLY MASTER AGREEMENT

BETWEEN

PPL ELECTRIC UTILITIES CORPORATION

AND

[SELLER NAME]

DATED _____

DEFAULT SERVICE SUPPLY MASTER AGREEMENT

Articles and Provisions

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DEFAULT SERVICE SUPPLY MASTER AGREEMENT

THIS DEFAULT SERVICE SUPPLY MASTER AGREEMENT (“Agreement” or “Default Service SMA”), is made and entered into as of _____ (“Effective Date”), by and between _____, hereinafter referred to as “Seller” and PPL Electric Utilities Corporation, hereinafter referred to as “PPL Electric” or “Buyer” (each hereinafter referred to individually as “Party” and collectively as “Parties”).

WITNESSETH:

WHEREAS, the Pennsylvania Public Utility Commission Orders issued pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, as amended by Act 129 of 2008, direct Buyer to supply electric service to serve Default Service Load within Buyer's Pennsylvania franchise service territory; and

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

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

WHEREAS, Seller desires to sell Full Requirements Service and Buyer desires to purchase such Full Requirements Service to serve Default Service Load in Buyer’s Pennsylvania franchised service territory on a firm and continuous basis; and

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

ARTICLE 1 DEFINITIONS

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

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

“Aggregate Buyer’s Exposure” means the total amount of Buyer’s Exposure for Aggregate Transactions.

“Aggregate Transactions” means all Transactions under this Agreement and all other transactions for supply serving Default Service Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders.

“Agreement” means this Default Service Supply Master Agreement or Default Service SMA.

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

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

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

“Auction Revenue Rights (“ARRs”)” shall have the meaning ascribed thereto in the PJM Agreements.

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

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

“Block Supply” means, such MWs of around-the-clock Energy, Capacity, Transmission other than Non-market-based Transmission Service, Ancillary Services and associated AECs, delivered to the PPL Zone, as established by the Commission Orders. Under the Commission Orders, Block Supply is currently scheduled to be 300 MW for the period June 1, 2013 through August 31, 2013, to be 250 MW for the period September 1, 2013 through November 30, 2013, to be 200 MW for the period December 1, 2013 through February 28, 2014, to be 150 MW for the period March 1, 2014 through December 31, 2015, and to be 50 MW for the period January 1, 2016 through May 31, 2021 under the Commission Orders. The entirety of this Block Supply will be allocated to the Residential Customer Group.

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

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

“Buyer’s Exposure” during the term of a Transaction shall be deemed to be equal to the Credit Exposure calculated pursuant to Section 14.6 (Aggregate Buyers Exposure) of this Agreement; less the sum of any unpaid or unbilled amounts owed by Buyer to Seller pursuant to such Transaction under this Agreement. With respect to the preceding sentence, “unbilled amounts owed by Buyer” shall consist of a good faith estimate by Buyer as to any amounts which will be owed by Buyer for service already rendered by Seller under such Transaction.

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

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

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

“Capacity Obligation” means the product of the Current PLC Per Tranche, adjusted as appropriate to account for the reserve margin and scaling factors, consistent with PJM unforced capacity accounting, and the number of Tranches awarded to the Seller for Default Service Fixed Price Load or Default Service Spot Market Load, as appropriate.

“Costs” means, with respect to the Non-Defaulting Party, brokerage fees, commissions, PJM charges, and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its Default Load obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction or any other default pursuant to this Agreement or pursuant to transactions for Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, including but not limited to the AEPS obligation.

“Credit Exposure” shall have the meaning ascribed to it in Article 14.6 (Aggregate Buyer’s Exposure).

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

“Current PLC Per Tranche” means, on any given Business Day, for each Transaction, the product of: (i) the Peak Load Contribution associated with a Customer Group and attributable to Default Service Fixed Price Load or Default Service Spot Market Load, as appropriate; and (ii) the quotient of the Specified Percentage and the number of Tranches for Default Service Fixed Price Load or Default Service Spot Market Load, as appropriate.

“Customer Group” means a customer category for the Default Service Load, consisting of all customer classes in the Service Type as specified in a Transaction Confirmation.

“Default Damages” means, for the period of time specified in Section 12.2(b)(ii) (Remedies) any

direct damages and Costs, calculated in a commercially reasonable manner, that the Non-Defaulting Party incurs with respect to the Specified Percentage as a result of an Event of Default (as defined in Section 12.1). Direct damages may include, but are not limited to: (i) the positive difference (if any) between the price of Full Requirements Service hereunder and the price at which the Buyer or Seller is able to purchase or sell (as applicable) Full Requirements Service (or any components of Full Requirements Service it is able to purchase or sell) from or to third parties, including PJM; (ii) Emergency Energy charges; and (iii) additional transmission or congestion costs incurred to purchase or sell Full Requirements Service.+

“Default Service” or “POLR” shall have the meaning ascribed to it in the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, and PUC Orders enacted thereunder.

“Default Service Fixed Price Load” means the total sales at the retail meter, plus any transmission and distribution losses and Unaccounted For Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PUC Orders, as such sales vary from hour to hour, in Buyer's Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”) (and less Block Supply for the Residential Customer Group), designated by the PUC to be served by entities that have been selected through a solicitation by Buyer to supply Full Requirements Service at a fixed price.

“Default Service Fixed Price Monthly Settlement Amount” shall have the meaning ascribed to it in Article 6.3 (Monthly Settlement Amounts)

“Default Service Fixed Price Monthly Settlement Quantity” shall have the meaning ascribed to it in Article 6.1 (Monthly Settlement Quantities).

“Default Service Fixed Price Supplier” means an entity that has been selected through a PPL Electric solicitation to serve the Default Service Fixed Price Load of PPL Electric retail customers.

“Default Service Fixed Price Supplier Price” means the price per MWh as set forth in a Transaction Confirmation for Default Service Fixed Price Load (Exhibit A).

“Default Service Load” or “Default Load” is equal to the sum of the Default Service Fixed Price Load, Default Service Spot Market Load, and load served by Block Supply. For purposes of clarification, Default Service Load shall not include sales resulting from changes in the Buyer's Pennsylvania service territory which occur as a result of a merger, consolidation, or acquisition of another entity which has a franchised service territory in Pennsylvania or a result of a significant franchise territory swap with another entity which has a franchised service territory in Pennsylvania.

“Default Service Spot Market Load” means the total sales at the retail meter, plus any

transmission and distribution losses and Unaccounted For Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PUC Orders, as such sales vary from hour to hour, in Buyer's Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority ("NYPA"), served by entities that have been selected through a solicitation by Buyer to supply Full Requirements Service at a spot market price.

"Default Service Spot Market Monthly Settlement Amount" shall have the meaning ascribed to it in Article 6.3 (Monthly Settlement Amounts).

"Default Service Spot Market Monthly Settlement Capacity Obligation" shall have the meaning ascribed to it in Section 6.2 (Monthly Settlement Capacity Obligation).

"Default Service Spot Market Monthly Settlement Quantity" shall have the meaning ascribed to it in Article 6.1 (Monthly Settlement Quantities).

"Default Service Spot Market Supplier" means an entity that has been selected through a PPL Electric solicitation to serve the Default Service Spot Market Load of PPL Electric retail customers.

"Default Service Spot Market Supplier Price" means the price per MWh as set forth in a Transaction Confirmation for Default Service Spot Market Load (Exhibit B).

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

"Delivery Point" means the PPL Electric Utilities Transmission Zone as defined by the PJM Agreements.

"Eastern Prevailing Time ("EPT")" means Eastern Standard Time or Eastern Daylight Savings Time, whichever is in effect on any particular date.

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

"Energy" means three-phase, 60-cycle alternating current electric energy, expressed in units of megawatt-hours.

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

"Estimated Capacity Quantity" means, for each month in each Transaction, the product of: (i) the relevant month Estimated Capacity Quantity Per MW-Day; (ii) the quotient of the Current PLC Per Tranche divided by the MW-Measure; (iii) the number of Tranches awarded to the Seller per

the Transaction Confirmation; and (iv) the percentage of calendar days remaining (excluding the current day) in each month.

“Estimated Capacity Quantity Per MW-Day” means the estimation of Capacity Obligation for each of the calendar months in the Delivery Period, as set forth in the Transaction Confirmation.

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

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

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

“Full Requirements Service” means all necessary Energy, Capacity, Transmission other than Non-market-based Transmission Services, Ancillary Services, Pennsylvania Alternative Energy Portfolio Standard (“AEPS”) requirement, transmission and distribution losses, congestion management costs, and such other services or products as defined by the Transaction Confirmations.

“Gains” means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from a Terminated Transaction under this Agreement or a transaction for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, determined in a commercially reasonable manner.

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

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

“Guarantor” means any Affiliate to the Seller that is acceptable to Buyer in its sole discretion that guaranties Seller’s financial obligations under this Agreement pursuant to the Guaranty Agreement.

“Guaranty Agreement” means the guaranty agreement entered into by a Guarantor in the form attached hereto as Exhibit F or in such other form as is acceptable to Buyer in its sole discretion.

“Guaranty Amount” means the maximum aggregate liability of the Guarantor under the Guaranty Agreement, if specified in the Guaranty Agreement.

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

“Letter(s) of Credit (“LC”)” means one or more irrevocable, transferable standby letters of credit issued in favor of Buyer by a Qualified Institution, in the form attached as Exhibit D hereto or otherwise in a form acceptable to Buyer in its sole discretion.

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

“Locational Marginal Price (“LMP”)” shall have the meaning ascribed to it in the PJM Agreements.

“Losses” means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from the termination of a Transaction under this Agreement or a transaction for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, determined in a commercially reasonable manner.

“Mark to Market (“MtM”) Exposure” means, with respect to each month remaining in each Delivery Period, the sum of: (i) the relevant month On-Peak Forward Price minus the relevant month On-Peak Initial Mark Price, multiplied by the relevant month On-Peak Estimated Energy Quantity; (ii) the relevant month Off-Peak Forward Price minus the relevant month Off-Peak Initial Mark Price, multiplied by the relevant month Off-Peak Estimated Energy Quantity; and (iii) the relevant month Capacity Forward Price minus the relevant month Capacity Initial Mark Price, multiplied by the relevant month Estimated Capacity Quantity. The methodology for calculating the MtM Exposure and an example are included in Exhibit E.

“Monthly Settlement Date” means, the 20th calendar day in each month of the Delivery Period, or if such 20th calendar day is not a Business Day, then the first Business Day thereafter.

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

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

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

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

Tranche identified in the Transaction Confirmation.

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

“Non-market-based Transmission Services” shall mean Network Integration Transmission Services (“NITS”), Transmission Enhancement Costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Service Credits, Regional Transmission Expansion Plan (“RTEP”), and Generation Deactivation Charges. These terms shall have the meaning ascribed to them in the PJM Agreements.

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

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

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

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

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

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

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

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

“On-Peak Estimated Energy Quantity” means, for each month in each Transaction, the product

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

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

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

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

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

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

“Peak Load Contribution (“PLC”)” means the aggregation of retail customer peak load contributions for Default Service Load, as determined by the Buyer in accordance with the PJM Agreements and reported by Buyer to PJM pursuant to Buyer’s retail load settlement process.

“Performance Assurance” means collateral in the form of cash or Letter(s) of Credit.

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

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

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

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

“PJM Declaration of Authority (“PJM DOA”)” shall have the meaning ascribed to in the PJM Agreements. This shall include all addendums as issued by PJM.

“PJM Final Zonal Capacity Price” shall have the meaning ascribed to it in the PJM Agreements.

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

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

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

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

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

“Pricing Agent” shall be the person or entity described in Article 14.6(a).

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

“PUC Orders” means the orders issued by the PUC pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, as amended by Act 129 of 2008, including the order authorizing the parties to enter into this Agreement.

“Qualified Institution” means a U.S. commercial bank or a U.S. branch of a foreign bank, which U.S. commercial bank or U.S. branch, as applicable, has a Credit Rating of at least A- from S&P or A3 from Moody’s, A- from Fitch, and a minimum of \$10 billion in assets.

“Rate Schedules” means the existing, and modified or successor, customer rate schedule designations in PPL Electric Utilities Corporation’s general tariff.

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

“Reporting Period” shall have the meaning ascribed thereto in the AEPS Act as it may be amended (presently the twelve (12) month period beginning June 1 and extending through May 31 of the following year).

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

“S&P” means Standard & Poor's Financial Services LLC a subsidiary of The McGraw-Hill Companies, Inc. and any successor thereto.

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

“Settlement Amount” means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such Party incurs as a result of the liquidation of a Terminated Transaction pursuant to Article 12 (Events of Default; Remedies). The calculation of a Settlement Amount for a Terminated Transaction shall exclude any Default Damages calculated pursuant to Section 12.2(b)(ii) for the same Terminated Transaction. For the purposes of calculating the Termination Payment, the Settlement Amount shall be considered an amount due to the Non-Defaulting Party under this Agreement and all other transactions for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders if total of the Losses and Costs exceeds the Gains and shall be considered an amount due to the Defaulting Party under this Agreement and all other transactions for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders if the Gains exceed the total of the Losses and Costs.

“Short Name” means the unique combination of characters identifying Seller as a Load Serving Entity in the PJM system and associated with PJM eSuite applications and processes.

“Specified Percentage” means the percentage of Default Service Fixed Price Load or Default Service Spot Market Load for a Customer Group that is awarded to Seller as set forth in the relevant Transaction Confirmation pursuant to this Agreement.

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

“Termination Payment Date” shall have the meaning set forth in Section 12.4 (Notice of Termination Payment).

“Terminated Transaction(s)” means any Transaction which has been terminated in accordance with Section 12.2 (b) (Remedies).

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

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

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

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

“Tranche” means a share of the Peak Load Contribution attributable to the Default Service Fixed Price Load or Default Service Spot Market Load of a Customer Group as measured in terms of the MW-Measure as set forth in a Transaction Confirmation.

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

“Transaction Confirmation” shall have the meaning ascribed to it in Section 2.9 (Transaction Confirmation).

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

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

“Unaccounted For Energy” means an energy accounting adjustment for settlement purposes among retail energy suppliers in the PPL Zone. Unaccounted for Energy is distributed among all retail energy suppliers in the PPL Zone on an hourly basis.

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

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

ARTICLE 2

TERMS AND CONDITIONS OF FULL REQUIREMENTS SERVICE

2.1 *Seller’s Obligation To Provide Service.* With respect to a Transaction, Seller shall provide Full Requirements Service on a firm and continuous basis such that the Specified Percentage is supplied during the Delivery Period associated with Exhibits A and B.

2.2 *Buyer’s Obligation to Take Service.* With respect to a Transaction, Buyer shall accept Full Requirements Service as provided by Seller pursuant to Section 2.1 (Seller’s Obligation to Provide Service), and shall pay Seller the relevant monthly settlement amounts for such Full Requirements Service in accordance with Article 6.3 (Monthly Settlement Amounts) on the applicable Monthly Settlement Date in accordance with

Article 7.3 (Payments of the Invoice).

- 2.3 *Non-market-based Transmission Service Costs*. With respect to a Transaction, Buyer shall be responsible, at its sole cost and expense, for all Non-market-based Transmission Service costs. Additionally, Buyer will be responsible for any distribution service necessary to serve the Specified Percentage.
- 2.4 *Other Changes in PJM Charges*. Except as provided in Section 2.3 (Non-market-based Transmission Service Costs), Seller bears the risk of any other changes in PJM products and pricing during the term of this Agreement. However, if there are any other new FERC-approved PJM transmission charges other than those referred to in Section 2.3 or other new PJM charges and costs, charged to network transmission customers, that Seller believes the Buyer should recover through retail rates because they are directly related to the Buyer's obligations, then Buyer will file with the PUC a request for approval to recover such new costs. Seller is required to intervene in any such proceeding before the PUC. Such new costs can only be charged to Buyer to the extent that the PUC approves Buyer's recovery of those costs. Seller agrees to be bound by the decision of the PUC (subject to the normal rules for appeal of the decision of the PUC) and waives all claims concerning this issue before FERC. Notwithstanding the foregoing, nothing in the Agreement shall preclude Seller or Buyer from taking any position before FERC regarding the creation and allocation of any such PJM charges.
- 2.5 *Auction Revenue Rights Allocation (ARRs)*. ARR's shall be allocated to Seller based upon the Seller's Specified Percentage. ARR paths are chosen annually, according to PJM rules; during such time, each Seller receiving an ARR allocation will have the opportunity to choose paths. Sellers selected through subsequent solicitations will be awarded ARR's according to ARR allocation methodology as set by the PJM ARR rules. Buyer will issue a PJM DOA Addendum attached hereto, to PJM and Seller following the creation of any new Short Names for a Seller. The PJM DOA Addendum will ensure correct allocation of ARR's associated with Transactions under this Agreement.
- 2.6 *Status of Seller*. Seller, for purposes of this Agreement and any Transaction, is a Load Serving Entity.
- 2.7 *Sales for Resale*. All Full Requirements Service provided by Seller to Buyer shall be sales for resale, with Buyer reselling such Full Requirements Service to Default Service Load customers.
- 2.8 *Governing Terms*. Each Transaction for Default Service Load shall be governed by this Agreement. This Agreement, including all exhibits hereto, any designated collateral, credit support, margin agreement or similar arrangements and all Transaction Confirmations for Default Service Load shall form a single integrated agreement between Buyer and Seller. Any inconsistency between terms in this Agreement and terms in a Transaction Confirmation for Default Service Load shall be resolved in favor of the terms of this Agreement.
- 2.9 *Transaction Confirmation*.

- (a) A Transaction obtaining supply for Default Service Fixed Price Load shall be documented in a Transaction Confirmation in the form attached hereto as Exhibit A. On the calendar day on which Seller is selected and approved by the PUC as a provider of Full Requirements Service to supply Default Service Fixed Price Load, Buyer will forward by e-mail, facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) (Exhibit A) and Seller's Alternative Energy Portfolio Standards Obligation (Exhibit C) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller's receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original. In addition, if such Transaction(s) is the initial Transaction(s) with the Seller under the current RFP solicitation, then Buyer will forward to Seller one (1) fully executed Agreement by overnight delivery service.
- (b) A Transaction obtaining supply for Default Service Spot Market Load shall be documented in a Transaction Confirmation in the form attached hereto as Exhibit B. On the calendar day on which Seller is selected and approved by the PUC as a provider of hourly Full Requirements Service to supply Default Service Spot Market Load, Buyer will forward by email, facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) (Exhibit B) and Seller's Alternative Energy Portfolio Standards Obligation (Exhibit C) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller's receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original. In addition, if such Transaction(s) is the initial Transaction(s) with the Seller under the current RFP solicitation, then Buyer will forward to Seller one (1) fully executed Agreement by overnight delivery service.

ARTICLE 3

SCHEDULING, FORECASTING, AND INFORMATION SHARING

- 3.1 *Scheduling.* Seller is responsible for submitting demand bids for the load obligation they are serving via PJM's eMkt system. Buyer will provide to Seller and PJM all information required by PJM, for the purpose of calculating Seller's Full Requirements Service obligations. The information provided by Buyer is forecasted energy that can be utilized by the Seller in order to submit its demand bids. Buyer does not guarantee this information and Seller should understand this when submitting their demand bids. Buyer shall utilize day-ahead scheduling in association with Transactions under this Agreement through the PJM system.

- 3.2 Load Forecasting. Buyer shall not be required to provide to the Seller any load forecasting services for any Transaction.
- 3.3 Information Sharing. On each Business Day beginning 7 days prior to the beginning of the Delivery Period, or on the first day following the creation of contracts within the PJM system following an approved RFP solicitation, and continuing throughout the Delivery Period, Sellers shall be able to access Buyer's estimation of the PLC representing the Seller's Specified Percentage. This information will be made available to all Sellers utilizing the PJM eSuite system. Buyer does not warrant the accuracy of such information.

ARTICLE 4 SPECIAL TERMS AND CONDITIONS

- 4.1 Congestion and Congestion Management. Seller is responsible for any congestion costs incurred to supply the Specified Percentage as set forth in the Transaction Confirmation(s).
- 4.2 Load Response Programs.
- (a) Buyer will manage PJM load response programs in accordance with PJM Agreements as amended from time to time and the provisions of its applicable riders and retail electric service tariffs, as amended and approved by the PUC from time to time, or Buyer customer contracts, as amended by the Buyer from time to time. Buyer will retain all of the benefits associated with its load response programs, including but not limited to all associated wholesale revenues from PJM for Capacity, Energy and Ancillary Services. Unless specifically prohibited by its retail electric service tariffs, Default Service customers may, at their election, participate in demand response programs offered under the PJM Agreements.
 - (b) Seller will be responsible for any costs pursuant to FERC Order No. 745 regarding demand response compensation in organized wholesale energy markets.
- 4.3 PJM E-Accounts.
- (a) Buyer and Seller shall work with PJM to establish any PJM E-Accounts necessary for Seller to provide Full Requirements Service.
 - (b) Within five (5) Business Days following the PUC approval of an RFP Buyer shall generate and provide to Seller Short Name(s) associated with Seller's unique contract type(s), as necessary. Unique Short Names shall be created for each differing contract type (e.g. Residential Full Requirements Load Following contracts versus Small C&I Full Requirements Load Following contracts). Seller shall complete all required forms and processing to PJM to create Short Names

within the PJM eSuite system.

- (c) Upon Seller's creation of new Short Names, Buyer shall establish PJM E-Account contract(s) for the entire duration of the Transaction(s). Following Buyer establishing new contracts within the PJM eSuite system, Seller shall review and confirm the PJM E-Account contract(s) for the entire duration of the Transaction(s). The availability of forecast PLC data, referred to in Section 3.3 ("Information Sharing") will be dependant upon the Seller creating new Short Names and confirmation of new contracts within the PJM eSuite system.

4.4 Alternative Energy Portfolio Standards Obligation.

- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) and shall provide its proportional share of AECs to fulfill the Buyer's AEPS Obligation as set forth in the AEPS Act and PUC rules and Orders that may be promulgated to implement the AEPS Act. The Buyer will provide the Seller with Exhibit C to this Agreement at the same time that it provides the Transaction Confirmation. Exhibit C at that time will incorporate the AEPS percentage obligations for the Delivery Period in effect on the day the bid was submitted. Exhibit C as provided with the Transaction Confirmation will apply during the term of the Agreement and will be used to determine the Seller's AEPS Obligation.
- (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a subscriber to GATS and is responsible for paying its annual subscription fee. Seller shall transfer AECs into the Buyer's account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to Seller's Full Requirements Service.
- (c) Within 25 calendar days after the end of each calendar month during the Delivery Period the Seller shall transfer AECs into the Buyer's GATS account(s) in an amount commensurate with the AECs applicable to the requirements service provided by the Seller during said calendar month.
- (d) At the conclusion of the Reporting Period, Seller shall complete its transfer of any AECs not transferred in accordance with subsection (c) of this Section 4.4, into the Buyer's GATS account(s) in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement no later than 30 calendar days following the completion of a Reporting Period.
- (e) Seller may not transfer AECs in advance of future Reporting Periods.
- (f) In addition to the Remedies stated in Article 9.1 (Seller's Indemnification for Third-Party Claims) and Article 12 (Event of Default; Remedies) of this Agreement, Buyer shall have the right, in its sole discretion, to withhold any and

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

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

4.5 *Title Transfer*. Seller shall cease to have title to, possession of, and risk of loss with respect to liability pursuant to Sections 9.1 (Seller's Indemnification for Third-Party Claims) and 9.2 (Buyer's Indemnification for Third-Party Claims) of Full Requirements Service scheduled and received or delivered hereunder at the Delivery Point. Seller warrants that it has good title to the Full Requirements Service sold and delivered hereunder and that it has the right to sell such Full Requirements Service. The word "loss" in this Section 4.5 (Title Transfer) does not encompass electrical transmission and distribution losses. As between Buyer and Seller only, Buyer shall take title to, possession of, and risk of loss with respect to liability pursuant to Sections 9.1 (Seller's Indemnification for Third-Party Claims) and 9.2 (Buyer's Indemnification for Third-Party Claims) of Full Requirements Service scheduled and received or delivered hereunder at the Delivery Point. Notwithstanding the foregoing, nothing contained in this Agreement is intended to create or increase liability of Buyer to any third party beyond such liability, if any, that would otherwise exist under the PJM Agreements or under applicable law if Buyer had not taken title.

4.6 *Reliability Guidelines*. Each Party agrees to adhere to the applicable operating policies, criteria and/or guidelines of the ReliabilityFirst Corporation, NERC, PJM, their successors, and any regional or sub regional requirements.

4.7 *PJM Membership*. For the period of time that this Agreement is in effect, Seller shall be: (i) a member in good standing of PJM; (ii) qualified as a PJM "Market Buyer" and "Market Seller" pursuant to the PJM Agreements; and (iii) qualified as a PJM "Load Serving Entity." For the period of time that this Agreement is in effect, Buyer shall be a member in good standing of PJM.

4.8 *Declaration of Authority*. For the period of time that this Agreement is in effect, both Buyer and Seller shall have executed the Declaration of Authority in the form attached hereto as Exhibit H.

4.9 *FERC Authorization*. For the period of time that this Agreement is in effect, Seller shall have FERC authorization to make sales of Energy, Capacity, and Ancillary Services at market based rates within PJM.

4.10 Disclosure in the Event of Seller Default. If Seller defaults and this Agreement is terminated pursuant to Article 12 (Events of Default; Remedies), Buyer may disclose the terms of this Agreement and any Transaction Confirmation to all other non-defaulting wholesale suppliers providing service to Buyer pursuant to the PUC Orders. Such disclosure by Buyer shall be made for the purpose of allowing each non-defaulting wholesale supplier to make its Step-Up elections described in Section 4.11 (Seller Step-Up Rights) below.

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

In the event that Seller wishes to exercise its option to Step-Up when such an opportunity arises, Seller shall respond to Buyer of such within five (5) Business Days from the date of Buyer’s notification. In Seller’s response, Seller shall indicate: (i) the maximum amount of the increased obligation that Seller wishes to take on given the additional supply obligation available from the terminated transactions (which need not be all); and (ii) that it is willing to meet any additional collateral requirements related to the Step-Up. Seller’s response shall take place no later than five (5) Business Days of its receipt of Buyer’s notification. The amount of supply obligation assigned to Seller following Seller’s Step-Up response will be Seller’s pro-rata share of the total of such Step-Up responses from all sellers and will be from zero up to and including the maximum amount that the Seller indicates. Seller’s pro-rata share, as described in this paragraph, shall be the ratio of Seller’s amount indicated in Seller’s Step-Up response, stated on a PLC basis, to the total of amounts indicated in all sellers’ Step-Up responses. Buyer will determine Seller’s pro-rata share within six (6) Business Days from the date of Buyer’s initial notification. Once Buyer has determined Seller’s pro-rata share, Buyer will forward by e-mail, facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) and Seller’s Alternative Energy Portfolio Standards Obligation (Exhibit C) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller’s receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original.

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

ARTICLE 5

TERM AND SURVIVAL

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

ARTICLE 6

DETERMINATION OF DELIVERED QUANTITIES AND MONTHLY SETTLEMENT AMOUNTS

6.1 *Monthly Settlement Quantities.*

- (a) For Default Service Fixed Price Suppliers, the Default Service Fixed Price Monthly Settlement Quantity with respect to any calendar month during the Delivery Period shall be determined in terms of megawatt-hours (“MWh”) of Energy. The MWh of Energy shall be equivalent to the amount of Energy equal to the Seller’s Specified Percentage multiplied by the sum of the hourly amounts of Energy for Default Service Fixed Price Load as measured by PJM and adjusted by Buyer as appropriate. The MWh of Energy shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer’s or PJM’s operation of its load response programs shall be reflected as a reduction in the MWh of Energy.
- (b) For Default Service Spot Market Suppliers, the Default Service Spot Market Monthly Settlement Quantity with respect to any calendar month during the Delivery Period shall be determined in terms of MWh of Energy. The MWh of Energy shall be equivalent to the amount of Energy equal to the Seller’s Specified Percentage multiplied by the sum of the hourly amounts of Energy for Default Service Spot Market Load as measured by PJM and adjusted by Buyer as appropriate. The MWh of Energy shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer’s or PJM’s operation of its load response programs shall be reflected as a reduction in the MWh of Energy.

6.2 *Monthly Settlement Capacity Obligation.* For Default Service Spot Market

Suppliers, the Default Service Spot Market Monthly Settlement Capacity Obligation with respect to any calendar month during the Delivery Period shall be determined in terms of megawatts (“MW”) of Capacity. The MW of Capacity shall be equivalent to the sum of the daily amounts of Capacity reported as the Seller’s Capacity Obligation by Buyer to PJM. The MW of Capacity shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer’s or PJM’s operation of its load response programs shall be reflected as a reduction the MW of Capacity.

6.3 Monthly Settlement Amounts

- (a) For Default Service Fixed Price Suppliers, the Default Service Fixed Price Monthly Settlement Amount, with respect to any calendar month during the Delivery Period, is the sum of: (i) the product of the applicable Default Service Fixed Price Supplier Price and Default Service Fixed Price Monthly Settlement Quantity; and (ii) any other adjustments as set forth in this Agreement.
- (b) For Default Service Spot Market Suppliers, the Default Service Spot Market Monthly Settlement Amount, with respect to any calendar month during the Delivery Period, is the sum of: (i) the product of each hour’s hourly real-time PJM load weighted average Locational Marginal Price for the Delivery Point, the Seller’s Specified Percentage, and that hour’s Default Service Spot Market Load; (ii) the product of the PJM Final Zonal Capacity price for the Delivery Point and the Default Service Spot Market Monthly Settlement Capacity Obligation; (iii) the product of the Default Service Spot Market Supplier Price and the Default Service Spot Market Monthly Settlement Quantity; and (iv) any other adjustments as set forth in this Agreement.

ARTICLE 7 BILLING AND SETTLEMENT

- 7.1 Billing. Unless otherwise agreed to by the Parties, on or before the eighth (8th) Business Day of each month, Buyer shall deliver to Seller, via electronic transmission or other means agreed to by the Parties, an invoice (“Invoice”) that sets forth the total amount due for the previous calendar month for all Transactions. For each Transaction the invoice shall include the following items:

Invoices for Default Service Fixed Suppliers:

- (a) Default Service Fixed Price Monthly Settlement Quantity
- (b) Default Service Fixed Price Supplier Price
- (c) PJM billing adjustments
- (d) Any other adjustments set forth in this Agreement
- (e) Default Service Fixed Price Monthly Settlement Amount

Invoices for Default Service Spot Market Suppliers:

- (a) Default Service Spot Market Monthly Settlement Quantity
- (b) PJM load-weighted average Locational Marginal Price for the Delivery Point
- (c) Default Service Spot Market Supplier Price
- (d) Default Service Spot Market Monthly Settlement Capacity Obligation
- (e) PJM Final Zonal Capacity Price
- (f) PJM billing adjustments
- (g) Any other adjustments set forth in this Agreement
- (h) Default Service Spot Market Monthly Settlement Amount

If Seller is more than one type of supplier described above Seller shall receive a single invoice listing the relevant information detailed above.

7.2 PJM Billing.

- (a) Buyer and Seller shall direct PJM to invoice Seller and Buyer for charges and credits relating to Seller's and Buyer's rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with this Agreement, Buyer shall rectify such PJM invoice discrepancy in the Invoice sent pursuant to Section 7.1 (Billing).
- (b) The Parties agree that the PJM bill may change from time to time. Allocation of any charges that are reflected in a PJM bill that are not included on or are inconsistent with this Agreement will be determined pursuant to Sections 2.3 (Non-market-based Transmission Service Costs), 2.4 (Other Changes in PJM Charges), and 16.11 (PJM Agreement Modifications) of this Agreement.

7.3 Payments of the Invoice. On the Monthly Settlement Date, Buyer will pay to Seller, or Seller will pay to the Buyer, as the case may be, the total amount due in the applicable Invoice, subject to Section 7.7 (Netting of Payments). All payments shall be made by "Electronic Funds Transfer" ("EFT") via "Automated Clearing House" ("ACH"), unless otherwise agreed to by the Parties, to a bank designated in writing by such Party, by 12:00 p.m. EPT on the Monthly Settlement Date. Payment of Invoices shall not relieve the paying Party from any other responsibilities or obligations it has under this Agreement (other than the obligation to make such payment), nor shall such payment constitute a waiver of any claims arising hereunder.

7.4 Billing Disputes and Adjustments of Invoices.

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

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

7.6 Netting of Payments. Buyer and Seller shall discharge mutual debts and payment obligations due and owing to each other under this Agreement, as of the Monthly Settlement Date, such that all amounts owed by each Party to the other Party shall be reflected in a single amount due to be paid by the Party who owes it and received by the other Party, provided that the calculation of the net amount shall not include any disputed amounts being withheld pursuant to Section 7.4 (Billing Disputes and Adjustments of Invoices)

ARTICLE 8 TAXES

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

8.2 Taxes.

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

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

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

ARTICLE 9 INDEMNIFICATION

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

9.2 Buyer's Indemnification for Third-Party Claims. Buyer shall indemnify, hold harmless, and defend Seller and its Affiliates, and their respective officers, directors, employees, agents, contractors, subcontractors, invitees, successors, representatives and permitted assigns (collectively, "Seller's Indemnitees") from and against any and all claims, liabilities, costs, losses, damages, and expenses including reasonable attorney and expert fees, disbursements actually incurred, and any penalties or fines imposed by Government Authorities in any action or proceeding between Seller and a third party or

Buyer for damage to property of unaffiliated third parties, injury to or death of any person, including Seller's employees or any third parties, to the extent directly caused by the gross negligence or willful misconduct of Buyer and/or its officers, directors, employees, agents, contractors, subcontractors or invitees arising out of or connected with Buyer's performance under this Agreement, Buyer's exercise of rights under this Agreement, or Buyer's breach of this Agreement. Seller shall have the right to hire the attorney of its choice to defend it in any proceeding brought against it pursuant to this provision.

9.3 Indemnification Procedures. If either Party intends to seek indemnification under Sections 9.1 (Seller's Indemnification for Third-Party Claims) or 9.2 (Buyer's Indemnification for Third-Party Claims), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within thirty (30) calendar days of the later of the commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail, and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld or delayed.

ARTICLE 10 LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES

EXCEPT AS SET FORTH IN THIS AGREEMENT, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO COSTS AND DEFAULT DAMAGES AS DEFINED IN THIS AGREEMENT, SUCH COSTS AND DEFAULT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE

CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE, TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE 11 FORCE MAJEURE

11.1 Force Majeure means an event or circumstance as defined in Article 1 (Definitions). Notwithstanding anything in this Agreement to the contrary, the Parties shall be excused from performing their respective obligations under this Agreement (other than the obligation to make payments with respect to performance prior to the event of Force Majeure) and shall not be liable for damages or otherwise due to their failure to perform, during any period that one Party is unable to perform due to an event of Force Majeure, provided that the Party declaring an event of Force Majeure shall: (i) act expeditiously to resume performance; (ii) exercise all commercially reasonable efforts to mitigate or limit damages to the other Party; and (iii) fulfills the requirements set forth in Section 11.2 (Notification).

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

ARTICLE 12 EVENTS OF DEFAULT; REMEDIES

12.1 Events of Default. An "Event of Default" shall mean, with respect to a Party ("Defaulting Party"), the occurrence of any of the following:

- (a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within two (2) Business Days after written notice;
- (b) any representation or warranty made by such Party herein or in response to the RFP is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated;
- (c) the failure of a Party to comply with the requirements of Section 4.4 (Alternative Energy Portfolio Standards Obligation) if such failure is not remedied within

three (3) Business Days after written notice.

- (d) the failure of a Party to comply with the requirements of Section 4.7 (PJM Membership) and 4.9 (FERC Authorization) if such failure is not remedied within three (3) Business Days after written notice;
- (e) PJM has declared a Party to be in default of any provision of any PJM Agreement, which default prevents a Party's performance hereunder if such failure is not remedied within three (3) Business Days after written notice;
- (f) the failure to perform or comply with any covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default) if such failure is not remedied within three (3) Business Days after written notice;
- (g) such Party becomes Bankrupt;
- (h) such Party consolidates with, or merges with or into, or transfers all or substantially all of its assets to, another entity, or assigns the Agreement or any rights, interests, or obligations hereunder without the prior written consent of the other Party when such consent is required, and, at the time of such consolidation, merger, transfer or assignment, the resulting, surviving, transferee, or assigned entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;
- (i) the occurrence and continuation of: (i) a default, event of default or other similar condition or event in respect of such Party or Guarantor under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than five percent (5%) of such Party or Guarantor's TNW, which results in such indebtedness becoming immediately due and payable or; (ii) a default by such Party or Guarantor in making on the due date therefore one or more payments, individually or collectively, in an aggregate amount of not less than five percent (5%) of such Party or Guarantor's TNW.
- (j) the failure of Seller to provide Performance Assurance or to maintain Performance Assurance in effect thereafter until such time as Buyer is obligated to return such Performance Assurance to Seller (subject to its right to replace such Performance Assurance in accordance with Article 14) or to comply with its other obligations pursuant to Article 14 (Performance Assurance) if such failure to comply is not remedied within three (3) Business Days after written notice;
- (k) with respect to any Guarantor: (i) if any representation or warranty made by the Guarantor in connection with this Agreement is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated; (ii) the failure of the Guarantor to make, when due, any payment required or to perform any covenant or obligation in the Guaranty Agreement and such failure shall not be remedied within three (3) Business Days

after written notice; (iii) the failure of the Guarantor's Guaranty Agreement to be in full force and effect for purposes of this Agreement prior to the satisfaction of all obligations of Seller under this Agreement without the written consent of Buyer; (iv) the Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of the Guaranty Agreement or any of its obligations thereunder; or (v) the Guarantor becomes Bankrupt.

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

- (a) If an Event of Default has occurred and is continuing, the Non-Defaulting Party shall have the right to suspend performance, provided that such suspension shall not continue for longer than ten (10) Business Days. At any time during or subsequent to the temporary suspension of performance, the Non-Defaulting Party may proceed with the steps outlined in Section 12.2(b). If, by the end of the ten (10) Business Day period of suspension, the Non-Defaulting Party has not commenced the implementation of the remedies pursuant to Section 12.2(b), then the Non-Defaulting Party must resume performance of its obligations under this Agreement.
- (b) If an Event of Default has occurred under this Agreement or pursuant to a transaction for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders and is continuing, the Non-Defaulting Party shall have the right to implement the following remedies:
 - i. designate a day, in such notice, no earlier than the day such notice is effective and no later than twenty (20) calendar days after such notice is effective, as an early termination date ("Early Termination Date") for the purposes of determining the Settlement Amount;
 - ii. calculate and receive from the Defaulting Party, payment for any Default Damages and Costs, as defined this Agreement, the Non-Defaulting Party incurs as of the date of the event giving rise to the Event of Default, until the earlier of: (i) the Early Termination Date (if applicable); or (ii) the Event of Default has been cured by the Defaulting Party; or (iii) the Non-Defaulting Party waives such Event of Default;
 - iii. withhold any payments due to the Defaulting Party under this Agreement as an offset to any Default Damages and Costs, as defined in this Agreement, or Termination Payment, as defined in Section 12.3 (Calculation and Net Out of Settlement Amounts); and
 - iv. permanently suspend performance.
- (c) If an Event of Default has occurred and the Non-Defaulting Party is the Buyer, then in lieu of the remedies set forth in 12.2(b), Buyer may offer to waive the default on such terms and conditions as Buyer, at its sole discretion, and may

deem appropriate to propose (“Special Remedy”); provided, however, that:

- i. the Event of Default was not a failure by Seller to meet any or all of its Full Requirements Service obligations, and
- ii. any such Special Remedy can only be offered to Seller if it first is specifically approved by the PUC in accordance with PUC Orders.

12.3 Calculation and Net Out of Settlement Amounts.

- (a) The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable. For purposes of calculating the Settlement Amount, the Non-Defaulting Party shall reflect the net impact of the exercise of the option on the part of other wholesale suppliers as described in Section 4.11 (Seller Step-Up Rights) of this Agreement. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single liquidated amount (the “Termination Payment”) by netting out: (i) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article 14 (Performance Assurance), plus any or all other amounts due to the Defaulting Party under this Agreement; against (ii) all Settlement Amounts that are due to the Non-Defaulting Party plus any or all other amounts due to the Non-Defaulting Party, including but not limited to Default Damages and Costs, under this Agreement, as well as, pursuant to any transactions for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

Seller may, in its sole discretion, add the following subsection 12.3(b) by checking this box. If Seller does not check this box, subsection 12.3(b) will not be deemed to be included as part of this Agreement.

- (b) In order to avoid doubt regarding a commercially reasonable calculation for the purposes of calculating the Settlement Amount by the Non-Defaulting Party, the quantity of amounts of Energy, Capacity and other services to have been provided under a Transaction for the period following the Early Termination Date (the “Termination Quantity”) shall be deemed those quantity amounts that would have been delivered on an hourly basis had the Transaction been in effect during the previous calendar year, adjusted for such Default Load changes as have occurred since the previous calendar year. Nothing in this section shall limit the right of the Buyer when Seller is the Defaulting Party to replace Seller’s Full Requirements Service obligation and the result of any Commission-approved procedure will be deemed to be commercially reasonable for purposes of calculating the Settlement

Amount(s) and will be deemed to have been determined by reference to the Termination Quantity.

- 12.4 Notice of Termination Payment.** As soon as practicable after an Early Termination Date is declared, the Non-Defaulting Party shall provide written notice to the Defaulting Party of the amount of the Termination Payment. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The owing Party shall make the Termination Payment within five (5) Business Days after such notice is effective (the “Termination Payment Date”).
- 12.5 Disputes With Respect to Termination Payment.** If the Defaulting Party disputes the Non-Defaulting Party’s calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within five (5) Business Days of receipt of Non-Defaulting Party’s calculation of the Termination Payment, provide to the Non-Defaulting Party a notice that it intends to dispute the calculation of the Termination Payment (“Termination Payment Dispute Notice”), pursuant to the provisions of Article 13 (Dispute Resolution), and provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party by the Termination Payment Date.
- 12.6 Duty to Mitigate.** Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party’s failure to perform pursuant to this Agreement.

ARTICLE 13 DISPUTE RESOLUTION

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

ARTICLE 14

PERFORMANCE ASSURANCE

14.1 Requirement for Performance Assurance. With respect to Aggregate Transactions, if at any time and from time to time during the term of this Agreement, Aggregate Buyer's Exposure exceeds the Unsecured Credit on any Business Day, then Buyer shall have the right to request that Seller post Performance Assurance in an amount equal to the amount by which Aggregate Buyer's Exposure exceeds the Unsecured Credit (rounding upwards to the nearest \$100,000), less any Performance Assurance already posted with Buyer. Buyer's request for Performance Assurance shall not be disputed by Seller in the absence of manifest error.

14.2 Performance Assurance Transfers/Returns.

- (a) If the request for Performance Assurance is made by Buyer before 1:00 p.m. EPT on a Business Day, then Seller shall be required to deliver the Performance Assurance cash or LC to Buyer on the Business Day following the date of such request. Seller shall maintain in full force and effect any Performance Assurance provided hereunder until such date as Buyer is obligated to return such Performance Assurance hereunder; provided that so long as no Event of Default exists where Seller is the Defaulting Party and the replacement Performance Assurance is at least in an amount such that Buyer would not be entitled to demand additional Performance Assurance under Section 14.1 immediately following such replacement, Seller shall have the right to replace any Letter of Credit or cash with another Letter of Credit or cash hereunder.

- (b) Seller shall bear or cause all costs and fees of each Letter of Credit to be borne by the applicant for such Letter of Credit, and Buyer shall not bear any such costs and fees. Buyer as the beneficiary of any Letter of Credit reserves the right to monitor the financial position of the issuer of such Letter of Credit. If the issuer of any Letter of Credit ceases to constitute a Qualified Institution, becomes Bankrupt, wrongfully dishonors any presentation thereunder, fails to timely perform or comply with any of its obligations thereunder, repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of the Letter of Credit or any of its obligations thereunder or provides notification that it will not be renewing any Letter of Credit, Seller shall provide a replacement Performance Assurance Letter of Credit to Buyer issued by a Qualified Institution in an amount at least equal to the amount available to be drawn under the Letter of Credit being replaced not later than the 3rd Business Day following such event. In, addition, if Buyer as the beneficiary of any Letter of Credit determines, for any reason, in its sole discretion that the issuer's financial condition or ability to perform its obligations under such Letter of Credit has deteriorated or become impaired in any material respect, then Buyer shall have the right to demand and receive, from Seller a replacement Performance Assurance issued by a Qualified Institution not later than the 2nd Business Day following such demand. Further, no later than thirty (30) days prior to any expiration of a Letter of Credit, Seller shall provide a replacement Letter of Credit that satisfies Seller's Performance Assurance requirements hereunder. Seller's failure to deliver any replacement Letter of Credit within the timeframe set forth in this Section 14.2(b) shall entitle Buyer to draw on the existing Letter of Credit and to hold the

proceeds thereof as Performance Assurance hereunder.

- (c) If a request for Performance Assurance is made by Buyer at or after 1:00 p.m. EPT, then if Seller is posting cash as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance cash to Buyer on the second Business Day following the date of such request; and if Seller is posting a Letter of Credit or other security as may be acceptable to Buyer in its sole discretion as the form of Performance Assurance collateral, Seller shall be required to deliver such Performance Assurance Letter of Credit or other security on the second Business Day following the date of such request. Facsimile or other means of communication acceptable for purposes of providing notice under Section 16.1 (Miscellaneous) shall constitute suitable means for the Buyer to make requests for Performance Assurance.
- (d) To secure its obligations under this Agreement, Seller hereby grants to Buyer a present and continuing first-priority security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral delivered to Buyer hereunder and all distributions of principal, interest and other payments and distributions of cash or other property with respect thereto, and any and all proceeds resulting therefrom or from the disposition or liquidation thereof (collectively, the “Cash and Cash Equivalent Collateral”), whether now or hereafter held by, on behalf of, or for the benefit of Buyer, and Seller agrees to take such action as may be reasonably requested by Buyer at any time to perfect or maintain the perfection at all times of Buyer’s first priority security interest in, and lien on (and right of setoff against), such Cash and Cash Equivalent Collateral.
- (e) If Seller provides its Performance Assurance collateral in cash, in whole or in part, Seller will also simultaneously grant Buyer a first-priority security interest in that cash, in a form mutually acceptable to Buyer and Seller. Buyer shall not be entitled to hold Performance Assurance in the form of cash; rather, Performance Assurance in the form of cash shall be held in any Qualified Institution, (which is not the Buyer or an Affiliate of the Buyer). The Buyer will pay to Seller on the first Business Day of each calendar quarter the amount of interest it receives based upon the applicable overnight repurchase interest rate from the Qualified Institution on any Performance Assurance in the form of cash posted by Seller, less fees charged by the Qualified Institution. The interest amount or portion thereof not returned to Seller pursuant to this Section 14.2 will constitute Performance Assurance and will be subject to the provisions of Article 14 of this Agreement.
- (f) On any Business Day (but no more frequently than weekly with respect to Letters of Credit or other security constituting Performance Assurance, and daily with respect to cash), Seller, at its sole cost, may request that surplus Performance Assurance not needed to satisfy Aggregate Buyer’s Exposure on such Business Day be reduced correspondingly to reflect the amount by which Unsecured Credit exceeds Aggregate Buyer’s Exposure on such Business Day, if any (rounding downwards for any fractional amount to the nearest \$100,000). Buyer shall be required to return the amount of Performance Assurance due in accordance with the timeframes set forth in Section 14.2(a) and Section 14.2(b). A written means acceptable for purposes of providing notice under Section 16.1 shall constitute suitable means for the Seller to make requests for return of Performance

Assurance hereunder.

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

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

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

14.4 Credit Rating. If during the term of the Agreement, Seller's or Seller's Guarantor's, if applicable, Credit Rating changes, by either being upgraded or downgraded by any of the rating agencies referenced in Section 14.3 (Unsecured Credit) of the Agreement, the Seller shall be required to provide written notice to Buyer of such Credit Rating change no later than two (2) Business Days after the date of such change.

14.5 Tangible Net Worth. During the term of the Agreement, Seller, or Seller's Guarantor, if applicable, shall be required to provide Buyer written financial information to determine the Seller's, or Seller's Guarantor's, Tangible Net Worth. Financial information shall include an audited Annual Report certifying that the financial statements therein (including the balance sheet, income statement and a cash flow statement) were prepared in accordance with United States generally accepted accounting principles or international financial reporting standards, containing, but not limited to, a

balance sheet, a schedule of long term debt including maturity dates, and all notes to the financial statements that apply to long term debt, short term borrowing, and liquidity and capital resources. The Seller, or Seller's Guarantor, shall also provide the Buyer written financial information on a quarterly basis containing a balance sheet, income statement and a cash flow statement, prepared in accordance with United States generally accepted accounting principles or international financial reporting standards. However, if Seller's, or Seller's Guarantor's financials are publically available (at www.sec.gov or on the Seller's website), then the Buyer may waive the requirement to provide written financial information. Seller shall not be required to provide such information if it is not requesting Unsecured Credit under the Agreement. Seller will not be granted Unsecured Credit under the Agreement if it has not supplied the required financial information.

14.6 *Aggregate Buyer's Exposure.* In order to determine the amount of Performance Assurance during the term of this Agreement, Buyer shall calculate the Aggregate Buyer's Exposure under Aggregate Transactions as it deems appropriate. On a Transaction Date, the Buyer's Exposure for that Transaction shall be deemed equal to zero.

(a) Credit Exposure to Default Service Fixed Price Suppliers: Buyer's Credit Exposure to Sellers who are a Default Service Fixed Price Supplier shall be equal to the MtM Exposure for each relevant Transaction (Exhibit A) under this Agreement. A general description of how the requisite information for calculating the MtM Exposure is:

(i) Pricing Agent. Buyer shall contract with and pay for the services of a single independent consultant to provide pricing services ("Pricing Agent") with respect to the Transactions under this Agreement. The Pricing Agent shall provide to the Buyer the On-Peak Initial Mark Price and the Off-Peak Initial Mark Price. In addition, on each Business Day, the Pricing Agent shall provide to the Buyer the On-Peak Forward Price and the Off-Peak Forward Price. To the extent that information and/or quotes are not available to determine an On-Peak Forward Price or Off-Peak Forward Price for a given month the Pricing Agent shall be permitted to use information and/or quotes relevant to such month for which information/and quotes are available in order to provide the Buyer the required On-Peak Forward Price and Off-Peak Forward Price for such month. Exhibit E presents in more detail the methodology to be used by the Pricing Agent in determining the Off-Peak Initial Mark Price, On-Peak Initial Mark Price, Capacity Forward Price, Capacity Initial Mark Price, the On-Peak Forward Price, and the Off-Peak Forward Price.

(ii) Pursuant to Section 14.1 above, Seller shall not dispute any request by Buyer for Performance Assurance. Notwithstanding such provision, Seller may dispute the Pricing Agent's determinations of the On-Peak Initial Mark Price, Off-Peak Initial Mark Price, Capacity Forward Price, Capacity Initial Mark Price, On-Peak Forward Price, and Off-Peak Forward Price if Seller can demonstrate that the Pricing Agent has been

grossly negligent or has exhibited willful misconduct in such determinations, or that the Pricing Agent is making such determinations in a manner that is arbitrary, capricious or erroneous on its face. Such dispute of the Pricing Agent's determinations by the Seller shall not be cause for any delay by the Seller in posting any Performance Assurance requested by the Buyer.

- (b) Credit Exposure to Default Service Spot Market Suppliers: The Buyer's Credit Exposure to Sellers who are a Default Service Spot Market Supplier shall be the product of \$750,000 and the total number of Tranches awarded to Seller for each relevant Transaction (Exhibit B) under this Agreement.
- (c) To the extent that the calculations of the Aggregate Buyer's Exposure for a given date results in a negative number, the Aggregate Buyer's Exposure for such date shall be deemed equal to zero.
- (d) Buyer shall use reasonable efforts to provide Seller with Aggregate Buyer's Exposure on each Business Day subject to the confidentiality provisions of this Agreement.

14.7 Accelerated Payments. If at any time and from time to time during the term of this Agreement, a Buyer Downgrade Event occurs notwithstanding the provisions of Article 7 (Billing and Settlement), Seller shall have the right to require Buyer to divide the Monthly Settlement Amount into weekly amounts and pay such amounts on a weekly basis for so long as the Buyer Downgrade Event continues. A "weekly basis" as referred to in the preceding sentence means a given Monday through Sunday period in a Delivery Period. Seller shall notify Buyer who shall be required to make payment for such period no later than the first Wednesday following such period (or if such day is not a Business Day, on the next Business Day). Buyer's failure to make such accelerated payments shall be deemed an Event of Default under Section 12.1 (Events of Default) of the Agreement.

ARTICLE 15 REPRESENTATIONS AND WARRANTIES

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

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

not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

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

15.2 *Additional Understandings.* This Agreement is for the purchase and sale of Full Requirements Service that will be delivered in quantities expected to be used or sold over a defined period(s) in the normal course of business, and it is the intention at the inception and throughout the term of this Agreement and each Transaction hereunder that the Agreement will result in physical delivery and not financial settlement, and the quantity of Full Requirements Service that Seller must deliver and Buyer must receive will be determined by the requirements of the Default Load served by Buyer, and, as such, the Agreement does not provide for an option by either Party with respect to the quantity of Full Requirements Service to be delivered or received during performance of the Agreement. This Agreement has been drafted to effectuate Buyer's and Seller's

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

ARTICLE 16 MISCELLANEOUS

16.1 *Notices.* Unless otherwise specified herein, all notices shall be via e-mail or in writing and delivered by hand, overnight or facsimile (provided a copy is also sent by overnight mail). Notice shall be effective on the next Business Day after it is sent. A Party may change its address by providing notice of the same in accordance with this Section 16.1. Notice information for Buyer and Seller is shown on Exhibit G.

16.2 *General.* This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement. This Agreement shall not impart any rights enforceable by any third party other than a permitted successor or assignee bound to this Agreement or any Transaction. Any provision declared or rendered unlawful will not otherwise affect the remaining lawful obligations that arise under this Agreement or any Transaction; provided that in such event the Parties shall use commercially reasonable efforts to amend this Agreement or any Transaction in order to give effect to the original intention of the Parties.

16.3 *Rules of Interpretation.* The following principles shall be observed in the interpretation and construction of this Agreement:

- (a) unless otherwise stated, the terms “include” and “including” when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;
- (b) all titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;
- (c) references to the singular include the plural and vice versa;
- (d) references to Articles, Sections, Clauses and the Preamble are, unless the context

indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement; and

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

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

16.5 *Confidentiality.*

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

(b) Notwithstanding any other provision of this Section 16.5, 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 16.5, and further provided that in no event shall a document or information be disclosed in violation of the standards of conduct requirements established by FERC.

(c) A Party receiving notice or otherwise concluding that any confidential document or information furnished by the other Party in connection with this Agreement is being sought under any provision of law, to the extent it is permitted to do so under any applicable law, shall: (i) promptly notify the other Party; and (ii) use reasonable efforts in cooperation with the other Party to seek confidential treatment of such confidential

information.

(d) Any independent auditor performing an audit on behalf of a Party pursuant to Section 16.4 shall be required to execute a confidentiality agreement with the Party being audited. Such audit information shall be treated as confidential pursuant to this Section 16.5,

(e) The Parties agree that monetary damages may be inadequate to compensate a Party for the other Party's breach of its obligations under this Section 16.5. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the Party breaches or threatens to breach its obligations under this Section 16.5, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law.

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

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

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

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

16.9 Jurisdiction and Venue. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Federal or State courts of Pennsylvania and each Party

hereby irrevocably submits to the *in personam* jurisdiction of such courts. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

16.10 Amendments. Except as provided in Section 16.11 (PJM Agreement Modifications), this Agreement or any Transaction shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed, in writing, by the Parties. Except as provided in Section 16.11 (PJM Agreement Modifications), the rates, terms and conditions contained in this Agreement or any Transaction are not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. Absent the agreement of all parties to the proposed change, the standard of review for changes to this Agreement proposed by a Party, a non-Party or the FERC acting *sua sponte* shall be the “public interest” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U. S. 348 (1956) (the “*Mobile-Sierra*” doctrine).

16.11 PJM Agreement Modifications.

- (a) If the PJM Agreements are amended or modified so that any schedule or section references herein to such agreements is changed, such schedule or section references herein shall be deemed to automatically (and without any further action by the Parties) refer to the new or successive schedule or section in the PJM Agreements which replaces that originally referred to in this Agreement.
- (b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement.

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

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

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

ATTEST:

PPL ELECTRIC UTILITES CORPORATION

By: _____

Title: _____

Name: _____

Title: _____

ATTEST:

[SELLER]

By: _____

Title: _____

Name: _____

Title: _____

EXHIBIT A

FIXED PRICE TRANSACTION CONFIRMATION EXAMPLE

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

Product: [Full Requirements Electric Service]
 Customer Group: [Residential]
 Service Type: [Rate Schedules RS, RTS]
 Delivery Location: [PPL Zone, NA]
 Delivery Period: [Start] to [End]

The Seller’s Specified Percentage is _____. Seller will supply _____ tranches at a Default Service Fixed Price Supplier Price of \$ _____ per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	MW-Measure
Rate Schedules RS, RTS	_____	_____	_____	_____

	Delivery Period Quantities											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Off-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
On-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
Estimated Capacity Quantity Per MW-Day (MW-Day)												

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by e-mail or facsimile to PPL Electric at [Fax number to be provided] in accordance with Section 2.9 – Transaction Confirmation of the Default SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

ATTEST

By: _____

Name: _____

Title: _____

ATTEST

By: _____

Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____

Name:

Title:

[SELLER] _____

Name: _____

Title: _____

EXHIBIT B

SPOT MARKET TRANSACTION CONFIRMATION EXAMPLE

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

Product: [Spot Market Electric Service]

Customer Group: [Large Commercial & Industrial]

Service Type: [Rate Schedules GS-3> 500kW, LP4>500kW, Standby, ISP, LP-5, LP-6, LPEP, ISA]

Delivery Location: [PPL Zone, NA]

Delivery Period: [Start] to [End]

The Seller’s Specified Percentage is _____. Seller will supply _____ tranches at a Default Service Spot Market Supplier Price of \$ _____ per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	MW-Measure
Rate Schedules Classes GS-3> 500kW, LP4>500kW, Standby, ISP, LP-5, LP-6, LPEP, IST, ISM	_____	_____	_____	_____

	Delivery Period Quantities											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Off-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
On-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
Estimated Capacity Quantity Per MW-Day (MW-Day)												

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by e-mail or facsimile to PPL Electric at [Fax number to be provided]

in accordance with Section 2.9 – Transaction Confirmation of the Default SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

ATTEST

By: _____
Name: _____
Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____
Name: _____
Title: _____

ATTEST

By: _____
Title: _____

[SELLER] _____
Name: _____
Title: _____

EXHIBIT C

ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION

This Exhibit C shall confirm the Alternative Energy Portfolio Standards Obligation of the transaction (“Transaction”) agreed to on _____ (“Bid Proposal Due Date”).

Alternative Energy Portfolio Standards Obligations for the period beginning June 1, 2013 based on the retail MWh that the Buyer sells to others as supplied by Seller during those months in which the Seller is providing supply:

Residential Load Obligation:

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/13 to 5/31/14	4.5%	0.042%	6.2%
6/1/14 to 5/31/15	5.0%	0.072%	6.2%

Small Commercial & Industrial Load Obligation

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/13 to 5/31/14	4.5%	0.0840%	6.2%
6/1/14 to 5/31/15	5.0%	0.1440%	6.2%

Large Commercial & Industrial Load Obligation

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/13 to 5/31/14	4.5%	0.0840%	6.2%
6/1/14 to 5/31/15	5.0%	0.1440%	6.2%

EXHIBIT D

PERFORMANCE ASSURANCE EVERGREEN LETTER OF CREDIT

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

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

ISSUE DATE _____

EXPIRY DATE: _____

APPLICANT

[NAME]

[ADDRESS]

BENEFICIARY

[NAME]

[ADDRESS]

CURRENCY AMOUNT USD

*****\$ _____

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF APPLICANT FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN. THIS LETTER OF CREDIT IS AVAILABLE IN ONE OR MORE DRAFTS UP TO THE AGGREGATE AMOUNT SET FORTH HEREIN.

THIS LETTER OF CREDIT IS PRESENTABLE AND PAYABLE AT OUR COUNTERS AND WE HEREBY ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE HONORED ON PRESENTATION BY PHYSICAL DELIVERY OR BY FACSIMILE TRANSMISSION [, PROVIDED THAT ANY PRESENTATION BY FACSIMILE TRANSMISSION SHALL ALSO BE FOLLOWED BY PHYSICAL DELIVERY OF DOCUMENTS WITHIN ONE (1) BUSINESS DAY THEREAFTER,] IF ACCOMPANIED BY THE REQUIRED DOCUMENTS PURSUANT TO THE TERMS OF THIS LETTER OF CREDIT.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE THE EXPIRY DATE OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN, OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS (WITH BLANKS APPROPRIATELY COMPLETED AND BRACKETED INSTRUCTIONS DELETED):

“THE AMOUNT FOR THIS DRAWING, USD _____ [INSERT AMOUNT], BEING MADE UNDER THE _____ [INSERT NAME OF BANK] IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ [INSERT LETTER OF CREDIT REFERENCE NUMBER], REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT OR AN AFFILIATE OF APPLICANT UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLY MASTER AGREEMENT DATED _____ [INSERT DATE OF SUCH AGREEMENT] BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY.” OR

“AN EVENT OF DEFAULT UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLY MASTER AGREEMENT DATED _____ [INSERT DATE OF SUCH AGREEMENT] BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY HAS OCCURRED AND THAT BENEFICIARY DEMANDS PAYMENT IN THE AMOUNT OF [INSERT AMOUNT UP TO ENTIRE REMAINING UNDRAWN AMOUNT] PURSUANT TO SUCH AGREEMENT.”; OR

“THE EXPIRATION DATE OF IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ [INSERT LETTER OF CREDIT REFERENCE NUMBER] IS LESS THAN THIRTY (30) DAYS FROM THE DATE OF THIS STATEMENT AND THAT THE APPLICANT UNDER SUCH LETTER OF CREDIT HAS FAILED TO PROVIDE A REPLACEMENT LETTER OF CREDIT THAT SATISFIES THE REQUIREMENTS UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLY MASTER AGREEMENT DATED _____ BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY. WE THEREFORE DEMAND PAYMENT IN THE AMOUNT OF [INSERT AMOUNT UP TO ENTIRE REMAINING UNDRAWN AMOUNT] PURSUANT TO SUCH AGREEMENT.”

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

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED. IN THE EVENT OF ANY PARTIAL DRAWING WE WILL, PROMPTLY FOLLOWING PRESENTATION THEREOF, RETURN THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS TO YOU. ALL AMOUNTS PAID BY US TO BENEFICIARY IN COMPLIANCE WITH THIS LETTER OF CREDIT SHALL CONSTITUTE A PRO TANTO REDUCTION IN THE STATED AMOUNT OF THIS LETTER OF CREDIT.

IF PRESENTATION OF ANY DRAWING IS MADE ON A BUSINESS DAY (AS HEREIN DEFINED) AND SUCH PRESENTATION IS MADE ON OR BEFORE 11:00 A.M. NEW

YORK TIME, ISSUER SHALL SATISFY SUCH DRAWING REQUEST ON THE NEXT BUSINESS DAY. IF THE DRAWING IS RECEIVED AFTER 11:00 A.M. NEW YORK TIME, ISSUER WILL SATISFY SUCH DRAWING REQUEST ON THE SECOND FOLLOWING BUSINESS DAY. ALL PAYMENTS MADE UNDER THIS LETTER OF CREDIT SHALL BE MADE BY MEANS OF WIRE TRANSFER IN IMMEDIATELY AVAILABLE UNITED STATES DOLLARS TO YOUR BANK ACCOUNT INDICATED BY BENEFICIARY.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENTS PRESENTED IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED IF PRESENTED FOR PAYMENT ON OR BEFORE THE EXPIRY DATE, AS EXTENDED FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

IN THE EVENT OF ANY NON-CONFORMING PRESENTATION, WE SHALL IMMEDIATELY NOTIFY BENEFICIARY IN WRITING BY FACSIMILE TO FAX NUMBER [BENEFICIARY TO INSERT FAX NUMBER] THAT THE PRESENTATION HAS BEEN REJECTED, WHICH NOTICE SHALL INDICATE THE REASONS FOR DISHONORING SUCH PRESENTATION AND SHALL PLACE AT THE DISPOSAL OF BENEFICIARY THE DOCUMENTS PRESENTED BY BENEFICIARY IN SUPPORT OF ITS DEMAND FOR PAYMENT. BENEFICIARY MAY THEREAFTER PRESENT DOCUMENTS AND RECEIVE PAYMENT HEREUNDER IN THE EVENT A CONFORMING PRESENTATION IS MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

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

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS, FEES, COSTS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK], INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN

EFFECT IN THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK]. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.

3. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS, AND THEN ONLY TO THE EXTENT THAT, THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER EXPRESSLY WAIVING SUCH RIGHT OR RIGHTS. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF ANY BREACH OR NON-COMPLIANCE AFTER THE WAIVER.
4. A FAILURE TO MAKE ANY DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR ANY SUBSEQUENT DEMAND OR DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT E

METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE

Parameters

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

1. On-Peak Initial Mark Price
2. Off-Peak Price Ratio/On-Peak Price Ratio
3. Off-Peak Initial Mark Price
4. On-Peak Estimated Energy Quantity Per MW-Measure for each of the calendar months in the Delivery Period
5. Off-Peak Estimated Energy Quantity Per MW-Measure for each of the calendar months in the Delivery Period
6. Capacity Initial Mark Price
7. Estimated Capacity Quantity Per MW-Day for each of the calendar months in the Delivery Period
8. MW-Measure
9. Number of awarded Tranches

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

1. On-Peak Forward Price
2. Off-Peak Forward Price
3. Capacity Forward Price
4. On-Peak Estimated Energy Quantity
5. Off-Peak Estimated Energy Quantity
6. Capacity Obligation
7. Current PLC Per Tranche
8. Estimated Capacity Quantity

Calculation of the MtM Exposure

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

- (i) the relevant month On-Peak Forward Price minus the relevant month On-Peak Initial Mark Price, multiplied by the relevant month On-Peak Estimated Energy Quantity;
- (ii) the relevant month Off-Peak Forward Price minus the relevant month Off-Peak Initial Mark Price, multiplied by the relevant month Off-Peak Estimated Energy Quantity;
- (iii) the relevant month Capacity Forward Price minus the relevant month Capacity Initial

Mark Price, multiplied by the relevant month Estimated Capacity Quantity.

Determination of On-Peak Forward Prices

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

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

Determination of Off-Peak Forward Prices

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

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

Determination of Capacity Forward Prices

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

EXHIBIT E (Continued)

MtM EXAMPLE CALCULATION FOR A TRANSACTION

Information from a Transaction Confirmation:	
Delivery Period: January 1, 2010, through December 31, 2010	
Total Tranches (p):	4
MtM Measure (q):	50

Month	Estimated Quantity Per MtM Measure		Estimated Capacity Per MtM-Day (r)
	On-Peak MWh	Off-Peak MWh	
Jan-2010	13500	9600	200
Feb-2010	11500	8400	200
Mar-2010	8900	7500	200
Apr-2010	8000	6000	200
May-2010	9500	7600	200
Jun-2010	13500	10100	200
Jul-2010	16500	11400	200
Aug-2010	17000	12100	200
Sep-2010	14000	9000	200
Oct-2010	9900	7300	200
Nov-2010	10400	8400	200
Dec-2010	11500	8400	200

MtM Exposure Calculation	
Business Day on which MtM is calculated:	24-Jun-10
Current PLC Per Tranche (f):	51.3
Percent of On-Peak Hours Remaining in Current Month (s):	18.2%
Percent of Off-Peak Hours Remaining in Current Month (t):	21.7%
Percent of Days Remaining in Current Month (v):	20.0%

Month	On-Peak		Off-Peak		Capacity			MtM Exposure (\$) (m) = (c)*f - (g)*t - (h)*v
	Forward Price (a)	Initial Mark Price (b)	Change in Price (c) = (a) - (b)	Initial Mark Price (f)	Change in Price (g) = (e) - (f)	Estimated Energy Quantity (d) = (a)*f*(p)*(s)	Estimated Energy Quantity (h) = (e)*f*(q)*(t)*(v)	
Jan-2010	95.00	105.00	-10.00	60.00	65.00	8015	8015	-135,986.04
Feb-2010	95.00	105.00	-10.00	60.00	65.00	34474	34474	-619,704.00
Mar-2010	85.00	95.00	-10.00	50.00	55.00	30780	30780	-535,572.00
Apr-2010	65.00	75.00	-10.00	50.00	55.00	24624	24624	-426,816.00
May-2010	70.00	80.00	-10.00	60.00	65.00	31190	31190	-521,208.00
Jun-2010	75.00	85.00	-10.00	60.00	65.00	41450	41450	-736,698.00
Jul-2010	125.00	135.00	-10.00	65.00	70.00	46796	46796	-879,256.00
Aug-2010	105.00	115.00	-10.00	60.00	65.00	36936	36936	-621,348.00
Sep-2010	85.00	90.00	-5.00	55.00	60.00	29959	29959	-734,616.00
Oct-2010	85.00	90.00	-5.00	55.00	60.00	34474	34474	-328,320.00
Nov-2010	100.00	110.00	-10.00	70.00	75.00	34474	34474	-381,152.00
Dec-2010	100.00	110.00	-10.00	70.00	75.00	34474	34474	-619,704.00

EXHIBIT F

UNCONDITIONAL GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty”) is made and entered into as of this ____ day of ____, by ____ (the “Guarantor”), with an address at ____, in favor of PPL Electric Utilities Corporation (the “Buyer”), with an address at ____, in consideration of all Transactions for Default Service and Alternative Energy Credit under Supply Master Agreement(s) (“SMA(s)”) between PPL Electric Utilities Corporation and ____ (the “Seller”), including but not limited to all Aggregate Transactions under the Default Service Plan, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the ____ of Seller. Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings assigned thereto in the applicable SMA(s).

Whereas, Seller is an affiliate of Guarantor, and Guarantor desires Buyer to enter into SMA(s) with Seller and Guarantor’s provision of this Guaranty is an inducement for Buyer to be willing to enter into SMA(s) with Seller.

Now, Therefore, intending to be legally bound hereby, Guarantor covenants and agrees as follows:

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees as primary obligor and not as a surety, with effect from date hereof, the prompt and complete payment in immediately available funds in the United States when due of all of Seller’s obligations (present or future, direct or indirect, secured or unsecured, fixed or contingent and whenever due, whether on scheduled payment dates, upon demand, on a Termination Payment Date or otherwise) under the SMA(s), as well as, all reasonable out-of-pocket costs and expenses incurred by Buyer in the enforcement of the Guarantor’s obligations or collection under this Guaranty, including reasonable attorney’s fees and expenses (collectively, the “Obligations”) provided only that the Buyer is the prevailing party in any judicial suit, action or proceeding arising out of, resulting from, or in any way relating to this Guaranty, or if by mutual agreement by Guarantor and Buyer. [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Buyer’s right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$____ (“Guaranty Amount”), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]

- (b) The Guarantor shall not be required to pay any consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages except in each case to the extent that they constitute Obligations that are required to be paid under the applicable SMA(s).

2. Nature of Guaranty; Waivers

- (a) This is a guaranty of payment and not of collection and the Buyer shall not be required, as a condition of the Guarantor's liability, to proceed first against Seller or any Performance Assurance or any collateral that Guarantor may hold, or to pursue any rights which may be available to it with respect to any other person or entity who may be liable for the payment of the Obligations. This is not a guaranty of performance (other than of performance of payment obligations) and the Guarantor is not obligated to provide power or to deliver AECs under the SMA(s) or this Guaranty.
- (b) This Guaranty is an absolute, unconditional, irrevocable (subject to the provisions of Section 12 of this Guaranty) and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, or until the SMA(s) have been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Buyer or any other party, or any other guaranty, Performance Assurance or other security held by it for any of the Obligations, by any failure of the Buyer to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security, Performance Assurance, or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof.
- (c) Except as to any claims, defenses, or rights of set-off to which Seller is entitled under the SMA(s), exclusive of any claims, defenses, and rights of set-off that are based upon the insolvency, bankruptcy or reorganization of Seller, the power or authority to enter into and perform under the SMA(s) or the Transactions, all of which are expressly reserved under this Guaranty, the Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, deduction or defense based upon any claim the Guarantor may have against Seller or the Buyer, including: (i) any change in the corporate existence (including its charter or other governing agreement, laws, rules, regulations or powers), structure or ownership of Seller or the Guarantor; or (ii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller or its assets; or (iii) the invalidity or unenforceability in whole or in part of the SMA(s); or (iv) any provision of applicable law or regulations purporting to prohibit payment by Seller of amounts to be paid by it under the SMA(s) (other than any law or regulation that eliminates or nullifies the obligations under the SMA(s)).
- (d) Guarantor waives notice of acceptance of this Guaranty, diligence, presentment, notice of dishonor and protest and any requirement that at any time Buyer or any other person or entity exhaust any right to take any action against Seller or Seller's assets or any other guarantor, person or entity, and Buyer shall not be bound or obligated to exhaust its recourse against Seller or any other person or entity or against any Performance Assurance or other collateral it may hold or take any other action before being entitled to receive payment from Guarantor. Any failure of Buyer to give notice shall not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all

claims, defenses, and rights of set-off based on suretyship or impairment of collateral or any other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims, defenses, or rights of set-off of Seller in respect of its obligations under the SMA(s) that are expressly reserved under Section 2(c) above.

- (e) The Buyer at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (i) to the extent permitted by the SMA(s), change the manner, place, time or terms of payment or performance of, or other terms relating to, any of the Obligations; (ii) to the extent permitted by the SMA(s), renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, or any other guaranties for any Obligations; (iii) settle, compromise or deal with any other person, including Seller, with respect to any Obligations in such manner as the Buyer deems appropriate at its sole discretion; (iv) substitute, exchange or release any Performance Assurance or any guaranty; or (v) take such actions and exercise such remedies hereunder or under the SMA(s) as Buyer deems appropriate in its sole discretion.

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

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law);
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor;
- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and

- (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that could reasonably be expected to have a material adverse effect on this Guaranty or Guarantor's ability to perform all of its obligations hereunder.
4. Repayments or Recovery from the Buyer. If any demand is made at any time upon the Buyer for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Buyer repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor shall be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Buyer. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Buyer's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable. Furthermore, this Guaranty shall continue to be effective or be reinstated, as the case may be, without any release or discharge of any obligations if at any time any payment of any of the Obligations is rescinded, avoided, recovered or must otherwise be returned by Buyer upon the insolvency, bankruptcy, or reorganization or Seller, Guarantor or any other guarantor or any other person or entity or otherwise, all as though such payment had not been made.
5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
6. Postponement of Subrogation. Guarantor shall not be subrogated to any of the rights (or if subrogated by operation of law, such Guarantor hereby waives such rights to the extent permitted by applicable law) of Buyer as the result of any payment or enforcement of any of the Obligations until all of the SMA(s) have terminated and all Obligations (other than contingent indemnities not then due) have been paid in full (such date, the "Obligations Full Payment Date"). If any amount shall be paid to Guarantor on account of subrogation at any time prior to the Obligations Full Payment Date, such amount shall be held by Guarantor in trust for Buyer, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to Buyer in the exact form received by Guarantor (duly endorsed by Guarantor to Buyer, if required) to be applied against the Obligations, whether due or to become due, in such order as Buyer may determine. On

the Obligations Full Payment Date, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payments to Buyer hereunder that have not been rescinded, avoided or otherwise required to be returned.

7. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Buyer and the Guarantor set forth below or to such other address as one may give to the other in writing for such purpose:

All communications to Buyer shall be directed to:

Attn: James Rouland
Phone: 610-774-3042
Fax: 610-774-5694
E-mail: jmrouland@pplweb.com
Address: 2 North 9th Street, GEN N5, Allentown, PA 18101

or such other address as the Buyer shall from time to time specify to Guarantor by notice given in accordance with this Section 7.

All communications to Guarantor shall be directed to:

Attn: _____
Phone: _____
Fax: _____

or such other address as the Guarantor shall from time to time specify to Buyer by notice given in accordance with this Section 7.

8. Preservation of Rights. No delay or omission on the Buyer's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Buyer's action or inaction impair any such right or power. The Buyer's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Buyer may have under other agreements with the Guarantor or in respect of any Performance Assurance or at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the

Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.

11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire statement of the terms of this Guaranty and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Buyer with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon the successors and permitted assigns of Guarantor and inure to the benefit of the Buyer and its successors and assigns. Any assign must meet the requirements of a Guarantor under the SMA. Guarantor shall not assign this Guaranty in whole or in part without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that concurrently assumes in a writing provided to the Buyer all of Guarantor's obligations hereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB-, as rated by S&P or Fitch, or Baa3, as rated by Moody's, and (ii) the Seller is in compliance with all of its obligations under the SMA(s) before and immediately after giving effect to such assignment and assumption. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings determined by Moody's Investor Services, Inc. (or its successor) ("Moody's"), the Standard & Poor's Rating Group, a division of McGraw-Hill, Inc., (or its successor) ("S&P"), or Fitch Investor Service, Inc. (or its successor) ("Fitch") immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.
13. Interpretation. In this Guaranty, unless the Buyer and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty unless otherwise indicated. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.
14. Governing Law.
 - (a) This Guaranty has been delivered to and accepted by the Buyer. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES THAT WOULD APPLY THE LAWS OF ANY OTHER JURISDICTION.

(b) The Guarantor hereby irrevocably consents to the non-exclusive jurisdiction of any federal court in the Commonwealth of Pennsylvania, but in the event that the Guarantor and the Buyer jointly determine in good faith that jurisdiction does not lay with such court or that such court refuses to exercise jurisdiction or venue over the Guarantor and the Buyer or any claims made pursuant to this Guaranty, then the Guarantor agrees to submit to the non-exclusive jurisdiction of the Pennsylvania state courts; provided that nothing contained in this Guaranty will prevent the Buyer from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Buyer and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

15. WAIVER OF JURY TRIAL. THE GUARANTOR AND BUYER IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND BUYER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.
16. Term. This Guaranty shall survive termination of the SMA(s) and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid in full.
17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the SMA(s) is stayed upon the insolvency, bankruptcy or reorganization of Seller, all such amounts otherwise subject to acceleration or required to be paid upon an early termination pursuant to the terms of the SMA(s) shall nonetheless be payable by the Guarantor hereunder on written demand by Buyer.
18. Severability. Any provision contained in this Guaranty which is prohibited or severability in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

[Guarantor]

By: _____

Name: _____

Title: _____

EXHIBIT G

FORM OF NOTICE

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

BUYER: PPL Electric Utilities Corporation

SELLER:

All Notices:

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

All Notices:

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

Invoices:

Attn:
Phone:
Facsimile: **610-774-5694**

Invoices:

Attn:
Phone:
Facsimile:

Scheduling:

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

Scheduling:

Attn:
Phone:
Facsimile:

Payments:

Attn:
Phone:
Facsimile: **610-774-5694**

Payments:

Attn:
Phone:
Facsimile:

Wire Transfer:

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

Wire Transfer:

BNK:
ABA:
ACCT:

Credit and Collections:

Attn:
Phone:
Facsimile: **610-774-5694**

Credit and Collections:

Attn:
Phone:
Facsimile:

With additional Notices of an

With additional Notices of an

Event of Default to:

Attn:

Phone:

Facsimile: **610-774-5694**

Event of Default to:

Attn:

Phone:

Facsimile:

EXHIBIT H

DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this _____ day of _____, 20_____ by the following:

PRINCIPAL: _____ (“Principal”)

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, make 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 parts (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 it

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 underfrequency, under-voltage, or other load-shedding devices; and complying with the underfrequency relay obligations and charges specified in the Operating Agreement.

(c) Generator Responsibilities.

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

_____ 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, in the event of Emergencies, and shall direct such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

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

_____ 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 as Principal for the following specific unit(s) in Principal primary and subaccounts:

Resource Name: _____ Resource ID:

(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.

(e) Billing and Payment Responsibilities.

_____ In connection with all rights and responsibilities specified by Principal and Agent in any of subparts (a) through (d) of this Section, 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.)

(f) 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.

(g) Additional Responsibilities.

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

(h) Limitation on Responsibilities.

_____ The rights and responsibilities specified in parts (a) through (f) above apply to a limited portion of 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.

3.1 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.

3.2 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 to 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.

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

- 4.1 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.
- 4.2 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 (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Agent is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.
- 4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and 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.
- 4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- 4.5 The Recitals are hereby incorporated into the body of this Declaration.

IN WITNESS WHEREOF, 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: _____ AGENT: _____

Signature: _____ Signature: _____

Name: _____ Name: _____

Title: _____ Title: _____

Company Name: _____ Company Name: _____

DECLARATION OF AUTHORITY

Addendum Example

PRINCIPAL : (“Principal”)

AGENT : (“Agent”)

Duration of Agreement:

Effective Starting Date: [Hour] on [Month] [Date], [Year]

Effective Ending Date: [Hour] on [Month] [Date], [Year]

Note: Principal or agent is required to provide PJM thirty days written notice prior to the date of expiration. Upon expiration all accounts will revert back to their original status.

PJM Billing Line Items - Transfer

Principal and Agent agree that PJM Settlement, Inc (“PJM Settlement”) shall transfer all the following charges directly related to the Agent’s share of serving the retail load obligations (or POLR load if this is POLR) from the Agent’s account(s) to the Principal’s account for the duration period specified above:

<u>Billing Line Item #</u>	<u>Billing Line Item</u>
1100	Network Integration Transmission Service charges
1108	Transmission Enhancement charges
1730	Expansion Cost Recovery charges
2140	Non-Firm Point-to-Point Transmission Service credits

PJM Accounts/Subaccounts

<u>Role</u>	<u>Participant Name</u>	<u>Short Name</u>	<u>Org ID</u>
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Principal

Agent

Note: Billing Line Items to consider and address as needed for a POLR Load shift include but are not limited to: Network Integration Service Charge, Network Integration Service Offset, Transmission Enhancement Charge, Non-Firm PTP Service Credits, Expansion Cost Recovery Charge, ARR Credits.

Attachment B
Redline Default Service SMA

PPL ELECTRIC UTILITIES CORPORATION

DEFAULT SERVICE

SUPPLY MASTER AGREEMENT

BETWEEN

PPL ELECTRIC UTILITIES CORPORATION

AND

[SELLER NAME]

DATED _____

DEFAULT SERVICE SUPPLY MASTER AGREEMENT

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DEFAULT SERVICE SUPPLY MASTER AGREEMENT

THIS DEFAULT SERVICE SUPPLY MASTER AGREEMENT (“Agreement” or “Default Service SMA”), is made and entered into as of _____ (“Effective Date”), by and between _____, hereinafter referred to as “Seller” and PPL Electric Utilities Corporation, hereinafter referred to as “PPL Electric” or “Buyer” (each hereinafter referred to individually as “Party” and collectively as “Parties”).

WITNESSETH:

WHEREAS, the Pennsylvania Public Utility Commission Orders issued pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, as amended by Act 129 of 2008, direct Buyer to supply electric service to serve Default Service Load within Buyer's Pennsylvania franchise service territory; and

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

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

WHEREAS, Seller desires to sell Full Requirements Service and Buyer desires to purchase such Full Requirements Service to serve Default Service Load in Buyer’s Pennsylvania franchised service territory on a firm and continuous basis; and

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

ARTICLE 1 DEFINITIONS

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

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

“Aggregate Buyer’s Exposure” means the total amount of Buyer’s Exposure for Aggregate Transactions.

“Aggregate Transactions” means all Transactions under this Agreement and all other transactions for supply serving Default Service Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders.

“Agreement” means this Default Service Supply Master Agreement or Default Service SMA.

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

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

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

“Auction Revenue Rights (“ARRs”)” shall have the meaning ascribed thereto in the PJM Agreements.

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

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

“Block Supply” means, such MWs of around-the-clock Energy, Capacity, Transmission other than Non-market-based Transmission Service, Ancillary Services and associated AECs, delivered to the PPL Zone, as established by the Commission Orders. Under the Commission Orders, Block Supply is currently scheduled to be 300 MW for the period June 1, 2013 through August 31, 2013, to be 250 MW for the period September 1, 2013 through November 30, 2013, to be 200 MW for the period December 1, 2013 through February 28, 2014, to be 150 MW for the period March 1, 2014 through December 31, 2015, and to be 50 MW for the period January 1, 2016 through May 31, 2021 under the Commission Orders. The entirety of this Block Supply will be allocated to the Residential Customer Group.

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

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

“Buyer’s Exposure” during the term of a Transaction shall be deemed to be equal to the Credit Exposure calculated pursuant to Section 14.6 (Aggregate Buyers Exposure) of this Agreement; less the sum of any unpaid or unbilled amounts owed by Buyer to Seller pursuant to such Transaction under this Agreement. With respect to the preceding sentence, “unbilled amounts owed by Buyer” shall consist of a good faith estimate by Buyer as to any amounts which will be owed by Buyer for service already rendered by Seller under such Transaction.

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

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

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

“Capacity Obligation” means the product of the Current PLC Per Tranche, adjusted as appropriate to account for the reserve margin and scaling factors, consistent with PJM unforced capacity accounting, and the number of Tranches awarded to the Seller for Default Service Fixed Price Load; or Default Service Spot Market Load ~~or Default Service Time of Use Load~~, as appropriate.

“Costs” means, with respect to the Non-Defaulting Party, brokerage fees, commissions, PJM charges, and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its Default Load obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction or any other default pursuant to this Agreement or pursuant to transactions for Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, including but not limited to the AEPS obligation.

“Credit Exposure” shall have the meaning ascribed to it in Article 14.6 (Aggregate Buyer’s Exposure).

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

“Current PLC Per Tranche” means, on any given Business Day, for each Transaction, the product of: (i) the Peak Load Contribution associated with a Customer Group and attributable to Default Service Fixed Price Load; or Default Service Spot Market ~~Load or Default Service Time of Use Load~~, as appropriate; and (ii) the quotient of the Specified Percentage and the number of Tranches for Default Service Fixed Price Load; or Default Service Spot Market ~~Load or Default Service Time of Use Load~~, as appropriate.

“Customer Group” means a customer category for the Default Service Load, consisting of all customer classes in the Service Type as specified in a Transaction Confirmation.

“Default Damages” means, for the period of time specified in Section 12.2(b)(ii) (Remedies) any direct damages and Costs, calculated in a commercially reasonable manner, that the Non-Defaulting Party incurs with respect to the Specified Percentage as a result of an Event of Default (as defined in Section 12.1). Direct damages may include, but are not limited to: (i) the positive difference (if any) between the price of Full Requirements Service hereunder and the price at which the Buyer or Seller is able to purchase or sell (as applicable) Full Requirements Service (or any components of Full Requirements Service it is able to purchase or sell) from or to third parties, including PJM; (ii) Emergency Energy charges; and (iii) additional transmission or congestion costs incurred to purchase or sell Full Requirements Service.+

“Default Service” or “POLR” shall have the meaning ascribed to it in the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, and PUC Orders enacted thereunder.

“Default Service Fixed Price Load” means the total sales at the retail meter, plus any transmission and distribution losses and Unaccounted For Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PUC Orders, as such sales vary from hour to hour, in Buyer's Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”) (and less Block Supply for the Residential Customer Group), designated by the PUC to be served by entities that have been selected through a ~~PPL Electric~~ solicitation by Buyer to supply Full Requirements Service ~~to PPL Electric retail customers~~ at a fixed price.

“Default Service Fixed Price Monthly Settlement Amount” shall have the meaning ascribed to it in Article 6.3 (Monthly Settlement Amounts)

“Default Service Fixed Price Monthly Settlement Quantity” shall have the meaning ascribed to it in Article 6.1 (Monthly Settlement Quantities).

“Default Service Fixed Price Supplier” means an entity that has been selected through a PPL Electric solicitation to serve the Default Service Fixed Price Load of PPL Electric retail customers.

“Default Service Fixed Price Supplier Price” means the price per MWh as set forth in a Transaction Confirmation for Default Service Fixed Price Load (Exhibit A).

“Default Service Load” or “Default Load” is equal to the sum of the Default Service Fixed Price Load, Default Service Spot Market Load, ~~Default Service Time of Use Load~~ and load served by Block Supply. For purposes of clarification, Default Service Load shall not include sales resulting from changes in the Buyer's Pennsylvania service territory which occur as a result of a merger, consolidation, or acquisition of another entity which has a franchised service

territory in Pennsylvania or a result of a significant franchise territory swap with another entity which has a franchised service territory in Pennsylvania.

“Default Service Spot Market Load” means the total sales at the retail meter, plus any transmission and distribution losses and Unaccounted For Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PUC Orders, as such sales vary from hour to hour, in Buyer's Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”), served by entities that have been selected through a solicitation by Buyer to supply Full Requirements Service at a spot market price.

“Default Service Spot Market Monthly Settlement Amount” shall have the meaning ascribed to it in Article 6.3 (Monthly Settlement Amounts).

“Default Service Spot Market Monthly Settlement Capacity Obligation” shall have the meaning ascribed to it in Section 6.2 (Monthly Settlement Capacity Obligation).

“Default Service Spot Market Monthly Settlement Quantity” shall have the meaning ascribed to it in Article 6.1 (Monthly Settlement Quantities).

“Default Service Spot Market Supplier” means an entity that has been selected through a PPL Electric solicitation to serve the Default Service Spot Market Load of PPL Electric retail customers.

“Default Service Spot Market Supplier Price” means the price per MWh as set forth in a Transaction Confirmation for Default Service Spot Market Load (Exhibit B).

~~“Default Service Time of Use (“TOU”) Load” means the total sales at the retail meter, plus any transmission and distribution losses and Unaccounted For Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PUC Orders, as such sales vary from hour to hour, in Buyer's Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to de minimis geographic border changes to the service territory that exists on the Effective Date less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”), served by entities that have been designated by the PUC to be served by entities that have been selected through a solicitation by Buyer to supply Full Requirements Service at a Time of Use price.~~

~~“Default Service Time of Use (“TOU”) Monthly Settlement Amount” shall have the meaning ascribed to it in Article 6.3 (Monthly Settlement Amounts).~~

~~“Default Service Time of Use (“TOU”) Obligation” means a Default Service Fixed Price Supplier’s obligation to be a Default Service Time of Use Supplier if so selected through a solicitation by Buyer.~~

~~“Default Service Time of Use (“TOU”) Monthly Settlement Off-Peak Quantity” shall have the meaning ascribed to it in Article 6.1 (Monthly Settlement Quantities).~~

~~“Default Service Time of Use (“TOU”) Monthly Settlement On-Peak Quantity” shall have the meaning ascribed to it in Article 6.1 (Monthly Settlement Quantities).~~

~~“Default Service Time of Use (“TOU”) Off-Peak Supplier Price” means the price per MWh for all Time of Use Off-Peak Hours. This price is based on the current generation supply cost factor (“GS-Factor”) of the GSC-1 rate by Customer Group, during the Delivery Period, with a discount corresponding to TOU Off-Peak Hours. The off-peak discount factor is determined based upon an analysis of the prior three calendar years’ energy prices and load. Specifically, to determine the discount rate: (i) for the three prior calendar years, hourly load data by Customer Group will be obtained from PPL Electric’s Meter Data Management System, (ii) for the same three year period, the hourly PJM LMP for the PPL Zone will be obtained, (iii) each hour’s load is multiplied by the corresponding LMP to determine hourly spot market energy dollars, (iv) the off-peak hourly spot market dollars for the entire three year period are summed and divided by the corresponding sum of the off-peak MWh’s of load, deriving the TOU off-peak \$/MWh load-weighted average for each Customer Group, (v) the sum of all hourly spot market energy dollars is divided by the sum of all MWh’s of load, deriving the total \$/MWh load-weighted average for each Customer Group, (vi) the TOU off-peak \$/MWh load-weighted average is divided by the total \$/MWh load-weighted average to determine the off-peak discount factor, and (vii) the off-peak discount factor is multiplied by the GS-Factor for the respective Customer Group to determine the Default Service TOU Off-Peak Supplier Price. This price is set forth in a Transaction Confirmation for the Default Service TOU Load (Exhibit C).~~

~~“Default Service Time of Use (“TOU”) On-Peak Supplier Price” means the price per MWh for all Time of Use On-Peak Hours. This price is based on the current generation supply cost factor (“GS-Factor”) of the GSC-1 rate by Customer Group, during the Delivery Period, with a price premium corresponding to TOU On-Peak Hours. The on-peak price premium is determined based upon an analysis of the prior three calendar years’ energy prices and load. Specifically, to determine the discount rate: (i) for the three prior calendar years, hourly load data by Customer Group will be obtained from PPL Electric’s Meter Data Management System, (ii) for the same three year period, the hourly PJM LMP for the PPL Zone will be obtained, (iii) each hour’s load is multiplied by the corresponding LMP to determine hourly spot market energy dollars, (iv) the on-peak hourly spot market dollars for the entire three year period are summed and divided by the corresponding sum of the on-peak MWh’s of load, deriving the TOU on-peak \$/MWh load-weighted average for each Customer Group, (v) the sum of all hourly spot market energy dollars is divided by the sum of all MWh’s of load, deriving the total \$/MWh load-weighted average \$/MWh for each Customer Group, (vi) the TOU on-peak \$/MWh load-weighted average is divided by the total \$/MWh load-weighted average to determine the on-peak price premium, and (vii) the on-peak price premium is multiplied by the GS-Factor for the respective Customer Group to determine the Default Service TOU On-Peak Supplier Price. This price is set forth in a Transaction Confirmation for the Default Service TOU Load (Exhibit C).~~

~~“Default Service Time-of-Use (“TOU”) Supplier” means an entity that has been selected through a solicitation by Buyer to supply Full Requirements Service for the Default Service Time-of-Use (“TOU”) Load.~~

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

“Delivery Point” means the PPL Electric Utilities Transmission Zone as defined by the PJM Agreements.

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

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

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

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

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

“Estimated Capacity Quantity Per MW-Day” means the estimation of Capacity Obligation for each of the calendar months in the Delivery Period, as set forth in the Transaction Confirmation.

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

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

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

“Full Requirements Service” means all necessary Energy, Capacity, Transmission other than Non-market-based Transmission Services, Ancillary Services, Pennsylvania Alternative Energy

Portfolio Standard (“AEPS”) requirement, transmission and distribution losses, congestion management costs, and such other services or products as defined by the Transaction Confirmations.

“Gains” means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from a Terminated Transaction under this Agreement or a transaction for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, determined in a commercially reasonable manner.

~~“Generation Supply Factor (“GS-Factor”)” means the energy and capacity price components of the Generation Service Charge 1.~~

~~“Generation Service Charge (“GSC”)” means the price charged to eligible customers in the Residential and Small Commercial & Industrial Customer Groups receiving Default Service through Buyer such that Buyer is able to recover all costs associated with providing Default Service to these customers.~~

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

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

“Guarantor” means any Affiliate to the Seller that is acceptable to Buyer in its sole discretion that guaranties Seller’s financial obligations under this Agreement pursuant to the Guaranty Agreement.

“Guaranty Agreement” means the guaranty agreement entered into by a Guarantor in the form attached hereto as Exhibit ~~GE~~ or in such other form as is acceptable to Buyer in its sole discretion.

“Guaranty Amount” means the maximum aggregate liability of the Guarantor under the Guaranty Agreement, if specified in the Guaranty Agreement.

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

“Letter(s) of Credit (“LC”)” means one or more irrevocable, transferable standby letters of credit issued in favor of Buyer by a Qualified Institution, in the form attached as Exhibit ~~ED~~ hereto or otherwise in a form acceptable to Buyer in its sole discretion.

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

“Locational Marginal Price (“LMP”)” shall have the meaning ascribed to it in the PJM Agreements.

“Losses” means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from the termination of a Transaction under this Agreement or a transaction for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders, determined in a commercially reasonable manner.

“Mark to Market (“MtM”) Exposure” means, with respect to each month remaining in each Delivery Period, the sum of: (i) the relevant month On-Peak Forward Price minus the relevant month On-Peak Initial Mark Price, multiplied by the relevant month On-Peak Estimated Energy Quantity; (ii) the relevant month Off-Peak Forward Price minus the relevant month Off-Peak Initial Mark Price, multiplied by the relevant month Off-Peak Estimated Energy Quantity; and (iii) the relevant month Capacity Forward Price minus the relevant month Capacity Initial Mark Price, multiplied by the relevant month Estimated Capacity Quantity. The methodology for calculating the MtM Exposure and an example are included in Exhibit ~~FE~~.

“Monthly Settlement Date” means, the 20th calendar day in each month of the Delivery Period, or if such 20th calendar day is not a Business Day, then the first Business Day thereafter.

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

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

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

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

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

“Non-market-based Transmission Services” shall mean Network Integration Transmission Services (“NITS”), Transmission Enhancement Costs, Expansion Cost Recovery Costs, Non-Firm Point-to-Point Transmission Service Credits, Regional Transmission Expansion Plan (“RTEP”), and Generation Deactivation Charges. These terms shall have the meaning ascribed to them in the PJM Agreements.

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

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

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

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

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

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

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

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

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

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

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

available from the Reference Market-Makers then the price shall equal the product of: (i) the relevant month On-Peak Forward Price; and (ii) the relevant month On-Peak Price Ratio.

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

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

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

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

“Peak Load Contribution (“PLC”)” means the aggregation of retail customer peak load contributions for Default Service Load, as determined by the Buyer in accordance with the PJM Agreements and reported by Buyer to PJM pursuant to Buyer’s retail load settlement process.

“Performance Assurance” means collateral in the form of cash or Letter(s) of Credit.

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

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

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

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

“PJM Declaration of Authority (“PJM DOA”)” shall have the meaning ascribed to in the PJM Agreements. This shall include all addendums as issued by PJM.

“PJM Final Zonal Capacity Price” shall have the meaning ascribed to it in the PJM Agreements.

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

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

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

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

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

“Pricing Agent” shall be the person or entity described in Article 14.6(a).

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

“PUC Orders” means the orders issued by the PUC pursuant to the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. Sections 2801-2812, as amended by Act 129 of 2008, including the order authorizing the parties to enter into this Agreement.

“Qualified Institution” means a U.S. commercial bank or a U.S. branch of a foreign bank, which U.S. commercial bank or U.S. branch, as applicable, has a Credit Rating of at least A- from S&P or A3 from Moody’s, A- from Fitch, and a minimum of \$10 billion in assets.

“Rate Schedules” means the existing, and modified or successor, customer rate schedule designations in PPL Electric Utilities Corporation’s general tariff.

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

“Reporting Period” shall have the meaning ascribed thereto in the AEPS Act as it may be amended (presently the twelve (12) month period beginning June 1 and extending through May 31 of the following year).

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

“S&P” means Standard & Poor's Financial Services LLC a subsidiary of The McGraw-Hill Companies, Inc. and any successor thereto.

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

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

supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders if total of the Losses and Costs exceeds the Gains and shall be considered an amount due to the Defaulting Party under this Agreement and all other transactions for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders if the Gains exceed the total of the Losses and Costs.

“Short Name” means the unique combination of characters identifying Seller as a Load Serving Entity in the PJM system and associated with PJM eSuite applications and processes.

“Specified Percentage” means the percentage of Default Service Fixed Price Load, or Default Service Spot Market Load, ~~or Default Service TOU Load~~ for a Customer Group that is awarded to Seller as set forth in the relevant Transaction Confirmation pursuant to this Agreement.

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

“Termination Payment Date” shall have the meaning set forth in Section 12.4 (Notice of Termination Payment).

“Terminated Transaction(s)” means any Transaction which has been terminated in accordance with Section 12.2 (b) (Remedies).

~~“Time of Use (“TOU”) Off Peak Hours” means, all hours that are not Time of Use On Peak Hours.~~

~~“Time of Use (“TOU”) On Peak Hours” means, for the Residential Customer Group, Hour Ending (“HE”) 1300 through HE 1900 EPT, Monday through Friday, excluding PJM approved holidays. For the Small Commercial & Industrial Customer Group, HE 0800 through HE 1900 EPT, Monday through Friday, excluding PJM approved holidays.~~

~~“Time of Use Rate Option” means the alternative Default Service rate option available to the Residential Customer Group and Small Commercial & Industrial Customer Group, in lieu of the standard fixed price rate option. Customers may begin participation or end participation in the TOU Rate Option at any time consistent with PPL Electric’s customer switching rules in effect at the time of the switch.~~

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

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

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

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

“Tranche” means a share of the Peak Load Contribution attributable to the Default Service Fixed Price Load, ~~or~~ Default Service Spot Market Load ~~or Default Service Time-of-Use Load~~ of a Customer Group as measured in terms of the MW-Measure as set forth in a Transaction Confirmation.

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

“Transaction Confirmation” shall have the meaning ascribed to it in Section 2.9 (Transaction Confirmation).

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

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

“Unaccounted For Energy” means an energy accounting adjustment for settlement purposes among retail energy suppliers in the PPL Zone. Unaccounted for Energy is distributed among all retail energy suppliers in the PPL Zone on an hourly basis.

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

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

ARTICLE 2

TERMS AND CONDITIONS OF FULL REQUIREMENTS SERVICE

2.1 *Seller’s Obligation To Provide Service.* With respect to a Transaction, Seller shall provide Full Requirements Service on a firm and continuous basis such that the Specified Percentage is supplied during the Delivery Period associated with Exhibits ~~A~~, ~~B~~, and ~~C~~.

2.2 *Buyer’s Obligation to Take Service.* With respect to a Transaction, Buyer shall accept Full Requirements Service as provided by Seller pursuant to Section 2.1 (Seller’s Obligation to Provide Service), and shall pay Seller the relevant monthly settlement amounts for such Full Requirements Service in accordance with Article 6.3 (Monthly

Settlement Amounts) on the applicable Monthly Settlement Date in accordance with Article 7.3 (Payments of the Invoice).

- 2.3 *Non-market-based Transmission Service Costs*. With respect to a Transaction, Buyer shall be responsible, at its sole cost and expense, for all Non-market-based Transmission Service costs. Additionally, Buyer will be responsible for any distribution service necessary to serve the Specified Percentage.
- 2.4 *Other Changes in PJM Charges*. Except as provided in Section 2.3 (Non-market-based Transmission Service Costs), Seller bears the risk of any other changes in PJM products and pricing during the term of this Agreement. However, if there are any other new FERC-approved PJM transmission charges other than those referred to in Section 2.3 or other new PJM charges and costs, charged to network transmission customers, that Seller believes the Buyer should recover through retail rates because they are directly related to the Buyer's obligations, then Buyer will file with the PUC a request for approval to recover such new costs. Seller is required to intervene in any such proceeding before the PUC. Such new costs can only be charged to Buyer to the extent that the PUC approves Buyer's recovery of those costs. Seller agrees to be bound by the decision of the PUC (subject to the normal rules for appeal of the decision of the PUC) and waives all claims concerning this issue before FERC. Notwithstanding the foregoing, nothing in the Agreement shall preclude Seller or Buyer from taking any position before FERC regarding the creation and allocation of any such PJM charges.
- 2.5 *Auction Revenue Rights Allocation (ARRs)*. ARR's shall be allocated to Seller based upon the Seller's Specified Percentage. ARR paths are chosen annually, according to PJM rules; during such time, each Seller receiving an ARR allocation will have the opportunity to choose paths. Sellers selected through subsequent solicitations will be awarded ARR's according to ARR allocation methodology as set by the PJM ARR rules. Buyer will issue a PJM DOA Addendum attached hereto, to PJM and Seller following the creation of any new Short Names for a Seller. The PJM DOA Addendum will ensure correct allocation of ARR's associated with Transactions under this Agreement.
- 2.6 *Status of Seller*. Seller, for purposes of this Agreement and any Transaction, is a Load Serving Entity.
- 2.7 *Sales for Resale*. All Full Requirements Service provided by Seller to Buyer shall be sales for resale, with Buyer reselling such Full Requirements Service to Default Service Load customers.
- 2.8 *Governing Terms*. Each Transaction for Default Service Load shall be governed by this Agreement. This Agreement, including all exhibits hereto, any designated collateral, credit support, margin agreement or similar arrangements and all Transaction Confirmations for Default Service Load shall form a single integrated agreement between Buyer and Seller. Any inconsistency between terms in this Agreement and terms in a Transaction Confirmation for Default Service Load shall be resolved in favor of the terms of this Agreement.

2.9 Transaction Confirmation.

- (a) A Transaction obtaining supply for Default Service Fixed Price Load shall be documented in a Transaction Confirmation in the form attached hereto as Exhibit A. On the calendar day on which Seller is selected and approved by the PUC as a provider of Full Requirements Service to supply Default Service Fixed Price Load, Buyer will forward by e-mail, facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) (Exhibit A) and Seller's Alternative Energy Portfolio Standards Obligation (Exhibit ~~D~~C) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller's receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original. In addition, if such Transaction(s) is the initial Transaction(s) with the Seller under the current RFP solicitation, then Buyer will forward to Seller one (1) fully executed Agreement by overnight delivery service.
- (b) A Transaction obtaining supply for Default Service Spot Market Load shall be documented in a Transaction Confirmation in the form attached hereto as Exhibit B. On the calendar day on which Seller is selected and approved by the PUC as a provider of hourly Full Requirements Service to supply Default Service Spot Market Load, Buyer will forward by email, facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) (Exhibit B) and Seller's Alternative Energy Portfolio Standards Obligation (Exhibit ~~D~~C) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller's receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original. In addition, if such Transaction(s) is the initial Transaction(s) with the Seller under the current RFP solicitation, then Buyer will forward to Seller one (1) fully executed Agreement by overnight delivery service.
- ~~(c) If Seller is assigned the default Service TOU Obligation pursuant to the terms of the solicitation process, the Transaction Confirmation (Exhibit A) provided to Seller as a provider of Full Requirements Service to supply Default Service Fixed Price Load will indicate that Seller is being assigned Default Service TOU Obligation. Within two (2) Business Days following the formal filing of the Buyer's Generation Service Charge ("GSC") with the PUC Buyer will forward by e-mail, facsimile, or other immediate means acceptable to both Parties, to Seller a partially executed Time of Use Transaction Confirmation (Exhibit C) and Seller's Alternative Energy Portfolio Standards Obligation (Exhibit D) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller's receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means~~

~~acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original.~~

ARTICLE 3 SCHEDULING, FORECASTING, AND INFORMATION SHARING

- 3.1 *Scheduling.* Seller is responsible for submitting demand bids for the load obligation they are serving via PJM's eMkt system. Buyer will provide to Seller and PJM all information required by PJM, for the purpose of calculating Seller's Full Requirements Service obligations. The information provided by Buyer is forecasted energy that can be utilized by the Seller in order to submit its demand bids. Buyer does not guarantee this information and Seller should understand this when submitting their demand bids. Buyer shall utilize day-ahead scheduling in association with Transactions under this Agreement through the PJM system.
- 3.2 *Load Forecasting.* Buyer shall not be required to provide to the Seller any load forecasting services for any Transaction.
- 3.3 *Information Sharing.* On each Business Day beginning 7 days prior to the beginning of the Delivery Period, or on the first day following the creation of contracts within the PJM system following an approved RFP solicitation, and continuing throughout the Delivery Period, Sellers shall be able to access Buyer's estimation of the PLC representing the Seller's Specified Percentage. This information will be made available to all Sellers utilizing the PJM eSuite system. Buyer does not warrant the accuracy of such information.

ARTICLE 4 SPECIAL TERMS AND CONDITIONS

- 4.1 *Congestion and Congestion Management.* Seller is responsible for any congestion costs incurred to supply the Specified Percentage as set forth in the Transaction Confirmation(s).
- 4.2 *Load Response Programs.*
- (a) Buyer will manage PJM load response programs in accordance with PJM Agreements as amended from time to time and the provisions of its applicable riders and retail electric service tariffs, as amended and approved by the PUC from time to time, or Buyer customer contracts, as amended by the Buyer from time to time. Buyer will retain all of the benefits associated with its load response programs, including but not limited to all associated wholesale revenues from PJM for Capacity, Energy and Ancillary Services. Unless specifically prohibited by its retail electric service tariffs, Default Service customers may, at their

election, participate in demand response programs offered under the PJM Agreements.

- (b) Seller will be responsible for any costs pursuant to FERC Order No. 745 regarding demand response compensation in organized wholesale energy markets.

4.3 PJM E-Accounts.

- (a) Buyer and Seller shall work with PJM to establish any PJM E-Accounts necessary for Seller to provide Full Requirements Service.
- (b) Within five (5) Business Days following the PUC approval of an RFP Buyer shall generate and provide to Seller Short Name(s) associated with Seller's unique contract type(s), as necessary. Unique Short Names shall be created for each differing contract type (e.g. Residential Full Requirements Load Following contracts versus Small C&I Full Requirements Load Following contracts). Seller shall complete all required forms and processing to PJM to create Short Names within the PJM eSuite system.
- (c) Upon Seller's creation of new Short Names, Buyer shall establish PJM E-Account contract(s) for the entire duration of the Transaction(s). Following Buyer establishing new contracts within the PJM eSuite system, Seller shall review and confirm the PJM E-Account contract(s) for the entire duration of the Transaction(s). The availability of forecast PLC data, referred to in Section 3.3 ("Information Sharing") will be dependant upon the Seller creating new Short Names and confirmation of new contracts within the PJM eSuite system.

4.4 Alternative Energy Portfolio Standards Obligation.

- (a) Seller shall enable the Buyer to comply with the Alternative Energy Portfolio Standards, including regulations adopted thereunder, (together the AEPS Obligation) and shall provide its proportional share of AECs to fulfill the Buyer's AEPS Obligation as set forth in the AEPS Act and PUC rules and Orders that may be promulgated to implement the AEPS Act. The Buyer will provide the Seller with Exhibit DC to this Agreement at the same time that it provides the Transaction Confirmation. Exhibit DC at that time will incorporate the AEPS percentage obligations for the Delivery Period in effect on the day the bid was submitted. Exhibit DC as provided with the Transaction Confirmation will apply during the term of the Agreement and will be used to determine the Seller's AEPS Obligation.
- (b) Seller and Buyer shall work together to establish the proper accounts within the GATS. Seller shall be a subscriber to GATS and is responsible for paying its annual subscription fee. Seller shall transfer AECs into the Buyer's account(s) in the amount necessary to fulfill Seller's AEPS Obligation under this Agreement. Seller shall be responsible for paying the volumetric fees associated with LSE GATS fee requirements in proportion to Seller's Full Requirements Service.

- (c) Within 25 calendar days after the end of each calendar month during the Delivery Period the Seller shall transfer AECs into the Buyer's GATS account(s) in an amount commensurate with the AECs applicable to the requirements service provided by the Seller during said calendar month.
- (d) At the conclusion of the Reporting Period, Seller shall complete its transfer of any AECs not transferred in accordance with subsection (c) of this Section 4.4, into the Buyer's GATS account(s) in the amount necessary to fulfill the Seller's AEPS Obligation under this Agreement no later than 30 calendar days following the completion of a Reporting Period.
- (e) Seller may not transfer AECs in advance of future Reporting Periods.
- (f) In addition to the Remedies stated in Article 9.1 (Seller's Indemnification for Third-Party Claims) and Article 12 (Event of Default; Remedies) of this Agreement, Buyer shall have the right, in its sole discretion, to withhold any and all payments pursuant to Article 7 (Billing and Settlement) of this Agreement in the event that the Seller does not satisfy its obligations under this Section 4.4, and to pursue any other remedies at law or in equity which may be available including, but not limited to those enumerated in Article 9.1 (Sellers Indemnification for Third-Party Claims). Moreover, the Seller will be liable for any costs directly or indirectly related to the procurement of AECs by the Buyer or related to any penalties and costs associated with non-compliance of the AEPS Act in the event that the Seller defaults on its obligations under this Section 4.4.
- (g) Seller shall provide to the Buyer all information regarding its share of the AEPS Obligation that may be required by the PUC rules governing reporting and auditing of Buyer's compliance with the AEPS Obligation.

4.5 *Title Transfer.* Seller shall cease to have title to, possession of, and risk of loss with respect to liability pursuant to Sections 9.1 (Seller's Indemnification for Third-Party Claims) and 9.2 (Buyer's Indemnification for Third-Party Claims) of Full Requirements Service scheduled and received or delivered hereunder at the Delivery Point. Seller warrants that it has good title to the Full Requirements Service sold and delivered hereunder and that it has the right to sell such Full Requirements Service. The word "loss" in this Section 4.5 (Title Transfer) does not encompass electrical transmission and distribution losses. As between Buyer and Seller only, Buyer shall take title to, possession of, and risk of loss with respect to liability pursuant to Sections 9.1 (Seller's Indemnification for Third-Party Claims) and 9.2 (Buyer's Indemnification for Third-Party Claims) of Full Requirements Service scheduled and received or delivered hereunder at the Delivery Point. Notwithstanding the foregoing, nothing contained in this Agreement is intended to create or increase liability of Buyer to any third party beyond such liability, if any, that would otherwise exist under the PJM Agreements or under applicable law if Buyer had not taken title.

- 4.6 Reliability Guidelines. Each Party agrees to adhere to the applicable operating policies, criteria and/or guidelines of the ReliabilityFirst Corporation, NERC, PJM, their successors, and any regional or sub regional requirements.
- 4.7 PJM Membership. For the period of time that this Agreement is in effect, Seller shall be: (i) a member in good standing of PJM; (ii) qualified as a PJM “Market Buyer” and “Market Seller” pursuant to the PJM Agreements; and (iii) qualified as a PJM “Load Serving Entity.” For the period of time that this Agreement is in effect, Buyer shall be a member in good standing of PJM.
- 4.8 Declaration of Authority. For the period of time that this Agreement is in effect, both Buyer and Seller shall have executed the Declaration of Authority in the form attached hereto as Exhibit **H**.
- 4.9 FERC Authorization. For the period of time that this Agreement is in effect, Seller shall have FERC authorization to make sales of Energy, Capacity, and Ancillary Services at market based rates within PJM.
- 4.10 Disclosure in the Event of Seller Default. If Seller defaults and this Agreement is terminated pursuant to Article 12 (Events of Default; Remedies), Buyer may disclose the terms of this Agreement and any Transaction Confirmation to all other non-defaulting wholesale suppliers providing service to Buyer pursuant to the PUC Orders. Such disclosure by Buyer shall be made for the purpose of allowing each non-defaulting wholesale supplier to make its Step-Up elections described in Section 4.11 (Seller Step-Up Rights) below.
- 4.11 Seller Step-Up Rights. In the event of an early termination of a Default Service SMA between Buyer and an entity other than the Seller, Buyer shall send a written notification to Seller which: (i) describes the individual supply obligations associated with the terminated transaction(s) for the remaining term(s) of such transaction(s); and (ii) requests Seller to agree to supply its full or partial amount of the supply obligation associated with each terminated transaction for the remaining term(s) of the terminated transaction(s), without change to the pricing, terms and conditions of the terminated Default Service SMA agreement and transaction(s). Such agreement to make additional supply available shall be termed a “Step-Up”.

In the event that Seller wishes to exercise its option to Step-Up when such an opportunity arises, Seller shall respond to Buyer of such within five (5) Business Days from the date of Buyer’s notification. In Seller’s response, Seller shall indicate: (i) the maximum amount of the increased obligation that Seller wishes to take on given the additional supply obligation available from the terminated transactions (which need not be all); and (ii) that it is willing to meet any additional collateral requirements related to the Step-Up. Seller’s response shall take place no later than five (5) Business Days of its receipt of Buyer’s notification. The amount of supply obligation assigned to Seller following Seller’s Step-Up response will be Seller’s pro-rata share of the total of such Step-Up responses from all sellers and will be from zero up to and including the maximum amount that the Seller indicates. Seller’s pro-rata share, as described in this paragraph, shall be

the ratio of Seller's amount indicated in Seller's Step-Up response, stated on a PLC basis, to the total of amounts indicated in all sellers' Step-Up responses. Buyer will determine Seller's pro-rata share within six (6) Business Days from the date of Buyer's initial notification. Once Buyer has determined Seller's pro-rata share, Buyer will forward by e-mail, facsimile or other immediate means acceptable to both Parties, to Seller a partially executed Transaction Confirmation(s) and Seller's Alternative Energy Portfolio Standards Obligation (Exhibit DC) and shall send by overnight delivery two (2) originals. By 2:00 p.m. EPT on the next Business Day following Seller's receipt of such partially executed Transaction Confirmation(s), Seller shall return by email, facsimile, or other immediate means acceptable to both Parties, to Buyer one (1) fully executed Transaction Confirmation(s), and shall send by overnight delivery one (1) original.

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

ARTICLE 5 TERM AND SURVIVAL

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

ARTICLE 6 DETERMINATION OF DELIVERED QUANTITIES AND MONTHLY SETTLEMENT AMOUNTS

- 6.1 *Monthly Settlement Quantities.*
- (a) For Default Service Fixed Price Suppliers, the Default Service Fixed Price Monthly Settlement Quantity with respect to any calendar month during the Delivery Period shall be determined in terms of megawatt-hours ("MWh") of Energy. The MWh of Energy shall be equivalent to the amount of Energy equal to the Seller's Specified Percentage multiplied by the sum of the hourly amounts of Energy for Default Service Fixed Price Load as measured by PJM and adjusted by Buyer as appropriate. The MWh of Energy shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent

retail load settlement process. Any reduction in load as a result of Buyer's or PJM's operation of its load response programs shall be reflected as a reduction in the MWh of Energy.

- (b) For Default Service Spot Market Suppliers, the Default Service Spot Market Monthly Settlement Quantity with respect to any calendar month during the Delivery Period shall be determined in terms of MWh of Energy. The MWh of Energy shall be equivalent to the amount of Energy equal to the Seller's Specified Percentage multiplied by the sum of the hourly amounts of Energy for Default Service Spot Market Load as measured by PJM and adjusted by Buyer as appropriate. The MWh of Energy shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer's or PJM's operation of its load response programs shall be reflected as a reduction in the MWh of Energy.

- ~~(e) For Default Service TOU Suppliers, the Default Service TOU Monthly Settlement On-Peak Quantity and Default Service TOU Monthly Settlement Off-Peak Quantity with respect to any calendar month during the Delivery Period shall be determined in terms of MWh of Energy. For Default Service TOU Monthly Settlement On-Peak Quantity, the MWh of Energy shall be equivalent to the Seller's Specified Percentage multiplied by the sum of the hourly amounts of Energy for Default Service TOU Load for TOU On-Peak Hours; for Default Service TOU Monthly Settlement Off-Peak Quantity the MWh of Energy shall be equivalent to the Seller's Specified Percentage multiplied by the sum of the hourly amounts of Energy for Default Service TOU Load for TOU Off-Peak Hours. The MWh of Energy shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer's or PJM's operation of its load response programs shall be reflected as a reduction in the MWh of Energy. Both Default Service TOU Monthly Settlement On-Peak and Off-Peak Quantities exclusively include those eligible customers accepting service on the TOU Rate Option.~~

6.2 Monthly Settlement Capacity Obligation. For Default Service Spot Market Suppliers, the Default Service Spot Market Monthly Settlement Capacity Obligation with respect to any calendar month during the Delivery Period shall be determined in terms of megawatts ("MW") of Capacity. The MW of Capacity shall be equivalent to the sum of the daily amounts of Capacity reported as the Seller's Capacity Obligation by Buyer to PJM. The MW of Capacity shall also be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load settlement process. Any reduction in load as a result of Buyer's or PJM's operation of its load response programs shall be reflected as a reduction the MW of Capacity.

6.3 Monthly Settlement Amounts

- (a) For Default Service Fixed Price Suppliers, the Default Service Fixed Price Monthly Settlement Amount, with respect to any calendar month during the

Delivery Period, is the sum of: (i) the product of the applicable Default Service Fixed Price Supplier Price and Default Service Fixed Price Monthly Settlement Quantity; and (ii) any other adjustments as set forth in this Agreement.

- (b) For Default Service Spot Market Suppliers, the Default Service Spot Market Monthly Settlement Amount, with respect to any calendar month during the Delivery Period, is the sum of: (i) the product of each hour's hourly real-time PJM load weighted average Locational Marginal Price for the Delivery Point, the Seller's Specified Percentage, and that hour's Default Service Spot Market Load; (ii) the product of the PJM Final Zonal Capacity price for the Delivery Point and the Default Service Spot Market Monthly Settlement Capacity Obligation; (iii) the product of the Default Service Spot Market Supplier Price and the Default Service Spot Market Monthly Settlement Quantity; and (iv) any other adjustments as set forth in this Agreement.

- ~~(e) For Default Service TOU Suppliers, the Default Service TOU Monthly Settlement Amount, with respect to any calendar month during the Delivery Period, is the sum of: (i) the product of the Default Service TOU On Peak Supplier Price and Default Service TOU Monthly Settlement On Peak Quantity; (ii) the product of the Default Service TOU Off Peak Supplier Price and Default Service TOU Monthly Settlement Off Peak Quantity; and (iii) any other adjustments as set forth in this Agreement.~~

ARTICLE 7 BILLING AND SETTLEMENT

- 7.1 *Billing.* Unless otherwise agreed to by the Parties, on or before the eighth (8th) Business Day of each month, Buyer shall deliver to Seller, via electronic transmission or other means agreed to by the Parties, an invoice ("Invoice") that sets forth the total amount due for the previous calendar month for all Transactions. For each Transaction the invoice shall include the following items:

Invoices for Default Service Fixed Suppliers:

- (a) Default Service Fixed Price Monthly Settlement Quantity
- (b) Default Service Fixed Price Supplier Price
- (c) PJM billing adjustments
- (d) Any other adjustments set forth in this Agreement
- (e) Default Service Fixed Price Monthly Settlement Amount

Invoices for Default Service Spot Market Suppliers:

- (a) Default Service Spot Market Monthly Settlement Quantity
- (b) PJM load-weighted average Locational Marginal Price for the Delivery Point
- (c) Default Service Spot Market Supplier Price

- (d) Default Service Spot Market Monthly Settlement Capacity Obligation
- (e) PJM Final Zonal Capacity Price
- (f) PJM billing adjustments
- (g) Any other adjustments set forth in this Agreement
- (h) Default Service Spot Market Monthly Settlement Amount

~~Invoices for Default Service Time-of-Use Suppliers:~~

- ~~(a) Default Service TOU Monthly Settlement On-Peak Quantity~~
- ~~(b) Default Service TOU On-Peak Supplier Price~~
- ~~(c) Default Service TOU Monthly Settlement Off-Peak Quantity~~
- ~~(d) Default Service TOU Off-Peak Supplier Price~~
- ~~(e) PJM billing adjustments~~
- ~~(f) Any other adjustments set forth in this Agreement~~
- ~~(g) Default Service TOU Monthly Settlement Amount~~

If Seller is more than one type of supplier described above, Seller shall receive a single invoice listing the relevant information detailed above.

7.2 PJM Billing.

- (a) Buyer and Seller shall direct PJM to invoice Seller and Buyer for charges and credits relating to Seller's and Buyer's rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with this Agreement, Buyer shall rectify such PJM invoice discrepancy in the Invoice sent pursuant to Section 7.1 (Billing).
- (b) The Parties agree that the PJM bill may change from time to time. Allocation of any charges that are reflected in a PJM bill that are not included on or are inconsistent with this Agreement will be determined pursuant to Sections 2.3 (Non-market-based Transmission Service Costs), 2.4 (Other Changes in PJM Charges), and 16.11 (PJM Agreement Modifications) of this Agreement.

7.3 Payments of the Invoice. On the Monthly Settlement Date, Buyer will pay to Seller, or Seller will pay to the Buyer, as the case may be, the total amount due in the applicable Invoice, subject to Section 7.7 (Netting of Payments). All payments shall be made by "Electronic Funds Transfer" ("EFT") via "Automated Clearing House" ("ACH"), unless otherwise agreed to by the Parties, to a bank designated in writing by such Party, by 12:00 p.m. EPT on the Monthly Settlement Date. Payment of Invoices shall not relieve the paying Party from any other responsibilities or obligations it has under this Agreement (other than the obligation to make such payment), nor shall such payment constitute a waiver of any claims arising hereunder.

7.4 Billing Disputes and Adjustments of Invoices.

- (a) Within twelve (12) months of the date on which an Invoice is issued, Buyer may, in good faith, adjust the Invoice to correct any errors. The adjustment shall include interest calculated at the Interest Rate from the original due date to

the date of payment. Buyer shall provide Seller a written explanation of the basis for the adjustment.

(b) Within twelve (12) months of the date on which an Invoice is issued or an Invoice is adjusted pursuant to Section 7.4(a) (Billing Disputes and Adjustment of Invoices), Seller may, in good faith, dispute the correctness of such Invoice or adjustment, pursuant to the provisions of Article 13 (Dispute Resolution), and provided that Seller has paid by the Monthly Settlement Date any portion of an Invoice that is not disputed.

(c) Within twelve (12) months of the date on which a PJM bill is issued, Buyer or Seller may, in good faith, dispute the correctness of any such PJM bill, pursuant to the provisions of Article 13 (Dispute Resolution), and provided that the disputing Party has paid by the Monthly Settlement Date any portion of an Invoice that is not disputed.

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

7.6 Netting of Payments. Buyer and Seller shall discharge mutual debts and payment obligations due and owing to each other under this Agreement, as of the Monthly Settlement Date, such that all amounts owed by each Party to the other Party shall be reflected in a single amount due to be paid by the Party who owes it and received by the other Party, provided that the calculation of the net amount shall not include any disputed amounts being withheld pursuant to Section 7.4 (Billing Disputes and Adjustments of Invoices)

ARTICLE 8 TAXES

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

8.2 Taxes.

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

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

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

ARTICLE 9 INDEMNIFICATION

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

9.2 *Buyer's Indemnification for Third-Party Claims.* Buyer shall indemnify, hold harmless, and defend Seller and its Affiliates, and their respective officers, directors, employees, agents, contractors, subcontractors, invitees, successors, representatives and permitted assigns (collectively, "Seller's Indemnitees") from and against any and all claims, liabilities, costs, losses, damages, and expenses including reasonable attorney and expert fees, disbursements actually incurred, and any penalties or fines imposed by Government Authorities in any action or proceeding between Seller and a third party or

Buyer for damage to property of unaffiliated third parties, injury to or death of any person, including Seller's employees or any third parties, to the extent directly caused by the gross negligence or willful misconduct of Buyer and/or its officers, directors, employees, agents, contractors, subcontractors or invitees arising out of or connected with Buyer's performance under this Agreement, Buyer's exercise of rights under this Agreement, or Buyer's breach of this Agreement. Seller shall have the right to hire the attorney of its choice to defend it in any proceeding brought against it pursuant to this provision.

9.3 *Indemnification Procedures.* If either Party intends to seek indemnification under Sections 9.1 (Seller's Indemnification for Third-Party Claims) or 9.2 (Buyer's Indemnification for Third-Party Claims), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within thirty (30) calendar days of the later of the commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail, and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld or delayed.

ARTICLE 10 LIMITATIONS OF REMEDIES, LIABILITY AND DAMAGES

EXCEPT AS SET FORTH IN THIS AGREEMENT, THERE IS NO WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, AND ANY AND ALL IMPLIED WARRANTIES ARE DISCLAIMED. THE PARTIES CONFIRM THAT THE EXPRESS REMEDIES AND MEASURES OF DAMAGES PROVIDED IN THIS AGREEMENT SATISFY THE ESSENTIAL PURPOSES HEREOF. FOR BREACH OF ANY PROVISION FOR WHICH AN EXPRESS REMEDY OR MEASURE OF DAMAGES IS PROVIDED, SUCH EXPRESS REMEDY OR MEASURE OF DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY, THE OBLIGOR'S LIABILITY SHALL BE LIMITED AS SET FORTH IN SUCH PROVISION AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. IF NO REMEDY OR MEASURE OF DAMAGES IS EXPRESSLY PROVIDED HEREIN, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO COSTS AND DEFAULT DAMAGES AS DEFINED IN THIS AGREEMENT, SUCH COSTS AND DEFAULT DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE

CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE, TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE 11 FORCE MAJEURE

11.1 *Force Majeure* means an event or circumstance as defined in Article 1 (Definitions). 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) fulfill the requirements set forth in Section 11.2 (Notification).

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

ARTICLE 12 EVENTS OF DEFAULT; REMEDIES

12.1 *Events of Default*. An "Event of Default" shall mean, with respect to a Party ("Defaulting Party"), the occurrence of any of the following:

- (a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within two (2) Business Days after written notice;
- (b) any representation or warranty made by such Party herein or in response to the RFP is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated;

- (c) the failure of a Party to comply with the requirements of Section 4.4 (Alternative Energy Portfolio Standards Obligation) if such failure is not remedied within three (3) Business Days after written notice.
- (d) the failure of a Party to comply with the requirements of Section 4.7 (PJM Membership) and 4.9 (FERC Authorization) if such failure is not remedied within three (3) Business Days after written notice;
- (e) PJM has declared a Party to be in default of any provision of any PJM Agreement, which default prevents a Party's performance hereunder if such failure is not remedied within three (3) Business Days after written notice;
- (f) the failure to perform or comply with any covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default) if such failure is not remedied within three (3) Business Days after written notice;
- (g) such Party becomes Bankrupt;
- (h) such Party consolidates with, or merges with or into, or transfers all or substantially all of its assets to, another entity, or assigns the Agreement or any rights, interests, or obligations hereunder without the prior written consent of the other Party when such consent is required, and, at the time of such consolidation, merger, transfer or assignment, the resulting, surviving, transferee, or assigned entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;
- (i) the occurrence and continuation of: (i) a default, event of default or other similar condition or event in respect of such Party or Guarantor under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than five percent (5%) of such Party or Guarantor's TNW, which results in such indebtedness becoming immediately due and payable or; (ii) a default by such Party or Guarantor in making on the due date therefore one or more payments, individually or collectively, in an aggregate amount of not less than five percent (5%) of such Party or Guarantor's TNW.
- (j) the failure of Seller to provide Performance Assurance or to maintain Performance Assurance in effect thereafter until such time as Buyer is obligated to return such Performance Assurance to Seller (subject to its right to replace such Performance Assurance in accordance with Article 14) or to comply with its other obligations pursuant to Article 14 (Performance Assurance) if such failure to comply is not remedied within three (3) Business Days after written notice;
- (k) with respect to any Guarantor: (i) if any representation or warranty made by the Guarantor in connection with this Agreement is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated; (ii) the failure of the Guarantor to make, when due, any

payment required or to perform any covenant or obligation in the Guaranty Agreement and such failure shall not be remedied within three (3) Business Days after written notice; (iii) the failure of the Guarantor's Guaranty Agreement to be in full force and effect for purposes of this Agreement prior to the satisfaction of all obligations of Seller under this Agreement without the written consent of Buyer; (iv) the Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of the Guaranty Agreement or any of its obligations thereunder; or (v) the Guarantor becomes Bankrupt.

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

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

(b) If an Event of Default has occurred under this Agreement or pursuant to a transaction for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders and is continuing, the Non-Defaulting Party shall have the right to implement the following remedies:

- i. designate a day, in such notice, no earlier than the day such notice is effective and no later than twenty (20) calendar days after such notice is effective, as an early termination date ("Early Termination Date") for the purposes of determining the Settlement Amount;
- ii. calculate and receive from the Defaulting Party, payment for any Default Damages and Costs, as defined this Agreement, the Non-Defaulting Party incurs as of the date of the event giving rise to the Event of Default, until the earlier of: (i) the Early Termination Date (if applicable); or (ii) the Event of Default has been cured by the Defaulting Party; or (iii) the Non-Defaulting Party waives such Event of Default;
- iii. withhold any payments due to the Defaulting Party under this Agreement as an offset to any Default Damages and Costs, as defined in this Agreement, or Termination Payment, as defined in Section 12.3 (Calculation and Net Out of Settlement Amounts); and
- iv. permanently suspend performance.

(c) If an Event of Default has occurred and the Non-Defaulting Party is the Buyer, then in lieu of the remedies set forth in 12.2(b), Buyer may offer to waive

the default on such terms and conditions as Buyer, at its sole discretion, and may deem appropriate to propose (“Special Remedy”); provided, however, that:

- i. the Event of Default was not a failure by Seller to meet any or all of its Full Requirements Service obligations, and
- ii. any such Special Remedy can only be offered to Seller if it first is specifically approved by the PUC in accordance with PUC Orders.

12.3 Calculation and Net Out of Settlement Amounts.

- (a) The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable. For purposes of calculating the Settlement Amount, the Non-Defaulting Party shall reflect the net impact of the exercise of the option on the part of other wholesale suppliers as described in Section 4.11 (Seller Step-Up Rights) of this Agreement. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single liquidated amount (the “Termination Payment”) by netting out: (i) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article 14 (Performance Assurance), plus any or all other amounts due to the Defaulting Party under this Agreement; against (ii) all Settlement Amounts that are due to the Non-Defaulting Party plus any or all other amounts due to the Non-Defaulting Party, including but not limited to Default Damages and Costs, under this Agreement, as well as, pursuant to any transactions for supply serving Default Load under Supply Master Agreements executed between the Parties pursuant to the PUC Orders. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

Seller may, in its sole discretion, add the following subsection 12.3(b) by checking this box. If Seller does not check this box, subsection 12.3(b) will not be deemed to be included as part of this Agreement.

- (b) In order to avoid doubt regarding a commercially reasonable calculation for the purposes of calculating the Settlement Amount by the Non-Defaulting Party, the quantity of amounts of Energy, Capacity and other services to have been provided under a Transaction for the period following the Early Termination Date (the “Termination Quantity”) shall be deemed those quantity amounts that would have been delivered on an hourly basis had the Transaction been in effect during the previous calendar year, adjusted for such Default Load changes as have occurred since the previous calendar year. Nothing in this section shall limit the right of the Buyer when Seller is the Defaulting Party to replace Seller’s Full Requirements Service obligation and the result of any Commission-approved procedure will be

deemed to be commercially reasonable for purposes of calculating the Settlement Amount(s) and will be deemed to have been determined by reference to the Termination Quantity.

- 12.4 Notice of Termination Payment.* As soon as practicable after an Early Termination Date is declared, the Non-Defaulting Party shall provide written notice to the Defaulting Party of the amount of the Termination Payment. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The owing Party shall make the Termination Payment within five (5) Business Days after such notice is effective (the “Termination Payment Date”).
- 12.5 Disputes With Respect to Termination Payment.* If the Defaulting Party disputes the Non-Defaulting Party’s calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within five (5) Business Days of receipt of Non-Defaulting Party’s calculation of the Termination Payment, provide to the Non-Defaulting Party a notice that it intends to dispute the calculation of the Termination Payment (“Termination Payment Dispute Notice”), pursuant to the provisions of Article 13 (Dispute Resolution), and provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first transfer collateral to the Non-Defaulting Party in an amount equal to the Termination Payment, such collateral to be in a form acceptable to the Non-Defaulting Party by the Termination Payment Date.
- 12.6 Duty to Mitigate.* Each Party agrees that it has a duty to mitigate damages and covenants that it will use commercially reasonable efforts to minimize any damages it may incur as a result of the other Party’s failure to perform pursuant to this Agreement.

ARTICLE 13 DISPUTE RESOLUTION

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

ARTICLE 14 PERFORMANCE ASSURANCE

14.1 Requirement for Performance Assurance. With respect to Aggregate Transactions, if at any time and from time to time during the term of this Agreement, Aggregate Buyer's Exposure exceeds the Unsecured Credit on any Business Day, then Buyer shall have the right to request that Seller post Performance Assurance in an amount equal to the amount by which Aggregate Buyer's Exposure exceeds the Unsecured Credit (rounding upwards to the nearest \$100,000), less any Performance Assurance already posted with Buyer. Buyer's request for Performance Assurance shall not be disputed by Seller in the absence of manifest error.

14.2 Performance Assurance Transfers/Returns.

- (a) If the request for Performance Assurance is made by Buyer before 1:00 p.m. EPT on a Business Day, then Seller shall be required to deliver the Performance Assurance cash or LC to Buyer on the Business Day following the date of such request. Seller shall maintain in full force and effect any Performance Assurance provided hereunder until such date as Buyer is obligated to return such Performance Assurance hereunder; provided that so long as no Event of Default exists where Seller is the Defaulting Party and the replacement Performance Assurance is at least in an amount such that Buyer would not be entitled to demand additional Performance Assurance under Section 14.1 immediately following such replacement, Seller shall have the right to replace any Letter of Credit or cash with another Letter of Credit or cash hereunder.

- (b) Seller shall bear or cause all costs and fees of each Letter of Credit to be borne by the applicant for such Letter of Credit, and Buyer shall not bear any such costs and fees. Buyer as the beneficiary of any Letter of Credit reserves the right to monitor the financial position of the issuer of such Letter of Credit. If the issuer of any Letter of Credit ceases to constitute a Qualified Institution, becomes Bankrupt, wrongfully dishonors any presentation thereunder, fails to timely perform or comply with any of its obligations thereunder, repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of the Letter of Credit or any of its obligations thereunder or provides notification that it will not be renewing any Letter of Credit, Seller shall provide a replacement Performance Assurance Letter of Credit to Buyer issued by a Qualified Institution in an amount at least equal to the amount available to be drawn under the Letter of Credit being replaced not later than the 23rd Business Day following such event. In, addition, if Buyer as the beneficiary of any Letter of Credit determines, for any reason, in its sole discretion that the issuer's financial condition or ability to perform its obligations under such Letter of Credit has deteriorated or become impaired in any material respect, then Buyer shall have the right to demand and receive, from Seller a replacement Performance Assurance issued by a Qualified Institution not later than the 2nd Business Day following such demand. Further, no later than thirty (30) days prior to any expiration of a Letter of Credit, Seller shall provide a replacement Letter of Credit that satisfies Seller's Performance Assurance requirements hereunder. Seller's failure to deliver any replacement Letter of Credit within the timeframe set forth in this Section

14.2(b) shall entitle Buyer to draw on the existing Letter of Credit and to hold the proceeds thereof as Performance Assurance hereunder.

- (c) If a request for Performance Assurance is made by Buyer at or after 1:00 p.m. EPT, then if Seller is posting cash as the form of Performance Assurance collateral, Seller shall be required to deliver the Performance Assurance cash to Buyer on the second Business Day following the date of such request; and if Seller is posting a Letter of Credit or other security as may be acceptable to Buyer in its sole discretion as the form of Performance Assurance collateral, Seller shall be required to deliver such Performance Assurance Letter of Credit or other security on the second Business Day following the date of such request. Facsimile or other means of communication acceptable for purposes of providing notice under Section 16.1 (Miscellaneous) shall constitute suitable means for the Buyer to make requests for Performance Assurance.
- (d) To secure its obligations under this Agreement, Seller hereby grants to Buyer a present and continuing first-priority security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral delivered to Buyer hereunder and all distributions of principal, interest and other payments and distributions of cash or other property with respect thereto, and any and all proceeds resulting therefrom or from the disposition or liquidation thereof (collectively, the “Cash and Cash Equivalent Collateral”), whether now or hereafter held by, on behalf of, or for the benefit of Buyer, and Seller agrees to take such action as may be reasonably requested by Buyer at any time to perfect or maintain the perfection at all times of Buyer’s first priority security interest in, and lien on (and right of setoff against), such Cash and Cash Equivalent Collateral.
- (e) If Seller provides its Performance Assurance collateral in cash, in whole or in part, Seller will also simultaneously grant Buyer a first-priority security interest in that cash, in a form mutually acceptable to Buyer and Seller. Buyer shall not be entitled to hold Performance Assurance in the form of cash; rather, Performance Assurance in the form of cash shall be held in any Qualified Institution, (which is not the Buyer or an Affiliate of the Buyer). The Buyer will pay to Seller on the first Business Day of each calendar quarter the amount of interest it receives based upon the applicable overnight repurchase interest rate from the Qualified Institution on any Performance Assurance in the form of cash posted by Seller, less fees charged by the Qualified Institution. The interest amount or portion thereof not returned to Seller pursuant to this Section 14.2 will constitute Performance Assurance and will be subject to the provisions of Article 14 of this Agreement.
- (f) On any Business Day (but no more frequently than weekly with respect to Letters of Credit or other security constituting Performance Assurance, and daily with respect to cash), Seller, at its sole cost, may request that surplus Performance Assurance not needed to satisfy Aggregate Buyer’s Exposure on such Business Day be reduced correspondingly to reflect the amount by which Unsecured Credit exceeds Aggregate Buyer’s Exposure on such Business Day, if any (rounding downwards for any fractional amount to the nearest \$100,000). Buyer shall be required to return the amount of Performance Assurance due in accordance with the timeframes set forth in Section 14.2(a) and Section 14.2(b). A written means acceptable for purposes of providing notice under Section 16.1 shall

constitute suitable means for the Seller to make requests for return of Performance Assurance hereunder.

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

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

CREDIT RATING				
S&P	Fitch	Moody’s	TNW Percentage	Unsecured Credit Limit
A- or above	A- or above	A3 or above	5%	\$50,000,000 <u>75,000,000</u>
BBB+	BBB+	Baa1	5%	\$35,000,000 <u>50,000,000</u>
BBB	BBB	Baa2	5%	\$25,000,000 <u>35,000,000</u>
BBB-	BBB-	Baa3	5%	\$15,000,000 <u>20,000,000</u>
Below BBB-	Below BBB-	Below Baa3	0%	\$0
NR	NR	NR	0%	\$0

14.4

Credit Rating

g. If during the term of the Agreement, Seller’s or Seller’s Guarant

or’s, if applicable, Credit Rating changes, by either being upgraded or downgraded by any of the rating agencies referenced in Section 14.3 (Unsecured Credit) of the Agreement, the Seller shall be required to provide written notice to Buyer of such Credit Rating change no later than two (2) Business Days after the date of such change.

14.5 *Tangible Net Worth.* During the term of the Agreement, Seller, or Seller’s Guarantor, if applicable, shall be required to provide Buyer written financial information to determine the Seller’s, or Seller’s Guarantor’s, Tangible Net Worth. Financial information shall include an audited Annual Report certifying that the financial statements therein (including the balance sheet, income statement and a cash flow statement) were prepared in accordance with United States generally accepted accounting principles or international financial reporting standards, containing, but not limited to, a balance sheet, a schedule of long term debt including maturity dates, and all notes to the financial statements that apply to long term debt, short term borrowing, and liquidity and

capital resources. The Seller, or Seller's Guarantor, shall also provide the Buyer written financial information on a quarterly basis containing a balance sheet, income statement and a cash flow statement, prepared in accordance with United States generally accepted accounting principles or international financial reporting standards. However, if Seller's, or Seller's Guarantor's financials are publically available (at www.sec.gov or on the Seller's website), then the Buyer may waive the requirement to provide written financial information. Seller shall not be required to provide such information if it is not requesting Unsecured Credit under the Agreement. Seller will not be granted Unsecured Credit under the Agreement if it has not supplied the required financial information.

14.6 *Aggregate Buyer's Exposure.* In order to determine the amount of Performance Assurance during the term of this Agreement, Buyer shall calculate the Aggregate Buyer's Exposure under Aggregate Transactions as it deems appropriate. On a Transaction Date, the Buyer's Exposure for that Transaction shall be deemed equal to zero.

(a) Credit Exposure to Default Service Fixed Price Suppliers: Buyer's Credit Exposure to Sellers who are a Default Service Fixed Price Supplier shall be equal to the MtM Exposure for each relevant Transaction (Exhibit A) under this Agreement. A general description of how the requisite information for calculating the MtM Exposure is:

(i) **Pricing Agent.** Buyer shall contract with and pay for the services of a single independent consultant to provide pricing services ("Pricing Agent") with respect to the Transactions under this Agreement. The Pricing Agent shall provide to the Buyer the On-Peak Initial Mark Price and the Off-Peak Initial Mark Price. In addition, on each Business Day, the Pricing Agent shall provide to the Buyer the On-Peak Forward Price and the Off-Peak Forward Price. To the extent that information and/or quotes are not available to determine an On-Peak Forward Price or Off-Peak Forward Price for a given month the Pricing Agent shall be permitted to use information and/or quotes relevant to such month for which information/and quotes are available in order to provide the Buyer the required On-Peak Forward Price and Off-Peak Forward Price for such month. Exhibit **FE** presents in more detail the methodology to be used by the Pricing Agent in determining the Off-Peak Initial Mark Price, On-Peak Initial Mark Price, Capacity Forward Price, Capacity Initial Mark Price, the On-Peak Forward Price, and the Off-Peak Forward Price.

(ii) Pursuant to Section 14.1 above, Seller shall not dispute any request by Buyer for Performance Assurance. Notwithstanding such provision, Seller may dispute the Pricing Agent's determinations of the On-Peak Initial Mark Price, Off-Peak Initial Mark Price, Capacity Forward Price, Capacity Initial Mark Price, On-Peak Forward Price, and Off-Peak Forward Price if Seller can demonstrate that the Pricing Agent has been grossly negligent or has exhibited willful misconduct in such determinations, or that the Pricing Agent is making such determinations in a manner that is arbitrary,

capricious or erroneous on its face. Such dispute of the Pricing Agent's determinations by the Seller shall not be cause for any delay by the Seller in posting any Performance Assurance requested by the Buyer.

- (b) Credit Exposure to Default Service Spot Market Suppliers: The Buyer's Credit Exposure to Sellers who are a Default Service Spot Market Supplier shall be the product of \$750,000 and the total number of Tranches awarded to Seller for each relevant Transaction (Exhibit B) under this Agreement.
- (c) ~~Credit Exposure to Default Service Time of Use Suppliers: The Buyer's Credit Exposure to Sellers who are a Default Service Time of Use Supplier shall be equal to the MtM Exposure for each relevant Transaction (Exhibit C) under this Agreement. A description of the methodology for calculating the MtM Exposure is described in subsection (a) of this Section 14.6.(d)~~ To the extent that the calculations of the Aggregate Buyer's Exposure for a given date results in a negative number, the Aggregate Buyer's Exposure for such date shall be deemed equal to zero.
- (ed) Buyer shall use reasonable efforts to provide Seller with Aggregate Buyer's Exposure on each Business Day subject to the confidentiality provisions of this Agreement.

14.7 Accelerated Payments. If at any time and from time to time during the term of this Agreement, a Buyer Downgrade Event occurs notwithstanding the provisions of Article 7 (Billing and Settlement), Seller shall have the right to require Buyer to divide the Monthly Settlement Amount into weekly amounts and pay such amounts on a weekly basis for so long as the Buyer Downgrade Event continues. A "weekly basis" as referred to in the preceding sentence means a given Monday through Sunday period in a Delivery Period. Seller shall notify Buyer who shall be required to make payment for such period no later than the first Wednesday following such period (or if such day is not a Business Day, on the next Business Day). Buyer's failure to make such accelerated payments shall be deemed an Event of Default under Section 12.1 (Events of Default) of the Agreement.

ARTICLE 15 REPRESENTATIONS AND WARRANTIES

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

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

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

15.2 *Additional Understandings.* This Agreement is for the purchase and sale of Full Requirements Service that will be delivered in quantities expected to be used or sold over a defined period(s) in the normal course of business, and it is the intention at the inception and throughout the term of this Agreement and each Transaction hereunder that the Agreement will result in physical delivery and not financial settlement, and the quantity of Full Requirements Service that Seller must deliver and Buyer must receive will be determined by the requirements of the Default Load served by Buyer, and, as such, the Agreement does not provide for an option by either Party with respect to the

quantity of Full Requirements Service to be delivered or received during performance of the Agreement. This Agreement has been drafted to effectuate Buyer's and Seller's specific intent so that in accordance with Financial Accounting Standards Board Statement No. 133 ("FAS 133"), as amended, Buyer would be able to elect to use accrual accounting for its purchases under this Agreement, while Seller would be able to elect to use either accrual or mark-to-market accounting for its sales under the Agreement. If either Buyer or Seller determines, in good faith, that the intended accounting treatment has become jeopardized, due to a change in interpretations of FAS 133, as amended, or otherwise, then Buyer and Seller agree to meet and use their best efforts to reform the Agreement so that, with the minimum changes possible, the Agreement again qualifies for the intended accounting treatments.

ARTICLE 16 MISCELLANEOUS

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

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

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

16.5 *Confidentiality.*

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

(b) Notwithstanding any other provision of this Section 16.5, 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 16.5, and further provided that in no event shall a document or information be disclosed in violation of the standards of conduct requirements established by FERC.

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

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

(d) Any independent auditor performing an audit on behalf of a Party pursuant to Section 16.4 shall be required to execute a confidentiality agreement with the Party being audited. Such audit information shall be treated as confidential pursuant to this Section 16.5,

(e) The Parties agree that monetary damages may be inadequate to compensate a Party for the other Party's breach of its obligations under this Section 16.5. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the Party breaches or threatens to breach its obligations under this Section 16.5, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law.

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

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

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

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

16.9 *Jurisdiction and Venue.* Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Federal or State courts of Pennsylvania and each Party hereby irrevocably submits to the *in personam* jurisdiction of such courts. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

16.10 *Amendments.* Except as provided in Section 16.11 (PJM Agreement Modifications), this Agreement or any Transaction shall not be amended, modified, terminated, discharged or supplemented, nor any provision hereof waived, unless mutually agreed, in writing, by the Parties. Except as provided in Section 16.11 (PJM Agreement Modifications), the rates, terms and conditions contained in this Agreement or any Transaction are not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. Absent the agreement of all parties to the proposed change, the standard of review for changes to this Agreement proposed by a Party, a non-Party or the FERC acting *sua sponte* shall be the “public interest” standard of review set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956), and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U. S. 348 (1956) (the “*Mobile-Sierra*” doctrine).

16.11 *PJM Agreement Modifications.*

- (a) If the PJM Agreements are amended or modified so that any schedule or section references herein to such agreements is changed, such schedule or section references herein shall be deemed to automatically (and without any further action by the Parties) refer to the new or successive schedule or section in the PJM Agreements which replaces that originally referred to in this Agreement.
- (b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement.

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

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

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

ATTEST:

PPL ELECTRIC UTILITES CORPORATION

By: _____

Title: _____

Name: _____

Title: _____

ATTEST:

[SELLER]

By: _____

Title: _____

Name: _____

Title: _____

EXHIBIT A

FIXED PRICE TRANSACTION CONFIRMATION EXAMPLE

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

Product: [Full Requirements Electric Service]

Customer Group: [Residential]

Service Type: [Rate Schedules RS, RTS, ~~RTD~~]

Delivery Location: [PPL Zone, NA]

Delivery Period: [Start] to [End]

~~Assigned Time-of-Use:-~~

~~Time-of-Use Delivery Period:- [Start] to [End]~~

~~Time-of-Use Specified Percentage:-~~

~~Time-of-Use Service Type:- [Rate Schedules RS, RTS, RTD]~~

The Seller’s Specified Percentage is _____. Seller will supply _____ tranches at a Default Service Fixed Price Supplier Price of \$ _____ per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	MW-Measure
Rate Schedules RS, RTS, RTD	_____	_____	_____	_____

	Delivery Period Quantities											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Off-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
On-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
Estimated Capacity Quantity Per MW-Day (MW-Day)												

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by e-mail or facsimile to PPL Electric at [Fax number to be provided] in accordance with Section 2.9 – Transaction Confirmation of the Default SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

ATTEST

By: _____
Name: _____
Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____
Name: _____
Title: _____

ATTEST

By: _____
Title: _____

[SELLER] _____
Name: _____
Title: _____

EXHIBIT B

SPOT MARKET TRANSACTION CONFIRMATION EXAMPLE

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

Product: [Spot Market Electric Service]
 Customer Group: [Large Commercial & Industrial]
 Service Type: [Rate Schedules GS-3> 500kW, LP4>500kW, Standby, ISP, LP-5, LP-6, LPEP, ISA]
 Delivery Location: [PPL Zone, NA]
 Delivery Period: [Start] to [End]

The Seller’s Specified Percentage is _____. Seller will supply _____ tranches at a Default Service Spot Market Supplier Price of \$ _____ per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	MW-Measure
Rate Schedules Classes GS-3> 500kW, LP4>500kW, Standby, ISP, LP-5, LP-6, LPEP, IST, ISM	_____	_____	_____	_____

	Delivery Period Quantities											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Off-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
On-Peak Estimated Energy Quantity Per MW-Measure (MWh)												
Estimated Capacity Quantity Per MW-Day (MW-Day)												

Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by e-mail or facsimile to PPL Electric at [Fax number to be provided] in accordance with Section 2.9 – Transaction Confirmation of the Default SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.

ATTEST

By: _____
Name: _____
Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____
Name: _____
Title: _____

ATTEST

By: _____
Title: _____

[SELLER] _____
Name: _____
Title: _____

EXHIBIT C

TIME-OF-USE TRANSACTION CONFIRMATION EXAMPLE

~~This transaction confirmation letter is being provided pursuant to and in accordance with the Default Service Supply Master Agreement (“Default SMA”) dated _____ between PPL Electric Utilities Corporation (“Company” or “PPL Electric”) and _____ (“Seller”). Terms used but not defined herein shall have the meanings ascribed to them in the Default SMA. This Transaction Confirmation shall confirm the following terms of the Seller’s Default Service TOU Obligation agreed to on _____ (“Bid Proposal Due Date”) and set forth on the GSC Filing Date _____.~~

~~Product: [Time-of-Use Service]
Customer Group: [Residential]
Service Type: [Rate Schedules RS, RTS, RTD]
Delivery Location: [PPL Zone, NA]~~

~~Delivery Period: [Start] to [End]~~

~~Generation Service Charge (GSC) Rate:
GSC Filing Number:-~~

~~Time-of-Use Rate Option
Default Service Time-of-Use On-Peak Supplier Price:-~~

~~Default Service Time of Use Off Peak Supplier Price:
Specified Percentage:—~~

~~The Default Service Time of Use On Peak Supplier Price and Default Service Time of Use Off Peak Supplier Price are set based upon their definitions in Article 1 of the Default Service SMA. The monthly invoice amount paid to Seller will be the Monthly Settlement Amount as explained in Section 6.3(c) of the Default Service SMA.—~~

~~Please confirm that the terms stated herein accurately reflect the Transaction reached on the Bid Proposal Due Date above between Seller and PPL Electric by returning an executed copy of this Transaction Confirmation by facsimile to PPL Electric at [Fax number to be provided] in accordance with Section 2.9—Transaction Confirmation of the Default SMA. The signatories to this Transaction Confirmation must have the authority to enter into this Transaction.—~~

ATTEST

By: _____

Name: _____

Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____

Name: _____

Title: _____

ATTEST

By: _____

Title: _____

[SELLER] _____

Name: _____

Title: _____

EXHIBIT DC

ALTERNATIVE ENERGY PORTFOLIO STANDARDS OBLIGATION

This Exhibit DC shall confirm the Alternative Energy Portfolio Standards Obligation of the transaction (“Transaction”) agreed to on _____ (“Bid Proposal Due Date”).

Alternative Energy Portfolio Standards Obligations for the period beginning June 1, 2013 based on the retail MWh that the Buyer sells to others as supplied by Seller during those months in which the Seller is providing supply:

Residential Load Obligation:

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/13 to 5/31/14	4.5%	0.042%	6.2%
6/1/14 to 5/31/15	5.0%	0.072%	6.2%

Small Commercial & Industrial Load Obligation

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/13 to 5/31/14	4.5%	0.0840%	6.2%
6/1/14 to 5/31/15	5.0%	0.1440%	6.2%

Large Commercial & Industrial Load Obligation

<u>Reporting Period</u>	<u>Tier I</u>	<u>PV(included in Tier I Obligation)</u>	<u>Tier II</u>
6/1/13 to 5/31/14	4.5%	0.0840%	6.2%
6/1/14 to 5/31/15	5.0%	0.1440%	6.2%

EXHIBIT ED

PERFORMANCE ASSURANCE EVERGREEN LETTER OF CREDIT

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

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

ISSUE DATE _____

EXPIRY DATE: _____

APPLICANT

[NAME]

[ADDRESS]

BENEFICIARY

[NAME]

[ADDRESS]

CURRENCY AMOUNT USD

*****\$ _____

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF APPLICANT FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN. THIS LETTER OF CREDIT IS AVAILABLE IN ONE OR MORE DRAFTS UP TO THE AGGREGATE AMOUNT SET FORTH HEREIN.

THIS LETTER OF CREDIT IS PRESENTABLE AND PAYABLE AT OUR COUNTERS AND WE HEREBY ENGAGE WITH YOU THAT DRAFTS DRAWN UNDER AND IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE HONORED ON PRESENTATION BY PHYSICAL DELIVERY OR BY FACSIMILE TRANSMISSION [, PROVIDED THAT ANY PRESENTATION BY FACSIMILE TRANSMISSION SHALL ALSO BE FOLLOWED BY PHYSICAL DELIVERY OF DOCUMENTS WITHIN ONE (1) BUSINESS DAY THEREAFTER,] IF ACCOMPANIED BY THE REQUIRED DOCUMENTS PURSUANT TO THE TERMS OF THIS LETTER OF CREDIT.

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR BEFORE THE EXPIRY DATE OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS

PROVIDED HEREIN, OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

1. YOUR SIGNED AND DATED STATEMENT, READING AS FOLLOWS (WITH BLANKS APPROPRIATEDLY COMPLETED AND BRACKED INSTRUCTIONS DELETED):

“THE AMOUNT FOR THIS DRAWING, USD ____ [INSERT AMOUNT], BEING MADE UNDER THE ____ [INSERT NAME OF BANK] IRREVOCABLE STANDBY LETTER OF CREDIT NO. ____]INSERT LETTER OF CREDIT REFERENCE NUMBER], REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT OR AN AFFILIATE OF APPLICANT UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLY MASTER AGREEMENT DATED ____ [INSERT DATE OF SUCH AGREEMENT] BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY.” OR

“AN EVENT OF DEFAULT UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLY MASTER AGREEMENT DATED ____ [INSERT DATE OF SUCH AGREEMENT] BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY HAS OCCURRED AND THAT BENEFICIARY DEMANDS PAYMENT IN THE AMOUNT OF [INSERT AMOUNT UP TO ENTIRE REMAINING UNDRAWN AMOUNT] PURSUANT TO SUCH AGREEMENT.”; OR

“THE EXPIRATION DATE OF IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____ [INSERT LETTER OF CREDIT REFERENCE NUMBER] IS LESS THAN THIRTY (30) DAYS FROM THE DATE OF THIS STATEMENT AND THAT THE APPLICANT UNDER SUCH LETTER OF CREDIT HAS FAILED TO PROVIDE A REPLACEMENT LETTER OF CREDIT THAT SATISFIES THE REQUIREMENTS UNDER THE PPL ELECTRIC UTILITIES CORPORATION DEFAULT SERVICE SUPPLY MASTER AGREEMENT DATED ____ BETWEEN APPLICANT OR AN AFFILIATE OF APPLICANT AND BENEFICIARY. WE THEREFORE DEMAND PAYMENT IN THE AMOUNT OF [INSERT AMOUNT UP TO ENTIRE REMAINING UNDRAWN AMOUNT] PURSUANT TO SUCH AGREEMENT.”

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

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED. IN THE EVENT OF ANY PARTIAL DRAWING WE WILL, PROMPTLY FOLLOWING PRESENTATION THEREOF, RETURN THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS TO YOU. ALL AMOUNTS PAID BY US TO BENEFICIARY IN COMPLIANCE WITH THIS LETTER OF CREDIT SHALL CONSTITUTE A PRO TANTO REDUCTION IN THE STATED AMOUNT OF THIS LETTER OF CREDIT.

IF PRESENTATION OF ANY DRAWING IS MADE ON A BUSINESS DAY (AS HEREIN DEFINED) AND SUCH PRESENTATION IS MADE ON OR BEFORE 11:00 A.M. NEW YORK TIME, ISSUER SHALL SATISFY SUCH DRAWING REQUEST ON THE NEXT BUSINESS DAY. IF THE DRAWING IS RECEIVED AFTER 11:00 A.M. NEW YORK TIME, ISSUER WILL SATISFY SUCH DRAWING REQUEST ON THE SECOND FOLLOWING BUSINESS DAY. ALL PAYMENTS MADE UNDER THIS LETTER OF CREDIT SHALL BE MADE BY MEANS OF WIRE TRANSFER IN IMMEDIATELY AVAILABLE UNITED STATES DOLLARS TO YOUR BANK ACCOUNT INDICATED BY BENEFICIARY.

WE HEREBY ENGAGE WITH YOU THAT ALL DOCUMENTS PRESENTED IN COMPLIANCE WITH THE TERMS OF THIS LETTER OF CREDIT WILL BE DULY HONORED IF PRESENTED FOR PAYMENT ON OR BEFORE THE EXPIRY DATE, AS EXTENDED FROM TIME TO TIME IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

IN THE EVENT OF ANY NON-CONFORMING PRESENTATION, WE SHALL IMMEDIATELY NOTIFY BENEFICIARY IN WRITING BY FACSIMILE TO FAX NUMBER [BENEFICIARY TO INSERT FAX NUMBER] THAT THE PRESENTATION HAS BEEN REJECTED, WHICH NOTICE SHALL INDICATE THE REASONS FOR DISHONORING SUCH PRESENTATION AND SHALL PLACE AT THE DISPOSAL OF BENEFICIARY THE DOCUMENTS PRESENTED BY BENEFICIARY IN SUPPORT OF ITS DEMAND FOR PAYMENT. BENEFICIARY MAY THEREAFTER PRESENT DOCUMENTS AND RECEIVE PAYMENT HEREUNDER IN THE EVENT A CONFORMING PRESENTATION IS MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

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

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS, FEES, COSTS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN

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

3. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS, AND THEN ONLY TO THE EXTENT THAT, THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER EXPRESSLY WAIVING SUCH RIGHT OR RIGHTS. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF ANY BREACH OR NON-COMPLIANCE AFTER THE WAIVER.
4. A FAILURE TO MAKE ANY DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR ANY SUBSEQUENT DEMAND OR DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT FE

METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE

Parameters

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

1. On-Peak Initial Mark Price
2. Off-Peak Price Ratio/On-Peak Price Ratio
3. Off-Peak Initial Mark Price
4. On-Peak Estimated Energy Quantity Per MW-Measure for each of the calendar months in the Delivery Period
5. Off-Peak Estimated Energy Quantity Per MW-Measure for each of the calendar months in the Delivery Period
6. Capacity Initial Mark Price
7. Estimated Capacity Quantity Per MW-Day for each of the calendar months in the Delivery Period
8. MW-Measure
9. Number of awarded Tranches

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

1. On-Peak Forward Price
2. Off-Peak Forward Price
3. Capacity Forward Price
4. On-Peak Estimated Energy Quantity
5. Off-Peak Estimated Energy Quantity
6. Capacity Obligation
7. Current PLC Per Tranche
8. Estimated Capacity Quantity

Calculation of the MtM Exposure

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

- (i) the relevant month On-Peak Forward Price minus the relevant month On-Peak Initial Mark Price, multiplied by the relevant month On-Peak Estimated Energy Quantity;
- (ii) the relevant month Off-Peak Forward Price minus the relevant month Off-Peak Initial Mark Price, multiplied by the relevant month Off-Peak Estimated Energy Quantity;

- (iii) the relevant month Capacity Forward Price minus the relevant month Capacity Initial Mark Price, multiplied by the relevant month Estimated Capacity Quantity.

Determination of On-Peak Forward Prices

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

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

Determination of Off-Peak Forward Prices

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

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

Determination of Capacity Forward Prices

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

EXHIBIT FE (Continued)

MtM EXAMPLE CALCULATION FOR A TRANSACTION

Information from a Transaction Confirmation:
 Delivery Period: January 1, 2010, through December 31, 2010
 Total Tranches (P): 4
 MtM Measure (Q): 50

Month	Estimated Quantity Per MtM-Measure		Estimated Capacity Quantity Per MtM-Day (Q)
	On-Peak (MWh)	Off-Peak (MWh)	
Jan-2010	1500	9000	200
Feb-2010	11500	8400	200
Mar-2010	9000	7600	200
Apr-2010	8700	6700	200
May-2010	9500	7600	200
Jun-2010	13500	10100	200
Jul-2010	16300	11400	200
Aug-2010	17000	12100	200
Sep-2010	14000	9000	200
Oct-2010	9000	7200	200
Nov-2010	10400	8400	200
Dec-2010	11500	8400	200

MtM Exposure Calculation
 Business Day on which MtM is calculated: 24-Jun-10
 Current PLC Per Tranche (Y): 51.3
 Percent of On-Peak Hours Remaining in Current Month (S): 18.2%
 Percent of Off-Peak Hours Remaining in Current Month (T): 21.7%
 Percent of Days Remaining in Current Month (V): 20.0%

Month	On-Peak			Off-Peak			Capacity			MtM Exposure (\$) (m) = (g)*(h)*(i)*(j)*(k)*(l)	
	Forward Price (a)	Initial Mark Price (b)	Change in Price (c) = (a) - (b)	Estimated Energy Quantity (MWh) (d) = (h)*(i)*(j)*(k)*(l)	Initial Mark Price (f)	Change in Price (g) = (e) - (f)	Estimated Energy Quantity (MWh) (h) = (i)*(j)*(k)*(l)	Forward Price (i)	Initial Mark Price (k)		Change in Price (l) = (j) - (k)
Jan-2010	95.00	105.00	-10.00	10084	60.00	65.00	3015	50.00	20.00	30.00	-135,986.04
Feb-2010	95.00	105.00	-10.00	47196	60.00	65.00	34474	50.00	20.00	30.00	-619,704.00
Mar-2010	85.00	95.00	-10.00	40630	50.00	55.00	30780	50.00	20.00	30.00	-535,572.00
Apr-2010	70.00	75.00	-10.00	32832	50.00	55.00	24824	50.00	20.00	30.00	-426,816.00
May-2010	70.00	80.00	-10.00	36986	60.00	65.00	31190	50.00	20.00	30.00	-521,208.00
Jun-2010	125.00	85.00	-10.00	55404	60.00	70.00	41450	50.00	20.00	30.00	-736,688.00
Jul-2010	125.00	135.00	-10.00	66895	65.00	70.00	46786	50.00	20.00	30.00	-878,256.00
Aug-2010	105.00	135.00	-10.00	69788	60.00	70.00	46658	50.00	20.00	30.00	-921,348.00
Sep-2010	105.00	115.00	-10.00	57456	60.00	65.00	36936	50.00	20.00	30.00	-754,616.00
Oct-2010	85.00	90.00	-5.00	40630	55.00	60.00	28959	50.00	20.00	30.00	-328,320.00
Nov-2010	100.00	110.00	-10.00	42682	55.00	60.00	34474	50.00	20.00	30.00	-361,152.00
Dec-2010	100.00	110.00	-10.00	47196	70.00	75.00	34474	50.00	20.00	30.00	-619,704.00

EXHIBIT ~~GE~~

UNCONDITIONAL GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty”) is made and entered into as of this ____ day of ____, by ____ (the “Guarantor”), with an address at ____, in favor of PPL Electric Utilities Corporation (the “Buyer”), with an address at ____, in consideration of all Transactions for Default Service and Alternative Energy Credit under Supply Master Agreement(s) (“SMA(s)”) between PPL Electric Utilities Corporation and ____ (the “Seller”), including but not limited to all Aggregate Transactions under the Default Service Plan, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the ____ of Seller. Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings assigned thereto in the applicable SMA(s).

Whereas, Seller is an affiliate of Guarantor, and Guarantor desires Buyer to enter into SMA(s) with Seller and Guarantor’s provision of this Guaranty is an inducement for Buyer to be willing to enter into SMA(s) with Seller.

Now, Therefore, intending to be legally bound hereby, Guarantor covenants and agrees as follows:

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees as primary obligor and not as a surety, with effect from date hereof, the prompt and complete payment in immediately available funds in the United States when due of all of Seller’s obligations (present or future, direct or indirect, secured or unsecured, fixed or contingent and whenever due, whether on scheduled payment dates, upon demand, on a Termination Payment Date or otherwise) under the SMA(s), as well as, all reasonable out-of-pocket costs and expenses incurred by Buyer in the enforcement of the Guarantor’s obligations or collection under this Guaranty, including reasonable attorney’s fees and expenses (collectively, the “Obligations”) provided only that the Buyer is the prevailing party in any judicial suit, action or proceeding arising out of, resulting from, or in any way relating to this Guaranty, or if by mutual agreement by Guarantor and Buyer,. [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Buyer’s right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$____ (“Guaranty Amount”), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]
- (b) The Guarantor shall not be required to pay any consequential, incidental, punitive, exemplary or indirect damages, lost profits or other business interruption damages except in each case to the extent that they constitute Obligations that are required to be paid under the applicable SMA(s).

2. Nature of Guaranty; Waivers

- (a) This is a guaranty of payment and not of collection and the Buyer shall not be required, as a condition of the Guarantor's liability, to proceed first against Seller or any Performance Assurance or any collateral that Guarantor may hold, or to pursue any rights which may be available to it with respect to any other person or entity who may be liable for the payment of the Obligations. This is not a guaranty of performance (other than of performance of payment obligations) and the Guarantor is not obligated to provide power or to deliver AECs under the SMA(s) or this Guaranty.
- (b) This Guaranty is an absolute, unconditional, irrevocable (subject to the provisions of Section 12 of this Guaranty) and continuing guaranty and will remain in full force and effect until all of the Obligations have been indefeasibly paid in full, or until the SMA(s) have been terminated, whichever comes later. This Guaranty will not be affected by any surrender, exchange, acceptance, compromise or release by the Buyer or any other party, or any other guaranty, Performance Assurance or other security held by it for any of the Obligations, by any failure of the Buyer to take any steps to perfect or maintain its lien or security interest in or to preserve its rights to any security, Performance Assurance, or other collateral for any of the Obligations or any guaranty, or by any irregularity, unenforceability or invalidity of any of the Obligations or any part thereof.
- (c) Except as to any claims, defenses, or rights of set-off to which Seller is entitled under the SMA(s), exclusive of any claims, defenses, and rights of set-off that are based upon the insolvency, bankruptcy or reorganization of Seller, the power or authority to enter into and perform under the SMA(s) or the Transactions, all of which are expressly reserved under this Guaranty, the Guarantor's obligations hereunder shall not be affected, modified or impaired by any counterclaim, set-off, deduction or defense based upon any claim the Guarantor may have against Seller or the Buyer, including: (i) any change in the corporate existence (including its charter or other governing agreement, laws, rules, regulations or powers), structure or ownership of Seller or the Guarantor; or (ii) any insolvency, bankruptcy, reorganization or other similar proceeding affecting Seller or its assets; or (iii) the invalidity or unenforceability in whole or in part of the SMA(s); or (iv) any provision of applicable law or regulations purporting to prohibit payment by Seller of amounts to be paid by it under the SMA(s) (other than any law or regulation that eliminates or nullifies the obligations under the SMA(s)).
- (d) Guarantor waives notice of acceptance of this Guaranty, diligence, presentment, notice of dishonor and protest and any requirement that at any time Buyer or any other person or entity exhaust any right to take any action against Seller or Seller's assets or any other guarantor, person or entity, and Buyer shall not be bound or obligated to exhaust its recourse against Seller or any other person or entity or against any Performance Assurance or other collateral it may hold or take any other action before being entitled to receive payment from Guarantor. Any failure

of Buyer to give notice shall not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all claims, defenses, and rights of set-off based on suretyship or impairment of collateral or any other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims, defenses, or rights of set-off of Seller in respect of its obligations under the SMA(s) that are expressly reserved under Section 2(c) above.

- (e) The Buyer at any time and from time to time, without notice to or the consent of the Guarantor, and without impairing or releasing, discharging or modifying the Guarantor's liabilities hereunder, may (i) to the extent permitted by the SMA(s), change the manner, place, time or terms of payment or performance of, or other terms relating to, any of the Obligations; (ii) to the extent permitted by the SMA(s), renew, substitute, modify, amend or alter, or grant consents or waivers relating to any of the Obligations, or any other guaranties for any Obligations; (iii) settle, compromise or deal with any other person, including Seller, with respect to any Obligations in such manner as the Buyer deems appropriate at its sole discretion; (iv) substitute, exchange or release any Performance Assurance or any guaranty; or (v) take such actions and exercise such remedies hereunder or under the SMA(s) as Buyer deems appropriate in its sole discretion.

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

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law);
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor;
- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is

required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and

- (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that could reasonably be expected to have a material adverse effect on this Guaranty or Guarantor's ability to perform all of its obligations hereunder.
4. Repayments or Recovery from the Buyer. If any demand is made at any time upon the Buyer for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Buyer repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor shall be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Buyer. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Buyer's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable. Furthermore, this Guaranty shall continue to be effective or be reinstated, as the case may be, without any release or discharge of any obligations if at any time any payment of any of the Obligations is rescinded, avoided, recovered or must otherwise be returned by Buyer upon the insolvency, bankruptcy, or reorganization or Seller, Guarantor or any other guarantor or any other person or entity or otherwise, all as though such payment had not been made.
5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
6. Postponement of Subrogation. Guarantor shall not be subrogated to any of the rights (or if subrogated by operation of law, such Guarantor hereby waives such rights to the extent permitted by applicable law) of Buyer as the result of any payment or enforcement of any of the Obligations until all of the SMA(s) have terminated and all Obligations (other than contingent indemnities not then due) have been paid in full (such date, the "Obligations Full Payment Date"). If any amount shall be paid to Guarantor on account of subrogation at any time prior to the Obligations Full Payment Date, such amount shall be held by

Guarantor in trust for Buyer, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to Buyer in the exact form received by Guarantor (duly endorsed by Guarantor to Buyer, if required) to be applied against the Obligations, whether due or to become due, in such order as Buyer may determine. On the Obligations Full Payment Date, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payments to Buyer hereunder that have not been rescinded, avoided or otherwise required to be returned.

7. Notices. All notices, demands, requests, consents, approvals and other communications required or permitted hereunder must be in writing and will be effective upon receipt. Such notices and other communications may be hand-delivered, sent by facsimile transmission with confirmation of delivery and a copy sent by first-class mail, or sent by nationally recognized overnight courier service, to the addresses for the Buyer and the Guarantor set forth below or to such other address as one may give to the other in writing for such purpose:

All communications to Buyer shall be directed to:

Attn: ~~Glenn Dickerson~~[James Rouland](#)
Phone: 610-774-~~3029~~[3042](#)
Fax: 610-774-5694
E-mail: ~~gfdickerson~~jmrouland@pplweb.com
Address: 2 North 9th Street, GEN N5, Allentown, PA 18101

or such other address as the Buyer shall from time to time specify to Guarantor by notice given in accordance with this Section 7.

All communications to Guarantor shall be directed to:

Attn: _____
Phone: _____
Fax: _____

or such other address as the Guarantor shall from time to time specify to Buyer by notice given in accordance with this Section 7.

8. Preservation of Rights. No delay or omission on the Buyer's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Buyer's action or inaction impair any such right or power. The Buyer's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Buyer may have under other agreements with the Guarantor or in respect of any Performance Assurance or at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired

thereby.

10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire statement of the terms of this Guaranty and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Buyer with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon the successors and permitted assigns of Guarantor and inure to the benefit of the Buyer and its successors and assigns. Any assign must meet the requirements of a Guarantor under the SMA. Guarantor shall not assign this Guaranty in whole or in part without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that concurrently assumes in a writing provided to the Buyer all of Guarantor's obligations hereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB-, as rated by S&P or Fitch, or Baa3, as rated by Moody's, and (ii) the Seller is in compliance with all of its obligations under the SMA(s) before and immediately after giving effect to such assignment and assumption. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings determined by Moody's Investor Services, Inc. (or its successor) ("Moody's"), the Standard & Poor's Rating Group, a division of McGraw-Hill, Inc., (or its successor) ("S&P"), or Fitch Investor Service, Inc. (or its successor) ("Fitch") immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.
13. Interpretation. In this Guaranty, unless the Buyer and the Guarantor otherwise agree in writing, the singular includes the plural and the plural the singular; references to statutes are to be construed as including all statutory provisions consolidating, amending or replacing the statute referred to; the word "or" shall be deemed to include "and/or", the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; and references to sections or exhibits are to those of this Guaranty unless otherwise indicated. Section headings in this Guaranty are included for convenience of reference only and shall not constitute a part of this Guaranty for any other purpose.

14. Governing Law.

- (a) This Guaranty has been delivered to and accepted by the Buyer. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES THAT WOULD APPLY THE LAWS OF ANY OTHER JURISDICTION.
- (b) The Guarantor hereby irrevocably consents to the non-exclusive jurisdiction of any federal court in the Commonwealth of Pennsylvania, but in the event that the Guarantor and the Buyer jointly determine in good faith that jurisdiction does not lay with such court or that such court refuses to exercise jurisdiction or venue over the Guarantor and the Buyer or any claims made pursuant to this Guaranty, then the Guarantor agrees to submit to the non-exclusive jurisdiction of the Pennsylvania state courts; provided that nothing contained in this Guaranty will prevent the Buyer from bringing any action, enforcing any award or judgment or exercising any rights against the Guarantor individually, against any security or against any property of the Guarantor within any other county, state or other foreign or domestic jurisdiction. The Guarantor acknowledges and agrees that the venue provided above is the most convenient forum for both the Buyer and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

15. WAIVER OF JURY TRIAL. THE GUARANTOR AND BUYER IRREVOCABLY WAIVES ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND BUYER ACKNOWLEDGES THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

16. Term. This Guaranty shall survive termination of the SMA(s) and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid in full.

17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the SMA(s) is stayed upon the insolvency, bankruptcy or reorganization of Seller, all such amounts otherwise subject to acceleration or required to be paid upon an early termination pursuant to the terms of the SMA(s) shall nonetheless be payable by the Guarantor hereunder on written demand by Buyer.

18. Severability. Any provision contained in this Guaranty which is prohibited or severability in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

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

[Guarantor]

By: _____

Name: _____

Title: _____

EXHIBIT HG

FORM OF NOTICE

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

BUYER: PPL Electric Utilities Corporation

SELLER:

All Notices:

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

All Notices:

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

Invoices:

Attn:
Phone:
Facsimile: **610-774-5694**

Invoices:

Attn:
Phone:
Facsimile:

Invoices:

Scheduling:

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

Scheduling:

Attn:
Phone:
Facsimile:

Scheduling:

Payments:

Attn:
Phone:
Facsimile: **610-774-5694**

Payments:

Attn:
Phone:
Facsimile:

Payments:

Wire Transfer:

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

Wire Transfer:

BNK:
ABA:
ACCT:

Wire Transfer:

Credit and Collections:

Attn:
Phone:
Facsimile: **610-774-5694**

Credit and Collections:

Attn:
Phone:
Facsimile:

Credit and Collections:

With additional Notices of an Event of Default to:

With additional Notices of an Event of Default to:

With additional Notices of an Event of Default to:

Attn:
Phone:
Facsimile: **610-774-5694**

Attn:
Phone:
Facsimile:

EXHIBIT **H**

DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this _____ day of _____, 20____ by the following:

PRINCIPAL: _____ (“Principal”)

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, make 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 parts (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 underfrequency, under-voltage, or other load-shedding devices; and complying with the underfrequency relay obligations and charges specified in the Operating Agreement.

(c) Generator Responsibilities.

Agent is authorized to operate the Principal's generation resources in all events, including, but not limited to, in the event of Emergencies, and shall operate such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its

obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

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, in the event of Emergencies, and shall direct such resources in a manner that is consistent with the standards, requirements or directions of PJM and that will permit PJM to perform its obligations under the Operating Agreement, Tariff, RAA, and other applicable agreements, manuals, and practices.

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

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 as Principal for the following specific unit(s) in Principal primary and subaccounts:

Resource Name: _____ Resource ID: _____

(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.

(e) Billing and Payment Responsibilities.

In connection with all rights and responsibilities specified by Principal and Agent in any of subparts (a) through (d) of this Section, 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.)

(f) 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.

(g) Additional Responsibilities.

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

(h) Limitation on Responsibilities.

The rights and responsibilities specified in parts (a) through (f) above apply to a limited portion of 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.

3.1 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.

3.2 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 to 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.

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

- 4.1 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.
- 4.2 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 (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Agent is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.
- 4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and 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.
- 4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- 4.5 The Recitals are hereby incorporated into the body of this Declaration.

IN WITNESS WHEREOF, 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: _____ AGENT: _____

Signature: _____ Signature: _____

Name: _____ Name: _____

Title: _____ Title: _____

Company Name: _____ Company Name: _____

DECLARATION OF AUTHORITY

Addendum Example

PRINCIPAL : (“Principal”)

AGENT : (“Agent”)

Duration of Agreement:

Effective Starting Date: [Hour] on [Month] [Date], [Year]

Effective Ending Date: [Hour] on [Month] [Date], [Year]

Note: Principal or agent is required to provide PJM thirty days written notice prior to the date of expiration. Upon expiration all accounts will revert back to their original status.

PJM Billing Line Items - Transfer

Principal and Agent agree that PJM Settlement, Inc (“PJM Settlement”) shall transfer all the following charges directly related to the Agent’s share of serving the retail load obligations (or POLR load if this is POLR) from the Agent’s account(s) to the Principal’s account for the duration period specified above:

<u>Billing Line Item #</u>	<u>Billing Line Item</u>
1100	Network Integration Transmission Service charges
1108	Transmission Enhancement charges
1730	Expansion Cost Recovery charges
2140	Non-Firm Point-to-Point Transmission Service credits

PJM Accounts/Subaccounts

<u>Role</u>	<u>Participant Name</u>	<u>Short Name</u>	<u>Org ID</u>
Principal			
Agent			

Note: Billing Line Items to consider and address as needed for a POLR Load shift include but are not limited to: Network Integration Service Charge, Network Integration Service Offset, Transmission Enhancement Charge, Non-Firm PTP Service Credits, Expansion Cost Recovery Charge, ARR Credits.

Attachment C
Revised RFP

PPL Electric Utilities Corporation

Default Service

Request for Proposals (RFP) Process and Rules

February 26, 2013

DEFAULT SERVICE RFP PROCESS AND RULES

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ARTICLE 1 INTRODUCTION

1.1 Overview

- 1.1.1 Capitalized terms in this document, which are not defined explicitly herein, are defined in the PPL Electric Utilities Corporation Default Service Supply Master Agreement (“Default SMA” or “Default Service SMA”) incorporated hereto as Appendix 1.
- 1.1.2 PPL Electric Utilities Corporation (“Company” or “PPL Electric”) has proposed a competitive bidding process to obtain electric supply sufficient for the Company to meet its default service obligations, pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812, and PUC Orders and Regulations (“Default Service Supply”). This Request for Proposals (“RFP”) is being issued to select electricity suppliers for default service beginning on June 1, 2013.
- 1.1.3 PPL Electric is issuing this RFP to procure Default Service Supply for the period beginning June 1, 2013, under the terms described below, for each of three groupings of rate classes (“Customer Group”): Residential, Small Commercial and Industrial (“Small C&I”), and Large Commercial and Industrial (“Large C&I”). Each Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

Customer Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
Small Commercial and Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 500 kW peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 500 KW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to	

		customers in the above listed rate schedules.
Large Commercial and Industrial	GS-3	GS-3 – Large General Service – Customers with 500 KW or higher peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with 500 KW or higher peak demand
	ISP	IS-P(R)–Interruptible Large General Service–12 KV or Higher
	LP-5	LP-5 – Large General Service (69 KV or Higher)
	LP-6	LP-6 – Large General Service (69 KV or Higher)
	LPEP	Power Service to Electric Propulsion
	IST	IST(R) – Interruptible Service by Agreement
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.
Notes:		
1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.		
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.		
3. Rate Schedule LP-4 customers with less than 500 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 500 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer’s ICAP peak load contribution assigned for the 2013-2014 PJM Interconnection, LLC (“PJM”) Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2013 through May 31, 2015.		

1.1.4 The Default Service Load for each of these Customer Groups for purposes of this Default Service RFP is the Full Requirements Service as recorded by PPL Electric and reported to the PJM Interconnection, LLC (“PJM”) for PPL Electric’s retail customers within that Customer Group, excluding customers that have chosen to take service from an Electric Generation Supplier (“EGS”). For the purposes of this RFP, the Default Service Load will be reduced by PPL Electric’s fractional percentage of committed capacity and energy obtained under a long-term contract with the Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (NYPA). In addition, for the Residential Customer Group, the Default Service Load that winning bidders will supply includes reductions associated with load supplied through 300 MW of energy and capacity purchased under separate block supply contracts for the period June 1, 2013 through August 31, 2013, 250 MW for the period September 1, 2013 through November 30, 2013, 200 MW for the period December 1, 2013 through February 28, 2014, and 150 MW for the period March 1, 2014 through December 31, 2015, and 50 MW for the period January 1, 2016 through May 31, 2021 (referred to collectively herein as “Block Supply Purchases”). Appropriate contract and performance data will be provided on PPL Electric’s RFP Web site.

1.1.5 An electricity supplier selected through this RFP is to provide Default Service Supply for a portion of a particular Customer Group, and once approved by the Pennsylvania Public Utility Commission (“PUC” or “Commission”), becomes a Default Service supplier for that

Customer Group. A Default Service supplier may be selected to provide Default Service Supply for one or more Customer Groups, and may be selected to supply Default Service Fixed Price Load and/or Default Service Spot Market Load (i.e., be a Default Service Fixed Price Supplier and/or Default Service Spot Market Supplier, referred to collectively herein as “Default Service Suppliers” unless otherwise noted). Default Service Suppliers will be responsible for supplying the Full Requirements Service including, without limitation, energy, capacity, transmission (excluding Non-market-based Transmission Services), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply Default Service to PPL Electric. In addition, Default Service Suppliers will also be responsible for providing supply necessary for PPL Electric to meet its obligations under the Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, (“AEPS Act”) as set forth in Exhibit C of the Default Service SMA, during the Delivery Period of a Transaction Confirmation. PPL Electric will be responsible for complying with all applicable PJM demand response operating rules.

- 1.1.6 A Default Service customer for the purposes of these RFP Rules is a PPL Electric retail customer in the Residential Customer Group, the Small C&I Customer Group, or the Large C&I Customer Group that is not taking service from an EGS. Any shopping customer (i.e., a customer served by an EGS) may return to Default Service in accordance with the Company’s standard switching requirements.
- 1.1.7 A “Product” is Default Service Supply provided: (i) for a given Customer Group; (ii) for a given period of time (“Delivery Period”); and (iii) under the terms of the Default Service SMA where supply is provided for Full Requirements Service at either an all-in fixed price or paid at the hourly real-time spot market energy price for the PPL Zone plus additional specified payments for other components of the Full Requirements Service. Products under the Default Service SMA will be referred to as “Fixed Price Products” for the Residential and Small C&I Customer Groups and “Spot Market Products” for the Large C&I Customer Group.
- 1.1.8 For each Customer Group, PPL Electric will provide Default Service from separate portfolios of products (i.e., one portfolio for the Residential Customer Group, a different portfolio for the Small C&I Customer Group and a different portfolio for the Large C&I Customer Group) from Default Service Suppliers, with no Default Service customer being assigned to a specific Default Service Supplier. The Delivery Period for each product begins at 12:00:00 a.m. Eastern Prevailing Time (“EPT”) of that product’s commencement date and ends at 11:59:59 p.m. EPT of that product’s expiration date. The Residential and Small C&I Customer Groups may receive Default Service from supply provided by Default Service Suppliers under either a fixed rate or time-of-use rate from PPL Electric. For the Large C&I Customer Group, PPL Electric will provide Default Service with the Spot Market Product. Default Service Spot Market Suppliers for the Large C&I Customer Group will be selected to supply the Spot Market Product annually for 12-month Delivery Periods (e.g., the Delivery Period for the first annual Spot Market Product will be June 1, 2013 through May 31, 2014).
- 1.1.9 For the Residential and Small C&I Customer Groups, the first solicitation seeks to procure 12-month Fixed Price Products serving 26.875% of the Default Service Load for

each Customer Group and 9-month Fixed Price Products serving 16.875% of the Default Service Load for each Customer Group. The second solicitation seeks to procure 12-month and 9-month Fixed Price Products, each serving 16.875% of the Default Service Load for each Customer Group. The third solicitation seeks to procure 12-month Fixed Price Products serving 49.375% of the Default Service Load for each Customer Group and 9-month Fixed Price Products serving 5.625% of the Default Service Load for each Customer Group. The fourth solicitation seeks to procure 6-month Fixed Price Products serving 39.375% of the Default Service Load for each Customer Group and 3-month Fixed Price Products serving 5.625% of the Default Service Load for each Customer Group

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

Products for Default Service			
Solicitation #	Product Term	Commencement Date and Time	Expiration Date and Time
1	9-month	12:00:00 a.m. EPT, September 1, 2013	11:59:59 p.m. EPT, May 31, 2014
1	12-month ¹	12:00:00 a.m. EPT, June 1, 2013	
2	9-month	12:00:00 a.m. EPT, March 1, 2014	11:59:59 p.m. EPT, November 30, 2014
2	12-month	12:00:00 a.m. EPT, December 1, 2013	
3	9-month	12:00:00 a.m. EPT, September 1, 2014	11:59:59 p.m. EPT, May 31, 2015
3	12-month ¹	12:00:00 a.m. EPT, June 1, 2014	
4	3-month	12:00:00 a.m. EPT, March 1, 2015	
4	6-month	12:00:00 a.m. EPT, December 1, 2014	

¹ Includes the procurement of Spot Market products for Large Commercial and Industrial Customer Group.

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

1.1.12 Default Service Fixed Price Load for each Customer Group and Default Service Spot Market Load will be divided into tranches. A tranche represents a share of the Default Service Load for that Customer Group. The nominal size of a tranche for each Customer Group (at present approximately 100 Megawatts (“MW”)) is based on that Customer

Group's 2012-2013 projected Peak Load Contribution ("PLC"), in accordance with PJM, on the PPL Electric system, based on total Customer Group load (i.e., including shopping customers' load and Default Service Load). A Default Service Supplier serving one tranche in a particular product for a Customer Group is responsible for serving a fixed percentage of that Customer Group's Default Service Fixed Price Load or Default Service Spot Market Load represented by one tranche. The following tables show the percentage of Default Service Fixed Price Load and Default Service Spot Market Load provided by each of the products, the number of tranches for each of the products, and the tranche size.

Tranches and Tranche Size for Fixed Price and Spot Products					
Customer Group	Product Delivery Period¹	Product Size (% of Load)	Total Tranches	Tranche Size (% of Load)²	PLC (MW)
Residential	12-month (Solicitation #1)	26.875%	8	3.35938%	2,891
	9-month (Solicitation #1)	16.875%	5	3.375%	
	12-month (Solicitation #2)	16.875%	5	3.375%	
	9-month (Solicitation #2)	16.875%	5	3.375%	
	12-month (Solicitation #3)	49.375%	15	3.29167%	
	9-month (Solicitation #3)	5.625%	2	2.8125%	
	6-month (Solicitation #4)	39.375%	12	3.28125%	
	3-month (Solicitation #4)	5.625%	2	2.8125%	
Small Commercial and Industrial	12-month (Solicitation #1)	26.875%	6	4.47917%	2,150
	9-month (Solicitation #1)	16.875%	4	4.21875%	
	12-month (Solicitation #2)	16.875%	4	4.21875%	
	9-month (Solicitation #2)	16.875%	4	4.21875%	
	12-month (Solicitation #3)	49.375%	11	4.48864%	
	9-month (Solicitation #3)	5.625%	2	2.8125%	
	6-month (Solicitation #4)	39.375%	9	4.375%	
	3-month (Solicitation #4)	5.625%	2	2.8125%	
Large Commercial and Industrial	Spot Market (12-month)	100.000%	20	5.000%	1,801

¹ Unless otherwise noted the product type is a Fixed Price Product.

² In some cases, Tranche Size values are rounded to 6 significant digits.

1.1.13 The actual Default Service Load for each Customer Group will depend upon many factors including, but not limited to, customer migration to EGSs and weather conditions. The maximum peak load of each Customer Group may be higher or lower than the

Projected PLC. Respondents to this RFP (“RFP Bidders”) are responsible for evaluating the uncertainties associated with Default Service Load for each of the Customer Groups.

- 1.1.14 PPL Electric will issue solicitations beginning in 2013 to competitively procure electric supply sufficient for the Company to meet its Default Service obligations (the solicitation schedule can be modified based on the decision of the Commission). Each of the solicitations from 2013 through 2015 will obtain Products providing Default Service Supply for retail customers in the Residential Customer Group and the Small C&I Customer Group. The first and third scheduled solicitations will also obtain the Default Service Spot Market Product providing supply for retail customers in the Large C&I Customer Group.
- 1.1.15 Any prospective supplier, including any PPL Electric generation supply affiliate, that can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will serve tranches of Default Service Load for any product serving any Customer Group, may respond to any solicitation in this RFP.
- 1.1.16 Any prospective respondent to this RFP must meet the Bidder Qualification requirements provided in Article 4, and submit Bid Proposal(s) as described in Articles 5 and 6. The Bidder Qualification requirements generally require the prospective RFP Bidder to provide certain evidence of being a recognized electricity supplier and to submit documents establishing the RFP Bidder’s credit. A Bid Proposal must include the RFP Bidder’s Bid(s) for each product for each Customer Group it is interested in bidding on, and must be accompanied by the executed Default Service SMA and sufficient Bid Assurance Collateral. A Bid is a price or prices, in U.S. Dollars per megawatt-hour (“MWh”) for each product’s Delivery Period, at which the RFP Bidder is willing to serve a tranche or tranches of a given product for a given Customer Group.
- 1.1.17 All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Section 2.2. In general, for each solicitation to be conducted under this RFP, there will be a pre-specified time period prior to the submission of Bid Proposals wherein RFP Bidders can: 1) express interest in offering supplies; 2) obtain data on supply obligations; 3) attend a Bidder Information Session; and 4) submit and receive answers to questions regarding the solicitation.
- 1.1.18 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals for one or more products for any Customer Group, subject to the restrictions of this Article. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. For each solicitation, the number of tranches across all product(s) for a Customer Group for which an RFP Bidder submits a Bid cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the Available Tranches for that Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group. The Aggregate Load Cap for a Customer Group ensures that, at any given point in time during the period June 1, 2013 through May 31, 2015, the Customer Group has no more than a 50% exposure to any one Default Service Fixed Price Supplier selected pursuant to PPL Electric’s current or prior default service program under Docket No. P-

2012-2302074 or Docket No. P-2008-2060309, respectively. Thus, for each of these two (2) Customer Groups, the sum of: (i) the percentage of Default Service Load corresponding to the number of tranches across all product(s) for the Customer Group for which an RFP Bidder submits a Bid; and: (ii) the percentage of Default Service Load corresponding to tranches for which the RFP Bidder is a Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under Docket No. P-2012-2302074 or Docket No. P-2008-2060309, respectively; must not exceed the Aggregate Load Cap at any given point in time during the period June 1, 2013 through May 31, 2015. The Solicitation Load Cap for each Customer Group and Aggregate Load Cap for each Customer Group are provided in Section 2.3.2. In any solicitation, when an RFP Bidder submits a Bid to supply a number of tranches in a product for a Customer Group, the RFP Bidder must submit a price at which that RFP Bidder is willing to serve each number of tranches up to and including that number of tranches in that product for that Customer Group. No Bid for any number of tranches in any product for any Customer Group may be made contingent upon winning or losing another Bid for some number of tranches in another product of some other Customer Group. Instructions for preparation of Bid Proposal(s) are addressed in Articles 5 and 6.

- 1.1.18 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (1) business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have one (1) business day to consider the report of the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. The PUC may either accept or reject all of the Bid Proposals presented for a Product, as defined in Section 1.1.7, in its entirety. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 1.1.19 If the PUC rejects all Bids for a given product, for a given Customer Group, in any solicitation, or if some tranches of a given product, for a given Customer Group, in a particular solicitation do not receive bids, the Company will expeditiously seek guidance and approval from the PUC to address this short fall in procurement of Default Service Supply. However, unless directed otherwise by the Commission, to the extent that unfilled tranches remain at the commencement of delivery for a given product, the Company will obtain Default Supply through the spot market administered by PJM. In the event a Default Supplier defaults, PPL Electric will offer full requirements supply assignment as specified in Section 7.5.
- 1.1.20 The Commission is reviewing the retail electricity market in the state under the Retail Markets Investigation. Various plans to encourage customer shopping have been initiated as a result of this Investigation, including but not limited to, the Retail Opt-in Auction Program and the Customer Referral Program. Bidders should visit the PUC's website dedicated to the Investigation to review the latest information, found at http://www.puc.state.pa.us/utility_industry/electricity/retail_markets_investigation.aspx.

1.2 Summary of RFP Documents

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

- Appendix 1: PPL Electric Utilities Corporation Default Service SMA
- Appendix 2: Expression of Interest Form
- Appendix 3: Confidentiality Agreement
- Appendix 4: PJM Qualification Certification Form
- Appendix 5: FERC Authorization Certification Form
- Appendix 6: Credit Application
- Appendix 6b: Confirmation of Previously Submitted Credit and Financial Information
- Appendix 7: Bid Assurance Letter of Credit
- Appendix 8: Bid Proposal Spreadsheets
- Appendix 9: Binding Bid Agreement
- Appendix 10: Binding Bid Withdrawal Agreement

1.3 Default Service Load and Supplier Obligations

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

ARTICLE 2 INFORMATION AND SCHEDULE

2.1 Information Provided to Potential Bidders

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

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

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

2.2 RFP Schedule

2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric will publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. Beginning April 2013, Default Service solicitations will take place on a semi-annual basis. The Bid Proposal Due Dates will occur on or about the following dates:

- April 23, 2013
- October 22, 2013
- April 29, 2014
- October 21, 2014

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

2.2.2 Default Service solicitations will generally span a four-week to six-week time period. Solicitation activities are shown below. The expected completion date of each of the activities shown is expressed in the approximate number of weeks prior to the expected execution of default service contracts.

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

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

2.3 Multi-Solicitation Process

2.3.1 In each of the solicitations in 2013 and 2014, PPL Electric will seek to procure Default Service Supply for Fixed Price Products for the Residential and Small C&I Customer Groups corresponding to each Customer Group's Default Service Load (see table below). In the first and third solicitations, PPL Electric will also seek to procure Default Service Supply for the Spot Market Product for the Large C&I Customer Group corresponding to 100% of the Customer Group's Default Service Load.

Available Tranches in Solicitations					
Customer Group	Product ¹ Delivery Period	Solicitation #1	Solicitation #2	Solicitation #3	Solicitation #4
Residential	3-month				2
	6-month				12
	9-month	5	5	2	
	12-month	8	5	15	
Small Commercial and Industrial	3-month				2
	6-month				9
	9-month	4	4	2	
	12-month	6	4	11	
Large Commercial and Industrial	Spot Market (12-month)	20	20	20	20

¹Unless otherwise noted, the product type is a Fixed Price Product.

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

ARTICLE 3

GENERAL REQUIREMENTS FOR PROPOSALS

3.1 RFP General Requirements

3.1.1 A Proposal consists of Bidder Qualifications (a response to the Bidder Qualification requirements in Article 4 of this RFP) and one or several Bid Proposal(s) for a given solicitation with its accompanying documents (as described in Article 5). A respondent to this RFP is an RFP Bidder. An RFP Bidder that fulfills the Bidder Qualification requirements can submit a maximum of one Bid Proposal for each product for a Customer Group on each Bid Proposal Due Date in response to this RFP.

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

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

3.1.3 It is the intention, but not the obligation, of the Company to enter into a Default Service SMA, with two or more winning RFP Bidders for each Customer Group.

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

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

- 3.1.6 An Officer of the RFP Bidder is an individual empowered to undertake contracts and bind the RFP Bidder. Unless otherwise noted, all Representations in this RFP must be made by an Officer of the RFP Bidder.
- 3.1.7 Each RFP Bidder must comply with all the Bidder Qualification requirements described in Article 4.
- 3.1.8 All information provided and certifications made in the Bidder Qualifications must remain valid and remain in full force until five (5) business days after the applicable Bid Proposal Due Date. Regardless of the reason, if any information provided in the Bidder Qualifications for a given solicitation changes or any certification fails to remain valid, it is the sole responsibility of the RFP Bidder to notify the Bidder Qualification Evaluation Team of such change at least three (3) business days before the submission of any Bid Proposal on a Bid Proposal Due Date. Failing to do so may result in disqualification of the RFP Bidder and the Bid Proposal for that solicitation. The Bidder Qualification Evaluation Team reserves the right to vary the assessment of Bidder Qualifications based on the revised information provided by the RFP Bidder.

ARTICLE 4

BIDDER QUALIFICATION

4.1 Overview of Bidder Qualification Process

- 4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; 3) certifies that it meets the PJM membership and Federal Energy Regulatory Commission ("FERC") authorization requirements stated in Section 4.4 (Applicant's PJM Qualification and FERC Authorization Certifications); 4) demonstrates that its, or its guarantor's, unsecured senior long-term debt rating (or issuer rating, if the unsecured senior long-term debt rating is unavailable) is currently available from Standard & Poor's, Fitch Ratings, or Moody's Investor Services; 5) submits the Credit Application and associated financial information requested in Section 4.5 (Credit Application and Financial Information); and, 6) submits an executed copy of the Binding Bid Agreement provided as Appendix 9. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral in an amount directly proportional to the amount of load bid upon. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution or the rejection of its bid(s), as described in Section 5.4 (Bid Assurance Collateral).
- 4.1.2 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Section 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Section 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Section 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.
- 4.1.3 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by: a) verifying, in writing, that the previously submitted credit and financial information is up-to-date and accurate by submitting Appendix 6b; and b) providing two (2) originals of the Binding Bid Agreement for that solicitation. These documents must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance Collateral for that solicitation and to fulfill all requirements of the Bid Proposal(s) as specified in Article 5. It is the sole responsibility of the RFP

Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

4.2 Expression of Interest

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

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

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

4.3 Confidentiality Agreement

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

4.4 Applicant's PJM Qualification and FERC Authorization Certifications

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

4.5 Credit Application and Financial Information

- 4.5.1 Applicants are required to submit the Credit Application (Appendix 6) and associated financial information to PPL Electric. An electronic copy of the Credit Application can be found on PPL Electric's RFP Web site. Applicants are required to submit the Credit Application no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications two (2) originals of the completed Credit Application and one (1) copy of any supporting documents to this Credit Application including the associated financial information as directed in Section 6.1.2. Supporting documents to the Credit Application include the most recent 2 years of financial statements audited by a firm of certified public accountants of national standing for the entity whose creditworthiness the RFP Bidder is relying on, and documentation from the credit rating agencies showing the name of the rating agency, the type of rating, and the rating indicated in the Credit Application.
- 4.5.2 All submitted information must be in the English language. Financial data must be denominated in U.S. Dollars and conform to Generally Accepted Accounting Principles ("GAAP") in the United States. If the applicant's financial information is consolidated with other entities, then it is the applicant's responsibility to extract and submit as separate documents all data and information related solely to the applicant. This must include all financial information, associated notes, and all other information that would comprise a full financial report conforming to GAAP.
- 4.5.3 PPL Electric may, at its sole discretion, consider financial information of foreign applicants or foreign Guarantors that are not denominated in U.S. Dollars or do not conform to GAAP in the United States. Such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. Any Guarantor will be required to execute the Unconditional Guaranty as it appears in the Default Service SMA (Exhibit F) and as such the Guarantor must be able to make all representations and warranties therein.

4.6 Binding Bid Agreement

- 4.6.1 An applicant must certify that as an RFP Bidder it agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s) submitted by the RFP Bidder, which shall constitute a firm offer to supply service in accordance with the Default Service SMA. The signatory to the Binding Bid Agreement must be an Officer, as defined in Section 3.1.6, binding the RFP Bidder to perform the terms and conditions of the Default Service SMA at the prices and for the load amounts specified in its Bid Proposal(s). In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Section 5.8 of this RFP. An electronic copy of the Binding Bid Agreement can be found on PPL Electric's RFP Web site. For each solicitation, Applicants are required to submit two (2) originals of such certification, in the form of Appendix 9, no later than the Bidder Qualifications Due Date for that solicitation. The applicant should send such certification as directed in Section 6.1.2.

4.7 Cure Time for Deficiencies in Qualification Requirements

- 4.7.1 In the event that an RFP Bidder has not met all of the Bidder Qualification requirements under Article 4 (Bidder Qualification), PPL Electric will endeavor, on a best efforts basis, to notify the RFP Bidder no later than forty-eight hours before the Cure Deficiency Deadline. It is understood and agreed that PPL Electric has no liability for any failure to notify an RFP Bidder of a deficiency. If the RFP Bidder fails to remedy any deficiencies by the Cure Deficiency Deadline for a solicitation so as to not be qualified to submit Bid Proposals in that solicitation, such applicant will be allowed to cure any such deficiency and participate in subsequent solicitations, if the deficiency is cured no later than the Cure Deficiency Deadline for the next solicitation.

4.8 Bid Assurance Collateral and Alternative Letter of Credit Form

- 4.8.1 No later than two (2) business days before the Bid Proposal Due Date, each RFP Bidder must provide liquid Bid Assurance Collateral in an amount of \$500,000 per tranche bid. The purpose of this collateral is to assure commitment of the RFP Bidder to execute the Transaction Confirmations for the tranches awarded to the RFP Bidder. The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric's RFP Web site. If the RFP Bidder is providing Bid Assurance Collateral in the form of a Bid Assurance LOC, the RFP Bidder may provide one Bid Assurance LOC for all Products under this RFP. If the RFP Bidder is participating in more than one RFP issued by the Company, the RFP Bidder must provide separate Bid Assurance LOC for each RFP. If the RFP Bidder is providing Bid Assurance Collateral in the form of cash, and if the RFP Bidder is also participating in other RFP(s) issued by the Company, the RFP Bidder must advise the Bid Proposal Evaluation Team as to the amount allocated as Bid Assurance Collateral for purposes of each RFP.

4.8.2 As part of the Bidder Qualifications, an applicant may propose modifications to the Bid Assurance LOC that are non-substantive or clarifying in nature. The applicant proposing modifications to the Bid Assurance LOC must provide an electronic copy at pplpolr@pplweb.com in MS Word with all proposed modifications clearly marked. The acceptability of such proposed modifications will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Bid Assurance LOC will be posted to PPL Electric's RFP Web site no later than seven (7) business days before the Bid Proposal Due Date.

4.9 Alternative Forms of Performance Assurance

4.9.1 Subsequent to the return of a supplier's Bid Assurance Collateral, another instrument of performance assurance to secure PPL Electric's exposure during the Delivery Period of a Transaction Confirmation to the Default Service SMA may be required, as set forth in the Default Service SMA. Any performance assurance required of the supplier determined in accordance with the Default SMA may be in the form of cash or LOC. An acceptable Performance Assurance LOC form is provided as Exhibit D in the Default Service SMA. An acceptable Unconditional Guaranty form is provided as Exhibit F in the Default Service SMA. As part of its Bidder Qualifications, an applicant may propose modifications to the Performance Assurance LOC or the Unconditional Guaranty form that are non-substantive or clarifying in nature. The applicant proposing modifications to the Performance Assurance LOC or the Unconditional Guaranty must provide an electronic copy at pplpolr@pplweb.com in MS Word with all proposed modifications clearly marked. If an applicant intends to use security other than cash or LOC, PPL Electric requests that the applicant describe such other security at the time it submits its Credit Application and financial information. The acceptability of such proposed modifications to the Performance Assurance LOC or the Unconditional Guaranty form or such other form of security will be determined at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be posted to PPL Electric's RFP Web site.

ARTICLE 5 BID PROPOSAL REQUIREMENTS

5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their Bid Proposal(s) using only the Bid Proposal Spreadsheets attached to this RFP as Appendix 8; an electronic copy is available on PPL Electric's RFP Web site. There is a separate Bid Proposal Spreadsheet for each solicitation and each product for a Customer Group, as indicated in the title area of each Bid Proposal Spreadsheet. The Bid Proposal Spreadsheets contain sections of information labeled Bidder Information, Tranche Information, and Bid Information. The Bid Proposal Spreadsheets contain shaded cells in which RFP Bidders provide information and their Bids. **In order to prevent any misunderstanding of an RFP Bidder's Bid Proposal, all shaded cells within a Bid Proposal Spreadsheet must be completed by the RFP Bidder. A Bid Proposal Spreadsheet submitted by an RFP Bidder that contains blank shaded cells will be deemed a non-conforming Bid Proposal, and will be eliminated from further consideration. Therefore, if it is the intent of an RFP Bidder to offer to supply a particular total number of tranches, the RFP Bidder must enter a price quote in the price cells associated with each of the total number of tranches up to and including that particular total number of tranches and must enter an "X" in price cells associated with each of the total number of tranches beyond that particular total number of tranches.** The non-shaded cells are read-only cells containing either fixed or computed amounts.
- 5.1.2 No Bid Proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposal(s) in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name, Phone Number, and must be provided by the RFP Bidder. As set forth in Section 5.3 (Confirmation and Proposal Tagging Process), such information will be used to confirm receipt of the RFP Bidder's Bid Proposal Spreadsheet(s).
- 5.1.4 Tranche Information – The contents of these cells are provided by PPL Electric and include the Solicitation Load Cap, Aggregate Load Cap, Available Tranches, Tranche Size (% of Total Customer Group Default Service Load), and MW-Measure (based on Projected 2012-2013 PLC). The Available Tranches for a product represents an initial target consistent with the multi-solicitation structure described in Section 2.3 (Multi-Solicitation Process). However, as discussed in Section 2.3 (Multi-Solicitation Process), such targets are subject to change depending on the results of prior solicitations. In the event that the initial target changes, PPL Electric will, prior to a solicitation, revise such targets in the Bid Proposal Spreadsheets accordingly. The Solicitation Load Cap for each Customer Group is the maximum percentage of the sum of the Available Tranches for all products of that Customer Group that each RFP Bidder can bid and win in that solicitation. For each of the Residential and the Small C&I Customer Groups, the number of tranches that each RFP Bidder can bid and win cannot exceed the Aggregate Load Cap

for that Customer Group as explained in Section 1.1.18 and Section 2.3.2. The Tranche Size (% of Total Customer Group Default Service Load) represents the share of the Customer Group's Default Service Load measured by one tranche. The Tranche Size (% of Total Customer Group Default Service Load) is applicable to each rate schedule within the Customer Group. For example, if there are three rate schedules being bid in aggregate within a Customer Group, and the Tranche Size is 2%, an RFP Bidder awarded one tranche will supply 2% of each of the three rate schedules in that Customer Group.

- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder can offer to supply.
- 5.1.6 Bid Assurance Collateral Amount – The contents of these cells are computed as the product of the Total Tranches Supplied and \$500,000.
- 5.1.7 Price (U.S. \$/MWh) – These cells are **RFP Bidder input cells** for the RFP Bidder's price quote corresponding to each Total Tranches Supplied. The price quotes shall be in terms of U.S. \$/MWh for the time period of the product's delivery. As set forth in the Default Service SMA, the MWh of energy shall be equivalent to the amount of energy reported as the supplier's obligation by PPL Electric to PJM adjusted for losses in accordance with PPL Electric's initial and subsequent retail load settlement process. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to supply a particular Total Tranches Supplied must: 1) provide a price quote in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied up to and including that particular Total Tranches Supplied; and 2) mark an "X" in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied beyond that particular Total Tranches Supplied. For example, if an RFP Bidder wishes to offer to supply six Total Tranches Supplied, then the RFP Bidder must provide a price quote for each Total Tranches Supplied from one to six and mark an "X" for all Total Tranches Supplied greater than six.
- 5.1.8 Complete/Incomplete Flag – The content of this cell is computed and indicates whether or not the Bid Proposal Spreadsheet has been fully completed in accordance with Section 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Section 5.6 (Conforming Bid Proposals).
- 5.1.9 Tag Number – The content of this cell will be provided by PPL Electric and will represent a unique identification for each Bid Proposal Spreadsheet submitted by the RFP Bidder. This identification will be communicated to the RFP Bidder at the time the RFP Manager confirms receipt of the RFP Bidder's Bid Proposal, as described in Section 5.3 (Confirmation and Proposal Tagging Process).
- 5.1.10 The RFP Bidder may choose to bid in one or several of the three Customer Groups, subject to the restrictions of this Article. On any Bid Proposal Due Date, the number of tranches in a Customer Group for which an RFP Bidder submits a Bid Proposal must be a whole number and cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the number of Available Tranches for that Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer

Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18 and Section 2.3.2. The Solicitation Load Cap, the Aggregate Load Cap and the number of Available Tranches for each product and each solicitation are provided in Section 2.3 (Multi-Solicitation Process).

5.2 Submittal of Bid Proposals

- 5.2.1 Each RFP Bidder shall only submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 12:00:00 p.m. EPT and 2:00:00 p.m. EPT, on the Bid Proposal Due Date for each solicitation as indicated in Section 2.2 (RFP Schedule). An RFP Bidder may only withdraw one or more of its Bid Proposal(s) before 2:00:00 p.m. EPT on the Bid Proposal Due Date by submitting the Binding Bid Withdrawal Agreement, provided as Appendix 10, to the fax number provided in Section 6.1.2. The signatory to the Binding Bid Withdrawal Agreement must certify that he/she has the authority to act on behalf of the RFP Bidder in such a manner. Upon receipt of a Binding Bid Withdrawal Agreement, the RFP Manager will provide the RFP Bidder with a notice by phone of receipt of such withdrawal.

5.3 Confirmation and Proposal Tagging Process

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

5.4 Bid Assurance Collateral

- 5.4.1 Each RFP Bidder must provide liquid Bid Assurance Collateral to support its Bid Proposal(s). The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric's RFP Web site. PPL Electric will consider modifications to the Bid Assurance LOC in accordance with the process provided in Article 4.
- 5.4.2 The RFP Bidder must provide, no later than two (2) business days before the Bid Proposal Due Date, Bid Assurance Collateral in an amount equal to the sum of \$500,000 times the total number of tranches bid in all its Bid Proposal(s). PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder is notified that it has not been awarded tranches for a solicitation or until the RFP Bidder executes the Transaction Confirmation forms upon being awarded tranches. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one (1) business day, and Bid Assurance Collateral in the form of an LOC will be returned within two (2) business days. The RFP Bidder may request that the Bid Assurance Collateral

reside with PPL Electric through the entire multi-solicitation period. An RFP Bidder that is awarded tranche(s) and does not timely execute the Transaction Confirmation forms associated with such tranches shall forfeit its Bid Assurance Collateral.

- 5.4.3 Wire transfer instructions for RFP Bidders who intend to provide Bid Assurance Collateral in the form of cash is available upon request from the RFP Manager.

5.5 Submittal of Default Service SMA

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

5.6 Conforming Bid Proposals

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

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

5.7 Expiration of Bid Proposals

- 5.7.1 An RFP Bidder's Bid Proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its Bid Proposal has been rejected or at midnight EPT three (3) business days after the scheduled day of awarding bids within each solicitation.

5.8 Additional Requirements

- 5.8.1 The RFP Bidder certifies, by its submission of a Binding Bid Agreement in its Bidder Qualifications, that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP.

- 5.8.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid

Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the RFP Bidder is submitting a Proposal in response to this RFP; the RFP Bidder's Bids; the RFP Bidder's number of tranches bid; the RFP Bidder's estimation of the value of a tranche; the RFP Bidder's estimation of the risks associated with serving Default Service Load; the RFP Bidder's preference for bidding on one or several Customer Groups; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for power with a party to serve the Default Service Load were the RFP Bidder to become a Default Service Supplier.

ARTICLE 6
INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS
AND BID PROPOSALS

6.1 General

- 6.1.1 An RFP Bidder must submit its Bidder Qualifications and Bid Proposal(s) separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Bidder Qualification requirements) as required in Article 4 of this RFP. RFP Bidders that are notified that they are qualified RFP Bidders for a solicitation may submit a Bid Proposal for each product, along with all other required documents as described in Section 5.6, by the Bid Proposal Due Date as indicated in Section 2.2 (RFP Schedule).
- 6.1.2 For each solicitation, each RFP Bidder must deliver its Bidder Qualifications described in Article 4 by certified mail, registered mail, hand delivery, or courier service to PPL Electric at the following address:
- PPL Electric Utilities Corporation RFPs
1835 Market Street, Suite 1205
Philadelphia, PA 19103
Attn: PPL Electric Default Service RFP Manager
Fax: 215-568-9364
- 6.1.3 Bidder Qualifications must be delivered to the address designated in Section 6.1.2 by the Bidder Qualifications Due Date for the appropriate solicitation as specified in Section 2.2 (RFP Schedule). Bidder Qualifications received after the due date specified in Section 2.2 will be considered for the next solicitation if there are remaining solicitations; otherwise Bidder Qualifications will be returned to the RFP Bidder, the Bidder Qualifications will be rejected, and the RFP Bidder will have failed to qualify for submitting a Bid Proposal. Each RFP Bidder assumes full responsibility for timely delivery to the location specified in Section 6.1.2.
- 6.1.4 Bid Assurance Collateral for a solicitation, if submitted in the form of a LOC, must be sent by certified mail, registered mail, hand delivery, or courier service to the address specified in Section 6.1.2. All Bid Assurance Collateral, in the form of LOC or cash, must be received no later than two (2) business days prior to the Bid Proposal Due Date for that solicitation. Bid Assurance Collateral received after the second business day prior to the Bid Proposal Due Date will result in the rejection of the corresponding Bid Proposal(s). Each RFP Bidder assumes full responsibility for timely delivery to the address specified in Section 6.1.2.
- 6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal, the RFP Bidder must have signed two (2) originals of the Default Service SMA as instructed in Section 5.5.1 and sent these by certified mail, registered mail, hand delivery, or courier service to the address specified in Section 6.1.2 by noon EPT on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any

tranches in any solicitation in this RFP, the signed Default Service SMAs that were initially submitted will be executed by PPL Electric and one original will be returned to the RFP Bidder together with the partially executed Transaction Confirmation forms. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein a RFP Bidder that has previously executed the Default Service SMA in a satisfactory manner is awarded additional tranches. If the RFP Bidder was not awarded tranches in the solicitation for which Default Service SMAs were provided, PPL Electric will retain the Default Service SMAs for any future solicitation in which the RFP Bidder may again submit a Bid Proposal, in which case it is the responsibility of the RFP Bidder to submit any updated pages of the Default Service SMA no later than two (2) business days prior to the Bid Proposal Due Date of the solicitation in which the RFP Bidder is participating.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the Default Service SMA with the Company should the party be a winning RFP Bidder and should the PUC approve the RFP results. Each RFP Bidder shall submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 12:00:00 p.m. EPT and 2:00:00 p.m. EPT, on the Bid Proposal Due Date.

6.2 Packaging

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

ARTICLE 7 EVALUATION OF PROPOSALS

7.1 Bidder Qualifications Processing

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

7.2 Bidder Qualifications Evaluation

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualifications to be complete and compliant if: (i) all information specified in Section 4.1 has been fully and satisfactorily provided; and (ii) all certifications and documents have been signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt but no earlier than five (5) business days prior to the Bidder Qualifications Due Date. If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualifications is deficient because the response is incomplete or is not compliant with the terms of this RFP, the Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to issue a deficiency notice requesting that the RFP Bidder cure the deficiency with respect to that particular aspect of its Bidder Qualifications. The Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, and to provide a decision on the acceptability of proposed modifications to the Bid Assurance LOC or other instruments for Performance Assurance, no later than forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability

for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline. The RFP Manager communicates with the RFP Bidder by email unless the representative provides notice that the RFP Bidder prefers communications by fax. If an RFP Bidder receives a first deficiency notice from the RFP Manager, regarding any item of the Bidder Qualifications, the RFP Bidder has until 12:00:00 p.m. (noon) EPT, on the Bidder Qualifications Due Date, or until 6:00:00 p.m. EPT, on the second business day following the business day during which a first deficiency notice is sent to the Bidder, whichever comes later, to respond. If the Bidder does not correct or adequately explain the deficiency within the time allowed, the Bidder Qualifications may be rejected. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted. If a response to a deficiency is provided by an RFP Bidder within the time allowed and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency for that solicitation. In no event, notwithstanding the foregoing provisions, will a Bidder be allowed to respond after 12:00:00 p.m. EPT, on the Cure Deficiency Deadline.

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

7.3 Bid Proposal Processing

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a response to the Bidder Qualification requirements.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives designated to act on behalf of the Company.
- 7.3.3 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be evaluated at the same time. A representative of the PUC

may be present to attend the opening and evaluation of the Bid Proposals. Information regarding the content or status of any Bid Proposal will not be publicly released during the evaluation process.

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

7.4 Bid Proposal Evaluation

- 7.4.1 Bid Proposals received from RFP Bidders may be eliminated from further consideration at any point, at the Bid Proposal Evaluation Team's sole and exclusive discretion, for any of the following reasons including (but not limited to): (i) failure to provide clarification of, or additional information relating to, a Bid Proposal as requested by the Bid Proposal Evaluation Team subsequent to the submission of a Bid Proposal; (ii) illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of the Bids; and (iii) failure to honor representations made in a Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all information required with the Bid Proposal(s), as specified in Article 5, has been submitted. If the required information has not been submitted by the Bid Proposal Due Date, the Bid Proposal(s) will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Section 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous information; or (iii) it is not supported by a Bid Assurance LOC acceptable to the Company; or (iv) the RFP Bidder has not submitted two (2) signed originals of the Default Service SMA.
- 7.4.4 The Bid Proposal Evaluation Team will ensure that sufficient financial guarantees are provided to support the Bids. Financial guarantees will be sufficient if the amount of Bid Assurance Collateral is sufficient given the sum of the maximum number of tranches offered for each product by the RFP Bidder as specified in Section 4.8.
- 7.4.5 If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the sum of the maximum number of tranches offered for each product by the RFP Bidder, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that its amount of Bid Assurance Collateral is sufficient to

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

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

that has submitted at least one of the Bid(s) in the winning combination for each product and present the winning Bid(s) to the Commission. For each such RFP Bidder for a product, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination for that product being presented to the PUC; and (ii) identify the Bid(s) submitted by such RFP Bidder that will be presented to the PUC for that product.

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

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

7.5 Commission Approval and Review

- 7.5.1 The Bid Proposal Evaluation Team will prepare a report that presents the results of a solicitation to the PUC for approval. The Bid Proposal Evaluation Team's report will summarize the Bidder Qualification process and the Bid Proposals that were considered on the Bid Proposal Due Date. The PUC will have one (1) business day to decide whether to approve the results. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved. The winning RFP Bidders will then receive a Transaction Confirmation from PPL Electric on the date of the PUC's approval, or in the event the PUC does not act no later than the next business day following the date when the PUC was expected to act. The winning RFP Bidders must follow the Transaction Confirmation directions in the Default Service SMA. If a winning RFP Bidder fails to execute the Transaction Confirmation as required under Section 2.9 of the Default Service SMA, the winning RFP Bidder may forfeit its Bid Assurance Collateral.
- 7.5.2 In the event that results for any solicitation are rejected by the PUC or that some tranches are unfilled in a particular solicitation, those tranches will be offered consistent with Section 1.1.20. In the event that a Default Supplier for a product defaults, PPL Electric will offer full requirements supply assignment consistent with the Step-Up process described in the Default SMA.

ARTICLE 8 RESERVED RIGHTS

8.1 Non-Binding RFP

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

8.2 Proposals Become PPL Electric's Property

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

Appendix 1
Default Service Supply Master Agreement

Appendix 2

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

FAX TO: 215-568-9364

Note that completion of all information is required.

This response is an indication of our interest in PPL Electric Utilities Corporation's Request for Proposals to provide wholesale fixed price and/or spot market service.

Date:

Company:

Contact Name:

Contact Title:

Address:

City:

State:

Zip:

Phone Number

Fax Number:

Email Address:

Appendix 3

Confidentiality Agreement

[Name and Address of Bidder]

[Date]

Ladies and Gentlemen,

This letter is a Confidentiality Agreement between PPL Electric Utilities Corporation (“PPL Electric”) and _____ (“RFP Bidder”) in connection with the RFP Bidder’s intent to participate in the Request for Proposals (“RFP”) to provide Full Requirements Service to serve a portion of PPL Electric’s obligation as the Default Service. This Confidentiality Agreement also pertains to the rights and obligations of PPL Electric and the RFP Bidder in the event the RFP Bidder ultimately is selected as a winner in the RFP and provides service pursuant to PPL Electric’s Default Service Supply Master Agreement (“Default Service SMA”). PPL Electric and the RFP Bidder hereby agree to accept, and to be bound by the terms of this Agreement.

DEFINITIONS:

(a) The following terms have the following meanings:

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

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

TERMS:

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

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

3. Limitations on Use and Disclosure.

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

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

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

5. Definition of Confidential Information. Confidential Information shall consist of oral, electronic and written information that is confidential, proprietary, or generally not available to the public. Whenever possible, such Confidential Information shall be marked prior to or at the time of disclosure as being "Confidential Information". Confidential Information in the case of information provided by PPL Electric to the RFP Bidder shall include, without limitation, all data, reports, interpretations, forecasts or records relating to PPL Electric and/or its

customers, and any other document created by PPL Electric or others which directly or indirectly relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts, bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

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

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

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

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

10. Disclosure to Governmental Authorities Other than the Pennsylvania PUC.

(a) A Party (the "disclosing Party") may also disclose the other Party's Confidential Information to any governmental, judicial, or regulatory authority ("Authority") requiring such Confidential Information; provided that, the disclosing Party a) promptly informs the other Party of the substance of any inquiries, requests or requirements in order to afford the other Party an opportunity to attempt to prevent or limit the disclosure of the Confidential Information; b) makes a good faith effort to persuade the Authority (i) that submission of the Confidential Information should not be required, or, if that effort fails, (ii) that submission of the Confidential Information on a non-public basis should be permitted; and c) endeavors in good faith to protect the Confidential Information provided to an Authority from disclosure to Third Parties. If an

Authority orders the disclosing Party to disclose any documents containing the other Party's Confidential Information, the disclosing Party shall a) attempt to obtain from the other Party, if the Authority allows the time, a "Public Disclosure Copy", or b) if the Authority does not allow such time, shall prepare itself a "Public Disclosure Copy" in which the Confidential Information has been redacted to the extent that such redaction is permitted by the Authority requiring disclosure. Confidential Information disclosed pursuant to this Section 10 on a non-public basis shall not lose its status as Confidential Information by virtue of such non-public disclosure.

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

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

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

13. Representatives, Successors and Assigns. This Agreement shall be binding upon and for the benefit of the Parties, and their respective Representatives, successors, and permitted

assigns. Neither Party may assign its rights or obligations hereunder without prior written consent of the other Party.

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

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

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

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

RFP BIDDER

PPL ELECTRIC UTILITIES CORPORATION

By _____

By _____

Title _____

Title _____

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

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

Appendix 4

PJM Qualification Certification Form

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

Signed:

Date:

Type or Print Name:

Title:

Company:

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

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

Appendix 5

FERC Authorization Certification Form

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

_____.

Signed:

Date:

Type or Print Name:

Title:

Company:

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

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

Appendix 6

Credit Application

1 Company Information

Type of Business

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

RFP Bidder Organization

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

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

Date and State of Incorporation/Registration:

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

Name of General Partner:

Address of General partner:

City, State, Zip Code:

2 Application for Credit

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

The Applicant listed under Section 1.

The parent/guarantor company listed below.

Parent/Guarantor Company

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

Applicant Credit Contact Name

Name:

Title:

Street Address:

City, State, Zip Code:

Phone Number:

Fax Number:

Email Address:

3 Credit Information

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

- Annual Report
- 10K
- Other (describe)

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

Subject to Section 4.5.2 of the Default Service RFP, submitted information must be in the English language, and financial data denominated in United States currency, and conform to generally accepted accounting principles ("GAAP") in the United States. If the Applicant's financial information is consolidated with other entities, then it is the Applicant's responsibility to extract and submit as separate documents all data and information related solely to the Applicant. This must include all financial information, associated notes and all other information that would comprise a full financial report conforming to GAAP.

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

- Yes
- No

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

- Yes
- No

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

4 Bank Reference Information

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

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

Standard & Poor's

Current Rating: _____
Indicate whether this rating is:
 Senior Unsecured Long-Term Debt Rating
 Issuer Rating

Moody's Investor Services

Current Rating: _____
Indicate whether this rating is:
 Senior Unsecured Long-Term Debt Rating
 Issuer Rating

Fitch Ratings

Current Rating: _____
Indicate whether this rating is:
 Senior Unsecured Long-Term Debt Rating
 Issuer Rating

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

6 Authorization

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

Applicant’s Company Name: _____

Signature of Authorized Official: _____

Name of Authorized Official (print): _____

Title of Authorized Official (print): _____

Date Signed: _____

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

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

Appendix 6b

Confirmation of Previously Submitted Credit and Financial Information

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

- October 2013 solicitation
- April 2014 solicitation
- October 2014 solicitation

Exceptions:

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

Signature: _____

Date: _____

RFP Bidder: _____

Name: _____

Title: _____

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

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

APPENDIX 7

BID ASSURANCE LETTER OF CREDIT SUPPLY FOR DEFAULT SERVICE LOAD

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

ISSUE DATE _____ EXPIRY DATE _____

APPLICANT

[NAME]

[ADDRESS]

BENEFICIARY

[NAME]

[ADDRESS]

CURRENCY AMOUNT

USD *****\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (APPLICANT) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME, WHICH IS AT LEAST 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS LETTER OF CREDIT OR OTHERWISE EXTENDED BY AMENDMENT.

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

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

1. THE APPLICANT’S BID PROPOSAL IN THE PPL ELECTRIC DEFAULT SERVICE RFP SOLICITATION ON [INSERT DATE] (THE “SOLICITATION DATE”) HAS BEEN REJECTED IN WHOLE AND THE APPLICANT HAS BEEN NOTIFIED OF SUCH REJECTION; OR

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

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

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

IF THE APPLICANT IS AWARDED TRANCHE(S) IN THE PPL DEFAULT SERVICE RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH TRANCHES, THE APPLICANT SHALL FORFEIT THE ENTIRE AMOUNT OF THIS LETTER OF CREDIT.

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

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

“THE AMOUNT FOR THIS DRAWING, USD _____ (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (INSERT NAME OF BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY PURSUANT TO THE TERMS OF SUCH LETTER OF CREDIT.”

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

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

THE TERM “BUSINESS DAY” AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS

LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY NOT BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

**PPL Electric Utilities
Default Service RFP Process and Rules
APPENDIX 8**

Example Bid Proposal Spreadsheet—Notes

Instructions:

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

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

Residential -- is comprised of the following rate schedules:

RS RS – Residential Service
RTS RTS(R) – Residential Service – Thermal Storage

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

GS-1 GS-1 – Small General Service
GS-3 GS-3 – Large General Service – Customers with less than 500 kW peak demand
LP-4 LP-4 – Large General Service (12 KV or Higher) – Customers with less than 500 KW peak demand
GH-2 GH-2(R) – Separate Meter General Space Heating Service
BL BL – Borderline Service – Electric Utilities
SA SA – Private Area Lighting
SM SM – Mercury Vapor Street Lighting
SHS SHS – High Pressure Sodium Street Lighting
SE SE – Energy Only Street Lighting Service
TS TS(R) – Municipal Traffic Signal Lighting Service
SI-1 SI-1(R) – Municipal Street Lighting
Stand Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate
by schedules.

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

GS-3 GS-3 – Large General Service –Customers with 500 KW and higher peak demand
LP-4 LP-4 – Large General Service (12 KV or Higher) – Customers with 500 KW and higher peak demand
ISP IS-P(R) – Interruptible Large General Service (12 KV or Higher)
LP-5 LP-5 – Large General Service (69 KV or Higher)
LP-6 LP-6 – Large General Service (69 KV or Higher)
LPEP Power Service to Electric Propulsion
IST Interruptible Service by Agreement (R)
Stand Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate
by schedules.

NOTES:

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 500 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 500 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer's peak load contribution to PJM Interconnection, LLC ("PJM") in the 2013-2014 PJM Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2013 through May 31, 2015.

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

**APPENDIX 8
Example Bid Proposal Spreadsheet—Default Service Fixed Price Supply**

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

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

Bidder Information:

Company Name		* Required Field
Contact Name		* Required Field
Phone Number		* Required Field

Tranche Information:

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

Tag Number:

Bid Information:

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

Complete/Incomplete:

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

**APPENDIX 8
Example Bid Proposal Spreadsheet—Default Service Spot Market Supply**

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

Large Commercial and Industrial
<number>-Month Delivery Period: <commencement date> - <expiration date>

Bidder Information:

Company Name		* Required Field
Contact Name		* Required Field
Phone Number		* Required Field

Tranche Information:

Solicitation Load Cap	85%
Total Available Tranches	
Tranche Size (% of Total Large Commercial and Industrial Default Service Load)	<percentage>%

Tag Number:

Bid Information:

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

Complete/Incomplete:

Appendix 9

Binding Bid Agreement

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

In consideration for the privilege of submitting bids as part of the Default Service Requests For Proposals process, _____ (“RFP Bidder”) agrees to be bound by the price quotes entered for Fixed Price and/or Spot Market Products on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Section 5.7 (Expiration of Bid Proposals) of this Request For Proposals (“RFP”), submitted to PPL Electric Utilities Corporation (“PPL Electric”), in response to this multi-solicitation process, which shall constitute a firm offer to supply service in accordance with the Default Service Supply Master Agreement (“Default Service SMA”) and applicable Pennsylvania Law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Section 2.9 (Transaction Confirmation) of the Default Service SMA.

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

The RFP Bidder certifies that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP. The RFP Bidder certifies that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the Pennsylvania Public Utility Commission has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP.

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

Signature of Authorized Official: _____

Name of Authorized Official (*print*): _____

Title of Authorized Official (*print*): _____

Date Signed: _____

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

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

Appendix 10

Binding Bid Withdrawal Agreement

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

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

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

Signature of Authorized Official: _____

Name of Authorized Official (*print*): _____

Title of Authorized Official (*print*): _____

Date Signed: _____

Tag Number / Bid Proposal Filename: _____

NOTE:

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

Please also send an e-mail alert to pplpolr@pplweb.com.

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

Attachment D
Redline RFP

PPL Electric Utilities Corporation

Default Service

Request for Proposals (RFP) Process and Rules

~~May 1, 2012~~ February 26, 2013

DEFAULT SERVICE RFP PROCESS AND RULES

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DEFAULT SERVICE RFP PROCESS AND RULES

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ARTICLE 1 INTRODUCTION

1.1 Overview

- 1.1.1 Capitalized terms in this document, which are not defined explicitly herein, are defined in the PPL Electric Utilities Corporation Default Service Supply Master Agreement (“Default SMA” or “Default Service SMA”) incorporated hereto as Appendix 1.
- 1.1.2 PPL Electric Utilities Corporation (“Company” or “PPL Electric”) has proposed a competitive bidding process to obtain electric supply sufficient for the Company to meet its default service obligations, pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812, and PUC Orders and Regulations (“Default Service Supply”). This Request for Proposals (“RFP”) is being issued to select electricity suppliers ~~and to determine retail service rates~~ for default service beginning on June 1, 2013.
- 1.1.3 PPL Electric is issuing this RFP to procure Default Service Supply for the period beginning June 1, 2013, under the terms described below, for each of three groupings of rate classes (“Customer Group”): Residential, Small Commercial and Industrial (“Small C&I”), and Large Commercial and Industrial (“Large C&I”). Each Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

Customer Group	Rate Schedule	Description
Residential	RS*	RS – Residential Service
	RTS*	RTS(R) – Residential Service – Thermal Storage
	RTD	RTD(R) – Residential Service – Time of Day
Small Commercial and Industrial	GS-1*	GS-1 – Small General Service

	GS-3*	GS-3 – Large General Service – Customers with less than 500 kW peak demand	
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 500 KW peak demand	
		GH-1*	GH-1(R) – Single Meter Com'l. Space Heating Service
	GH-2*	GH-2(R) – Separate Meter General Space Heating Service	
		IS-1*	IS-1(R) – Interruptible Service – Greenhouses
	BL	BL – Borderline Service – Electric Utilities	
	SA	SA – Private Area Lighting	
	SM	SM(R) – Mercury Vapor Street Lighting	
	SHS	SHS – High Pressure Sodium Street Lighting	
	SE	SE – Energy Only Street Lighting Service	
	TS	TS(R) – Municipal Traffic Signal Lighting Service	
		SI-1	SI-1(R) – Municipal Street Lighting
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.	
Large Commercial and Industrial	GS-3	GS-3 – Large General Service – Customers with 500 KW or higher peak demand	
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with 500 KW or higher peak demand	
	ISP	IS-P(R)–Interruptible Large General Service–12 KV or Higher	
	LP-5	LP-5 – Large General Service (69 KV or Higher)	
	LP-6	LP-6 – Large General Service (69 KV or Higher)	
	LPEP	Power Service to Electric Propulsion	
	IST	IST(R) – Interruptible Service by Agreement	
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.	
Notes:			
<u>1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.</u>			
<u>2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.</u>			
*These rate schedules include customers who are associated with the Default Service TOU Load as defined in Sections 1.1.5 and 1.1.6.			
Notes:–			
1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.			
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.			
3. Rate Schedule LP-4 customers with less than 500 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 500 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer’s ICAP peak load contribution assigned for the 2013-2014 PJM Interconnection, LLC (“PJM”) Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2013 through May 31, 2015.			

1.1.4 The Default Service Load for each of these Customer Groups for purposes of this Default Service RFP is the Full Requirements Service as recorded by PPL Electric and reported to the PJM Interconnection, LLC (“PJM”) for PPL Electric’s retail customers within that Customer Group, excluding customers that have chosen to take service from an Electric Generation Supplier (“EGS”). For the purposes of this RFP, the Default Service Load will be reduced by PPL Electric’s fractional percentage of committed capacity and energy obtained under a long-term contract with the Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (NYPA). In addition, for the Residential Customer Group, the Default Service Load that winning bidders will supply includes reductions associated, ~~first, with Default Service TOU Load and, second,~~ with load supplied through 300 MW of energy and capacity purchased under separate block supply contracts for the period June 1, 2013 through August 31, 2013, 250 MW for the period September 1, 2013 through November 30, 2013, 200 MW for the period December 1, 2013 through February 28, 2014, and 150 MW for the period March 1, 2014 through December 31, 2015, and 50 MW for the period January 1, 2016 through May 31, 2021 (referred to collectively herein as “Block Supply Purchases”). ~~Similarly for the Small C&I Customer Group, the Default Service Load that winning bidders will supply includes a reduction associated with Default Service TOU Load.~~ Appropriate contract and performance data will be provided on PPL Electric’s RFP Web site.

~~1.1.5 Default Service Load also includes the Default Service Time-of-Use (“TOU”) Load associated with the Residential and Small C&I Customer Groups. The winning bidders of the 12-month fixed price products in the first, second and third solicitations, and the 6-month fixed price products in the fourth solicitation, will, in addition to their obligation for the Default Service Fixed Price Load, be assigned the obligation to meet the Default Service TOU Load for the immediately succeeding six-month Default Service Delivery Period (i.e., June-November or December-May) based on their pro-rata share of tranches for Default Service Fixed Price Load in the respective solicitation. For example, a winner of two of the eight tranches of 12-month products serving the Residential Customer Group in the first solicitation will also be responsible for supplying 25% of the Default Service TOU Load for customers in the Residential Customer Group who elect Default Service under the TOU Rate Option.~~

~~1.1.6 At the time of the first solicitation under this RFP no Default Service TOU Load will exist. The Default Service TOU Suppliers, those Default Service Fixed Price Suppliers that are assigned Default Service TOU Load, must estimate the number of customers who may elect TOU generation supply charges under the Company’s General Tariff (Electric Pa. P.U.C. No. 201). Under the Default Service SMA, Default Service TOU Suppliers assigned the Default Service TOU Load will be paid their corresponding share of the billings the Company renders for sales made to Default Service TOU Load. For example, under the Company’s General Tariff, Default Service TOU Load will be charged based on the TOU generation supply charges for that Customer Group (see Section 1.1.13).~~

1.1.5 ~~1.1.7~~ An electricity supplier selected through this RFP is to provide Default Service Supply for a portion of a particular Customer Group, and once approved by the Pennsylvania Public Utility Commission (“PUC” or “Commission”), becomes a Default Service supplier for that Customer Group. A Default Service supplier may be selected to provide Default Service Supply for one or more Customer Groups, and may be selected to supply Default Service

Fixed Price ~~Load, Default Service TOU~~ Load and/or Default Service Spot Market Load (i.e., be a Default Service Fixed Price Supplier, ~~Default Service TOU Supplier~~ and/or Default Service Spot Market Supplier, referred to collectively herein as “Default Service Suppliers” unless otherwise noted). Default Service Suppliers will be responsible for supplying the Full Requirements Service including, without limitation, energy, capacity, transmission (excluding Non-market-based Transmission Services), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply Default Service to PPL Electric. In addition, Default Service Suppliers will also be responsible for providing supply necessary for PPL Electric to meet its obligations under the Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, (“AEPS Act”) as set forth in Exhibit ~~DC~~ of the Default Service SMA, during the Delivery Period of a Transaction Confirmation. PPL Electric will be responsible for complying with all applicable PJM demand response operating rules.

1.1.6 ~~1.1.8~~ A Default Service customer for the purposes of these RFP Rules is a PPL Electric retail customer in the Residential Customer Group, the Small C&I Customer Group, or the Large C&I Customer Group that is not taking service from an EGS. Any shopping customer (i.e., a customer served by an EGS) may return to Default Service in accordance with the Company’s standard switching requirements.

1.1.7 ~~1.1.9~~ A “Product” is Default Service Supply provided: (i) for a given Customer Group; (ii) for a given period of time (“Delivery Period”); and (iii) under the terms of the Default Service SMA where supply is provided for Full Requirements Service at either an all-in fixed price (~~with possible TOU obligation~~) or paid at the hourly real-time spot market energy price for the PPL Zone plus additional specified payments for other components of the Full Requirements Service. Products under the Default Service SMA will be referred to as “Fixed Price Products” for the Residential and Small C&I Customer Groups and “Spot Market Products” for the Large C&I Customer Group.

1.1.8 ~~1.1.10~~ For each Customer Group, PPL Electric will provide Default Service from separate portfolios of products (i.e., one portfolio for the Residential Customer Group, a different portfolio for the Small C&I Customer Group and a different portfolio for the Large C&I Customer Group) from Default Service Suppliers, with no Default Service customer being assigned to a specific Default Service Supplier. The Delivery Period for each product begins at 12:00:00 a.m. Eastern Prevailing Time (“EPT”) of that product’s commencement date and ends at 11:59:59 p.m. EPT of that product’s expiration date. The Residential and Small C&I Customer Groups ~~will~~may receive Default Service from supply provided ~~under either a fixed rate from by~~ Default Service ~~Fixed Price Suppliers or a TOU~~under either a fixed rate or time-of-use rate from ~~Default Service TOU Suppliers~~PPL Electric. For the Large C&I Customer Group, PPL Electric will provide Default Service with the Spot Market Product. Default Service Spot Market Suppliers for the Large C&I Customer Group will be selected to supply the Spot Market Product annually for 12-month Delivery Periods (e.g., the Delivery Period for the first annual Spot Market Product will be June 1, 2013 through May 31, 2014).

1.1.9 ~~1.1.11~~ For the Residential and Small C&I Customer Groups, the first solicitation seeks to procure 12-month Fixed Price Products serving 26.875% of the Default Service Load for each Customer Group and 9-month Fixed Price Products serving 16.875% of the Default

Service Load for each Customer Group. The second solicitation seeks to procure 12-month and 9-month Fixed Price Products, each serving 16.875% of the Default Service Load for each Customer Group. The third solicitation seeks to procure 12-month Fixed Price Products serving 49.375% of the Default Service Load for each Customer Group and 9-month Fixed Price Products serving 5.625% of the Default Service Load for each Customer Group. The fourth solicitation seeks to procure 6-month Fixed Price Products serving 39.375% of the Default Service Load for each Customer Group and 3-month Fixed Price Products serving 5.625% of the Default Service Load for each Customer Group. ~~Each of the foregoing percentages is exclusive of Default Service TOU Load, which must be met by suppliers of the 12-month and 6-month Fixed Price Products, in addition to the above-stated percentages. TOU service under this Default Service Plan will conclude for each customer who elects the TOU Rate Option as of the last day of the final billing cycle ending on or before May 31, 2015.~~

1.1.10 ~~1.1.12~~ Each Product will be solicited separately for each Customer Group. The following table shows the commencement and expiration dates for the Products.

Products for Default Service					
Solicitation #	Product	Term	Commencement Date and Time	Expiration Date and Time	
1	9-month		12:00:00 a.m. EPT, September 1, 2013	11:59:59 p.m. EPT, May 31, 2014	
1	12-month ^{1,2}		12:00:00 a.m. EPT, June 1, 2013		
2	9-month		12:00:00 a.m. EPT, March 1, 2014	11:59:59 p.m. EPT, November 30, 2014	
2	12-month ²		12:00:00 a.m. EPT, December 1, 2013		
3	9-month		12:00:00 a.m. EPT, September 1, 2014	11:59:59 p.m. EPT, May 31, 2015	
3	12-month ^{1,2}		12:00:00 a.m. EPT, June 1, 2014		
4	3-month		12:00:00 a.m. EPT, March 1, 2015		
4	6-month ²		12:00:00 a.m. EPT, December 1, 2014		

¹ Includes the procurement of Spot Market products for Large Commercial and Industrial Customer Group.

~~² Winners of the Residential and Small C&I products will be assigned the TOU obligation, with a delivery term of six (6) months, beginning on the commencement date and time. TOU service under this Default Service Plan will conclude for each customer who elects the TOU Rate Option as of the last day of the final billing cycle ending on or before May 31, 2015.~~

1.1.11 ~~1.1.15~~ A Default Service Fixed Price Supplier selected to supply a Fixed Price Product shall be paid under a firm price contract in which it will receive the price it bid. A Default Service Spot Market Supplier will receive the hourly real-time spot market energy price for the PPL Zone, PJM's pre-determined capacity charge for the PPL Zone, and the price it bid covering all other components of the Default Service Supply necessary for PPL Electric to satisfy its obligations to its customers for that portion of the

supply being served by the Default Service Spot Market Supplier. ~~A Default Service TOU Supplier selected to serve Default Service TOU Load will be paid the generation portion of what is billed to TOU customers for on-peak and off-peak service as set forth in PPL Electric's effective Generation Supply Charge ("GSC") under its General Tariff, exclusive of gross receipts tax, PPL Electric administrative costs and the over or under-collection amount. The rates for Residential and Small C&I TOU customers will be fixed for a 6-month period, based on the classes' respective GSC rates for the subsequent 6-month period with an adder to the on-peak periods and a discount to the off-peak periods. The adder to the on-peak rates and discount to the off-peak rates will be determined using the ratio of the historic (3 years) load-weighted average hourly on-or-off-peak PJM PPL zonal energy prices to the historic (3 years) load-weighted average hourly PJM PPL Zonal energy prices. Refer to the Default Service TOU Off-Peak Supplier Price and Default Service TOU On-Peak Supplier Price definitions in Article 1 of the Default Service SMA for further description of the calculation.~~

1.1.12 ~~1.1.16~~ Default Service Fixed Price Load for each Customer Group and Default Service Spot Market Load will be divided into tranches. A tranche represents a share of the Default Service Load for that Customer Group. The nominal size of a tranche for each Customer Group (at present approximately 100 Megawatts ("MW")) is based on that Customer Group's 2012-2013 projected Peak Load Contribution ("PLC"), in accordance with PJM, on the PPL Electric system, based on total Customer Group load (i.e., including shopping customers' load and Default Service Load). A Default Service Supplier serving one tranche in a particular product for a Customer Group is responsible for serving a fixed percentage of that Customer Group's Default Service Fixed Price Load or Default Service Spot Market Load represented by one tranche. The following tables show the percentage of Default Service Fixed Price Load and Default Service Spot Market Load provided by each of the products, the number of tranches for each of the products, and the tranche size.

Tranches and Tranche Size for Fixed Price and Spot Products					
Customer Group	Product Delivery Period ¹	Product Size (% of Load) ³	Total Tranches	Tranche Size (% of Load) ²	PLC (MW)
Residential	12-month (Solicitation #1)	26.875%	8	3.35938%	2,891
	9-month (Solicitation #1)	16.875%	5	3.375%	
	12-month (Solicitation #2)	16.875%	5	3.375%	

	9-month (Solicitation #2)	16.875%	5	3.375%	
	12-month (Solicitation #3)	49.375%	15	3.29167%	
	9-month (Solicitation #3)	5.625%	2	2.8125%	
	6-month (Solicitation #4)	39.375%	12	3.28125%	
	3-month (Solicitation #4)	5.625%	2	2.8125%	
Small Commercial and Industrial	12-month (Solicitation #1)	26.875%	6	4.47917%	2,150
	9-month (Solicitation #1)	16.875%	4	4.21875%	
	12-month (Solicitation #2)	16.875%	4	4.21875%	
	9-month (Solicitation #2)	16.875%	4	4.21875%	
	12-month (Solicitation #3)	49.375%	11	4.48864%	
	9-month (Solicitation #3)	5.625%	2	2.8125%	
	6-month (Solicitation #4)	39.375%	9	4.375%	
	3-month (Solicitation #4)	5.625%	2	2.8125%	
Large	Spot Market	100.000%	20	5.000%	1,801

Commercial and Industrial	(12-month)				
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¹ Unless otherwise noted the product type is a Fixed Price Product.

² In some cases, Tranche Size values are rounded to 6 significant digits.

³ ~~Load is exclusive of Default Service TOU Load, which must be met in addition to these percentages by the winners of the 12-month and 6-month products for the Residential and Small C&I Customer Groups.~~

[1.1.13](#) ~~1.1.17~~ The actual Default Service Load for each Customer Group will depend upon many factors including, but not limited to, customer migration to EGSs and weather conditions. The maximum peak load of each Customer Group may be higher or lower than the Projected PLC. Respondents to this RFP (“RFP Bidders”) are responsible for evaluating the uncertainties associated with Default Service Load for each of the Customer Groups.

[1.1.14](#) ~~1.1.18~~ PPL Electric will issue solicitations beginning in 2013 to competitively procure electric supply sufficient for the Company to meet its Default Service obligations (the solicitation schedule can be modified based on the decision of the Commission). Each of the solicitations from 2013 through 2015 will obtain Products providing Default Service Supply for retail customers in the Residential Customer Group and the Small C&I Customer Group. The first and third scheduled solicitations will also obtain the Default Service Spot Market Product providing supply for retail customers in the Large C&I Customer Group.

[1.1.15](#) ~~1.1.19~~ Any prospective supplier, including any PPL Electric generation supply affiliate, that can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will serve tranches of Default Service Load for any product serving any Customer Group, may respond to any solicitation in this RFP.

[1.1.16](#) ~~1.1.20~~ Any prospective respondent to this RFP must meet the Bidder Qualification requirements provided in Article 4, and submit Bid Proposal(s) as described in Articles 5 and 6. The Bidder Qualification requirements generally require the prospective RFP Bidder to provide certain evidence of being a recognized electricity supplier and to submit documents establishing the RFP Bidder’s credit. A Bid Proposal must include the RFP Bidder’s Bid(s) for each product for each Customer Group it is interested in bidding on, and must be accompanied by the executed Default Service SMA and sufficient Bid Assurance Collateral. A Bid is a price or prices, in U.S. Dollars per megawatt-hour (“MWh”) for each product’s Delivery Period, at which the RFP Bidder is willing to serve a tranche or tranches of a given product for a given Customer Group.

[1.1.17](#) ~~1.1.21~~ All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Section 2.2. In general, for each solicitation to be conducted under this RFP, there will be a pre-specified time period prior to the submission of Bid Proposals wherein RFP Bidders can: 1) express interest in offering supplies; 2) obtain data on supply obligations; 3) attend a Bidder Information Session; and 4) submit and receive answers to questions regarding the solicitation.

[1.1.18](#) ~~1.1.22~~ On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals for one or more products for any Customer Group, subject to the

restrictions of this Article. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. For each solicitation, the number of tranches across all product(s) for a Customer Group for which an RFP Bidder submits a Bid cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the Available Tranches for that Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group. The Aggregate Load Cap for a Customer Group ensures that, at any given point in time during the period June 1, 2013 through May 31, 2015, the Customer Group has no more than a 50% exposure to any one Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under Docket No. P-2012-2302074 or Docket No. P-2008-2060309, respectively. Thus, for each of these two (2) Customer Groups, the sum of: (i) the percentage of Default Service Load corresponding to the number of tranches across all product(s) for the Customer Group for which an RFP Bidder submits a Bid; and: (ii) the percentage of Default Service Load corresponding to tranches for which the RFP Bidder is a Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under Docket No. P-2012-2302074 or Docket No. P-2008-2060309, respectively; must not exceed the Aggregate Load Cap at any given point in time during the period June 1, 2013 through May 31, 2015. The Solicitation Load Cap for each Customer Group ~~is~~ and Aggregate Load Cap for each Customer Group are provided in Section 2.3.2. In any solicitation, when an RFP Bidder submits a Bid to supply a number of tranches in a product for a Customer Group, the RFP Bidder must submit a price at which that RFP Bidder is willing to serve each number of tranches up to and including that number of tranches in that product for that Customer Group. No Bid for any number of tranches in any product for any Customer Group may be made contingent upon winning or losing another Bid for some number of tranches in another product of some other Customer Group. Instructions for preparation of Bid Proposal(s) are addressed in Articles 5 and 6.

1.1.18 ~~1.1.23~~ For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (1) business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have one (1) business day to consider the report of the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. The PUC may either accept or reject all of the Bid Proposals presented for a Product, as defined in Section ~~1.1.9, 1.1.7~~, in its entirety. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.

1.1.19 ~~1.1.24~~ If the PUC rejects all Bids for a given product, for a given Customer Group, in any solicitation, or if some tranches of a given product, for a given Customer Group, in a particular solicitation do not receive bids, the Company will expeditiously seek guidance and approval from the PUC to address this short fall in procurement of Default Service Supply. However, unless directed otherwise by the Commission, to the extent that unfilled tranches remain at the commencement of delivery for a given product, the Company will obtain Default Supply through the spot market administered by PJM. In the event a Default Supplier defaults, PPL Electric will offer full requirements supply assignment as specified in Section 7.5.

~~1.1.20~~ ~~1.1.25~~ The Commission is reviewing the retail electricity market in the state under the Retail Markets Investigation. Various plans to encourage customer shopping have been initiated as a result of this Investigation, including but not limited to, the Retail Opt-in Auction Program and the Customer Referral Program. Bidders should visit the PUC's website dedicated to the Investigation to review the latest information, found at ~~www.puc.state.pa.us/electric/Retail_Electricity_Market.aspx~~http://www.puc.state.pa.us/utility_industry/electricity/retail_markets_investigation.aspx.

1.2 Summary of RFP Documents

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

- Appendix 1: PPL Electric Utilities Corporation Default Service SMA
- Appendix 2: Expression of Interest Form
- Appendix 3: Confidentiality Agreement
- Appendix 4: PJM Qualification Certification Form
- Appendix 5: FERC Authorization Certification Form
- Appendix 6: Credit Application
- Appendix 6b: Confirmation of Previously Submitted Credit and Financial Information
- Appendix 7: Bid Assurance Letter of Credit
- Appendix 8: Bid Proposal Spreadsheets
- Appendix 9: Binding Bid Agreement
- Appendix 10: Binding Bid Withdrawal Agreement

1.3 Default Service Load and Supplier Obligations

1.3.1 This section contains a general description of the Default Service Load for each Customer Group, and a Default Service Supplier's obligations. It is only a summary and is subject to and qualified in its entirety by the Default Service SMA, incorporated hereto as Appendix 1.

1.3.2 Default Service Suppliers for a Customer Group shall serve the Company's Default Service Load for that Customer Group. Default Service Load for a Customer Group is the Company's Full Requirements Service including, without limitation, energy, capacity, transmission (excluding Non-market-based Transmission Services, as defined in PPL Electric's Default Service SMA), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply the Default Service Load. In addition, as a requirement of any Bid Proposal, each RFP Bidder submitting a Bid for a product for a Customer Group must accept the obligations and associated rights to provide Default Service defined in the Default Service SMA.

1.3.3 Default Service Suppliers are also responsible for providing supply necessary for PPL Electric to meet its obligations under the AEPS Act during the Delivery Period as specified in Exhibit ~~D~~C of Transaction Confirmation to the Default Service SMA. Default Service Suppliers will be required to participate exclusively in the

PJM-Environmental Information System (“EIS”) Generation Attribute Tracking System (“GATS”) to demonstrate proof of performance and will be responsible for any costs and penalties incurred by PPL Electric associated with non-performance.

- 1.3.4 Each Default Service Supplier for a product for a Customer Group will be paid a supplier-specific price for each MWh of electric load served as specified in a Transaction Confirmation to the Default Service SMA. The supplier-specific price will be the Default Service Supplier’s winning price for tranche(s) that the Default Service Supplier has been awarded in the product for that Customer Group, ~~with the exception of Default Service TOU Load~~. The price(s) will be expressed in U.S. Dollars per MWh and will each be reported in a Transaction Confirmation. ~~Suppliers shall be paid for Default Service TOU Load in accordance with the provisions of Section 1.1.13.~~

ARTICLE 2 INFORMATION AND SCHEDULE

2.1 Information Provided to Potential Bidders

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

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

2.2 RFP Schedule

- 2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric will publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. Beginning April 2013, Default Service solicitations will take place on a semi-annual basis. The Bid Proposal Due Dates will occur on or about the following dates:

- April 23, 2013
- October 22, 2013
- April 29, 2014
- October 21, 2014

As stated in Section [1.1.10](#), [1.1.8](#), Default Service Spot Market Suppliers will be selected on an annual basis to administer spot market purchases for the Large C&I Customer Group.

2.2.2 Default Service solicitations will generally span a four-week to six-week time period. Solicitation activities are shown below. The expected completion date of each of the activities shown is expressed in the approximate number of weeks prior to the expected execution of default service contracts.

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

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

2.3 Multi-Solicitation Process

2.3.1 In each of the solicitations in 2013 and 2014, PPL Electric will seek to procure Default Service Supply for Fixed Price Products for the Residential and Small C&I Customer Groups corresponding to each Customer Group’s Default Service Load (see table below). In the first and third solicitations, PPL Electric will also seek to procure Default Service Supply for the Spot Market Product for the Large C&I Customer Group corresponding to 100% of the ~~this~~ Customer Group’s Default Service Load.

Available Tranches in Solicitations					
Customer Group	Product ¹ Delivery Period	Solicitation #1	Solicitation #2	Solicitation #3	Solicitation #4
Residential	3-month				2
	6-month ²				12
	9-month	5	5	2	
	12-month ²	8	5	15	
Small Commercial and Industrial	3-month				2
	6-month ²				9
	9-month	4	4	2	
	12-month ²	6	4	11	
Large Commercial and Industrial	Spot Market (12-month)	20	20	20	20

¹Unless otherwise noted, the product type is a Fixed Price Product.

~~²Winners of the Residential and Small C&I products will be assigned the TOU obligation, with a delivery term of six (6) months, beginning on the commencement date and time. TOU service under this Default Service~~

~~Plan will conclude for each customer who elects the TOU Rate Option as of the last day of the final billing cycle ending on or before May 31, 2015.~~

2.3.2 The Available Tranches for each Product in a solicitation are the number of tranches the Company seeks to procure for that Product serving a given Customer Group in that solicitation. In the event that PPL Electric is unable to secure Default Service Suppliers for all of the Available Tranches for a product in a solicitation, the unfilled tranches in that solicitation will be procured as specified in Section ~~1.1.22~~1.1.20. In each solicitation, an RFP Bidder's maximum number of tranches offered must be a whole number that does not exceed the multiplicative product of the Solicitation Load Cap (85%) for that Customer Group and Available Tranches for that Customer Group. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18. The Aggregate Load Cap for the Residential Customer Group is 50% and the Aggregate Load cap for the Small C&I Customer Group is 50%.

ARTICLE 3

GENERAL REQUIREMENTS FOR PROPOSALS

3.1 RFP General Requirements

3.1.1 A Proposal consists of Bidder Qualifications (a response to the Bidder Qualification requirements in Article 4 of this RFP) and one or several Bid Proposal(s) for a given solicitation with its accompanying documents (as described in Article 5). A respondent to this RFP is an RFP Bidder. An RFP Bidder that fulfills the Bidder Qualification requirements can submit a maximum of one Bid Proposal for each product for a Customer Group on each Bid Proposal Due Date in response to this RFP.

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

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

3.1.3 It is the intention, but not the obligation, of the Company to enter into a Default Service SMA, with two or more winning RFP Bidders for each Customer Group.

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

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

- 3.1.6 An Officer of the RFP Bidder is an individual empowered to undertake contracts and bind the RFP Bidder. Unless otherwise noted, all Representations in this RFP must be made by an Officer of the RFP Bidder.
- 3.1.7 Each RFP Bidder must comply with all the Bidder Qualification requirements described in Article 4.
- 3.1.8 All information provided and certifications made in the Bidder Qualifications must remain valid and remain in full force until five (5) business days after the applicable Bid Proposal Due Date. Regardless of the reason, if any information provided in the Bidder Qualifications for a given solicitation changes or any certification fails to remain valid, it is the sole responsibility of the RFP Bidder to notify the Bidder Qualification Evaluation Team of such change at least three (3) business days before the submission of any Bid Proposal on a Bid Proposal Due Date. Failing to do so may result in disqualification of the RFP Bidder and the Bid Proposal for that solicitation. The Bidder Qualification Evaluation Team reserves the right to vary the assessment of Bidder Qualifications based on the revised information provided by the RFP Bidder.

ARTICLE 4

BIDDER QUALIFICATION

4.1 Overview of Bidder Qualification Process

- 4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; 3) certifies that it meets the PJM membership and Federal Energy Regulatory Commission ("FERC") authorization requirements stated in Section 4.4 (Applicant's PJM Qualification and FERC Authorization Certifications); 4) demonstrates that its, or its guarantor's, unsecured senior long-term debt rating (or issuer rating, if the unsecured senior long-term debt rating is unavailable) is currently available from Standard & Poor's, Fitch Ratings, or Moody's Investor Services; 5) submits the Credit Application and associated financial information requested in Section 4.5 (Credit Application and Financial Information); and, 6) submits an executed copy of the Binding Bid Agreement provided as Appendix 9. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral in an amount directly proportional to the amount of load bid upon. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution or the rejection of its bid(s), as described in Section 5.4 (Bid Assurance Collateral).
- 4.1.2 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Section 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Section 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Section 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.
- 4.1.3 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by: a) verifying, in writing, that the previously submitted credit and financial information is up-to-date and accurate by submitting Appendix 6b; and b) providing two (2) originals of the Binding Bid Agreement for that solicitation. These documents must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance Collateral for that solicitation and to fulfill all requirements of the Bid Proposal(s) as specified in Article 5. It is the sole responsibility of the RFP

Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

4.2 Expression of Interest

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

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

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

4.3 Confidentiality Agreement

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

4.4 Applicant's PJM Qualification and FERC Authorization Certifications

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

4.5 Credit Application and Financial Information

- 4.5.1 Applicants are required to submit the Credit Application (Appendix 6) and associated financial information to PPL Electric. An electronic copy of the Credit Application can be found on PPL Electric's RFP Web site. Applicants are required to submit the Credit Application no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications two (2) originals of the completed Credit Application and one (1) copy of any supporting documents to this Credit Application including the associated financial information as directed in Section 6.1.2. Supporting documents to the Credit Application include the most recent 2 years of financial statements audited by a firm of certified public accountants of national standing for the entity whose creditworthiness the RFP Bidder is relying on, and documentation from the credit rating agencies showing the name of the rating agency, the type of rating, and the rating indicated in the Credit Application.
- 4.5.2 All submitted information must be in the English language. Financial data must be denominated in U.S. Dollars and conform to Generally Accepted Accounting Principles ("GAAP") in the United States. If the applicant's financial information is consolidated with other entities, then it is the applicant's responsibility to extract and submit as separate documents all data and information related solely to the applicant. This must include all financial information, associated notes, and all other information that would comprise a full financial report conforming to GAAP.
- 4.5.3 PPL Electric may, at its sole discretion, consider financial information of foreign applicants or foreign Guarantors that are not denominated in U.S. Dollars or do not conform to GAAP in the United States. Such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. Any Guarantor will be required to execute the Unconditional Guaranty as it appears in the Default Service SMA (Exhibit [GF](#)) and as such the Guarantor must be able to make all representations and warranties therein.

4.6 Binding Bid Agreement

- 4.6.1 An applicant must certify that as an RFP Bidder it agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s) submitted by the RFP Bidder, which shall constitute a firm offer to supply service in accordance with the Default Service SMA. The signatory to the Binding Bid Agreement must be an Officer, as defined in Section 3.1.6, binding the RFP Bidder to perform the terms and conditions of the Default Service SMA at the prices and for the load amounts specified in its Bid Proposal(s). In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Section 5.8 of this RFP. An electronic copy of the Binding Bid Agreement can be found on PPL Electric's RFP Web site. For each solicitation, Applicants are required to submit two (2) originals of such certification, in the form of Appendix 9, no later than the Bidder Qualifications Due Date for that solicitation. The applicant should send such certification as directed in Section 6.1.2.

4.7 Cure Time for Deficiencies in Qualification Requirements

- 4.7.1 In the event that an RFP Bidder has not met all of the Bidder Qualification requirements under Article 4 (Bidder Qualification), PPL Electric will endeavor, on a best efforts basis, to notify the RFP Bidder no later than forty-eight hours before the Cure Deficiency Deadline. It is understood and agreed that PPL Electric has no liability for any failure to notify an RFP Bidder of a deficiency. If the RFP Bidder fails to remedy any deficiencies by the Cure Deficiency Deadline for a solicitation so as to not be qualified to submit Bid Proposals in that solicitation, such applicant will be allowed to cure any such deficiency and participate in subsequent solicitations, if the deficiency is cured no later than the Cure Deficiency Deadline for the next solicitation.

4.8 Bid Assurance Collateral and Alternative Letter of Credit Form

- 4.8.1 No later than two (2) business days before the Bid Proposal Due Date, each RFP Bidder must provide liquid Bid Assurance Collateral in an amount of \$500,000 per tranche bid. The purpose of this collateral is to assure commitment of the RFP Bidder to execute the Transaction Confirmations for the tranches awarded to the RFP Bidder. The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric's RFP Web site. If the RFP Bidder is providing Bid Assurance Collateral in the form of a Bid Assurance LOC, the RFP Bidder may provide one Bid Assurance LOC for all Products under this RFP. If the RFP Bidder is participating in more than one RFP issued by the Company, the RFP Bidder must provide separate Bid Assurance LOC for each RFP. If the RFP Bidder is providing Bid Assurance Collateral in the form of cash, and if the RFP Bidder is also participating in other RFP(s) issued by the Company, the RFP Bidder must advise the Bid Proposal Evaluation Team as to the amount allocated as Bid Assurance Collateral for purposes of each RFP.

4.8.2 As part of the Bidder Qualifications, an applicant may propose modifications to the Bid Assurance LOC that are non-substantive or clarifying in nature. The applicant proposing modifications to the Bid Assurance LOC must provide an electronic copy at pplpolr@pplweb.com in MS Word with all proposed modifications clearly marked. The acceptability of such proposed modifications will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Bid Assurance LOC will be posted to PPL Electric's RFP Web site no later than seven (7) business days before the Bid Proposal Due Date.

4.9 Alternative Forms of Performance Assurance

4.9.1 Subsequent to the return of a supplier's Bid Assurance Collateral, another instrument of performance assurance to secure PPL Electric's exposure during the Delivery Period of a Transaction Confirmation to the Default Service SMA may be required, as set forth in the Default Service SMA. Any performance assurance required of the supplier determined in accordance with the Default SMA may be in the form of cash or LOC. An acceptable Performance Assurance LOC form is provided as Exhibit ~~ED~~ in the Default Service SMA. An acceptable Unconditional Guaranty form is provided as Exhibit ~~GF~~ in the Default Service SMA. As part of its Bidder Qualifications, an applicant may propose modifications to the Performance Assurance LOC or the Unconditional Guaranty form that are non-substantive or clarifying in nature. The applicant proposing modifications to the Performance Assurance LOC or the Unconditional Guaranty must provide an electronic copy at pplpolr@pplweb.com in MS Word with all proposed modifications clearly marked. If an applicant intends to use security other than cash or LOC, PPL Electric requests that the applicant describe such other security at the time it submits its Credit Application and financial information. The acceptability of such proposed modifications to the Performance Assurance LOC or the Unconditional Guaranty form or such other form of security will be determined at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be posted to PPL Electric's RFP Web site.

ARTICLE 5 BID PROPOSAL REQUIREMENTS

5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their Bid Proposal(s) using only the Bid Proposal Spreadsheets attached to this RFP as Appendix 8; an electronic copy is available on PPL Electric's RFP Web site. There is a separate Bid Proposal Spreadsheet for each solicitation and each product for a Customer Group, as indicated in the title area of each Bid Proposal Spreadsheet. The Bid Proposal Spreadsheets contain sections of information labeled Bidder Information, Tranche Information, and Bid Information. The Bid Proposal Spreadsheets contain shaded cells in which RFP Bidders provide information and their Bids. **In order to prevent any misunderstanding of an RFP Bidder's Bid Proposal, all shaded cells within a Bid Proposal Spreadsheet must be completed by the RFP Bidder. A Bid Proposal Spreadsheet submitted by an RFP Bidder that contains blank shaded cells will be deemed a non-conforming Bid Proposal, and will be eliminated from further consideration. Therefore, if it is the intent of an RFP Bidder to offer to supply a particular total number of tranches, the RFP Bidder must enter a price quote in the price cells associated with each of the total number of tranches up to and including that particular total number of tranches and must enter an "X" in price cells associated with each of the total number of tranches beyond that particular total number of tranches.** The non-shaded cells are read-only cells containing either fixed or computed amounts.
- 5.1.2 No Bid Proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposal(s) in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name, Phone Number, and must be provided by the RFP Bidder. As set forth in Section 5.3 (Confirmation and Proposal Tagging Process), such information will be used to confirm receipt of the RFP Bidder's Bid Proposal Spreadsheet(s).
- 5.1.4 Tranche Information – The contents of these cells are provided by PPL Electric and include the Solicitation Load Cap, ~~Total~~[Aggregate Load Cap](#), [Available](#) Tranches ~~in-Solicitation~~, Tranche Size (% of Total Customer Group [Default Service](#) Load), and MW-Measure (based on Projected 2012-2013 PLC). The ~~Total~~[Available](#) Tranches ~~in-Solicitation~~[for a product](#) represents an initial target consistent with the multi-solicitation structure described in Section 2.3 (Multi-Solicitation Process). However, as discussed in Section 2.3 (Multi-Solicitation Process), such targets are subject to change depending on the results of prior solicitations. In the event that the initial target changes, PPL Electric will, prior to a solicitation, revise such targets in the Bid Proposal Spreadsheets accordingly. The Solicitation Load Cap for each Customer Group is the maximum ~~percent~~[percentage](#) of the sum of the ~~Total~~[Available](#) Tranches ~~in-Solicitation~~ for all products of that Customer Group that each RFP Bidder can bid and win in that solicitation. [For each of the Residential and the Small C&I Customer Groups, the number](#)

of tranches that each RFP Bidder can bid and win cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18 and Section 2.3.2. The Tranche Size (% of Total Customer Group Default Service Load) represents the share of the Customer Group's ~~load~~Default Service Load measured by one tranche. The Tranche Size (% of Total Customer Group Default Service Load) is applicable to each rate schedule within the Customer Group. For example, if there are three rate schedules being bid in aggregate within a Customer Group, and the Tranche Size is 2%, an RFP Bidder awarded one tranche will supply 2% of each of the three rate schedules in that Customer Group-
~~(exclusive of Default Service TOU Load).~~

- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder can offer to supply.
- 5.1.6 Bid Assurance Collateral Amount – The contents of these cells are computed as the product of the Total Tranches Supplied and \$500,000.
- 5.1.7 Price (U.S. \$/MWh) – These cells are **RFP Bidder input cells** for the RFP Bidder's price quote corresponding to each Total Tranches Supplied. The price quotes shall be in terms of U.S. \$/MWh for the time period of the product's delivery. As set forth in the Default Service SMA, the MWh of energy shall be equivalent to the amount of energy reported as the supplier's obligation by PPL Electric to PJM adjusted for losses in accordance with PPL Electric's initial and subsequent retail load settlement process. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to supply a particular Total Tranches Supplied must: 1) provide a price quote in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied up to and including that particular Total Tranches Supplied; and 2) mark an "X" in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied beyond that particular Total Tranches Supplied. For example, if an RFP Bidder wishes to offer to supply six Total Tranches Supplied, then the RFP Bidder must provide a price quote for each Total Tranches Supplied from one to six and mark an "X" for all Total Tranches Supplied greater than six.
- 5.1.8 Complete/Incomplete Flag – The content of this cell is computed and indicates whether or not the Bid Proposal Spreadsheet has been fully completed in accordance with Section 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Section 5.6 (Conforming Bid Proposals).
- 5.1.9 Tag Number – The content of this cell will be provided by PPL Electric and will represent a unique identification for each Bid Proposal Spreadsheet submitted by the RFP Bidder. This identification will be communicated to the RFP Bidder at the time the RFP Manager confirms receipt of the RFP Bidder's Bid Proposal, as described in Section 5.3 (Confirmation and Proposal Tagging Process).
- 5.1.10 The RFP Bidder may choose to bid in one or several of the three Customer Groups, subject to the restrictions of this Article. On any Bid Proposal Due Date, the number of tranches in a Customer Group for which an RFP Bidder submits a Bid Proposal must be a whole number and cannot exceed the multiplicative product of the Solicitation Load Cap

for that ~~product~~Customer Group and the number of Available Tranches for that ~~product in that solicitation~~Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.18 and Section 2.3.2. The Solicitation Load Cap, the Aggregate Load Cap and the number of Available Tranches for each product and each solicitation are provided in ~~the table in~~ Section 2.3 (Multi-Solicitation Process).

5.2 Submittal of Bid Proposals

5.2.1 Each RFP Bidder shall only submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 12:00:00 p.m. EPT and 2:00:00 p.m. EPT, on the Bid Proposal Due Date for each solicitation as indicated in Section 2.2 (RFP Schedule). An RFP Bidder may only withdraw one or more of its Bid Proposal(s) before 2:00:00 p.m. EPT on the Bid Proposal Due Date by submitting the Binding Bid Withdrawal Agreement, provided as Appendix 10, to the fax number provided in Section 6.1.2. The signatory to the Binding Bid Withdrawal Agreement must certify that he/she has the authority to act on behalf of the RFP Bidder in such a manner. Upon receipt of a Binding Bid Withdrawal Agreement, the RFP Manager will provide the RFP Bidder with a notice by phone of receipt of such withdrawal.

5.3 Confirmation and Proposal Tagging Process

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

5.4 Bid Assurance Collateral

5.4.1 Each RFP Bidder must provide liquid Bid Assurance Collateral to support its Bid Proposal(s). The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric's RFP Web site. PPL Electric will consider modifications to the Bid Assurance LOC in accordance with the process provided in Article 4.

5.4.2 The RFP Bidder must provide, no later than two (2) business days before the Bid Proposal Due Date, Bid Assurance Collateral in an amount equal to the sum of \$500,000 times the total number of tranches bid in all its Bid Proposal(s). PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder is notified that it has not been awarded tranches for a solicitation or until the RFP Bidder executes the Transaction Confirmation forms upon being awarded tranches. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one (1)

business day, and Bid Assurance Collateral in the form of an LOC will be returned within two (2) business days. The RFP Bidder may request that the Bid Assurance Collateral reside with PPL Electric through the entire multi-solicitation period. An RFP Bidder that is awarded tranche(s) and does not timely execute the Transaction Confirmation forms associated with such tranches shall forfeit its Bid Assurance Collateral.

- 5.4.3 Wire transfer instructions for RFP Bidders who intend to provide Bid Assurance Collateral in the form of cash is available upon request from the RFP Manager.

5.5 Submittal of Default Service SMA

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

5.6 Conforming Bid Proposals

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

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

5.7 Expiration of Bid Proposals

- 5.7.1 An RFP Bidder's Bid Proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its Bid Proposal has been rejected or at midnight EPT three (3) business days after the scheduled day of awarding bids within each solicitation.

5.8 Additional Requirements

- 5.8.1 The RFP Bidder certifies, by its submission of a Binding Bid Agreement in its Bidder Qualifications, that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP.

5.8.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the RFP Bidder is submitting a Proposal in response to this RFP; the RFP Bidder's Bids; the RFP Bidder's number of tranches bid; the RFP Bidder's estimation of the value of a tranche; the RFP Bidder's estimation of the risks associated with serving Default Service Load; the RFP Bidder's preference for bidding on one or several Customer Groups; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for power with a party to serve the Default Service Load were the RFP Bidder to become a Default Service Supplier.

ARTICLE 6
INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS
AND BID PROPOSALS

6.1 General

6.1.1 An RFP Bidder must submit its Bidder Qualifications and Bid Proposal(s) separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Bidder Qualification requirements) as required in Article 4 of this RFP. RFP Bidders that are notified that they are qualified RFP Bidders for a solicitation may submit a Bid Proposal for each product, along with all other required documents as described in Section 5.6, by the Bid Proposal Due Date as indicated in Section 2.2 (RFP Schedule).

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

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

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

6.1.4 Bid Assurance Collateral for a solicitation, if submitted in the form of a LOC, must be sent by certified mail, registered mail, hand delivery, or courier service to the address specified in Section 6.1.2. All Bid Assurance Collateral, in the form of LOC or cash, must be received no later than two (2) business days prior to the Bid Proposal Due Date for that solicitation. Bid Assurance Collateral received after the second business day prior to the Bid Proposal Due Date will result in the rejection of the corresponding Bid Proposal(s). Each RFP Bidder assumes full responsibility for timely delivery to the address specified in Section 6.1.2.

6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal, the RFP Bidder must have signed two (2) originals of the Default Service SMA as instructed in Section 5.5.1 and sent these by certified mail, registered mail, hand delivery, or courier service to the address specified in Section 6.1.2 by noon EPT on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any

tranches in any solicitation in this RFP, the signed Default Service SMAs that were initially submitted will be executed by PPL Electric and one original will be returned to the RFP Bidder together with the partially executed Transaction Confirmation forms. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein a RFP Bidder that has previously executed the Default Service SMA in a satisfactory manner is awarded additional tranches. If the RFP Bidder was not awarded tranches in the solicitation for which Default Service SMAs were provided, PPL Electric will retain the Default Service SMAs for any future solicitation in which the RFP Bidder may again submit a Bid Proposal, in which case it is the responsibility of the RFP Bidder to submit any updated pages of the Default Service SMA no later than two (2) business days prior to the Bid Proposal Due Date of the solicitation in which the RFP Bidder is participating.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the Default Service SMA with the Company should the party be a winning RFP Bidder and should the PUC approve the RFP results. Each RFP Bidder shall submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 12:00:00 p.m. EPT and 2:00:00 p.m. EPT, on the Bid Proposal Due Date.

6.2 Packaging

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

ARTICLE 7

EVALUATION OF PROPOSALS

7.1 Bidder Qualifications Processing

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

7.2 Bidder Qualifications Evaluation

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualifications to be complete and compliant if: (i) all information specified in Section 4.1 has been fully and satisfactorily provided; and (ii) all certifications and documents have been signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt but no earlier than five (5) business days prior to the Bidder Qualifications Due Date. If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualifications is deficient because the response is incomplete or is not compliant with the terms of this RFP, the Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to issue a deficiency notice requesting that the RFP Bidder cure the deficiency with respect to that particular aspect of its Bidder Qualifications. The Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, and to provide a decision on the acceptability of proposed modifications to the Bid Assurance LOC or other instruments for Performance Assurance, no later than forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability for any

failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline. The RFP Manager communicates with the RFP Bidder by email unless the representative provides notice that the RFP Bidder prefers communications by fax. If an RFP Bidder receives a first deficiency notice from the RFP Manager, regarding any item of the Bidder Qualifications, the RFP Bidder has until 12:00:00 p.m. (noon) EPT, on the Bidder Qualifications Due Date, or until 6:00:00 p.m. EPT, on the second business day following the business day during which a first deficiency notice is sent to the Bidder, whichever comes later, to respond. If the Bidder does not correct or adequately explain the deficiency within the time allowed, the Bidder Qualifications may be rejected. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted. If a response to a deficiency is provided by an RFP Bidder within the time allowed and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency for that solicitation. In no event, notwithstanding the foregoing provisions, will a Bidder be allowed to respond after 12:00:00 p.m. EPT, on the Cure Deficiency Deadline.

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

7.3 Bid Proposal Processing

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a response to the Bidder Qualification requirements.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives designated to act on behalf of the Company.
- 7.3.3 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be evaluated at the same time. A representative of the PUC may be present to attend the opening and evaluation of the Bid Proposals. Information

regarding the content or status of any Bid Proposal will not be publicly released during the evaluation process.

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

7.4 Bid Proposal Evaluation

- 7.4.1 Bid Proposals received from RFP Bidders may be eliminated from further consideration at any point, at the Bid Proposal Evaluation Team's sole and exclusive discretion, for any of the following reasons including (but not limited to): (i) failure to provide clarification of, or additional information relating to, a Bid Proposal as requested by the Bid Proposal Evaluation Team subsequent to the submission of a Bid Proposal; (ii) illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of the Bids; and (iii) failure to honor representations made in a Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all information required with the Bid Proposal(s), as specified in Article 5, has been submitted. If the required information has not been submitted by the Bid Proposal Due Date, the Bid Proposal(s) will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Section 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous information; or (iii) it is not supported by a Bid Assurance LOC acceptable to the Company; or (iv) the RFP Bidder has not submitted two (2) signed originals of the Default Service SMA.
- 7.4.4 The Bid Proposal Evaluation Team will ensure that sufficient financial guarantees are provided to support the Bids. Financial guarantees will be sufficient if the amount of Bid Assurance Collateral is sufficient given the sum of the maximum number of tranches offered for each product by the RFP Bidder as specified in Section 4.8.
- [7.4.5](#) ~~7.4.5~~ If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the sum of the maximum number of tranches offered for each product by the RFP Bidder, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that its amount of Bid Assurance Collateral is sufficient to support. The Bid Proposal Evaluation Team will strike a Bid from a Bid

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

- 7.4.6 The remaining Bid Proposals will be evaluated on a price-only basis as follows. The Bid Proposal Evaluation Team will, for each product, consider all combinations of Bid(s) (across RFP Bidders) whose sum of Total Tranches Supplied is equal to the Available Tranches for that product in that solicitation. In the event that the greatest sum of Total Tranches Supplied for any combination for that product is less than the Available Tranches in Solicitation for that product, the Bid Proposal Evaluation Team will consider all combinations of Bids for that product whose sum of Total Tranches Supplied equal the most obtainable given those Bids. For each combination, the Bid Proposal Evaluation Team will calculate the Combination Average Price ("CAP") equal to the average Price (U.S. \$/MWh) of the Bids in the combination weighted by their corresponding Total Tranches Supplied. The winning Bid(s) will be the Bid(s) contained in the combination with the lowest CAP. An RFP Bidder that is awarded tranches shall receive the Price (U.S. \$/MWh) corresponding to the winning Bid as stated in its Bid Proposal Spreadsheet under the Bid Information section. ~~An RFP Bidder assigned TOU load will be paid in accordance with Section 1.1.13.~~
- 7.4.7 In the event that two or more combinations have the lowest CAP for a given Customer Group, the winning Bid(s) will be the Bid(s) contained in the combination that is drawn randomly from the set of combinations with the lowest CAP.
- 7.4.8 After sufficient financial guarantees are determined, all combinations of Bid(s) are ranked from lowest to highest for each of the products, and the tied combinations, if any, are resolved, the Bid Proposal Evaluation Team will communicate with each RFP Bidder that

has submitted at least one of the Bid(s) in the winning combination for each product and present the winning Bid(s) to the Commission. For each such RFP Bidder for a product, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination for that product being presented to the PUC; and (ii) identify the Bid(s) submitted by such RFP Bidder that will be presented to the PUC for that product.

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

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

7.5 Commission Approval and Review

- 7.5.1 The Bid Proposal Evaluation Team will prepare a report that presents the results of a solicitation to the PUC for approval. The Bid Proposal Evaluation Team's report will summarize the Bidder Qualification process and the Bid Proposals that were considered on the Bid Proposal Due Date. The PUC will have one (1) business day to decide whether to approve the results. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved. The winning RFP Bidders will then receive a Transaction Confirmation from PPL Electric on the date of the PUC's approval, or in the event the PUC does not act no later than the next business day following the date when the PUC was expected to act. The winning RFP Bidders must follow the Transaction Confirmation directions in the Default Service SMA. If a winning RFP Bidder fails to execute the Transaction Confirmation as required under Section 2.9 of the Default Service SMA, the winning RFP Bidder may forfeit its Bid Assurance Collateral.
- 7.5.2 In the event that results for any solicitation are rejected by the PUC or that some tranches are unfilled in a particular solicitation, those tranches will be offered consistent with Section ~~1.1.22~~1.1.20. In the event that a Default Supplier for a product defaults, PPL Electric will offer full requirements supply assignment consistent with the Step-Up process described in the Default SMA.

ARTICLE 8 RESERVED RIGHTS

8.1 Non-Binding RFP

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

8.2 Proposals Become PPL Electric's Property

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

Appendix 1
Default Service Supply Master Agreement

Appendix 2

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

FAX TO: 215-568-9364

Note that completion of all information is required.

This response is an indication of our interest in PPL Electric Utilities Corporation's Request for Proposals to provide wholesale fixed price and/or spot market service.

Date:

Company:

Contact Name:

Contact Title:

Address:

City:

State:

Zip:

Phone Number

Fax Number:

Email Address:

Appendix 3

Confidentiality Agreement

[Name and Address of Bidder]

[Date]

Ladies and Gentlemen,

This letter is a Confidentiality Agreement between PPL Electric Utilities Corporation (“PPL Electric”) and _____ (“RFP Bidder”) in connection with the RFP Bidder’s intent to participate in the Request for Proposals (“RFP”) to provide Full Requirements Service to serve a portion of PPL Electric’s obligation as the Default Service. This Confidentiality Agreement also pertains to the rights and obligations of PPL Electric and the RFP Bidder in the event the RFP Bidder ultimately is selected as a winner in the RFP and provides service pursuant to PPL Electric’s Default Service Supply Master Agreement (“Default Service SMA”). PPL Electric and the RFP Bidder hereby agree to accept, and to be bound by the terms of this Agreement.

DEFINITIONS:

(a) The following terms have the following meanings:

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

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

TERMS:

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

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

3. Limitations on Use and Disclosure.

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

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

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

5. Definition of Confidential Information. Confidential Information shall consist of oral, electronic and written information that is confidential, proprietary, or generally not available to the public. Whenever possible, such Confidential Information shall be marked prior to or at the time of disclosure as being "Confidential Information". Confidential Information in the case of information provided by PPL Electric to the RFP Bidder shall include, without limitation, all data, reports, interpretations, forecasts or records relating to PPL Electric and/or its customers,

and any other document created by PPL Electric or others which directly or indirectly relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts, bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

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

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

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

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

10. Disclosure to Governmental Authorities Other than the Pennsylvania PUC.

(a) A Party (the "disclosing Party") may also disclose the other Party's Confidential Information to any governmental, judicial, or regulatory authority ("Authority") requiring such Confidential Information; provided that, the disclosing Party a) promptly informs the other Party of the substance of any inquiries, requests or requirements in order to afford the other Party an opportunity to attempt to prevent or limit the disclosure of the Confidential Information; b) makes a good faith effort to persuade the Authority (i) that submission of the Confidential Information should not be required, or, if that effort fails, (ii) that submission of the Confidential Information on a non-public basis should be permitted; and c) endeavors in good faith to protect the Confidential Information provided to an Authority from disclosure to Third Parties. If an

Authority orders the disclosing Party to disclose any documents containing the other Party's Confidential Information, the disclosing Party shall a) attempt to obtain from the other Party, if the Authority allows the time, a "Public Disclosure Copy", or b) if the Authority does not allow such time, shall prepare itself a "Public Disclosure Copy" in which the Confidential Information has been redacted to the extent that such redaction is permitted by the Authority requiring disclosure. Confidential Information disclosed pursuant to this Section 10 on a non-public basis shall not lose its status as Confidential Information by virtue of such non-public disclosure.

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

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

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

13. Representatives, Successors and Assigns. This Agreement shall be binding upon and for the benefit of the Parties, and their respective Representatives, successors, and permitted

assigns. Neither Party may assign its rights or obligations hereunder without prior written consent of the other Party.

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

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

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

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

RFP BIDDER

PPL ELECTRIC UTILITIES CORPORATION

By _____

By _____

Title _____

Title _____

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

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

Appendix 4

PJM Qualification Certification Form

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

Signed:

Date:

Type or Print Name:

Title:

Company:

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

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

Appendix 5

FERC Authorization Certification Form

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

_____.

Signed:

Date:

Type or Print Name:

Title:

Company:

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

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

Appendix 6

Credit Application

1 Company Information

Type of Business

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

RFP Bidder Organization

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

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

Date and State of Incorporation/Registration:

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

Name of General Partner:

Address of General partner:

City, State, Zip Code:

2 Application for Credit

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

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

Parent/Guarantor Company

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

Applicant Credit Contact Name

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

3 Credit Information

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

- Annual Report
- 10K
- Other (describe)

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

Subject to Section 4.5.2 of the Default Service RFP, submitted information must be in the English language, and financial data denominated in United States currency, and conform to generally accepted accounting principles ("GAAP") in the United States. If the Applicant's financial information is consolidated with other entities, then it is the Applicant's responsibility to extract and submit as separate documents all data and information related solely to the Applicant. This must include all financial information, associated notes and all other information that would comprise a full financial report conforming to GAAP.

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

- Yes
- No

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

- Yes
- No

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

4 Bank Reference Information

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

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

Standard & Poor's

Current Rating: _____
Indicate whether this rating is:
 Senior Unsecured Long-Term Debt Rating
 Issuer Rating

Moody's Investor Services

Current Rating: _____
Indicate whether this rating is:
 Senior Unsecured Long-Term Debt Rating
 Issuer Rating

Fitch Ratings

Current Rating: _____
Indicate whether this rating is:
 Senior Unsecured Long-Term Debt Rating
 Issuer Rating

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

6 Authorization

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

Applicant's Company Name: _____

Signature of Authorized Official: _____

Name of Authorized Official (print): _____

Title of Authorized Official (print): _____

Date Signed: _____

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

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

Appendix 6b

Confirmation of Previously Submitted Credit and Financial Information

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

~~___ April 2013 solicitation~~

___ October 2013 solicitation

___ April 2014 solicitation

___ October 2014 solicitation

Exceptions:

___ None

___ Updated Annual Audited Financial Statements (SEC 10-K, Annual Report, etc).

___ Updated credit ratings support documentation.

Signature: _____

Date: _____

RFP Bidder: _____

Name: _____

Title: _____

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

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

APPENDIX 7

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

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

ISSUE DATE _____ EXPIRY DATE _____

APPLICANT
[NAME]
[ADDRESS]

BENEFICIARY
[NAME]
[ADDRESS]

CURRENCY AMOUNT
USD *****\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (APPLICANT) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME, WHICH IS AT LEAST 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS LETTER OF CREDIT OR OTHERWISE EXTENDED BY AMENDMENT.

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

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

1. THE APPLICANT’S BID PROPOSAL IN THE PPL ELECTRIC DEFAULT SERVICE RFP SOLICITATION ON [INSERT DATE] (THE “SOLICITATION DATE”) HAS BEEN REJECTED IN WHOLE AND THE APPLICANT HAS BEEN NOTIFIED OF SUCH REJECTION; OR

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

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

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

IF THE APPLICANT IS AWARDED TRANCHE(S) IN THE PPL DEFAULT SERVICE RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH TRANCHES, THE APPLICANT SHALL FORFEIT THE ENTIRE AMOUNT OF THIS LETTER OF CREDIT.

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

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

“THE AMOUNT FOR THIS DRAWING, USD _____ (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (INSERT NAME OF BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY PURSUANT TO THE TERMS OF SUCH LETTER OF CREDIT.”

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

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

THE TERM “BUSINESS DAY” AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS

LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY NOT BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

APPENDIX 8

APPENDIX 8-

Example Bid Proposal Spreadsheet—Notes

BL	BL – Borderline Service – Electric Utilities
SA	SA – Private Area Lighting
SM	SM – Mercury Vapor Street Lighting
SHS	SHS – High Pressure Sodium Street Lighting
SE	SE – Energy Only Street Lighting Service
TS	TS(R) – Municipal Traffic Signal Lighting Service
SI-1	SI-1(R) – Municipal Street Lighting
Instructions:	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.
Standby	
The RFP Bidder must complete the Bid Proposal Spreadsheet as directed in Article 5.	

Large Commercial and Industrial -- is comprised of the following rate schedules:
~~All required information must be entered in the shaded cells. The absence of any required information will be deemed a non-conforming bid and will be eliminated from further consideration.~~

GS-3	GS-3 – Large General Service – Customers with 500 KW and higher peak demand
LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with 500 KW and higher peak demand
ISP	IS-P(R) – Interruptible Large General Service (12 KV or Higher)
Residential -- is comprised of the following rate schedules:	
RP-6	RS – Residential Service
RP-6	LP-6 – Large General Service (69 KV or Higher)
RTP	RTS(R) – Residential Service – Thermal Storage
ISAT	Interruptible Service by Agreement (R) RTD(P) – Residential Service – Time of Day
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

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

GS-1*	GS-1 – Small General Service
GS-3*	GS-3 – Large General Service – Customers with less than 500 kW peak demand
LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 500 KW peak demand
GH-1*	GH-1(R) – Single Meter Com'l. Space Heating Service
GH-2*	GH-2(R) – Separate Meter General Space Heating Service
IS-1*	IS-1(R) – Interruptible Service – Greenhouses

NOTES:

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 500 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 500 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer's peak load contribution to PJM Interconnection, LLC ("PJM") in the 2013-2014 PJM Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2013 through May 31, 2015.

~~*These rate schedules include customers who are associated with the Default Service TOU Load as defined in Sections 1.1.5 through 1.1.6.~~

- Notes:-**
1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
 2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
 3. Rate Schedule LP-4 customers with less than 500 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 500 KW or greater peak demand will be included in the Large C&I Customer Group. The determination of peak demand will be based on the customer's peak load contribution to PJM Interconnection, LLC ("PJM") in the 2013-2014 PJM Planning Year. This initial determination of peak demand and classification of customers will remain effective for the period June 1, 2013 through May 31, 2015.

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

APPENDIX 8

Example Bid Proposal Spreadsheet—Default Service Fixed Price Supply

Solicitation # <number>

Full Requirements Service

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

<Customer Group>

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

Bidder Information:

Company Name		* Required Field
Contact Name		* Required Field
Phone Number		* Required Field

Tranche Information:

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

Tag Number:

Bid Information:

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

Complete/Incomplete

:

~~*The following note is only applicable to the 12-month Fixed Price Products in the first, second and third solicitations, and the 6-month Fixed Price Products in the fourth solicitation.~~

~~**Important:** A winning Bidder of this Full Requirements Fixed Price Product will also have the obligation to meet the Default Service TOU Load for the Delivery Period: _____, 201_ _____, 201_). Please see Section 1.1.5 and Section 1.1.6 of the Default Service RFP Process and Rules for more information.~~

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

**APPENDIX 8
Example Bid Proposal Spreadsheet—Default Service Spot Market Supply**

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

Large Commercial and Industrial
<number>-Month Delivery Period: <commencement date> - <expiration date>

Bidder Information:

Company Name		* Required Field
Contact Name		* Required Field
Phone Number		* Required Field

Tranche Information:

Solicitation Load Cap	85%
Total Tranches in Solicitation Available Tranches	20
Tranche Size (% of Total Large Commercial and Industrial Default Service Load)	<percentage>%

Tag Number:

Bid Information:

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

Complete/Incomplete:

Appendix 9

Binding Bid Agreement

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

In consideration for the privilege of submitting bids as part of the Default Service Requests For Proposals process, _____ (“RFP Bidder”) agrees to be bound by the price quotes entered for Fixed Price and/or Spot Market Products on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Section 5.7 (Expiration of Bid Proposals) of this Request For Proposals (“RFP”), submitted to PPL Electric Utilities Corporation (“PPL Electric”), in response to this multi-solicitation process, which shall constitute a firm offer to supply service in accordance with the Default Service Supply Master Agreement (“Default Service SMA”) and applicable Pennsylvania Law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Section 2.9 (Transaction Confirmation) of the Default Service SMA.

~~The submission of any binding offer to PPL Electric, in conjunction with the submittal of any Bid Proposal Spreadsheet(s) for the Fixed Price Products for the Residential and Small Commercial and Industrial Customer Groups, Bidders may be assigned Default Service Time of Use (“TOU”) Load for those Residential and Small Commercial and Industrial Customers accepting the TOU Rate Option, as defined in the Default Service SMA, based upon the terms in this RFP as defined in Section 1.1.5 of this RFP.~~

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

The RFP Bidder certifies that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP. The RFP Bidder certifies that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the Pennsylvania Public Utility Commission has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP.

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

Signature of Authorized Official: _____

Name of Authorized Official (*print*): _____

Title of Authorized Official (*print*): _____

Date Signed: _____

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

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

Appendix 10

Binding Bid Withdrawal Agreement

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

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

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

Signature of Authorized Official: _____

Name of Authorized Official (*print*): _____

Title of Authorized Official (*print*): _____

Date Signed: _____

Tag Number / Bid Proposal Filename: _____

NOTE:

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

Please also send an e-mail alert to pplpolr@pplweb.com.

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

Attachment B



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Michael W. Hassell

mhassell@postschell.com
717-612-6029 Direct
717-731-1985 Direct Fax
File #: 2507-151904

March 11, 2013

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

Re: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015
Docket No. P-2012-2302074

Dear Secretary Chiavetta:

Enclosed for filing is the Revised Retail Opt-In and Standard Offer Programs of PPL Electric Utilities Corporation for the above-referenced proceeding. This filing is being made pursuant to the Pennsylvania Public Utility Commission's Order entered on January 24, 2013 in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,


Michael W. Hassell

MWH/skr
Enclosures

cc: Honorable Susan D. Colwell
Certificate of Service

CERTIFICATE OF SERVICE

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

VIA E-MAIL AND FIRST CLASS MAIL

Tanya J. McCloskey
Erin L. Gannon
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101-1923

Regina L. Matz
Bureau of Investigation & Enforcement
400 North Street, 2nd Floor West
P.O. Box 3265
Harrisburg, PA 17105-3265

Steven C. Gray
Office of Small Business Advocate
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Todd S. Stewart, Esquire
William E. Lehman
Hawke McKeon & Sniscak LLP
100 N. 10th Street
PO Box 1778
Harrisburg, PA 17101

Pamela C. Polacek
Adeolu A. Bakare
McNees, Wallace & Nurick
P.O. Box 1166
100 Pine Street
Harrisburg, PA 17108-1166

Eric J. Epstein
4100 Hillsdale Road
Harrisburg, PA 17112

Kenneth L. Mickens
The Sustainable Energy Fund of Central
Eastern Pennsylvania
316 Yorkshire Drive
Harrisburg, PA 17111

Charles E. Thomas, III
Norman J. Kennard
Thomas, Long, Niesen & Kennard
212 Locust Street, Suite 500
PO Box 9500
Harrisburg, PA 17108-9500

Brian J. Knipe
Buchanan Ingersoll & Rooney PC
409 N. Second Street, Suite 500
Harrisburg, PA 17101-1357

Amy M. Klodowski
FirstEnergy Solutions Corp.
800 Cabin Hill Drive
Greensburg, PA 15601

Patrick M. Cicero
Harry S. Geller
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Daniel Clearfield
Deanne M. O'Dell
Carl Shultz
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
PO Box 1248
Harrisburg, PA 17108

Melanie J. Elatiah
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406

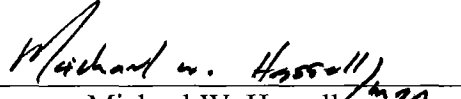
Stephen L. Huntoon
NextEra Energy Resources, LLC
801 Pennsylvania Avenue, N.W., Suite 220
Washington, DC 20001

Divesh Gupta, Esquire
Constellation Energy Group, Inc.
100 Constellation Way, Suite 500C
Baltimore, MD 21202

David I. Fein
Vice President, State Government Affairs,
East
Exelon Corporation
10 S. Dearborn Street, 47th Floor
Chicago, IL 60603

Amy Hamilton
Director, Market Initiatives
Exelon Corporation
300 Exelon Way
Kennett Square, PA 19348

Date: March 11, 2013


Michael W. Hassell

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities :
Corporation for Approval of a Default : Docket No. P-2012-2302074
Service Program and Procurement Plan for :
the Period June 1, 2013 through May 31, :
2015 :

**REVISED RETAIL OPT-IN AND STANDARD OFFER PROGRAMS OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION

On January 24, 2013, the Pennsylvania Public Utility Commission (“Commission”) entered its Opinion and Order, *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2013 through May 31, 2015*, Docket No. P-2012-2302074 (“January 24 Order”), approving, with modifications, PPL Electric Utilities Corporation’s (“PPL Electric” or the “Company”) Default Service Program and Procurement Plan. Pertinent to this filing, the Commission, in the January 24 Order, accepted, in part, and revised, in part, the Retail Opt-In Program and the Standard Offer Program proposed by PPL Electric. Specifically, the Commission determined, *inter alia*, that the Retail Opt-In Program should provide for a contract term of twelve months, concluded that the Retail Opt-In Program should be designed as an aggregation program instead of an auction model and ordered PPL Electric to implement the program no later than July 1, 2013. January 24 Order, pp. 141, 157. The Commission also modified the Standard Offer Program proposed by PPL Electric. *See, e.g.*, January 24 Order, pp. 170 and 178. The Commission explained that the proposed schedule must provide for implementation of the Standard Offer Program no later than August 1, 2013. *Id.*

With regard to both the Retail Opt-In and the Standard Offer Programs, the Commission also directed PPL Electric, in collaboration with interested electric generation suppliers (“EGSs”) and other interested Parties, to submit a revised plan or proposal regarding how EGSs and/or customers will pay for the costs of the Retail Opt-In and the Standard Offer Programs. January 24 Order, Ordering Paragraph 37. The Commission also directed PPL Electric, in collaboration with the other parties, to report back to the Commission the new implementation dates for the Retail Opt-In and the Standard Offer Programs. January 24 Order, Ordering Paragraph 36. PPL Electric was further directed to meet with interested EGSs to develop appropriate terms and conditions to govern the relationship of the parties participating in the Retail Opt-In and the Standard Offer Programs. January 24 Order, Ordering Paragraphs 38 and 39. The Commission instructed PPL Electric to submit revised terms and conditions to the Commission within forty-five (45) days of the entry date of the January 24 Order.

Pursuant to the Commission’s instructions, on February 22, 2013, PPL Electric held a meeting in Harrisburg, Pennsylvania, with EGSs and other interested parties to discuss the issues related to the implementation, cost and terms for participation in the Retail Opt-In and Standard Offer Programs. Parties participated in the February 22nd meeting in-person and via the telephone. PPL Electric circulated draft proposals to the parties in advance of the February 22nd meeting and parties provided substantive feedback on PPL Electric’s proposal at the meeting. On March 6, 2013, PPL Electric circulated revised proposals to the parties and a conference call was held on March 7, 2013 with all interested parties to discuss the further revised proposals.

PPL Electric carefully considered all of the comments and suggestions offered by the other parties, and has incorporated many of these suggestions and has revised its proposals to achieve consensus to the extent possible. PPL Electric believes that the collaborative process to

address issues related to the Retail Opt-In and Standard Offer Programs has been substantially successful. The collaborative process has given all participants a better understanding of the issues and concerns related to the Retail Opt-In and Standard Offer Programs. Given the timeframe for the collaborative process, PPL Electric cannot confirm that there is complete agreement on the terms of the Programs, although PPL Electric believes there is substantial concurrence with the terms set forth herein.

Per the Commission's directive, PPL Electric hereby submits a revised Retail Opt-In Program and a revised Standard Offer Program. The revised programs reflect the Commission's determinations in the January 24 Order, address how the costs of the Retail Opt-In and the Standard Offer Programs will be paid for, and contain the terms and conditions which govern participation in the Retail Opt-In and the Standard Offer Programs. In addition, the Company has revised the implementation schedules for the Retail Opt-In and the Standard Offer Programs in order to satisfy the requirements of the January 24 Order. PPL Electric requests that the Commission establish a comment period in response to this filing. PPL Electric requests that the comment period be established to enable the Commission to issue an Order by April 4, 2013. This Order date is necessary in order to enable the Company to begin the Retail Opt-In Program mailings by June 1, 2013.

II. REVISED RETAIL OPT-IN AND STANDARD OFFER PROGRAMS

A. SUMMARY DESCRIPTION OF THE RETAIL OPT-IN PROGRAM

The Retail Opt-In Program is a customer referral program approved in the January 24 Order. The Retail Opt-In Program Process and Rules ("ROI Rules"), appended as Attachment A, define the processes and rules for PPL Electric's revised Retail Opt-In Program. All Residential and Small C&I customers (with billing demand less than 25 kW) are eligible to participate in the Retail Opt-In Program. January 24 Order, p. 146; ROI Rules §§ 1.12, 5.2.

Mailings will be restricted to eligible non-shopping customers. The Retail Opt-In Program, however, is limited to 50% of the number of default service customers for each of the Customer Groups. January 24 Order, p. 143; ROI Rules § 5.9. The Retail Opt-In Program will be initiated by PPL Electric through a mailing to all eligible non-shopping Residential and Small Commercial & Industrial (“C&I”) customers to begin June 1, 2013, and subsequently acted upon by interested customers contacting their assigned EGS. Customers will be informed of their assigned EGS via a direct mailing from the Company. *See* ROI Rules § 5.1. The Retail Opt-In Program is a one-time-only offering to default service customers with a contract term of twelve (12) months. *See* January 24 Order, p. 149; ROI Rules § 5.1. The price will be 5% off the June 1, 2013 Price to Compare (“PTC”) for four (4) months, followed by an EGS provided fixed price for eight (8) months. January 24 Order, pp. 149-150; ROI Rules § 5.1. The EGS shall provide the customer a one-time \$50 bonus payment (cash or cash equivalent paid by EGS) if the EGS serves the customer under the Retail Opt-In Program for at least four (4) months. *Rules Id.*

1. Customer Enrollment in the Retail Opt-In Program

The Retail Opt-In Program will be initiated by PPL Electric to eligible non-shopping customers through a direct mailing and subsequently acted upon by customers by contacting their assigned EGS as found in the mailing. ROI Rules § 5.1. Prior to the issuance of the direct mailing campaign to customers, PPL Electric will allocate eligible non-shopping customers in each Customer Group on a random basis to each of the participating EGSs for “exclusive” direct mail marketing. ROI Rules § 5.5. Customers will be instructed to contact the assigned EGS to participate, and customers that contact PPL Electric regarding the program will be directed to contact their randomly assigned EGS. ROI Rules § 5.6. EGS shopping customers inquiring about the program will be directed to contact their current EGS about service options. *A pro forma* direct mailing describing the Retail Opt-In Program is appended as Attachment B.

PPL Electric will track the number of customers participating to ensure that the 50% non-shopping participation cap is not exceeded. ROI Rules § 5.9. Enrollment in the Retail Opt-In Program will be suspended upon the cap being reached. *Id.* EGSs participating in the Retail Opt-In Program will be notified of enrollment termination. Shopping customers that choose to enroll under the Retail Opt-In Program will not count towards the 50% participation cap, because the cap only applies to non-shopping customers. *Id.*

The mass mailing to non-shopping customers in the Retail Opt-In Program will be evenly distributed over a ten business day period, *i.e.*, the Company will send out a set amount of solicitations each day for ten days. ROI Rules § 5.6. The targeted mailing sent by PPL Electric to eligible non-shopping customers will include:

- A description of the Retail Opt-In Program.
- Instructions stating that the customer should directly contact their assigned EGS within a 30 day window to sign up for the offer issued under the Retail Opt-In Program.

ROI Rules § 5.6. As illustrated in the *pro forma* direct mailing describing the Retail Opt-In Program, a customer can take advantage of the Retail Opt-In Program via three methods: (1) by returning the tear off form in the provided postage-paid preaddressed envelope, (2) by calling the indicated supplier, or (3) via the indicated supplier's website. Once the customer has responded affirmatively to the solicitations, the assigned EGS will be responsible for sending the enrolled customer the terms and conditions of the EGS's service, prior to initiating enrollment of customer via the standard Electronic Data Interchange ("EDI") process. ROI Rules §§ 6.2 and 6.3. The EGS is also responsible for initiating 814 enrollment of customers via the standard EDI process. ROI Rules § 6.3.

A customer that affirmatively elects to receive service from the assigned EGS will begin service according to their bill cycle and the 11-day enrollment rule. ROI Rules § 6.3. The

Customer will remain on EGS service until the customer initiates action to change providers. ROI Rules § 6.5. Any participating customer may leave the Retail Opt-In Program, in accordance with the Company's standard switching requirements, without penalty, except for the forfeiture of the \$50 bonus in the case where the customer does not remain with the EGS for the initial four billing cycles. ROI Rules § 1.4.

2. Participation of OnTrack Customers in the Retail Opt-In Program

Customers in the Company's low income customer assistance program ("CAP"), known as "OnTrack," will be permitted to participate in the Retail Opt-In Program. January 24 Order, p. 163. PPL Electric will notify its OnTrack customers about the Retail Opt-In Program in a separate letter. Specifically, PPL Electric will send a letter to OnTrack customers which explains that through OnTrack, the customer already receives a reduced monthly bill based upon their ability to pay. Therefore, if the customer chooses to participate in this offer, they may not see a change in their monthly payment related to the 5% discount. However, the OnTrack customers would still receive a \$50 bonus from the applicable EGS if they remain in the Retail Opt-In Program for the initial four billing cycles. A *pro forma* direct mailing describing the Retail Opt-In Program to OnTrack customers is appended as Attachment C.

3. EGS Participation in the Retail Opt-In Program

PPL Electric will develop two (2) aggregations of non-shopping customers to solicit, one aggregation for Residential customers and the other for Small C&I customers with billing demands less than 25 kW. ROI Rules § 5.2. PPL Electric will solicit EGSs to participate in the program. ROI Rules § 5.4. For the Retail Opt-In Program to be implemented there must be at least two (2) participating EGSs per Customer Group, *i.e.*, two for the Residential customer class and two for the Small C&I customer class. ROI Rules § 5.4. An EGS may solicit to one or both customer class aggregations.

EGSs must declare their intent to participate in the Retail Opt-In Program in accordance with the ROI Rules. ROI Rules § 4.3 and Exhibit 3. To participate in the Retail Opt-In Program, an EGS must use rate ready billing for customers enrolled under the program. ROI Rules § 4.2. Use of rate ready billing is needed to enable PPL Electric to track the number of customers that sign up for the Retail Opt-In Program. EGSs not already rate ready certified must pay up front for rate ready market certification testing costs. *Id.* The Company will establish an expedited rate ready testing protocol to enable any EGSs to participate. EGS must set up two program specific rate codes: (1) at 5% off PTC (for the initial four bill cycles); and (2) at the respective established fixed price rate (for bill cycle 5 through 12). ROI Rules § 4.5.

EGSs may set participation mailing limits; however, no EGS may request less than 2.5% or more than 97.5% of eligible customers per customer group, based upon the terms set forth in the ROI Rules. ROI Rules §§ 1.8 and 5.4. If the sum of all participating EGS's participation mailing cap percentages is less than 100% of default service customers in a Customer Group, the Retail Opt-In Program will not be offered for that Customer Group. *Id.*

The ROI Rules also permit, upon the release of the PTC on May 21, 2013, an EGS to opt-out of the Retail Opt-In Program. ROI Rules § 4.4. If an EGS opts-out on or before May 23, 2012, it will be excluded from the Retail Opt-In Program and shall not be assigned costs, other than any rate ready certification costs already incurred. *Id.*

Each participating EGS is independently required to monitor and track its participation in the Retail Opt-In Program. ROI Rules § 4.2. This includes EGS certification that the \$50 bonus has been paid to participating customers once they have met the four billing cycle requirement. *Id.* This certification will be submitted to the Commission, the Office of Consumer Advocate and Office of the Small Business Advocate, as applicable.

4. ROI Binding Participation Form

As discussed above, the ROI Rules contain the terms that govern the relationship between the Company and EGSs participating in the Retail Opt-In Program. To participate in the Retail Opt-In Program, an EGS must execute the Retail Opt-In Program Binding Participation Form (“ROI Binding Participation Form”), appended as Exhibit 1 to the ROI Rules.

5. Retail Opt-In Program Cost Recovery

As discussed in Section 7.1 of the ROI Rules, participating EGSs are required to pay an estimated cost of \$1/customer mailing. This payment will be trued-up with the actual cost of the program, but shall not exceed a payment of \$1/customer mailing. In the event that costs exceed \$1/customer mailing, excess cost will be recovered through PPL Electric’s Competitive Enhancement Rider. ROI Rules § 7.1. The costs are anticipated to be less than \$1 per customer mailing based on the assumption that not all of the prepaid envelopes will be utilized. If all of the prepaid envelopes are used, the cost may exceed \$1 per customer mailing and those additional costs will be recovered through the Competitive Enhancement Rider.

If the EGS is not already rate ready certified with PPL Electric, there will be a \$500 market certification fee, to be paid prior to May 6, 2013. ROI Rules § 7.2. The Company will invoice each participating EGS, on August 14, 2013, for the customers assigned to it via the program mailing. ROI Rules § 7.3. Once issued an invoice, the EGS is required to pay the invoice within 20 business days to PPL Electric. ROI Rules § 7.4.

Certain capital costs of the Retail Opt-In Program shall be recovered in base rates. The Company estimates that it will incur approximately \$21,250 in capital costs for modifications to the billing system, primarily to support the random assignment of EGSs prior to the customer mailing. These costs will be included in base rates and recovered in the Company’s next base-

rate proceeding. Allocation of these costs, among the Customer Groups, shall be determined in that base-rate proceeding.

B. DESCRIPTION OF THE STANDARD OFFER PROGRAM

The Company will initiate the Standard Offer Program on an ongoing basis beginning August 1, 2013. January 24 Order, p. 178. The terms and conditions for participation in the Standard Offer Program are fully described in the Standard Offer Program Process and Rules (“SOP Rules”) appended as Attachment D. The Standard Offer Program shall be effective August 1, 2013, subject to Commission approval, and shall terminate May 31, 2015. *See* January 24 Order, pp. 165, 178; SOP Rules § 1.2. The Standard Offer Program shall target residential and Small C&I (less than 25kW) customers on default service, but shopping customers who affirmatively request the program will be eligible to participate. *See* SOP Rules §§ 1.2 and 1.7; January 24 Order, p. 170. The Standard Offer Program will be presented during customer contacts to PPL Electric call centers, for calls other than for emergencies or terminations and similar calls. January 24 Order, p. 173; SOP Rules § 5.1.

The Standard Offer Program will provide participants with a standard 7% discount off the then-current PTC for a twelve month term. *See* January 24 Order, p. 170; SOP Rules § 6.2.

PPL Electric proposes a simple process for EGSs to participate. The Company will solicit all EGSs serving residential and Small C&I customers in its service territory for their interest in serving customers under the program. Each participating EGS will be required to sign a Standard Offer Program Binding Participation Form (“SOP Binding Participation Form”), which spells out the EGS’s basic responsibilities. The SOP Binding Participation Form is appended as Exhibit 1 to the SOP Rules. EGSs may elect each quarter whether to participate. Provided at least one EGS participates for a Customer Group in the PTC quarter, the Program will be offered.

The SOP Rules also contain, as Exhibit 3, a detailed timeline regarding the implementation of the Standard Offer Program. The timeline provides, as required by the Commission, that the Standard Offer Program be implemented not later than August 1, 2013.

1. Customer Enrollment in the Standard Offer Program

PPL Electric shall offer the Standard Offer Program to eligible customers during customer contacts to the PPL Electric call center, for calls other than for emergencies or terminations and similar calls. January 24 Order, p. 178; SOP Rules § 5.1. These calls typically fall under the categories of High Bill (Billing-Other), Choice, Moving and Start Service. PPL Electric's shopping customers, who proactively inquire, can participate in the Standard Offer Program. PPL Electric Customer Service Representatives will provide an overview of the Standard Offer Program to eligible customers; however, any interested customer will be transferred to a separate dedicated team that will provide more detail regarding the Standard Offer Program. The process is designed to ensure that a dedicated team is available to devote all the time necessary to provide more detailed information and answer all of a customer's questions about the Program. The use of the dedicated team will also assist in identifying the costs of the Standard Offer Program. For High Bill calls, the program will be presented only after the customer's concerns have been satisfied. January 24 Order, pp. 171 and 178; SOP Rules § 5.1.

Customers who choose to voluntarily participate in the Standard Offer Program will be assigned to an EGS on a random basis, unless the customer requests a specific EGS. SOP Rules § 5.2. Each night the Company will aggregate all customers who have affirmatively elected to participate in the Standard Offer Program and who have not specified an EGS. The Company will assign customers to participating EGSs on a random basis. SOP Rules § 5.4. Each day the Company will provide to each EGS, via e-mail in a csv format, customer-specific data and information for those customers which have been assigned to the EGS. SOP Rules § 5.5.

Once a customer is assigned under the Standard Offer Program, the EGS is responsible for sending a communication to the customer, which includes the appropriate terms and conditions, prior to initiating enrollment of the customer via the standard EDI process. SOP Rules § 4.2.3. The EGS is also responsible for initiating 814 enrollment of customers via the standard EDI process. SOP Rules § 6.3. As required by the Commission's switching rules, the Company will send a 5-day confirmation letter to the customer confirming their enrollment, assignment, and start date. However, the Company will not issue a 5-day confirmation letter to new or moving customers given time constraints. Customers participating in the Standard Offer Program will initially begin service according to their bill cycle and the 11-day enrollment rule. SOP Rules § 6.4.2. New and moving customers can be served by an EGS starting with their initial meter read as a "Day 1 Enrollment" if enrollment is received by the Company nine days or greater in advance of the customer's connect date.

Shopping customers will not be actively offered the Standard Offer Program; however, such customers may request participation in the program, whereby the program will be made available to them. SOP Rules § 1.7. A shopping customer will be assigned to the EGS currently serving the customer, provided that EGS is participating in the program for that quarter, unless the customer requests to be assigned to another participating EGS. Customers in the Standard Offer Program will remain on the EGS's service until the customer initiates a change to another generation supplier. January 24 Order, p. 170; SOP Rules § 6.2.3. As the end of the term of the program approaches, the EGS will be responsible for providing to the customer all notifications regarding changes in the terms and conditions of the EGS/customer relationship required by the Commission's regulations. Absent an affirmative action by the customer to select another offer

from the EGS, the customer will remain with the chosen/assigned EGS on a month-to-month basis with no termination penalty or fee. SOP Rules § 6.2.

2. Participation of OnTrack Customers in the Standard Offer Program

Customers in the Company's low income CAP, *i.e.*, "OnTrack," will be permitted to participate in the Standard Offer Program. January 24 Order, p. 170; SOP Rules §1.1 and 5.1.2. Interested OnTrack customers will be informed that if they choose to participate in the Standard Offer Program they may not see a reduction in their monthly payment, given OnTrack customers already receive a reduced monthly bill based on their ability to pay.

3. EGS Participation in the Standard Offer Program

PPL Electric will solicit EGSs on a quarterly basis to participate in the Standard Offer Program. SOP Rules § 4.3. EGSs will contact PPL Electric to declare their intent to participate on or before five (5) days prior to the start of the quarter. SOP Rules § 4.3.3. An EGS already participating in the Standard Offer Program need only email the Company and submit a new rate code, to confirm its participation in the program during the upcoming quarter. SOP Rules § 4.3.3. EGSs will be certified for "rate ready" billing for customers enrolled under the program. SOP Rules § 4.2.3. Participating EGSs must set up program specific rate codes at 7% off the current PTC. EGSs must establish a new rate code each PTC quarter. SOP Rules § 4.3.2. EGSs shall commit to offering the product for the duration of the effective PTC. *Id.* EGSs will have the ability to change their participation status with each quarter. SOP Rules §§ 4.2.4 and 4.3. If no EGSs elect to participate for a particular month, the program will not be offered until such time when at least one EGS chooses to participate. SOP Rules § 5.3.

4. SOP Binding Participation Form

Appended as Exhibit 1 to the SOP Rules is the SOP Binding Participation Form which contains the terms that govern the relationship between the Company and EGSs participating in

the Standard Offer Program. To participate in the Standard Offer Program, an EGS must execute the SOP Binding Participation Form.

5. Standard Offer Program Cost Recovery

The expense of the Standard Offer Program shall be recovered from participating EGSs in the following manner:

- \$500 per EGS registration fee for market certification testing costs. This only applies if the EGS is not already rate ready certified.
- Participating EGSs are required to pay a fee of the lesser of \$30 per referred customer or PPL Electric's actual costs per referred customer. Total costs will be tabulated per quarter and charged to all Participating EGSs for that quarter. Any remaining costs shall be included and recovered in the Company's Competitive Enhancement Rider. The allocation of these costs to the Customer Groups will be determined consistent with the cost allocations accepted by the Commission in PPL Electric's most recent base-rate proceeding. SOP Rules § 7.1.

As discussed above, PPL Electric Customer Service Representatives will provide an overview of the Standard Offer Program to eligible customers; however, any interested customer will be transferred to an external dedicated team that will provide more detail regarding the Standard Offer Program. PPL Electric plans to use a third-party service provider which will provide that dedicated team noted above. The Company is currently in negotiations with two potential third-party providers to assist with the Standard Offer Program. PPL Electric will choose the third-party provider that can provide the appropriate level of service at the least cost. One of the potential providers is an affiliate of PPL Electric, and if the affiliate is the successful bidder, PPL Electric will request that the Commission approve the agreement with that entity as an affiliated interest agreement under 66 Pa.C.S. Chapter 21.

The non-capital costs (operation, maintenance and administrative) of implementing and administering the Standard Offer Program will be recovered from the participating EGSs and the Company will publish estimated costs of the program at the time of solicitation. The fee the

EGSs are required to pay, the lesser of \$30 per referred customer or PPL Electric's actual costs per referred customer, and the allocation of the costs between EGSs and customers is similar to the cost recovery and allocation methods approved by the Commission in other default service proceedings. *See Petition of PECO Energy Company for Approval of its Default Service Program II*, P-2012-2283641 (Order Entered February 14, 2013) at p. 13 (approving the fee of the lesser of \$30/customer or actual costs per referred 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*, Docket Nos. P-2011-2273650, *et al.*, (Order Entered February 14, 2013) at p. 14 (same). As discussed below, the Company also will seek recovery of capital costs through a future base-rate proceeding. All EGSs electing to participate must execute the SOP Binding Participation Form, accepting, among other things, responsibility to pay for the appropriate cost of the program.

As stated above, certain capital costs related to the Standard Offer Program will be recovered in base rates. The Company estimates approximately \$522,500 in capital costs for modifications to the billing and EDI systems shall be included and recovered in the Company's next base-rate proceeding. The allocation of these costs to the Customer Group will be determined in that base-rate proceeding.

III. PROPOSED SCHEDULE FOR REVIEW OF THE REVISED PROGRAMS

In the January 24 Order, the Commission directed PPL Electric to file revised Retail Opt-In Program and Standard Offer Program proposals, by March 11, 2013. PPL Electric requests that the Commission adopt the Comment and Reply Comment schedule proposed below to allow parties an opportunity to comment on the Company's revised programs. In order to give parties this opportunity and to provide sufficient time to implement the Retail Opt-In and Standard Offer Programs, the Company proposes the following schedule:

March 21, 2013

Comments on the Revised Programs

March 26, 2013

Reply Comments

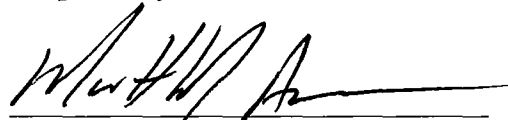
April 4, 2013

Commission Order

IV. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation requests that the Pennsylvania Public Utility Commission issue an Order by April 4, 2013, accepting the Company's revised Retail Opt-In and Standard Offer Programs, as proposed herein.

Respectfully submitted,



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Of Counsel:

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Dated: March 11, 2013

Attorneys for PPL Electric Utilities Corporation

Attachment A

PPL Electric Utilities Corporation

**Retail Opt-In Program
Process and Rules**

Dated: March 11, 2013

RETAIL OPT-IN PROGRAM PROCESS and RULES

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ARTICLE 1 INTRODUCTION

1.0 Introduction

- 1.1 This Retail Opt-In Program Process and Rules document (“ROI Rules”) defines the processes and rules for PPL Electric Utilities Corporation’s (“Company” or “PPL Electric”) Retail Opt-In Program (“ROI” or “Program”), implemented pursuant to the Pennsylvania Public Utility Commission’s (“PA PUC” or “Commission”) Final Order of the PPL Electric Utilities Corporation Default Service Procurement Plan II (Docket No P-2012-2302074).
- 1.2 PPL Electric is issuing this ROI Rules document, to solicit participation from Retail Electric Generation Suppliers (“EGS”) in a customer referral program, to serve Residential and Small Commercial & Industrial Customer Groups (referred hereto as “Eligible Customers”). The Residential Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. The Small Commercial & Industrial (Small C&I) Customer Group is defined as those customers taking service under the Small C&I rate schedules listed in the table below and with a billing demand less than 25 kW as of May 1, 2013. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

Customer Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
Small Commercial & Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 500 kW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.	

- 1.3 Customers participating in the ROI will receive a fixed rate for a four month period that is equal to a 5% discount off the Price to Compare (PTC) in effect as of June 1,

2013. Customers will receive a fixed rate for eight additional months, to be established by the EGS. The EGS also shall provide a \$50 bonus to Participating Customers who remain with the EGS for at least four billing cycles.

- 1.4 A participating EGS will provide retail supply to Eligible Residential and/or Small C&I customers who elect to participate in the Program and who are successfully enrolled into the Program. Any Participating Customer may return to default service or switch to another EGS in accordance with the Company's standard switching requirements, without penalty except for the forfeiture of the \$50 cash equivalent reward in the case where the customer does not remain with the EGS for the initial 4 billing cycles.
- 1.5 EGSs interested in participating in the Program must qualify to participate. Article 4 provides details on qualification. In summary, in order to qualify, an interested EGS must be licensed as an EGS by the Commission with authority to provide service to Residential and/or Small C&I customers in PPL Electric's service territory and must be certified for "Rate Ready Billing" by PPL Electric. Additionally, an interested EGS must also execute the Binding Participation Form (Exhibit 1) and Contact Form (Exhibit 2), and submit the forms to PPL Electric in hard-copy format (see Article 4 for details on EGS Qualification). All qualification requirements must be completed according to the timeline set forth in (Exhibit 3).
- 1.6 Once Qualification Requirements are met, an EGS must submit the rate code(s) by customer class for the Program via the PPL Supplier Portal and update any contact or company-related information that has changed since submitting the Contact Form, by resubmitting this form (Exhibit 2) to the Company. Rate codes must be set up via the Supplier Portal on or before May 29, 2013. The rate code created for the four month bill cycle must be 5% off the PTC that will be effective June 1, 2013, without deviation. The fixed price rate for months 5 through 12 must be communicated to the Participating Customers in compliance with all applicable PA PUC customer notice requirements. Once set, rates may not be changed.
- 1.7 PPL Electric will notify the Eligible Customers receiving default service of the Retail Opt-In Program via a direct mailing describing the Program and directing the customer to contact the EGS directly if they are interested in the program. Shopping customer will not be actively offered the program; however, such customer may request to participate in the program.
- 1.8 EGSs may set their own participation mailing limits; however, no EGS may request less than 2.5% or more than 97.5% of Eligible Customers per Customer Group, based upon the terms set forth in Article 5. If the sum of all Participating EGS's participation mailing caps is less than 100% of default service customers, the Retail Opt-In Program will not be offered for that Customer Group (See Article 5 for details).

- 1.9 Prior to the mailing campaign, PPL Electric will allocate Eligible Customers in each Customer Group on a random and equal basis to each of the Participating EGSs taking into account any EGS provided mailing limits (See Article 5 for details).
- 1.10 Each Participating EGS must pay its share of the program costs at a rate of \$1/customer mailing or actual cost, whichever is less – see Article 7 for further information.
- 1.11 EGSs are required to independently maintain and be able to report on customer data and information for all customers enrolled in the program. The Company is not responsible for the reporting of any information on the Program for the Participating EGSs. See Article 8 for more information.
- 1.12 Definitions:** In addition to terms defined elsewhere in this document, the following definitions shall apply:

“5-Day Confirmation Period” is the 5 calendar day period enacted upon enrollment of a customer by an EGS, which allows a customer to return to default supply prior to receiving generation supply from the EGS, without penalty.

“11 Day Rule” is the 11 day period immediately following the Company’s receipt of an 814 enrollment transaction to allow for the state-wide 5 day customer confirmation period and the Company’s energy and capacity scheduling requirements at PJM.

“CAP Customers” – means Customer Assistance Program customers.

“Commission” or “PA PUC” – The Pennsylvania Public Utility Commission.

“EDI” – Electronic Data Interchange, which is a standardized format for the electronic transfer of data between trading partners.

“Electric Generation Supplier” or “EGS” is defined as a retail generation supplier as defined in the Public Utility Code.

“Eligible Customers” include any Residential or Small C&I (less than 25kW) customer per Article 5. This includes CAP customers and any shopping customer that actively requests participation in the Program.

“Participating Customer” means any Residential customer or Small C&I customer under 25kW in PPL Electric’s Service Territory that affirmatively elects to participate in the Program, as offered by the Company and successfully enrolls into the Program.

“Participating EGS” or “EGS Participant” is an EGS that has successfully met qualification requirements.

“Program Costs” mean the costs that PPL Electric will incur to implement the Program to Eligible Customers.

“Qualification Requirements” are those requirements that any interested EGS must complete to initially qualify for the Program, as set forth in Article 4 of this ROI Rules document.

“Rate Ready Billing” – Billing scenario which describes the EDC as bearing the responsibility of bill calculation and bill delivery.

ARTICLE 2 INFORMATION AND SCHEDULE

2.0 Information and Schedule

- 2.1 PPL Electric will post information for this Program on the PPL Electric website on its General Supplier Information webpage (<https://www.pplelectric.com/at-your-service/for-generation-suppliers/general-supplier-reference-information.aspx>). This website will serve as the main source of information for this Retail Opt-In Program. Prospective EGS Participants are requested to use this website for current information about all aspects of this Program and to access all essential documents.
- 2.2 The Program will be offered by PPL Electric through a direct mailing to all non-shopping Residential customers and Small C&I customers under 25 kW, starting in June 2013.
- 2.3 The Program will begin on or before July 1, 2013. The Program timeline is detailed in Exhibit 3.

ARTICLE 3 GENERAL REQUIREMENTS FOR PROGRAM

3.0 General Requirements for Program

- 3.1 Participation of an EGS in this Program requires completion of the participant Qualifications, coinciding with its submission of accompanying documents (as described in Article 4). An EGS meeting all qualification requirements is deemed a “Participating EGS”. Participants must adhere to this Program’s terms and

conditions document, and fulfill all requirements in Articles 3 through 9 of this Program

- 3.2 The submission of the Binding Participation Form to the Company constitutes the EGS's acknowledgement and acceptance of all the terms and conditions of this ROI Rules, regardless of the outcome of this Program.
- 3.3 All representations in this Program must be made by an individual authorized to 1) make commitments on behalf of the EGS, to provide retail customer generation supply and 2) to financially bind the Participating EGS (i.e., an Authorized Individual).
- 3.4 Participation in this Program shall constitute an Agreement by EGS to abide by the terms and conditions of the Program as set forth herein. In the event of a material default by an EGS in any of its obligations under this Program, PPL Electric shall have the right to provide written notice of the default to the EGS, directed to the Contact listed in Exhibit 2. If the EGS does not cure the default within 10 business days from the date of the written notice, PPL Electric shall have the right to terminate the EGS from further participation in the Program. PPL Electric also may seek whatever remedies to which it may be entitled before the Commission, in a court of law or otherwise, including reasonable attorneys' fees. Any court action shall be litigated in the Court of Common Pleas for Lehigh County or in the District Court for the Eastern District of Pennsylvania in Allentown.

ARTICLE 4

EGS Qualification Requirements

4.0 EGS Qualification Requirements

- 4.1 The EGS Qualification requirements are broken down into four components: 1) Certification Requirements (Section 4.2), 2) Documentation Completion and Execution (Section 4.3), 3) Final EGS Opt-out of Program (Section 4.4), and 4) Submission of Rate Ready Billing Code(s) (Section 4.5).
- 4.2 Certification Requirements:
 - 4.2.1 An EGS must be licensed as an EGS by the Commission with authority to provide service to Residential and/or Small C&I customers in PPL Electric's service territory.
 - 4.2.2 An EGS must be certified by PPL Electric to exchange data through the EDI process complete through the EDC consolidated billing level. As such, Participating EGSs must be certified by PPL Electric as "Rate Ready Billing". If an EGS is not already certified by PPL Electric as

Rate Ready Billing, it must contact PPL Electric to enter into Rate Ready Billing testing flight and certification that starts May 6, 2013 and runs through May 31, 2013. Furthermore, all EGSs must meet the certification requirements prior to PPL Electric accepting the Binding Participation Form and Contact Form and/or accepting the EGS to upload rate codes aligned with the Retail Opt-In Program.

- 4.2.3 If Participating EGS are already Rate Ready Billing certified, no additional PPL Electric certification is necessary to participate in the program.

4.3 Documentation Completion and Execution:

- 4.3.1 Every EGS must complete and execute the Binding Participation Form on or before April 29, 2013 (Exhibit 1). This document details the primary responsibilities of an EGS participating in the Retail Opt-In Program. The Binding Participation Form must be executed by an Authorized Individual of the EGS.
- 4.3.2 Every EGS must fully complete the Contact Form and send it to PPL Electric.
- 4.3.3 Hardcopies of both the Binding Participation Form and Contact Form must be received on or before April 29, 2013 by PPL Electric, to be eligible to participate in the Program. PPL acknowledges that upon the release of the Final PTC on May 21, 2013, the EGS will have the opportunity to opt-out of the Program, as described in Section 4.4. A failure to execute these documents will result in PPL Electric eliminating participation of the EGS from the Program. It is the sole responsibility of the EGS to meet the deadlines set forth in this ROI Rules document.
- 4.3.4 On May 3, 2013 PPL Electric will evaluate if the sum of all participating EGSs' participation mailing caps is less than 100%. If so, PPL Electric will host a conference call with the Participating EGSs, discuss the status of the participation levels for each Customer Group and ask Participating EGSs if they would be interested in increasing their participation limits for that Customer Group to ensure the Program is offered.
- 4.3.5 All correspondence shall be mailed to:

Attention Supplier Coordination Team
PPL Electric Utilities Corporation
2 North 9th Street, GENN5
Allentown, PA 18101

4.4 Final EGS Opt-out of the Program

- 4.4.1 All interested EGSs having completed the certification requirements set forth in Sections 4.2 and 4.3 above, will have an opportunity to opt-out of the Program. EGSs have until 12 noon EPT on May 23, 2013 to contact PPL Electric via email to PPLUtilitiesSupplier@pplweb.com and opt-out of inclusion in the Program.
- 4.4.2 If an EGS opts-out on or before May 23, 2013, it will be excluded from this Program and shall not be assigned costs, other than any Rate Ready Billing certification costs already incurred.
- 4.4.3 On May 23, 2013 PPL Electric will re-evaluate if the sum of all participating EGSs' participation mailing cap is less than 100% and if so, the Retail Opt-In Program will not be offered for that customer group

4.5 Rate Code Submission

- 4.5.1 Upon successfully completing the Certification requirements set forth in Section 4.2 and 4.3, and not opting-out of the Program as described in Section 4.4, each EGS must also submit a unique rate code for the first four (4) bill cycles of the Program on or before May 29, 2013.
- 4.5.2 Rate Codes must maintain the following specifications:
 - 4.5.2.1 It must be a fixed price rate code.
 - 4.5.2.2 It must have a naming convention that begins with "RO" followed by the EGS unique code to coincide with the rate offering.
 - 4.5.2.3 It must be effective for the full term of the appropriate bill cycle: Rate Code 1 for bill cycle 1-4, Rate Code 2 for bill cycle 5-12.
 - 4.5.2.4 It must not be a rate code previously used for any prior offer.
 - 4.5.2.5 It must be equal to a 5% discount off the June 1, 2013 PTC.
- 4.5.3 Each EGS must notify the Company, via e-mail (see Section 4.5.5 for the contact e-mail address), of the rate code naming convention to be used for the appropriate bill cycle. The EGS must notify the Company on or before 5 calendar days prior to the bill cycle start, but not before the EGS has created the new rate code to be used in the system.
- 4.5.4 It is the sole responsibility of the EGS to ensure rate codes are properly submitted and meet the timing requirements of this Section.
- 4.5.5 All communication must be made to the following email address: PPLUtilitiesSupplier@pplweb.com.

ARTICLE 5

Customer Allocation Process and Customer Communications

5.0 Customer Allocation and Customer Communications Process

- 5.1 The Program is initiated by PPL Electric to Eligible Customers through a direct mailing and subsequently acted upon by customers by contacting their assigned EGS as found in the mailing. The Program is intended as a one-time-only offering to Eligible Customers with a contract term of 12 months. Specific components of the Program are as follows:
- 5.1.1 Twelve-month overall product term (twelve consecutive billing cycles) provided by an assigned EGS
 - 5.1.2 5% off the June – August 2013 Price-to-Compare (PTC) for 4 months followed by a fixed price for 8 months, to be communicated by the EGS to the customer.
 - 5.1.3 One time \$50 bonus (cash or cash equivalent paid by EGS) for customers who stay for at least 4 billing cycles.
 - 5.1.4 No contract termination fee; however, participating customers must remain with the EGS for 4 billing cycles or forfeit the \$50 bonus.
- 5.2 Eligible Customers include all PPL Electric Residential customers and Small C&I customers less than 25 kW (See Article 1.2 for details). The preliminary default service Eligible Customer counts will be set on April 1, 2013 for the purposes of this Program and communicated to all interested EGSs. Final default service Eligible Customer counts will be set on May 1, 2013. Participation by default service Eligible Customers is capped at 50% of the number of default service customers for each of the customer class groups. Customer Assistance Program (CAP) customers are eligible to participate in the ROI Program.
- 5.3 Participation in the ROI Program is voluntary for EGSs and customers. The ROI Program will be targeted to non-shopping customers, but Residential and Small C&I less than 25kW shopping customers inquiring about the program will be allowed to participate.
- 5.4 EGS Participation Requirements:
- 5.4.1 PPL Electric solicits EGSs to participate in the program and provides costs to EGSs (per customer/per EGS)
 - 5.4.1.1 There must be at least 2 participating EGSs per customer group

5.4.1.2 EGSs may solicit 1 or both customer groups

EGSs may set their own participation mailing limits (in increments of 2.5% of Eligible Customers) as a not to exceed percentage of default service customers

5.4.2 No EGS may request less than 2.5% or more than 97.5% of Eligible Customers per customer group. If the sum of all Participating EGS's customer caps is less than 100% of default service customers, the Retail Opt-In Program will not be offered for that Customer Group (see Article 4.3.4 for details).

5.5 Prior to the mailing campaign, PPL Electric will allocate Eligible Customers in each customer class group on a random and equal basis to each of the participating EGSs for an "exclusive" direct mail offer; taking into account any participation mailing limits. Once the mailing cap for an EGS is reached, the EGS will be removed from on-going random assignment of default service Eligible Customers in the algorithm.

5.6 PPL Electric will conduct a mass mailing on the Program to Eligible Customers (evenly distributed number of mailings per day per supplier over ten (10) business days).

5.6.1 Direct customer to contact their assigned EGS within a 30 calendar day window to sign up for an offer by phone, mail via enclosed postage-paid envelope or internet based upon the date of the letter.

5.6.2 Customer account number format on the Company mailing will be XXXXX-XXXXX.

5.7 Customers who contact PPL Electric regarding the program will be directed to contact their randomly assigned EGS.

5.8 If a customer, upon being offered the Program by the Company, requests to select a different EGS other than the one randomly assigned to them, they will be informed of the standardization of the program and that EGSs are matched with customers in an even and random assignment. Customers may not choose their suppliers. Shopping customers interested in participating in the program will be randomly assigned to a Participating EGS, unless the EGS they are shopping with is also participating in the Program, in which case the shopping customer will be assigned to that Participating EGS. Otherwise the shopping customer will be given contact information for one of the randomly assigned Participating EGSs.

5.9 PPL Electric will track number of customers (via Rate Ready Billing rate codes) participating to ensure 50% non-shopping participation cap is not exceeded. Enrollment will end upon cap being reached. EGSs will be notified by e-mail of enrollment termination and/or conclusion of the Program.

5.9.1 Shopping customers who enroll under this program will not count towards the 50% participation cap.

ARTICLE 6 EGS Obligations

6.0 EGS Obligations

- 6.1 EGSs interested in participating in the Program must meet the Qualification Requirements set forth in Article 4 and the timeline set forth in Exhibit 3. Participating EGSs are also responsible for submitting new, unique rate codes for the fixed price term of this Program (months 5-12) in addition to those already submitted for the initial 4 month term of this Program.
- 6.2 Upon communication from an interested customer (based upon the terms set forth in Article 5), a Participating EGS must begin the customer enrollment process within three (3) business days, including sending notifications as set forth by the state requirements and terms and conditions per the Binding Participation Form to the customer and begin the enrollment process (see Section 6.3),
- 6.3 EGSs are responsible for initiating the 814 customer enrollment via the standard EDI process. The Company will respond to the EGS with an 814 enrollment response transaction indicating to the EGS whether the enrollment has been accepted or rejected by the Company. If accepted, the date the EGS should begin serving the customer will be included. The complete guide of enrollment procedures are outlined Section 5 of the Company's Supplier Tariff filed at the Commission.
- 6.3.1 An EGS may not limit or reject any customer assigned to it through the Company's assignment process unless the 50% Program participation cap has been reached, whereby all enrollments will be stopped.
- 6.3.2 Following the submission of the EDI 814 enrollment, a customer will begin supply with the EGS on the date communicated to the EGS by the Company via the 814 enrollment response transaction. This date is calculated according to the 11 day rule.

- 6.3.3 Customers may choose to return to PPL Electric Default Service without taking service from their assigned EGS during the 3-day contract rescission period and/or if they request a return to PPL Electric Default Service within the 5-Day Confirmation Period.
- 6.4 The ROI Program has no contract termination fee, should the customer opt-out of the Program, at any time within the 12 month period.
- 6.5 The customer will remain on the EGS's service at the conclusion of the contract on a month-to-month contract, at a rate set by the EGS, until the customer elects a different rate by the EGS, chooses an alternative supplier, or returns to default service.
- 6.6 EGSs are required to independently maintain their own data and information for all customers enrolled in the Program. The Company is not responsible for the reporting of any information on the Program for Participating EGSs. See Article 8 for more information.
- 6.7 EGSs must abide by the provisions set forth in 52 PA. Code Chapter 54 (or its successor provisions).

ARTICLE 7

Program Costs and Invoicing

7.0 Program Costs and Invoicing

- 7.1 Participating EGSs are required to pay an estimated cost of \$1/customer mailing. This cost will be trued-up with the actual cost of the program, which shall not exceed \$1/customer mailing. In the event that costs exceed \$1/ mailing, excess cost will be recovered through PPL's Competitive Enhancement Rider (CER).
- 7.2 If the EGS is not already Rate Ready Billing certified with PPL Electric, there will be a \$500 market certification fee, to be paid to PPL Electric prior to the start of the test flight on May 6, 2013.
- 7.3 The Company will invoice each Participating EGS, on August 14th, 2013 for the customers assigned to it via the Program mailing. Invoices will be issued via email to the EGS based upon the contact information provided.
- 7.4 Once and EGS is issued an invoice, they are required to pay the invoice within 20 business days to PPL Electric. Payment must be made via Electronic Funds Transfer (EFT). The Company will issue banking information upon successful

completion of Qualification Requirements and inclusion in the customer assignment process.

ARTICLE 8 REPORTING REQUIREMENTS

8.0 Reporting Requirements

- 8.1 Each Participating EGS is independently required to monitor, track their participation in the Retail Opt-In Program. This includes EGS certification that the \$50 bonus has been paid to Participating Customers once they have met the four (4) billing cycle requirement. It is also the Participating EGS's responsibility to provide support or evidence, if called upon, in the event of a complaint filed by or for a customer with regards to a customer's participation in the Program.
- 8.2 The Company will not be responsible for tracking or reporting on the Program for the purposes of the EGS. Any actions taken by the Company to monitor the program will be completed on its own behalf.

ARTICLE 9 RESERVED RIGHTS

9.0 Non-Binding Program

- 9.1 Prior to the commencement of the Program offering and with PA PUC approval, PPL Electric has the right to withdraw and terminate this Program without any liability or responsibility to any Participating EGS or any other party, for reasonable cause, including, but not limited to, adverse statutory changes or interpretations, issuance of new PA PUC orders and/or regulations, market conditions, etc., that preclude this Program from being implemented in substantially the manner described herein.
- 9.2 Subject to PA PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Agreements, without any liability or responsibility to any Participating EGS or any other party, for reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PA PUC orders and/or regulations, market conditions, etc., that preclude this Program from being implemented in substantially the manner described herein.
- 9.3 Pursuant to these ROI Rules, PPL Electric shall reject any documents or agreements, including but not limited to the Binding Participation Form and Contact Form, submitted in response to this Program that are incomplete, or do not conform to the requirements of this Program, or are submitted beyond the deadline for submission. If the Binding Participation Form or Contact form are incomplete

or do not conform to Program requirements, the EGS will be given written notice and will have 48 hours to cure non-conformance.

- 9.4 All documents and agreements submitted by Participating EGSs in response to this Program will become the exclusive property of PPL Electric upon the receipt of such document(s).

EXHIBIT 1

Retail Opt-In Program Binding Participation Form

In order to be included in the Program as an Electric Generation Supplier (EGS) participating in the PPL Electric Utilities Corporation ("PPL Electric") Retail Opt-in (ROI) Program, _____ ("EGS Participant") agrees to be bound by the terms and conditions set forth in this Binding Participation Form, which shall constitute a firm offer to supply service in accordance with the ROI Program, and applicable Pennsylvania Law and regulations.

The EGS Participant hereby agrees that:

1. It acknowledges, understands and will abide by the rules set forth in the (ROI) Process and Rules document;
2. It is obligated to pay its share of non-refundable ROI Program Costs, estimated at \$1/customer mailing or actual cost, whichever is less, as described in Article 7 of the ROI Program, within 20 business days of being invoiced;
3. It must be certified by PPL Electric as "Rate Ready Billing". EGSs not Rate Ready Billing certified must pay upfront for Rate Ready Billing market certification costs of \$500 (See Article 7);
4. EGSs may set their own participation mailing limits (in increments of 2.5% of Eligible Customers);
5. No EGS may request less than 2.5% or more than 97.50% of Eligible Customers per customer class. If the sum of all Participating EGS's customer caps is less than 100%, the Retail Opt-In Program will not be offered for that customer group (see Article 4.4.3 for details);
6. All interested EGSs will have an opportunity to opt-out of the Program. EGSs have until 12 noon EPT on May 23, 2013 to contact PPL Electric via email to PPLUtilitiesSupplier@pplweb.com and opt-out of inclusion in the Program;
7. It must accept all Retail Opt-in Customers who elect to participate and are assigned to it under the ROI, unless the Program participation cap has been reached, whereby all enrollments will be stopped;
8. The EGS must set up two (2) ROI specific rate codes as follows per the ROI timeline Exhibit 3:
 - a. 5% off PTC (effective June 1, 2013 to August 31, 2013) to be used for the initial 4 customer bill cycles on or before May 29, 2013
 - b. Fixed price rate for bill cycles 5 through 12 – 5 business days prior to the effective date of the rate
 - i. the EGS must comply with all applicable PUC customer notification requirements
9. The EGS will issue an EDI 814 enrollment to PPL Electric within 3 business days upon notification of customer enrollment;

10. The EGS will issue an EDI 814 change to PPL Electric, on or before 48 hours prior to the effective date of the rate;
11. Within 5 business days of when it enrolls an ROI Customer, the EGS will send notification to such ROI Customer regarding the terms of the program, including :
 - a. it will offer a rate of 5% off of the PPL Electric Price-to-Compare in effect for June 1, 2013 – August 31, 2013 for the first four (4) customer bill cycles;
 - b. it will pay all assigned ROI Customers the \$50 bonus (cash or cash equivalent) after such customers have received retail electric generation service under the Program for four (4) consecutive billing cycles; and,
 - c. notice that there is no early termination penalty or fees to any ROI customer who leaves the Program at any time during the twelve (12) billing cycles;
12. The EGS will certify to the Commission, the OCA and OSBA as applicable that it has mailed the bonus to all participating customers that they are serving as of the November 2013 meter read date; and,
13. The EGS must maintain their own set of independent records for review upon request by the commission, for future evaluation of the Program success.

In accordance with the provisions of 52 PA code Chapter 54 (or its successor provisions), prior to the termination of the contract with a customer under this program, the EGS will notify the customer regarding the conclusion of the contract, and its offer concerning the terms and conditions for continuation of service.

The EGS Participant warrants and agrees that it hereby undertakes all responsibilities and service delineated herein as to ROI Customers, and expressly absolves PPL Electric from any and all liability for EGS Participant's failure to perform and/ or its default with respect to such responsibilities and service.

The PPL Electric warrants and agrees that it hereby undertakes all responsibilities and service delineated herein as to ROI Customers, and expressly absolves EGS Participant from any and all liability for PPL Electric's failure to perform and/ or its default with respect to such responsibilities and service.

Participation in this Program shall constitute an Agreement by EGS to abide by the terms and conditions of the Program as set forth herein. In the event of a material default by an EGS in any of its obligations under this Program, PPL Electric shall have the right to provide written notice of the default to the EGS, directed to the Contact listed in Exhibit 2. If the EGS does not cure the default within 10 business days from the date of the written notice, PPL Electric shall have the right to terminate the EGS from further participation in the Program. PPL Electric also may seek whatever remedies to which it may be entitled before the Commission, in a court of law or otherwise, including reasonable attorneys' fees. Any court action shall be litigated in the Court of Common Pleas for Lehigh County or in the District Court for the Eastern District of Pennsylvania in Allentown.

The EGS Participant acknowledges that if PPL Electric is not able to confirm that the EGS Participant is a licensed EGS in Pennsylvania, is registered as an EGS at PJM and has passed EDI

Rate Ready Billing certification for the PPL Electric service territory as of the Submission Due Date, the EGS Participant will not be qualified to participant in the ROI Program.

The submission of this Binding Participation Form to PPL Electric shall constitute the EGS Participants' acknowledgment and acceptance of all the terms, conditions and requirements of this ROI Program.

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

Participation in Residential Customer Group ____

Participation in Small C&I Customer Group ____

Participation Mailing Limit Residential Customer Group _____
* express as a not to exceed percentage

Participation Mailing Limit Small C&I Customer Group _____
* express as a not to exceed percentage

Signature of Authorized Individual: _____

Name of Authorized Individual (*print*): _____

Title of Authorized Individual (*print*): _____

Date Signed: _____

As part of your submission to participate in the Retail Opt-In Program, please send one (1) original of this Binding Participation Form to:

PPL Electric Utilities Corporation
Retail Opt-In Program
Two North Ninth Street, GENN5
Allentown, PA 18101
Attn: Supplier Coordination

EXHIBIT 2
Retail Opt-In Program Contact Sheet

Please provide contact information for purposes of the Retail Opt-In Program (*items with an * are required*):

Company:* _____

Contact Name:* _____

Contact Title:* _____

Address:

Street 1* _____

Street 2 _____

City* _____

State* _____

Zip Code* _____

Phone Number:* _____

E-mail Address:* _____

Fax (Optional): _____

Residential Opt-In Mailing Information:

Company:* _____

Contact Phone Number:* _____

Return Envelope Mailing Address:

Street 1* _____

Street 2 _____

City* _____

State* _____

Zip Code*

Website URL: _____

Small C&I Opt-In Mailing Information:

Company:*

Contact Phone Number:*

Return Envelope Address:

Street 1*

Street 2

City*

State*

Zip Code*

Web URL: _____

EXHIBIT 3

Retail Opt-In Program Timeline

Feb. 22	Collaborative with Stakeholders on ROI/Standard Offer Program
March 11	PPL Electric files market enhancement documents with the PUC and serves copies on parties
March 18	Preliminary PTC issued for June 1, 2013 - August 31, 2013
March 26	PPL Electric will send a communication to all PA licensed EGSs to inform them of the Company's intent to offer the Retail Opt-in Program. This communication will notify EGSs of the upcoming conference call and will include any documents necessary for the upcoming call (including but not limited to: general terms and conditions; a timeline of events, milestones, and obligations; the PPL Electric/EGS Binding Participation Form; an estimate of program costs, etc.).
April 1	PPL Electric holds conference call with EGSs on ROI Program Preliminary default service customer counts released to EGSs
April 4	PA PUC completes review of filing
April 29	Deadline for EGS to notify PPL Electric of its intent to participate in the ROI Program contingent upon review of the final PTC to be posted May 21, 2013 Hard copy submittal of fully executed contract which should include the not to exceed participation mailing limit percentage between PPL Electric and EGS, by 2pm EPT
May 3	Conference call with Participating EGSs, if participation requirements are not met, to discuss opportunity to increase participation
May 6 - 31	PPL Electric holds Rate Ready Billing certification testing specific to the ROI Program
May 21	PPL Electric issues Final PTC Rate for June 1, 2013 – August 31, 2013
May 23	Final Day for EGS to declare intent to withdraw from the ROI Program Final default service customer counts are released to EGSs
May 24	PPL Electric randomly assigns customers to participating EGSs
May 29	Final day for EGSs to set up Rate Codes
May 27 – Jun 7	PPL Electric compiles customer mailing
June 10 – June 21	PPL Electric conducts mass mailing by bill group on ROI offering to customers (evenly distributed number of mailings per day)
June 11 – July 22	Customer enrollment period (last enrollment by EGS must be initiated by 1pm EPT (in accordance with EDI guidelines) – on July 22, 2013)
June 21 – July 22	PPL Electric monitors the number of customer enrollments, to ensure ROI participation cap is not exceeded
June 21 – July 31+/-	Customer supply begins – based upon customer enrollment date and customer billing cycle
Aug 14	PPL Electric invoices Participating EGS for Program costs
Aug 25	EGS submits payment to PPL Electric for Program costs
Oct 15	Final day for EGSs to set up Rate Code for 8 month (bill cycle) period
Oct 22 - Nov 20	Effective Date range of 8 month price

Dec 2013

All \$50 Bonus cards (cash or cash equivalent) mailed by participating EGS to participating customers as of the November 2013 meter read date

Attachment B

PPL Electric Utilities
Two North Ninth Street
Allentown, PA 18101
www.pplelectric.com



Date

«NAME»
«Billing_Address1»
«Billing_Address2»
«CITY», «STATE» «ZIP»

Dear «Non-CAP Customer Name»:

Did you know that in Pennsylvania, you can purchase the electricity you use from a competitive electric generation supplier? PPL Electric Utilities wants to make you aware of an offer from [Supplier Name] that can save you money. [Supplier Name] is offering PPL Electric Utilities' customers a discounted price -- 5% lower than PPL Electric's now effective Price to Compare. This price will remain fixed for the first four months of the 12-month program. If you stay with the program for four consecutive months, you will receive a \$50 bonus from [Supplier Name]. Before the end of the four-month period, [Supplier Name] will provide you with another fixed-price offer for the next eight months of the program.

At any time, you can choose another offer from [Supplier Name], you can choose to purchase your electricity from another competitive electric generation supplier, or you can return to buying your electric supply from PPL Electric. You can make any of these choices without paying any penalties or fees. However, in order to receive the \$50 bonus, you must receive service from [Supplier Name] for the first four months.

We encourage all of our customers to seek opportunities to save on power supply costs by shopping with competitive electric suppliers. By doing so, you can take greater control over what you spend for electricity.

Regardless of where you purchase your electricity supply, PPL Electric Utilities will continue to deliver your electricity, safely and reliably, provide customer support and respond promptly to outages.

PPL Electric appreciates having you as customer. We encourage you to consider this offer.

You can take advantage of this offer three easy ways, simply return the form below in the enclosed postage-paid envelope, call [Supplier Name] at [xxx-xxx-xxxx], or visit [www.Supplier.com]. This is a limited time offer that is available to a limited number of customers. You must take advantage of this offer within 30 days from the date of this letter.

SAVE 5% AND GET a \$50 BONUS

Please enroll me in this program to save 5% off the now effective Price to Compare and receive a \$50 bonus from [Supplier Name]. I understand that I must remain with [Supplier Name] for four months to receive the \$50 bonus and that at the end of the four month period, the price may change.

<ACCOUNT NUMBER> _____

<CUSTOMER NAME> _____ <SUPPLIER NAME> _____

<ADDRESS 1> _____ <ADDRESS 1> _____

<ADDRESS 2> _____ <ADDRESS 2> _____

<CITY, STATE ZIP> _____ <CITY, STATE ZIP> _____

Attachment C

PPL Electric Utilities
Two North Ninth Street
Allentown, PA 18101
www.pplelectric.com



Date

«NAME»
«Billing_Address1»
«Billing_Address2»
«CITY», «STATE» «ZIP»

Dear «CAP Customer Name»:

Did you know that in Pennsylvania, you can purchase the electricity you use from a competitive electric generation supplier? PPL Electric Utilities wants to make you aware of an offer from [Supplier Name] that may save you money. [Supplier Name] is offering PPL Electric Utilities' customers a discounted price off of PPL Electric's now effective Price to Compare. This price will remain fixed for the first four months of the 12-month program. If you stay with the program for four consecutive months, you will receive a \$50 bonus from [Supplier Name]. Before the end of the four-month period, [Supplier Name] will provide you with another fixed-price offer for the next eight months of the program. Through OnTrack, you already receive a reduced monthly bill based upon your ability to pay. Therefore, if you participate in this offer you may not see a reduction in your monthly payment, so we encourage you to carefully review the offer to make sure that it suits your needs.

At any time, you can choose another offer from [Supplier Name], you can choose to purchase your electricity from another competitive electric generation supplier, or you can return to buying your electric supply from PPL - Electric. You can make any of these choices without paying any penalties or fees. However, in order to receive the \$50 bonus, you must receive service from [Supplier Name] for the first four months.

Regardless of where you purchase your electricity supply, PPL Electric Utilities will continue to deliver your electricity, safely and reliably, provide customer support and respond promptly to outages.

PPL Electric appreciates having you as customer. We encourage you to consider this offer.

You can take advantage of this offer three easy ways, simply return the form below in the enclosed postage-paid envelope, call [Supplier Name] at [xxx-xxx-xxxx], or visit [www.Supplier.com]. This is a limited time offer that is available to a limited number of customers. You must take advantage of this offer within 30 days from the date of this letter.

GET a \$50 BONUS

Please enroll me in this program. I understand that I must remain with [Supplier Name] for four months to receive the \$50 bonus from [Supplier Name] and that at the end of the four month period, the price may change.

<ACCOUNT NUMBER> _____

<CUSTOMER NAME> _____ <SUPPLIER NAME> _____

<ADDRESS 1> _____ <ADDRESS 1> _____

<ADDRESS 2> _____ <ADDRESS 2> _____

<CITY, STATE ZIP> _____ <CITY, STATE ZIP> _____

Attachment D

PPL Electric Utilities Corporation

**Standard Offer Program
Process and Rules**

Dated: March 11, 2013

STANDARD OFFER PROGRAM PROCESS and RULES

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ARTICLE 1 INTRODUCTION

1.0 Introduction

- 1.1 This Standard Offer Program Process and Rules document (“SOP Rules”) defines the processes and rules for PPL Electric Utilities Corporation’s (“Company” or “PPL Electric”) Standard Offer Program (“SOP” or “Program”), implemented pursuant to the Pennsylvania Public Utility Commission’s (“PA PUC” or “Commission”) Final Order of the PPL Electric Utilities Corporation Default Service Program and Procurement Plan (Docket No P-2012-2302074).
- 1.2 PPL Electric is issuing this SOP Rules document, as a continuous program from August 2013 until May 2015, to solicit participation from Retail Electric Generation Suppliers (“EGS”) in a customer referral program, to serve Residential and Small Commercial & Industrial (“Small C&I”) Customer Groups. The Residential Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. The Small C&I Customer Group is defined as those customers under 25kW demand and subsequently on the basis of the Company’s existing specific rate schedules as shown in the following table. The Company will query a list of eligible Small C&I customers under 25kW on July 1, 2013 and update the list annually on July 1 for the Program Term. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

Customer Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
Small Commercial & Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 500 kW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

- 1.3 Customers participating in the SOP will receive a fixed rate for a twelve-month period that is equal to a 7% discount off the Price-to-Compare (PTC) in effect at the time the customer enrolls in the SOP.
- 1.4 A participating EGS, subject to the qualification requirements discussed in Article 4, will provide retail supply for eligible Residential and/or Small C&I customers who elect to participate in the Program and who are successfully enrolled into the Program as discussed in Article 5. Any Participating Customer may return to default service or choose another EGS in accordance with the Company's standard switching requirements, without penalty.
- 1.5 EGSs interested in participating in the Program must initially meet Pre-Qualification Requirements to participate. Section 4.2 provides details on Pre-Qualification. In summary, to pre-qualify, an interested EGS must be licensed as an EGS by the Commission with authority to provide service to Residential and/or Small C&I customers in PPL Electric's service territory, and be certified for "Rate Ready Billing" by PPL Electric. Additionally, an interested EGS must also execute the Standard Offer Program Binding Participation Form (Exhibit 1) and Standard Offer Program Contact Form (Exhibit 2), and submit the forms to PPL Electric in hard-copy format. All Pre-Qualification requirements must be completed at least 5 calendar days prior to the start of a Price-to-Compare Quarter ("PTC Quarter") in order to participate in that quarter's Program. Once an EGS is pre-qualified, they are pre-qualified for the entire Program Term.
- 1.6 Once all Pre-Qualification Requirements are met, an EGS must meet the Quarterly Qualification Requirements in order to be an EGS Participant in any PTC Quarter. Section 4.3 details the Qualification requirements. In summary, the EGS must submit the rate code(s) by customer class applicable to customers who sign up for the upcoming PTC Quarter through the PPL Electric Supplier Portal and updating any contact or Company-related information that has changed since submitting the Standard Offer Program Contact Form, by resubmitting the Form (Exhibit 2) to the Company. Rate codes must be submitted at least 5 calendar days prior to the start of the new rate. Submitted rate codes must coincide with the PTC Quarter. The rate uploaded for the quarter must be 7% off the PTC for the upcoming quarter without deviation. The EGS must also notify the Company via e-mail of their affirmative inclusion in the upcoming quarterly program and the rate code to be utilized for the upcoming quarter. If the EGS does not notify the Company of their intent to participate, they will not be included in that quarter, regardless of whether or not a rate code exists for that period.
- 1.7 Any PPL default service customer calling PPL Electric will be initially offered access to the Program once their initial call inquiry has been concluded. If the customer call to the Company was related to a service termination or an emergency, the Program will not be offered. An interested customer will be transferred to a dedicated team which will then review the specific terms and conditions of the Program and signs up the customer in the Program. Any shopping customer will

not be actively offered the program; however, such customer may request participation in the program, whereby the program will be made available to them. Customers may participate in the Program at any time as long as there are EGSs participating in the program for that quarter. Details regarding the offer process and the assignment of customers to EGSs are provided in Article 5.

- 1.8 If during any PTC quarter there are no EGSs meeting the Pre-Qualification Requirements to provide the Program, or if no pre-qualified EGSs have met the Quarterly Qualification Requirements, the program will not be offered for that quarter. There must be at least one (1) qualified EGS with a submitted rate code for either the Residential or Small C&I Program. If a rate code is not submitted for either customer class, then that class (without a rate code) will not have a Program offering for that PTC Quarter.
- 1.9 Each Participating EGS must pay its share of the program costs as set forth in Article 7.
- 1.10 EGSs are required to independently maintain their own data and information for all customers enrolled in the Program. The Company is not responsible for the reporting of any information on the Program for Participating EGSs. See Article 8 for more information.
- 1.11 Definitions:** In addition to terms defined elsewhere in this SOP Rules, the following definitions shall apply:

“5-Day Confirmation Period” is the 5 calendar day period commencing upon enrollment of a customer by an EGS, which allows a customer to return to default supply prior to receiving generation supply from the EGS, without penalty.

“11 Day Rule” means the 11 day period immediately following the Company’s receipt of an 814 enrollment transaction to allow for the State-wide 5-day customer confirmation period and the Company’s energy and capacity scheduling requirements at PJM.

“CAP customers” means Customer Assistance Program customers.

“EDI” – Electronic Data Interchange, which is a standardized format for the electronic transfer of data between entities.

“Electric Generation Supplier” or “EGS” is defined as a retail generation supplier.

“Eligible Customers” include any default service Residential customer or Small Commercial & Industrial customer less than 25kW that contacts PPL Electric’s Call Center, other than for termination or emergency calls. This includes CAP customers and any shopping customer that actively requests participation in the Program. See Section 1.3 for a list of eligible customer rate classes by customer group.

“Participating EGS” or “EGS Participant” is an EGS that has successfully met pre-qualification and quarterly qualification requires.

“Participating Customer” means any Residential customer or Small Commercial and Industrial customer under 25kW in PPL Electric’s service territory that affirmatively elects to participate and successfully enrolls in the Program.

“Program Costs” means the costs that PPL Electric will incur to communicate the Program to Eligible Customers.

“Program Term” means the period beginning on August 1, 2013 through May 31, 2015.

“Price-to-Compare Quarter” or “PTC Quarter” means the three (3) calendar month periods corresponding to when a Price-to-Compare is issued, based upon the PJM Planning Period. This initially includes the one-month term of August 1 through August 31, 2013, and each quarterly period thereafter occurring as follows: September – November, December – February, March – May, and June – August.

“Pre-Qualification Requirements” are those requirements that any interested EGS must complete to initially qualify for the Program, as set forth in Article 4 of this SOP Rules document.

“Quarterly Qualification Requirements” are those quarterly requirements, corresponding to the Program Term, that an EGS must complete once meeting all Pre-Qualification Requirements, as set forth in Article 4 of this SOP Rules document.

“Rate Ready Billing” billing scenario which describes the Electric Distribution Company as bearing the responsibility of completing the billing calculation and bill delivery.

ARTICLE 2 INFORMATION AND SCHEDULE

2.0 Information and Schedule

2.1 PPL Electric will post information for this Program on the PPL Electric website on its General Supplier Information webpage (<https://www.pplelectric.com/at-your-service/for-generation-suppliers/general-supplier-reference-information.aspx>). This website will serve as the main source of information for this Standard Offer Program. Prospective EGS Participants are requested to use this website for current information about all aspects of this Program and to access all essential documents.

- 2.2 The Program will be offered by PPL Electric to all non-shopping Residential customers and Small C&I customers under 25kW starting in August 2013. The Program will be offered on a quarterly basis (after the initial one-month program start) based upon the PTC Quarter. Shopping Residential and Small C&I customers in PPL Electric's territory who call PPL Electric may also participate to this Program. See Exhibit 3 for a detailed timeline of events.

ARTICLE 3 GENERAL REQUIREMENTS

3.0 General Requirements

- 3.1 Participating EGSs must adhere to this Program's terms and conditions and fulfill all requirements in Articles 3 through 9 of this Program. In the event an EGS fails to adhere to the Program terms and conditions, or other EGS requirements set forth in this document are not met, the EGS will not be considered for participation in the Program.
- 3.2 The submission of the Standard Offer Program Binding Participation Form to the Company constitutes the EGS's acknowledgement and acceptance of all the terms and conditions of this SOP Rules document, regardless of the outcome of this Program.
- 3.3 All Representations in this Program and documents executed must be done by an individual authorized to 1) make contractual commitments on behalf of the EGS to provide retail customer generation supply and 2) to financially bind the Participating EGS (i.e., an Authorized Individual).
- 3.4 Participation in this Program shall constitute an Agreement by EGS to abide by the terms and conditions of the Program as set forth herein. In the event of a material default by an EGS in any of its obligations under this Program, PPL Electric shall have the right to provide written notice of the default to the EGS, directed to the contact listed in Exhibit 2. If the EGS does not cure the default within 10 business days from the date of the written notice, PPL Electric shall have the right to terminate the EGS from further participation in the Program. PPL Electric also may seek whatever remedies to which it may be entitled before the Commission, in a court of law or otherwise, including reasonable attorneys' fees. Any court action shall be litigated in the Court of Common Pleas for Lehigh County or in the District Court for the Eastern District of Pennsylvania in Allentown.

ARTICLE 4 EGS Qualification Requirements

4.0 EGS Qualification Requirements

4.1 The EGS Qualification requirements are broken down into two components: 1) Pre-qualifications (Section 4.2) and 2) Quarterly Qualifications (Section 4.3).

4.2 Pre-Qualification Requirements:

4.2.1 All EGSs must complete a one-time, pre-qualification to allow the EGS access and future participation in the Program. Pre-qualification is composed of two primary steps: 1) Certification requirements (Section 4.2.2) and 2) Document completion and execution (Section 4.2.3).

4.2.2 Pre-qualification initially opens July 1, 2013 and remains open on a rolling basis through February 24, 2015. In order to pre-qualify for participation in any quarterly Program offering, EGSs must submit all materials (as defined in this Article 4) at least 5 calendar days prior to the start of a new quarter. This is a one-time submission event.

4.2.3 Certification:

4.2.3.1 An EGS must be licensed as an EGS by the Commission with authority to provide service to Residential and/or Small C&I customers in PPL Electric's service territory. If an EGS is not licensed to serve customers in PPL Electric service territory but wishes to participate in the PPL Electric Standard Offer Program, it must contact the Commission to request the steps needed to become licensed, and fully execute all the required steps as set forth by the Commission. If an EGS loses its license to serve customers in PPL Electric's service territory it may not participate in the Program.

4.2.3.2 An EGS must be certified by PPL Electric to exchange data through the EDI process, through the EDC consolidated billing level. EGSs must be certified by PPL Electric as Rate Ready Billing. If an EGS is not already certified by PPL Electric as Rate Ready Billing, it must contact PPL Electric to enter into a Rate Ready Billing testing group to become certified. See Exhibit 3 for a link to a list of pre-determined testing flight dates that an EGS may request participation in. Testing and certification is only required once for an EGS.

4.2.3.3 All EGSs must meet the certification requirements on or before 5 calendar days prior to the start of a PTC Quarter to be eligible to participate in the Program (contingent upon completion of the additional qualification requirements set forth in Section 4.2 and 4.3). Furthermore, EGSs must meet the certification requirements prior to PPL Electric accepting

the Standard Offer Program Binding Participation Form and Standard Offer Program Contact Form.

4.2.3.4 Any EGS that is already Rate Ready Billing certified by the Company is already deemed certified and does not have to recertify to pre-qualify.

4.2.4 Documentation:

4.2.4.1 Every EGS must complete and execute the Standard Offer Program Binding Participation Form (Exhibit 1). This document details the primary responsibilities of an EGS who participates in the Standard Offer Program. The Standard Offer Program Binding Participation Form must be executed by an Authorized Individual of the EGS. Additionally, every EGS must fully complete the Standard Offer Program Contact Form.

4.2.4.2 Hardcopies of both the Standard Offer Program Binding Participation Form and Standard Offer Program Contact Form must be received in hard-copy format by PPL Electric at least 5 calendar days prior to the start of a Program quarter in order for the EGS to be eligible to participate in the Program (contingent upon completion of the additional qualification requirements set forth in Section 4.2 and 4.3). Any EGS failing to execute these documents will result in PPL Electric eliminating that EGS from participating in the Program until such time that the EGS submits completed and executed materials. It is of the sole responsibility of the EGS to cure any deficiency in the documentation materials.

4.2.4.3 All correspondence should be mailed to:

Attention Supplier Coordination Team
PPL Electric Utilities Corporation
2 North 9th Street, GENN5
Allentown, PA 18101

4.3 Quarterly Qualification Requirements

4.3.1 Upon successfully completing the Pre-Qualification requirements set forth in Section 4.2, each EGS must also submit a unique rate code for the upcoming quarter. The rate code must be entered through the PPL Electric Supplier Portal at least 5 calendar days prior to the quarter start, and must meet the customer related terms and conditions as set forth in Section 6. A rate code from a previous quarter or EGS offering

may not be re-used for any future quarter for the purposes of this program. Each quarterly code must be unique to the quarter's program offering.

4.3.2 Rate Codes must adhere to the following specifications:

4.3.2.1 It must be a fixed price rate code.

4.3.2.2 It must have a naming convention that begins with "SO" followed by the EGSs unique code to coincide with the quarterly rate offering.

4.3.2.3 It must be effective for the full term of the PTC Quarter, allowing for customer assignment during that quarter.

4.3.2.4 Must not be a rate code previously used for any prior offering.

4.3.2.5 Must be equal to a 7% discount off the PTC for the upcoming PTC Quarter.

4.3.3 Each EGS must notify the Company via e-mail of their intent to participate in the upcoming quarter, including the rate code naming convention to be used in that quarter and the Customer Groups in which they are participating. The EGS must notify the Company by e-mail (see Section 4.3.4 for the contact e-mail address) on or before 5 days prior to the quarter start, but not before the EGS has created the new rate code to be used in the system. If the EGS does not notify the Company of their intent to participate, they will not be included in that quarter's Program, regardless of the establishment of a rate code. More specifically, the EGS will not be offered to customers or included in the random assignment.

4.3.4 All communications must be made to the following e-mail address: PPLUtilitiesSupplier@pplweb.com.

ARTICLE 5

Customer Communications and Customer Allocation Process

5.0 Customer Communications and Customer Allocation Process

5.1 The Program will be initially offered by the Company to all eligible PPL Electric default service customers who contact the Company call center, with the exception of those defined in Section 5.1.4. The list of Eligible Customers for the Small C&I customer group (incorporating the 25kW demand limitation) will be run as of July 1, 2013. This list will be updated annually on July 1 for the Program Term. Before

offering the Program, the Company will first resolve the customer's concerns or inquiry that was the reason for the call. The initial Program offering will only include a summary overview of the Program – upon interest of the customer, they will be transferred to a third-party to learn more information and enroll.

- 5.1.1 The Company will offer the Program to new or moving customers upon completing new account set-up.
 - 5.1.2 Enrolled Customer Assistance Program (CAP) customers are eligible to participate in this program.
 - 5.1.3 Residential and Small C&I less than 25kW shopping customers in the PPL Service territory calling the Company will not be actively offered the Program. If a shopping customer actively inquires about the Program, the Company will allow for the customer's participation and inclusion.
 - 5.1.4 The Company will not offer the Program to default service customers calling for an emergency or for termination of service.
- 5.2 Customers interested in the Program will be transferred from PPL Electric to a dedicated team, who will then give the customer additional information on the Program and allow the customer to enroll. Customers who have a specific EGS in mind may enroll with that EGS. Otherwise, customers will be told that they will be randomly assigned to a Participating EGS. All customer assignments will be even and random, based upon the terms set forth in Section 5.4.
- 5.2.1 If a customer has a specific EGS in mind, the customer's selection will be honored if that EGS is participating, and they will be added to the EGS's list of assignments for that EGS being completed that night.
 - 5.2.2 If a customer does not have a specific EGS in mind they will be informed that they will be randomly assigned a Participating EGS. Furthermore, the customer will be informed that the assigned EGS will be contacting them in 3 business days.
 - 5.2.3 If a shopping customer contacts the Company to participate in the Program and if the customer's current EGS is participating in the SOP at the time, the customer will be assigned to their current EGS, unless the customer affirmatively requests a different assignment, in which case the provisions of Section 5.2.1 and 5.2.2 will apply.
- 5.3 If during any PTC Quarter there are no EGSs meeting the Quarterly Qualification Requirements, the Program will not be offered to customers for that quarter. If such an event occurs, Company call scripts will be modified to not offer the Program.

- 5.4 Each night the Company will aggregate all customers who have affirmatively elected to participate in the Program and who have not specified an EGS. The Company will then run an algorithm to assign customers to Participating EGSs on a random and even basis, such that no EGS shall have more than a single customer assigned to them, above those which were assigned to any other Participating EGS through this algorithm. Once the algorithm is completed the Company will compile a customer list by EGS of those customers who have selected an EGS or been randomly assigned.
- 5.5 Each day the Company will provide to each EGS customer-specific data and information for those customers which have been assigned to the EGS through the algorithm. This data will be provided via e-mail in a csv format. The file format and column specifications will be provided at the April 1, 2013 conference call. The customer data will be provided per the Standard Offer Program Contact Form completed during the Pre-Qualification process. If additional contacts are required, multiple Standard Offer Program Contact Forms must be completed and submitted to the Company.

ARTICLE 6

EGS Obligations

6.0 EGS Obligations

- 6.1 All Participating EGSs, upon receipt of the customer assignment data file (see Article 5), must begin the customer enrollment process. This process includes communicating the terms and conditions of the program to the customer (Section 6.2) and the completion and submission and processing of the EDI 814 enrollment request transaction with the Company (Section 6.3).
- 6.2 Within three (3) business days upon an EGS receiving a list of customer assignments, the EGS must issue a letter to the customer detailing the terms and conditions of the program, including but not limited to, the Standard Offer Program Binding Participation Form (Exhibit 1). Additionally, the EGS is obligated to comply with all rules and requirements set forth in 52 Pennsylvania Code Chapter 54. These terms and conditions of the Program shall include, but are not limited to:
- 6.2.1 The generation rate will be set at 7% below the PTC at the time the customer elects the program. Additionally, the rate must remain fixed for a 12 billing cycle term.
- 6.2.2 There will be no early termination fee or penalties.
- 6.2.3 The customer will remain on the EGS's service at the conclusion of the contract on a month-to-month contract, at a rate set by the EGS, until the

customer elects a different rate by the EGS, chooses an alternative supplier, or returns to default service.

- 6.3 Within 3 business days following an EGS's receipt of a list of customer assignments, the EGS must enroll assigned customers through the 814 enrollment process. The Company will respond to the EGS with an 814 enrollment response transaction indicating to the EGS whether the enrollment has been accepted or rejected by the Company and if accepted, the date the EGS should begin serving the customer. The complete guide of enrollment procedures are outlined in Section 5 of the Company's Supplier Tariff filed at the PUC.
- 6.3.1 An EGS may not limit or reject any customer assigned to it through the Company's assignment process.
- 6.4 Following the submission of the EDI 814 enrollment, a customer will begin supply with the EGS on the date communicated to the EGS by the Company via the 814 enrollment response transaction. This date is calculated according to the 11 Day Rule with an exception noted in Section 6.4.2, below.
- 6.4.1 Customers may choose to return to PPL Electric Default Service without taking service from their assigned EGS during the 3-day contract rescission period and/or if they request a return to PPL Electric Default Service within the 5-Day Confirmation Period, except as noted in Section 6.4.3.
- 6.4.2 New and Moving customers will begin supply with the EGS on the date communicated to the EGS by the Company via the 814 enrollment response transactions. An EGS will begin supplying the customer as of the customer's connect date if an 814 enrollment request is received by the Company 9 days or greater in advance of the customer's connect date. This will allow the Company the appropriate time for submitting energy schedules to PJM. The customer's connect date will be communicated to the EGS via the nightly data file (see Section 5.5). If the enrollment request is not received by the Company at least 9 days in advance of the customer's connect date, supply will begin according to the 11 Day Rule.
- 6.4.3 As New and Moving customers are indicating their election of an EGS to the Company, the 5-Day Confirmation period does not apply and therefore any requests by customers to return to PPL Electric Default Service must be made through the EGS they are enrolled with.

ARTICLE 7

Program Costs and Invoicing

7.0 Program Costs and Invoicing

- 7.1 Participating EGSs are required to pay a fee of the lesser of \$30 per referred customer or PPL Electric's actual costs per referred customer. Total costs will be tabulated per quarter and charged to all Participating EGSs for that quarter. Any remaining costs shall be included and recovered in the Company's Competitive Enhancement Rider. The allocation of these costs to the Customer Groups will be determined consistent with the cost allocations accepted by the Commission in PPL Electric's most recent base-rate proceeding.
- 7.2 Invoices will be issued within 10 business days following the conclusion of the quarter. Invoices will be issued via e-mail to the EGS based upon the contact information provided.
- 7.3 Once issued an invoice, the EGS is required to pay the invoice within 20 business days to PPL Electric. Payment must be made via Electronic Funds Transfer (EFT). The Company will issue banking information upon successful completion of Pre-Qualification requirements.

ARTICLE 8 REPORTING REQUIREMENTS

8.0 Reporting Requirements

- 8.1 Each Participating EGS is independently responsible to maintain data and information regarding its participation and assigned customer participation in the Program. It is also the Participating EGS's responsibility to provide support or evidence, if called upon, in the event of a complaint filed by or for a customer with regards to a customer's participation in the Program.
- 8.2 The Company will not be responsible for tracking or reporting on the Program for the benefit of the EGS. Any actions taken by the Company to monitor the program will be completed on its own behalf.

ARTICLE 9 RESERVED RIGHTS

9.0 Non-Binding Program

- 9.1 Prior to the commencement of any quarterly Program offering and with PA PUC approval, PPL Electric has the right to withdraw and terminate this Program without any liability or responsibility to any Participating EGS or any other party, for reasonable cause, including, but not limited to, adverse statutory changes or interpretations, issuance of new PA PUC orders and/or regulations, market

conditions, etc., that preclude this Program from being implemented in substantially the manner described herein.

- 9.2 Subject to PA PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Agreements, without any liability or responsibility to any Participating EGS or any other party, for reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PA PUC orders and/or regulations, market conditions, etc., that preclude this Program from being implemented in substantially the manner described herein.
- 9.3 Pursuant to these SOP Rules, PPL Electric shall reject any documents or agreements, including but not limited to the Standard Offer Program Binding Participation Form and Standard Offer Program Contact Form, submitted in response to this Program that are incomplete, or do not conform to the requirements of this Program, or are submitted beyond the deadline for submission. If the Binding Participation Form or Contact form are incomplete or do not conform to Program requirements, the EGS will be given written notice and will have 48 hours to cure non-conformance. In no event shall cure period infringe upon the 5 calendar day qualification requirements (see Article 4 for details).
- 9.4 All documents and agreements submitted by Participating EGSs in response to this Program will become the exclusive property of PPL Electric upon the receipt of such document(s).

EXHIBIT 1

Standard Offer Program Binding Participation Form

To be included in PPL Electric Utilities Corporation's ("PPL Electric") Standard Offer Program, _____ ("Standard Offer EGS Participant") agrees to be bound by the terms set forth below.

The Standard Offer EGS Participant hereby agrees that:

- (1) It acknowledges, understands and will abide by the rules set forth in the Standard Offer Program (SOP) Process and Rules document;
- (2) it is obligated to pay a fee of the lesser of \$30 per referred customer or PPL Electric's actual costs per referred customer, within 20 business days of being invoiced;
- (3) the EGS will issue an EDI 814 enrollment upon notification from PPL Electric of customer being assigned to it. The EDI enrollment will be processed by the EGS no later than 3 business days after notification of the assignment;
- (4) it must accept all Standard Offer Customers who elect to participate and are assigned to it under the Standard Offer Program;
- (5) once notification is received that a Standard Offer Customer is enrolled, the EGS will send notification to such Standard Offer Customer and include the following terms as part of its disclaimer:
 - a. the terms and conditions of the program;
 - b. the Standard Offer price, herein described below, to all its designated Standard Offer Customers for a term of twelve (12) billing cycles;
 - c. notification that there is no early termination penalty to any Standard Offer Customer who leaves the Program at any time during the twelve (12) billing cycles;
 - d. any additional terms or conditions as set forth in Chapter 54 of the Pennsylvania State Code;
- (6) the Standard Offer Customer's price must reflect a 7% discount to PPL Electric's Price to Compare (PTC) in effect at the time the Standard Offer Customer elects service under the Program. This price will be maintained for all 12 billing cycles for which the Standard Offer Customer participates in the program; and,
- (7) In accordance with the provisions of 52 Pennsylvania Code Chapter 54, prior to the termination of the contract with a customer under this program, the EGS will notify the customer regarding the conclusion of the contract, and its offer concerning the terms and conditions for continuation of service.

The Standard Offer EGS Participant warrants and agrees that it hereby undertakes all responsibilities and service delineated herein as to Standard Offer Customers, and expressly absolves PPL Electric from any and all liability for Standard Offer EGS Participant's failure to perform and/ or its default with respect to such responsibilities and service.

The PPL Electric warrants and agrees that it hereby undertakes all responsibilities and service delineated herein as to Standard Offer Customers, and expressly absolves Standard Offer EGS Participant from any and all liability for PPL Electric's failure to perform and/ or its default with respect to such responsibilities and service.

Participation in this Program shall constitute an Agreement by EGS to abide by the terms and conditions of the Program as set forth herein. In the event of a material default by an EGS in any of its obligations under this Program, PPL Electric shall have the right to provide written notice of the default to the EGS, directed to the Contact listed in Exhibit 2. If the EGS does not cure the default within 10 business days from the date of the written notice, PPL Electric shall have the right to terminate the EGS from further participation in the Program. PPL Electric also may seek whatever remedies to which it may be entitled before the Commission, in a court of law or otherwise, including reasonable attorneys' fees. Any court action shall be litigated in the Court of Common Pleas for Lehigh County or in the District Court for the Eastern District of Pennsylvania in Allentown.

The Standard Offer EGS Participant acknowledges that if PPL Electric Utilities is not able to confirm that the Standard Offer EGS Participant is a licensed EGS in Pennsylvania, is registered as an EGS at PJM and has passed EDI "Rate Ready Billing" certification for the PPL Electric service territory as of the Submission Due Date, the Standard Offer EGS Participant will not be qualified to participate in the Standard Offer Program and will be excluded from the Program until such time as all deficiencies have been rectified. Furthermore, it is of the responsibility of the Standard Offer EGS Participant to cure such deficiencies.

The Standard Offer EGS Participant need only execute and submit this Form to PPL Electric once. However, in order to be a participant during each PTC Quarter, it must input distinct Rate Codes for each PTC Quarter through the PPL Electric System and notify the Company via e-mail of its intent to participate per Article 4 of the SOP Rules. Any EGS failing to notify the Company of its intent to participate in the Program will be excluded from that quarter's SOP offering. Furthermore, it is of the sole responsibility of the EGS to upload the rate codes per the SOP Rules.

The submission of this Form to PPL Electric shall constitute the Standard Offer EGS Participant's acknowledgment and acceptance of all the terms, conditions and requirements of this Standard Offer Program.

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

Signature of Authorized Individual: _____

Name of Authorized Individual (*print*): _____

Title of Authorized Individual (*print*): _____

Date Signed: _____

As part of your submission to participate in the Standard Offer Program, please send one (1) original of this Form to:

PPL Electric Utilities Corporation
Standard Offer Program
Two North Ninth Street, GENN5
Allentown, PA 18101
Attn: Supplier Coordination

EXHIBIT 2
Standard Offer Program Contact Form

Please provide contact information for purposes of the SOP (*items with an * are required*):

Company:* _____

Contact Name:* _____

Contact Title:* _____

Address:

Street 1* _____

Street 2 _____

City* _____

State* _____

Zip Code* _____

Phone Number:* _____

E-mail Address:* _____

Fax (Optional):

Exhibit 3

Standard Offer Program Timeline

Standard Offer Program – Initial Program Start (August 2013)

March 11, 2013	PPL Electric files Standard Offer Program documents with the Commission
April 1, 2013	PPL Electric holds conference call with EGSs on SOP Program
May 6 – May 31, 2013	Special Test Flight for Rate Ready Billing Certification
May 21, 2013	June through August 2013 PTC issued by PPL Electric
July 1 – July 26, 2013	Standard Offer Program Binding Participation Form Submission
July 26, 2013	Deadline to submit rate ready code and notify PPL Electric of intent to participate in August 1 program start
July 29, 2013	PPL Electric compiles list of Participating EGSs and updates systems with this data
August 1 – August 31	Standard Offer Program Offered to Eligible Customers & customer enrollment for Participating Customers

Standard Offer Program – Sept – Nov 2013 (First full quarter)

August 23, 2013	September through November 2013 PTC issued by PPL Electric
August 27, 2013	Deadline to submit Standard Offer Program Binding Participation Form, set up unique rate ready code associated with the Sept-Nov quarter, and notifies PPL Electric of intent to participate in each Customer Group in the Sept-Nov Quarterly Period
Sept. 1 – Nov. 30	SOP Offered to Eligible Customers by PPL Electric & customer enrollment for Participating Customers by EGS

NOTE: A new timeline will be updated one calendar month prior to the commencement of the next Quarterly Period with new dates based upon that upcoming period as applicable.

Rate Ready Billing Certification Information

The Rate Ready Billing certification test flight timeline is available at the following address:
<https://www.pplelectric.com/at-your-service/for-generation-suppliers/general-supplier-reference-information/~//media/PPLElectric/At%20Your%20Service/Docs/General-Supplier-Reference-Information/2013-PPLEU-Test-Schedule.doc>

Attachment C



PPL Electric Utilities Corporation

GENERAL TARIFF

RULES AND RATE SCHEDULES FOR ELECTRIC SERVICE

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

ISSUED: March 25, 2013

EFFECTIVE: June 1, 2013

This supplement is being filed in compliance
with the Commission's Order, entered on January
24, 2013, at Docket No, P-2012-2302074.

GREGORY N. DUDKIN, PRESIDENT

Two North Ninth Street
Allentown, PA 18101-1179

NOTICE

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

LIST OF CHANGES MADE BY THIS SUPPLEMENT

CHANGES:

Transmission Service (TSC)

Page No. 19Z, 19Z.1, and 19Z.1A

The charges under the TSC are set forth for the period June 1, 2013 through May 31, 2014.

Generation Supply Charge -1 (GSC-1)

Page No. 19Z.4, 19Z.5, 19Z.5A,
19Z.5B, 19Z.5C, and 19Z.5D

The two default service provisions and charges under the GSC-1 are set forth for the period June 1, 2013 through May 31, 2015.

Generation Supply Charge -2 (GSC-2)

Page No. 19Z.6, 19Z.7, 19Z.7A,
and 19Z.7B

The Hourly Default Service Rate Option and charges under the GSC-2 are set forth for the period June 1, 2013 through May 31, 2015.

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TRANSMISSION SERVICE CHARGE

(C)

Beginning on June 1, 2013, the Transmission Service Charge (TSC) shall be applied to charges for electricity supplied to customers who receive Basic Utility Supply Service ("BUSS"), as defined in Rule 1B(1), from the Company under this Tariff.

The TSC shall be computed separately for each of the following four customer classes:

- (1) Residential: Consisting of Rate Schedules RS and RTS (R),
- (2) Small Commercial and Industrial: Consisting of Rate Schedules GS-1, GS-3, IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R), SI-1 (R), and GH-2 (R) (Small C&I),
- (3) Large Commercial and Industrial – Primary: Consisting of Rate Schedule LP-4 (Large C&I – Primary), and
- (4) Large Commercial and Industrial – Transmission: Consisting of Rate Schedules LP-5, LPEP and L5S (Large C&I – Transmission).

The TSC, computed using the formulae described below, shall be applied to the monthly bill of each customer receiving BUSS service from the Company and shall be reconciled on an annual basis for undercollections and overcollections experienced during the previous year.

The TSC for the Residential class and the Small C&I class shall be computed using the following formula:

$$\text{TSC} = [\text{TCe}/\text{S} + \text{TCd}/\text{S} - \text{E}/\text{S}] \times 1/(1-\text{T})$$

The TSC for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formulae:

$$\text{TSC} = \text{TSCd} + \text{TSCe}$$

The demand – related portion of the TSC (TSCd) for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formula:

$$\text{TSCd} = [\text{TCd}/\text{D}] \times 1/(1-\text{T})$$

The other portion of the TSC (TSCe) for the Large C&I – Primary class and the Large C&I – Transmission class shall be computed using the following formula:

$$\text{TSCe} = [\text{TCe}/\text{S} - \text{E}/\text{S}] \times 1/(1-\text{T})$$

Where:

TCd = The demand-related (kW) portion of the charges that the Company incurs to provide transmission service (including ancillary service charges and all non-market-based transmission service charges) to customers who receive BUSS service from the Company. These charges are all Federal Energy Regulatory Commission (FERC)-approved charges imposed by PJM Interconnection, LLC (PJM) on a kW basis. These charges are allocated to each customer class based upon the contribution of that class to the 5 coincident peaks used by PJM to establish such demand – related charges. **(C)**

TCe = All other charges not recovered through TCd that the Company incurs to provide transmission service (including ancillary service charges and all non-market-based transmission service charges) to customers who receive BUSS service from the Company. These charges are all FERC-approved charges imposed by PJM on any basis other than a kW basis. These charges are allocated to each customer class based upon the projected kWh usage of that class, including estimated distribution system losses during the computation year. **(C)**

(Continued)

TRANSMISSION SERVICE CHARGE (CONTINUED)

(C)

D = For the Large C&I – Primary customer class, the total of the monthly billing demands for all customers in the class, projected for the computation year. For the Large C&I – Transmission customer class, the total of the monthly contributions of all customers in the class to the Company’s 5 coincident peaks used by PJM to establish such demand – related charges.

E = Net over or undercollection of the TCe and TCd charges associated with the acquisition of transmission service as of the end of the 12-month period ending April 30 immediately preceding the computation year, including applicable interest. Reconciliation of the TSC will be conducted separately for each of the four customer classes. Beginning with the reconciliation period ending April 30, 2013, the percentage of demand-related costs assigned to each customer class will change monthly to reflect the class’ actual share of default service peak load responsibility in that month. Interest shall be computed monthly at the appropriate rate, as provided for in Section 1308(d) of the Public Utility Code, from the month the over or undercollection occurs to the effective month that the overcollection is refunded or the undercollection is recouped.

(C)

S = The Company’s total retail KWH sales to customers in each customer class who receive BUSS under this tariff (including distribution losses) projected for the computation year.

T= The total Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing period, expressed in decimal form.

The TSC shall be filed with the Pennsylvania Public Utility Commission (Commission) by May 1 of each year. The TSC rate shall become effective for transmission service acquired on behalf of BUSS customers and rendered to those customers on or after the following June 1, unless otherwise ordered by the Commission, and shall remain in effect for a period of one year, unless revised on an interim basis subject to the approval of the Commission. Upon determination that a customer class’s TSC, if left unchanged, would result in a material over or undercollection of all transmission service charges incurred or expected to be incurred during the current 12-month period ending April 30, the Company may file with the Commission for an interim revision of the TSC to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

(C)

Reconciliation of the TSC will be conducted separately for each of the four Customer classes. The reconciliation will include a calculation of the application period over or under recoveries of transmission service costs. The reconciliation of the TSC will be the difference between actual transmission service costs incurred and actual revenue billed for the application period.

(C)

Minimum bills shall not be reduced by reason of the TSC, nor shall charges hereunder be a part of the monthly rate schedule minimum. The TSC shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply.

The Company shall file a report of collections under the TSC within thirty (30) days following the conclusion of each computation-year quarter. These reports will be in a form prescribed by the Commission. The third-quarter report shall be accompanied by a preliminary forecast of the TSC for the next computation year.

Application of the TSC shall be subject to review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the TSC and the costs included therein.

(Continued)

TRANSMISSION SERVICE CHARGE (CONTINUED)

(C)

TRANSMISSION SERVICE CHARGE

(C)

Charges under the TSC for the period June 1, 2013 through May 31, 2014, as set forth in the applicable Rate Schedules.

Customer Class	Large I&C - Transmission	Large I&C - Primary	Small I&C	Residential
Rate Schedule / Charge	L5S, LP-5 and LPEP	LP-4	GS-1, GS-3, IS-1 (R), BL and GH-2 (R)	RS and RTS (R)
Energy Rate (\$/kWh)	X.XXXXX	X.XXXXX	X.XXXXX	X.XXXXX
Demand Rate (\$/kW)	X.XXX	X.XXX		

Small I&C – Street Lights									
Rate Schedule/ Charge	SA	SM (R)		SHS		SE	TS (R)	SI-1 (R)	
	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	\$/KWH	\$/Watt	Lumens	\$/Lamp
	X.XXX		3,350	X.XXX	5,800	X.XXX	X.XXXX	X.XXXX	600
		6,650	X.XXX	9,500	X.XXX	1,000			X.XXX
		10,500	X.XXX	16,000	X.XXX	4,000			X.XXX
		20,000	X.XXX	25,500	X.XXX				
		34,000	X.XXX	50,000	X.XXX				
		51,000	X.XXX						

GENERATION SUPPLY CHARGE-1

(C)

Beginning on June 1, 2013, the Generation Supply Charge-1 (GSC-1) shall be applied to each kilowatt-hour supplied to residential customers who take Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules RS and RTS (R), small commercial and industrial customers who take BUSS service under Rate Schedules GS-1, GS-3, GH-2 (R), IS-1 (R), BL, SA, SM (R), SHS, SE, TS (R) and SI-1 (R), and standby service for the foregoing rate schedules. The GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater, but the GSC-1 will apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW. This peak demand will be based on the customer's ICAP peak load contribution to PJM peak load assigned for the 2013-2014 PJM Planning Year. The GSC-1 shall have two default service provisions: Fixed Price Option and the Time-of-Use Price Option.

PURPOSE

FIXED PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL

The Fixed Price Option provides eligible customers in the Residential and Small Commercial & Industrial Customer Class with default electric service for those customers who have not selected an alternative generation supplier or the TOU Price Option.

PRICING PROVISIONS

The Fixed Price GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$\text{Fixed Price GSC-1} = \left[\frac{GS_{fp} - E}{S} \right] \times \frac{1}{(1-T)}$$

Where:

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

GS_{fp} = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers in the applicable Customer Class. These costs shall be reduced by any revenue received by the Company from the sale of Alternative Energy Credits that otherwise would have expired.

The computation quarter (c) shall be each quarter of the PJM Planning Year over which the Fixed Price GSC-1, as computed, will apply. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs. Any costs incurred prior to June 1, 2013, shall be amortized ratably over the 24-month period June 1, 2013, through May 31, 2015, and the quarterly amortization amount shall be included in the computation of the GSC-1.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

(C)

FIXED PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

- E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers as of the end of the calendar month ended one month prior to the beginning of the computation quarter, including applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest. Interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest.
- S = The Company's total retail KWH sales to participating BUSS customers in the applicable Customer Class, projected for the computation quarter.
- T = The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the GSC-1, nor shall GSC-1 charges be a part of the monthly rate schedule minimum. The GSC-1 shall not be subject to any credits or discounts and Part 2 of the STAS shall apply.

GENERATION SUPPLY CHARGE – 1

(C)

The following GSC-1 charges apply for Fixed Price Service during the period June 1, 2013 through August 31, 2013.

Customer Class	Small I&C	Residential
Rate Schedule / Charge	GS-1, GS-3 (< 500 kW), LP-4 (< 500 kW), IS-1 (R), BL, and GH-2 (R) \$X.XXXXX/KWH	RS and RTS (R) \$X.XXXXX/KWH

Small I&C – Street Lights									
Rate Schedule/ Charge	SA	SM (R)		SHS		SE	TS (R)	SI-1 (R)	
	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	\$/KWH	\$/Watt	Lumens	\$/Lamp
X.XXX	X.XXX	3,350	X.XXX	5,800	X.XXX	X.XXXXX	X.XXXXX	600	X.XXX
		6,650	X.XXX	9,500	X.XXX			1,000	X.XXX
		10,500	X.XXX	16,000	X.XXX			4,000	X.XXX
		20,000	X.XXX	25,500	X.XXX				
		34,000	X.XXX	50,000	X.XXX				
		51,000	X.XXX						

(Continued)

GENERATION SUPPLY CHARGE -1 (Continued)

(C)

TIME-OF-USE PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL

PURPOSE

Beginning on January 1, 2011, this Time-of-Use (TOU) Price Option provides for the voluntary participation of eligible existing and new residential and small commercial & industrial customers in a year-round TOU Price Option. Eligible customers must meet the APPLICATION PROVISIONS of this TOU Price Option. The objective of this TOU Price Option is to provide eligible residential and small commercial & industrial customers with an opportunity to shift energy usage away from the on-peak periods, when wholesale electricity demand and prices are high, to off-peak periods, when demands and prices are lower.

(C)

PRICING PROVISIONS

The TOU GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$\text{TOU GSC-1} = \left[\frac{\text{GS}_{\text{TOU}} - E}{S} \right] \times \frac{1}{(1-T)}$$

Where:

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

GS_{TOU} = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers in the applicable Customer Class.

The computation quarter (c) shall be each quarter of the PJM Planning Year over which the TOU GSC-1, as computed, will apply. Projections of the Company's costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs.

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

S = The Company's total retail KWH sales to participating BUSS customers in the applicable Customer Class, projected for the computation quarter.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

TIME-OF-USE PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL
(Continued)

PURPOSE (Continued)

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

APPLICATION PROVISIONS

(C)

Beginning January 1, 2011, this TOU Price Option is available to existing and new residential and small commercial & industrial customers who are served, or qualify to be served, under Rate Schedules RS, RTS (R), GS-1, GS-3 (customers with peak demands less than 500 KW), GH-2 (R), and IS-1 (R). Customers taking service under the above-referenced rate schedules, who also participate in the Company's OnTrack or Net-Metering for Renewable Customer-Generators Rider programs, are eligible for the TOU Price Option.

Customers served under this TOU Price Option must receive Basic Utility Supply Service (BUSS) as defined in Rule 1 of this Tariff. Also, small commercial & industrial customers served under Rate Schedules GS-1, GS-3 (customers with peak demands less than 500 KW), GH-2 (R), and IS-1 (R), may participate in this TOU Price Option. This includes Volunteer/Non-Profit organizations (Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services) served under Rate Schedules GS-1 and GS-3.

Customers in the Company's OnTrack program who participate in the TOU Price Option will continue to receive a billing credit that reflects their payment arrangement under that program. The effect of their participation in the TOU Price Option will be reflected on their bill after the OnTrack credit has been applied. Customers served under the Company's rider for Net Metering for Renewable Customer-Generators who participate in the TOU Price Option, and who carry excess generation from one billing month to the next billing month, will have that excess applied to on-peak and off-peak periods on a pro rata basis consistent with metering that has been installed and the information obtained from that metering. In the event that a Net Metering customer has excess generation for the annual reporting period ending May 31, the customer will receive a credit calculated at the Company's Price to Compare for the applicable rate schedule.

ON-PEAK HOURS

The on-peak hours will vary by season and will include the following two seasons designated as Summer and Non-Summer Periods.

Summer Period (June 1 through September 30): On-peak hours for billing purposes are shown on the following table and reflect eastern prevailing time, Mondays to Fridays. Off-peak hours are all other weekday hours, weekends, Independence Day and Labor Day.

Non-Summer Period (October 1 through May 31): On-peak hours for billing purposes are shown on the following table and reflect eastern prevailing time, Mondays to Fridays. Off-peak hours are all other weekday hours, weekends, New Year's Day, Memorial Day, Thanksgiving Day, and Christmas Day.

(Continued)

GENERATION SUPPLY CHARGE -1 (Continued)

(C)

**TIME-OF-USE PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL
 (Continued)**

ON-PEAK HOURS (Continued)

Customers will participate in accordance with their billing cycles and not calendar months. The Summer Period will begin with bills rendered during the period mid-May to mid-June and will end with bills rendered during the period mid-September through mid-October. The Non-Summer Period will begin with bills rendered during the period mid-September through mid-October and will end with bills rendered during the period mid-May to mid-June.

TIME-OF-USE GENERATION SUPPLY CHARGES

(C)

The following Generation Supply Charges apply for service under the TOU Price Option during the period June 1, 2013 through May 31, 2015, unless otherwise changed by the Commission. These Generation Supply Charges, including the applicable E-factor contained therein, are frozen and reflect the same charges, which initially were approved by the Commission at Docket No. M-2011-2258733 and which were carried forward and became effective on September 1, 2012, in compliance with the Commission's Order, entered on August 30, 2012, at Docket No. R-2011-2264771.

Rate Schedule RS	Non-Summer Peak Hours (5:00 PM to 7:00 PM) 10/01/13- 5/31/14	Summer Peak Hours (1:00 PM to 6:00 PM) 6/01/13- 9/30/13
On-Peak Hours	11.651 cts per kWh	11.651 cts per kWh
Off Peak Hours	9.928 cts per kWh	9.928 cts per kWh

Rate Schedule RTS (R)	Non-Summer Peak Hours (5:00 PM to 9:00 PM) 10/01/13- 5/31/14	Summer Peak Hours (1:00 PM to 6:00 PM) 6/01/13- 9/30/13
On-Peak Hours	11.651 cts per kWh	11.651 cts per kWh
Off Peak Hours	9.928 cts per kWh	9.928 cts per kWh

Rate Schedules GS-1, GS-3 (< 500 kW), GH-2 (R), and IS-1(R)	Non-Summer Peak Hours (7:00 AM to 7:00 PM) 10/01/13- 5/31/14	Summer Peak Hours (7:00 AM to 7:00 PM) 6/01/13- 9/30/13
On-Peak Hours	15.389 cts per kWh	15.389 cts per kWh
Off Peak Hours	11.588 cts per kWh	11.588 cts per kWh

TERMINATING PARTICIPATION

A customer may leave this TOU Price Option in any calendar month after providing notice to the Company 16 days prior to the end of the billing cycle. The customer, if still receiving BUSS, will return to the standard GSC-1. This change will commence at the beginning of the customer's next billing cycle. The TOU Price Option set forth herein will expire on May 31, 2015.

(Continued)

(D) Indicates Decrease **(I)** Indicates Increase **(C)** Indicates Change

GENERATION SUPPLY CHARGE – 1 (Continued)

GSC – 1 RECONCILIATION PROVISIONS -

(C)

The GSC-1 for Fixed Price Option and the on/off-peak TOU Price Option shall be filed with the Pennsylvania Public Utility Commission (Commission) ten (10) days prior to the effective date of the rate for each computation quarter. The rate shall become effective for BUSS service rendered during the computation quarter, unless otherwise ordered by the Commission, and shall remain in effect for one quarter.

For the Fixed Price Option and the on/off peak TOU Price Option, the Company will file with the Commission ten (10) days prior to each computation quarter, a quarterly reconciliation of the GSC-1 revenue recovery for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation quarter and shall remain in effect for a period of one quarter, or until new GSC-1 rates are approved by the Commission.

Reconciliation of the GSC-1 for Fixed Price Option and the on/off-peak TOU Price Option will be conducted separately for each of the two Customer Classes. The reconciliation will include a calculation of the adjustment to the GSC-1, in cents per kWh, required to refund or recover previous application period over or under recoveries of the quarterly generation supply acquisition costs. The reconciliation will be the difference between actual generation supply acquisition costs and the projected generation supply acquisition costs estimated for the computation quarter. Any over/under collection will be reflected in the GSC-1 charges for the subsequent computation quarter.

The Company shall file a report regarding GSC-1 over/under collections within thirty (30) days following the conclusion of each computation quarter. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC-1 for the next computation quarter.

Application of the GSC-1 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-1 and the costs included therein.

GENERATION SUPPLY CHARGE-2

(C)

Beginning on June 1, 2013, the Generation Supply Charge-2 (GSC-2) shall be charged to each customer in the Large Commercial & Industrial Customer Class who takes Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules LP-4, LP-5, LPEP, and standby service for the foregoing rate schedules. The GSC-2 will not apply to those Rate Schedule LP-4 customers who have a peak demand of less than 500 kW, but the GSC-2 will apply to those Rate Schedule GS-3 customers who have a peak demand of 500 kW or greater. This peak demand will be based on the customer's ICAP peak load contribution assigned for the 2013-2014 PJM Planning Year. The GSC-2 shall have one rate option provision: Hourly Default Service Option.

PURPOSE

(C)

The Hourly Default Service Rate Option provides default electric generation service to eligible customers in the Commercial & Industrial Customer Class who have not selected an alternative generation supplier.

PRICING PROVISIONS

All of the following charges apply to this rate option.

(C)

- GSC-2 Energy Charge per KWH: The product of actual real-time PL Zone Locational Marginal Prices for each hour of the billing month expressed in cents per KWH times the customer's actual energy use, adjusted for losses, during each hour of the billing month.
- GSC-2 Capacity Charge: The product of the PJM Reliability Pricing Model ("RPM") price of capacity expressed in dollars per KW-Day, as reported by PJM for the PL Zone, for the applicable billing month times the customer's fixed peak load capacity obligation, as determined by the Company in accordance with the applicable PJM Agreements, times the number of days in the billing month.
- GSC-2 Administrative Charge per KWH: The product of all administrative charges (both the supplier's charges and PPL Electric's charges) expressed in cents per KWH times the customer's actual energy use, adjusted for losses, during each hour of the billing month. The supplier's charges shall be the supplier's winning bid in PPL Electric's most recent solicitation for supply of default service to customers in the Large C&I Customer Class. The supplier's charges may include, but are not limited to, the costs of transmission service (other than non-market-based transmission service charges), ancillary services, congestion management costs, and such other services or products that are required to supply hourly default service to customers in the Large C&I Customer Class, including Alternative Energy Credits. PPL Electric's charges shall be a monthly pro rata amortization of the actual costs incurred by the Company to acquire generation supply from any source for the Large C&I Customer Class during the most recent 12-month period ended May 31 (as determined by amortizing such costs ratably over a 12-month period) plus the monthly amortization of the cost of administering that program prior to June 1, 2013 (as determined by amortizing such costs ratably over the 24-month period June 1, 2013 through May 31, 2015). . In addition, the initial computation period will include any remaining over or undercollection balance as of May 31, 2013 related to application of the GSC-2 for the Large Commercial and Industrial Customer Class.

(Continued)

GENERATION SUPPLY CHARGE-2 (CONTINUED)

(C)

The following rate components of the GSC-2 shall be filed with the Pennsylvania Public Utility Commission (Commission) thirty (30) days prior to each application year (June 1 through May 31). The rate components subject to this filing requirement are: (1) the supplier's charges to be included in the GSC-2 Administrative Charge and (2) PPL Electric's charges to be included in the GSC-2 Administrative Charge. The reconciliation of the GSC-2 will be the difference between the actual administration costs incurred and the applicable billed revenue for the computation quarter. These rate components, as well as any net over or undercollection of these rate components as of the end of the 12-month period ending April 30 immediately preceding the computation period and set forth as a separate E-factor reconciliation component, shall become effective for BUSS rendered on and after the following June 1, and shall remain in effect for a period of one year.

(C)

By May 1 of each year, the Company will file with the Commission the experienced net over or undercollection of the GSC-2 associated with the above-identified costs that are incurred to provide generation supply for participating BUSS customers as of the end of the calendar month ending one month prior to the computation period, including applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the legal rate of interest. Interest on refunds of overcollections shall be calculated at the legal rate of interest plus 2 percent annual interest.

(C)

The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within the tariff) in effect during the billing month shall apply to charges under the GSC-2.

Minimum bills shall not be reduced by reason of the GSC-2, nor shall GSC-2 charges be a part of the monthly rate schedule minimum. The GSC-2 shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply.

The Company shall file a report regarding GSC-2 collections within thirty (30) days following the conclusion of each computation year. These reports shall be in a form prescribed by the Commission. The report shall be accompanied by a tentative estimate of the GSC-2 for the next computation year.

Application of the GSC-2 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-2 and the costs included therein.

(C)

PPL Electric Utilities Corporation

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Electric Pa. P.U.C. No. 201
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