

**PPL Electric Utilities Corporation**  
**Long-Term Product RFP**

**MtM Exposure Calculation Clarification for 10-Year Product**

Please refer to Exhibit C of the DSLTP SMA for information related to the methodology for calculation of MtM Exposure. PPL Electric provides the following clarification related to the determination of forward prices for the 10-year contract.

**Q: In reviewing Exhibit C of the DSLTP SMA I would like clarification on item 3 of the sections labeled Determination of On-Peak Forward Prices and Determination of Off-Peak Forward Prices. The last sentence in both sections state, “If an annual quote is not available then the last available prices are carried forward to the end of the delivery period.”. Since the delivery period for this solicitation is 10 years, it is likely that forward prices may not be available for the entire term. For instance, if only 2 years of forward prices are available, then based on this language the last forward price will be carried forward to the end of the delivery period. This could result in a mark-to-market calculation that requires a successful bidder to post collateral. Is this correct?**

**A:** You are correct about the language in Exhibit C of the DSLTP SMA. Similar language also exists in the Block SMA, the AEC SMA and the Default Service SMA. You are also correct that forward prices may not be available for the entire delivery period. For the DSLTP SMA, PPL plans to limit the mark-to-market exposure to the last available forward price. For example, the forward prices for a delivery period from June 1, 2011 to May 31, 2021 may only be available through December, 2012. In this instance, the mark-to-market exposure will only be calculated to December 2012 rather than the end of the delivery period, May 31, 2021.