

**DUQUESNE LIGHT STATEMENT NO. 2**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition Of Duquesne Light** :  
**Company For Approval Of Default** : **Docket No. P-2016- \_\_\_\_\_**  
**Service Plan For The Period June** :  
**1, 2017 Through May 31, 2021** :

**DIRECT TESTIMONY OF  
JOHN PEOPLES**

**Dated: May 2, 2016**

1 **I. INTRODUCTION**

2

3 **Q. Please state your full name and business address.**

4 A. John Peoples, 411 Seventh Avenue, Pittsburgh, Pennsylvania 15219.

5

6 **Q. What is your position at Duquesne Light Company (“Duquesne Light” or**  
7 **“Company”)?**

8 A. I am employed by Duquesne Light as the Manager of Energy Supply.

9

10 **Q. How long have you worked at Duquesne Light?**

11 A. I have worked at Duquesne Light for over two years, having joined the Company  
12 in January 2014.

13

14 **Q. What are your current responsibilities?**

15 A. I am responsible for conducting competitive solicitations to procure power to  
16 serve Duquesne Light’s default service load. I represent Duquesne Light’s voting  
17 interests and communications with PJM. I also act as the Company’s  
18 representative with default service suppliers. In addition, I manage the daily sales  
19 forecasts for the Company’s control area, which includes all electrical customers  
20 in our load zone – whether served by Duquesne Light default service or by a  
21 competitive electric generation supplier (“EGS”). I have responsibility for  
22 verifying the settlement process with PJM and FERC submissions. Finally, I  
23 coordinate business risk analysis with Duquesne Light’s risk management team.

1 **Q. What are your qualifications, work experience and educational background?**

2 A. I have worked in the energy industry for over 20 years. I have a liberal arts  
3 degree from Washington and Jefferson College. I have a Masters of Business  
4 Administration from Duquesne University.

5           Upon graduation, I took a position at Consolidated Natural Gas (CNG)  
6 where I was an energy analyst. I was promoted to a role whereby I managed the  
7 CNG default customer portfolio for their various utilities. I have worked for  
8 Detroit Edison, Green Mountain Energy, Strategic Energy, and Direct Energy  
9 Business. While at these companies I had responsibilities for managing a  
10 portfolio of energy customers on a physical and financial basis.

11           I have been responsible for managing Duquesne Light's default service  
12 power portfolio since April 2015, which was a year into the Company's sixth  
13 default service plan ("DSP VI"). I have organized the Requests for Proposals  
14 ("RFP") for default procurement and have performed subsequent tasks related to  
15 the execution of the default service supply contracts with the winning suppliers.

16  
17 **Q. What is the purpose of your direct testimony?**

18 A. The purpose of my testimony is to provide support for the Company's default  
19 service plan for delivery of supply over the June 1, 2017 through May 31, 2021  
20 period (the "Plan" or "DSP VIII"), particularly with respect to the power  
21 procurement methods and supply products to be utilized. I will provide an  
22 overview of the Plan as it relates to power procurement. I also will evaluate the  
23 consistency of the Plan with certain aspects of Act 129. In addition, I will discuss

1 changes to the Supplier Master Agreement (“SMA”) template that was developed  
2 through the Procurement Collaboration Working Group. Finally, I will discuss  
3 the Company’s proposed Time of Use (“TOU”) program, particularly with respect  
4 to how TOU service under the program will be supplied.

5

6 **Q. Are you sponsoring any exhibits as part of your direct testimony?**

7 A. Yes, I am sponsoring three exhibits.

8 **Exhibit JP-1** Overview of Supply Products and RFP Schedule by  
9 Procurement Class

10 **Exhibit JP-2** Number of Load Tranches and Supplier Load Caps

11 **Exhibit JP-3** Supplier Master Agreement

12

13 **Q. Please explain how these exhibits were prepared.**

14 A. All of the above referenced exhibits were prepared by me or under my  
15 supervision.

16

17 **Q. How is your testimony organized?**

18 A. Section I is an introduction. Section II provides an overview of the Plan with  
19 regard to its power procurement methods and supply product portfolios. Section  
20 III includes a review of how the Plan satisfies certain provisions of Act 129.  
21 Section IV discusses the Supplier Master Agreement, and Section V discusses the  
22 Company’s plan to allow EGSs to supply and to serve customers under Duquesne  
23 Light’s proposed TOU program. Section VI addresses possible modifications to

1 satisfy the Company’s Alternative Energy Credit (“AECs”) obligations during the  
2 DSP VIII period.

3

4 **II. OVERVIEW OF DUQUESNE LIGHT’S DSP VIII PROCUREMENT PLAN**

5

6 **Q. Please summarize Duquesne Light’s proposed supply procurement plan for**  
7 **default service customers.**

8 A. The DSP VIII procurement plan provides for 100% of default service power  
9 supply needs during the 48-month period from June 1, 2017, through May 31,  
10 2021. As in DSP VII, portfolios of supply products will be separately procured  
11 for each of four different customer classes: Residential & Lighting  
12 (“Residential”), Small Commercial & Industrial (“Small C&I”), Medium  
13 Commercial & Industrial (“Medium C&I”), and Large Commercial & Industrial  
14 (“Large C&I”). Default service supply for each of the customer classes will be  
15 procured through competitive RFPs for fixed-price, full requirements, load-  
16 following products.<sup>1</sup> A depiction of the procurement products and the timeline  
17 for procurement is shown in Exhibit JP-1, and Figure 1 below summarizes the  
18 different classes’ supply product portfolios.

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<sup>1</sup> Except the Large C&I default service will be based on a day-ahead hourly price supply product.

**Figure 1: Overview of Supply Portfolios by Customer Class**

<b>Residential &amp; Lighting</b>	<b>Small C&amp;I (&lt; 25 kW)</b>	<b>Medium C&amp;I (≥ 25 kW and &lt; 300 kW)<sup>2</sup></b>	<b>Large C&amp;I (≥ 300 kW)<sup>3</sup></b>
<ul style="list-style-type: none"> <li>• Six-month fixed default service supply rates</li> <li>• Transitioning to 50% of supply from one-year and 50% of supply from two-year full requirements supply products with laddered purchases</li> <li>• Products are procured every six months within three months of start of delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Six-month fixed default service supply rates</li> <li>• Transitioning to 50% of supply from one-year and 50% of supply from two-year full requirements supply products with laddered purchases</li> <li>• Products are procured every six months within three months of start of delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Three-month fixed default service supply rates</li> <li>• 100% of supply from three-month full requirements supply products that are not laddered</li> <li>• Products are procured every three months within three months of start of delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Hourly price default service supply rates</li> <li>• 100% of customer usage priced at day-ahead hourly energy prices</li> <li>• Pass through of other PJM and administrative costs</li> <li>• New RFP process where product is procured every twelve months within three months of start of delivery</li> </ul>
<ul style="list-style-type: none"> <li>• Approximately 31% of total system load</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately 5% of total system load</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately 19% of total system load</li> </ul>	<ul style="list-style-type: none"> <li>• Approximately 45% of total system load</li> </ul>

2

3 **Q. Why does the DSP VIII Plan include different default service supply**  
 4 **portfolios for different customer classes?**

5 **A.** Different customer classes should have a customized procurement strategy that  
 6 focuses on the specific needs of each customer class. Residential and Small C&I

<sup>2</sup> The Company plans to lower the upper threshold for the Medium C&I class from <300 kW to <200 kW on June 1, 2019 should the Large C&I RFP indicate competitive bidding.

<sup>3</sup> The Company plans to lower the threshold for hourly price service from ≥300 kW to ≥200 kW on June 1, 2019 should the Large C&I RFP indicate competitive bidding.

1 customers on default service will benefit from having greater assurances of price  
2 stability, while the Medium C&I and Large C&I customers generally are better  
3 able to manage the volatility of shorter-term default service prices. Having  
4 tailored and separate default service supply portfolios for each class is consistent  
5 with Commission guidance. Specifically, in its Second Default Service  
6 Rulemaking Order, in its discussion of the “prudent mix” standard under Act 129,  
7 the Commission stated:

8 The Commission notes there was substantial unanimity on this  
9 point and agrees with the parties that the “prudent mix” standard  
10 should be interpreted to allow for a class-specific product mix that  
11 best matches the needs of each DSP customer class.<sup>4</sup>

12 By including tailored and separate supply portfolios for each of the various  
13 customer classes, the Plan reflects the different needs and propensities of the  
14 various customer classes, and helps in properly assigning costs and risks. The  
15 supply product portfolios for the different customer classes take into account each  
16 class’ need for price stability, the different shopping propensity and market  
17 sophistication of each customer class, and the Company’s desire to develop the  
18 competitive retail market in Duquesne Light’s service area.

19

20 **Residential and Small C&I**

21 **Q. Please describe Duquesne Light’s proposed default supply procurement plan**  
22 **for Residential and Small C&I customers.**

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<sup>4</sup> *Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (Order entered October 4, 2011) (“*Second Default Service Rulemaking Order*”), p. 69.

1 A. The supply portfolios for the Residential and Small C&I customer classes will  
2 consist of a combination of twelve-month and twenty-four-month contracts, with  
3 delivery periods overlapping on a semiannual basis. Accordingly, their default  
4 service rates will change twice annually, once on June 1<sup>st</sup> and once on December  
5 1<sup>st</sup>. Residential default service supply will be split into 48 equal tranches, each  
6 representing approximately 2.0835% of the total Residential class default service  
7 load in each hour. The Small C&I default service supply will be split into eight  
8 laddered tranches, each representing 12.5% of the total Small C&I default service  
9 load in each hour.

10

11 **Q. What are the supply portfolio changes that Duquesne Light is proposing for**  
12 **Residential and Small C&I customers in this DSP VIII Plan as compared to**  
13 **its existing DSP VII Plan?**

14 A. The Company is proposing to transition to a product mix consisting of 50%  
15 laddered one-year fixed-price full requirements (“FPFR”) supply contracts and  
16 50% laddered two-year FPFR supply contracts. Currently, the Company relies  
17 exclusively on laddered one-year FPFR supply contracts to serve these customers.  
18 In this Plan, the Company continues the laddering of supply products and will  
19 continue to change the default service supply rates every six months as in DSP  
20 VII. The proposed mix of one-year and two-year FPFR products and the semi-  
21 annual overlapping of their delivery periods will provide Residential and Small  
22 C&I customers greater assurances of price stability than the Company’s current  
23 supply portfolios. This modification reduces the likelihood of significant rate



1 changes due to adverse circumstances or market conditions at any given time.  
2 Duquesne Light witness Fisher discusses in detail the benefits of offering stable  
3 default service rates to these customers in his direct testimony.  
4

5 **Q. Why is the proposed procurement plan for Small C&I customers the same as**  
6 **for Residential customers?**

7 A. As in DSP VII, the Company's proposed procurement plan for Small C&I  
8 customers is the same for Residential customers because both classes have similar  
9 shopping levels and market sophistication. Therefore, it is reasonable to offer the  
10 same procurement approach for both classes. To increase bidder participation in  
11 the solicitations, the supply solicitations for these customer classes will be  
12 conducted simultaneously. This also allows for costs to be efficiently managed.  
13 Every solicitation will seek separate bids for the supply for each customer class,  
14 and no cross-subsidization will occur.  
15

16 **Q. Mr. Peoples, in DSP VII Duquesne Light proposed supply contracts for**  
17 **Residential and Small C&I customers that extended into the DSP VIII period**  
18 **(sometimes referred to as "overhang" contracts). Is the Company proposing**  
19 **any overhang contracts that could extend beyond the DSP VIII period?**

20 A. Yes. Like DSP VI and DSP VII, the Company has included overhang contracts  
21 for Residential and Small C&I customers that will provide price stability benefits  
22 to these small customers. These contracts will avoid subjecting these customers  
23 to a "hard stop" with regard to their supply products at the end of the DSP VIII

1 period. By so doing, the Company will avoid the need to replace all of the default  
2 service supply for these customer classes in a short period of time at the end of the  
3 DSP VIII period, a situation which could expose customers to magnified risks and  
4 rate instability. Furthermore, the Company's Plan to include some overhang  
5 contracts involves considerable procurement flexibility, as the solicitations for  
6 these products are not scheduled until September 2019,<sup>5</sup> so there is a significant  
7 amount of time before new supply commitments extending beyond the DSP VII  
8 period are made, should changes need to be made to the supply product mix due  
9 to legislative or regulatory mandates. In the meantime, these solicitations remain  
10 scheduled because they allow for the option for a fairly seamless continuation of  
11 the laddered procurement cycle as Duquesne Light transitions from DSP VIII to  
12 DSP IX.

13 The Company's DSP VIII proposal to include overhang contracts also  
14 appears to be consistent with the Commission's reasoning in its DSP VII Order  
15 and in its order to modify the DSP VI procurement plan.

16

17 **Q. Does the Company's procurement plan continue to include supplier load**  
18 **caps for the RFPs to supply Residential and Small C&I default service**  
19 **customers?**

20 A. Yes, the Company proposes to maintain the 50% supplier load cap to serve  
21 Residential and Small C&I customers in a given RFP equal to 50% of the number  
22 of tranches solicited on that RFP date, rounded up to the nearest integer number

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<sup>5</sup> The supply product obtained in this solicitation that extends beyond May 31, 2021 represents only 12.5% of the default service load.

1 of tranches. See Exhibit JP-2. The Company will continue the practice approved  
2 in DSP VII to apply no supplier load cap for the Medium C&I (and now for Large  
3 C&I) solicitations, which are based on short-term market price supply products.  
4 The Company has experienced that with delivery periods of the default service  
5 supply products for Medium C&I customers only being three months, the effect  
6 of supplier default is lessened, and there is a reduced need for load caps to guard  
7 against the exposure resulting from a large supplier defaulting on its obligation.  
8 Similar logic is applicable to the Large C&I supply product, which is based on  
9 day-ahead hourly prices.

10  
11 **Medium C&I**

12 **Q. Please describe Duquesne Light's proposed default supply procurement plan**  
13 **for Medium C&I customers.**

14 **A.** The Medium C&I customer class currently includes non-residential customers  
15 with peak demands greater than or equal to 25 kW but less than 300 kW. The  
16 supply portfolio for this class will be comprised entirely of three-month contracts,  
17 with 100% of the supply replaced every three months. The Medium C&I default  
18 service supply will be split into four equal tranches of 25% of the total Medium  
19 C&I default service load in each hour. Accordingly, the Medium C&I default  
20 service rates will change quarterly, on June 1st, September 1st, December 1st, and  
21 March 1st.

22

1 **Q. Is Duquesne Light proposing any changes for Medium C&I customers in this**  
2 **DSP VIII Plan as compared to its existing DSP VII Plan?**

3 A. There are no proposed changes to the supply portfolio or overall procurement  
4 approach for Medium C&I customers. However, as I discuss further below, the  
5 Company currently plans to lower the upper threshold for the Medium C&I class  
6 from < 300 kW to < 200 kW on June 1, 2019, pending the successful competitive  
7 auctions for Large C&I customers in years 2017 and 2018.

8

9 **Q. What is the contingency plan should an RFP for fixed price full requirements**  
10 **service for Medium C&I, Small C&I, or Residential customers fail to garner**  
11 **a sufficient number of bids to be deemed competitive, the Commission does**  
12 **not approve the submitted bids, or a winning bidder defaults on its**  
13 **obligation?**

14 A. If for any reason an RFP fails to garner a sufficient volume of bids to be deemed  
15 competitive, the Commission does not approve the submitted bids, or a winning  
16 bidder defaults on its obligation, Duquesne Light acknowledges that it ultimately  
17 has the obligation to provide the associated portion of the default service supply.  
18 The Company's first recourse will be to reinitiate an RFP to obtain the necessary  
19 requirements on a fixed price, full requirements basis. Duquesne Light will make  
20 every attempt to qualify a third party supplier in this fashion. Should that not be  
21 achievable or timely enough, Duquesne Light proposes to meet this obligation on  
22 an interim basis through purchases in the PJM spot market. Depending on the  
23 situation, this could be for a portion of or all of the default service load in a

1 particular customer class. The Company will recover all of the costs of such  
2 purchases and all reasonable administrative costs from the default service  
3 customers in the affected customer class. Duquesne Light will submit to the  
4 Commission within fifteen days after any such occurrence more information on  
5 its contingency plan to handle any default service supply shortfall. To date, this  
6 situation has not yet occurred in Duquesne Light's service territory with respect to  
7 serving Medium C&I, Small C&I, or Residential default service customers.

8  
9 **Large C&I**

10 **Q. Please describe the Company's proposed default service supply procurement**  
11 **plan for Large C&I customers.**

12 A. The Large C&I customer class currently includes non-residential customers with  
13 peak demands greater than or equal to 300 kW. Large C&I customers will be  
14 offered default service rates based on hourly day-ahead PJM energy market  
15 prices. Customers also will be charged a pass through of PJM capacity and  
16 ancillary services costs as well as the administrative costs of providing hourly  
17 price service ("HPS").

18  
19 **Q. What changes is Duquesne Light proposing with respect to its Large C&I**  
20 **customer default service plan?**

21 A. In this plan, the Company is proposing to make several significant changes for the  
22 Large C&I default service product. First, the Company is proposing on June 1,  
23 2017 to simplify the structure and administration of HPS in an effort to lower the

1 Company's administrative costs that HPS customers currently pay. Second, the  
2 Company is proposing to conduct an RFP for third-party suppliers to supply this  
3 service using an open and competitive solicitation process for full requirements  
4 supply. Third, once these changes are in place and have been successfully tested,  
5 the Company plans to lower the kW threshold for HPS from  $\geq 300$  kW to  $\geq 200$   
6 kW beginning on June 1, 2019.

7  
8 **Q. Please describe the Company's proposal to simplify the structure and**  
9 **administration of HPS.**

10 A. Duquesne Light began offering HPS over eleven years ago in January 2005 at the  
11 start of DSP III. Duquesne Light's HPS program was developed well before that  
12 of other Pennsylvania EDCs, and as Duquesne Light witness Fisher testifies,  
13 Duquesne Light was one of the first utilities in the nation to offer HPS to all  
14 customers greater than or equal to 300 kW. The Company essentially was a  
15 pioneer in providing this service. During the DSP III period, Duquesne Light  
16 offered Large C&I customers HPS default service at real-time hourly rates. In the  
17 DSP IV proceeding, however, Duquesne Light entered into a settlement, which  
18 modified its original program based on real-time hourly prices to one based on  
19 day-ahead hourly prices in response to concerns raised by Large C&I customers  
20 in Duquesne Light's service area, represented by the Duquesne Industrial  
21 Intervenors ("DII"). This modified program gave Large C&I customers that  
22 elected default service a better opportunity to manage their electricity usage and  
23 supply costs by providing customers with advanced notice of hourly energy

1 prices. This modified structure, agreed to in DSP IV, effectively provided HPS  
2 customers with considerable flexibility, offering customers with the option of  
3 buying spot energy in either the day-ahead and/or real-time energy markets. This  
4 HPS structure became effective January 1, 2008 and is still in place today in DSP  
5 VII. However, this structure is far more complicated from an administrative  
6 perspective than the HPS programs that were developed later at other  
7 Pennsylvania electric distribution companies (“EDCs”). Under the Company’s  
8 current HPS program, the Company is required to provide an hourly load forecast  
9 for each and every HPS customer by 8 am each business day. Each HPS  
10 customer then has the option to modify that schedule each day prior to 10 am.  
11 Energy in a day-ahead schedule, subject to modification by each customer, is  
12 purchased in the day-ahead energy market with differences between the scheduled  
13 load and actual customer consumption settled in the real-time market. These  
14 purchases in the day-ahead and/or real-time energy markets are tracked and  
15 reconciled on a customer-by-customer basis.<sup>6</sup>

16 The Company is proposing to simplify the current load scheduling, energy  
17 pricing, and billing processes for HPS. The Company proposes to charge 100%  
18 of HPS customers’ actual hourly usage at the day-ahead hourly energy prices.  
19 This will continue to allow customers to manage their electricity usage and supply  
20 costs by providing customers with advanced day-ahead notice of hourly energy

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<sup>6</sup> Other Pennsylvania EDCs do not require daily schedules for individual HPS customers. PPL and FirstEnergy EDCs do not offer day-ahead pricing. Instead, customers pay real-time hourly prices. PECO offers day-ahead pricing. None of the other EDCs has a process for customers to elect a combination of day-ahead and/or real-time pricing, and none of the other EDC programs requires an energy reconciliation process to balance the differences between scheduled load and actual consumption on a customer-by-customer basis.

1 prices, and also will eliminate the customers' uncertainty associated with the ex-  
2 post real-time price reconciliation. From the Company's perspective, this change  
3 will a) eliminate the need to submit day-ahead hourly load forecasts for each HPS  
4 customer, b) eliminate the need to be prepared to receive modifications to those  
5 day-ahead hourly load forecasts from each HPS customer, c) eliminate the need to  
6 reconcile the difference between the day-ahead hourly load forecast and actual  
7 hourly customer usage at real-time prices for each HPS customer, and then d)  
8 eliminate the need to bill those reconciled amounts to each HPS customer.

9 These changes in the HPS structure are an important first step to facilitate  
10 the Company's other proposals related to providing HPS, namely the proposal to  
11 conduct an RFP for third-party suppliers to supply HPS and to lower the kW  
12 threshold with the goal to include more customers on HPS. Without these  
13 structural changes, these other initiatives would be more difficult, if not  
14 impossible, to implement.

15  
16 **Q. Please describe the Company's proposal to conduct an RFP for third-party  
17 suppliers to supply HPS using an open and competitive solicitation process.**

18 A. Duquesne Light will conduct a solicitation in March of each year of DSP VIII for  
19 HPS full requirements supply to be delivered over a twelve month period from  
20 June 1<sup>st</sup> through May 31<sup>st</sup>. Two tranches will be solicited, with each tranche  
21 representing 50% of the default service load (or about 25 MW of peak load). The  
22 supplier (or suppliers) with the lowest fixed price bids (expressed in dollars per  
23 MWH) will be selected as the winners of the HPS solicitation. In addition to the



1 winning bid price offered by the supplier, each winning supplier will be paid for  
2 their share of the associated energy, capacity, and ancillary service charges billed  
3 to HPS customers pursuant to Rider 9 in Duquesne Light's Retail Tariff. The  
4 winning suppliers fixed price bids will be designed to compensate suppliers for  
5 the associated renewable energy supply costs, the energy balancing costs  
6 associated with day-ahead schedules versus customer actual consumption, and  
7 any other third-party supplier administrative costs of providing HPS.

8  
9 **Q. After all these years of Duquesne Light supplying this service, why is the**  
10 **Company proposing to conduct an RFP for third-party suppliers to supply**  
11 **HPS in DSP VIII?**

12 A. When Duquesne Light initially proposed HPS during its DSP III proceeding, the  
13 Company proposed to rely on a competitive wholesale solicitation process, but the  
14 Company later agreed to self-supply this service in response to the comments  
15 provided by Large C&I customers (represented by DII) and its desire to have  
16 Duquesne Light procure the supply directly from the PJM market.<sup>7</sup> As a result,  
17 Duquesne Light has been self-supplying HPS since January 2005.<sup>8</sup>

18 Once other EDCs in Pennsylvania completed their transition periods, they  
19 developed their own form of HPS. All the other major EDCs in Pennsylvania

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<sup>7</sup> In that case, DII stated that, "Duquesne's proposal to offer Hourly Price Service ("HPS") POLR rates for Large C&I customers should be revised so that the HPS POLR rate reflects a spot market PJM rate for energy, capacity and ancillary services. This type of HPS rate would not require an auction or RFP since it is based on transparent prices obtained from PJM." DII argued that because all aspects of the HPS product "are based on readily-accomplished PJM transactions and scheduling, Duquesne can administer the product rather than a third party." Direct Testimony of Stephen Baron on behalf of DII, Docket No. R-00032071, February 2004, pp. 9 and 20.

<sup>8</sup> Duquesne Light obtains the HPS supply directly from PJM markets and passes through actual (day-ahead energy, real-time ancillary services, and capacity) supply charges.

1 have adopted the solicitation approach of requiring third-party suppliers to bid a  
2 “fixed price adder” to cover certain non-energy costs and administrative costs,  
3 although these HPS programs vary somewhat in their structures.<sup>9</sup> During the DSP  
4 VII proceeding, the Retail Energy Supply Association (“RESA”) recommended  
5 that the Company adopt a solicitation approach as well. Duquesne Light opposed  
6 RESA’s recommendation in the DSP VII proceeding given the lack of a specific  
7 proposal and the fact that Duquesne Light’s current HPS structure is not  
8 conducive to having a third party supplier provide HPS.<sup>10</sup> Since the DSP VII  
9 proceeding, Duquesne Light has had more time to consider the necessary changes  
10 to facilitate a solicitation process (already discussed above) and is proposing in  
11 DSP VIII to adopt a solicitation process similar to that used by other Pennsylvania  
12 EDCs.

13

14 **Q. If the proposed solicitation process is not successful in attracting third-party**  
15 **suppliers to supply HPS, what is the Company’s contingency plan?**

16 A. The Company would still move forward with its proposal to simplify the current  
17 load scheduling, energy pricing, and billing processes described above, but  
18 Duquesne Light would supply HPS based on the formula rate in Rider 9, as  
19 provided in Duquesne Light witness Ogden’s testimony. In addition, the  
20 Company would recover the HPS-related costs of the associated renewable energy

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<sup>9</sup> This fixed price adder is passed through to Large C&I customers.

<sup>10</sup> In DSP VII, RESA did not offer any specifics on how its proposal could be implemented or why third party suppliers would want to participate under the current HPS program’s terms and conditions. RESA explained that Duquesne Light would be in the best position to determine what, if any, changes are needed to the language in Rider 9 to effectuate a change toward a competitive solicitation process. (RESA Discovery Response to Duquesne Industrial Intervenors, Set I-3.)

1 supply, energy balancing, and any incremental administrative costs incurred by  
2 the Company, subject to reconciliation, that is not recovered elsewhere in  
3 Duquesne Light's Retail Tariff.

4  
5 **Q. Please elaborate on the Company's plan to lower the kW threshold for HPS**  
6 **beginning on June 1, 2019.**

7 A. Once the recommended structural changes to HPS and the solicitation processes  
8 are in place and have been successfully tested, the Company plans to lower the  
9 kW threshold for HPS from  $\geq 300$  kW to  $\geq 200$  kW beginning on June 1, 2019.

10  
11 **Q. Why is the Company proposing to lower the HPS threshold on June 1, 2019,**  
12 **and not sooner?**

13 A. There are several reasons. First, Duquesne Light is still in the process of  
14 installing smart meters, and not all C&I customers with peak demands  $\geq 200$  kW  
15 currently have the meters and the necessary communications equipment in place  
16 necessary to offer HPS by June 1, 2017. Second, before expanding the HPS  
17 program to more customers, Duquesne Light believes it is important to evaluate  
18 the potential impact of these changes on HPS customers. For example, how will  
19 the proposed changes affect the overall level of administrative costs of the HPS  
20 program, taking into account a) the changes in Duquesne Light's administrative  
21 costs (e.g., the additional costs associated with administering RFPs and the cost  
22 savings associated with the simpler proposed structure), and b) the administrative  
23 costs of third-party suppliers based on the results of future solicitations. At this

1 time, it is unclear what the overall cost implications will be for HPS customers or  
2 whether third party suppliers will be interested in this type of solicitation given  
3 the high level of switching that has already occurred among Large C&I customers  
4 in Duquesne Light's service area. Third, it is important that the affected default  
5 service customers receive sufficient notice before being placed on HPS. This will  
6 allow customers with peak demands greater than or equal to 200 kW and less than  
7 300 kW more time to consider their supply options.

8  
9 **RFP Solicitations**

10 **Q. Is Duquesne Light proposing to engage a third-party to assist in the RFP**  
11 **processes to obtain supply for the Large C&I, Medium C&I, Small C&I, and**  
12 **Residential customer classes?**

13 A. Yes. Consistent with past practices, Duquesne Light proposes to engage an  
14 independent third party to monitor and conduct the RFP solicitations, including  
15 qualifying bidders, conducting bidder information sessions, receiving and  
16 evaluating all bids, determining winning bidders, and reporting to the  
17 Commission. This will help ensure the bid process is fair and independently  
18 monitored, and that all information is provided to bidders in a non-discriminatory  
19 fashion. In DSP VIII, the independent evaluator also will assist in a new RFP  
20 process to obtain HPS supply for Large C&I customers on default service.

21

1 **III. THE DEFAULT SERVICE PLAN SATISFIES ACT 129 REQUIREMENTS**

2  
3 **Q. Mr. Peoples, have you reviewed Act 129’s provisions regarding default**  
4 **service procurement?**

5 A. Yes, I have. The Act amends Section 2807(e)(3) of the Public Utility Code (66  
6 Pa. C.S. §2807(e)(3)) by adding requirements to be applied to default service  
7 procurement. These provisions include the use of “competitive procurement  
8 processes” to obtain a “prudent mix” of contracts that is designed to ensure  
9 “adequate and reliable service” at the “least cost to customers over time.” In  
10 approving a default service provider’s plan, the Commission is required to make  
11 specific findings that “the default service provider’s plan includes prudent steps  
12 necessary to negotiate favorable generation supply contracts... [and] includes  
13 prudent steps necessary to obtain least cost generation supply contracts on a long-  
14 term, short-term and spot market basis.” The Act also specifies that the  
15 Commission shall make a finding that “neither the default service provider nor its  
16 affiliated interest has withheld from the market any generation supply in a manner  
17 that violates federal law.” The Act also gives the default service provider the  
18 right to recover on a full and current basis all reasonable costs incurred under a  
19 Commission-approved competitive procurement plan.

20  
21 **Q. Do you believe that Duquesne Light’s proposed DSP VIII incorporates a**  
22 **prudent mix of contracts, and includes prudent steps necessary to obtain**

1           **least cost generation supply contracts, as required by Section 2807(e)(3.4)**  
2           **and Section 2807(e)(3.7) of the Act?**

3    A.    Yes, in his direct testimony, Duquesne Light witness Fisher explains that the DSP  
4           VIII Plan satisfies these requirements.

6    **Q.    Are there any other findings regarding Act 129 that the Company is**  
7           **requesting the Commission to make as part of this proceeding?**

8    A.    Yes. The Act specifies that the Commission shall make a finding that “neither the  
9           default service provider nor its affiliated interest has withheld from the market  
10          any generation supply in a manner that violates federal law.” Duquesne Light  
11          owns no generation resources, and has not withheld from the market any  
12          generation supply in a manner that violates federal law. The affiliates of  
13          Duquesne Light own in the aggregate less than 0.07% of the generation capacity  
14          in PJM. Duquesne Light does not discuss generation market-related issues with  
15          its affiliates. However, Duquesne Light can affirmatively state that there has been  
16          no determination by a court or regulatory agency of competent jurisdiction that  
17          any of its affiliates have withheld from the wholesale energy market any  
18          generation supply in a manner that violates federal law. Consequently, the  
19          Company requests that the Commission make a finding that neither the default  
20          service provider nor its affiliated interest has withheld from the market any  
21          generation supply in a manner that violates federal law.

1 **IV. SUPPLIER MASTER AGREEMENT**

2  
3 **Q. Is Duquesne Light proposing to use the same default service SMA for DSP**  
4 **VIII that it is using for DSP VII?**

5 A. The Company will continue to use the SMA template that was developed by the  
6 Procurement Collaboration Working Group.<sup>11</sup> However, the Company will make  
7 a few modifications in DSP VIII in order to a) accommodate an RFP for hourly  
8 price service to serve Large C&I customers, b) capture nomenclature changes that  
9 have been implemented at PJM in the past two years, c) expand the assignment  
10 provisions, and d) allow for the potential allocation of any solar alternative energy  
11 credits (“AECs”) that Duquesne Light might procure in the future during the DSP  
12 VIII period toward the default service suppliers’ AEPS obligations.<sup>12</sup> A redlined  
13 SMA highlighting these changes is presented in Exhibit JP-3. The Large C&I  
14 provisions in the SMA are similar to that used for other procurement classes but  
15 rather than pay the winning bidder a fixed price for full requirements service,  
16 suppliers are paid a fixed administrative charge plus variable payments based on  
17 the formula rate specified in Rider 9 of the Retail Tariff.

18  
19 **Q. Why is Duquesne Light proposing to make these modifications?**

---

<sup>11</sup> In the Commission’s Default Service End State Order in the Investigation of Pennsylvania’s Retail Electricity Market, the Commission directed the Office of Competitive Markets Oversight to create a Procurement Collaboration Working Group. This working group was tasked with developing a uniform default service SMA for the EDCs in Pennsylvania. Duquesne Light actively participated in the Procurement Collaboration Working Group, including the development of the SMA. (*Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013), p. 42.

<sup>12</sup> This change is discussed later in my testimony.

1 A. These changes are necessary to further enhance and improve the RFP process,  
2 and/or to remain current with modifications that PJM or the PUC have made in  
3 the past two years.

4

5 **Q. How is the SMA structured?**

6 A. The main body of the SMA consists of a uniform template. Individual EDCs,  
7 such as Duquesne Light, specify unique requirements associated with their default  
8 service supply in appendices to the SMA. Such requirements relate to supply  
9 product term length and size, credit ratings and unsecured credit thresholds, mark-  
10 to-market calculations, delivery points, responsibility for various PJM line item  
11 charges, and AEPS compliance.

12

13 **Q. Will wholesale suppliers be allowed to propose modifications to the SMA**  
14 **once it is approved?**

15 A. No, they will not. Each supplier will have the same rights and obligations when  
16 supplying default service load. Using an identical SMA across all suppliers  
17 allows for a competitive bidding process in which winning suppliers are  
18 determined solely based on lowest price.

19

20 **V. TIME OF USE PROGRAM**

21

22 **Q. Please briefly describe the Company's proposed TOU program.**



1 A. The Company is offering eligible Residential customers the opportunity to receive  
2 their electric supply on a “Time of Use” basis beginning June 1, 2016. This  
3 service offering involves charging customers higher prices for power delivered  
4 during “on-peak” periods, and lower prices for power delivered during “off-peak”  
5 periods.

6

7 **Q. Which customers will be eligible for TOU service under the proposed**  
8 **program?**

9 A. Approximately 200,000 qualified Residential customers will be eligible for TOU  
10 service beginning June 1, 2016. The eligibility of these customers will be  
11 predicated on the extent the Company has installed the necessary metering and  
12 communication systems.

13

14 **Q. How will power for the TOU service be supplied?**

15 A. As part of the DSP VII plan, the Company recently conducted an RFP for TOU  
16 supply that will cover the delivery period June 1, 2016 through May 31, 2017.  
17 The TOU RFP successfully obtained two EGSs that will provide TOU rates for  
18 Residential customers. Based on the results of the RFP, eligible Residential  
19 customers will be able to choose between two different TOU time periods and  
20 price levels. Duquesne Light will promote the TOU rate offerings that are being  
21 marketed by the two winning EGSs on the Company website. The two winning  
22 EGSs will offer TOU rates only to eligible Residential customers that have the  
23 necessary metering and communications systems. Eligible Residential customers

1 who elect TOU service will become EGS customers and will be enrolled by the  
2 EGS providing the TOU service.

3  
4 **Q. Will the winning EGS suppliers be required to supply TOU service to**  
5 **participating customers during the term of the DSP VII TOU program**  
6 **ending May 31, 2017?**

7 A. Yes. The winning EGSs will be prohibited from discontinuing service to  
8 individual participating customers, unless such customer selects another  
9 competitive retail offer from the TOU supplier, switches to another EGS, or  
10 affirmatively elects to return to default service.

11  
12 **Q. Will Duquesne Light continue to make TOU service available to customers**  
13 **beyond May 31, 2017?**

14 A. The Company intends to make a TOU filing to the Commission in November  
15 2016 describing the results of this year's TOU program and the level of customer  
16 enrollment. The Company's current plan is to continue to encourage EGS-  
17 supplied TOU offers beyond May 31, 2017. During the DSP VIII plan, the  
18 Company will continue the process of installing interval meters to all customer  
19 classes. As more customers are connected to smart meters and AMI data systems  
20 are available and tested, the number of eligible TOU customers will increase.  
21 The Company plans to increase the number of Residential customers eligible for  
22 TOU service through the DSP VIII plan. Also, within the DSP VIII plan, Small  
23 C&I and Medium C&I customers will become eligible for TOU service. By June

1 1, 2016, EGSs capable of providing “bill ready” or “dual bill” services will be  
2 able to offer a myriad of TOU rates to customers with different time periods  
3 specified at different price levels. By June 2017, the Company will also provide  
4 EGSs with the ability to identify customers with interval meters on the Eligible  
5 Customer List. These changes will allow EGSs more flexibility to craft products  
6 based on different time periods tailored to the needs of customers, and the TOU  
7 Program will not be limited to a few EGSs. These changes will further enable the  
8 TOU programs served by EGSs.

9  
10 **VI. ALTERNATIVE ENERGY CREDIT PROCUREMENT**

11 **Q. How does the Company currently meet its Alternative Energy Credits**  
12 **(“AECs”) obligations under the Pennsylvania Alternative Energy Portfolio**  
13 **Standard?**

14 A. The Company is responsible for the AEC obligations only associated with default  
15 service load.<sup>13</sup> The Company enters into SMAs with the winning full  
16 requirements default service suppliers serving Residential, Small C&I, and  
17 Medium C&I customers. Each winning supplier is responsible for its percentage  
18 share of the AEC obligations based on the number of tranches won for each  
19 customer class. These suppliers, in aggregate, are responsible for meeting 100%  
20 of the Company’s AEC obligations associated with these customer classes.

---

<sup>13</sup> EGSs are responsible for meeting the AEC obligations associated with the customers they serve.

1 Duquesne Light currently satisfies the AEC obligations for the Large C&I  
2 customers on HPS.<sup>14</sup>

3  
4 **Q. Is the Company proposing any changes to its AEC procurement  
5 methodology?**

6 A. Yes, there are two proposed changes. First, the Company plans to obtain Large  
7 C&I customer HPS supply from third-party suppliers using full requirements  
8 contracts similar to those used for other customer classes. Therefore, the  
9 Company will no longer need to obtain the AECs for these customers beginning  
10 June 1, 2017. Instead, third-party suppliers will meet this obligation as part of the  
11 full requirements contract to provide HPS. Second, as Duquesne Light witness  
12 Davis describes in his direct testimony, the Company is proposing to evaluate the  
13 benefits of entering into long-term contracts for the procurement of up to 20 MW  
14 of solar AECs. If Duquesne Light enters into long-term contracts for solar AECs,  
15 Duquesne Light will continue to require each full requirements default service  
16 supplier to transfer AECs to Duquesne Light corresponding to the AEPS  
17 obligations associated with the amount of default service load served by that  
18 supplier. The primary change is that Duquesne Light will allocate any AECs that  
19 it procures toward the default service suppliers' AEPS obligations in accordance  
20 with the percentage of default service load served by each supplier. I have  
21 included language in the Company's SMA to address the possibility that AECs

---

<sup>14</sup> AECs are purchased by Duquesne Power, LLC ("Duquesne Power") on behalf of Duquesne Light. Duquesne Power, an affiliate of Duquesne Light, has energy traders who routinely procure AECs. These AECs are transferred to Duquesne Light in an at-cost manner from Duquesne Power.

1           could be allocated to third-party suppliers if Duquesne Light enters into long-term  
2           contracts for AECs at some point during the DSP VIII period.

3

4   **Q.    Will prospective default service bidders know the number of AECs allocated**  
5           **to them prior to their bids?**

6   A.    Yes, during each default service solicitation, at a time prior to the bid due date,  
7           Duquesne Light will inform bidders of the number of AECs, if any, to be  
8           allocated per tranche for each customer class. Once the default service RFP for a  
9           given tranche is completed, there will be no change in the AEC allocation for that  
10          tranche. Any AECs allocated to a default service supplier will not actually be  
11          transferred to the supplier but instead will be credited to that supplier's AEPS  
12          obligation and remain the property of Duquesne Light. The value of any allocated  
13          AECs would be included in default service supplier bids.

14

15   **Q.    Does this conclude your direct testimony?**

16   A.    Yes, it does.

---

**VERIFICATION**

---

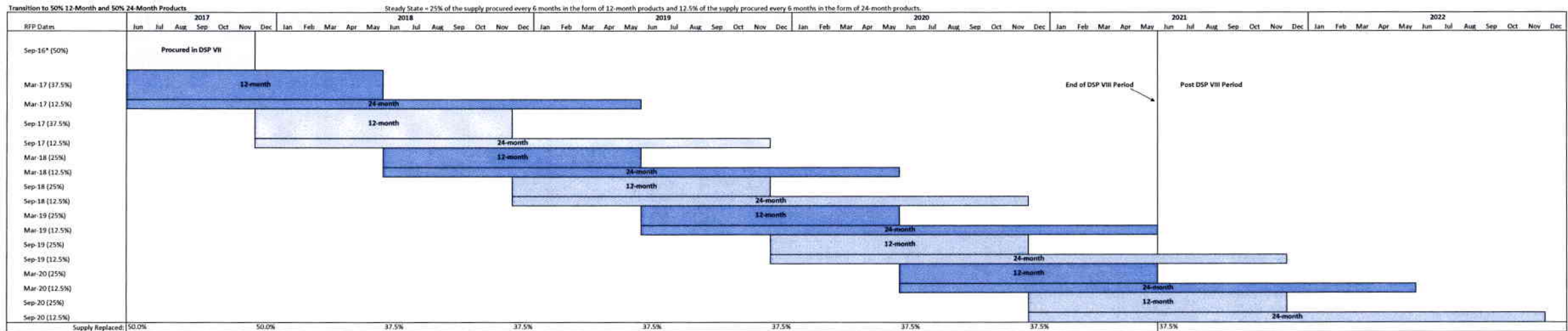
I, John Peoples, Manager, Energy Supply for Duquesne Light Company ("Duquesne Light"), hereby state that the testimony set forth in Duquesne Light Statement No. 2 is true and correct to the best of my knowledge, information and belief, and that if asked orally at a hearing on this matter, my answers would be as set forth herein.

I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: April 29, 2016

  
\_\_\_\_\_  
John Peoples, Manager, Energy Supply

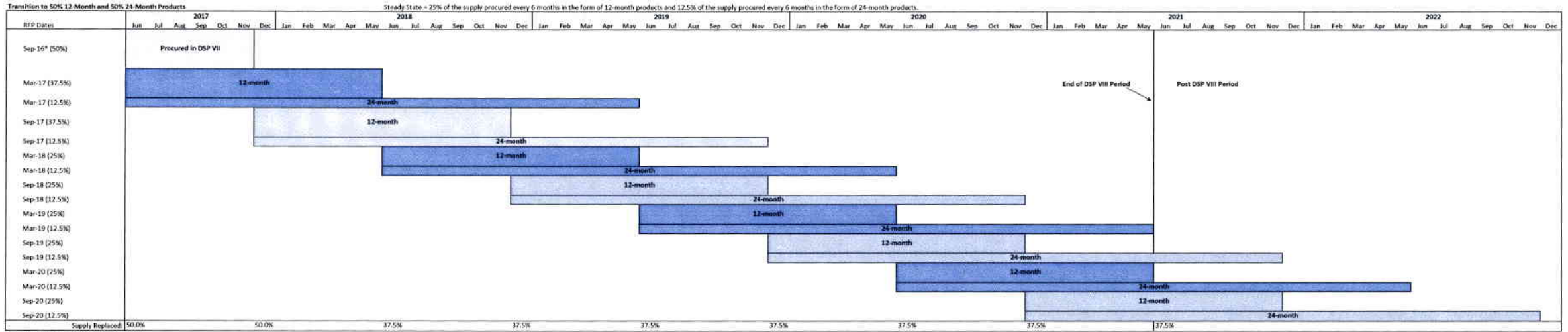
**DSP VIII Plan for the Residential & Lighting Class**



Supply rates adjust every six months.

If the PaPUC at any time decides that DLC no longer will be the default service provider after the DSP VIII period, then DLC will file a petition to amend the DSP VIII plan so that no yet-to-be solicited products extend beyond the date in which DLC terminates its role as the default service provider. Existing contracts previously signed with a supplier will not be altered.

**DSP VIII Plan for the Small C&I Class (<25 kW)**



Supply rates adjust every six months.  
 If the PaPUC at any time decides that DLC no longer will be the default service provider after the DSP VIII period, then DLC will file a petition to amend the DSP VIII plan so that no yet-to-be solicited products extend beyond the date in which DLC terminates its role as the default service provider. Existing contracts previously signed with a supplier will not be altered.



DSP VIII Plan for the Medium C&I Class (≥25 kW and <300 kW)<sup>1</sup>

Solicit 100% 3-Month Products

RFP Dates	2017												2018												2019												2020												2021																																								
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May																																									
Mar-17 (100%)	3-month																																																																																								
Jun-17 (100%)				3-month																																																																																					
Sep-17 (100%)							3-month																																																																																		
Dec-17 (100%)										3-month																																																																															
Mar-18 (100%)													3-month																																																																												
Jun-18 (100%)																3-month																																																																									
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Mar-19 (100%)																									3-month																																																																
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Mar-20 (100%)																																					3-month																																																				
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Sep-20 (100%)																																											3-month																																														
Dec-20 (100%)																																														3-month																																											

Supply rates adjust every three months.

<sup>1</sup>The Company proposes to lower the upper threshold for the Medium C&I class from <300 kW to <200 kW on June 1, 2019.

**DSP VIII Plan for the Large C&I Class (≥ 300 kW)<sup>1</sup>**

Solicit 100% 12-Month Hourly-Priced Products

RFP Dates	2017												2018												2019												2020												2021				
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May																	
Mar-17 (100%)	12-month																																																				
Mar-18 (100%)													12-month																																								
Mar-19 (100%)																									12-month																												
Mar-20 (100%)																																					12-month																

Supply rates adjust hourly.

<sup>1</sup>The Company proposes to lower the threshold for hour price service from ≥300 kW to ≥200 kW on June 1, 2019.

## DSP VIII RFP Schedule

RFP Date	Class	Tranches	Amount	Term	Delivery Period
March 2017	Residential	18	37.5%	12 Months	June 2017 – May 2018
		6	12.5%	24 Months	June 2017 – May 2019
	Small C&I	3	37.5%	12 Months	June 2017 – May 2018
		1	12.5%	24 Months	June 2017 – May 2019
	Medium C&I	4	100%	3 Months	June 2017 – August 2017
Large C&I	2	100%	12 Months	June 2017 – May 2018	
June 2017	Medium C&I	4	100%	3 Months	September 2017 - November 2017
September 2017	Residential	18	37.5%	12 Months	December 2017 – November 2018
		6	12.5%	24 Months	December 2017 – November 2019
	Small C&I	3	37.5%	12 Months	December 2017 – November 2018
		1	12.5%	24 Months	December 2017 – November 2019
	Medium C&I	4	100%	3 Months	December 2017 – February 2018
December 2017	Medium C&I	4	100%	3 Months	March 2018 - May 2018
March 2018	Residential	12	25.0%	12 Months	June 2018 – May 2019
		6	12.5%	24 Months	June 2018 – May 2020
	Small C&I	2	25.0%	12 Months	June 2018 – May 2019
		1	12.5%	24 Months	June 2018 – May 2020
	Medium C&I	4	100%	3 Months	June 2018 – August 2018
Large C&I	2	100%	12 Months	June 2018 – May 2019	
June 2018	Medium C&I	4	100%	3 Months	September 2018 - November 2018
September 2018	Residential	12	25.0%	12 Months	December 2018 – November 2019
		6	12.5%	24 Months	December 2018 – November 2020
	Small C&I	2	25.0%	12 Months	December 2018 – November 2019
		1	12.5%	24 Months	December 2018 – November 2020
	Medium C&I	4	100%	3 Months	December 2018 – February 2019
December 2018	Medium C&I	4	100%	3 Months	March 2019 - May 2019
March 2019	Residential	12	25.0%	12 Months	June 2019 – May 2020
		6	12.5%	24 Months	June 2019 – May 2021
	Small C&I	2	25.0%	12 Months	June 2019 – May 2020
		1	12.5%	24 Months	June 2019 – May 2021
	Medium C&I	4	100%	3 Months	June 2019 – August 2019
Large C&I	2	100%	12 Months	June 2019 – May 2020	
June 2019	Medium C&I	4	100%	3 Months	September 2019 - November 2019
September 2019	Residential	12	25.0%	12 Months	December 2019 – November 2020
		6	12.5%	24 Months	December 2019 – November 2021
	Small C&I	2	25.0%	12 Months	December 2019 – November 2020
		1	12.5%	24 Months	December 2019 – November 2021
	Medium C&I	4	100%	3 Months	December 2019 – February 2020
December 2019	Medium C&I	4	100%	3 Months	March 2020 - May 2020
March 2020	Residential	12	25.0%	12 Months	June 2020 – May 2021
		6	12.5%	24 Months	June 2020 – May 2022
	Small C&I	2	25.0%	12 Months	June 2020 – May 2021
		1	12.5%	24 Months	June 2020 – May 2022
	Medium C&I	4	100%	3 Months	June 2020 – August 2020
Large C&I	2	100%	12 Months	June 2020 – May 2021	
June 2020	Medium C&I	4	100%	3 Months	September 2020 - November 2020
September 2020	Residential	12	25.0%	12 Months	December 2020 – November 2021
		6	12.5%	24 Months	December 2020 – November 2022
	Small C&I	2	25.0%	12 Months	December 2020 – November 2021
		1	12.5%	24 Months	December 2020 – November 2022
	Medium C&I	4	100%	3 Months	December 2020 – February 2021
December 2020	Medium C&I	4	100%	3 Months	March 2021 - May 2021

## DSP VIII Tranches and Supplier Load Caps

Total Number of Tranches Solicited					
RFP Date	Residential	Small C&I	Medium C&I	Large C&I	Total
March 2017	24	4	4	2	34
June 2017			4		4
September 2017	24	4	4		32
December 2017			4		4
March 2018	18	3	4	2	27
June 2018			4		4
September 2018	18	3	4		25
December 2018			4		4
March 2019	18	3	4	2	27
June 2019			4		4
September 2019	18	3	4		25
December 2019			4		4
March 2020	18	3	4	2	27
June 2020			4		4
September 2020	18	3	4		25
December 2020			4		4

Supplier Load Cap (Number of Tranches)					
RFP Date	Residential	Small C&I	Medium C&I	Large C&I	Total
March 2017	12	2	4	2	20
June 2017			4		4
September 2017	12	2	4		18
December 2017			4		4
March 2018	9	2	4	2	17
June 2018			4		4
September 2018	9	2	4		15
December 2018			4		4
March 2019	9	2	4	2	17
June 2019			4		4
September 2019	9	2	4		15
December 2019			4		4
March 2020	9	2	4	2	17
June 2020			4		4
September 2020	9	2	4		15
December 2020			4		4

The supplier load cap to serve Residential and Small C&I customers in a given RFP will be maintained equal to 50% of the number of tranches solicited on that RFP date, rounded up to the nearest integer number of tranches. The Company will continue the practice of removing the supplier load cap for the Medium C&I (and now for Large C&I) solicitations, which are based on short-term market price products.

**PENNSYLVANIA UNIVERSAL  
DEFAULT SUPPLIER MASTER AGREEMENT**

**by and between**

**Duquesne Light Company**

**and**

**[INSERT]**

**Dated [Month, Day, Year]**

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## PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

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

### WITNESSETH:

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

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

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

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

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

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

**ARTICLE 1: DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Company** – Duquesne Light Company.

**Costs** – With respect to the Non-Defaulting Party, brokerage fees, commissions and other

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

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

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

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

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

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

**Default Service Supply or “DS Supply”** – All necessary Energy, Capacity, AECs for AEPS Act compliance, Ancillary Services, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).

**Delivery Period** – The delivery period specified in Appendix C.

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

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

**DS Fixed Percentage** – The percentage of DS Supply, as set forth in Appendix C.

**DS Fixed Price** – The price in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

**DS Fixed Price Adder For Hourly Price Service** – The fixed price adder for Hourly Price Service in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

**DS Load** – Means the total sales at the retail meter, plus any losses and Unaccounted For Energy (as defined by PJM), as reflected in PJM settlement volumes (including adjustments required by PJM for PJM's derating in conjunction with implementation of marginal losses as appropriate per PJM Agreements), expressed in MWh of retail customers in a particular class of DS Customers being served by Company pursuant to the PUC Orders, as such sales vary from hour to hour, in Company'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. The DS Load is net of any reduction in load as a result of energy efficiency and demand side response programs offered by Company, PJM, curtailment service providers, or other third parties, or any retail market programs. For avoidance of doubt, DS Load shall not include (i) the amount of load that would otherwise have been served in the absence of such energy efficiency or demand side

response programs or retail market programs; or (ii) sales resulting from changes in the Company'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.

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

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

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

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



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

**DS Variable Payments** – The variable supplier payments in dollars based on the Company’s Hourly Price Service formula rate, as set forth in Appendix C hereto, associated with serving the DS Supplier Responsibility Share of the DS Supply.

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

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

**Effective Date** – The date designated on the cover page of this Agreement upon which the terms of this Agreement were agreed to by the Parties.

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

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

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

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

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

**FERC** – The Federal Energy Regulatory Commission.

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

**Fixed Price Transaction** – A Transaction Confirmation that is not an Hourly Price Transaction.

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

lower than paid under any Transaction; (v) any change in requirements of any governmental authority; or (vi) labor stoppage or lockout.

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

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

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

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

**Guarantor** – Any party having the authority and agreeing to guarantee the DS Supplier’s financial obligations under this Agreement, recognizing that such party shall be obligated

to meet the Company's creditworthiness requirements specified in this Agreement for such DS Supplier.

**Hourly Price Service** – service provided to Large Commercial and Industrial Class pursuant to the Company's DS Tariffs, Rider No. 9.

**Hourly Price Transaction** – A Transaction Confirmation for Hourly Price Service, as shown on such confirmation.

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

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

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

**Large Commercial and Industrial Class** – Group of Rate Schedules itemized in Appendix C that are eligible for Hourly Price Service DS Supply.

**Load Serving Entity or "LSE"** – An entity that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electricity to retail

customers located within the PJM Control Area as that term is defined in the PJM Agreements or in successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement. The DS Supplier, for purposes of this Agreement, is not a Load Serving Entity and nothing contained herein shall be deemed to cause the DS Supplier to be a Load Serving Entity.

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

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

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

**Market Price Hub** – AEP Dayton Hub, a liquid pricing point located within PJM's geographic footprint.

**Maximum Credit Limit** – The lesser of the applicable percentage of TNW or the applicable credit limit cap as specified in Section 6.4 of this Agreement.

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Rounding Amount** – \$100,000.

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

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

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

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

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

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

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

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

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

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

**Tranche** – A fixed percentage share of the Company’s DS Load for the Customer Group as indicated in any given Transaction Confirmation, as specified in Appendix C.

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

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

**ARTICLE 2: GENERAL TERMS AND CONDITIONS**

**2.1 Capacity in Which Company Is Entering into this Agreement**

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

The Parties acknowledge that the Agreement is a forward contract and, accordingly, the Parties hereto are entitled to the protections of Section 556 of the Bankruptcy Code. The Parties therefore agree that the Agreement may be terminated by either Party upon the commencement of a proceeding by the other Party under any chapter of the Bankruptcy Code in accordance with Article 5.2 of this Agreement.

**2.2 Parties' Obligations**

**(a) Obligations of DS Supplier**

The DS Supplier hereby agrees as follows:

- (i) To provide service on a firm and continuous basis such that the supply delivered for the term of the Agreement meets the terms and conditions set forth in Appendix C;
- (ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times and supplied to the Delivery Point to meet the DS Supplier Responsibility Share;
- (iii) To procure those services provided by the PJM OI and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder;
- (iv) To cooperate with the Company in any regulatory compliance efforts that may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of DS Supply, before the PaPUC, FERC or any other regulatory body asserting jurisdiction;
- (v) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, as more fully described in Article 9 of this Agreement;
- (vi) To accept assignment of and to fulfill all obligations of a LSE that are assigned to it by this Agreement;
- (vii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and
- (viii) To comply with the AEPS requirements of the Company's Default Service Plan, as detailed in Appendix E.



**(b) Obligations of the Company**

The Company hereby agrees as follows:

- (i) To pay to each DS Supplier every month an amount due, resulting from the calculations, as detailed in Article 9 of this Agreement, subject to the adjustments as expressed therein;
- (ii) To pay to the DS Supplier the PMEA/FMEA Adjustment Amount for any Billing Month in which the FMEA exceeds the PMEA, as more fully described in Article 9 of this Agreement;
- (iii) To provide to the DS Supplier its estimated aggregate load obligation (capacity MW value) for each Supply Day no less than five (5) calendar days prior to the day of delivery. Further, this information will be posted in the DS Supplier's specific PJM eMTR account, or successor system or process;
- (iv) To comply in a timely manner with all obligations under this Agreement imposed upon the Company;
- (v) To accept the delivery of DS Supply necessary to meet the DS Load;
- (vi) To be responsible (as between the Company and the DS Supplier) for the provision of the Allocated AECs to satisfy AEPS requirements; and
- (vii) To be the Load Serving Entity for supply purchased under this Agreement.

**2.3 Congestion and Congestion Management**

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to Auction Revenue Rights (ARRs) to which the Company is

entitled as an LSE pursuant to the PJM Agreements, including the rights to ARRs, provided that such rights are related to the service being provided to meet the DS Supplier Responsibility Share and such rights are for the Delivery Period. All rights, liabilities and obligations associated with such ARRs will accrue and be assumed by the DS Supplier through the transfer or assignment from the Company to the DS Supplier including the responsibility and ability of the DS Supplier to request or nominate such ARRs when applicable and feasible. Should the conditions above not be met, the entity recognized by PJM as having the right to make the nominations will nominate such ARRs for the upcoming PJM planning period and such ARRs will be allocated to the DS Supplier in accordance with the PJM Agreements based upon its DS Supplier Responsibility Share.

#### **2.4 PJM Services**

The DS Supplier shall make all necessary arrangements for the delivery of DS Supply through the PJM OI. The Company will advise the PJM OI of the magnitude and location of each DS Supplier's actual DS Supplier Responsibility Share, as required by the PJM OI, for the purpose of calculating such DS Supplier's appropriate DS Supply requirements related to the provision of service under this Agreement by DS Supplier arising under the PJM Agreements. The DS Supplier shall remain responsible to PJM for the performance of its LSE obligations associated with the provision of DS Supply under this Agreement until the effective date of the transfer of such LSE obligations.

The Company shall generate and provide via a Task Letter Attachment to DS Supplier the PJM shortname(s) associated with supplier's unique contract type(s), as necessary. Unique shortname(s) may be generated for each differing contract type. DS

Supplier shall complete all required forms and processing to PJM to create shortname(s) within the PJM system.

For the period of time this Agreement is in effect, both the Company and DS Supplier shall have executed the PJM Declaration of Authority, and shall remain in effect during the Term of this Agreement. In the event PJM requires that the Declaration of Authority be amended after execution by the DS Supplier, DS Supplier agrees to execute a revised Declaration of Authority in accordance with PJM requirements.

## **2.5 PJM Agreement Modifications**

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

(b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement, including the DS Supplier's responsibility for changes in PJM products and pricing during the Term. DS Supplier bears the risk and responsibility of all charges resulting from any changes in PJM products and pricing during the term of this Agreement with the exception of (i) future PJM charges related solely to the Company providing network transmission service, and (ii) those charges identified as EDC responsibility in Appendix D, including for transition costs related to the elimination of through-and-out

transmission rates.

**2.6 PJM Member Default Cost Allocation**

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

**2.7 Other Fines and Penalties**

If fees, fines, penalties, or costs are claimed or assessed against the Company by any Applicable Legal Authority or PJM due to noncompliance by the DS Supplier with this Agreement, any other requirements of law, or the PJM Agreements, the DS Supplier shall indemnify and hold the Company harmless against any and all losses, liabilities, damages, and claims suffered or incurred by the Company, including claims for indemnity or contribution made by third parties against the Company, except to the extent the Company recovers any such losses, liabilities or damages through other provisions of this Agreement.

**2.8 Communications and Data Exchange**

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

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

**2.9 Record Retention**

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

**2.10 Verification**

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

**ARTICLE 3: REPRESENTATIONS AND WARRANTIES**

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

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

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

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

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

(d) All necessary and appropriate action that is required on the DS Supplier's

part to execute this Agreement has been completed;

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

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

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

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

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

(j) It will comply with any and all information and data transfer protocols that may be adopted by the Company or that are set by, and from time to time modified by,

the PaPUC; provided that DS Supplier shall be entitled to exercise its reserved right to challenge any such protocols in the appropriate forum;

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

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

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

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

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

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

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



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

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

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

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

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

(f) The ability of the Company to pay any and all amounts due and payable under this Agreement, or upon any potential breach thereof, is not conditioned upon any

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

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

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

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

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

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

### **3.3 Survival of Obligations**

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

warranty as an Event of Default hereunder.

**ARTICLE 4: COMMENCEMENT AND TERMINATION OF AGREEMENT**

**4.1 Commencement and Termination**

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

**4.2 Termination of Right to Supply**

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

**4.3 Survival of Obligations**

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

**4.4 Mutual Termination**

The Company and the DS Supplier may agree at any time during the term of this Agreement to terminate their respective rights and obligations hereunder on such terms and under such conditions that they mutually deem to be appropriate as set forth in a

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

the Event of Default, in either case to the satisfaction of the Company in its sole discretion.

**ARTICLE 5: BREACH AND DEFAULT**

**5.1 Events of Default**

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

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

Article 6 of this Agreement, including, without limitation, compliance with the creditworthiness requirements to cover the Margin calculated under Section 6.5 or post any Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;

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

(x) Fails 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;

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

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

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

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

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

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

(xvii) With respect to the DS Supplier’s Guarantor, if any:

1. Representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
2. Guarantor fails to make, when due, any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such

failure shall not be remedied within two (2) Business Days after written notice;

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

## **5.2 Rights upon Default**

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

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



DS Supplier is the Defaulting Party occurring under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) of Article 5.1 of this Agreement and such date of automatic termination shall be deemed the Early Termination Date of this Agreement with respect to such Supplier; and

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

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

**5.3 Damages Resulting from an Event of Default**

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

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

obligations under this Agreement;

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

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

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

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

**(b) Failure by Company on Behalf of Customers to Accept DS Supply Tendered by DS Supplier:** Damages resulting from the failure of the Company on behalf of Customers to accept DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to

the DS Supplier hereunder had the Company accepted the DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement and (ii) the amount realized by the DS Supplier in disposing, in a commercially reasonable manner, of the DS Supply not accepted by the Company; provided, however, that the Company shall not be liable for any Damages if this Agreement is terminated by the PaPUC, other regulatory authority or a court of law.

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

**(d) Damages Resulting from DS Supplier's Failure to Continuously Satisfy its AEPS Obligations:** Damages resulting from the DS Supplier's failure to continuously meet and satisfy all or any portion of its obligations under Section 2.2 (a)(viii) of this Agreement shall include, but not be limited to, the amount of all penalties, costs associated with the procurement of additional AECs, etc., including, without limitation, interest and other charges, if any, levied against the Company related to AEPS regulations, due to such DS Supplier's conduct or inaction. DS Supplier has a specific obligation to provide the AECs and not money damages in substitution. Therefore, any such attempt to supply money damages instead of AECs may be treated as an event of default in the sole discretion of Company.

**(e) Other Damages:** Damages for Events of Default not specified above

shall consist of the direct Damages incurred by the Non-Defaulting Party.

**(f) Waiver of Event of Default:** If an Event of Default has occurred and the Non-Defaulting Party is the Company, then unless the Event of Default was a failure by the DS Supplier to meet any or all of its DS Supply obligations, the Company may elect, at its sole discretion, to offer to waive the default on such terms and conditions as the Company, at its sole discretion, may deem appropriate to propose a special remedy. Any such special remedy can only be offered to the DS Supplier if it first is specifically approved by the PaPUC in accordance with Commission Orders.

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

**(a) Settlement Amount**

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

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

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

**(b) Net Out of Settlement Amounts**

The Non-Defaulting Party shall calculate a Termination Payment by aggregating all Settlement Amounts due under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply into a single amount by netting out (a) all Settlement Amounts that are due or will become due to the Defaulting Party, plus at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party and actually received, liquidated and retained by the Non-Defaulting Party, plus any or all other amounts due to the Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply against (b) all Settlement Amounts that are due or will become due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply, so that all such amounts shall be netted out to a single liquidated amount; provided, however, that if the DS Supplier is the Defaulting Party and the Termination Payment is due to the DS Supplier,

the Company shall be entitled to retain a commercially reasonable portion of the Termination Payment, which may be equal to the entire amount of the Termination Payment, as security for additional amounts that may be determined to be due and owing by the DS Supplier as Damages and further provided that any previously attached security interest of the Company in such retained amounts shall continue. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate. If the Termination Payment has been retained by the Company as security for additional amounts that may be determined to be due and owing by the DS Supplier, and if, upon making a final determination of Damages, the Termination Payment, or any portion thereof, is to be made to the DS Supplier, the Company will pay simple interest on the Termination Payment amount being made to the DS Supplier. Simple interest will be calculated at the lower of the Interest Index or six (6) percent per annum.

**(c) Notice of Termination Payment**

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

**(d) Disputes With Respect to Termination Payment**

If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within three (3)

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

**(e) Multiple DS Supply Agreements**

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the Effective Date of this Agreement or are entered into after the Effective Date of this Agreement, the Company will calculate a single Termination Payment applicable to all such agreements as set forth herein.

**5.5 Step-up Provision**

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

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

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

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

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

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



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

## **ARTICLE 6: CREDITWORTHINESS**

### **6.1 Applicability**

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

### **6.2 Creditworthiness Determination**

The DS Supplier may submit and maintain a security deposit in accordance with Section 6.4 of this Agreement in lieu of submitting to or being qualified under a creditworthiness evaluation. The DS Supplier shall have the opportunity to request that the Company re-evaluate its creditworthiness whenever an event occurs that the DS Supplier believes would improve the determination made by the Company of its

creditworthiness. The Company's credit re-evaluation must be completed as soon as possible but no longer than thirty (30) days after receiving a fully documented request. The Company must provide the rationale for its determination of the credit limit and any resulting security requirement. The Company must perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. DS Supplier shall provide the Company and its agent's unrestricted access to audited financial statements; provided that if audited financial statements are not available, the Company, in its sole discretion, may specify other types of financial statements that will be accepted.

### **6.3 Mark-to-Market Credit Exposure Methodology**

To calculate the daily exposure for each DS Supplier, the MtM credit exposure methodology will be used. The "mark" for each Billing Month will be determined at the time the auction is completed based on the available Forward Market Prices and for the remaining Billing Months, it will be derived based on historical data. At the time the auction is completed, the MtM credit exposure for each DS Supplier shall be equal to zero. Subsequently, the differences between the available Forward Market Prices on the valuation date and the "mark" prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DS Supplier. The total MtM credit exposure will be equal to 1.1 times the sum of the MtM credit exposures for each Billing Month. The methodology for calculation of the MtM credit exposure is illustrated in the example (using hypothetical numbers) set forth in Appendix B hereto.

### **6.4 Credit Limit**

The following criteria constitute the Company's creditworthiness requirements for the DS Supplier, to cover the Total Exposure Amount. In all instances, the most current

senior unsecured debt rating (or, if unavailable, the most current corporate issuer rating) will be used.

(i) For a DS Supplier to be granted an unsecured line of credit, the DS Supplier must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch. The methodology for determining the credit rating to use is set forth in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount will be determined based on the credit matrix table in Appendix A of this Agreement.

The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7 (b) of this Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement;

(ii) For a DS Supplier having a Guarantor, in the case of a Guarantor organized under the laws of the United States, the Guarantor (1) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the rating will be established based on the methodology outlined in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount that could be provided through the Guaranty (see standard format in Exhibit 5) will be determined based on the credit matrix table for Guarantors in Appendix A. The DS Supplier will be granted a credit limit equal to the lesser of (i) the amount of the Guaranty as provided to the Company at the time this Agreement is executed as such amount may be modified in any amended or substitute Guaranty provided to the Company during the term of this Agreement, or (ii) the Supplier's Maximum Credit

Limit. The DS Supplier, however, may not increase or substitute its Guaranty for the purpose of increasing its applicable credit limit during the time period after the Company has made a Margin call but before the DS Supplier has posted the required Margin. Notwithstanding anything herein to the contrary, the DS Supplier may increase the limit of its Guaranty after satisfying a Margin call from the Company and upon the Company's receipt of an amended or substitute Guaranty increasing the limit of the Guaranty, the DS Supplier may request a return of Margin in accordance with Section 6.5 of this Agreement. The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7(b) of this Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement; or

(iii) For a DS Supplier or Guarantor that has not been incorporated or otherwise formed under the laws of the United States and whose financial data is not denominated in United States currency and does not conform to generally accepted accounting principles ("GAAP") in the United States, they shall supply the following additional information:

- a. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the DS Supplier or Guarantor is incorporated or otherwise formed that this Agreement is, or upon completion of execution formalities will become, the binding obligation of the DS Supplier or Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- b. The sworn certificate of the corporate secretary (or similar officer)

of such DS Supplier or Guarantor that the person executing this Agreement on behalf of the DS Supplier has the authority to execute the Agreement and that the governing board of the DS Supplier or Guarantor has approved the execution of this Agreement;

- c. The sworn certificate of the corporate secretary (or similar officer) of such DS Supplier or Guarantor that the DS Supplier or Guarantor has been authorized by its governing board to enter into agreements of the same type as this Agreement; and
- d. Such other documents and certificates as may be required by the Company in its sole discretion.

(iv) The posting of cash or a letter of credit as defined in Section 6.7 (b) below for the entire Total Exposure Amount as set forth in Section 6.5 of this Agreement.

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

(a) If at any time and from time to time during the term of this Agreement the Total Exposure Amount, rounded by the Rounding amount, exceeds the DS Supplier's or the Guarantor's credit limit by the Minimum Transfer Amount (MTA), then the Company, on any Business Day, may request that the DS Supplier provide cash or a letter of credit in an acceptable form as defined in Article 6.7(b) of this Agreement (see standard format in Exhibit 4), in an amount equal to the Margin (less any Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply).

If the DS Supplier receives written notice for Margin from the Company by 1:00

p.m. New York time on a Business Day, then the DS Supplier shall post Margin the next following Business Day, if posting cash, and by the second Business Day following the date of notice, if posting a letter of credit, unless the Company agrees in writing to extend the period to provide Margin. If the DS Supplier receives notice for Margin from the Company after 1:00 p.m. New York time on a Business Day, whether posting cash or a letter of credit, then the DS Supplier must post Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide Margin. The Company will not unreasonably deny a request for a one-day extension of such period. In the event that the DS Supplier fails to post Margin when due in accordance with this Article 6.5, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the Company will be entitled to the remedies set forth in Article 5 of this Agreement.

(b) Surplus Margin being held by the Company that is not needed to satisfy the Total Exposure Amount, as determined above, will be returned to the DS Supplier upon receipt of a written request by the DS Supplier. Surplus Margin means cash or a letter of credit posted by the DS Supplier as a result of a request by the Company pursuant to Article 6.5(a) that exceeds the Total Exposure Amount less the DS Supplier's or the Guarantor's credit limit (rounded by the Rounding Amount). If the resulting Surplus Margin amount is more than the Minimum Transfer Amount, it will be returned to the DS Supplier. If the DS Supplier posted cash and notice is received by 1:00 p.m. New York time on a Business Day, the surplus Margin will be returned by the next following Business Day and if the DS Supplier posted cash and notice is received by the Company after 1:00 p.m. New York time on a Business Day, the surplus Margin shall be

returned by the second Business Day following the date of notice, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. If the DS Supplier posted a letter of credit, the surplus Margin shall be returned on the next Business Day following the Business Day on which the amendment to the letter of credit is received from the issuing bank, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. The DS Supplier will not unreasonably deny a request for a one-day extension of such period. In the event that the Company fails to return the surplus Margin when due in accordance with this Article, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the DS Supplier will be entitled to the remedies set forth in Article 5 of this Agreement.

**6.6 Grant of Security Interest/Remedies**

To secure its obligations under this Agreement and to the extent that the DS Supplier posted Margin/collateral hereunder, the DS Supplier hereby grants to the Company a present and continuing security interest in, and lien on (and right of setoff against), and assignment of, all cash collateral and cash equivalent collateral and any and all proceeds resulting therefrom or the liquidation thereof, whether now or hereafter held by, on behalf of, or for the benefit of, the Company, and the DS Supplier and the Company agree to take such action as is reasonably required to perfect the secured Party's first priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or any time after the occurrence or deemed occurrence and during the continuation of an Event of Default or an Early Termination Date, the Company may do any one or more of the following: (i) exercise any of the rights and remedies of the Company with

respect to all collateral, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the DS Supplier in the possession of the Company, whether held in connection with this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply; (iii) draw on any outstanding letter of credit issued for its benefit; and (iv) liquidate all security held by or for the benefit of the Company free from any claim or right of any nature whatsoever of the DS Supplier, including any equity or right of purchase or redemption by the DS Supplier. The Company shall apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce the DS Supplier's obligation under this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply (the DS Supplier remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

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

If to a DS Supplier to:

Copy to:

If to the Company to: James H. Milligan, Assistant Treasurer  
Duquesne Light Company  
411 Seventh Avenue, Pittsburgh, PA 15219



Copy to: Joan Jenkins, Procurement Analyst  
Duquesne Light Company  
411 Seventh Avenue, Pittsburgh, PA 15219

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

**6.7 Security Instruments**

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

- (a) Cash; or
- (b) A standby irrevocable letter of credit acceptable to the Company, in its sole discretion, issued by a bank or other financial institution with a minimum "A-" senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from S&P and "A3" from Moody's (see standard format in Exhibit 4). The letter of credit shall state that it shall renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days prior written notice from the issuing financial institution. If the Company receives notice from the issuing financial institution that the letter of credit is being cancelled, the DS Supplier will be required to provide a substitute letter of credit from an alternative bank satisfying the minimum requirements. The receipt of the substitute letter of credit must be effective as of the cancellation date and delivered to the Company thirty (30) days before the cancellation date of the original letter of credit. If the DS Supplier fails to supply a substitute letter of

credit as required, then the Company will have the right to draw on the existing letter of credit and to hold the amount as Margin.

If the credit rating of a bank or other financial institution from which a DS Supplier has obtained a letter of credit falls below the levels specified in Article 6 of this Agreement, the DS Supplier shall have two (2) Business Days following written notice by the Company to obtain a suitable letter of credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by the Company. The Company shall have no obligation under this Agreement or otherwise to make or grant such extension.

**6.8 Maintenance of Creditworthiness**

**(a) Reporting of Changes**

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

**(b) Change in Credit Standing**

The Company will re-evaluate the creditworthiness of a DS Supplier whenever it becomes aware of an adverse change, through the provision of notice by the DS Supplier or otherwise, in the DS Supplier's or Guarantor's credit standing. If the lowest credit rating (whether senior unsecured debt rating or corporate issuer rating) used to determine the DS Supplier's Maximum Credit Limit or its credit limit adversely changes, the Company will require additional security from the DS Supplier in accordance with Sections 6.4 of this Agreement. The additional security must be in a form acceptable to

the Company in its sole discretion, as specified in Article 6.7 of this Agreement and must be posted as set forth in Section 6.5 of this Agreement.

**6.9 Calling on Security**

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

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

The foregoing notwithstanding, the security posted by the DS Supplier shall become due automatically without prior notice or right of cure in the case of any Event of Default arising under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) of Section 5.1 of this Agreement.

**6.10 Interest on Cash Held by Company**

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

**6.11 No Endorsement of DS Supplier**

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

**6.12 Multiple DS Supply Agreements**

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the effective date of this Agreement or is entered into after the effective date of this Agreement, the Company will calculate the Margin applicable to all such agreements as set forth in Appendix A of this Agreement; provided, however, that if another agreement has a more stringent credit threshold, then the more stringent credit threshold shall apply. Each DS Supplier that is a party to such other agreements with the Company for the provision of DS Supply hereby agrees that such other agreements are deemed amended by this Agreement for the purpose of calculating the Margin as described herein.

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

**7.1 Load Obligations**

The Company and the DS Supplier acknowledge and agree that (1) the Company shall determine the DS Load, (2) the Company shall allocate the DS Supply obligation using the DS Supplier Responsibility Share, (3) the Company shall provide the DS

Supplier's DS Supply obligation to PJM, and (4) the DS Supplier shall be responsible for meeting its DS Supply obligations as a LSE under the PJM Agreements.

**7.2 Data Transmission**

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

**7.3 Energy Scheduling**

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

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

**8.1 Energy Settlement by PJM**

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

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

**8.2 Energy Settlement by the Company**

In the event that actual DS Customer consumption data is not available until after

the PJM deadline for conducting the final settlement, the Company will conduct the settlement process with the DS Supplier. In the event PJM imposes penalties against the Company as a result of the DS Supplier's Transactions or failure to meet PJM requirements, such penalties shall be passed through by the Company to the DS Supplier as part of this settlement process. In addition, all other applicable charges from PJM, including any billing adjustments, will be appropriately allocated to the DS Supplier.

## **ARTICLE 9: BILLING AND PAYMENT**

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

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

(a) Each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier.

- For Fixed Price Transactions, this Statement will show the aggregate amounts due based on the DS Fixed Price multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month.
- For Hourly Price Transactions, this Statement will show the aggregate amounts due based on the DS Fixed Price Adder For Hourly Price Service multiplied by the hourly Energy requirements of DS Supply used to determine the PMEA multiplied by the DS Fixed Percentage as shown in Appendix C for each hour of the Billing Month, plus the DS Variable Payments used to determine the PMEA for each hour of the

Billing Month.

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

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

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

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

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

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

(h) If a good faith dispute arises between the Company and the DS Supplier regarding a Statement, the disputing Party shall be obligated to pay only the undisputed portion of the Statement, if any, and shall present the dispute in writing and submit

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

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

(j) If Seller does enter more than one transaction with Buyer, Buyer may provide a single invoice listing the relevant information detailed.

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

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

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

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



following provisions:

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

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

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

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

(e) If payment is made to the Company after the due date shown on the

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

**ARTICLE 10: SYSTEM OPERATION**

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

**10.1 Disconnection and Curtailment by the Company**

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

overloading of the Company's transmission and/or distribution circuits, potential damage to any Customer's facilities or any risk of injury to persons or property.

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

The Parties agree and acknowledge that service to DS Customers may be inadvertently lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of the Company affecting the transmission and distribution system of the Company. Neither Party will have any liability to the other Party for the occurrence of such events except for the Company's obligation to pursue steps for the resumption of the disrupted service as set forth in Section 10.3 below. In no event will an inadvertent loss of service affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such inadvertent loss of service.

**10.3 Good Faith Efforts**

The Company shall use good faith efforts to minimize any curtailment, interruption or reduction in service to DS Customers to the extent reasonably practicable under the circumstances.

**10.4 PJM Requirements**

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

will be in compliance with all PJM Emergency Operations Procedures, which include, but are not limited to, those procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

**10.5 Compliance with Governmental Directives**

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

**ARTICLE 11: DISPUTE RESOLUTION**

**11.1 Informal Resolution of Disputes**

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

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

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

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

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

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

**ARTICLE 12: REGULATORY AUTHORIZATIONS AND JURISDICTION**

**12.1 Compliance with Applicable Legal Authorities**

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

**12.2 FERC Jurisdictional Matters**

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

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

DS Supplier acknowledges that DS Customers may participate in energy

efficiency and conservation programs offered by the Company (required by Applicable Legal Authorities or otherwise offered by the Company whether voluntarily or not), by PJM, or by other third parties and, for the avoidance of doubt, any programs offered or conducted by the Company or other entities relating to or arising from the PaPUC's Investigation of Pennsylvania's Retail Electricity Market, PaPUC Docket No. I-2011-2237952 (including legislation enacted to address the Commission's Final Order in Docket No. I-2011-2237952), and that such participation may reduce or change the amount of DS Supply that DS Supplier is required to provide and the amount of monies it may receive under this Agreement. The Company shall have no obligation whatsoever to DS Supplier with respect to the effect, if any, of such programs. DS Supplier is solely responsible for determining the effect, if any, of such programs on future load requirements.

**ARTICLE 13:    LIMITATION OF REMEDIES, LIABILITY AND DAMAGES**

**13.1    Limitations on Liability**

Except as set forth in this Agreement, there is no warranty of merchantability or fitness for a particular purpose, and any and all implied warranties are disclaimed. The Parties confirm that the express remedies and measures of Damages provided in this Agreement satisfy the essential purposes hereof. For breach of any provision for which an express remedy or measure of Damages is provided, such express remedy or measure of Damages shall be the sole and exclusive remedy, the obligor's liability shall be limited as set forth in such provision and all other remedies or Damages at law or in equity are waived. If no remedy or measure of Damages is expressly provided herein, the obligor's liability shall be limited to direct actual Damages only, such direct actual Damages shall

be the sole and exclusive remedy, and all other remedies or Damages at law or in equity are waived. Unless expressly herein provided, neither Party shall be liable for consequential, incidental, punitive, exemplary or indirect Damages, lost profits or other business interruption Damages, by statute, in tort or contract, under any indemnity provision or otherwise. It is the intent of the Parties that the limitations herein imposed on remedies and the measure of Damages be without regard to the cause or causes related thereto, including the negligence or any Party, whether such negligence be sole, joint or concurrent, or active or passive. To the extent any Damages required to be paid hereunder are liquidated, the Parties acknowledge that the Damages are difficult or impossible to determine, or otherwise obtaining an adequate remedy is inconvenient and the Damages calculated hereunder constitute a reasonable approximation of the harm or loss.

**13.2 Risk of Loss**

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



## ARTICLE 14: INDEMNIFICATION

### 14.1 Indemnification

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

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

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

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

#### **14.2 Survives Agreement**

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article shall survive termination of this Agreement and shall not be limited in any way by any limitation on the amount or type of damages, compensation or benefits

payable by or for either Party under any statutory scheme, including any Worker's Compensation Acts, Disability Benefit Acts or other Employee Benefit Acts.

**ARTICLE 15: FORCE MAJEURE**

**15.1 Force Majeure**

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

**15.2 Notification**

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

**ARTICLE 16: MISCELLANEOUS PROVISIONS**

**16.1 Notices**

Unless otherwise stated herein, all notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or

sent by overnight express mail or courier service. Notice may also be provided via e-mail or facsimile transmission (with the original transmitted by any of the other delivery methods specified in the previous sentence) addressed per the notification information for the DS Supplier and Company as set forth in Exhibit 2 hereto.

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

**16.2 No Prejudice of Rights**

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

**16.3 Effect of Regulatory or Legislative Actions**

- (a) The Parties agree that the Company's obligations under this Agreement are contingent on, and limited by, the Company's ability to recover all costs incurred by it under this Agreement from its retail customers in full and on a current basis. If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which have the effect of depriving the Company's full and current recovery of said costs, the Company may terminate this Agreement upon ten (10) days written notice. The Parties

agree that any such termination shall not constitute an Event of Default under this Agreement.

- (b) If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which transfers the Company's obligation to procure or supply DS Supply to third party, this Agreement may be transferred to such third party in accordance with the provisions of Section 16.4 below. The Parties agree that any such transfer shall not constitute an Event of Default under this Agreement.
- (c) In the event that this Agreement is terminated as a result of any of the reasons set forth in subsections (a) and (b) of Section 16.3 above, the Parties agree that the Company shall not be liable for any costs or damages incurred or otherwise associated with (i) the transfer of the Company's obligation to obtain or provide DS Supply to third party, or (ii) the elimination of the Company's obligation to obtain or provide DS Supply.

#### **16.4 Assignment**

Parties shall not assign any of their rights or obligations under this Agreement without obtaining the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee and all necessary consents have been obtained. Any assignment in violation of this Section 16.4 shall be void; provided, however, the Company may assign any or all of its rights and obligations under this Agreement notwithstanding anything contained herein to the contrary, without the DS Supplier's

consent, to any entity succeeding to all or substantially all of the assets of the Company, or to a third party in accordance with Section 16.3(b), if such assignee agrees, in writing, to be bound by all of the terms and conditions hereof and all necessary regulatory approvals are obtained. The DS Supplier may, with prior written notice to the Company but without obtaining the approval of the Company, assign the accounts, revenues or proceeds under this Agreement to a third party. The Company agrees that, following receipt of such notice of the assignment of accounts, revenues or proceeds and such other documentation that the Company may reasonably request, the Company will pay amounts becoming due to the assigning DS Supplier under this Agreement directly to the designated assignee; provided, however, that nothing herein shall enlarge or expand the rights of such designated assignee beyond the rights granted to the DS Supplier, and the right of such designated assignee to receive payments shall be subject to all defenses, offsets and claims of the Company arising under this Agreement.

**16.5 Governing Law and Venue**

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Pennsylvania State court or Federal court of competent jurisdiction and within reasonably close proximity to the Company. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this

Agreement.

**16.6 Regulatory Approvals**

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

**16.7 Headings**

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

**16.8 Third Party Beneficiaries**

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

**16.9 General Miscellaneous Provisions**

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

(b) Cancellation, expiration or Early Termination of this Agreement shall not

relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including warranties, remedies, promises of indemnity and confidentiality.

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

(d) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement or any Transaction.

**16.10 Taxes**

As between the Parties: (i) the DS Supplier is responsible for the payment of all taxes imposed by all present and future federal, state, municipal or other taxes imposed



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

**16.11 Audit**

Each Party has the right on at least three (3) Business Days prior written notice, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made in accordance with Article 9 (Billing and Payment) and 9.1(i) (Interest on Unpaid Balances) of this Agreement.

**16.12 Rules of Interpretation**

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

- (a) Unless otherwise stated, the terms “include” and “including” when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;
- (b) All titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;
- (c) References to the singular include the plural and vice versa;
- (d) References to Articles, Sections, Clauses and the Preamble are, unless the context indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement;
- (e) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (f) If any payment due under this Agreement would be, by operation of the terms and conditions of any provision hereof, due and payable on a day other than a Business Day, such payment shall be made on the next following Business Day.

**16.13 Confidentiality**

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

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

(c) A Party receiving notice or otherwise concluding that any confidential document or information furnished by the other Party in connection with this Agreement

is being sought under any provision of law, to the extent it is permitted to do so under any applicable law, shall: (i) promptly notify the other Party; and (ii) use reasonable efforts in cooperation with the other Party to seek confidential treatment of such confidential information.

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

**16.14 Federal Acquisition Regulation**

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

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

- 5) Affirmative Action for Handicapped Workers: § 52.222-36; and
- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: § 52.219-8 and § 52-219-9.

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

**16.15 Binding Terms**

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

**16.16 Amendment**

This Agreement, including the appendices hereto, cannot be amended without the written agreement of all Parties prior to such amendment becoming effective. Except as provided in Appendix C, the rates, terms and conditions contained in this Agreement are not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the “public interest” standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan*

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

**16.17 Counterparts**

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

**16.18 Successors**

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

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

**ATTEST:**

**DUQUESNE LIGHT COMPANY**

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

By: \_\_\_\_\_  
Name: C. James Davis, Jr.  
Title: Director, Rates and Energy  
Procurement & Federal/RTO Affairs

**ATTEST:**

**[INSERT]**

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

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

## APPENDIX A- MAXIMUM UNSECURED CREDIT

### Credit Rating Matrix Tables for EDC's

#### EDC: Duquesne Light Company

Credit Rating of the DS Supplier			Maximum Credit Limit (calculated as the lesser of the percentage of TNW or the Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap
A- and above	A3 and above	A- and above	16%	\$60,000,000
BBB +	Baa1	BBB +	10%	\$40,000,000
BBB	Baa2	BBB	7%	\$30,000,000
BBB-	Baa3	BBB-	3%	\$20,000,000
BB+	Ba1	BB+	0%	\$0
BB	Ba2	BB	0%	\$0
BB-	Ba3	BB-	0%	\$0
Below BB-	Below Ba3	Below BB-	0%	\$0

#### Credit Rating Determination Methodology

The DS Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the DS Supplier or its Guarantor is rated by three rating agencies, and the ratings are split, the lowest rating will be used. **Minimum Rating** – The lowest credit rating for a DS Supplier, as set forth in this Appendix A, that can obtain unsecured credit.



## **APPENDIX B – METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE**

### **Parameters**

In calculating the MtM Exposure for each Transaction, the following parameters are set on the Transaction Date:

1. On-Peak Initial Mark Price
2. Off-Peak Initial Mark Price
3. MW-Measure
4. On-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
5. Off-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
6. Number of awarded Bid Blocks

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) Current Capacity PLC Per Bid Block
- 4) On-Peak Estimated Energy Quantity
- 5) Off-Peak Estimated Energy Quantity

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

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub On-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly On-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that On-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the On-Peak Forward Price for that month using a methodology that utilizes the best information available to Buyer at that time. For example, the On-Peak Forward Price for the given month may be updated based on the changes in On-Peak Forward Price quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day

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

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub Off-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly Off-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from the average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that Off-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the Off-Peak Forward Price for that month using a methodology that utilizes the best information available to Buyer at that time. For example, the Off-Peak Forward Price for the given month may be updated based on the changes in Off-Peak

Forward Price quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day.

***Example of Disaggregating Aggregate Quotes***

The following is an example of the process to be used for disaggregating Aggregate Quotes:

- a. Aggregate Quote only available for January – March: \$60/MWh.
- b. Immediate Prior Calendar year quotes for January, February, and March as follows:

January: \$42/MWh

February: \$45/MWh

March: \$40/MWh

- c. Calculations as follows:

- 1. Calculate Average price in (b) = \$42.33/MWh

- 2. Calculate monthly deviation from Average:

- January: 99.2% ( $\$42/\$42.33$ )

- February: 106.3% ( $\$45/\$42.33$ )

- March: 94.5% ( $\$40/\$42.33$ )

- 3. Disaggregate the Aggregate Quote by applying percentages from c.(2) to the available aggregate quote:

- January: \$59.53 ( $\$60 \times 99.2\%$ )

- February: \$63.78 ( $\$60 \times 106.3\%$ )

- March: \$56.69 ( $\$60 \times 94.5\%$ )

Mark-To-Market Example

Necessary Information from a Transaction Confirmation:		
Delivery Period	June 1, 2011 - May 31, 2012	
Bid Blocks	3 (j)	
Estimated Energy Quantity Per MW-Measure		
	On-Peak MWh (k)	Off-Peak MWh (l)
Jan	11800	8300
Feb	13000	9100
Mar	9100	6400
Apr	7200	5000
May	8800	6200
Jun	12900	9000
Jul	15200	10600
Aug	16000	11200
Sep	9500	6700
Oct	8300	5800
Nov	9800	6900
Dec	10900	7600

Business Day on which MtM is Calculated:	
	June 24, 2011
MW-Measure:	50.0 MW (m)
Current Capacity PLC Per Bid Block:	40.0 MW (n)
Percent of On-Peak Hours Remaining in Current Month:	18.2% (o)
Percent of Off-Peak Hours Remaining in Current Month:	21.7% (p)

MtM Exposure Calculation									
	a	b	c	d	e=c-a	f=d-b	g=k*n/m*j*o	h=l*n/m*j*p	i=(e*g)+(f*h)
	On-Peak Initial Mark Price \$/MWh	Off-Peak Initial Mark Price \$/MWh	On-Peak Forward Price \$/MWh	Off-Peak Forward Price \$/MWh	Change In On-Peak Price \$/MWh	Change In Off-Peak Price \$/MWh	Estimated Energy Quantity MWh	Estimated Energy Quantity MWh	MtM Exposure
Jun-11	57.04	27.95	58.48	28.65	1.44	0.70	5,629	4,696	\$ 11,393
Jul-11	72.81	31.31	75.26	32.36	2.45	1.05	36,480	25,440	\$ 116,088
Aug-11	72.81	34.23	74.28	34.91	1.47	0.68	38,400	26,880	\$ 74,726
Sep-11	45.56	24.15	47.31	25.08	1.75	0.93	22,800	16,080	\$ 54,854
Oct-11	43.23	23.34	46.09	24.89	2.86	1.55	19,920	13,920	\$ 78,547
Nov-11	43.23	25.50	46.40	27.38	3.17	1.88	23,520	16,560	\$ 105,691
Dec-11	43.23	26.36	44.86	27.36	1.63	1.00	26,160	18,240	\$ 60,881
Jan-12	50.73	38.55	54.45	41.39	3.72	2.84	28,320	19,920	\$ 161,923
Feb-12	50.73	39.06	53.61	41.29	2.88	2.23	31,200	21,840	\$ 138,559
Mar-12	45.23	30.75	47.64	32.39	2.41	1.64	21,840	15,360	\$ 77,825
Apr-12	45.23	25.78	48.01	27.36	2.78	1.58	17,280	12,000	\$ 66,998
May-12	47.06	24.94	49.06	26.00	2.00	1.06	21,120	14,880	\$ 58,013
									<b>\$ 1,005,499</b>

***CALCULATION OF MTM EXPOSURE FOR HOURLY PRICE TRANSACTIONS***

The MtM Exposure for an Hourly Price Transaction shall be calculated as follows. During the first month of the term of a Transaction, the MtM Exposure shall be equal to Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche. Thereafter, the MtM Exposure shall be calculated on the first Business Day of each month during the term of a Transaction and shall be deemed equal to the product of: (i) Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche; (ii) the ratio of the Current Capacity PLC Per Tranche to the MW-Measure; (iii) the number of Tranches awarded to the DS Supplier per the Transaction Confirmation; and (iv) the ratio of the calendar days remaining in the Delivery Period to the total calendar days in the Delivery Period. The following definitions shall apply for the purposes of this calculation:

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

“Current Capacity PLC Per Tranche” is the Capacity PLC of a Tranche as of the Business Day the MtM Exposure is calculated for the Transaction.

“MW-Measure” means the Current Capacity PLC Per Tranche as of the Transaction Date.

## **APPENDIX C - DS SUPPLY SPECIFICATIONS**

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

### **Product:**

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

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

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

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

### **DS Customer Group:**

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

Residential & Lighting;

Small Commercial and Industrial (annual peak demands less than 25kW);

Medium Commercial and Industrial (annual peak demands greater than or equal to 25kW and less than 300kW);

Large Commercial and Industrial (annual peak demands greater than 300kW)

**Service Type:**

Residential & Lighting : RA, RS, RH, AL, SE, SM, SH, PAL

Small Commercial and Industrial : GS, GM < 25 kW, GMH < 25 kW, MTS/UMS, UMS

Medium Commercial and Industrial : GM > 25 kW, GMH > 25 kW

Large Commercial and Industrial : GL, GLH, L, HVPS

**Delivery Point:**

Duquesne Residual Aggregate Zone in PJM

**Delivery Period:**

Will be specified in Transaction Confirmations to this SMA.

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

Will be specified in Transaction Confirmations to this SMA.

**DS Supplier Responsibility Share:**

Fixed percentage share of DS Load for DS Customer Group associated with Transaction Confirmation. Typically, number of tranches won x Tranches Percentage for the DS Customer Group. Will be specified in Transaction Confirmations to this SMA.

**Seasonal Billing Factor:**

None used.



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

ID #	PJM Billing Statement Line Items	Responsible Party	
		EDC	DS Supplier
<b>ID#</b>	<b>CHARGES</b>		
1000	Amount Due for Interest on Past Charges		DS Supplier
1100	Network Integration Transmission Service	EDC	
1101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
1102	Network Integration Transmission Service (exempt)	EDC	
1104	Network Integration Transmission Service Offset	EDC	
1108	Transmission Enhancement	EDC	
1109	MTEP Project Cost Recovery		DS Supplier
1110	Direct Assignment Facilities		DS Supplier
1120	Other Supporting Facilities		DS Supplier
1130	Firm Point-to-Point Transmission Service		DS Supplier
1133	Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
1136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier
1138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier

**Exhibit JP-3**

1140	Non-Firm Point-to-Point Transmission Service		DS Supplier
1143	Non-Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
1147	Neptune Unscheduled Usage Billing Allocation		DS Supplier
1155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
1157	Linden Unscheduled Usage Billing Allocation		DS Supplier
1165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
1167	Hudson Unscheduled Usage Billing Allocation		DS Supplier
1200	Day-ahead Spot Market Energy		DS Supplier
1205	Balancing Spot Market Energy		DS Supplier
1210	Day-ahead Transmission Congestion		DS Supplier
1215	Balancing Transmission Congestion		DS Supplier
1218	Planning Period Congestion Uplift		DS Supplier
1220	Day-ahead Transmission Losses		DS Supplier
1225	Balancing Transmission Losses		DS Supplier
1230	Inadvertent Interchange		DS Supplier
1240	Day-ahead Economic Load Response		DS Supplier
1241	Real-time Economic Load Response		DS Supplier
1242	Day-ahead Load Response Charge Allocation		DS Supplier
1243	Real-time Load Response Charge Allocation		DS Supplier

**Exhibit JP-3**

1245	Emergency Load Response		DS Supplier
1250	Meter Error Correction		DS Supplier
1260	Emergency Energy		DS Supplier
1301	PJM Scheduling, System Control and Dispatch Service – Control Area Administration		DS Supplier
1302	PJM Scheduling, System Control and Dispatch Service – FTR Administration		DS Supplier
1303	PJM Scheduling, System Control and Dispatch Service –Market Support		DS Supplier
1304	PJM Scheduling, System Control and Dispatch Service – Regulation Market Administration		DS Supplier
1305	PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt.		DS Supplier
1306	PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center		DS Supplier
1307	PJM Scheduling, System Control and Dispatch Service – Market Support Offset		DS Supplier
1308	PJM Scheduling, System Control and Dispatch Service Refund – Control Area Administration		DS Supplier
1309	PJM Scheduling, System Control and Dispatch Service Refund – FTR Administration		DS Supplier
1310	PJM Scheduling, System Control and Dispatch Service Refund – Market Support		DS Supplier
1311	PJM Scheduling, System Control and Dispatch Service Refund –Regulation Market Administration		DS Supplier
1312	PJM Scheduling, System Control and Dispatch Service Refund – Capacity Resource/Obligation Mgmt.		DS Supplier
1313	PJM Settlement, Inc.		DS Supplier
1314	Market Monitoring Unit (MMU) Funding		DS Supplier
1315	FERC Annual Charge Recovery		DS Supplier
1316	Organization of PJM States, Inc. (OPSI) Funding		DS Supplier

**Exhibit JP-3**

1317	North American Electric Reliability Corporation (NERC)		DS Supplier
1318	Reliability First Corporation (RFC)		DS Supplier
1320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
1340	Regulation and Frequency Response Service		DS Supplier
1350	Energy Imbalance Service		DS Supplier
1360	Synchronized Reserve		DS Supplier
1362	Non-Synchronized Reserve		DS Supplier
1365	Day-ahead Scheduling Reserve		DS Supplier
1370	Day-ahead Operating Reserve		DS Supplier
1371	Day-ahead Operating Reserve for Load Response		DS Supplier
1375	Balancing Operating Reserve		DS Supplier
1376	Balancing Operating Reserve for Load Response		DS Supplier
1377	Synchronous Condensing		DS Supplier
1378	Reactive Services		DS Supplier
1380	Black Start Service		DS Supplier
1400	Load Reconciliation for Spot Market Energy		DS Supplier
1410	Load Reconciliation for Transmission Congestion		DS Supplier
1420	Load Reconciliation for Transmission Losses		DS Supplier
1430	Load Reconciliation for Inadvertent Interchange		DS Supplier
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		DS Supplier
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		DS Supplier

**Exhibit JP-3**

1442	Load Reconciliation for Schedule 9-6 – Advanced Second Control Center		DS Supplier
1444	Load Reconciliation for Market Monitoring Unit Funding		DS Supplier
1445	Load Reconciliation for FERC Annual Charge Recovery		DS Supplier
1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		DS Supplier
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)		DS Supplier
1448	Load Reconciliation for Reliability First Corporation (RFC)		DS Supplier
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1460	Load Reconciliation for Regulation and Frequency Response Service		DS Supplier
1470	Load Reconciliation for Synchronized Reserve		DS Supplier
1472	Load Reconciliation for Non-Synchronized Reserve		DS Supplier
1475	DASR Load Reconciliation		DS Supplier
1478	Load Reconciliation for Operating Reserve		DS Supplier
1480	Load Reconciliation for Synchronous Condensing		DS Supplier
1490	Load Reconciliation for Reactive Services		DS Supplier
1500	Financial Transmission Rights Auction		DS Supplier
1600	RPM Auction		DS Supplier
1610	Locational Reliability		DS Supplier
1650	Non-Unit Specific Capacity Transaction		DS Supplier
1660	Demand Resource and ILR Compliance Penalty		DS Supplier
1661	Capacity Resource Deficiency		DS Supplier
1662	Generation Resource Rating Test Failure		DS Supplier
1663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier

**Exhibit JP-3**

1664	Peak Season Maintenance Compliance Penalty		DS Supplier
1665	Peak-Hour Period Availability		DS Supplier
1666	Load Management Test Failure		DS Supplier
1670	FRR LSE Reliability		DS Supplier
1680	FRR LSE Demand Resource And Its Compliance Penalty		DS Supplier
1681	FRR LSE Capacity Resource Deficiency		DS Supplier
1682	FRR LSE Generation Resource Rating Test Failure		DS Supplier
1683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
1684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
1685	FRR LSE Peak-Hour Period Availability		DS Supplier
1686	FRR LSE Load Management Test Failure		DS Supplier
1687	FRR LSE Schedule 9-5		DS Supplier
1688	FRR LSE Schedule 9-6		DS Supplier
1710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
1712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
1720	RTO Start-up Cost Recovery		DS Supplier
1730	Expansion Cost Recovery	EDC	
1900	Unscheduled Transmission Service		DS Supplier
1910	Ramapo Phase Angle Regulators		DS Supplier
1911	Michigan – Ontario Interface Phase Angle Regulators		DS Supplier
1920	Station Power		DS Supplier
1930	Generation Deactivation	EDC	
1932	Generation Deactivation Refund	EDC	

1950	Virginia Retail Administrative Fee		DS Supplier
1952	Deferred Tax Adjustment	EDC	
1955	Deferral Recovery		DS Supplier
1980	Miscellaneous Bilateral		DS Supplier
1995	PJM Annual Membership Fee		DS Supplier
1999	PJM Customer Payment Default		DS Supplier
<b>ID#</b>	<b>CREDITS</b>		
2100	Network Integration Transmission Service	EDC	
2101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
2102	Network Integration Transmission Service (exempt)	EDC	
2104	Network Integration Transmission Service Offset	EDC	
2106	Non-Zone Network Integration Transmission Service	EDC	
2108	Transmission Enhancement	EDC	
2109	MTEP Project Cost Recovery		DS Supplier
2110	Direct Assignment Facilities		DS Supplier
2120	Other Supporting Facilities		DS Supplier
2130	Firm Point-to-Point Transmission Service		DS Supplier
2132	Internal Firm Point-to-Point Transmission Service		DS Supplier
2133	Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
2136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier
2138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier
2140	Non-Firm Point-to-Point Transmission Service		DS Supplier

**Exhibit JP-3**

2142	Internal Non-Firm Point-to-Point Transmission Service		DS Supplier
2143	Non-Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
2155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
2165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
2210	Transmission Congestion		DS Supplier
2217	Planning Period Excess Congestion		DS Supplier
2218	Planning Period Congestion Uplift		DS Supplier
2220	Transmission Losses		DS Supplier
2240	Day-ahead Economic Load Response		DS Supplier
2241	Real-time Economic Load Response		DS Supplier
2245	Emergency Load Response		DS Supplier
2260	Emergency Energy		DS Supplier
2320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
2340	Regulation and Frequency Response Service		DS Supplier
2350	Energy Imbalance Service		DS Supplier
2360	Synchronized Reserve		DS Supplier
2362	Non-Synchronized Reserve		DS Supplier
2365	Day-ahead Scheduling Reserve		DS Supplier



**Exhibit JP-3**

2370	Day-ahead Operating Reserve		DS Supplier
2371	Day-ahead Operating Reserve for Load Response		DS Supplier
2375	Balancing Operating Reserve		DS Supplier
2376	Balancing Operating Reserve for Load Response		DS Supplier
2377	Synchronous Condensing		DS Supplier
2378	Reactive Services		DS Supplier
2380	Black Start Service		DS Supplier
2420	Load Reconciliation for Transmission Losses		DS Supplier
2500	Financial Transmission Rights Auction		DS Supplier
2510	Auction Revenue Rights		DS Supplier
2600	RPM Auction		DS Supplier
2620	Interruptible Load for Reliability		DS Supplier
2630	Capacity Transfer Rights		DS Supplier
2640	Incremental Capacity Transfer Rights		DS Supplier
2650	Non-Unit Specific Capacity Transaction		DS Supplier
2660	Demand Resource and ILR Compliance Penalty		DS Supplier
2661	Capacity Deficiency Resource		DS Supplier
2662	Generation Resource Rating Test Failure		DS Supplier
2663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2664	Peak Season Maintenance Compliance Penalty		DS Supplier
2665	Peak-Hour Period Availability		DS Supplier
2666	Load Management Test Failure		DS Supplier
2670	FRR LSE Reliability Credit		DS Supplier

**Exhibit JP-3**

2680	FRR LSE Demand Resource And Ilr Compliance Penalty		DS Supplier
2681	FRR LSE Capacity Resource Deficiency		DS Supplier
2682	FRR LSE Generation Resource Rating Test Failure		DS Supplier
2683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
2685	FRR LSE Peak-Hour Period Availability		DS Supplier
2686	FRR LSE Load Management Test Failure		DS Supplier
2687	FRR LSE Schedule 9-5		DS Supplier
2688	FRR LSE Schedule 9-6		DS Supplier
2710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
2712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
2720	RTO Start-up Cost Recovery		DS Supplier
2730	Expansion Cost Recovery	EDC	
2910	Ramapo Phase Angle Regulators		DS Supplier
2912	CT Lost Opportunity Cost Allocation		DS Supplier
2930	Generation Deactivation	EDC	
2932	Generation Deactivation Refund	EDC	
2950	Virginia Retail Administrative Fee		DS Supplier
2952	Deferred Tax Adjustment	EDC	
2955	Deferral Recovery		DS Supplier
2980	Miscellaneous Bilateral		DS Supplier
2996	Annual PJM Cell Tower		DS Supplier
2997	Annual PJM Building Rent		DS Supplier

**APPENDIX E – DS SUPPLIER’S OBLIGATIONS FOR AEPS COMPLIANCE**

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

- (1) Providing sufficient AECs for each tranche awarded via the DS Solicitation. It is DS Supplier’s obligation to supply actual AECs. Failure to do so may in the discretion of Company constitute an Event of Default under this Agreement.
- (2) AECs shall be provided on a six (6) month basis or at the end of any Delivery Period, if the Delivery Period is less than six (6) months, and shall be transferred to the Company within 30 days from the final day of any such six month period or Delivery Period; provided; however, that if the term of any Delivery Period includes two different AEPS reporting years, then DS Supplier shall provide the AECs required for the first AEPS reporting year by June 30th of each year.
- (3) Paying any AEPS penalties, costs, charges, etc. assessed against the DS Supplier and/or the Company associated with the DS Supplier’s non-performance with AEPS requirements.
- (4) Submitting to the Company proof of AEPS compliance under this Agreement in such form and manner as may be required by the Company.
- (5) Provide to the Company all information the Company may require to comply with the AEPS Act and its implementing regulations and other Requirements of Law, including, but not limited to the price paid per AEC required by 73 Pa.C.S. §1648.3(e)(8).

**Exhibit JP-3**

This Appendix E shall confirm the Alternative Energy Portfolio Standards Obligation of the Transaction agreed to on [Month, Day, Year] ("Bid Proposal Due Date").

Alternative Energy Portfolio Standards Obligations for the period beginning [Month, Day, Year] based on the total MWh supplied by DS Supplier:

<u>Compliance Period</u>	<u>Tier 1</u>	<u>PV</u>	<u>Tier 2</u>
6/1/2017 – 5/31/2018	6.5%	0.3400%	8.2%
6/1/2018 – 5/31/2019	7.0%	0.3900%	8.2%
6/1/2019 – 5/31/2020	7.5%	0.4433%	8.2%
6/1/2020 – 5/31/2021	8.0%	.05000%	10.0%

The percentages set forth above are those applicable for the first RFP and may be revised for future RFPs to reflect changes in law or other applicable regulatory requirements.

For each compliance period during the Delivery Period, the number of AECs that a DS Supplier is obligated to provide may be reduced by a pre-determined number of AECs allocated to the DS Supplier ("Allocated AECs"). The number of Allocated AECs will be defined prior to the Transaction Date. Any Allocated AECs will not be transferred to the DS Supplier but instead will be credited to that DS Supplier's AEPS obligation and remain the property of the Company.

The above amounts are estimates and will vary based on actual load served. DS Supplier will need to true-up, higher or lower, actual credits needed based on Monthly Settlement Amount.

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

EXHIBIT 1

TRANSACTION CONFIRMATION FOR FIXED PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company ("Company") and [INSERT] ("DS Supplier"). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) ("Transaction Date").

Product: Full Requirements Service
DS Customer Group: [INSERT CUSTOMER CLASS]
Delivery Point: Duquesne Residual Aggregate Zone in PJM
Delivery Period: [Month, Day, Year] through [Month, Day, Year]
Number of Tranches: [INSERT]
DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)
DS Fixed Price: [INSERT AVERAGE PRICE] per MWh
Tranche 1 at [INSERT] per MWh
Tranche 2 at [INSERT] per MWh
Tranche 3 at [INSERT] per MWh
.
.
Tranche [X] at [INSERT] per MWh

Alternative Energy Credit (AEC) Allocation (if any):

Table with 3 columns: Alternative Energy Portfolio Standards - Reporting Period, AEC Allocation per Tranche, (AECs), Total AEC Allocation (AECs). Rows for 2017-18, 2018-19, 2019-20, 2020-21.

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

Duquesne Light Company
By: \_\_\_\_\_
Name: C. James Davis, Jr.
Title: Director, Rates and Energy Procurement
& Federal/RTO Affairs

[INSERT]
By: \_\_\_\_\_
Name: \_\_\_\_\_
Title: \_\_\_\_\_

TRANSACTION CONFIRMATION FOR HOURLY PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company (“Company”) and [INSERT] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) (“Transaction Date”).

- Product: Full Requirements Service
- DS Customer Group: Large Commercial and Industrial Class
- Delivery Point: Duquesne Residual Aggregate Zone in PJM
- Delivery Period: [Month, Day, Year] through [Month, Day, Year]
- Number of Tranches: [INSERT]
- DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)
- DS Fixed Price Adder For Hourly Price Service: [INSERT AVERAGE PRICE] per MWh
  - Tranche 1 at [INSERT] per MWh
  - Tranche 2 at [INSERT] per MWh

In addition to the DS Fixed Price Adder For Hourly Price Service above, the Statement prepared in accordance with Section 9.1(a) also will include DS Variable Payments based on the Company’s billed Hourly Price Service formula rate designed to recover the costs of energy, capacity, ancillary services, and PJM administrative costs found in Rider No. 9 of the DS Tariff. The DS Variable Payments associated with serving the DS Supplier Responsibility Share of the DS Supply for Large Commercial and Industrial Class are based on a) hourly energy charges provided at the day-ahead PJM locational marginal prices based on the customer’s real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, and b) capacity charges equal to the full PJM Reliability Pricing Model capacity price for the Duquesne Zone, and shall recover the charges associated with the customer’s share of the Company’s capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. The PMEA/FMEA Adjustment Amount calculated in accordance with Section 9.1 (d) will include: any adjustments to account for changes in the hourly energy or capacity volumes used to calculate the energy, ancillary services, capacity and other charges. The DS Variable Payments to Hourly Price Service suppliers will not include Pennsylvania gross receipts taxes or the fixed retail administrative charge (other than the DS Fixed Price Adder For Hourly Price Service) included in the DS Tariff.

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

Duquesne Light Company

By: \_\_\_\_\_

Name: C. James Davis, Jr.

Title: Director, Rates and Energy Procurement  
& Federal/RTO Affairs

[INSERT]

By: \_\_\_\_\_

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

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

EXHIBIT 2  
FORM OF NOTICE

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

Buyer: Duquesne Light Company  
DS Supplier: [INSERT]

**All Notices:**  
Street: 411 Seventh Ave.  
City/State/Zip: Pittsburgh, PA 15219  
Attn: Chief Financial Officer  
Facsimile: (412) 393-1190  
Duns: 007915606  
Federal Tax ID Number: 25-0451600

**Invoices:**  
Attn: Supply Procurement – Joan Jenkins  
Phone: (412) 393-1077  
Facsimile: (412) 393-5659

**Scheduling:**  
Attn: Scheduling – John Peoples  
Phone: (412) 393-6385  
Facsimile: (412) 393-5659

**Payments:**  
Attn: Accounting – Jaime Bachota  
Phone: (412) 393-1122  
Facsimile: (412) 393-6760

**Wire Transfer:**  
BNK: Mellon Bank, N.A.  
ABA: 043000261  
ACCT: 0008061

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

**Invoices:**  
Attn:  
Phone:  
Facsimile:

**Scheduling:**  
Attn:  
Phone:  
Facsimile:

**Payments:**  
Attn:  
Phone:  
Facsimile:

**Wire Transfer**  
BNK:  
ABA:  
ACCT:

**Credit and Collections:**

Attn: Assistant Treasurer – James Milligan  
Phone: (412) 393-1216  
Facsimile: (412) 393-6760

**With additional Notices of an**

**Event of Default to:**

Attn: Legal Department – Tishekia Williams  
Phone: (412) 393-1541  
Facsimile: (412) 393-5757

**Credit and Collections:**

Attn:  
Phone:  
Facsimile:

**With Additional Notices of an**

**Event of Default to:**

Attn:  
Phone:  
Facsimile:



EXHIBIT 3  
PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this 24th day of March, 2015 by the following:

PARTY A: \_\_\_\_\_ (“Party A”)

PARTY B: \_\_\_\_\_ (“Party B”).

**RECITALS**

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

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

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

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

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

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

WHEREAS, Party A and Party B desire to declare to PJM their respective authorities concerning such rights and obligations, intend that PJM rely upon such declaration, and acknowledge that PJM may rely upon such declaration to its detriment.

**DECLARATION**

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy and completeness of the declarations made below, Party A and Party B, as identified below, make the following declarations:

**1. Exclusivity of Party B's Authority.**

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

**2. Specification of Authorized Rights and Responsibilities.**

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

(a) Load Server Responsibilities.

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

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

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

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

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

\_\_\_\_\_ Party B is authorized to provide the facilities and personnel required to coordinate operations with PJM and other PJM Members.

(b) Electric Distributor Responsibilities.

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

(c) Generator Responsibilities.

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

\_\_\_\_\_ Party B is authorized to ensure that the required portion of Party A's Capacity Resources have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

- Or -

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

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

\_\_\_\_\_ Party B is authorized to provide information on outages of Party A's generation facilities, whether planned, forced, or for maintenance, and to coordinate such outages with PJM

\_\_\_\_\_ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Feasibility Study, System Impact Study, or Facilities Study Agreements.

\_\_\_\_\_ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Construction Service Agreements.

\_\_\_\_\_ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Interconnection Service Agreements.

\_\_\_\_\_ Party B is authorized to receive from PJM historic and real time data collected by PJM from, or provided to PJM by, Party A with respect to Party A's generation resources.

\_\_\_\_\_ Party B is authorized to act on behalf of Party A for the following specific unit(s) in Party A primary and subaccounts:

Resource Name:

Resource ID:

(d) Market Buyer/Market Seller Responsibilities.

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

(e) Billing and Payment Responsibilities.

\_\_\_\_\_ \_\_\_\_\_ In connection with all rights and responsibilities specified by Party A and Party B in any of subparts (a) through (d) of this Section, Party B shall be billed for, and shall make payment to PJM for, all charges, penalties, costs and fees. (If this option is not specified, PJM will issue billings to, and collect amounts due from, Party A.)

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

(f) General Membership Responsibilities.

\_\_\_\_\_ \_\_\_\_\_ Party B is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Party A's behalf.

\_\_\_\_\_ \_\_\_\_\_ Party B is authorized to participate on Party A's behalf in the regional transmission expansion planning process.

\_\_\_\_\_ \_\_\_\_\_ Party B is authorized to provide information or otherwise cooperate on Party A's behalf in connection with any investigation or request for

information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Party B and/or Party A.)

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

(g) Additional Responsibilities.

\_\_\_\_\_ Party B has been Authorized other rights and responsibilities of Party A as specified on Attachment "A" to this Declaration.

(h) Limitation on Responsibilities.

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

**3. Continuing Responsibilities and Liabilities of Party A.**

3.1 The Authorized Rights and Responsibilities are the only rights and responsibilities under the PJM Agreements for which Party B is authorized to act for Party A, and Party A retains all rights and responsibilities under the PJM Agreements not specified by Party A and Party B in Section 2.

3.2 With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Party A shall remain liable to PJM for all amounts due or to become due to PJM under the PJM Agreements, and Party B's authorization to make payment of any such amounts hereunder (if specified in Section 2) shall not release Party A from liability for any financial obligations to PJM not satisfied by Party B.

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

4.1 Party A and Party B each recognizes, accepts and intends that PJM will rely, upon on the truth, accuracy and completeness of the declarations herein in matters including but not limited to creditworthiness and in assuring compliance with the PJM Agreements. Party A and Party B each recognizes and accepts that PJM or its members may suffer losses and damages if any

declaration is or becomes untrue, inaccurate or incomplete, and each agrees to indemnify PJM for any such losses and damages.

- 4.2 Party A and Party B each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with Party A and Party B as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Party A (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Party B is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.
- 4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Party A and Party B expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.
- 4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- 4.5 The Recitals are hereby incorporated into the body of this Declaration.

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

**PARTY A:**

**PARTY B:**

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

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

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

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

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

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

Company: \_\_\_\_\_

Company: \_\_\_\_\_



**DECLARATION OF AUTHORITY**

**Attachment A – Addendum**

**PRINCIPAL:** Duquesne Light Company

**AGENT:** [INSERT]

**Effective Starting Date:** [INSERT]

Note: Principal and Agent are required to provide PJM Settlement 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 shall transfer all of the following charges directly related to the Principal’s share of serving the retail load obligations from the Principal’s account(s) to the Agent’s account beginning the effective date specified above:

<b><u>Billing Line Item Number</u></b>	<b><u>Billing Line Item</u></b>
1330 (Charge)	Reactive Supply and Voltage Control from Generation and Other Sources Service
1380 (Charge)	Black Start Service
2140 (Credit)	Non-Firm Point-to-Point Transmission Service

**PJM Accounts/Subaccounts**

<b><u>Role</u></b>	<b><u>Account Long Name</u></b>	<b><u>Account Short Name</u></b>	<b><u>PJM Org ID</u></b>
Principal			
Agent			

EXHIBIT 4  
PERFORMANCE ASSURANCE LETTER OF CREDIT

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

IRREVOCABLE LETTER OF CREDIT NO.

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

APPLICANT  
[NAME]  
[ADDRESS]

BENEFICIARY  
[NAME]  
[ADDRESS]

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

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

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

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

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

“THE AMOUNT FOR THIS DRAWING, USD (INSERT AMOUNT), BEING MADE UNDER THE BANK OF \_\_\_\_\_ (BANK)

LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT FOR PERFORMANCE ASSURANCE RELATED TO THE BENEFICIARY'S PENNSYLVANIA FULL REQUIREMENTS SERVICE AGREEMENT(S) DATED \_\_\_\_\_ BETWEEN \_\_\_\_\_ AND \_\_\_\_\_."

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

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

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

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

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

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE

BORNE BY THE APPLICANT.

2. THIS LETTER OF CREDIT MAY BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98") OR SUCH LATER REVISIONS(S) OF THE ISP AS MAY BE HEREAFTER ADOPTED. AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE 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]

EXHIBIT 5  
FORM OF 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 Duquesne Light Company (the “Creditor”), with an address at [INSERT ADDRESS], in consideration of the Default Supply Master Agreement(s) (the “DSMA(s)”) between Duquesne Light Company and \_\_\_\_\_ (the “Seller”) dated \_\_\_\_\_, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the \_\_\_\_\_ of Seller.

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

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees, as primary obligor and not a surety with effect from date hereof, the prompt and complete payment when due of all of Seller’s payment obligations under the DSMA (to the extent such payment obligations exceed the amount of any Performance Assurance provided to the Creditor by Seller as defined in and in accordance with the DSMA), whether on scheduled payment dates, when due upon demand, upon declaration of termination or otherwise, in accordance with the terms of the DSMA and giving effect to any applicable grace period, and, provided only that the Creditor 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 Creditor, all reasonable out-of-pocket costs and expenses incurred by Creditor in the enforcement of the Guarantor’s obligations or collection under this Guaranty, including reasonable attorney’s fees and expenses (collectively, the “Obligations”). [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Creditor’s right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$ \_\_\_\_\_, (“Guaranty Amount”), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]
- (b) The limitations on liabilities of the Seller set forth in Article 10 of the DSMA shall also apply to the liabilities of the Guarantor hereunder.

2. Nature of Guaranty; Waivers.

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

other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims or defenses of Seller in respect of its obligations under the DSMA.

- (e) The Creditor 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 DSMA, 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 DSMA, 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 Creditor deems appropriate at its sole discretion; (iv) substitute, exchange or release any guaranty; or (v) take such actions and exercise such remedies hereunder as Creditor deems appropriate.

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

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of Creditors' rights generally, general equitable principles and an implied covenant of good faith and fair dealing;
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor (except to the extent that any such violation would not reasonably be expected to have a material adverse effect on the Guarantor or this Guaranty);

- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and
  - (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that would have a material adverse effect on this Guaranty.
4. Repayments or Recovery from the Creditor. If any demand is made at any time upon the Creditor 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 Creditor repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor (subject to Sections 2 (c) and (d) of this Guaranty) will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Creditor. 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 Creditor's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.
5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
6. Postponement of Subrogation. Only to the extent that, at the relevant time, there are Obligations, or other amounts hereunder, that are then due and payable but unpaid, the Guarantor postpones and subordinates in favor of the Creditor any and all rights which the Guarantor may have to (a) assert any claim against the Seller based on subrogation rights with respect to payments made by Guarantor hereunder and (b) any realization on any property of the Seller, including participation in any marshalling of the Seller's assets. Upon payment of such due and unpaid Obligations, Creditor



agrees that Guarantor shall be subrogated to the rights of Creditor against Seller to the extent of Guarantor's payment to Creditor.

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 Creditor 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 Creditor shall be directed to:

Attn:  
Phone:  
Fax:  
With a copy to:

Phone:  
Fax:

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

All communications to Guarantor shall be directed to:

Attn:  
Phone:  
Fax:

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

8. Preservation of Rights. Except as provided by any applicable statute of limitations, no delay or omission on the Creditor'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 Creditor's action or inaction impair any such right or power. The Creditor's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Creditor may have under other agreements with the Guarantor, at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and

enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Creditor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Creditor with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Creditor and their respective successors and permitted assigns. Neither party may assign this Guaranty in whole or in part without the other's prior written consent, which consent will not be unreasonably withheld or delayed, except that Creditor may at any time assign this Guaranty without Guarantor's consent, in the same manner, on the same terms and to the same persons as Creditor assigns the DSMA in accordance with Section 16.7(b) of the DSMA, and except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that assumes all obligations thereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB, as rated by S&P or Fitch, or Baa2, as rated by Moody's, and (ii) the Seller is in compliance with Article 14 of the DSMA. 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 Creditor 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 .Creditor. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE CREDITOR AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES.

(b) The Guarantor hereby irrevocably consents to the jurisdiction of the federal district court for the Western District of Pennsylvania or to the county court jurisdiction of the Allegheny County Court of Common Pleas; provided that nothing contained in this Guaranty will prevent the Creditor 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 Creditor 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 CREDITOR IRREVOCABLY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND CREDITOR ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.

16. Term. This Guaranty shall survive termination of the DSMA and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid or performed in full.

17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the DSMA 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 DSMA shall nonetheless be payable by the Guarantor hereunder on written demand by Creditor.

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.

ATTEST:

[Guarantor]

By: \_\_\_\_\_

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

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

**PENNSYLVANIA UNIVERSAL  
DEFAULT SUPPLIER MASTER AGREEMENT**

~~**Residential & Lighting Service**~~

**by and between  
Duquesne Light Company  
and  
[INSERT]**

**Dated [Month, Day, Year]**

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## **PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT**

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

### **WITNESSETH:**

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

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

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

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

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

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

## ARTICLE 1: DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Company** – Duquesne Light Company.

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

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

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

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

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

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

~~**Default Allocation Assessment** – Shall have the meaning ascribed to it under the PJM Agreements.~~  
**Service Supply or “DS Supply”** – All necessary Energy, Capacity, AECs for AEPS Act compliance, Ancillary Services, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).

**Delivery Period** – The delivery period specified in Appendix C.

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

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

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

**DS Fixed Price** – The price in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

**DS Fixed Price Adder For Hourly Price Service** – The fixed price adder for Hourly Price Service in dollars per MWh, as set forth in Appendix C hereto, as determined pursuant to the DS Solicitation.

**DS Load** – Means the total sales at the retail meter, plus any losses and Unaccounted For Energy (as defined by PJM), as reflected in PJM settlement volumes (including adjustments required by PJM for PJM’s derating in conjunction with implementation of marginal losses as appropriate per PJM Agreements), expressed in MWh of retail customers in a particular class of DS Customers being served by Company pursuant to the PUC Orders, as such sales vary from hour to hour, in Company’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. The DS Load is net of any reduction in load as a result of energy efficiency and demand side response programs offered by Company, PJM, curtailment service providers, or other third parties, or any retail market programs. For avoidance of doubt, DS Load shall not include (i) the amount of load that would otherwise have been served in the

absence of such energy efficiency or demand side response programs or retail market programs; or (ii) sales resulting from changes in the Company'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.

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

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

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



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

~~**Default Service Supply or “DS Supply”**— All necessary Energy, Capacity, AECs for AEPs Act compliance, Ancillary Services, all transmission and distribution losses and congestion and imbalance costs associated with the provision of such services, and such other services or products that the DS Supplier may be required, by PJM or any governmental body having jurisdiction, to provide in order to meet the DS Supplier Responsibility Share for serving DS Load under this Agreement and as detailed in Appendix C. For the avoidance of doubt, any reference in this Agreement to any other agreement for DS Supply shall include any agreement between the Parties for the provision of Energy to serve DS Load, even if such other agreement does not require delivery of additional products (e.g., Capacity).~~

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

~~**Delivery Point**— Means the applicable zone of the Company as designated by PJM.~~

~~**DS Variable Percentage Payments** – The percentage of DS Supply provided at a variable price, as set forth in Appendix C hereto.~~  
~~**DS Variable Price**— The price in dollars per MWh~~  
variable supplier payments in dollars based on the Company’s Hourly Price Service formula rate, as set forth in Appendix C hereto, associated with serving the DS Supplier Responsibility Share of the DS Supply.

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

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

**Effective Date** – The date designated on the cover page of this Agreement upon which the terms of this Agreement were agreed to by the Parties.

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

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

**Emergency** – (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a condition that requires implementation of Emergency Operations Procedures as defined in the PJM Agreements or PJM manuals; or (iii) any other condition or situation that the Company or PJM deems imminently likely to

endanger life or property or to affect or impair the Company's electrical system or the electrical system(s) of other(s) to which the Company's electrical system is directly or indirectly connected (a "Connected Entity"). Such a condition or situation may include, but shall not be limited to, potential overloading of the Company's transmission and/or distribution circuits, PJM minimum generation ("light load") conditions, or unusual operating conditions on either the Company's or a Connected Entity's electrical system, or conditions such that the Company is unable to accept Energy from the DS Supplier without jeopardizing the Company's electrical system or a Connected Entity's electrical system. Other additional emergencies can only be declared by PJM, FERC, or the PaPUC.

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

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

**FERC** – The Federal Energy Regulatory Commission.

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

**Fixed Price Transaction – A Transaction Confirmation that is not an Hourly Price Transaction.**

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

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

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

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

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

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

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

**Hourly Price Service** – service provided to Large Commercial and Industrial Class pursuant to the Company’s DS Tariffs, Rider No. 9.

**Hourly Price Transaction** – A Transaction Confirmation for Hourly Price Service, as shown on such confirmation.

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

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

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

**Large Commercial and Industrial Class – Group of Rate Schedules itemized in Appendix C that are eligible for Hourly Price Service DS Supply.**

**Load Serving Entity or “LSE”** – An entity that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electricity to retail customers located within the PJM Control Area as that term is defined in the PJM Agreements or in successor, superseding or amended versions of the PJM Agreements that may take effect from time to time over the term of this Agreement. The DS Supplier, for purposes of this Agreement, is not a Load Serving Entity and nothing contained herein shall be deemed to cause the DS Supplier to be a Load Serving Entity.

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

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

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

**Market Price Hub – AEP Dayton Hub**, a liquid pricing point located within PJM’s geographic footprint.

**Maximum Credit Limit** – The lesser of the applicable percentage of TNW or the applicable credit limit cap as specified in Section 6.4 of this Agreement.

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

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

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

**Merger Event** – When a DS Supplier consolidates or amalgamates with, or merges into or with, or transfers all or substantially all of its assets to another entity and either (i) the resulting entity fails to assume all of the obligations of such DS Supplier hereunder in the

sole discretion of the Company or (ii) the benefits of any credit support provided pursuant to Article 6 of this Agreement fail to extend to the performance by such resulting, surviving or transferee entity of the DS Supplier's obligations hereunder, and the resulting entity or its guarantor fails to meet the creditworthiness requirements of this Agreement in the sole discretion of the Company.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Rounding Amount** – \$100,000.

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

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

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

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

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

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

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

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

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

**Total Exposure Amount** – An amount calculated daily for the DS Supplier reflecting the total credit exposure to the Company and consisting of the sum of (i) the Mark-to-Market Exposure Amount arising under this Agreement; (ii) any amount(s) designated as the “Mark-to-Market Exposure Amount” arising under any other DS Supply agreements providing for “DS Supply” or similar default service; and (iii) the amount designated as the

“credit exposure” under any other DS Supply agreements providing for DS Supply or similar default service; provided that in the event the amount calculated for any day is a negative number, it shall be deemed to be zero for such day.

**Tranche** – A fixed percentage share of the Company’s DS Load for the Customer Group as indicated in any given Transaction Confirmation, as specified in Appendix C.

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

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

## **ARTICLE 2: GENERAL TERMS AND CONDITIONS**

### **2.1 Capacity in Which Company Is Entering into this Agreement**

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

The Parties acknowledge that the Agreement is a forward contract and, accordingly, the Parties hereto are entitled to the protections of Section 556 of the Bankruptcy Code. The Parties therefore agree that the Agreement may be terminated by either Party upon the commencement of a proceeding by the other Party under any chapter of the Bankruptcy Code in accordance with Article 5.2 of this Agreement.

### **2.2 Parties' Obligations**

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

The DS Supplier hereby agrees as follows:

- (i) To provide service on a firm and continuous basis such that the supply delivered for the term of the Agreement meets the terms and conditions set forth in Appendix C;
- (ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times and supplied to the Delivery Point to meet the DS Supplier Responsibility Share;
- (iii) To procure those services provided by the PJM OI and to perform such functions as may be required by the PJM OI that are necessary for the delivery of DS Supply required hereunder;
- (iv) To cooperate with the Company in any regulatory compliance efforts that may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of DS Supply, before the PaPUC, FERC or any other regulatory body asserting jurisdiction;
- (v) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, as more fully described in Article 9 of this Agreement;
- (vi) To accept assignment of and to fulfill all obligations of a LSE that are assigned to it by this Agreement;
- (vii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and
- (viii) To comply with the AEPS requirements of the Company's Default Service Plan, as detailed in Appendix E.



**(b) Obligations of the Company**

The Company hereby agrees as follows:

- (i) To pay to each DS Supplier every month an amount due, resulting from the calculations, as detailed in Article 9 of this Agreement, subject to the adjustments as expressed therein;
- (ii) To pay to the DS Supplier the PMEA/FMEA Adjustment Amount for any Billing Month in which the FMEA exceeds the PMEA, as more fully described in Article 9 of this Agreement;
- (iii) To provide to the DS Supplier its estimated aggregate load obligation (capacity MW value) for each Supply Day no less than five (5) calendar days prior to the day of delivery. Further, this information will be posted in the DS Supplier's specific PJM eMTR account, or successor system or process;
- (iv) To comply in a timely manner with all obligations under this Agreement imposed upon the Company;
- (v) To accept the delivery of DS Supply necessary to meet the DS Load;
- (vi) To be responsible (as between the Company and the DS Supplier) for the provision of the Allocated AECs to satisfy AEPS requirements; and
- (vii) To be the Load Serving Entity for supply purchased under this Agreement.

**2.3 Congestion and Congestion Management**

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to Auction Revenue Rights (ARRs) to which the Company is entitled

as an LSE pursuant to the PJM Agreements, including the rights to ARR, provided that such rights are related to the service being provided to meet the DS Supplier Responsibility Share and such rights are for the Delivery Period. All rights, liabilities and obligations associated with such ARR will accrue and be assumed by the DS Supplier through the transfer or assignment from the Company to the DS Supplier including the responsibility and ability of the DS Supplier to request or nominate such ARR when applicable and feasible. Should the conditions above not be met, the entity recognized by PJM as having the right to make the nominations will nominate such ARR for the upcoming PJM planning period and such ARR will be allocated to the DS Supplier in accordance with the PJM Agreements based upon its DS Supplier Responsibility Share.

#### **2.4 PJM Services**

The DS Supplier shall make all necessary arrangements for the delivery of DS Supply through the PJM OI. The Company will advise the PJM OI of the magnitude and location of each DS Supplier's actual DS Supplier Responsibility Share, as required by the PJM OI, for the purpose of calculating such DS Supplier's appropriate DS Supply requirements related to the provision of service under this Agreement by DS Supplier arising under the PJM Agreements. The DS Supplier shall remain responsible to PJM for the performance of its LSE obligations associated with the provision of DS Supply under this Agreement until the effective date of the transfer of such LSE obligations.

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

within the PJM system.

For the period of time this Agreement is in effect, both the Company and DS Supplier shall have executed the PJM Declaration of Authority, and shall remain in effect during the Term of this Agreement. In the event PJM requires that the Declaration of Authority be amended after execution by the DS Supplier, DS Supplier agrees to execute a revised Declaration of Authority in accordance with PJM requirements.

**2.5 PJM Agreement Modifications**

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

(b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed materially from those in effect on the Effective Date, both Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement, including the DS Supplier's responsibility for changes in PJM products and pricing during the Term. DS Supplier bears the risk and responsibility of all charges resulting from any changes in PJM products and pricing during the term of this Agreement with the exception of (i) future PJM charges related solely to the Company providing network transmission service, and (ii) those charges identified as EDC responsibility in Appendix D, including for transition costs related to the elimination of through-and-out transmission rates.

**2.6 PJM Member Default Cost Allocation**

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

**2.7 Other Fines and Penalties**

If fees, fines, penalties, or costs are claimed or assessed against the Company by any Applicable Legal Authority or PJM due to noncompliance by the DS Supplier with this Agreement, any other requirements of law, or the PJM Agreements, the DS Supplier shall indemnify and hold the Company harmless against any and all losses, liabilities, damages, and claims suffered or incurred by the Company, including claims for indemnity or contribution made by third parties against the Company, except to the extent the Company recovers any such losses, liabilities or damages through other provisions of this Agreement.

**2.8 Communications and Data Exchange**

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

The DS Supplier shall be equipped with the communications capabilities necessary

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

**2.9 Record Retention**

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

**2.10 Verification**

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

**ARTICLE 3: REPRESENTATIONS AND WARRANTIES**

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

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

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

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

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

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

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

that affect creditors' rights in general or by general principles of equity;

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

(g) There are no actions at law, suits in equity, proceedings or claims pending or, to the Company's knowledge, threatened against the Company before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially

delay, prevent or hinder the Company's performance of its obligations under this Agreement;

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

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

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

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

### **3.3 Survival of Obligations**

All representations and warranties contained in this Article are of a continuing nature and shall be maintained during the term of this Agreement or until all amounts due hereunder, including all obligations, have been paid or performed in full. If a Party learns that any of the representations, warranties or covenants in this Agreement are no longer true during the term of this Agreement, the Party shall immediately notify the other Party via facsimile, with a hard copy of the notice delivered by overnight mail. Company, may, in its sole discretion, treat any such materially incorrect or misleading representation or warranty as an Event of Default hereunder.

## **ARTICLE 4: COMMENCEMENT AND TERMINATION OF AGREEMENT**

### **4.1 Commencement and Termination**

The term of this Agreement shall commence upon the Effective Date. Unless

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

**4.2 Termination of Right to Supply**

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

**4.3 Survival of Obligations**

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

**4.4 Mutual Termination**

The Company and the DS Supplier may agree at any time during the term of this Agreement to terminate their respective rights and obligations hereunder on such terms and under such conditions that they mutually deem to be appropriate as set forth in a mutual termination agreement acceptable in form and substance to the Company and the DS Supplier (“Mutual Termination Agreement”); provided that Company agrees that it shall enter into such a Mutual Termination Agreement, which will discharge the terminating DS Supplier (the “Terminating DS Supplier”) with respect to liabilities arising after the effective date of the Mutual Termination Agreement if the following conditions precedent

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

## **ARTICLE 5: BREACH AND DEFAULT**

### **5.1 Events of Default**

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

- (i) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;

- (ii) Makes an assignment for the benefit of its creditors;
- (iii) Applies for, seeks consent to, or acquiesces in the appointment of a receiver, custodian, trustee, liquidator or similar official to manage all or a substantial portion of its assets;
- (iv) Is dissolved (other than pursuant to a consolidation, amalgamation or merger) or is the subject of a Merger Event in the case of the DS Supplier;
- (v) Has a secured party take possession of all or substantially all of its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all of its assets;
- (vi) Has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vii) In the case of a DS Supplier, PJM terminates the DS Supplier's ability to make purchases from PJM markets or PJM holds the Company responsible for the provision of DS Supply under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;
- (viii) Fails to comply with the creditworthiness requirements as set forth in Article 6 of this Agreement, including, without limitation, compliance with the creditworthiness requirements to cover the Margin calculated under Section 6.5 or post any Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;
- (ix) Is declared by PJM to be in default of any provision of any PJM Agreement, which default prevents a Party's performance hereunder if such failure is not remedied within three (3) Business Days after written notice;

(x) Fails 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;

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

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

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

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

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

(xvi) Commits an act or makes an omission that constitutes an "Event of Default" under any other agreement(s) for the provision of DS Supply between the Company and the DS Supplier; and fails to remedy such condition, event or delinquency herein above described such that the other Party (the "Non-Defaulting Party") is completely made whole with respect to such condition, event or delinquency, within three (3) Business Days of receipt of written notice thereof from such Non-Defaulting Party; provided, however, that

an Event of Default shall be deemed to have occurred immediately, without any need for the provision of notice thereof by the Non-Defaulting Party and without any right of cure on the part of the Defaulting Party, in the event of the occurrence of a condition, event or delinquency described in subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) above. Termination or modification of this Agreement by the PaPUC, other regulatory authority or court of law does not constitute an Event of Default under this Agreement.

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

1. Representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
2. Guarantor fails to make, when due, any payment required or to perform any other material covenant or obligation in any guaranty made in connection with this Agreement and such failure shall not be remedied within two (2) Business Days after written notice;
3. Guarantor's guaranty fails to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement without the written consent of the other Party; or
4. Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty.

**5.2 Rights upon Default**

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

(i) Declare an Early Termination Date of this Agreement with respect to the obligations of the Defaulting Party without any liability or responsibility whatsoever except for obligations arising prior to the date of termination, by providing written notice to the Defaulting Party; provided, however, that this Agreement shall immediately terminate automatically and without notice in the case of any Event of Default in which a DS Supplier is the Defaulting Party occurring under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) or (viii) of Article 5.1 of this Agreement and such date of automatic termination shall be deemed the Early Termination Date of this Agreement with respect to such Supplier; and

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

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

**5.3 Damages Resulting from an Event of Default**

**(a) DS Supplier's Failure to Supply DS Supply or Declaration of Early Termination By Company:** Damages resulting from (i) the DS Supplier's failure to (A)



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

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

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

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

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

The Parties further recognize and agree that the final calculation of Damages hereunder may not be known for some time since the level of such Damages may be dependent upon the arrangements made by the Company to obtain replacement services or

a replacement DS Supplier. The Company and the DS Supplier agree that, until the calculation of Damages under this provision is completed, the amount and payment to the Company of the Settlement Amount on behalf of DS Customers in the event of an Early Termination as set forth in Article 5.4 of this Agreement shall be immediately due and owing as an estimate of all Damages ultimately determined to be due and owing. After Damages have been finally determined under this Article 5.3, the amounts of Damages due and owing will be reconciled with payments already made by the DS Supplier under Section 5.4 of this Agreement.

**(b) Failure by Company on Behalf of Customers to Accept DS Supply Tendered by DS Supplier:** Damages resulting from the failure of the Company on behalf of Customers to accept DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to the DS Supplier hereunder had the Company accepted the DS Supply tendered by the DS Supplier necessary to meet the DS Supplier Responsibility Share of DS Load under this Agreement and (ii) the amount realized by the DS Supplier in disposing, in a commercially reasonable manner, of the DS Supply not accepted by the Company; provided, however, that the Company shall not be liable for any Damages if this Agreement is terminated by the PaPUC, other regulatory authority or a court of law.

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

remedy available to the DS Supplier in the event of Early Termination resulting from an Event of Default attributable to the Company.

**(d) Damages Resulting from DS Supplier's Failure to Continuously Satisfy its AEPS Obligations:** Damages resulting from the DS Supplier's failure to continuously meet and satisfy all or any portion of its obligations under Section 2.2 (a)(viii) of this Agreement shall include, but not be limited to, the amount of all penalties, costs associated with the procurement of additional AECs, etc., including, without limitation, interest and other charges, if any, levied against the Company related to AEPS regulations, due to such DS Supplier's conduct or inaction. DS Supplier has a specific obligation to provide the AECs and not money damages in substitution. Therefore, any such attempt to supply money damages instead of AECs may be treated as an event of default in the sole discretion of Company.

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

**(f) Waiver of Event of Default:** If an Event of Default has occurred and the Non-Defaulting Party is the Company, then unless the Event of Default was a failure by the DS Supplier to meet any or all of its DS Supply obligations, the Company may elect, at its sole discretion, to offer to waive the default on such terms and conditions as the Company, at its sole discretion, may deem appropriate to propose a special remedy. Any such special remedy can only be offered to the DS Supplier if it first is specifically approved by the PaPUC in accordance with Commission Orders.

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

**(a) Settlement Amount**

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

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

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

**(b) Net Out of Settlement Amounts**

The Non-Defaulting Party shall calculate a Termination Payment by aggregating

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

made to the DS Supplier. Simple interest will be calculated at the lower of the Interest Index or six (6) percent per annum.

**(c) Notice of Termination Payment**

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

**(d) Disputes With Respect to Termination Payment**

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

**(e) Multiple DS Supply Agreements**

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply

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

**5.5 Step-up Provision**

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

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

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

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

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

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

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



## **ARTICLE 6: CREDITWORTHINESS**

### **6.1 Applicability**

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

### **6.2 Creditworthiness Determination**

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

### **6.3 Mark-to-Market Credit Exposure Methodology**

To calculate the daily exposure for each DS Supplier, the MtM credit exposure methodology will be used. The “mark” for each Billing Month will be determined at the time the auction is completed based on the available Forward Market Prices and for the remaining Billing Months, it will be derived based on historical data. At the time the auction is completed, the MtM credit exposure for each DS Supplier shall be equal to zero. Subsequently, the differences between the available Forward Market Prices on the valuation date and the “mark” prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DS Supplier. The total MtM credit exposure will be equal to 1.1 times the sum of the MtM credit exposures for each Billing Month. The methodology for calculation of the MtM credit exposure is illustrated in the example (using hypothetical numbers) set forth in Appendix B hereto.

### **6.4 Credit Limit**

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

(i) For a DS Supplier to be granted an unsecured line of credit, the DS Supplier must be rated by at least two of the following rating agencies: S&P, Moody’s, or Fitch. The methodology for determining the credit rating to use is set forth in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount will be determined based on the credit matrix table in Appendix A of this Agreement.

The DS Supplier will be required to post cash or a letter of credit in an acceptable

form as defined in Section 6.7 (b) of this Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement;

(ii) For a DS Supplier having a Guarantor, in the case of a Guarantor organized under the laws of the United States, the Guarantor (1) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (2) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the Guarantor is rated by only two rating agencies, and the ratings are split, the rating will be established based on the methodology outlined in Appendix A of this Agreement. The Maximum Credit Limit to cover the Total Exposure Amount that could be provided through the Guaranty (see standard format in Exhibit 5) will be determined based on the credit matrix table for Guarantors in Appendix A. The DS Supplier will be granted a credit limit equal to the lesser of (i) the amount of the Guaranty as provided to the Company at the time this Agreement is executed as such amount may be modified in any amended or substitute Guaranty provided to the Company during the term of this Agreement, or (ii) the Supplier's Maximum Credit Limit. The DS Supplier, however, may not increase or substitute its Guaranty for the purpose of increasing its applicable credit limit during the time period after the Company has made a Margin call but before the DS Supplier has posted the required Margin. Notwithstanding anything herein to the contrary, the DS Supplier may increase the limit of its Guaranty after satisfying a Margin call from the Company and upon the Company's receipt of an amended or substitute Guaranty increasing the limit of the Guaranty, the DS Supplier may request a return of Margin in accordance with Section 6.5 of this Agreement. The DS Supplier will be required to post cash or a letter of credit in an acceptable form as defined in Section 6.7(b) of this

Agreement (see standard format in Exhibit 4) for the Margin due the Company as set forth in Section 6.5 of this Agreement; or

(iii) For a DS Supplier or Guarantor that has not been incorporated or otherwise formed under the laws of the United States and whose financial data is not denominated in United States currency and does not conform to generally accepted accounting principles (“GAAP”) in the United States, they shall supply the following additional information:

- a. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the DS Supplier or Guarantor is incorporated or otherwise formed that this Agreement is, or upon completion of execution formalities will become, the binding obligation of the DS Supplier or Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- b. The sworn certificate of the corporate secretary (or similar officer) of such DS Supplier or Guarantor that the person executing this Agreement on behalf of the DS Supplier has the authority to execute the Agreement and that the governing board of the DS Supplier or Guarantor has approved the execution of this Agreement;
- c. The sworn certificate of the corporate secretary (or similar officer) of such DS Supplier or Guarantor that the DS Supplier or Guarantor has been authorized by its governing board to enter into agreements of the same type as this Agreement; and
- d. Such other documents and certificates as may be required by the Company in its sole discretion.

(iv) The posting of cash or a letter of credit as defined in Section 6.7 (b) below for the entire Total Exposure Amount as set forth in Section 6.5 of this Agreement.

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

(a) If at any time and from time to time during the term of this Agreement the Total Exposure Amount, rounded by the Rounding amount, exceeds the DS Supplier's or the Guarantor's credit limit by the Minimum Transfer Amount (MTA), then the Company, on any Business Day, may request that the DS Supplier provide cash or a letter of credit in an acceptable form as defined in Article 6.7(b) of this Agreement (see standard format in Exhibit 4), in an amount equal to the Margin (less any Margin posted by the DS Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DS Supplier for the provision of DS Supply).

If the DS Supplier receives written notice for Margin from the Company by 1:00 p.m. New York time on a Business Day, then the DS Supplier shall post Margin the next following Business Day, if posting cash, and by the second Business Day following the date of notice, if posting a letter of credit, unless the Company agrees in writing to extend the period to provide Margin. If the DS Supplier receives notice for Margin from the Company after 1:00 p.m. New York time on a Business Day, whether posting cash or a letter of credit, then the DS Supplier must post Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide Margin. The Company will not unreasonably deny a request for a one-day extension of such period. In the event that the DS Supplier fails to post Margin when due in accordance with this Article 6.5, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the Company will be entitled to the remedies set forth in

Article 5 of this Agreement.

(b) Surplus Margin being held by the Company that is not needed to satisfy the Total Exposure Amount, as determined above, will be returned to the DS Supplier upon receipt of a written request by the DS Supplier. Surplus Margin means cash or a letter of credit posted by the DS Supplier as a result of a request by the Company pursuant to Article 6.5(a) that exceeds the Total Exposure Amount less the DS Supplier's or the Guarantor's credit limit (rounded by the Rounding Amount). If the resulting Surplus Margin amount is more than the Minimum Transfer Amount, it will be returned to the DS Supplier. If the DS Supplier posted cash and notice is received by 1:00 p.m. New York time on a Business Day, the surplus Margin will be returned by the next following Business Day and if the DS Supplier posted cash and notice is received by the Company after 1:00 p.m. New York time on a Business Day, the surplus Margin shall be returned by the second Business Day following the date of notice, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. If the DS Supplier posted a letter of credit, the surplus Margin shall be returned on the next Business Day following the Business Day on which the amendment to the letter of credit is received from the issuing bank, unless the DS Supplier agrees in writing to extend the period to return the surplus Margin. The DS Supplier will not unreasonably deny a request for a one-day extension of such period. In the event that the Company fails to return the surplus Margin when due in accordance with this Article, then an Event of Default under Article 5 of this Agreement will be deemed to have occurred and the DS Supplier will be entitled to the remedies set forth in Article 5 of this Agreement.

**6.6 Grant of Security Interest/Remedies**

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

(the DS Supplier remaining liable for any amounts owing to the Company after such application), subject to the Company's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

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

If to a DS Supplier to:

Copy to:

If to the Company to: James H. Milligan, Assistant Treasurer  
Duquesne Light Company  
411 Seventh Avenue, Pittsburgh, PA 15219

Copy to: Joan Jenkins, ~~Forecasting~~ & Procurement Analyst  
Duquesne Light Company  
411 Seventh Avenue, Pittsburgh, PA 15219

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

#### **6.7 Security Instruments**

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

- (a) Cash; or



(b) A standby irrevocable letter of credit acceptable to the Company, in its sole discretion, issued by a bank or other financial institution with a minimum “A-” senior unsecured debt rating (or, if unavailable, corporate issuer rating discounted one notch) from S&P and “A3” from Moody’s (see standard format in Exhibit 4). The letter of credit shall state that it shall renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days prior written notice from the issuing financial institution. If the Company receives notice from the issuing financial institution that the letter of credit is being cancelled, the DS Supplier will be required to provide a substitute letter of credit from an alternative bank satisfying the minimum requirements. The receipt of the substitute letter of credit must be effective as of the cancellation date and delivered to the Company thirty (30) days before the cancellation date of the original letter of credit. If the DS Supplier fails to supply a substitute letter of credit as required, then the Company will have the right to draw on the existing letter of credit and to hold the amount as Margin.

If the credit rating of a bank or other financial institution from which a DS Supplier has obtained a letter of credit falls below the levels specified in Article 6 of this Agreement, the DS Supplier shall have two (2) Business Days following written notice by the Company to obtain a suitable letter of credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by the Company. The Company shall have no obligation under this Agreement or otherwise to make or grant such extension.

**6.8 Maintenance of Creditworthiness**

**(a) Reporting of Changes**

The DS Supplier shall promptly notify the Company of any change in its credit

rating or financial condition or that of its Guarantor. The DS Supplier or Guarantor shall also furnish evidence of an acceptable credit rating or financial condition upon the request of the Company.

**(b) Change in Credit Standing**

The Company will re-evaluate the creditworthiness of a DS Supplier whenever it becomes aware of an adverse change, through the provision of notice by the DS Supplier or otherwise, in the DS Supplier's or Guarantor's credit standing. If the lowest credit rating (whether senior unsecured debt rating or corporate issuer rating) used to determine the DS Supplier's Maximum Credit Limit or its credit limit adversely changes, the Company will require additional security from the DS Supplier in accordance with Sections 6.4 of this Agreement. The additional security must be in a form acceptable to the Company in its sole discretion, as specified in Article 6.7 of this Agreement and must be posted as set forth in Section 6.5 of this Agreement.

**6.9 Calling on Security**

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

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

The foregoing notwithstanding, the security posted by the DS Supplier shall become due automatically without prior notice or right of cure in the case of any Event of

Default arising under subsections (i), (ii), (iii), (iv), (v), (vi), (vii) and (viii) of Section 5.1 of this Agreement.

**6.10 Interest on Cash Held by Company**

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

**6.11 No Endorsement of DS Supplier**

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

**6.12 Multiple DS Supply Agreements**

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the effective date of this Agreement or is entered into after the effective date of this Agreement, the Company will calculate the Margin applicable to all such agreements as set forth in Appendix A of this Agreement; provided, however, that if another agreement has a more stringent credit threshold, then the more stringent credit

threshold shall apply. Each DS Supplier that is a party to such other agreements with the Company for the provision of DS Supply hereby agrees that such other agreements are deemed amended by this Agreement for the purpose of calculating the Margin as described herein.

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

**7.1 Load Obligations**

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

**7.2 Data Transmission**

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

**7.3 Energy Scheduling**

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

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

**8.1 Energy Settlement by PJM**

The settlement process occurs at PJM to reflect the DS Supplier's actual Energy

obligations in a supply/usage reconciliation process. The Energy obligations for each DS Supplier will be determined based on the DS Supplier Responsibility Share of the DS Load. The reconciled total DS Energy obligation will be based on the final total Energy loads for the Customers receiving DS service, including de-ration adjustments for marginal losses.

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

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

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

## **ARTICLE 9: BILLING AND PAYMENT**

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

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

(a) Each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier.

- ~~• (a) Each Billing Month, the Company will prepare a Statement of~~

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

- For Hourly Price Transactions, this Statement will show the aggregate  
amounts due based on the DS Fixed Price Adder For Hourly Price  
Service multiplied by the hourly Energy requirements of DS Supply  
used to determine the PMEA multiplied by the DS Fixed Percentage as  
shown in Appendix C for each hour of the Billing Month, plus the DS  
Variable Payments used to determine the PMEA for each hour of the  
Billing Month.

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

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

(d) To the extent that the FMEA differs from the PMEA, the Company shall

pay or charge the DS Supplier for the PMEA/FMEA Adjustment Amount within the PJM deadline for conducting the final settlement.

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

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

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

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

(i) If payment is made to the DS Supplier after the due date shown on the

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

(j) If Seller does enter more than one transaction with Buyer, Buyer may provide a single invoice listing the relevant information detailed.

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

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

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

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

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

(b) Invoices shall be subject to adjustment for any arithmetic errors,



computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of this Agreement.

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

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

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

## **ARTICLE 10: SYSTEM OPERATION**

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

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

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

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

The Parties agree and acknowledge that service to DS Customers may be inadvertently lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of the Company affecting the transmission and distribution

system of the Company. Neither Party will have any liability to the other Party for the occurrence of such events except for the Company's obligation to pursue steps for the resumption of the disrupted service as set forth in Section 10.3 below. In no event will an inadvertent loss of service affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such inadvertent loss of service.

**10.3 Good Faith Efforts**

The Company shall use good faith efforts to minimize any curtailment, interruption or reduction in service to DS Customers to the extent reasonably practicable under the circumstances.

**10.4 PJM Requirements**

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

**10.5 Compliance with Governmental Directives**

The DS Supplier also acknowledges and agrees that the Company may need to act

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

## **ARTICLE 11: DISPUTE RESOLUTION**

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

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

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

After the requirements of Article 11.1 (Informal Dispute Resolution) have been satisfied, all unresolved disputes, except as noted below, between the Parties shall be submitted to the appropriate authority. Nothing in this Agreement shall restrict the rights of either Party to file a complaint with the FERC under relevant provisions of the Federal Power Act ("FPA"), with the PaPUC under relevant provisions of the Applicable Legal Authorities, with the Allegheny Court of Common Pleas or with the Western District of

Pennsylvania Federal Court. The Party's agreement hereunder is without prejudice to any Party's right to contest the jurisdiction of the agency or court listed above to which a complaint is brought.

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

To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the "public interest" standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the "Mobile-Sierra Doctrine").

**ARTICLE 12: REGULATORY AUTHORIZATIONS AND JURISDICTION**

**12.1 Compliance with Applicable Legal Authorities**

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

Authorities.

### **12.2 FERC Jurisdictional Matters**

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

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

DS Supplier acknowledges that DS Customers may participate in energy efficiency and conservation programs offered by the Company (required by Applicable Legal Authorities or otherwise offered by the Company whether voluntarily or not), by PJM, or by other third parties and, for the avoidance of doubt, any programs offered or conducted by the Company or other entities relating to or arising from the PaPUC's Investigation of Pennsylvania's Retail Electricity Market, PaPUC Docket No. I-2011-2237952 (including legislation enacted to address the Commission's Final Order in Docket No. I-2011-2237952), and that such participation may reduce or change the amount of DS Supply that DS Supplier is required to provide and the amount of monies it may receive

under this Agreement. The Company shall have no obligation whatsoever to DS Supplier with respect to the effect, if any, of such programs. DS Supplier is solely responsible for determining the effect, if any, of such programs on future load requirements.

**ARTICLE 13: LIMITATION OF REMEDIES, LIABILITY AND DAMAGES**

**13.1 Limitations on Liability**

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

otherwise obtaining an adequate remedy is inconvenient and the Damages calculated hereunder constitute a reasonable approximation of the harm or loss.

**13.2 Risk of Loss**

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

**ARTICLE 14: INDEMNIFICATION**

**14.1 Indemnification**

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



against any and all such third party claims and/or liabilities, and shall appoint counsel at DS Supplier's expense, subject to the approval of Company, to defend any such claims or liabilities, except to the extent that a court of competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Company. The Company may, at its own expense, retain counsel and participate in the defense of any such suit or action.

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

(c) If either Party intends to seek indemnification under Article 14.1(a) or 14.1(b), as applicable, from the other Party, the Party seeking indemnification shall give the other Party notice of such claim within ninety (90) days of the later of the

commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent that the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. Neither Party may settle or compromise any claim without the prior consent of the other Party; provided, however, said consent shall not be unreasonably withheld, conditioned or delayed.

**14.2 Survives Agreement**

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

**ARTICLE 15: FORCE MAJEURE**

**15.1 Force Majeure**

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

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

**15.2 Notification**

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

**ARTICLE 16: MISCELLANEOUS PROVISIONS**

**16.1 Notices**

Unless otherwise stated herein, all notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by overnight express mail or courier service. Notice may also be provided via e-mail or facsimile transmission (with the original transmitted by any of the other delivery methods specified in the previous sentence) addressed per the notification information for the DS Supplier and Company as set forth in Exhibit 2 hereto.

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

**16.2 No Prejudice of Rights**

The failure of a Party to insist on any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder,

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

**16.3 Effect of Regulatory or Legislative Actions**

- (a) The Parties agree that the Company's obligations under this Agreement are contingent on, and limited by, the Company's ability to recover all costs incurred by it under this Agreement from its retail customers in full and on a current basis. If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which have the effect of depriving the Company's full and current recovery of said costs, the Company may terminate this Agreement upon ten (10) days written notice. The Parties agree that any such termination shall not constitute an Event of Default under this Agreement.
- (b) If any statutes, rules, regulations, or orders are enacted, amended, entered, or revoked which transfers the Company's obligation to procure or supply DS Supply to third party, this Agreement may be transferred to such third party in accordance with the provisions of Section 16.4 below. The Parties agree that any such transfer shall not constitute an Event of Default under this Agreement.
- (c) In the event that this Agreement is terminated as a result of any of the reasons set forth in subsections (a) and (b) of Section 16.3 above, the Parties agree that the Company shall not be liable for any costs or damages incurred

or otherwise associated with (i) the transfer of the Company's obligation to obtain or provide DS Supply to third party, or (ii) the elimination of the Company's obligation to obtain or provide DS Supply.

**16.4 Assignment**

Parties shall not assign any of their rights or obligations under this Agreement without obtaining the prior written consent of the non-assigning Party, which consent shall not be unreasonably withheld. No assignment of this Agreement shall relieve the assigning Party of any of its obligations under this Agreement until such obligations have been assumed by the assignee and all necessary consents have been obtained. Any assignment in violation of this Section ~~16.3~~16.4 shall be void; provided, however, the Company may assign any or all of its rights and obligations under this Agreement notwithstanding anything contained herein to the contrary, without the DS Supplier's consent, to any entity succeeding to all or substantially all of the assets of the Company, or to a third party in accordance with Section 16.3(b), if such assignee agrees, in writing, to be bound by all of the terms and conditions hereof and all necessary regulatory approvals are obtained. The DS Supplier may, with prior written notice to the Company but without obtaining the approval of the Company, assign the accounts, revenues or proceeds under this Agreement to a third party. The Company agrees that, following receipt of such notice of the assignment of accounts, revenues or proceeds and such other documentation that the Company may reasonably request, the Company will pay amounts becoming due to the assigning DS Supplier under this Agreement directly to the designated assignee; provided, however, that nothing herein shall enlarge or expand the rights of such designated assignee beyond the rights granted to the DS Supplier, and the right of such designated assignee to receive payments shall be subject to all defenses, offsets and claims of the Company

arising under this Agreement.

**16.416.5      Governing Law and Venue**

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, without regard to principles of conflicts of law. Except for matters jurisdictional to FERC, the PUC or the appellate courts having jurisdiction over the PUC or FERC matters, all disputes hereunder shall be resolved in the Pennsylvania State court or Federal court of competent jurisdiction and within reasonably close proximity to the Company. Each Party hereby waives its respective rights to any jury trial with respect to any litigation arising under or in connection with this Agreement.

**16.516.6      Regulatory Approvals**

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

**16.616.7      Headings**

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

**16.716.8 Third Party Beneficiaries**

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

**16.816.9 General Miscellaneous Provisions**

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

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

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

(d) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement. The Parties further agree that this Agreement is the complete and exclusive statement of agreement and supersedes all

proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto. This Agreement shall be considered for all purposes as prepared through the joint efforts of the Parties and shall not be construed against one Party or the other as a result of the preparation, substitution, submission or other event of negotiation, drafting or execution hereof. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement or any Transaction.

**16.916.10 Taxes**

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



upon demand.

**~~16.10~~16.11 Audit**

Each Party has the right on at least three (3) Business Days prior written notice, at its sole expense and during normal working hours, to examine the records of the other Party to the extent reasonably necessary to verify the accuracy of any statement, charge or computation made pursuant to this Agreement. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made in accordance with Article 9 (Billing and Payment) and 9.1(i) (Interest on Unpaid Balances) of this Agreement.

**~~16.11~~16.12 Rules of Interpretation**

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

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

- (d) References to Articles, Sections, Clauses and the Preamble are, unless the context indicates otherwise, references to Articles, Sections, Clauses and the Preamble of this Agreement;
- (e) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (f) If any payment due under this Agreement would be, by operation of the terms and conditions of any provision hereof, due and payable on a day other than a Business Day, such payment shall be made on the next following Business Day.

**~~16.12~~16.13 Confidentiality**

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

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

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

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

**~~16.13~~16.14 Federal Acquisition Regulation**

If any of the following clauses prescribed by the Federal Acquisition Regulation ("FAR"), 48 Code of Federal Regulations Chapter 1, should be deemed to apply to this Agreement, the DS Supplier shall comply with the requirements of such clause(s), and

shall include the terms or substance of such clause(s) in its subcontracts, as and to the extent required by the FAR:

- 1) Clean Air and Water: § 52.223-2;
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation: § 52.222-4;
- 3) Equal Opportunity: § 52.222-26;
- 4) Affirmative Action for and Employment Reports on Special Disabled and Vietnam Era Veterans: § 52.222-35 and § 52.222-37;
- 5) Affirmative Action for Handicapped Workers: § 52.222-36; and
- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: § 52.219-8 and § 52-219-9.

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

**16.1416.15 Binding Terms**

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

**16.1516.16 Amendment**

This Agreement, including the appendices hereto, cannot be amended without the written agreement of all Parties prior to such amendment becoming effective. Except as provided in Appendix C, the rates, terms and conditions contained in this Agreement are

not subject to change under Sections 205 or 206 of the Federal Power Act absent the mutual written agreement of the Parties. To the extent permitted by law and absent agreement to the contrary, each Party, for itself and its successors and assigns, hereby expressly and irrevocably waives its rights to argue before any governmental authority that any review, modification, or rescission of this Agreement should be considered under any standard of review other than the “public interest” standard set forth in *United Gas Pipe Line Co. v. Mobile Gas Service Corp.*, 350 U.S. 332 (1956) and *Federal Power Commission v. Sierra Pacific Power Co.*, 350 U.S. 348 (1956), affirmed by *Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al.*, 554 U.S. 527 (2008) (the “Mobile-Sierra Doctrine”).

**16.1616.17 Counterparts**

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

**16.1716.18 Successors**

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

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

**ATTEST:**

**DUQUESNE LIGHT COMPANY**

\_\_\_\_\_

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

By: \_\_\_\_\_

Name: C. James Davis, Jr.  
Title: Director, Rates and Energy Procurement  
& Federal/RTO Affairs

**ATTEST:**

**[INSERT]**

\_\_\_\_\_

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

By: \_\_\_\_\_

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

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

## APPENDIX A- MAXIMUM UNSECURED CREDIT

### Credit Rating Matrix Tables for EDC's

#### EDC: Duquesne Light Company

Credit Rating of the DS Supplier			Maximum Credit Limit (calculated as the lesser of the percentage of TNW or the Credit Limit Cap below)	
S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap
A- and above	A3 and above	A- and above	16%	\$60,000,000
BBB +	Baa1	BBB +	10%	\$40,000,000
BBB	Baa2	BBB	7%	\$30,000,000
BBB-	Baa3	BBB-	3%	\$20,000,000
BB+	Ba1	BB+	0%	\$0
BB	Ba2	BB	0%	\$0
BB-	Ba3	BB-	0%	\$0
Below BB-	Below Ba3	Below BB-	0%	\$0

#### Credit Rating Determination Methodology

The DS Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating. If the DS Supplier or its Guarantor is rated by three rating agencies, and the ratings are split, the lowest rating will be used. **Minimum Rating** – The lowest credit rating for a DS Supplier, as set forth in this Appendix A, that can obtain unsecured credit.

## **APPENDIX B – METHODOLOGY FOR CALCULATION OF MARK TO MARKET (MTM) EXPOSURE**

### **Parameters**

In calculating the MtM Exposure for each Transaction, the following parameters are set on the Transaction Date:

1. On-Peak Initial Mark Price
2. Off-Peak Initial Mark Price
3. MW-Measure
4. On-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
5. Off-Peak Estimated Energy Quantity Per MW-Measure for each of the twelve calendar months
6. Number of awarded Bid Blocks

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) Current Capacity PLC Per Bid Block
- 4) On-Peak Estimated Energy Quantity
- 5) Off-Peak Estimated Energy Quantity



**Determination of On-Peak Forward Prices**

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub On-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly On-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that On-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the On-Peak Forward Price for that month using a methodology that utilizes the best information available to Buyer at that time. For example, the On-Peak Forward Price for the given month may be updated based on the changes in On-Peak Forward Price

quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day

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

On each Business Day subsequent to the Transaction date, Buyer or Broker will contact four Reference Market-Makers to obtain bid and ask Energy price quotes for AEP Dayton Hub Off-Peak Hours for each month of the Delivery Period. For Buyer to include a monthly Off-Peak Forward Price quote from a Reference Market-Maker, both bid and ask prices must be available. For any month for which there are no single month quotes, but for which there are two month, quarterly, or 12 month quotes available (“Aggregate Quotes”), Buyer shall disaggregate the Aggregate Quote into monthly components in the following manner. The most recently available single month quotes for the same calendar months contained in the Aggregate Quote shall be averaged. The percentage by which each single month price differs from the average of the single month prices for the same time period of the Aggregate Quote will be applied to the Aggregate Quote to establish monthly prices for the like month of the Aggregate Quote, such that the average will be Aggregate Quote. In the event that quotes for one or more months of a multi-month block and for the entire multi-month block in aggregate are both available, but are inconsistent with each other, Buyer will use the one that is most consistent with other available quotes.

Quotes from the Reference Market-Makers will be examined to identify quotes that are out of line and potentially invalid or are in obvious error. Reference Market-Makers will be asked to either correct or verify data that is anomalous and/or inconsistent with that provided by other sources or is in obvious error. If the data cannot be verified in time for the daily mark, the anomalous data will be discarded.

To the extent that Off-Peak Forward Price quotes are not available for a given month on a given Business Day, either as single month price quotes or as an Aggregate Quote, Buyer shall establish the Off-Peak Forward Price for that month using a methodology that utilizes

the best information available to Buyer at that time. For example, the Off-Peak Forward Price for the given month may be updated based on the changes in Off-Peak Forward Price quotes for different months provided by Reference Market-Makers between the prior Business Day and the current Business Day.

***Example of Disaggregating Aggregate Quotes***

The following is an example of the process to be used for disaggregating Aggregate Quotes:

- a. Aggregate Quote only available for January – March: \$60/MWh.
- b. Immediate Prior Calendar year quotes for January, February, and March as follows:

January: \$42/MWh

February: \$45/MWh

March: \$40/MWh

- c. Calculations as follows:

- 1. Calculate Average price in (b) = \$42.33/MWh

- 2. Calculate monthly deviation from Average:

January: 99.2% ( $\$42/\$42.33$ )

February: 106.3% ( $\$45/\$42.33$ )

March: 94.5% ( $\$40/\$42.33$ )

- 3. Disaggregate the Aggregate Quote by applying percentages from c.(2) to the available aggregate quote:

January: \$59.53 ( $\$60 \times 99.2\%$ )

February: \$63.78 ( $\$60 \times 106.3\%$ )

March: \$56.69 ( $\$60 \times 94.5\%$ )

Mark-To-Market Example

<b>Necessary Information from a Transaction Confirmation:</b>		
Delivery Period	June 1, 2011 - May 31, 2012	
Bid Blocks	3	(j)
Estimated Energy Quantity Per MW-Measure		
	On-Peak MWh (k)	Off-Peak MWh (l)
Jan	11800	8300
Feb	13000	9100
Mar	9100	6400
Apr	7200	5000
May	8800	6200
Jun	12900	9000
Jul	15200	10600
Aug	16000	11200
Sep	9500	6700
Oct	8300	5800
Nov	9800	6900
Dec	10900	7600

<b>Business Day on which MtM is Calculated:</b>	June 24, 2011
<b>MW-Measure:</b>	50.0 MW (m)
<b>Current Capacity PLC Per Bid Block:</b>	40.0 MW (n)
<b>Percent of On-Peak Hours Remaining in Current Month:</b>	18.2% (o)
<b>Percent of Off-Peak Hours Remaining in Current Month:</b>	21.7% (p)

MtM Exposure Calculation									
	a	b	c	d	e=c-a	f=d-b	g=k*n/m*j*o	h=l*n/m*j*p	r=(e*g)+(f*h)
	On-Peak Initial Mark Price \$/MWh	Off-Peak Initial Mark Price \$/MWh	On-Peak Forward Price \$/MWh	Off-Peak Forward Price \$/MWh	Change In On-Peak Price \$/MWh	Change In Off-Peak Price \$/MWh	On-Peak Estimated Energy Quantity MWh	Off-Peak Estimated Energy Quantity MWh	MtM Exposure
Jun-11	57.04	27.95	58.48	28.65	1.44	0.70	5,629	4,696	\$ 11,393
Jul-11	72.81	31.31	75.26	32.36	2.45	1.05	36,480	25,440	\$ 116,088
Aug-11	72.81	34.23	74.28	34.91	1.47	0.68	38,400	26,880	\$ 74,726
Sep-11	45.56	24.15	47.31	25.08	1.75	0.93	22,800	16,080	\$ 54,854
Oct-11	43.23	23.34	46.09	24.89	2.86	1.55	19,920	13,920	\$ 78,547
Nov-11	43.23	25.50	46.40	27.38	3.17	1.88	23,520	16,560	\$ 105,691
Dec-11	43.23	26.36	44.86	27.36	1.63	1.00	26,160	18,240	\$ 60,881
Jan-12	50.73	38.55	54.45	41.39	3.72	2.84	28,320	19,920	\$ 161,923
Feb-12	50.73	39.06	53.61	41.29	2.88	2.23	31,200	21,840	\$ 138,559
Mar-12	45.23	30.75	47.64	32.39	2.41	1.64	21,840	15,360	\$ 77,825
Apr-12	45.23	25.78	48.01	27.36	2.78	1.58	17,280	12,000	\$ 66,998
May-12	47.06	24.94	49.06	26.00	2.00	1.06	21,120	14,880	\$ 58,013
									<b>\$ 1,005,499</b>

**CALCULATION OF MTM EXPOSURE FOR HOURLY PRICE TRANSACTIONS**

The MtM Exposure for an Hourly Price Transaction shall be calculated as follows. During the first month of the term of a Transaction, the MtM Exposure shall be equal to Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche. Thereafter, the MtM Exposure shall be calculated on the first Business Day of each month during the term of a Transaction and shall be deemed equal to the product of: (i) Two Hundred Fifty Thousand Dollars (US\$250,000.00) per Tranche; (ii) the ratio of the Current Capacity PLC Per Tranche to the MW-Measure; (iii) the number of Tranches awarded to the DS Supplier per the Transaction Confirmation; and (iv) the ratio of the calendar days remaining in the Delivery Period to the total calendar days in the Delivery Period. The following definitions shall apply for the purposes of this calculation:

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

“Current Capacity PLC Per Tranche” is the Capacity PLC of a Tranche as of the Business Day the MtM Exposure is calculated for the Transaction.

“MW-Measure” means the Current Capacity PLC Per Tranche as of the Transaction Date.

## **APPENDIX C - DS SUPPLY SPECIFICATIONS**

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

### **Product:**

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

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

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

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

### **DS Customer Group:**

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

Residential & Lighting;

Small Commercial and Industrial (annual peak demands less than 25kW);

Medium Commercial and Industrial (annual peak demands greater than or equal to 25kW and less than 300kW);

Large Commercial and Industrial (annual peak demands greater than 300kW)

**Service Type:**

Residential & Lighting : RA, RS, RH, AL, SE, SM, SH, PAL

Small Commercial and Industrial : GS, GM < 25 kW, GMH < 25 kW, MTS/UMS, UMS

Medium Commercial and Industrial : GM > 25 kW, GMH > 25 kW

Large Commercial and Industrial : GL, GLH, L, HVPS

**Delivery Point:**

Duquesne Residual Aggregate Zone in PJM

**Delivery Period:**

Will be specified in Transaction Confirmations to this SMA.

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

Will be specified in Transaction Confirmations to this SMA.

**DS Supplier Responsibility Share:**

Fixed percentage share of DS Load for DS Customer Group associated with Transaction Confirmation. Typically, number of tranches won x Tranches Percentage for the DS Customer Group. Will be specified in Transaction Confirmations to this SMA.

**Seasonal Billing Factor:**

None used.

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

ID #	PJM Billing Statement Line Items	Responsible Party	
		EDC	DS Supplier
<b>ID#</b>	<b>CHARGES</b>		
1000	Amount Due for Interest on Past Charges		DS Supplier
1100	Network Integration Transmission Service	EDC	
1101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
1102	Network Integration Transmission Service (exempt)	EDC	
1104	Network Integration Transmission Service Offset	EDC	
1108	Transmission Enhancement	EDC	
1109	MTEP Project Cost Recovery		DS Supplier
1110	Direct Assignment Facilities		DS Supplier
1120	Other Supporting Facilities		DS Supplier
1130	Firm Point-to-Point Transmission Service		DS Supplier
1133	Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
1136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier



**Exhibit JP-3**

1138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier
1140	Non-Firm Point-to-Point Transmission Service		DS Supplier
1143	Non-Firm Point-to-Point Transmission Service Resale Charge		DS Supplier
1145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
1147	Neptune Unscheduled Usage Billing Allocation		DS Supplier
1155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
1157	Linden Unscheduled Usage Billing Allocation		DS Supplier
1165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
1166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
1167	Hudson Unscheduled Usage Billing Allocation		DS Supplier
1200	Day-ahead Spot Market Energy		DS Supplier
1205	Balancing Spot Market Energy		DS Supplier
1210	Day-ahead Transmission Congestion		DS Supplier
1215	Balancing Transmission Congestion		DS Supplier
1218	Planning Period Congestion Uplift		DS Supplier
1220	Day-ahead Transmission Losses		DS Supplier
1225	Balancing Transmission Losses		DS Supplier
1230	Inadvertent Interchange		DS Supplier
1240	Day-ahead Economic Load Response		DS Supplier
1241	Real-time Economic Load Response		DS Supplier
1242	Day-ahead Load Response Charge Allocation		DS Supplier

**Exhibit JP-3**

1243	Real-time Load Response Charge Allocation		DS Supplier
1245	Emergency Load Response		DS Supplier
1250	Meter Error Correction		DS Supplier
1260	Emergency Energy		DS Supplier
1301	PJM Scheduling, System Control and Dispatch Service – Control Area Administration		DS Supplier
1302	PJM Scheduling, System Control and Dispatch Service – FTR Administration		DS Supplier
1303	PJM Scheduling, System Control and Dispatch Service –Market Support		DS Supplier
1304	PJM Scheduling, System Control and Dispatch Service – Regulation Market Administration		DS Supplier
1305	PJM Scheduling, System Control and Dispatch Service – Capacity Resource/Obligation Mgmt.		DS Supplier
1306	PJM Scheduling, System Control and Dispatch Service – Advanced Second Control Center		DS Supplier
1307	PJM Scheduling, System Control and Dispatch Service – Market Support Offset		DS Supplier
1308	PJM Scheduling, System Control and Dispatch Service Refund – Control Area Administration		DS Supplier
1309	PJM Scheduling, System Control and Dispatch Service Refund – FTR Administration		DS Supplier
1310	PJM Scheduling, System Control and Dispatch Service Refund – Market Support		DS Supplier
1311	PJM Scheduling, System Control and Dispatch Service Refund –Regulation Market Administration		DS Supplier
1312	PJM Scheduling, System Control and Dispatch Service Refund – Capacity Resource/Obligation Mgmt.		DS Supplier
1313	PJM Settlement, Inc.		DS Supplier
1314	Market Monitoring Unit (MMU) Funding		DS Supplier
1315	FERC Annual Charge Recovery		DS Supplier
1316	Organization of PJM States, Inc. (OPSI) Funding		DS Supplier
1317	North American Electric Reliability Corporation (NERC)		DS Supplier
1318	Reliability First Corporation (RFC)		DS Supplier

**Exhibit JP-3**

1320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
1340	Regulation and Frequency Response Service		DS Supplier
1350	Energy Imbalance Service		DS Supplier
1360	Synchronized Reserve		DS Supplier
1362	Non-Synchronized Reserve		DS Supplier
1365	Day-ahead Scheduling Reserve		DS Supplier
1370	Day-ahead Operating Reserve		DS Supplier
1371	Day-ahead Operating Reserve for Load Response		DS Supplier
1375	Balancing Operating Reserve		DS Supplier
1376	Balancing Operating Reserve for Load Response		DS Supplier
1377	Synchronous Condensing		DS Supplier
1378	Reactive Services		DS Supplier
1380	Black Start Service		DS Supplier
1400	Load Reconciliation for Spot Market Energy		DS Supplier
1410	Load Reconciliation for Transmission Congestion		DS Supplier
1420	Load Reconciliation for Transmission Losses		DS Supplier
1430	Load Reconciliation for Inadvertent Interchange		DS Supplier
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service		DS Supplier
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund		DS Supplier
1442	Load Reconciliation for Schedule 9-6 – Advanced Second Control Center		DS Supplier
1444	Load Reconciliation for Market Monitoring Unit Funding		DS Supplier
1445	Load Reconciliation for FERC Annual Charge Recovery		DS Supplier

**Exhibit JP-3**

1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding		DS Supplier
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)		DS Supplier
1448	Load Reconciliation for Reliability First Corporation (RFC)		DS Supplier
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
1460	Load Reconciliation for Regulation and Frequency Response Service		DS Supplier
1470	Load Reconciliation for Synchronized Reserve		DS Supplier
1472	Load Reconciliation for Non-Synchronized Reserve		DS Supplier
1475	DASR Load Reconciliation		DS Supplier
1478	Load Reconciliation for Operating Reserve		DS Supplier
1480	Load Reconciliation for Synchronous Condensing		DS Supplier
1490	Load Reconciliation for Reactive Services		DS Supplier
1500	Financial Transmission Rights Auction		DS Supplier
1600	RPM Auction		DS Supplier
1610	Locational Reliability		DS Supplier
1650	Non-Unit Specific Capacity Transaction		DS Supplier
1660	Demand Resource and ILR Compliance Penalty		DS Supplier
1661	Capacity Resource Deficiency		DS Supplier
1662	Generation Resource Rating Test Failure		DS Supplier
1663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
1664	Peak Season Maintenance Compliance Penalty		DS Supplier
1665	Peak-Hour Period Availability		DS Supplier
1666	Load Management Test Failure		DS Supplier

**Exhibit JP-3**

1670	FRR LSE Reliability		DS Supplier
1680	FRR LSE Demand Resource And Ilr Compliance Penalty		DS Supplier
1681	FRR LSE Capacity Resource Deficiency		DS Supplier
1682	FRR LSE Generation Resource Rating Test Failure		DS Supplier
1683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
1684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
1685	FRR LSE Peak-Hour Period Availability		DS Supplier
1686	FRR LSE Load Management Test Failure		DS Supplier
1687	FRR LSE Schedule 9-5		DS Supplier
1688	FRR LSE Schedule 9-6		DS Supplier
1710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
1712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
1720	RTO Start-up Cost Recovery		DS Supplier
1730	Expansion Cost Recovery	EDC	
1900	Unscheduled Transmission Service		DS Supplier
1910	Ramapo Phase Angle Regulators		DS Supplier
1911	Michigan – Ontario Interface Phase Angle Regulators		DS Supplier
1920	Station Power		DS Supplier
1930	Generation Deactivation	EDC	
1932	Generation Deactivation Refund	EDC	
1950	Virginia Retail Administrative Fee		DS Supplier
1952	Deferred Tax Adjustment	EDC	
1955	Deferral Recovery		DS Supplier

**Exhibit JP-3**

1980	Miscellaneous Bilateral		DS Supplier
1995	PJM Annual Membership Fee		DS Supplier
1999	PJM Customer Payment Default		DS Supplier
<b>ID#</b>	<b>CREDITS</b>		
2100	Network Integration Transmission Service	EDC	
2101	Network Integration Transmission Service (ATSI Low Voltage)	EDC	
2102	Network Integration Transmission Service (exempt)	EDC	
2104	Network Integration Transmission Service Offset	EDC	
2106	Non-Zone Network Integration Transmission Service	EDC	
2108	Transmission Enhancement	EDC	
2109	MTEP Project Cost Recovery		DS Supplier
2110	Direct Assignment Facilities		DS Supplier
2120	Other Supporting Facilities		DS Supplier
2130	Firm Point-to-Point Transmission Service		DS Supplier
2132	Internal Firm Point-to-Point Transmission Service		DS Supplier
2133	Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2135	Neptune Voluntary Released Transmission Service (Firm)		DS Supplier
2136	Hudson Voluntary Released Transmission Service (Firm)		DS Supplier
2138	Linden Voluntary Released Transmission Service (Firm)		DS Supplier
2140	Non-Firm Point-to-Point Transmission Service		DS Supplier
2142	Internal Non-Firm Point-to-Point Transmission Service		DS Supplier
2143	Non-Firm Point-to-Point Transmission Service Resale Credit		DS Supplier
2145	Neptune Voluntary Released Transmission Service (Non-Firm)		DS Supplier

**Exhibit JP-3**

2146	Neptune Default Released Transmission Service (Non-Firm)		DS Supplier
2155	Linden Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2156	Linden Default Released Transmission Service (Non-Firm)		DS Supplier
2165	Hudson Voluntary Released Transmission Service (Non-Firm)		DS Supplier
2166	Hudson Default Released Transmission Service (Non-Firm)		DS Supplier
2210	Transmission Congestion		DS Supplier
2217	Planning Period Excess Congestion		DS Supplier
2218	Planning Period Congestion Uplift		DS Supplier
2220	Transmission Losses		DS Supplier
2240	Day-ahead Economic Load Response		DS Supplier
2241	Real-time Economic Load Response		DS Supplier
2245	Emergency Load Response		DS Supplier
2260	Emergency Energy		DS Supplier
2320	Transmission Owner Scheduling, System Control and Dispatch Service		DS Supplier
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service		DS Supplier
2340	Regulation and Frequency Response Service		DS Supplier
2350	Energy Imbalance Service		DS Supplier
2360	Synchronized Reserve		DS Supplier
2362	Non-Synchronized Reserve		DS Supplier
2365	Day-ahead Scheduling Reserve		DS Supplier
2370	Day-ahead Operating Reserve		DS Supplier
2371	Day-ahead Operating Reserve for Load Response		DS Supplier
2375	Balancing Operating Reserve		DS Supplier

**Exhibit JP-3**

2376	Balancing Operating Reserve for Load Response		DS Supplier
2377	Synchronous Condensing		DS Supplier
2378	Reactive Services		DS Supplier
2380	Black Start Service		DS Supplier
2420	Load Reconciliation for Transmission Losses		DS Supplier
2500	Financial Transmission Rights Auction		DS Supplier
2510	Auction Revenue Rights		DS Supplier
2600	RPM Auction		DS Supplier
2620	Interruptible Load for Reliability		DS Supplier
2630	Capacity Transfer Rights		DS Supplier
2640	Incremental Capacity Transfer Rights		DS Supplier
2650	Non-Unit Specific Capacity Transaction		DS Supplier
2660	Demand Resource and ILR Compliance Penalty		DS Supplier
2661	Capacity Deficiency Resource		DS Supplier
2662	Generation Resource Rating Test Failure		DS Supplier
2663	Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2664	Peak Season Maintenance Compliance Penalty		DS Supplier
2665	Peak-Hour Period Availability		DS Supplier
2666	Load Management Test Failure		DS Supplier
2670	FRR LSE Reliability Credit		DS Supplier
2680	FRR LSE Demand Resource And Ilr Compliance Penalty		DS Supplier
2681	FRR LSE Capacity Resource Deficiency		DS Supplier
2682	FRR LSE Generation Resource Rating Test Failure		DS Supplier



**Exhibit JP-3**

2683	FRR LSE Qualifying Transmission Upgrade Compliance Penalty		DS Supplier
2684	FRR LSE Peak Season Maintenance Compliance Penalty		DS Supplier
2685	FRR LSE Peak-Hour Period Availability		DS Supplier
2686	FRR LSE Load Management Test Failure		DS Supplier
2687	FRR LSE Schedule 9-5		DS Supplier
2688	FRR LSE Schedule 9-6		DS Supplier
2710	PJM/MISO Seams Elimination Cost Assignment		DS Supplier
2712	Intra-PJM Seams Elimination Cost Assignment		DS Supplier
2720	RTO Start-up Cost Recovery		DS Supplier
2730	Expansion Cost Recovery	EDC	
2910	Ramapo Phase Angle Regulators		DS Supplier
2912	CT Lost Opportunity Cost Allocation		DS Supplier
2930	Generation Deactivation	EDC	
2932	Generation Deactivation Refund	EDC	
2950	Virginia Retail Administrative Fee		DS Supplier
2952	Deferred Tax Adjustment	EDC	
2955	Deferral Recovery		DS Supplier
2980	Miscellaneous Bilateral		DS Supplier
2996	Annual PJM Cell Tower		DS Supplier
2997	Annual PJM Building Rent		DS Supplier

**APPENDIX E – DS SUPPLIER’S OBLIGATIONS FOR AEPS COMPLIANCE**

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

- (1) Providing sufficient AECs for each tranche awarded via the DS Solicitation. It is DS Supplier’s obligation to supply actual AECs. Failure to do so may in the discretion of Company constitute an Event of Default under this Agreement.
- (2) AECs shall be provided on a six (6) month basis or at the end of any Delivery Period, if the Delivery Period is less than six (6) months, and shall be transferred to the Company within 30 days from the final day of any such six month period or Delivery Period; provided; however, that if the term of any Delivery Period includes two different AEPS reporting years, then DS Supplier shall provide the AECs required for the first AEPS reporting year by June 30th of each year.
- (3) Paying any AEPS penalties, costs, charges, etc. assessed against the DS Supplier and/or the Company associated with the DS Supplier’s non-performance with AEPS requirements.
- (4) Submitting to the Company proof of AEPS compliance under this Agreement in such form and manner as may be required by the Company.
- (5) Provide to the Company all information the Company may require to comply with the AEPS Act and its implementing regulations and other Requirements of Law, including, but not limited to the price paid per AEC required by 73 Pa.C.S. §1648.3(e)(8).

This Appendix E shall confirm the Alternative Energy Portfolio Standards Obligation of the Transaction agreed to on [Month, Day, Year] ("Bid Proposal Due Date").

Alternative Energy Portfolio Standards Obligations for the period beginning [Month, Day, Year] based on the total MWh supplied by DS Supplier:

<u>Compliance Period</u>	<u>Tier 1</u>	<u>PV</u>	<u>Tier 2</u>
<del>6/1/2015 to 5/31/2017</del> – 5/31/2016/2018	<del>8.2%</del>	<del>5.56.5%</del>	<del>0.25000.3400%</del>
6/1/2018 – 5/31/2019	7.0%	0.3900%	8.2%
6/1/2019 – 5/31/2020	7.5%	0.4433%	8.2%
6/1/2016 to 5/31/2017	6.0%	0.2933%	8.22020
5/31/2021	8.0%	.05000%	10.0%

The percentages set forth above are those applicable for the first RFP and may be revised for future RFPs to reflect changes in law or other applicable regulatory requirements.

For each compliance period during the Delivery Period, the number of AECs that a DS Supplier is obligated to provide may be reduced by a pre-determined number of AECs allocated to the DS Supplier (“Allocated AECs”). The number of Allocated AECs will be defined prior to the Transaction Date. Any Allocated AECs will not be transferred to the DS Supplier but instead will be credited to that DS Supplier’s AEPS obligation and remain the property of the Company.

The above amounts are estimates and will vary based on actual load served. DS Supplier will need to true-up, higher or lower, actual credits needed based on Monthly Settlement Amount.

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

EXHIBIT 1

TRANSACTION CONFIRMATION FOR FIXED PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company (“Company”) and [INSERT] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) (“Transaction Date”).

Product: Full Requirements Service  
 Service Type: ~~Residential and Lighting~~  
DS Customer Group: [INSERT CUSTOMER CLASS]  
 Delivery Point: Duquesne Residual Aggregate Zone in PJM  
 Delivery Period: [Month, Day, Year] through [Month, Day, Year]  
~~Bid Blocks~~Number of Tranches: [INSERT]  
~~Specified~~DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)  
 (~~“Their % share is of the TOTAL Default Service Load~~)  
 (~~For Residential: No. of Blocks won ÷ 24”~~)  
 Monthly Settlement~~DS Fixed Price:~~ [INSERT] ~~Block at~~ [INSERT AVERAGE PRICE] per MWh  
  
~~[INSERT] Block at [INSERT] per MWh~~  
~~[INSERT] Block at [INSERT] per MWh~~  
~~[INSERT] Block at [INSERT] per MWh~~  
Tranche 1 at [INSERT] per MWh  
Tranche 2 at [INSERT] per MWh  
Tranche 3 at [INSERT] per MWh  
 :  
 :  
Tranche [X] at [INSERT] per MWh

Alternative Energy Credit (AEC) Allocation (if any):

<u>Alternative Energy Portfolio Standards - Reporting Period</u>	<u>AEC Allocation per Tranche, (AECs)</u>	<u>Total AEC Allocation (AECs)</u>
2017-18		
2018-19		
2019-20		
2020-21		

**Exhibit JP-3**

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

Duquesne Light Company\_  
By: \_\_\_\_\_  
Name: C. James Davis, Jr.  
Title: *Director, Rates and Energy Procurement  
& Federal/RTO Affairs*

[INSERT]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

TRANSACTION CONFIRMATION FOR HOURLY PRICE TRANSACTIONS

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Agreement dated [Month, Day, Year] (Date of the Contract/RFP) between Duquesne Light Company (“Company”) and [INSERT] (“DS Supplier”). Terms used but not defined herein shall have the meanings ascribed to them in the Agreement. This Transaction Confirmation shall confirm the following terms of the Transaction agreed to on [Month, Day, Year] (Date of the current RFP for the tranches the won and will be serving) (“Transaction Date”).

Product: Full Requirements Service  
DS Customer Group: Large Commercial and Industrial Class  
Delivery Point: Duquesne Residual Aggregate Zone in PJM  
Delivery Period: [Month, Day, Year] through [Month, Day, Year]  
Number of Tranches: [INSERT]  
DS Fixed Percentage: [INSERT] % of DEFAULT SERVICE Load (for applicable customer class)  
DS Fixed Price Adder  
For Hourly Price Service: [INSERT AVERAGE PRICE] per MWh  
Tranche 1 at [INSERT] per MWh  
Tranche 2 at [INSERT] per MWh

In addition to the DS Fixed Price Adder For Hourly Price Service above, the Statement prepared in accordance with Section 9.1(a) also will include DS Variable Payments based on the Company’s billed Hourly Price Service formula rate designed to recover the costs of energy, capacity, ancillary services, and PJM administrative costs found in Rider No. 9 of the DS Tariff. The DS Variable Payments associated with serving the DS Supplier Responsibility Share of the DS Supply for Large Commercial and Industrial Class are based on a) hourly energy charges provided at the day-ahead PJM locational marginal prices based on the customer’s real time metered hourly load, plus energy-related ancillary services including PJM administrative charges, adjusted for losses, and b) capacity charges equal to the full PJM Reliability Pricing Model capacity price for the Duquesne Zone, and shall recover the charges associated with the customer’s share of the Company’s capacity obligation assigned by PJM, plus the charges for capacity based ancillary services. The PMEA/FMEA Adjustment Amount calculated in accordance with Section 9.1 (d) will include: any adjustments to account for changes in the hourly energy or capacity volumes used to calculate the energy, ancillary services, capacity and other charges. The DS Variable Payments to Hourly Price Service suppliers will not include Pennsylvania gross receipts taxes or the fixed retail administrative charge (other than the DS Fixed Price Adder For Hourly Price Service) included in the DS Tariff.

Please confirm that the terms stated herein accurately reflect the agreement reached on the date above between DS Supplier and Company by returning an executed copy of this Transaction Confirmation by email to the Company at jjenkins@duqlight.com. The signatories to this Transaction must have the authority to enter into this Transaction.

<u>Duquesne Light Company</u>	<u>[INSERT]</u>
<u>By:</u>	<u>By:</u>
<u>Name: C. James Davis, Jr.</u>	<u>Name:</u>
<u>Title: Director, Rates and Energy Procurement</u>	<u>Title:</u>
<u>&amp; Federal/RTO Affairs</u>	

EXHIBIT 2  
FORM OF NOTICE

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

Buyer: Duquesne Light Company  
DS Supplier: [INSERT]

**All Notices:**  
Street: 411 Seventh Ave.  
City/State/Zip: Pittsburgh, PA 15219  
Attn: Chief Financial Officer  
Facsimile: (412) 393-1190  
Duns: 007915606  
Federal Tax ID Number: 25-0451600

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

**Invoices:**  
Attn: Supply Procurement – Joan Jenkins  
Phone: (412) 393-1077  
Facsimile: (412) 393-5659

**Invoices:**  
Attn:  
Phone:  
Facsimile:

**Scheduling:**  
Attn: Scheduling – John Peoples  
Phone: (412) 393-6385  
Facsimile: (412) 393-5659

**Scheduling:**  
Attn:  
Phone:  
Facsimile:

**Payments:**  
Attn: Accounting – Jaime Bachota  
Phone: (412) 393-1122  
Facsimile: (412) 393-6760

**Payments:**  
Attn:  
Phone:  
Facsimile:

**Wire Transfer:**  
BNK: Mellon Bank, N.A.  
ABA: 043000261  
ACCT: 0008061

**Wire Transfer**  
BNK:  
ABA:  
ACCT:

**Credit and Collections:**

Attn: ~~Credit Manager~~Assistant Treasurer – James Milligan  
Phone: (412) 393-1216  
Facsimile: (412) 393-6760

**Credit and Collections:**

Attn:  
Phone:  
Facsimile:

**With additional Notices of an**

**Event of Default to:**

Attn: Legal Department – Tishekia Williams  
Phone: (412) 393-1541  
Facsimile: (412) 393-5757

**With Additional Notices of an**

**Event of Default to:**

Attn:  
Phone:  
Facsimile:



EXHIBIT 3  
PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this 24th day of March, 2015 by the following:

PARTY A: \_\_\_\_\_ (“Party A”)

PARTY B: \_\_\_\_\_ (“Party B”).

**RECITALS**

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

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

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

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

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

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

WHEREAS, Party A and Party B desire to declare to PJM their respective authorities concerning such rights and obligations, intend that PJM rely upon such declaration, and acknowledge that PJM may rely upon such declaration to its detriment.

**DECLARATION**

NOW, THEREFORE, acknowledging that PJM will rely on the truth, accuracy and completeness of the declarations made below, Party A and Party B, as identified below, make the following declarations:

**1. Exclusivity of Party B's Authority.**

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

**2. Specification of Authorized Rights and Responsibilities.**

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

(a) Load Server Responsibilities.

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

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

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

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

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

\_\_\_\_\_ Party B is authorized to provide the facilities and personnel required to coordinate operations with PJM and other PJM Members.

(b) Electric Distributor Responsibilities.

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

(c) Generator Responsibilities.

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

\_\_\_\_\_ Party B is authorized to ensure that the required portion of Party A's Capacity Resources have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

- Or -

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

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

\_\_\_\_\_ Party B is authorized to provide information on outages of Party A's generation facilities, whether planned, forced, or for maintenance, and to coordinate such outages with PJM

\_\_\_\_\_ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Feasibility Study, System Impact Study, or Facilities Study Agreements.

\_\_\_\_\_ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Construction Service Agreements.

\_\_\_\_\_ Party B is authorized to act on behalf of Party A with respect to Party A's rights and obligations under any Interconnection Service Agreements.

\_\_\_\_\_ Party B is authorized to receive from PJM historic and real time data collected by PJM from, or provided to PJM by, Party A with respect to Party A's generation resources.

\_\_\_\_\_ - Party B is authorized to act on behalf of Party A for the following specific unit(s) in Party A primary and subaccounts:

Resource Name:

Resource ID:

(d) Market Buyer/Market Seller Responsibilities.

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

(e) Billing and Payment Responsibilities.

\_\_\_\_\_ In connection with all rights and responsibilities specified by Party A and Party B in any of subparts (a) through (d) of this Section, Party B shall be billed for, and shall make payment to PJM for, all charges, penalties, costs and fees. (If this option is not specified, PJM will issue billings to, and collect amounts due from, Party A.)

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

(f) General Membership Responsibilities.

\_\_\_\_\_ Party B is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Party A's behalf.

\_\_\_\_\_ Party B is authorized to participate on Party A's behalf in the regional transmission expansion planning process.

\_\_\_\_\_ Party B is authorized to provide information or otherwise cooperate on Party A's behalf in connection with any investigation or request for

information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Party B and/or Party A.)

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

(g) Additional Responsibilities.

\_\_\_\_\_ Party B has been Authorized other rights and responsibilities of Party A as specified on Attachment "A" to this Declaration.

(h) Limitation on Responsibilities.

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

**3. Continuing Responsibilities and Liabilities of Party A.**

3.1 The Authorized Rights and Responsibilities are the only rights and responsibilities under the PJM Agreements for which Party B is authorized to act for Party A, and Party A retains all rights and responsibilities under the PJM Agreements not specified by Party A and Party B in Section 2.

3.2 With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Party A shall remain liable to PJM for all amounts due or to become due to PJM under the PJM Agreements, and Party B's authorization to make payment of any such amounts hereunder (if specified in Section 2) shall not release Party A from liability for any financial obligations to PJM not satisfied by Party B.

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

4.1 Party A and Party B each recognizes, accepts and intends that PJM will rely, upon on the truth, accuracy and completeness of the declarations herein in matters including but not limited to creditworthiness and in assuring compliance with the PJM Agreements. Party A and Party B each recognizes and accepts that PJM or its members may suffer losses and damages if any

declaration is or becomes untrue, inaccurate or incomplete, and each agrees to indemnify PJM for any such losses and damages.

- 4.2 Party A and Party B each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with Party A and Party B as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Party A (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Party B is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.
- 4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Party A and Party B expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.
- 4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.
- 4.5 The Recitals are hereby incorporated into the body of this Declaration.

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

**PARTY A:**

**PARTY B:**

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

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

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

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

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

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

Company: \_\_\_\_\_

Company: \_\_\_\_\_



**DECLARATION OF AUTHORITY**

**Attachment A – Addendum**

**PRINCIPAL:** Duquesne Light Company

**AGENT:** [INSERT]

**Effective Starting Date:** [INSERT]

Note: Principal and Agent are required to provide PJM Settlement 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 shall transfer all of the following charges directly related to the Principal's share of serving the retail load obligations from the Principal's account(s) to the Agent's account beginning the effective date specified above:

<b><u>Billing Line Item Number</u></b>	<b><u>Billing Line Item</u></b>
1330 (Charge)	Reactive Supply and Voltage Control from Generation and Other Sources Service
1380 (Charge)	Black Start Service
2140 (Credit)	Non-Firm Point-to-Point Transmission Service

**PJM Accounts/Subaccounts**

<b><u>Role</u></b>	<b><u>Account Long Name</u></b>	<b><u>Account Short Name</u></b>	<b><u>PJM Org ID</u></b>
Principal			
Agent			

EXHIBIT 4  
PERFORMANCE ASSURANCE LETTER OF CREDIT

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

IRREVOCABLE LETTER OF CREDIT NO. \_\_\_\_\_

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

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

APPLICANT  
[NAME]  
[ADDRESS]

BENEFICIARY  
[NAME]  
[ADDRESS]

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

AMOUNT

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

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

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

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

“THE AMOUNT FOR THIS DRAWING, USD (INSERT AMOUNT), BEING MADE UNDER THE BANK OF \_\_\_\_\_ (BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT

REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY FROM APPLICANT FOR PERFORMANCE ASSURANCE RELATED TO THE BENEFICIARY'S PENNSYLVANIA FULL REQUIREMENTS SERVICE AGREEMENT(S) DATED BETWEEN \_\_\_\_\_ AND \_\_\_\_\_."

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

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

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

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

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

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.

2. THIS LETTER OF CREDIT MAY BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98") OR SUCH LATER REVISIONS(S) OF THE ISP AS MAY BE HEREAFTER ADOPTED. AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE STATE OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE 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]

EXHIBIT 5  
FORM OF 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 Duquesne Light Company (the "Creditor"), with an address at [INSERT ADDRESS], in consideration of the Default Supply Master Agreement(s) (the "DSMA(s)") between Duquesne Light Company and \_\_\_\_\_ (the "Seller") dated \_\_\_\_\_, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Guarantor is the \_\_\_\_\_ of Seller.

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

1. Guaranty of Obligations.

- (a) The Guarantor hereby irrevocably and unconditionally guarantees, as primary obligor and not a surety with effect from date hereof, the prompt and complete payment when due of all of Seller's payment obligations under the DSMA (to the extent such payment obligations exceed the amount of any Performance Assurance provided to the Creditor by Seller as defined in and in accordance with the DSMA), whether on scheduled payment dates, when due upon demand, upon declaration of termination or otherwise, in accordance with the terms of the DSMA and giving effect to any applicable grace period, and, provided only that the Creditor 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 Creditor, all reasonable out-of-pocket costs and expenses incurred by Creditor in the enforcement of the Guarantor's obligations or collection under this Guaranty, including reasonable attorney's fees and expenses (collectively, the "Obligations"). [Optional provision: Notwithstanding anything to the contrary herein, the liability of the Guarantor under this Guaranty and Creditor's right of recovery hereunder for all Obligations is limited to a total aggregate amount of \$ \_\_\_\_\_, ("Guaranty Amount"), where Guaranty Amount shall be no less than Five Hundred Thousand US Dollars (\$500,000).]
- (b) The limitations on liabilities of the Seller set forth in Article 10 of the DSMA shall also apply to the liabilities of the Guarantor hereunder.

2. Nature of Guaranty; Waivers.

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

obligations, except any claims or defenses of Seller in respect of its obligations under the DSMA.

- (e) The Creditor 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 DSMA, 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 DSMA, 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 Creditor deems appropriate at its sole discretion; (iv) substitute, exchange or release any guaranty; or (v) take such actions and exercise such remedies hereunder as Creditor deems appropriate.

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

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, except as affected by bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws relating to or affecting the enforcement of Creditors' rights generally, general equitable principles and an implied covenant of good faith and fair dealing;
- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor (except to the extent that any such violation would not reasonably be expected to have a material adverse effect on the Guarantor or this Guaranty);
- (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person

(including, without limitation, any stockholder or of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and

- (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that would have a material adverse effect on this Guaranty.
4. Repayments or Recovery from the Creditor. If any demand is made at any time upon the Creditor 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 Creditor repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor (subject to Sections 2 (c) and (d) of this Guaranty) will be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Creditor. 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 Creditor's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable.
  5. Enforceability of Obligations. No modification, limitation or discharge of the Obligations of Seller arising out of or by virtue of any bankruptcy, reorganization or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.
  6. Postponement of Subrogation. Only to the extent that, at the relevant time, there are Obligations, or other amounts hereunder, that are then due and payable but unpaid, the Guarantor postpones and subordinates in favor of the Creditor any and all rights which the Guarantor may have to (a) assert any claim against the Seller based on subrogation rights with respect to payments made by Guarantor hereunder and (b) any realization on any property of the Seller, including participation in any marshalling of the Seller's assets. Upon payment of such due and unpaid Obligations, Creditor agrees that Guarantor shall be subrogated to the rights of Creditor against Seller to the extent of Guarantor's payment to Creditor.



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 Creditor 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 Creditor shall be directed to:

Attn:  
Phone:  
Fax:  
With a copy to:

Phone:  
Fax:

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

All communications to Guarantor shall be directed to:

Attn:  
Phone:  
Fax:

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

8. Preservation of Rights. Except as provided by any applicable statute of limitations, no delay or omission on the Creditor'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 Creditor's action or inaction impair any such right or power. The Creditor's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Creditor may have under other agreements with the Guarantor, at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Creditor, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire agreement and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Creditor with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon and inure to the benefit of the Guarantor and the Creditor and their respective successors and permitted assigns. Neither party may assign this Guaranty in whole or in part without the other's prior written consent, which consent will not be unreasonably withheld or delayed, except that Creditor may at any time assign this Guaranty without Guarantor's consent, in the same manner, on the same terms and to the same persons as Creditor assigns the DSMA in accordance with Section 16.7(b) of the DSMA, and except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that assumes all obligations thereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BBB, as rated by S&P or Fitch, or Baa2, as rated by Moody's, and (ii) the Seller is in compliance with Article 14 of the DSMA. 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 Creditor 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 Creditor. THIS GUARANTY WILL BE INTERPRETED AND THE RIGHTS AND LIABILITIES OF THE CREDITOR AND THE GUARANTOR DETERMINED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, EXCLUDING ITS CONFLICT OF LAWS RULES.

(b) The Guarantor hereby irrevocably consents to the jurisdiction of the federal district court for the Western District of Pennsylvania or to the county court jurisdiction of the Allegheny County Court of Common Pleas; provided that nothing contained in this Guaranty will prevent the Creditor 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 Creditor 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 CREDITOR IRREVOCABLY WAIVE ANY AND ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR CLAIM OF ANY NATURE RELATING TO THIS GUARANTY, ANY DOCUMENTS EXECUTED IN CONNECTION WITH THIS GUARANTY OR ANY TRANSACTION CONTEMPLATED IN ANY OF SUCH DOCUMENTS. THE GUARANTOR AND CREDITOR ACKNOWLEDGE THAT THE FOREGOING WAIVER IS KNOWING AND VOLUNTARY.
16. Term. This Guaranty shall survive termination of the DSMA and remain in full force and effect until all amounts due hereunder, including all of the Obligations, have been paid or performed in full.
17. Stay of Acceleration Ineffective with Respect to Guarantor. If acceleration of the time for payment of any amount payable by Seller under the DSMA 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 DSMA shall nonetheless be payable by the Guarantor hereunder on written demand by Creditor.

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.

ATTEST:

[Guarantor]

By: \_\_\_\_\_

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

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

Document comparison by Workshare Compare on Monday, May 02, 2016  
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Deletion	
Moved from	
Moved to	
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Format change	
Moved-deletion	
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Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

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