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March 25, 2020

VIA ELECTRONIC FILING

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

**Re: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2021 through May 31, 2025
Docket No. P-2020-**

Dear Secretary Chiavetta:

Enclosed please find the Petition of PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2021 through May 31, 2025 (“DSP V Program”). This filing contains the following items in support of the DSP V Program:

- PPL Electric’s Petition
- Attachment A – Default Service Request for Proposals Process and Rules
- Attachment B - Default Service Supply Master Agreement
- Attachment C – Block Energy Request for Proposals Process and Rules
- Attachment D – Block Energy Supply Master Agreement
- Attachment E – Alternative Energy Credit Request for Proposals Process and Rules
- Attachment F – Alternative Energy Credit Supply Master Agreement

- Attachment G - *Pro Forma* Tariff provisions for the Generation Supply Charge-1, the Generation Supply Charge-2 and the Transmission Service Charge
- Attachment H – *Pro Forma* Tariff provisions for the proposed Renewable Rate Program.
- PPL Electric Statement No. 1 - the Direct Testimony of James R. Rouland, Regulatory Policy Manager for PPL Electric, and associated exhibits.
- PPL Electric Statement No. 2 - the Direct Testimony of A. Joseph Cavicchi, Executive Vice President at the Analysis Group, and associated exhibits.
- PPL Electric Statement No. 3 - the Direct Testimony of Melinda Stumpf, Manager of Regulatory Programs and Business Services in PPL Electric’s Customer Services Department, and associated exhibits.
- PPL Electric Statement No. 4 – the Direct Testimony of Michelle LaWall-Schmidt, Director of Customer Service Operations in PPL Electric’s Customer Services Department, and associated exhibits.

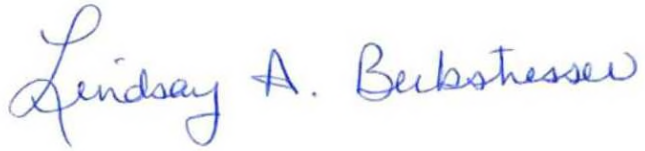
PPL Electric is electronically submitting this filing pursuant to the Pennsylvania Public Utility Commission’s instructions in the *Emergency Order re Suspension of Regulatory and Statutory Deadlines; Modification to Filing and Service Requirements* at Docket No. M-2020-3019262 (Order entered March 20, 2020) (“Emergency Order”). As evidenced by the attached certificate of service, parties are being electronically served with the filing in accordance with the Emergency Order.

Due to the number of electric generation suppliers (“EGS”) and marketers licensed in the Company’s service territory, EGSs/marketers that did not actively participate in the Company’s last default service proceeding are being electronically served with a copy of this filing letter and the attached Certificate of Service. A complete copy of the filing is electronically available on the Company’s website at: <https://ppldsp.com/background/regulatory-background/>. PPL Electric will also notify EGSs/marketers of the filing via a communication through the Company’s Supplier Portal.

Please feel free to contact the undersigned should you have any questions.

Rosemary Chiavetta, Secretary
March 25, 2020
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Respectfully submitted,

A handwritten signature in blue ink that reads "Lindsay A. Berkstresser". The signature is written in a cursive style with a large initial "L".

Lindsay A. Berkstresser

LAB/jl
Enclosures

cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant) and the Pennsylvania Public Utility Commission's March 20, 2020 Emergency Order at Docket No. M-2020-3019262.

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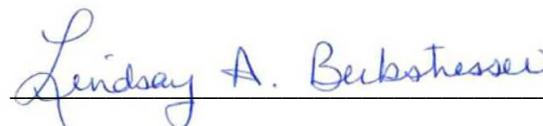
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Date: March 25, 2020



Lindsay A. Berkstresser

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of a Default Service Program and : Docket No. P-2020-_____
Procurement Plan for the Period June 1, 2021 :
through May 31, 2025 :

**PETITION OF PPL ELECTRIC UTILITIES CORPORATION
FOR APPROVAL OF A DEFAULT SERVICE
PROGRAM AND PROCUREMENT PLAN**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Section 2807 of the Public Utility Code, 66 Pa.C.S. § 2807, and 52 Pa. Code §§ 54.181-54.189, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby requests approval of its fifth Default Service Program and Procurement Plan (“DSP V Program”) to establish the terms and conditions under which PPL Electric will acquire and supply default service or provider of last resort service (“Default Service”) from June 1, 2021 through May 31, 2025 (the “DSP V Program Period”).¹ As explained below, the DSP V Program, *inter alia*, consists of a proposal for competitive procurement of Default Service supply and related Alternative Energy Credits (“AECs”) during the DSP V Program Period; an implementation plan; a proposed rate design, including a Time-of-Use (“TOU”) rate option for Default Service during the DSP V Program Period; a proposal to modify the Company’s current Standard Offer Referral Program (“SOP”); a proposal to require Customer Assistance Program (“CAP”) customers to take Default Service; and a contingency plan for the DSP V Program.

¹ The Pennsylvania Public Utility Commission’s Statement of Policy on Default Service and Retail Electric Markets (“DSP Policy Statement”) states that the program terms for default service programs should be for two years, unless otherwise directed by the Commission. 52 Pa. Code § 69.1804. As explained in this Petition, PPL Electric proposes that the term of DSP V be a four-year period, which is the term for PPL Electric’s currently-effective DSP IV.

The Company's primary goal with respect to the DSP V Program is to obtain a portfolio of Default Service supply contracts that provide power for non-shopping customers from June 1, 2021, through May 31, 2025. To meet this objective, PPL Electric proposes to use a portfolio of fixed-price, full-requirements,² load-following electricity supply contracts to meet the demand of its Residential customers, fixed-price, full-requirements load-following contracts to meet the demand of Small Commercial and Industrial ("Small C&I") customers, and full-requirements, load-following spot market supply contracts to meet the demand of its Large Commercial and Industrial ("Large C&I") customers. The proposed program will continue the semi-annual procurement process and comparable terms for the full-requirements products adopted for the currently-effective DSP program ("DSP IV Program").

PPL Electric requests that the Pennsylvania Public Utility Commission ("Commission") approve the DSP V Program, as further described in this Petition, within nine months, or no later than December 25, 2020, to provide sufficient time to implement procurement under the DSP V Program. The June 1, 2021 start date for the DSP V Program coincides with the scheduled May 31, 2021, expiration of PPL Electric's Commission-approved DSP IV Program.

I. INTRODUCTION

1. This Application is filed by PPL Electric, a public utility subject to the regulatory jurisdiction of the Commission.

2. PPL Electric's address is PPL Electric Utilities Corporation, Two North Ninth Street, Allentown, Pennsylvania 18101.

3. PPL Electric's attorneys are:

² As explained later, PPL Electric proposes that new DSP V contracts not require the wholesale suppliers to provide Alternative Energy Credits ("AECs").

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4. PPL Electric furnishes electric distribution, transmission and default supply services to approximately 1.4 million customers throughout its certificated service territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania.

5. PPL Electric is a “public utility,” an “electric distribution company” (“EDC”), and a “default service provider” as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 102, 2803.

6. On January 1, 1997, the Electricity Generation Customer Choice and Competition Act (“Customer Choice Act”) became effective, adding Chapter 28 to the Public Utility Code. Among other things, Chapter 28 deregulated the generation of electricity and created the framework for a competitive retail electric market in which customers could choose among competing electric generation suppliers (“EGSs”). Pertinent to this Petition, Section 2807 requires each EDC to act as the Default Service provider for its non-shopping customers until the end of the EDC’s transition period, and thereafter in accordance with regulations to be promulgated by the Commission.

7. The Commission’s Default Service Regulations provide that the Default Service provider shall be the EDC in its certificated service territory unless the Commission assigns the Default Service obligation to another entity. A Default Service provider is responsible for the reliable provision of Default Service to retail customers who do not choose to receive generation services from an EGS, or whose EGS has failed to deliver electric energy.

8. Act 129 of 2008 (“Act 129”) became effective on October 15, 2008. Among other provisions, Act 129 amended the Customer Choice Act to require EDCs, in their role as Default Service providers, to procure supply through competitive processes utilizing a “prudent mix” of contracts, and to offer a TOU rate option to customers with smart meters.

9. PPL Electric’s current Commission-approved DSP IV Program expires on May 31, 2021. To meet its statutory and regulatory Default Service obligation after the expiration of the DSP IV Program, PPL Electric herein proposes the DSP V Program to establish the terms and conditions under which PPL Electric will acquire and supply Default Service during the DSP V Program Period.

10. The Company’s primary goal with respect to the DSP V Program is to obtain a ladder portfolio of Default Service supply contracts that provide generation supply for non-shopping customers from June 1, 2021, through May 31, 2025.³ To meet this objective, PPL Electric plans to acquire the generation supply and related services needed to meet its Default Service obligation for the DSP V Program Period through procedures similar to those previously approved by the Commission and used by PPL Electric to acquire Default Service supply under the DSP IV Program.

³ As explained in Paragraph 121, *infra*, PPL Electric anticipates that it will continue in the role of Default Service provider beyond May 31, 2025, and, therefore, the final procurements under the DSP V Program are structured to avoid procuring all Default Service supplies at one time to be effective June 1, 2025.

11. Through the Default Service procurement process, the Company will purchase energy, capacity, transmission (other than Non-market-based Transmission Services⁴), ancillary services, congestion management costs, transmission and distribution losses, and such other services or products that are required to supply Default Service to PPL Electric's retail customers for each Customer Class, and will recover the cost of obtaining these services from Default Service customers in that Customer Class. As explained, *infra*, PPL Electric is proposing to remove wholesale suppliers' obligation to supply AECs as part of the default service auctions. Rather, PPL Electric will hold separate biannual auctions to procure the necessary AECs.

12. For non-shopping Residential and Small C&I default service customers, the DSP V Program provides for the purchase of fixed-price, full-requirements, load-following products with 6 and 12-month contract terms using a ladder approach so that the procurements are staggered to avoid procuring 100% of the Default Service products at the same time. In addition, the Company will procure two 5-year, 50 MW block products for a total of 100 MW of block product for non-shopping residential customers. One 50 MW block will be procured during the first default service auction of the DSP V Program and the second 50 MW block will be procured during the second default service auction of the DSP V Program.

13. For non-shopping Large C&I default service customers, the DSP V Program provides for the purchase of power supply through 12-month, full-requirements, load-following spot market supply contracts to meet the default service demand of those customers electing to receive such service.

⁴ The Non-market-based Transmission Services that will not be purchased by the Company through the Default Service procurement process include: Network Integration Transmission Services; Transmission Enhancement Costs; Expansion Cost Recovery Costs; Non-Firm Point-to-Point Transmission Service Credits; Regional Transmission Expansion Plan; and Generation Deactivation Charges. PPL Electric is billed by PJM Interconnection, LLC for these Non-market-based Transmission Services for default service customers and recovers those costs through its Transmission Service Charge ("TSC").

14. In addition, PPL Electric proposes to adopt a new competitive procurement auction to acquire all Default Service AECs.

15. As part of the DSP V Program, PPL Electric proposes to continue to provide a TOU rate option to eligible Default Service Residential and Small C&I customers. The Company proposes to offer the TOU rate option by securing the generation to service TOU customers through the default service auction process without holding a TOU-specific auction that solicits bids from wholesale suppliers or EGSs.

16. This filing contains the following items in support of the DSP V Program:

- PPL Electric’s Petition
- Attachment A – Default Service Request for Proposals Process and Rules (“RFP”)
- Attachment B - Default Service Supply Master Agreement (“SMA”)
- Attachment C – Block Energy Request for Proposals Process and Rules (“Block RFP”)
- Attachment D – Block Energy Supply Master Agreement (“Block SMA”)
- Attachment E – Alternative Energy Credit Request for Proposals Process and Rules (“AEC RFP”)
- Attachment F – Alternative Energy Credit Supply Master Agreement (“AEC SMA”)
- Attachment G - *Pro Forma* Tariff provisions for the Generation Supply Charge-1, the Generation Supply Charge-2 and the Transmission Service Charge
- Attachment H – *Pro Forma* Tariff provisions for the Renewable Rate Program

17. In support of this Petition, PPL Electric has also filed and served the following written direct testimony:

- PPL Electric Statement No. 1 - the Direct Testimony of James R. Rouland, Regulatory Policy Manager for PPL Electric.

- PPL Electric Statement No. 2 - the Direct Testimony of A. Joseph Cavicchi, Executive Vice President at the Analysis Group.
- PPL Electric Statement No. 3 - the Direct Testimony of Melinda Stumpf, Manager of Regulatory Programs and Business Services in PPL Electric's Customer Services Department.
- PPL Electric Statement No. 4 - the Direct Testimony of Michelle Lawall-Schmidt, Director of Customer Service Operations in PPL Electric's Customer Services Department.

Therein, PPL Electric more fully explains the details of the proposed DSP V Program, and why the Company believes that the proposed DSP V Program includes and/or addresses all of the elements prescribed by Section 2807(e) of the Public Utility Code, the Commission's regulations and policies for a Default Service plan.

18. Consistent with 66 Pa.C.S. § 2807(e)(3.6), PPL Electric requests that the Commission issue an order approving the DSP V Program within nine months from the date of this filing, or no later than December 25, 2020 to provide sufficient time to implement procurement under the DSP V Program.

II. LEGAL STANDARDS

19. Pursuant to 52 Pa. Code § 54.185, a Default Service provider must file a Default Service program with the Commission no later than 12 months prior to the conclusion of the currently effective Default Service program. 52 Pa. Code § 54.185(a). PPL Electric's DSP IV Program will conclude May 31, 2021.

20. The Commission's regulations provide that after the first Default Service program, the program term will be determined by the Commission. 52 Pa. Code § 54.185(c). Section 69.1804 of the Commission's *DSP Policy Statement*, 52 Pa. Code § 69.1804, provides that default service plans should be for two years, unless otherwise directed by the Commission. As explained later in this Petition, PPL Electric requests that the DSP V Program be in place for

a period of four years, from June 1, 2021 through May 31, 2025. Four years is the term for the current DSP IV.

21. Sections 2807(e)(3.1), (3.2), (3.4) of the Public Utility Code provide, among other things, that:

- The Default Service provider shall provide electric generation supply service to customers pursuant to a Commission-approved competitive procurement plan.
- The electric power acquired shall be procured through competitive procurement processes and shall include one or more of the following: (i) auctions; (ii) requests for proposal; and (iii) bilateral agreements.
- The electric power procured shall include a prudent mix of the following: (i) spot market purchases; (ii) short-term contracts; and (iii) long-term purchase contracts, entered into as a result of an auction, request for proposal or bilateral contract.
- The prudent mix of contracts shall be designed to ensure: (i) adequate and reliable service; (ii) the least cost to customers over time; and (iii) compliance with the requirements of Section 2807(e)(3.1).

22. In addition, pursuant to 52 Pa. Code §§ 54.185(d)(1)-(6), a Default Service program must include, among other things, the following elements:

- (1) A procurement plan identifying the default service provider's electric generation supply acquisition strategy for the period of service. The procurement plan should identify the means of satisfying the minimum portfolio requirements of the Alternative Energy Portfolio Standards Act (73 P.S. §§ 1648.1 – 1648.8) for the period of service.
- (2) An implementation plan identifying the schedules and technical requirements of competitive bid solicitations and spot market energy purchases, consistent with § 54.186 (relating to default service procurement and implementation plans).
- (3) A rate design plan recovering all reasonable costs of default service, including a schedule of rates, rules and conditions of default service in the form of proposed revisions to its tariff.
- (4) Documentation that the program is consistent with the legal and technical requirements pertaining to the generation, sale and

transmission of electricity of the RTO or other entity in whose control area the default service provider is providing service. The default service procurement plan's period of service must align with the planning period of that RTO or other entity.

(5) Contingency plans to ensure the reliable provision of default service when a wholesale generation supplier fails to meet its contractual obligations.

(6) Copies of agreements or forms to be used in the procurement of electric generation supply for default service customers. This includes all documents used as part of the implementation plan, including supply master agreements, request for proposals documents, credit documents and confidentiality agreements. When applicable, the default service provider shall use standardized forms and agreements that have been approved by the Commission.

23. Pursuant to 66 Pa.C.S. § 2807(f)(5), as the default service provider, PPL Electric also is required to offer a TOU rate option to its default service customers.

24. The Alternative Energy Portfolio Standards Act ("AEPS Act") and the Commission's implementing regulations further require EDCs to obtain AECs in an amount equal to certain percentages of electric energy sold to retail customers in this Commonwealth. See 52 Pa. § Code 54.182.

25. In addition to addressing each of these requirements, this Petition and the DSP V Program also address the various other guidelines established by the Commission's *DSP Policy Statement* and the Commission's Final Order in *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (February 15, 2013) ("*End State Order*").

26. An explanation of the DSP V Program and how the program satisfies the requirements of the aforementioned statutory provisions, regulations and orders is set forth below and in the direct testimony submitted in support of this Petition.

27. In addition to the approvals requested herein, the Company requests certain waivers pursuant to 52 Pa. Code § 54.185(f). The requested waivers are described in Section X below.

III. PPL ELECTRIC'S CURRENT DSP PROGRAM

28. PPL Electric plans to acquire the generation supply and related services needed to meet its Default Service obligation for the DSP V Program Period through procedures similar to those previously approved by the Commission and successfully used by PPL Electric for its Default Service supply under the DSP IV Program. Therefore, before describing the proposed DSP V Program, this Petition first provides a summary of the existing DSP IV Program.

29. PPL Electric's current DSP IV Program was approved by the Commission on October 27, 2016. *See Petition of PPL Electric Utilities Corporation For Approval of a Default Service Program and Procurement Plan for the Period June 1, 2017 Through May 31, 2021*, Docket No. P-2016-2526627 (October 27, 2016) ("*DSP IV Order*"). The term of the DSP IV Program is four years, from June 1, 2017 through May 31, 2021.

30. PPL Electric's DSP IV Program relies on a portfolio of fixed-price full-requirements supplies for Residential and Small C&I customers. The Residential customer portfolio also includes a small quantity of pre-existing longer-term fixed-price block supply.⁵ The product mixture is designed around the purchase of fixed-price, full-requirements, load-following products with 6 and 12-month contract terms using a laddered procurement approach.⁶ The Company conducts competitive solicitations to purchase these default service products.

⁵ The Company has a pre-existing block contract for 50 MW committed from June 1, 2011 through May 31, 2021.

⁶ Under the laddered procurement approach, the procurements are staggered rather than procuring all of the products at the same time. Under the DSP IV Program, a 12-month product, reflecting 40% of load requirements, net of the 50 MW long-term block product, continues in effect through November 30, 2021 for the Residential Class and a 12-month product, reflecting 25% of load requirements, continues in effect through November 30, 2021 for the Small C&I Class.

31. For its Large C&I customers, PPL Electric's DSP IV Program provides full-requirements, load-following power supply contracts with an energy component priced at wholesale electricity spot market prices on a real-time hourly basis to meet the default service demand of those customers electing to receive such service.

32. PPL Electric also offers a Default Service TOU rate option to Residential and Small C&I customers. Pursuant to PPL Electric's primary default service TOU rate option, the Company, as the Default Service Provider, seeks to provide TOU rates and services through purchases from a single wholesale supplier selected pursuant to a competitive bid protocol. The current TOU Program includes a contingency plan in the event there is no successful bidder in the competitive procurement or a winning supplier defaults in its obligations to provide supply. Pursuant to the contingency plan, PPL Electric will procure generation to serve TOU customers from existing wholesale suppliers who provide supplies used to serve all other default service customers. *See Proceeding Initiated to Comply with Directives Arising from the Commonwealth Court Order in DCIDA v. PUC, 123 A3d 1124 (Pa.Cmwltth 2015) Reversing and Remanding the order of the Commission Entered September 22, 2014 at Docket Number P-2013-2389572 in which the Commission had Approved PPL's Time of Use Plan, Docket Nos. P-2016-2526627, et al. (Order entered May 17, 2018).* Because no supplier participated in PPL Electric's most recent TOU-specific auction, PPL Electric is currently procuring generation to serve TOU customers as part of its default service auction pursuant to the contingency plan.

33. PPL Electric has successfully procured fixed-priced, full-requirement supply and spot market supply as part of its product portfolio going back to at least July 2007, when PPL Electric first began procuring supplies for its 2010 Competitive Bridge Plan, through its most recent DSP IV solicitation. The results from PPL Electric's solicitations confirm that these

default service products draw numerous competitors and that multiple bidders are successful suppliers. There currently is substantial competition to supply the fixed-price, full-requirements, load-following products.

34. The DSP IV Program's procurement process is administered by an independent third-party, NERA Economic Consulting ("NERA"). NERA monitors the results of each solicitation to ensure that they are consistent with prevailing market prices. NERA also submits confidential reports to the Commission evaluating the solicitation process and the results of each solicitation.

35. The DSP V Program incorporates the best practices and lessons learned from the DSP IV Program, and includes several modifications designed to better address customer needs for the DSP V Program Period.

IV. PROPOSED DSP V PROGRAM

A. PROGRAM TERM

36. Prior to the DSP IV Program, PPL Electric's past three DSP programs were each for a term of two years. PPL Electric proposed that its DSP IV Program be in effect for a period of four years, which was accepted by the parties in settlement and approved by the Commission. *See Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2017 Through May 31, 2021*, Docket No. P-2016-2526627 (Order entered October 27, 2016). PPL Electric proposes to continue the four-year term for its Default Service Program so that the DSP V Program will be in effect from June 1, 2021 through May 31, 2025. PPL Electric has been successful in achieving a "steady state" mix of products that should not need modification for a four-year period. As explained in the direct testimony of Mr. Rouland, PPL Electric has provisions in its SMA that enable the Company to transfer its obligations to procure or supply Default Service supply to a third party, in the event

PPL Electric ceases to serve as the Default Service supplier. In addition, continuing the four-year term of PPL Electric's Default Service Program will save litigation time and cost for PPL Electric, other parties that participate in the DSP proceedings and the Commission.

B. PROCUREMENT AND RATE DESIGN

37. The DSP V Program will continue the same basic procurement approach taken in DSP IV. Fixed-price, full-requirements, load-following contracts will be separately procured for Residential and Small C&I Customer Classes.

38. For the Residential Customer Class, PPL Electric proposes to continue to procure layered 6-month and 12-month products twice per year, in April and October, with the first procurement occurring in April 2021 for Default Service beginning June 1, 2021. To replace the 10-year, 50 MW block product expiring on May 31, 2021, PPL Electric proposes to procure two 5-year 50 MW long-term block products. As explained in greater detail in the direct testimony of Mr. Rouland and direct testimony of Mr. Cavicchi, the two 50 MW block products will be energy only, and all other services will be procured by PPL Electric through PJM (for capacity and ancillary services) or the competitive market (for AECs). Exclusive of the two long-term 50 MW block products for the Residential Class, the procurements will be approximately 20% 6-month contracts and 80% 12-month contracts. *See* PPL Electric Exhibit JC-2.

39. For the Small C&I Customer Class, PPL Electric proposes to continue to procure layered 6-month and 12-month products. The procurements will be approximately 45% 6-month contracts and 55% 12-month contracts. *See* PPL Electric Exhibit JC-3.

40. The Large C&I Customer Class will continue to be served by 12-month, full-requirements, load-following, spot market contracts procured once a year.

41. As explained in Section IV.A.4., *infra*, the Company proposes to remove the obligation to procure AECs from the full-requirements, load following contracts and to procure Default Service AECs separately through biannual competitive auctions.

42. As explained in Section V., *infra*, the Company also proposes to procure generation to serve TOU customers from wholesale suppliers as part of the regular default service auction.

1. Residential Fixed-Price Procurement and Rate Design

43. The Residential Customer Class is comprised of customers served under current PPL Electric Rate Schedules RS and RTS.

44. Under the proposed DSP V Program, PPL Electric will acquire 100% of the fixed-price Residential Customer Class Default Service supply, exclusive of supply committed under block contracts for Residential customers, through a series of load-following, full-requirements contracts. The Company will purchase energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management costs, transmission and distribution losses, and such other services or products that are required to supply Default Service to PPL Electric's retail Residential customers. The Company will procure AECs through biannual competitive auctions.

45. The DSP V Program provides for the purchase of fixed-price, full-requirements, load-following products with 6 and 12-month contract terms using a ladder or staggered approach so that all of the products are not procured at the same time.

46. The costs incurred by PPL Electric to provide Default Service to the Residential Customer Class will be recovered through the Generation Supply Charge-1 ("GSC-1"), separately computed with respect to the Residential Customer Class.

47. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts, AECs and costs incurred to acquire the supply and administer the DSP V Program. The costs incurred prior to June 1, 2021, related to procurement of supply and other costs related to development and implementation of the DSP V Program will be included in the GSC-1, as applicable, and will be amortized ratably over the 48-month term of the DSP V Program.

48. The GSC-1 will be adjusted every six months to reflect the cost of the Default Service supply contracts in place for the upcoming six-month period. It will be reconciled every six months for over and under recoveries by Customer Class.⁷ *Pro forma* tariff pages for the GSC-1 rate are attached in Attachment G.

2. Small C&I Fixed-Price Procurement and Rate Design

49. The Small C&I Customer Class is comprised of customers served under current PPL Electric Rate Schedules GS-1, GS-3 (under 100 kW), LP-4 (under 100 kW), GH-2, BL, SA, SM, SHS, SLE, SE, TS, and standby service for qualifying facilities. This is unchanged from the Small C&I Customer Class definition currently in effect for DSP IV. The classification of individual commercial and industrial customers on Rate Schedules GS-3 and LP-4 as either Small C&I or Large C&I will be refreshed beginning December 1, 2021 and then June 1 each year thereafter based upon demand data for each customer's peak load contribution assigned for the 2021-2022 PJM Interconnection, LLC ("PJM") Planning Year.⁸

50. Similar to the Residential Customer Class, under the proposed DSP V Program, PPL Electric will acquire 100% of the Small C&I Customer Class fixed-price Default Service

⁷ Also, any remaining under/over collections from the DSP IV Program will be included in this reconciliation, including the time-of-use under/over collection within the respective customer classes.

⁸ As further explained in Mr. Rouland's testimony, the first assessment will be performed on December 1, 2021, following the expiration of all DSP IV contracts. The next assessment will occur on June 1, 2022 and annually on June 1 thereafter.

supply through a series of load-following supply contracts. The Company will purchase energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management costs, transmission and distribution losses, and such other services or products that are required to supply Default Service to PPL Electric's retail Small C&I customers. The Company will procure AECs separately, through biannual competitive auctions.

51. The DSP V Program provides for the purchase of fixed-price, full-requirements, load-following products with 6 and 12-month contract terms using a laddered or staggered approach so that all of the products are not procured at the same time.

52. The costs incurred by PPL Electric to provide Default Service to the Small C&I Customer Class will be recovered through the GSC-1, separately computed with respect to the Small C&I Customer Class.

53. Costs recovered in the GSC-1 will include, among other costs, both costs incurred under the various supplier contracts, AECs and costs incurred to acquire the supply and administer the DSP V Program. The Company's costs incurred prior to June 1, 2021, related to the procurement of supply for and other costs related to development and implementation of the DSP V Program will be included in the GSC-1, as applicable, and will be amortized ratably over the 48-month term of the DSP V Program.

54. The GSC-1 will be adjusted every six months to reflect the cost of Default Service supply contracts in place for the upcoming six-month period. It will be reconciled every six months for over and under recoveries by Customer Class.⁹ *Pro forma* tariff pages for the GSC-1 rate are attached as Attachment G.

⁹ Also, any remaining under/over collections from the DSP IV Program will be included in this reconciliation, including the time-of-use under/over collection within the respective customer classes.

3. Large C&I Procurement and Rate Design

55. The proposed Large C&I Customer Class under the DSP V Program includes customers served under current PPL Electric Rate Schedules GS-3 (over 100 kW), LP-4 (over 100 kW), LPEP, LP-5, LP-6, and standby service for qualifying facilities. This is the same customer classification in effect for DSP IV.

56. For the Large C&I Customer Class, the Company proposes to continue to obtain Default Service supply on a real-time hourly basis through the PJM spot market. PPL Electric proposes to issue a single annual solicitation to obtain competitive offers from suppliers to provide the Default Service spot market supply to the Large C&I Customer Class. These annual procurements will coincide with the PJM Planning Period. Annual solicitations will be held in April for the upcoming PJM planning period. This is the same solicitation process and basic product for Large C&I Customers currently used in the Commission-approved DSP IV Program and used under prior DSP programs. As explained below, the Company will procure AECs separately through biannual competitive auctions.

57. The costs incurred by PPL Electric to provide Default Service to the Large C&I Customer Class will be recovered through the Generation Supply Charge-2 (“GSC-2”), which remains unchanged from the GSC-2 tariff provisions approved in the DSP IV Program.

58. Costs recovered in the GSC-2 will include PJM spot market energy, PJM capacity charges, the suppliers’ charge for all other services based upon winning bids in the annual solicitation, AECs and PPL Electric’s costs to acquire the supply and administer the DSP V Program. Customers in the Large C&I Customer Class will continue to pay the following three charges for Default Service under the GSC-2:

- An energy charge per kWh based on the real-time hourly spot-market price and the customer’s actual hourly energy use.

- A capacity charge per kW based on the PJM Reliability Pricing Model (“RPM”) price for capacity and the customer’s peak load contribution.
- An energy charge per kWh to recover all supplier charges and PPL Electric’s cost of administration, both prospective costs and an amortization of previously incurred costs over the term of the DSP V Program.

59. The GSC-2 will be revised annually, effective June 1 on thirty days advance notice, to reflect changes in costs.

60. The GSC-2 will continue to be reconciled on an annual basis. Also, any remaining under/over collections from the DSP IV Program will be included in this reconciliation. *Pro forma* tariff pages for the GSC-2 rate are attached as Attachment G.

4. AEPS Procurement

61. Under the DSP V Program, PPL Electric will procure certain AECs to meet its obligation under the AEPS Act. In the DSP IV Program, PPL Electric required the successful bidders in its Default Service auctions to provide a proportional share of AECs to fulfill PPL Electric’s AEPS obligation, in accordance with the terms of the SMA. PPL Electric proposes in the DSP V Program that wholesale suppliers no longer be required to supply AECs as part of the default service auction. Rather, PPL Electric will procure the required AECs separately through biannual competitive auctions held each July and January. Each auction will seek to procure AECs based upon the forecasted need for the six months following the auction for all customer group loads, with approximately 50% of the annual supply being procured at each auction. The auctions will be open to any qualified AEC aggregator or broker, and there is no supply cap for each auction. Further details regarding the AEC auction process are present in the direct testimony of Mr. Rouland.

62. PPL Electric will set the quantities and vintages of AECs to be procured prior to opening each auction. PPL Electric intends to evaluate the vintage needs for each of the periods

it is seeking to procure AECs and adjust the vintage requirements prior to each auction to ensure that all AECs purchased will be used for default service compliance purposes.

63. PPL Electric requests Commission approval or rejection of each auction within one business day following the submission of the auction results to the Commission by the auction manager. AECs will be transferred to PPL Electric within ten business days following approval of the auction by the Commission. Payment will be made by PPL Electric within ten business days following the transfer of the contracted quantity of AECs. Mr. Rouland's testimony addresses the Company's proposed change to AEPS procurement and explains the changes that have been made to the SMA related to the new procurement method for AECs.

64. PPL Electric proposes that a contingency plan be enacted in the event any AEC auction is rejected by the Commission, either due to a failed auction or lack of competition. Following the Commission's rejection of an auction, if credits are not immediately needed for compliance purposes, PPL Electric will seek to procure the credits at the next auction. If credits are needed for compliance purposes before the next auction, PPL Electric will contact no less than 3 broker/aggregators to seek pricing offers for the AECs that were not successfully bid during the immediately preceding auction. The lowest price offer will be selected. If there are no participants in the January auction, the AECs will be rolled to the immediately following July auction. If there are no participants in the July auction, PPL Electric will contract the Commission to request direction on the appropriate next steps.

65. The costs incurred to procure the AECs will be recovered through the GSC-1 and GSC-2. Costs will be allocated proportionately to Default Service sales to the three customer classes: Residential, Small C&I and Large C&I. Although PPL Electric anticipates that the proposed method for procuring AECs will result in minimal banking of AECs, if any excess

AECs are obtained through the auctions that cannot be used before expiration, PPL Electric will attempt to sell such excess AECs, with any revenues received from such sales credited to customers through the GSC-1 and GSC-2.

5. DSP V Program Procurements Represent a Prudent Mix of Supplies

66. The various procurements proposed for the different customer classes represent a prudent mix of supplies considering the success of retail competition in the Company's service territory, ongoing plans to continue supporting retail competition and the goal of providing reliable supply at reasonably stable rates over time.

67. The DSP V Program product portfolio provides for Residential and Small C&I customer rates to change on a semiannual basis, and on an annual basis for large industrial customers, ensuring that customers have continued opportunities to assess competitive retail alternatives, while striking an appropriate balance between price stability and reflecting the market. Further, the DSP V Program product portfolio will be obtained through transparent competitive solicitations that have been successful in the Company's prior DSP procurements and elsewhere throughout Pennsylvania and the Mid-Atlantic U.S.

68. The proposed DSP V Program continues to use a ladder approach whereby fixed-price, full-requirements, load-following products for Residential and Small C&I customers are purchased to establish default service pricing for 6-month periods, and in doing so, provides market reflective prices while continuing to reduce the risk of price volatility.

69. PPL Electric's proposed DSP V Program product portfolio for its Residential and Small C&I customers continues to rely primarily on fixed-price, full-requirements, load-following products, which have a proven track record as prudent default service products. In addition, these products are well known throughout the industry and can be procured by PPL Electric to obtain competitively-priced, reliable power supplies for default service. These fixed-

price, full-requirements, load-following products support retail competition by tracking ongoing changes in wholesale electricity market prices and will provide the benefit of reasonable price stability. Further, the default service load is continually re-priced through semiannual solicitations for non-shopping Residential and Small C&I customers under the DSP V Program.

70. In addition, PPL Electric's proposed portfolio will include two new long-term, 50 MW block products. The reasons for procuring these products are explained in the testimonies of Mr. Cavicchi and Mr. Rouland.

71. PPL Electric's proposed DSP V Program product portfolio for its Large C&I customers continues the existing successful approach of using a full-requirements, load-following, spot market product that is bid annually. There currently are very few non-shopping Large C&I customers within PPL Electric's service territory. Based on the success of retail competition for Large C&I customers, and the Company's prior experience where a fixed-price, full-requirements, load-following product for Large C&I customers did not attract sufficient bids, the Company proposes to continue its successful Large C&I spot market default service.

72. Further support for the Company's position that the proposed DSP V Program product portfolio is prudent will be provided in the testimony submitted in support of this Petition.

C. DSP V PROGRAM RFP PROCESS

73. PPL Electric will implement the DSP V Program by holding solicitations pursuant to an RFP to obtain the Default Service products described above from competitive wholesale power suppliers. The *pro forma* Default Service RFP is provided as Attachment A to this Petition. The *pro forma* Block RFP, and AEC RFP are provided as Attachments C and E, respectively.

74. PPL Electric based the *pro forma* Default Service RFP on the documents approved by the Commission in the DSP IV Program proceeding. The direct testimony of PPL witness Mr. Rouland identifies changes that were made to the RFP. The RFP incorporates considerable experience obtained in other procurement proceedings and represents a transparent, well-defined and objective approach for PPL Electric's DSP V Program. The Block and AEC RFPs are modeled after the Default Service RFP, with modifications consistent with the products being procured.

75. Separate bids will be solicited for the Default Service and Block Products for Residential, Small C&I, and Large C&I Customer Classes. AECs will not be procured separately for the customer classes. The Company proposes to hold solicitations consistent with the schedule presented in PPL Electric Exhibits JC-2 and JC-3.

76. PPL Electric requests that the Commission approve the results of each competitive solicitation. As stated in the RFP, the results for each solicitation will be presented to the Commission within one business day of the bid proposal due date for that solicitation. At that time, the Commission will have one business day to review those results and render a final decision. The Commission may either accept or reject all of the winning bids presented for a customer group in their entirety. This is the same approval procedure used in the DSP IV Program.

77. After receiving Commission approval of the solicitation results, PPL Electric will then execute transaction confirmations with the winning suppliers. The prices in the resulting wholesale supply agreements will form the basis of the rates charged to each of the customer classes. This is the same process used in the DSP IV Program.

78. Each Default Service solicitation will be designed to procure a percentage of the fixed-price Default Service load for each customer class. See PPL Electric Exhibits JC-2 and JC-3. Block energy contracts will be procured in the first two auctions under DSP V – April 2021 and October 2021, respectively, in quantities of 50MWs per auction. AEC contracts will be procured January and July, annually, based upon load PPL Electric supplied to default service customers during the respective periods. The percentage of total Default Service supply included in each solicitation is further divided into “tranches,” which each represent a small percentage of Default Service load. For both the Residential and Small C&I Customer Classes, each tranche is a fixed percentage of the total Customer Class Default Service load, 2.5% for the Residential Customer Class and 5% for the Small C&I Class.

79. The Default Service RFP tranche percentages are estimated to produce approximately 70 MW (for the Residential Class) and 100 MW (for the Small C&I Class) of peak load per tranche based on current PPL Electric forecasts and the Customer Class 2020-2021 projected peak load contribution with PJM, including both default service and shopping load. The actual MW size of each tranche will depend on the Company’s actual Default Service load at the time of delivery. Supply must be load following.

80. For the Large C&I Customer Class, the Default Service tranche sizes for the Large C&I Customer Class will be 10% per tranche to ensure that the load is sufficiently sized to obtain competitive bids.

81. As the RFP describes in detail, each winning supplier must provide the products and services required by the Company to fulfill its obligations as Default Service provider, including energy, capacity, transmission (other than Non-market-based Transmission Services), ancillary services, congestion management costs, transmission and distribution losses, and such

other services or products that are required to supply Default Service to PPL Electric's retail customers, excluding AECs. As a result, each supplier will become the load-serving entity ("LSE") in PJM for its share of PPL Electric's Default Service load. PPL Electric, however, will remain the Default Service supplier for its retail customers.

82. All qualified suppliers, including the Company's affiliates, will have an opportunity to respond to PPL Electric's RFPs. Qualification is straightforward and requires primarily that the supplier be a member of PJM in good standing and meet certain fundamental credit-worthiness criteria. An individual bidder cannot bid on more than 85% of the available tranches for a Customer Class offered in each Default Service solicitation. In addition, for the Residential and Small C&I Customer Classes, an individual bidder cannot supply more than 50% of the Default Service load for a Customer Class during the DSP V period. These limitations, which are unchanged from DSP IV, will encourage continued development of the competitive wholesale market by ensuring that all qualified competitors will have a true opportunity to be a winning supplier while aggregate exposure to any one fixed-price default service Customer Class supplier will be limited to 50%. The Block solicitation will impose a separate 50% load cap, but will not have a solicitation cap. There will be no solicitation or load cap applied to the AEC procurements.

83. As has been required under prior DSP programs, PPL Electric proposes that suppliers selected to serve any portion of PPL Electric's Default Service load be required to provide performance assurance. Such assurance is required to enable PPL Electric to recover costs arising from a supplier default. Depending upon its credit rating, a supplier will be extended an unsecured credit amount, and the required performance assurance will be a calculated amount in excess of any unsecured credit. The Company proposes that the

performance assurance will be recalculated every business day based upon forward prices for energy and capacity to be delivered under the contract, as has been the practice in prior DSP programs.

D. SUPPLY MASTER AGREEMENT

84. PPL Electric's proposed Default Service SMA is substantially unchanged from the current SMA approved by the Commission as part of PPL Electric's DSP IV Program. The direct testimony of PPL Electric witness Mr. Rouland identifies changes contained in the proposed SMA. Separate SMAs are proposed for the Company's Block and AEC products.

85. PPL Electric's *pro forma* Default Service SMA is provided as Attachment B to this Petition. PPL Electric's *pro forma* SMAs for Block and AEC products are provided as Attachments D and F respectively.

E. THIRD-PARTY MANAGER

86. PPL Electric has retained NERA as the independent third-party to administer each procurement, analyze the results of the solicitations for each Customer Class, select the supplier(s) that will provide services at the lowest cost, and submit all necessary reports to the Commission.

87. NERA has administered all of PPL Electric's DSP program procurements to date. NERA also is the administrator for other Default Service programs in Pennsylvania and elsewhere, and has substantial expertise in this arena. Based on NERA's proven track record and significant experience, the Company proposes to continue to retain NERA to administer the DSP IV Program.

F. RTO COMPLIANCE

88. Section 54.185(d)(4) of the Commission's regulations requires Default Service plans to include documentation that the program is consistent with the requirements regarding

the generation, sale and transmission of electricity of the RTO in the control area where the Default Service provider is providing service. 52 Pa. Code § 54.185(d)(4). PPL Electric's DSP IV Program fully meets this requirement.

89. The SMAs and the RFP Rules require that both PPL Electric and any bidder in the procurement process must be in compliance with PJM requirements. For example, the *pro forma* Default Service SMA recognizes PJM's authority and assures that each party is in compliance with PJM's tariff, operating agreement, reliability agreement, and business practices.

90. Additionally, Article 4 of the RFP requires that an applicant must certify that it is a member of PJM, qualified as a market buyer, and market seller in good standing that is able to secure generation or otherwise obtain and deliver electricity in PJM through compliance with all applicable requirements of PJM to fulfill a full-requirements obligation. An applicant must also certify that it has been authorized by the Federal Energy Regulatory Commission ("FERC") to make sales of energy, capacity and ancillary services at market-based rates.

G. CONTINGENCY PLANNING

91. Section 54.185(d)(5) of the Commission's regulations requires that Default Service plans include contingency plans to ensure the reliable provision of Default Service if a wholesale generation supplier fails to meet its contractual obligations. 52 Pa. Code § 54.185(d)(5). The DSP V Program meets these requirements.

92. The DSP V Default Service contingency plan is the same as that approved for DSP IV. If the Commission rejects all bids for a given product, in any solicitation, or if some tranches of a given product in a particular solicitation do not receive bids, the Company will expeditiously seek guidance and approval from the Commission to address this shortfall in procurement of Default Service supply. If a Block Product procurement fails, the Company will offer the product in the next procurement. Following three unsuccessful auctions, the Company

will cease offering the product and seek Commission guidance. For AEC products, procurements will roll over the next solicitation, and if there is insufficient time to procure, the Company will solicit credits from brokers.

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

94. In the event a supplier defaults, PPL Electric will offer full-requirements supply assignment to other winning bidders for the same product consistent with the step-up process described in the Default Service SMA. In the event a supplier of the block product defaults, PPL Electric will offer the remaining contract term to other suppliers at the contract price, pursuant to the step-up process detailed in the Block SMA. If no supplier accepts, PPL Electric will seek guidance from the Commission. If this assignment is not successful, PPL Electric will offer full-requirements supply assignment to all Default Service suppliers consistent with the Default Service SMA, even if a Default Service supplier does not serve tranches for that product. These assignments will be offered at the original bid price in the event of default(s), or at the average price from the last successful bid for that product in the event of insufficient bids.

H. STANDARD OFFER REFERRAL PROGRAM

95. Retail competition has been strong in PPL Electric's service territory. A significant number of customers in PPL Electric's service territory are taking competitive supply

from EGSs, and, there continues to be a large number of licensed EGSs serving residential customers in PPL Electric's service territory.

96. As part of PPL Electric's DSP IV Program, the Commission approved a Standard Offer Referral Program ("SOP").¹⁰ The SOP is available to all Residential customers, including customers enrolled in the Company's OnTrack customer assistance program, and Small C&I customers under 25 kW peak demand. The SOP provides participants with a standard 7% discount off the then-current Price to Compare ("PTC") for a twelve-month term. A customer who elects the standard offer price may choose to receive service from a particular EGS that is participating in the program, and customers who do not chose a specific EGS will be randomly assigned to an EGS. Customers may exit a standard offer contract at any time without penalty, either to re-enroll in SOP with a new rate, select another EGS or to return to default service.

97. Pursuant to the SOP in effect during the DSP IV Program Period, PPL Electric has utilized a third-party to administer the SOP. Any customer who is interested in the SOP is transferred from PPL Electric to a separate, dedicated third-party service provider that will provide more detail regarding the SOP and enroll customers in the SOP. EGSs pay a fixed fee of \$28 per referred customer. In addition, customers who have elected to utilize PPL Electric's Web Self Service program can choose to participate in the SOP without using the third-party service provider. In these instances, the supplier is not charged a referral fee. PPL Electric plans to continue using the third-party to administer its SOP.

98. From 2017 through 2019, an average of 41,823 customers per year enrolled in the SOP. PPL Electric proposes to continue the SOP during the DSP V Program Period with certain

¹⁰ The SOP was first established in PPL Electric's DSP II Program.

modifications.¹¹ Specifically, the Company is proposing to continue its SOP for the DSP V Program period with the following changes: (1) educate customers of their options prior to the conclusion of the 12-month SOP contract; (2) automatically transfer SOP customers to default service upon the expiration of their SOP contract unless the customer affirmatively elects to remain a shopping customer; (3) replace specific SOP scripting used by PPL Electric CSRs with guidelines to navigate customers through the SOP process, while giving the Company flexibility to modify the precise words if customer confusion becomes apparent; (4) update third-party scripting to reflect changes made to the SOP; and (5) change the EGS enrollment term from quarterly to semi-annually, coinciding with the PPL Electric PTC.

99. EGSs enrolled in PPL Electric's SOP Program are responsible for notifying customers before their SOP contract expires. Upon the expiration of a customer's SOP contract, the customer is automatically enrolled in a new contract with the customer's existing supplier unless the customer affirmatively elects to change suppliers or return to default service. Experience has shown that most customers do not take any action upon expiration of their SOP contract and therefore are placed on a new contract at a new rate with their existing supplier. This procedure is problematic because the new rate is oftentimes higher than the currently-effective PTC and higher than the customer's previous rate, which in some instances can cause the customer to become payment-troubled. Therefore, PPL Electric proposes that upon the expiration of a customer's SOP contract, the customer be automatically transferred to default service at the PTC unless the customer affirmatively elects to remain a shopping customer.¹²

¹¹ The SOP would end if PPL Electric ceases to be the default service provider.

¹² As explained in Section X, PPL Electric is seeking a waiver of the Commission's regulations at 53 Pa. Code § 54.10(3) related to this proposal.

100. PPL Electric proposes that 30 days prior to the expiration of the SOP contract, PPL Electric will notify customers that they will be transferred to default service at the PTC upon expiration of their SOP contract unless they elect to remain a shopping customer. To educate customers regarding their options upon expiration of their SOP contract, PPL Electric will provide the customers whose SOP contract is expiring with educational material regarding shopping.

101. PPL Electric's proposed modifications to the SOP are further discussed in the testimony of Ms. LaWall-Schmidt. .

V. ONTRACK CUSTOMER SHOPPING

102. PPL Electric's low-income residential CAP is called the OnTrack Program. Under the OnTrack Program, eligible customers receive a discounted payment amount and arrearage forgiveness for remaining current on their OnTrack payments. The costs associated with PPL Electric's universal service programs, including OnTrack, is recovered from the Residential Customer Class through the Universal Service Rider ("USR"). The difference between the fixed OnTrack monthly payment and the CAP customer's monthly energy charges, including any EGS charges, is recovered through the USR.

103. OnTrack customers have been eligible to shop since the beginning of shopping in 2010. Shopping does not directly affect an OnTrack customer's payment amount, which is based upon ability to pay. However, OnTrack customers are limited to maximum CAP credits that they may receive (i.e., the difference between the actual bill and the required payment amount), and shopping can affect whether a customer exceeds their maximum CAP credit. CAP customer shopping can also affect the potential CAP program costs borne by other customers. Specifically, CAP shopping can result in CAP participants paying a rate greater than the PTC, thereby exceeding their CAP credits at a faster rate and putting them at risk of being removed

from CAP or terminated from service. CAP shopping can also cause Residential non-CAP customers to bear increased costs related to CAP.

104. Currently, the only way in which CAP customers in PPL Electric's service territory can shop is through a SOP specific to CAP customers (the "CAP SOP"), which was established as a result of the DSP IV proceeding in an attempt to mitigate the impacts of CAP shopping by requiring all OnTrack customers who wish to shop to do so through the CAP SOP.¹³ In order for an EGS to participate in CAP SOP, it must agree to serve customers at a 7% discount off the PTC at the time of enrollment.¹⁴

105. EGS participation in the CAP SOP has been minimal. At the commencement of the CAP SOP in June 2017, through November 2017, there were two EGSs participating in the CAP SOP. From December 2017 through May 2018, a single EGS participated in the program. From June 1, 2018 through February 29, 2020, there were no EGSs participating in PPL Electric's CAP SOP. During this time, CAP customers were not eligible to shop as the CAP SOP was not active. Effective March 1, 2020, there is one EGS participating in the CAP SOP.

106. Under the terms of the CAP SOP approved in DSP IV, OnTrack customers enrolled with an EGS prior to entering OnTrack are permitted to remain with their existing supplier until the end of their contract term. As of January 2020, there were 7,975 OnTrack customers shopping with an EGS outside of the CAP SOP because these customers were shopping with an EGS prior to participation in the OnTrack program. In PPL Electric's

¹³ The CAP SOP was implemented on June 1, 2017 and remains in effect through May 31, 2021. The Commission approved the CAP SOP by Order entered October 27, 2016 in PPL Electric's Petition for a Default Service Plan at Docket No. P-2016-2526627. On appeal, the Commonwealth Court affirmed the Commission's decision. *Retail Energy Supply Association v. Pa. PUC*, No. 230 CD 2017 (May 2, 2018).

¹⁴ Under the current CAP SOP, the shopping rate could exceed the PTC if the PTC drops by more than 7% during the term of the CAP SOP contract. However, CAP SOP customers have the right to terminate the contract without payment of termination fees.

experience, customers who shopped prior to enrolling in OnTrack continue to pay significantly higher prices than the PTC.

107. In the DSP IV proceeding, PPL Electric proposed that a statewide collaborative be initiated to address the issue of CAP shopping on a uniform basis. On February 28, 2019, the Commission issued a Proposed Policy Statement Order to address CAP participant shopping. *See Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping, Proposed Policy Statement Order*, Docket No. M-2018-3006578 (February 28, 2019) (“*CAP Shopping Proposed Policy Statement Order*”). In the *CAP Shopping Proposed Policy Statement Order*, the Commission provided certain proposed guidelines and directed EDCs to address the mechanics of CAP shopping in their next default service plan proceedings. *CAP Shopping Proposed Policy Statement Order*, p. 6. No final policy statement has been issued as of the filing of this Petition. PPL Electric submitted comments and reply comments to the *CAP Shopping Proposed Policy Statement Order*, in which the Company explained the problems with CAP shopping and recommended that the best policy to protect CAP customers is simply to require that all CAP customers be placed on default service. *See PPL Electric Comments*, Docket No. M-2018-3006578, pp. 9-10.

108. As explained in the testimony of Company witness Ms. Stumpf, PPL Electric proposes to eliminate the CAP SOP beginning with the DSP V Program. As a result, CAP customers will be ineligible to shop and must remain on or be placed on default service beginning on June 1, 2020.¹⁵ PPL Electric notes that low income customers may elect to shop at any time. However, such customers will not be permitted to enter, or remain in, the CAP Program while shopping. As explained in the direct testimony of Ms. Stumpf, the Company

¹⁵ Should the Commission direct differently in any future order issued in Docket No. M-2018-3006578 during the DSP V Program period, PPL Electric will seek to amend the DSP V with respect to CAP shopping so that it is in compliance with the Commission’s directives.

believes that its proposal to require that all CAP customers receive default service is in the best interest of PPL Electric's customers.

VI. TIME OF USE PROCUREMENT AND RATE DESIGN

109. As the default service provider, PPL Electric is required to offer TOU rates to eligible customers. *See* 66 Pa. C.S. § 2087(f)(5); *DCIDA v. PUC*, 123 A3d 1124 (Pa. Cmwlth. 2015). The Company's currently-effective TOU Program was implemented pursuant to the Commission-approved settlement in *Proceeding Initiated to Comply with Directives Arising from the Commonwealth Court Order in DCIDA v. PUC, 123 A3d 1124 (Pa.Cmwlth 2015) Reversing and Remanding the order of the Commission Entered September 22, 2014 at Docket Number P-2013-2389572 in which the Commission had Approved PPL's Time of Use Plan*, Docket Nos. P-2016-2526627, et al. (Order entered May 17, 2018). The currently-effective TOU Program has a primary plan and a contingency plan. Under the primary plan, PPL Electric holds semi-annual auctions to solicit wholesale supplier bids for the TOU product, which are used to create TOU rates. In the TOU-specific auction, wholesale suppliers bid an off-peak rate as a percentage of the generation rate of the PTC. The on-peak rate is then established pursuant to an approved formula.

110. In the event of an auction failure or supplier default, PPL Electric will implement its contingency plan. Under the contingency plan, generation is provided by wholesale suppliers in the DSP until the next available TOU auction, and on-peak and off-peak rates are based upon the generation rate of the PTC in effect at that time. The off-peak rate is a ten percent discount to the applicable generation rate of the PTC. The on-peak rate is then established pursuant to the same formula used under the primary plan.

111. PPL Electric is currently operating under the contingency plan and has been since its existing TOU Program became effective. To date, there has been no wholesale supplier

participation in the TOU-specific auctions, and every TOU-specific auction has failed. Rather than continue to hold TOU-specific auctions in the DSP V, PPL Electric is proposing to adopt the current contingency plan as its TOU Program. That is, PPL Electric will offer TOU rates to eligible customers by securing the generation for TOU customers through the default service auctions without holding a TOU-specific auction that solicits bids from wholesale suppliers. Like the current contingency plan, the on-peak and off-peak rates in the DSP V Program will be established based upon the generation rate of the PTC in effect at the time. PPL Electric proposes to continue the current 10% discount to the generation component of the applicable PTC for the summer and winter off-peak rates. The Company also proposes to continue the same formula used to derive the on-peak rates under the current TOU Program. PPL Electric also proposes that the seasons, on-peak hours, and off-peak hours that have been established in its current TOU Program be retained in the DSP V. With respect to customer eligibility, all Residential and Small C&I customers, except for CAP, virtual net-metering customers, and a grandfathered water heating rate identified as “RWO” will be eligible for TOU rates. The eligibility of customers remains unchanged from the existing TOU Program. Reconciliation of TOU costs will continue to be recovered through GSC-1. Further details regarding the TOU Program are provided in the direct testimony of Company witness Mr. Rouland.

VII. RENEWABLE RATE PROGRAM

112. As part of its DSP V Plan, PPL Electric is proposing to create a renewable rate program (“PPL Electric Renewable Rate Program”) for default service customers. This rate will provide a renewable energy option for customers who remain on default service. The renewable rate program is not designed to replace any other rate and will be opt-in only.

113. The PPL Electric Renewable Rate Program is designed as an adder to the PPL Electric PTC and is based on the purchase of AECs that cover 100% of participating customer

consumption. If an interested customer who is eligible for the Renewable Rate Program contacts PPL Electric and affirmatively elects to participate in the program, the adder will be applied to their bill based upon the value of PA non-solar Tier I AECs. Customers will remain in the program until they request removal from the program or begin shopping. Customer rate schedules RS, RTS, GS-1, GS-3 (<100kW), GH-2, and LP-4 (<100kW) excluding PPL Electric OnTrack customers and Net Metering customers, are eligible to participate in the Renewable Rate Program.

114. PPL Electric will utilize the AEC auctions to procure the necessary AECs for the renewable rate. As part of the AEC RFP forecast and reconciliation process the Company will total the usage for renewable rate customers for the period immediately preceding each AEC auction. That quantity of AECs will be added to the Tier I non-solar total to be procured in the auction. This process will only apply to the Tier I non-solar AEC auction.

115. To ensure that customers participating in the program are charged commensurate with their consumption, the renewable rate adder will be charged to customers and displayed on their bills as a cent/kWh value. The direct testimony of Company witness Mr. Rouland and Exhibit JMR-5 describe how the renewable rate adder is calculated and how the rate will be reconciled.

116. The renewable rate program will commence on December 1, 2021, subject to the availability of a Tier I non-solar AEC price. If the Tier I non-solar AEC auction in July 2021 fails, the program will be delayed until the Tier I non-solar AEC auction is successful, beginning with the next available PTC change – June 1 or December 1, as applicable. The renewable rate will be updated each PTC period – June 1 and December 1.

117. If the July 2021 Tier I non-solar AEC auction fails, the renewable rate will not be offered until the first successful Tier I non-solar AEC auction is completed. Once a successful auction is conducted the renewable rate will be offered to customers on the following June 1 or December 1, whichever is applicable. If any Tier I non-solar AEC auction fails after the renewable rate program is made available, the renewable rate adder in effect will remain through the next period until a Tier I non-solar AEC auction is successful; then following the normal rate change rules detailed above.

118. The Tier I non-solar AECs procured by the Company in association with the renewable rate will be voluntarily retired on behalf of the customers on the renewable rate. No AECs procured for the renewable rate will be used for basic default service AEPS compliance.

119. PPL Electric has added the renewable energy rate program to the Generation Service Charge – 1 (“GSC-1”) rate tariff, similar to the approach taken for the PPL Electric TOU Program. See Attachment H.

120. There are two distinct scenarios that impact how the Company will approach recovering a reconciliation balance if there are no customers on the Renewable Energy Rate: 1) when there are no customers on the rate during any period or series of periods throughout the DSP 5 term, and 2) if there are no customers on the rate at the conclusion of DSP 5. In the first instance, if at any time there are no customers on the Renewable Energy Rate, any balance will be carried over to the subsequent period or periods for future reconciliation. This follows current cost recovery practices. If at the conclusion of the DSP V Program there are no customers on the Renewable Energy Rate and the Company continues the Renewable Energy Rate in its next plan, the outstanding balance will be carried over into the next plan’s Renewable Energy Rate. If, however, there are no customers on the Renewable Energy Rate and the Company chooses to not

continue the Renewable Energy Rate, the outstanding reconciliation amount will be recovered through the GSC-1 over/under-collection.

VIII. END STATE

121. PPL Electric currently anticipates that it will continue in the role of Default Service provider beyond May 31, 2025. As a result, the final procurements under the DSP V Program are structured to avoid procuring all Default Service supplies at one time to be effective June 1, 2025. That is, the October 2024 procurement will continue to obtain both 12- and 6-month fixed-price products.

122. Should the Commission determine, at any time prior to the last solicitation under the DSP V Program in October 2024, that the Company will not continue in its role as Default Service provider beyond May 31, 2025, PPL Electric will file an appropriate petition with the Commission requesting to amend the DSP V Program to ensure that no fixed-priced contracts extend beyond May 31, 2025, or the date set by the Commission for the termination of PPL Electric's role as Default Service provider.

123. In addition, PPL Electric's proposed SMA continues to contain provisions, which were accepted in the DSP IV Program, that anticipate the possibility that the Commission may determine that the Company will no longer continue in its role as Default Service provider and, as a result, PPL Electric may be required to transfer/assign its Default Service obligations to a third-party supplier. These provisions can be used to implement any change to PPL Electric's role as Default Service provider that may be made in the future.

IX. ADDITIONAL REQUESTED RULING PURSUANT TO 66 PA.C.S. § 2102

124. In addition to approving all aspects of the DSP V Program and the requested waivers, PPL Electric respectfully requests that the Commission approve the three SMAs as

affiliated interest agreements under 66 Pa.C.S. § 2102 and include such approval in its final order.

125. Under 52 Pa. Code § 54.186(b)(5), an affiliated supplier may participate in a Default Service provider's competitive bid solicitations for generation service. PPL Electric currently does not have any affiliated suppliers.¹⁶ However, in the event any suppliers were to become affiliated with PPL Electric during the DSP V Program Period, any such unregulated affiliates will be permitted to participate in the Company's Default Service, Block or AEC supply solicitations. If one of those affiliates is the successful bidder for one or more tranches of supply, PPL Electric would enter into a SMA with that affiliate.

126. It would not be practical or efficient, in light of the procurement schedule noted above, for the Commission to review the SMAs under 66 Pa.C.S. § 2102 following the solicitation processes. Rejection or significant modification of these agreements after a solicitation has concluded, and winning bidders have been selected, could significantly disrupt the Company's Default Service procurement process.

127. The Company notes that prior DSP programs' SMAs were approved by the Commission under 66 Pa.C.S. § 2102(b) in advance of execution of contracts with PPL Electric's affiliate.

X. WAIVERS

¹⁶ See *Joint Application of PPL Interstate Energy Company and PPL Electric Utilities Corporation for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) for the Transfer of PPL Corporation's Ownership Interest in PPL Interstate Energy Company to Talen Energy Corporation, and Certain Post Closing Transactions Associated therewith; (2) for the Transfer of Certain Property Interests Between PPL Electric Utilities Corporation and PPL Energy Supply, LLC, and its Subsidiaries in Conjunction with the Transfer of All of the Interests of PPL Energy Supply, LLC and its Subsidiaries to Talen Energy Corporation; (3) for any Modification or Amendment of Associated Affiliated Interest Agreements; and (4) for any Other Approvals Necessary to Complete the Contemplated Transactions*, Docket Nos. A-2014-2435752, A-2014-2435833, 2015 Pa. PUC LEXIS 157 (Order entered April 15, 2015).

128. Pursuant to 52 Pa. Code § 54.185(f), a Default Service provider “shall include requests for waivers from the provisions of this subchapter in their Default Service program filings.”¹⁷ Consistent with the Commission’s regulations, PPL Electric requests a waiver of a limited number of the Commission’s regulations as identified below.

129. In the *End State Order*, the Commission directed EDCs to offer quarterly PTCs that are synchronized with the PJM energy year for Residential and Small C&I Customer Classes. Further, the Commission directed that the EDC auctions be held far enough in advance to permit EDCs to establish a final PTC no less than 45 days prior to the effective date of the PTC.

130. PPL Electric seeks a waiver of the quarterly PTC requirement and, instead, proposes to continue to offer semi-annual PTC changes. The semi-annual PTC was approved in DSP III and continued in DSP IV, to be consistent with the 6- and 12-month procurements used in the DSP III and DSP IV Programs. The six-month PTC changes, and associated six-month reconciliations, reduce volatility in the PTC. Moreover, the six-month PTC changes support retail competition by providing customers greater certainty when evaluating shopping opportunities and by providing EGSs greater certainty when developing offers. The PTC changes will continue to be synchronized to the PJM energy year (twelve months ended May 31).

131. PPL Electric also seeks a waiver from the requirement to issue a final PTC 45 days prior to the effective date of the PTC, and to continue the issuance of the PTC 30 days in advance of the effective date that was approved for DSP III and DSP IV.

¹⁷ See also 52 Pa. Code § 1.91 (2008).

132. Section 69.1804 of the Commission's DSP Policy Statement, 52 Pa. Code § 69.1804, provides that default service plans should be for two years, unless otherwise directed by the Commission. As explained previously, PPL Electric proposes that the term of DSP V Program be for four years. As a Policy Statement, 52 Pa. Code § 69.1804 does not have the force of law, and no waiver is required. Nonetheless, for reasons explained in Section IV.A of this Petition, PPL Electric requests that the Commission approved DSP V for a period of four years.

133. To the extent waiver of the Commission's regulation is necessary to implement PPL Electric's SOP proposal, the Company requests waiver of 52 Pa. Code § 54.10(3) to automatically return customers to default service upon conclusion of their SOP contract unless the customer affirmatively elects otherwise.

XI. DSP IV PROGRAM IS IN THE PUBLIC INTEREST

134. PPL Electric believes that the proposed DSP V Program is in the public interest because it contains many features that support the continued development of retail competition in Pennsylvania. The Company will procure contracts for its Default Service supply needs through transparent competitive solicitations with all qualified wholesale suppliers being eligible to participate. EGSs will continue to have an ability to compete to supply PPL Electric's retail customers.

135. The DSP V Program, consistent with 66 Pa.C.S. § 2807(3.7), will obtain supply at least cost, and provide adequate and reliable service to customers via a prudent mix of products. Specifically, the DSP V Program proposes to obtain (or continue to obtain) supply through the use of short (under 12 months) and long term (one year and ten year) contracts and spot market purchases.

136. The proposed DSP V Program satisfies “least cost” requirements by regularly holding transparent solicitations in which wholesale suppliers can compete with one another to provide Default Service supply. Over time this approach will produce Default Service prices that are least cost given the underlying energy market conditions.

137. By using the spot market to price the energy component of Default Service for Large C&I customers, and a fixed-price full-requirements adder to cover the other components associated with the load (capacity, ancillary services, etc.), the proposed program insures that customers receive price-reflective energy costs. As explained above, almost all of the Large C&I Customer loads are shopping and Company experience has shown that a fixed-price, full-requirements, load-following product for Large C&I customers is not likely to attract any interested bidders.

138. The DSP V Program also includes prudent steps to obtain supply contracts. PPL Electric has designed its proposal to incorporate both third-party administration and Commission oversight. PPL Electric anticipates that the independent third-party procurement manager will work closely with the Commission and that the Commission will monitor each step of the process, including implementation of each RFP, the evaluation of bids and final selection of winning bidders.

139. Furthermore, PPL Electric is proposing a proven RFP process, which will continue to promote competition among wholesale suppliers.

140. The DSP V Program procurement and rate design reflects a careful and appropriate balance of customer and competitive interests. Default Service supply for Residential and Small C&I customers will include fixed-price procurement, and customer rates will change every six months. Through this process, customers will be exposed to changing

market conditions and prices, but in a way that reduces price volatility. Large C&I customers will be more fully exposed to market prices through the procurement of electric energy at spot market prices.

141. Section 2807(e)(3.7) requires that the Commission make a specific finding, *inter alia*, that “[n]either the default service provider nor its affiliated interest has withheld from the market any generation supply in a manner that violates Federal law.” 66 Pa.C.S. § 2807(e)(3.7). In addition, under the various FERC codes of conduct, PPL Electric is precluded from discussing any market-related issues with its affiliates that own generation. As explained above, PPL Electric currently does not have any affiliated suppliers.

XII. CUSTOMER NOTICE

142. The Company will provide public notice of this filing.

143. First, PPL Electric has served copies of the filing on the Pennsylvania Office of Consumer Advocate, Pennsylvania Office of Small Business Advocate, the Commission’s Bureau of Investigation and Enforcement, EGSs registered in its service territory¹⁸ and PJM as required by the Commission’s regulations at 52 Pa. Code § 54.185(b).

144. Second, PPL Electric will publish a notice describing the DSP V Program and comment procedures in major newspapers serving its service territory. *See* 52 Pa. Code § 54.188(e)(1) referencing 52 Pa. Code § 53.68. That notice will inform customers about this filing, explain where to obtain copies, and describe the procedure for filing comments or complaints with the Commission.

145. Third, consistent with 52 Pa. Code § 54.185(c), the filing will be posted on PPL Electric’s web site at www.pplelectric.com.

¹⁸ Due to the number of EGSs registered in PPL Electric’s service territory, the Company is providing an electronic link to a full copy of the Petition and supporting Attachments to the EGSs that did not actively participate in the Company’s last DSP proceeding. Hard copies will be made available upon request.

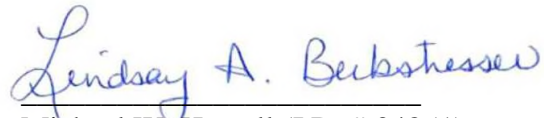
146. Finally, the Company requests that the Commission publish notice of this filing in the Pennsylvania Bulletin, and that a reasonable deadline for intervention be set as part of that notice.

147. PPL Electric believes that these various communications initiatives will provide all interested parties with full notice of the Company's proposals and an opportunity to participate in any Commission proceeding addressing those proposals. However, if the Commission concludes that additional notice would be appropriate, the Company will provide such additional notice as the Commission may direct.

XIII. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve the Default Service Program and Procurement Plan for the Period June 1, 2021 through May 31, 2025, as set forth in this Petition and the attachments hereto, to establish the terms and conditions under which PPL Electric will obtain supply for its Provider of Last Resort obligation, approve recovery of all costs of obtaining that supply, and grant the requested waivers explained above to implement the DSP V Program. PPL Electric respectfully requests that the Commission enter its final order approving the DSP V Program within nine months or no later than December 25, 2020.

Respectfully submitted,



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Dated: March 25, 2020

Attorneys for PPL Electric Utilities Corporation

EXHIBIT A

PPL Electric Utilities Corporation

Default Service

Request for Proposals (RFP) Process and Rules

[Month] [Day], 2021

DEFAULT SERVICE RFP PROCESS AND RULES

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ARTICLE 1 INTRODUCTION

1.1 Overview

- 1.1.1 Capitalized terms in this document, which are not defined explicitly herein, are defined in the PPL Electric Utilities Corporation Default Service Supplier Master Agreement (“Default SMA” or “Default Service SMA”) incorporated hereto as Appendix 1.
- 1.1.2 PPL Electric Utilities Corporation (“Company” or “PPL Electric”) has proposed a competitive bidding process to obtain electric supply sufficient for the Company to meet its default service obligations, pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812, and Pennsylvania Public Utility Commission (“PUC” or “Commission”) Orders and Regulations (“Default Service Supply”). This Request for Proposals (“RFP”) is being issued to select electricity suppliers for default service beginning on June 1, 2021.
- 1.1.3 PPL Electric is issuing this RFP to procure Default Service Supply for the period beginning June 1, 2021, under the terms described below, for each of three groupings of rate classes (“Customer Group”): Residential, Small Commercial and Industrial (“Small C&I”), and Large Commercial and Industrial (“Large C&I”). Each Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

Customer Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
Small Commercial & Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 100 kW peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

Large Commercial & Industrial	GS-3	GS-3 – Large General Service – Customers with 100 KW or higher peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with 100 KW or higher peak demand
	LP-5	LP-5 – Large General Service (69 KV or Higher)
	LPEP	Power Service to Electric Propulsion
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

Notes:

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 100 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 100 KW or greater peak demand will be included in the Large C&I Customer Group. The initial determination of peak demand will be based on the customer’s ICAP peak load contribution assigned for the June 1, 2021 date by PJM Interconnection, LLC (“PJM”) and will take effect starting December 1, 2021. All following determinations of peak demand and classification of customers will be reassessed annually on June 1 each year thereafter, throughout the period of June 1, 2022 through May 31, 2025.
4. For the purposes of this RFP, Time-of-Use load will be included in the calculation of Default Service Load.

1.1.4 The Default Service Load for each of these Customer Groups for purposes of this Default Service RFP is the Full Requirements Service as recorded by PPL Electric and reported to the PJM Interconnection, LLC (“PJM”) for PPL Electric’s retail customers within that Customer Group, excluding customers that have chosen to take service from an Electric Generation Supplier (“EGS”). For the purposes of this RFP, the Default Service Load will be reduced by any net excess generation purchased from net metering (customer generation) as well as supply the Company is obligated to purchase pursuant to the Public Utility Regulatory Policies Act (“PURPA”). In addition, for the Residential Customer Group, the Default Service Load will be reduced by PPL Electric’s fractional percentage of committed capacity and energy obtained under a long-term contract with the Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”), and supply associated with load supplied through 50 MW of energy and capacity to be purchased under separate block supply contracts for the period June 1, 2021 through May 31, 2026 and with load supplied through 50 MW of energy and capacity to be purchased under separate block supply contracts for the period December 1, 2021 through November 30, 2026 (referred to collectively herein as “Block Supply Purchases”). Appropriate contract and performance data will be provided on PPL Electric’s RFP Web site.

1.1.5 An electricity supplier selected through this RFP is to provide Default Service Supply for a portion of a particular Customer Group, and once approved by the PUC, becomes a Default Service Supplier for that Customer Group. A Default Service Supplier may be selected to provide Default Service Supply for one or more Customer Groups, and may be selected to supply Default Service Fixed Price Load and/or Default Service Spot

Market Load (i.e., be a Default Service Fixed Price Supplier and/or Default Service Spot Market Supplier, referred to collectively herein as “Default Service Suppliers” unless otherwise noted). Default Service Suppliers will be responsible for supplying the Full Requirements Service including, without limitation, energy, capacity, transmission (excluding Non-market-based Transmission Services as defined in the Default Service SMA), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply Default Service to PPL Electric. PPL Electric will be responsible for complying with obligations under the Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1 1648.8, (“AEPS Act”) and all applicable PJM demand response operating rules.

- 1.1.6 A Default Service customer for the purposes of these RFP Rules is a PPL Electric retail customer in the Residential Customer Group, the Small C&I Customer Group, or the Large C&I Customer Group that is not taking service from an EGS. Any shopping customer (i.e., a customer served by an EGS) may return to Default Service in accordance with the Company’s standard switching requirements.
- 1.1.7 A “Product” is Default Service Supply provided: (i) for a given Customer Group; (ii) for a given period of time (“Delivery Period”); and (iii) under the terms of the Default Service SMA where supply is provided for Full Requirements Service at either an all-in fixed price or paid at the load weighted, real-time spot market energy price for the Delivery Point as defined in the Default Service SMA plus additional specified payments for other components of the Full Requirements Service. Products under the Default Service SMA will be referred to as “Fixed Price Products” for the Residential and Small C&I Customer Groups and “Spot Market Products” for the Large C&I Customer Group.
- 1.1.8 For each Customer Group, PPL Electric will provide Default Service from separate portfolios of products (i.e., one portfolio for the Residential Customer Group, a different portfolio for the Small C&I Customer Group and a different portfolio for the Large C&I Customer Group) from Default Service Suppliers, with no Default Service customer being assigned to a specific Default Service Supplier. The Delivery Period for each product begins at 12:00:00 a.m. Eastern Prevailing Time (“EPT”) of that product’s commencement date and ends at 11:59:59 p.m. EPT of that product’s expiration date. The Residential and Small C&I Customer Groups may receive Default Service from supply provided by Default Service Suppliers under a fixed rate from PPL Electric. For the Large C&I Customer Group, PPL Electric will provide Default Service with the Spot Market Product. Default Service Spot Market Suppliers for the Large C&I Customer Group will be selected to supply the Spot Market Product annually for 12-month Delivery Periods (e.g., the Delivery Period for the first annual Spot Market Product will be June 1, 2021 through May 31, 2022).
- 1.1.9 For the Residential Customer Group, the first solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group. The second solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the

Default Service Load for the Residential Customer Group. The third solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group. The fourth solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group. The fifth solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group. The sixth solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group. The seventh solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group. The eighth solicitation seeks to procure 12-month Fixed Price Products serving 40.00% of the Default Service Load for the Residential Customer Group and 6-month Fixed Price Products serving 20.00% of the Default Service Load for the Residential Customer Group.

- 1.1.10 For the Small C&I Customer Group, the first solicitation seeks to procure 12-month Fixed Price Products serving 30.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The second solicitation seeks to procure 12-month Fixed Price Products serving 25.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The third solicitation seeks to procure 12-month Fixed Price Products serving 30.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The fourth solicitation seeks to procure 12-month Fixed Price Products serving 25.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The fifth solicitation seeks to procure 12-month Fixed Price Products serving 30.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The sixth solicitation seeks to procure 12-month Fixed Price Products serving 25.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The seventh solicitation seeks to procure 12-month Fixed Price Products serving 30.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group. The eighth solicitation seeks to procure 12-month Fixed Price Products serving 25.00% of the Default Service Load for the Small C&I Customer Group and 6-month Fixed Price Products serving 45.00% of the Default Service Load for the Small C&I Customer Group.

1.1.11 Each Product will be solicited separately for each Customer Group. The following table shows the commencement and expiration dates for the Products.

Products for Default Service			
Solicitation #	Product Term	Commencement Date and Time	Expiration Date and Time
1	6-month	12:00:00 a.m. EPT, June 1, 2021	11:59:59 p.m. EPT, November 30, 2021
1	12-month ¹	12:00:00 a.m. EPT, June 1, 2021	11:59:59 p.m. EPT, May 31, 2022
2	6-month	12:00:00 a.m. EPT, December 1, 2021	11:59:59 p.m. EPT, May 31, 2022
2	12-month	12:00:00 a.m. EPT, December 1, 2021	11:59:59 p.m. EPT, November 30, 2022
3	6-month	12:00:00 a.m. EPT, June 1, 2022	11:59:59 p.m. EPT, November 30, 2022
3	12-month ¹	12:00:00 a.m. EPT, June 1, 2022	11:59:59 p.m. EPT, May 31, 2023
4	6-month	12:00:00 a.m. EPT, December 1, 2022	11:59:59 p.m. EPT, May 31, 2023
4	12-month	12:00:00 a.m. EPT, December 1, 2022	11:59:59 p.m. EPT, November 30, 2023
5	6-month	12:00:00 a.m. EPT, June 1, 2023	11:59:59 p.m. EPT, November 30, 2023
5	12-month ¹	12:00:00 a.m. EPT, June 1, 2023	11:59:59 p.m. EPT, May 31, 2024
6	6-month	12:00:00 a.m. EPT, December 1, 2023	11:59:59 p.m. EPT, May 31, 2024
6	12-month	12:00:00 a.m. EPT, December 1, 2023	11:59:59 p.m. EPT, November 30, 2024
7	6-month	12:00:00 a.m. EPT, June 1, 2024	11:59:59 p.m. EPT, November 30, 2024
7	12-month ¹	12:00:00 a.m. EPT, June 1, 2024	11:59:59 p.m. EPT, May 31, 2025
8	6-month	12:00:00 a.m. EPT, December 1, 2024	11:59:59 p.m. EPT, May 31, 2025
8	12-month	12:00:00 a.m. EPT, December 1, 2024	11:59:59 p.m. EPT, November 30, 2025

¹ Includes the procurement of Spot Market Products for the Large C&I Customer Group.

1.1.12 A Default Service Fixed Price Supplier selected to supply a Fixed Price Product shall be paid under a firm price contract in which it will receive the price it bid. A Default Service Spot Market Supplier will receive the load weighted, real-time spot market energy price for the Delivery Point, PJM’s pre-determined capacity charge for the Delivery Point, and the price it bid covering all other components of the Default Service Supply necessary for PPL Electric to satisfy its obligations to its customers for that portion of the supply being served by the Default Service Spot Market Supplier.

1.1.13 Default Service Fixed Price Load for each Customer Group and Default Service Spot Market Load will be divided into tranches. A tranche represents a share of the Default Service Load for that Customer Group. A Default Service Supplier serving one tranche in a particular product for a Customer Group is responsible for serving a fixed percentage of that Customer Group’s Default Service Fixed Price Load or Default Service Spot Market Load represented by one tranche. The following tables show the percentage of Default Service Fixed Price Load and Default Service Spot Market Load provided by each of the products, the number of tranches for each of the products, and the tranche size.

Tranches and Tranche Size for Fixed Price and Spot Market Products					
Customer Group	Product Term ¹	Product Size (% of Load)	Total Tranches	Tranche Size (% of Load)	PLC (MW)
Residential	12-month (Solicitation #1)	40.00%	16	2.50%	□
	6-month (Solicitation #1)	20.00%	8	2.50%	
	12-month (Solicitation #2)	40.00%	16	2.50%	
	6-month (Solicitation #2)	20.00%	8	2.50%	
	12-month (Solicitation #3)	40.00%	16	2.50%	
	6-month (Solicitation #3)	20.00%	8	2.50%	
	12-month (Solicitation #4)	40.00%	16	2.50%	
	6-month (Solicitation #4)	20.00%	8	2.50%	
	12-month (Solicitation #5)	40.00%	16	2.50%	
	6-month (Solicitation #5)	20.00%	8	2.50%	
	12-month (Solicitation #6)	40.00%	16	2.50%	
	6-month (Solicitation #6)	20.00%	8	2.50%	
	12-month	40.00%	16	2.50%	

	(Solicitation #7)				
	6-month (Solicitation #7)	20.00%	8	2.50%	
	12-month (Solicitation #8)	40.00%	16	2.50%	
	6-month (Solicitation #8)	20.00%	8	2.50%	
Small Commercial and Industrial	12-month (Solicitation #1)	30.00%	6	5.00%	□
	6-month (Solicitation #1)	45.00%	9	5.00%	
	12-month (Solicitation #2)	25.00%	5	5.00%	
	6-month (Solicitation #2)	45.00%	9	5.00%	
	12-month (Solicitation #3)	30.00%	6	5.00%	
	6-month (Solicitation #3)	45.00%	9	5.00%	
	12-month (Solicitation #4)	25.00%	5	5.00%	
	6-month (Solicitation #4)	45.00%	9	5.00%	
	12-month (Solicitation #5)	30.00%	6	5.00%	
	6-month (Solicitation #5)	45.00%	9	5.00%	
	12-month (Solicitation #6)	25.00%	5	5.00%	
	6-month (Solicitation #6)	45.00%	9	5.00%	
	12-month (Solicitation #7)	30.00%	6	5.00%	
	6-month (Solicitation #7)	45.00%	9	5.00%	
	12-month (Solicitation #8)	25.00%	5	5.00%	
	6-month (Solicitation #8)	45.00%	9	5.00%	
Large Commercial and Industrial	12-month Spot Market (Solicitation #1)	100.00%	10	10.00%	□
	12-month Spot Market (Solicitation #3)	100.00%	10	10.00%	
	12-month Spot Market (Solicitation #5)	100.00%	10	10.00%	
	12-month Spot Market (Solicitation #7)	100.00%	10	10.00%	

¹ Unless otherwise noted the product type is a Fixed Price Product.

- 1.1.14 The actual Default Service Load for each Customer Group will depend upon many factors including, but not limited to, customer migration to EGSs and weather conditions. The maximum peak load of each Customer Group may be higher or lower than the Projected PLC. Respondents to this RFP (“RFP Bidders”) are responsible for evaluating the uncertainties associated with Default Service Load for each of the Customer Groups.
- 1.1.15 PPL Electric will issue solicitations beginning in 2021 to competitively procure electric supply sufficient for the Company to meet its Default Service obligations (the solicitation schedule can be modified based on the decision of the Commission). Each of the solicitations from 2021 through 2024 will obtain Products providing Default Service Supply for retail customers in the Residential Customer Group and the Small C&I Customer Group. The first, third, fifth, and seventh scheduled solicitations will also obtain the Default Service Spot Market Product providing supply for retail customers in the Large C&I Customer Group.
- 1.1.16 Any prospective supplier, including any PPL Electric generation supply affiliate, that can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will serve tranches of Default Service Load for any product serving any Customer Group, may respond to any solicitation in this RFP.
- 1.1.17 Any prospective respondent to this RFP must meet the Bidder Qualification requirements provided in Article 4, and submit Bid Proposal(s) as described in Articles 5 and 6. The Bidder Qualification requirements generally require the prospective RFP Bidder to provide certain evidence of being a recognized electricity supplier and, if applicable, to submit documents establishing the RFP Bidder’s credit. A Bid Proposal must include the RFP Bidder’s Bid(s) for each product for each Customer Group it is interested in bidding on, and must be accompanied by the executed Default Service SMA and sufficient Bid Assurance Collateral. A Bid is a price, in U.S. Dollars per megawatt-hour (“MWh”) for each product’s Delivery Period, at which the RFP Bidder is willing to serve a number of tranches of a given product for a given Customer Group.
- 1.1.18 All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Section 2.2. In general, for each solicitation to be conducted under this RFP, there will be a pre-specified time period prior to the submission of Bid Proposals wherein RFP Bidders can: 1) express interest in offering supplies; 2) obtain data on supply obligations; 3) attend a Bidder Information Session; and 4) submit and receive answers to questions regarding the solicitation.
- 1.1.19 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals for one or more products for any Customer Group, subject to the restrictions of this Article 1. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. For each solicitation, the number of tranches across all product(s) for a Customer Group for which an RFP Bidder submits a Bid cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the Available Tranches for that Customer Group in that solicitation. In addition, for each of

the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group.

- 1.1.20 The Aggregate Load Cap for a Customer Group ensures that, at any given point in time during the period June 1, 2021 through May 31, 2025, the Customer Group has no more than a 50% exposure to any one Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under Docket No. [] or Docket No. P-2016-2526627, respectively. Thus, for each of the Residential and the Small C&I Customer Groups, the sum of: (i) the percentage of Default Service Load corresponding to the number of tranches across all product(s) for the Customer Group for which an RFP Bidder submits a Bid; and: (ii) the percentage of Default Service Load corresponding to tranches for which the RFP Bidder is a Default Service Fixed Price Supplier selected pursuant to PPL Electric's current or prior default service program under Docket No. [] or Docket No. P-2016-2526627, respectively; must not exceed the Aggregate Load Cap at any given point in time during the period June 1, 2021 through May 31, 2025. The Solicitation Load Cap for each Customer Group and Aggregate Load Cap for each Customer Group are provided in Section 2.3.2. In any solicitation, when an RFP Bidder submits a Bid to supply a number of tranches in a product for a Customer Group, the RFP Bidder must submit a price at which that RFP Bidder is willing to serve each number of tranches up to and including that number of tranches in that product for that Customer Group. No Bid for any number of tranches in any product for any Customer Group may be made contingent upon winning or losing another Bid for some number of tranches in another product of some other Customer Group. Instructions for preparation of Bid Proposal(s) are addressed in Articles 5 and 6.
- 1.1.21 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (1) business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have one (1) business day to consider the report of the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. The PUC may either accept or reject all of the Bid Proposals presented for a Product, as defined in Section 1.1.7, in its entirety. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 1.1.22 If the PUC rejects all Bids for a given product for a given Customer Group in any solicitation, or if some tranches of a given product for a given Customer Group in a particular solicitation do not receive Bids, the Company will expeditiously seek guidance and approval from the PUC to address this shortfall in procurement of Default Service Supply. Subject to PUC approval, PPL Electric will issue a new RFP as soon as practicable, and if needed, the Company will obtain Default Supply through the spot market administered by PJM in the interim. In the event a Default Supplier defaults, PPL Electric will offer full requirements supply assignment as specified in Section 7.5.

1.2 Summary of RFP Documents

1.2.1 The following documents are appended to, and shall be considered an integral part of, this RFP:

Appendix 1:	PPL Electric Utilities Corporation Default Service SMA
Appendix 2:	Expression of Interest Form
Appendix 3:	Confidentiality Agreement
Appendix 4:	PJM Qualification Certification Form
Appendix 5:	FERC Authorization Certification Form
Appendix 6:	Credit Application
Appendix 6b:	Confirmation of Previously Submitted Credit and Financial Information
Appendix 7:	Bid Assurance Letter of Credit
Appendix 8:	Bid Proposal Spreadsheets
Appendix 9:	Binding Bid Agreement

1.3 Default Service Load and Supplier Obligations

1.3.1 This section contains a general description of the Default Service Load for each Customer Group, and a Default Service Supplier's obligations. It is only a summary and is subject to and qualified in its entirety by the Default Service SMA, incorporated hereto as Appendix 1.

1.3.2 Default Service Suppliers for a Customer Group shall serve the Company's Default Service Load for that Customer Group. Default Service Load for a Customer Group is the Company's Full Requirements Service including, without limitation, energy, capacity, transmission (excluding Non-market-based Transmission Services, as defined above), ancillary services, transmission and distribution losses, congestion management costs, and such other services or products that are required to supply the Default Service Load. In addition, as a requirement of any Bid Proposal, each RFP Bidder submitting a Bid for a product for a Customer Group must accept the obligations and associated rights to provide Default Service defined in the Default Service SMA.

1.3.3 Each Default Service Supplier for a product for a Customer Group will be paid a supplier-specific price expressed in U.S. Dollars for each MWh of electric load served as specified in a Transaction Confirmation to the Default Service SMA. The Supplier-specific price will be the Default Service Supplier's winning price for tranche(s) that the Default Service Supplier has been awarded in the product for that Customer Group.

ARTICLE 2 INFORMATION AND SCHEDULE

2.1 Information Provided to Potential Bidders

2.1.1 PPL Electric and its RFP Manager have established a Web site that will be the main source of information for this RFP. Prospective RFP Bidders are requested to use this Web site for current data and information about all aspects of this RFP and to access all essential RFP-related documents. Certain data may be password-protected at PPL Electric's sole discretion, in which case passwords would be provided upon execution of the Confidentiality Agreement as described in Section 4.3.

2.2 RFP Schedule

2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric may publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. Beginning April 2021, Default Service solicitations will take place on a semi-annual basis. The Bid Proposal Due Dates will occur on or about the following dates:

- April 6, 2021
- October 12, 2021
- April 12, 2022
- October 11, 2022
- April 11, 2023
- October 10, 2023
- April 9, 2024
- October 8, 2024

As stated in Section 1.1.8, Default Service Spot Market Suppliers will be selected on an annual basis to administer spot market purchases for the Large C&I Customer Group.

2.2.2 Default Service solicitations will generally span a four-week to six-week time period. Solicitation activities are shown below. The expected completion date of each of the activities shown is expressed in the approximate number of weeks prior to the expected execution of default service contracts.

- Five weeks or more: RFP Addendum Issued, Bidder Interest Form and Confidentiality Agreement Available, RFP Data Room Opens;
- Three and one-half weeks: Bidder Information Session;
- Two and one-half weeks: Bidder Qualifications Due;
- Two weeks: Cure Deficiency Deadline;
- One and one-half weeks: Qualified Bidders Notified;
- Final week: Bid Proposals Due, PUC Decision Issued, Transaction Confirmations Issued.

2.2.3 The RFP Schedule for each solicitation will be provided in the RFP Addendum issued for that solicitation.

2.3 Multi-Solicitation Process

2.3.1 In each of the solicitations, PPL Electric will seek to procure Default Service Supply for Fixed Price Products for the Residential and Small C&I Customer Groups corresponding to each Customer Group’s Default Service Load (see table below). In each of the solicitations held in Spring, PPL Electric will also seek to procure Default Service Supply for the Spot Market Product for the Large C&I Customer Group corresponding to 100% of the Customer Group’s Default Service Load.

Available Tranches in Solicitations					
Customer Group	Product ¹ Term	Solicitation #1	Solicitation #2	Solicitation #3	Solicitation #4
Residential	6-month	8	8	8	8
	12-month	16	16	16	16
Small Commercial and Industrial	6-month	9	9	9	9
	12-month	6	5	6	5
Large Commercial and Industrial	Spot Market (12-month)	10		10	

Available Tranches in Solicitations					
Customer Group	Product ¹ Term	Solicitation #5	Solicitation #6	Solicitation #7	Solicitation #8
Residential	6-month	8	8	8	8
	12-month	16	16	16	16
Small Commercial and Industrial	6-month	9	9	9	9
	12-month	6	5	6	5
Large Commercial and Industrial	Spot Market (12-month)	10		10	

¹Unless otherwise noted, the product type is a Fixed Price Product.

2.3.2 The Available Tranches for each Product in a solicitation are the number of tranches the Company seeks to procure for that Product serving a given Customer Group in that solicitation. In the event that PPL Electric is unable to secure Default Service Suppliers for all of the Available Tranches for a product in a solicitation, the unfilled tranches in that solicitation will be procured as specified in Section 1.1.22. In each solicitation, an RFP Bidder's maximum number of tranches offered must be a whole number that does not exceed the multiplicative product of the Solicitation Load Cap (85%) for that Customer Group and Available Tranches for that Customer Group. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.20. The Aggregate Load Cap for the Residential Customer Group is 50% and the Aggregate Load Cap for the Small C&I Customer Group is 50%.

ARTICLE 3 GENERAL REQUIREMENTS FOR PROPOSALS

3.1 RFP General Requirements

- 3.1.1 A Proposal consists of Bidder Qualifications (a response to the Bidder Qualification requirements in Article 4 of this RFP) and one or several Bid Proposal(s) for a given solicitation with its accompanying documents (as described in Article 5). A respondent to this RFP is an RFP Bidder. An RFP Bidder that fulfills the Bidder Qualification requirements can submit a maximum of one Bid Proposal for each product for a Customer Group on each Bid Proposal Due Date in response to this RFP.
- 3.1.2 Bidder Qualifications and Bid Proposals must: (i) adhere to this RFP's terms and conditions; and (ii) fulfill all requirements in Articles 3 through 6 of this RFP.
- 3.1.3 Bidder Qualifications and Bid Proposals that do not adhere to the terms and conditions of this RFP and/or do not fulfill all requirements set forth in Articles 3 through 6 of this RFP will not be considered.
- 3.1.4 It is the intention, but not the obligation, of the Company to enter into a Default Service SMA with two or more winning RFP Bidders for each Customer Group.

- 3.1.5 PPL Electric is not responsible or liable for any costs incurred by the RFP Bidder in responding to this RFP, including any presentations, demonstrations, or travel, meals or other out-of-pocket expenses. In addition, PPL Electric is not responsible or liable to any broker, consultant, or other person or entity acting on your behalf for any brokerage or other fee or payment related directly or indirectly to the RFP proposal submission or to the selection of a RFP Bidder for Default Service Supply, whether or not a contract is awarded and executed.
- 3.1.6 The RFP Bidder, at its own cost and expense, shall defend PPL Electric, its parent company, and its subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders, executors, administrators, successors and assigns, against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions, proceedings, or allegations of any kind which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any covenant by the RFP Bidder set forth herein. The RFP Bidder shall indemnify and hold harmless PPL Electric, its parent company, subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders and agents, as well as the heirs, executors, administrators, successors and assigns against any and all liens, judgments, liabilities, losses, injuries, damages, fees (including consulting, expert and attorney fees), fines, costs or expenses which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any warranty by the RFP Bidder as set forth herein.
- 3.1.7 The submission of any portion of a Proposal to the Company constitutes the RFP Bidder's acknowledgement and acceptance of all the terms and conditions of this RFP, regardless of the outcome of this RFP or the ultimate fate of such Proposal.
- 3.1.8 An Officer of the RFP Bidder is an individual empowered to undertake contracts and bind the RFP Bidder. The forms and/or agreements attached as Appendices 3, 4, 5 and 9, as well as Appendix 1 if an award is made to the RFP Bidder, shall be executed by individuals who are Officers of the RFP Bidder. Unless otherwise noted, all other representations with respect to this RFP must be made by an Officer of the RFP Bidder.
- 3.1.9 Each RFP Bidder must comply with all the Bidder Qualification requirements described in Article 4.
- 3.1.10 All information provided and certifications made in the Bidder Qualifications must remain valid and remain in full force until five (5) business days after the applicable Bid Proposal Due Date. Regardless of the reason, if any information provided in the Bidder Qualifications for a given solicitation changes or any certification fails to remain valid, it is the sole responsibility of the RFP Bidder to notify the Bidder Qualification Evaluation Team of such change at least three (3) business days before the submission of any Bid Proposal on a Bid Proposal Due Date. Failing to do so may result in disqualification of the RFP Bidder and the Bid Proposal for that solicitation. The Bidder Qualification

Evaluation Team reserves the right to vary the assessment of Bidder Qualifications based on the revised information provided by the RFP Bidder.

ARTICLE 4

BIDDER QUALIFICATION

4.1 Overview of Bidder Qualification Process

- 4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; 3) certifies that it meets the PJM membership and Federal Energy Regulatory Commission ("FERC") authorization requirements stated in Section 4.4 (Applicant's PJM Qualification and FERC Authorization Certifications); 4) submits the Credit Application and, if applicable, associated financial information requested in Section 4.5 (Credit Application and Financial Information); and, 5) submits an executed copy of the Binding Bid Agreement provided as Appendix 9. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral in an amount directly proportional to the amount of load bid upon. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution or the rejection of its bid(s), as described in Section 5.3 (Bid Assurance Collateral).
- 4.1.2 Bidder Qualifications will be available to be completed online by RFP Bidders through a Proposal Submission Web site as further explained in Section 6.1.2 and the electronic signature of a party to a form or document required as part of Bidder Qualifications shall be as valid as an original signature of such party and shall be effective to bind such party as further explained in Section 6.2.4.
- 4.1.3 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Section 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Section 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Section 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.
- 4.1.4 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by: a) verifying that the previously submitted credit and financial information is up-to-date and accurate by submitting Appendix 6b; and b) providing the executed Binding Bid Agreement for that solicitation. These documents must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance

Collateral for that solicitation and to fulfill all requirements of the Bid Proposal(s) as specified in Article 5. It is the sole responsibility of the RFP Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

4.2 Expression of Interest

- 4.2.1 Applicants will be required to express their non-binding interest to bid by completing and submitting the Expression of Interest Form (Appendix 2). An electronic copy of the Expression of Interest Form can be found on PPL Electric's Proposal Submission Web site. The applicant will not be eligible to submit a Bid Proposal until the completed Expression of Interest Form has been provided to PPL Electric. Applicants are required to complete and submit this form as directed in Section 6.1.2 no later than the Bidder Qualifications Due Date.
- 4.2.2 The Bidder Qualification Evaluation Team will not provide a deficiency notice to an applicant that submits an Expression of Interest Form but that submits none of the other documents required as part of the Bidder Qualification requirements.

4.3 Confidentiality Agreement

- 4.3.1 An applicant and PPL Electric will be required to execute the Confidentiality Agreement (Appendix 3). The applicant will not be eligible to submit a Bid Proposal until such agreement has been executed. An electronic copy of the Confidentiality Agreement can be found on PPL Electric's Proposal Submission Web site. This agreement must be signed by an Officer as defined in Section 3.1.6. The applicant must provide as part of its Bidder Qualifications the executed agreement as directed in Section 6.1.2. Applicants are required to submit this agreement no later than the Bidder Qualifications Due Date.
- 4.3.2 If PPL Electric is providing data or information on a confidential basis, upon submission of the executed Confidentiality Agreement, an applicant will be issued a password to access such data and information from the RFP Web site. Once the Confidentiality Agreement is received from the applicant, PPL Electric will complete the execution of the agreement and send a copy of the fully executed agreement to the applicant by e-mail.

4.4 Applicant's PJM Qualification and FERC Authorization Certifications

- 4.4.1 An applicant must certify that it is a member of PJM and qualified as a market buyer and market seller in good standing able to secure generation or otherwise obtain and deliver electricity in PJM through compliance with all applicable requirements of PJM to fulfill a Full Requirements Service obligation. In addition, an applicant must certify that it has been authorized by the FERC to make sales of energy, capacity and ancillary services at market-based rates. The PJM Qualification Certification Form (Appendix 4) and the FERC Authorization Certification Form (Appendix 5) can be found on PPL Electric's Proposal Submission Web site. Such certifications must be signed by an Officer as defined in Section 3.1.6. Applicants are required to submit such certifications no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder

Qualifications such certifications as directed in Section 6.1.2. The applicant will not be eligible to submit bids until such certifications have been provided to PPL Electric.

4.5 Credit Application and Financial Information

- 4.5.1 Applicants are required to submit the Credit Application (Appendix 6) and associated financial information to PPL Electric. An electronic copy of the Credit Application can be found on PPL Electric's Proposal Submission Web site. Applicants are required to submit the Credit Application no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications the completed Credit Application and one (1) copy of any supporting documents to this Credit Application including the associated financial information as directed in Section 6.1.2. Supporting documents to the Credit Application include for the entity on whose creditworthiness the RFP Bidder is relying: (i) documentation from the credit rating agencies showing the name of the rating agency, the type of rating, and the rating indicated in the Credit Application and (ii) the Securities and Exchange Commission ("SEC") Form 10-Q or 10-K (whichever is more recent). If the SEC 10-Q or 10-K is unavailable, the supporting documents must include the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement); and the most recent quarterly, monthly or bi-annual financial information, if available.
- 4.5.2 All submitted information must be in the English language. Financial data must be denominated in U.S. Dollars and conform to Generally Accepted Accounting Principles ("GAAP") in the United States. If the applicant's financial information is consolidated with other entities, then it is the applicant's responsibility to extract and submit as separate documents all data and information related solely to the applicant. This must include all financial information, associated notes, and all other information that would comprise a full financial report conforming to GAAP.
- 4.5.3 PPL Electric may, at its sole discretion, consider financial information of foreign Guarantors that are not denominated in U.S. Dollars or do not conform to GAAP in the United States. Such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. Any Guarantor will be required to execute the Unconditional Guaranty as it appears in the Default Service SMA (Exhibit 6) and as such the Guarantor must be able to make all representations and warranties therein.
- 4.5.4 The following additional requirements apply only for RFP Bidders relying on the financial standing of a foreign Guarantor:
- An RFP Bidder relying on the financial standing of a foreign Guarantor may provide, in addition to supplying all required information and documents under Section 4.5.1, any additional evidence of creditworthiness for the Guarantor so as to provide PPL Electric with comparable assurances of creditworthiness as is applicable for an entity that has been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia.

- Under the terms of the Default Service SMA, the following additional documents are required for the foreign Guarantor to be granted unsecured credit and for the RFP Bidder to rely on the financial standing of the Guarantor: (i) a legal opinion of outside counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the guaranty pursuant to the Default Service SMA is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed; and (ii) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the guaranty pursuant to the Default Service SMA on behalf of the Guarantor has the authority to execute the guaranty pursuant to the Default Service SMA and that the governing board of such guarantor has approved the execution of the guaranty pursuant to the Default Service SMA; and (iii) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the guaranty pursuant to the Default Service SMA.
- The RFP Bidder may, but is not required to, submit with its Bidder Qualifications a draft of these additional documents for review. If an RFP Bidder submits a draft of the documents for evaluation, the RFP Manager will provide this evaluation to the RFP Bidder on the Qualified Bidders Notified Date.

4.5.5 An RFP Bidder that is not seeking to be granted unsecured credit under the Default Service SMA is not required to provide any of the supporting documents to the Credit Application and must clearly state this intent in the Credit Application.

4.6 Binding Bid Agreement

4.6.1 An applicant must certify that as an RFP Bidder it agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s) submitted by the RFP Bidder, which shall constitute a firm offer to supply service in accordance with the Default Service SMA. The signatory to the Binding Bid Agreement must be an Officer, as defined in Section 3.1.6, binding the RFP Bidder to perform the terms and conditions of the Default Service SMA at the prices and for the load amounts specified in its Bid Proposal(s). In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Section 5.7 of this RFP. An electronic copy of the Binding Bid Agreement can be found on PPL Electric's Proposal Submission Web site. For each solicitation, applicants are required to submit such certification, in the form of Appendix 9, no later than the Bidder Qualifications Due Date for that solicitation. The applicant must send such certification as directed in Section 6.1.2.

4.7 Cure Time for Deficiencies in Qualification Requirements

4.7.1 In the event that an RFP Bidder has not met all of the Bidder Qualification requirements under Article 4 (Bidder Qualification), PPL Electric will endeavor, on a best efforts basis, to notify the RFP Bidder no later than forty-eight hours before the Cure Deficiency Deadline. It is understood and agreed that PPL Electric has no liability for any failure to notify an RFP Bidder of a deficiency. If the RFP Bidder fails to remedy any deficiencies

by the Cure Deficiency Deadline for a solicitation so as to not be qualified to submit Bid Proposals in that solicitation, such applicant will be allowed to cure any such deficiency and participate in subsequent solicitations, if the deficiency is cured no later than the Cure Deficiency Deadline for the next solicitation.

4.8 Bid Assurance Collateral and Alternative Letter of Credit Form

- 4.8.1 No later than two (2) business days before the Bid Proposal Due Date, each RFP Bidder must provide liquid Bid Assurance Collateral in an amount of \$500,000 per tranche bid. The purpose of this collateral is to assure commitment of the RFP Bidder to execute the Transaction Confirmations for the tranches awarded to the RFP Bidder. The form of collateral must be either cash or an irrevocable Letter of Credit (“LOC”). An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric’s RFP Web site or the Proposal Submission Web site. If the RFP Bidder is providing Bid Assurance Collateral in the form of a Bid Assurance LOC, the RFP Bidder may provide one Bid Assurance LOC for all Products under this RFP. If the RFP Bidder is participating in more than one RFP issued by the Company, the RFP Bidder must provide separate Bid Assurance LOC for each RFP. If the RFP Bidder is providing Bid Assurance Collateral in the form of cash, and if the RFP Bidder is also participating in other RFP(s) issued by the Company, the RFP Bidder must advise the Bid Proposal Evaluation Team as to the amount allocated as Bid Assurance Collateral for purposes of each RFP.
- 4.8.2 As part of the Bidder Qualifications, an applicant may propose modifications to the Bid Assurance LOC that are non-substantive or clarifying in nature. The applicant proposing modifications to the Bid Assurance LOC must provide an electronic copy in MS Word with all proposed modifications clearly marked and submit such document as directed in Section 6.1.2. The acceptability of such proposed modifications will be at PPL Electric’s sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Bid Assurance LOC will be posted to PPL Electric’s RFP Web site or the Proposal Submission Web site no later than seven (7) business days before the Bid Proposal Due Date.

4.9 Alternative Forms of Performance Assurance

- 4.9.1 Subsequent to the return of an applicant’s Bid Assurance Collateral, another instrument of performance assurance to secure PPL Electric’s exposure during the Delivery Period of a Transaction Confirmation to the Default Service SMA may be required, as set forth in the Default Service SMA. Any performance assurance required of the applicant determined in accordance with the Default SMA may be in the form of cash or LOC. An acceptable Performance Assurance LOC form is provided as Exhibit 5 in the Default Service SMA. An acceptable Unconditional Guaranty form is provided as Exhibit 6 in the Default Service SMA. As part of its Bidder Qualifications, an applicant may propose modifications to the Performance Assurance LOC or the Unconditional Guaranty form that are non-substantive or clarifying in nature. The applicant proposing modifications to the Performance Assurance LOC or the Unconditional Guaranty must provide an electronic copy in MS Word with all proposed modifications clearly marked and submit

such document as directed in Section 6.1.2. The acceptability of such proposed modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be determined at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be posted to PPL Electric's RFP Web site or the Proposal Submission Web site.

ARTICLE 5 BID PROPOSAL REQUIREMENTS

5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their Bid Proposal(s) using only the Bid Proposal Spreadsheets attached to this RFP as Appendix 8; an electronic copy is available on PPL Electric's RFP Web site or the Proposal Submission Web site. There is a separate Bid Proposal Spreadsheet for each solicitation and each product for a Customer Group, as indicated in the title area of each Bid Proposal Spreadsheet. The Bid Proposal Spreadsheets contain sections of information labeled Bidder Information, Tranche Information, and Bid Information. The Bid Proposal Spreadsheets contain shaded cells in which RFP Bidders provide information and their Bids. **In order to prevent any misunderstanding of an RFP Bidder's Bid Proposal, all shaded cells within a Bid Proposal Spreadsheet must be completed by the RFP Bidder. A Bid Proposal Spreadsheet submitted by an RFP Bidder that contains blank shaded cells will be deemed a non-conforming Bid Proposal, and will be eliminated from further consideration. Therefore, if it is the intent of an RFP Bidder to offer to supply a particular total number of tranches, the RFP Bidder must enter a price quote in the price cells associated with each of the total number of tranches up to and including that particular total number of tranches and must enter an "X" in price cells associated with each of the total number of tranches beyond that particular total number of tranches.** The non-shaded cells are read-only cells containing either fixed or computed amounts.
- 5.1.2 No Bid Proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposal(s) in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name and Phone Number, and must be provided by the RFP Bidder.
- 5.1.4 Tranche Information – The contents of these cells are provided by PPL Electric and include the Solicitation Load Cap, Aggregate Load Cap, Available Tranches and Tranche Size (% of Total Customer Group Default Service Load). The Available Tranches for a product represents an initial target consistent with the multi-solicitation structure described in Section 2.3 (Multi-Solicitation Process). However, as discussed in Section 2.3 (Multi-Solicitation Process), such targets are subject to change depending on the results of prior solicitations. In the event that the initial target changes, PPL Electric will, prior to a solicitation, revise such targets in the Bid Proposal Spreadsheets accordingly. The Solicitation Load Cap for each Customer Group is the maximum percentage of the sum of the Available Tranches for all products of that Customer Group that each RFP Bidder can bid and win in that solicitation. For each of the Residential and the Small C&I Customer Groups, the number of tranches that each RFP Bidder can bid and win cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.20 and Section 2.3.2. The Tranche Size (% of Total Customer Group Default Service Load) represents the share of the Customer Group's Default Service Load measured by one tranche. The Tranche Size is applicable to each rate schedule within the Customer

Group. For example, if there are three rate schedules being bid in aggregate within a Customer Group, and the Tranche Size is 2%, an RFP Bidder awarded one tranche will supply 2% of each of the three rate schedules in that Customer Group.

- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder can offer to supply.
- 5.1.6 Bid Assurance Collateral Amount – The contents of these cells are computed as the product of the Total Tranches Supplied and \$500,000.
- 5.1.7 Price (U.S. \$/MWh) – These cells are **RFP Bidder input cells** for the RFP Bidder’s price quote corresponding to each Total Tranches Supplied. The price quotes shall be in terms of U.S. \$/MWh for the time period of the product’s delivery. As set forth in the Default Service SMA, the MWh of energy shall be equivalent to the amount of energy reported as the Supplier’s obligation by PPL Electric to PJM adjusted for losses in accordance with PPL Electric’s initial and subsequent retail load settlement process. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to supply a particular Total Tranches Supplied must: 1) provide a price quote in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied up to and including that particular Total Tranches Supplied; and 2) mark an “X” in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied beyond that particular Total Tranches Supplied. For example, if an RFP Bidder wishes to offer to supply six Total Tranches Supplied, then the RFP Bidder must provide a price quote for each Total Tranches Supplied from one to six and mark an “X” for all Total Tranches Supplied greater than six.
- 5.1.8 Complete/Incomplete Flag – The content of this cell is computed and indicates whether or not the Bid Proposal Spreadsheet has been fully completed in accordance with Section 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Section 5.5 (Conforming Bid Proposals).
- 5.1.9 The RFP Bidder may choose to bid in one or several of the three Customer Groups, subject to the restrictions of this Article 5. On any Bid Proposal Due Date, the number of tranches in a Customer Group for which an RFP Bidder submits a Bid Proposal must be a whole number and cannot exceed the multiplicative product of the Solicitation Load Cap for that Customer Group and the number of Available Tranches for that Customer Group in that solicitation. In addition, for each of the Residential and the Small C&I Customer Groups, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap for that Customer Group as explained in Section 1.1.19 and Section 2.3.2. The Solicitation Load Cap, the Aggregate Load Cap and the number of Available Tranches for each product and each solicitation are provided in Section 2.3 (Multi-Solicitation Process).

5.2 Submittal of Bid Proposals

- 5.2.1 Each RFP Bidder shall only submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure

server between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT on the Bid Proposal Due Date for each solicitation as indicated in Section 2.2 (RFP Schedule).

5.3 Bid Assurance Collateral

- 5.3.1 Each RFP Bidder must provide liquid Bid Assurance Collateral to support its Bid Proposal(s). The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric's RFP Web site or Proposal Submission Web site. PPL Electric will consider modifications to the Bid Assurance LOC in accordance with the process provided in Article 4.
- 5.3.2 The RFP Bidder must provide, no later than two (2) business days before the Bid Proposal Due Date, Bid Assurance Collateral in an amount equal to the sum of \$500,000 times the total number of tranches bid in all its Bid Proposal(s). PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder is notified by PPL Electric that it has not been awarded tranches for a solicitation or until the RFP Bidder executes the Transaction Confirmation forms upon being awarded tranches. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one (1) business day, and Bid Assurance Collateral in the form of an LOC will be returned within two (2) business days. The RFP Bidder may request that the Bid Assurance Collateral reside with PPL Electric through the entire multi-solicitation period. An RFP Bidder that is awarded tranche(s) and does not timely execute the Transaction Confirmation forms associated with such tranches shall forfeit its Bid Assurance Collateral.
- 5.3.3 Wire transfer instructions for RFP Bidders who intend to provide Bid Assurance Collateral in the form of cash is available upon request from the RFP Manager.

5.4 Submittal of Default Service SMA

- 5.4.1 No later than two (2) business days before the Bid Proposal Due Date, the RFP Bidder must submit an executed Default Service SMA, as instructed in Section 6.1.5, including the completed signature page of the Default SMA and Exhibit 3 of the Default SMA filled in with the appropriate contact information for the RFP Bidder. Other exhibits of the Default Service SMA either are samples or are documents that do not need to be completed until execution of the Transaction Confirmation form.
- 5.4.2 RFP Bidders must execute and submit the current form of Default Service SMA set forth in Appendix 1. SMAs executed as part of a prior Default Service Program (i.e. the Competitive Bridge Plan, Default Service Program I, Default Service Program II, Default Service Program III and Default Service Program IV) are not applicable to this Default Service Program and will not be accepted.

5.5 Conforming Bid Proposals

- 5.5.1 In order for a Bid Proposal to be conforming, the Bid Proposal must be: (i) submitted using the Bid Proposal Spreadsheet, completed in full and without modification; (ii)

submitted by 12:00:00 pm EPT on the Bid Proposal Due Date; (iii) submitted by a qualified RFP Bidder as defined in Section 6.1.1; (iv) submitted by an RFP Bidder that has also submitted sufficient Bid Assurance Collateral; (v) submitted by an RFP Bidder that has also submitted the executed Default Service SMA as instructed in Section 5.4.1.

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

5.6 Expiration of Bid Proposals

- 5.6.1 An RFP Bidder's Bid Proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its Bid Proposal has been rejected or at midnight EPT three (3) business days after the scheduled day of awarding bids within each solicitation.

5.7 Additional Requirements

- 5.7.1 The RFP Bidder certifies, by its submission of a Binding Bid Agreement in its Bidder Qualifications, that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP.
- 5.7.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance LOC, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the RFP Bidder is submitting a Proposal in response to this RFP; the RFP Bidder's Bids; the RFP Bidder's number of tranches bid; the RFP Bidder's estimation of the value of a tranche; the RFP Bidder's estimation of the risks associated with serving Default Service Load; the RFP Bidder's preference for bidding on one or several Customer Groups; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for power with a party to serve the Default Service Load were the RFP Bidder to become a Default Service Supplier.

ARTICLE 6
INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS
AND BID PROPOSALS

6.1 General

- 6.1.1 An RFP Bidder must submit its Bidder Qualifications and Bid Proposal(s) separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Bidder Qualification requirements) as required in Article 4 of this RFP. RFP Bidders that are notified that they are qualified RFP Bidders for a solicitation may submit a Bid Proposal for each product, along with all other required documents as described in Section 5.5, by the Bid Proposal Due Date as indicated in Section 2.2 (RFP Schedule).
- 6.1.2 Bidder Qualifications will be available to be completed online by RFP Bidders through a Proposal Submission Web site. Additional instructions will be provided to RFP Bidders in an addendum to these RFP Rules. The addendum contains instructions to be followed when the Proposal Submission Web site is available. Bidder Qualifications that do not adhere to the terms and conditions of this RFP or that are not submitted in accordance with the instructions provided in such addendum to these RFP Rules will not be considered.
- 6.1.3 Bidder Qualifications must be submitted by the Bidder Qualifications Due Date for the appropriate solicitation as indicated in the RFP Schedule developed pursuant to Section 2.2. Bidder Qualifications received after the due date will be considered for the next solicitation if there are remaining solicitations; otherwise the Bidder Qualifications will be rejected, and the RFP Bidder will have failed to qualify for submitting a Bid Proposal. Each RFP Bidder assumes full responsibility for timely submission of its Bidder Qualification materials.
- 6.1.4 Bid Assurance Collateral for a solicitation, if submitted in the form of a LOC, must be sent by certified mail, registered mail, hand delivery, or courier service to the following address:

PPL Electric Utilities Corporation RFPs
1835 Market Street, Suite 1205
Philadelphia, PA 19103
Attn: PPL Electric Default Service RFP Manager.

All Bid Assurance Collateral, in the form of LOC or cash, must be received no later than two (2) business days prior to the Bid Proposal Due Date for that solicitation. Bid Assurance Collateral received after the second business day prior to the Bid Proposal Due Date will result in the rejection of the corresponding Bid Proposal(s). Each RFP Bidder assumes full responsibility for timely delivery to the address specified in this Section 6.1.4.

- 6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal, the RFP Bidder must have signed the Default Service SMA as instructed in Section 5.4.1

and submitted these by noon EPT on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any tranches in any solicitation in this RFP, the signed Default Service SMA that was initially submitted will be executed by PPL Electric and provided to the RFP Bidder together with the partially executed Transaction Confirmation forms via e-mail. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein a RFP Bidder that has previously executed the Default Service SMA in a satisfactory manner is awarded additional tranches. If the RFP Bidder was not awarded tranches in the solicitation for which Default Service SMA was provided, PPL Electric will retain the Default Service SMA for any future solicitation in which the RFP Bidder may again submit a Bid Proposal, in which case it is the responsibility of the RFP Bidder to submit any updated pages of the Default Service SMA no later than two (2) business days prior to the Bid Proposal Due Date of the solicitation in which the RFP Bidder is participating.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the Default Service SMA with the Company should the party be a winning RFP Bidder and should the PUC approve the RFP results. Each RFP Bidder shall submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT, on the Bid Proposal Due Date.

6.2 Submission of Materials

- 6.2.1 In response to this RFP, each RFP Bidder must provide to the RFP Manager its Bidder Qualifications by the Bidder Qualifications Due Date (and any supporting documents to the Credit Application including the associated financial information).
- 6.2.2 The qualified RFP Bidder must provide Bid Assurance Collateral supporting its Bid Proposal(s). The RFP Bidder must provide the executed Default Service SMA no later than two (2) business days prior to the Bid Proposal Due Date.
- 6.2.3 Only Bid Proposals using the Bid Proposal Spreadsheet submitted by secure electronic file transfer to the PPL secure server or through an alternate method if so directed by the RFP Manager will receive consideration.
- 6.2.4 Under this RFP, the electronic signature of a party to a form or document required as part of Bidder Qualifications and/or the Default Service SMA shall be as valid as an original signature of such party and shall be effective to bind such party. Any electronically signed document shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. PPL Electric will not contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule and the RFP Bidder hereby agrees not to contest the admissibility of such documents as a condition of qualification.

For purposes hereof, “electronic signature” means either a manually signed original signature or an electronic symbol or process attached to or logically associated with a record and executed or adopted by a party with the intent to sign the record that is then transmitted by electronic means; “transmitted by electronic means” means documents delivered via an electronic format, including through the internet as a “pdf” (portable document format) or equivalent format. The use of electronic signature shall be approved by PPL Electric prior to use by the DS Supplier. The requirement for Attestation and Witness is waived upon approval of electronic signature by PPL Electric.

ARTICLE 7

EVALUATION OF PROPOSALS

7.1 Bidder Qualifications Processing

- 7.1.1 As determined by the RFP Manager, the Bidder Qualification Evaluation Team will consist of representatives of the RFP Manager, a credit representative from PPL Electric, and representatives on behalf of PPL Electric (including PPL Electric's Default Service RFP Manager).
- 7.1.2 All submissions containing Bidder Qualifications will be reviewed by the Bidder Qualification Evaluation Team. If requested, representatives from the PUC may be provided with such Bidder Qualifications. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline.
- 7.1.3 Bidder Qualifications of an RFP Bidder that do not comply with the submission instructions will not be considered.
- 7.1.4 Bidder Qualifications must include all documents and information required to satisfy the Bidder Qualification requirements as set out in Article 4.
- 7.1.5 The Bidder Qualification Evaluation Team will review Bidder Qualifications until the Cure Deficiency Deadline. The Bidder Qualification Evaluation Team will assess the Bidder Qualifications for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Section 7.2.

7.2 Bidder Qualifications Evaluation

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualifications to be complete and compliant if: (i) all information specified in Section 4.1.1 has been fully and satisfactorily provided; and (ii) all certifications and documents have been signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt but no earlier than five (5) business days prior to the Bidder Qualifications Due Date. If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualifications is deficient because the response is incomplete or is not compliant with the terms of this RFP, the Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to issue a deficiency notice requesting that the RFP Bidder cure the deficiency with respect to that particular aspect of its Bidder Qualifications. The Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, and to provide a decision on the acceptability of proposed modifications to the Bid Assurance LOC or other instruments for Performance Assurance, no later than forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure

Deficiency Deadline. The RFP Manager communicates with the RFP Bidder by email. If an RFP Bidder receives a first deficiency notice from the RFP Manager, regarding any item of the Bidder Qualifications, the RFP Bidder has until 12:00:00 p.m. (noon) EPT, on the Bidder Qualifications Due Date, or until 6:00:00 p.m. EPT, on the second business day following the business day during which a first deficiency notice is sent to the Bidder, whichever comes later, to respond. If the Bidder does not correct or adequately explain the deficiency within the time allowed, the Bidder Qualifications may be rejected. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted. If a response to a deficiency is provided by an RFP Bidder within the time allowed and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency for that solicitation. In no event, notwithstanding the foregoing provisions, will a Bidder be allowed to respond after 12:00:00 p.m. EPT, on the Cure Deficiency Deadline.

- 7.2.3 If a deficiency notice is sent and the RFP Bidder does not respond within the time allowed and established by the Bidder Qualification Evaluation Team, or does not address the deficiency in a manner that is deemed satisfactory at the Bidder Qualification Evaluation Team's sole discretion, the RFP Bidder will not be qualified for that solicitation.
- 7.2.4 When the evaluation of the responses to the Bidder Qualifications is completed for all RFP Bidders, RFP Bidders will be either qualified or disqualified. RFP Bidders whose responses to the Bidder Qualifications, as may be supplemented or amended in response to a deficiency notice by the Bidder Qualification Evaluation Team, are found to be complete and compliant will be deemed qualified for that solicitation; all other RFP Bidders will be disqualified for that solicitation.
- 7.2.5 Bidders will be notified on the Qualified Bidders Notified Date in the RFP Schedule if they qualify to submit Bid Proposal(s) on the Bid Proposal Due Date. Only those RFP Bidders whose response to the Bidder Qualification requirements is complete and compliant with the terms of this RFP will be invited to submit Bid Proposal(s). An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company in its sole and exclusive discretion at any point in the process.

7.3 Bid Proposal Processing

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a response to the Bidder Qualification requirements.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives designated to act on behalf of the Company.
- 7.3.3 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be evaluated at the same time. A representative of the PUC may be present to attend the opening and evaluation of the Bid Proposals. Information regarding the content or status of any Bid Proposal will not be publicly released during the evaluation process.
- 7.3.4 The Bid Proposal Evaluation Team will assess the Bid Proposal(s) and all accompanying documents for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Section 7.4.
- 7.3.5 The Bid Proposal Evaluation Team may issue a deficiency notice with respect to any aspect of the Bid Proposal(s) and accompanying documents as described in Section 5.5.1, if practicable to do so before the 12:00:00 pm EPT deadline on the Bid Proposal Due Date. The Bid Proposal Evaluation Team is under no obligation to issue such a deficiency notice. Should the Bid Proposal Evaluation Team issue such a deficiency notice, the RFP Bidder will have until the 12:00:00 pm EPT deadline on the Bid Proposal Due Date to cure any such deficiency. All non-conforming Bid Proposals will be removed from consideration. If an RFP Bidder submits a Bid Proposal Spreadsheet for a Product more than once between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT, the last Bid Proposal Spreadsheet for such Product that is submitted in accordance with all requirements of this RFP, including the requirements set forth in Section 5.1, automatically supersedes all previously submitted Bid Proposal Spreadsheet for such Product.

7.4 Bid Proposal Evaluation

- 7.4.1 Bid Proposals received from RFP Bidders may be eliminated from further consideration at any point, at the Bid Proposal Evaluation Team's sole and exclusive discretion, for any of the following reasons including (but not limited to): (i) failure to provide clarification of, or additional information relating to, a Bid Proposal as requested by the Bid Proposal Evaluation Team subsequent to the submission of a Bid Proposal; (ii) illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of the Bids; and (iii) failure to honor representations made in a Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all information required with the Bid Proposal(s), as specified in Article 5, has been submitted. If the required information has not been submitted by the Bid Proposal Due Date, the Bid Proposal(s) will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Section 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous

information; or (iii) it is not supported by a Bid Assurance LOC acceptable to the Company; or (iv) the RFP Bidder has not submitted a signed Default Service SMA; or (v) the RFP Bidder has violated or has not complied with one or more material term or condition set forth in this RFP.

- 7.4.4 The Bid Proposal Evaluation Team will ensure that sufficient financial guarantees are provided to support the Bids. Financial guarantees will be sufficient if the amount of Bid Assurance Collateral is sufficient given the sum of the maximum number of tranches offered for each product by the RFP Bidder as specified in Section 4.8.
- 7.4.5 If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the sum of the maximum number of tranches offered for each product by the RFP Bidder, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that its amount of Bid Assurance Collateral is sufficient to support. The Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied that is not supported by the amount of Bid Assurance Collateral. The Bid Proposal Evaluation Team will remove a Bid first from the product where there is the most competition, as measured by the ratio of the tranches bid to the number of tranches needed. If, within a Customer Group, the sum of the maximum number of tranches offered for Product(s) in that Customer Group exceeds the Solicitation Load Cap or the Aggregate Load Cap established for that Customer Group, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that the RFP Bidder will be allowed to offer for the Products within the Customer Group without violating the Solicitation Load Cap first. The Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied from such Product(s). If, after removal of Total Tranches Supplied from such Product(s) to enforce the Solicitation Load Cap, the sum of the maximum number of tranches offered for Product(s) in that Customer Group exceeds the Aggregate Load Cap established for that Customer Group, the Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied from such Product(s). If there is more than one Product identified to enforce the Solicitation Load Cap or Aggregate Load Cap, the Bid Proposal Evaluation Team will remove a Bid first from the Product where there is the most competition, as measured by the ratio of the tranches bid to the number of tranches needed. By submitting a Bid Proposal in response to this RFP, each RFP Bidder is authorizing the Bid Proposal Evaluation Team to modify the RFP Bidder's Bid Proposal documents as specified in and as required by this Article 7.
- 7.4.6 The remaining Bid Proposals will be evaluated on a price-only basis as follows. The Bid Proposal Evaluation Team will, for each product, consider all combinations of Bid(s) (across RFP Bidders) whose sum of Total Tranches Supplied is equal to the Available Tranches for that product in that solicitation. In the event that the greatest sum of Total Tranches Supplied for any combination for that product is less than the Available Tranches in Solicitation for that product, the Bid Proposal Evaluation Team will consider all combinations of Bids for that product whose sum of Total Tranches Supplied equal the most obtainable given those Bids. For each combination, the Bid Proposal Evaluation

Team will calculate the Combination Average Price (“CAP”) equal to the average Price (U.S. \$/MWh) of the Bids in the combination weighted by their corresponding Total Tranches Supplied. The winning Bid(s) will be the Bid(s) contained in the combination with the lowest CAP. An RFP Bidder that is awarded tranches shall receive the Price (U.S. \$/MWh) corresponding to the winning Bid as stated in its Bid Proposal Spreadsheet under the Bid Information section.

- 7.4.7 In the event that two or more combinations have the lowest CAP for a given Customer Group, the winning Bid(s) will be the Bid(s) contained in the combination that is drawn randomly from the set of combinations with the lowest CAP.
- 7.4.8 After sufficient financial guarantees are determined, all combinations of Bid(s) are ranked from lowest to highest for each of the products, and the tied combinations, if any, are resolved, the Bid Proposal Evaluation Team will communicate with each RFP Bidder that has submitted at least one of the Bid(s) in the winning combination for each product and present the winning Bid(s) to the Commission. For each such RFP Bidder for a product, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination for that product being presented to the PUC; and (ii) identify the Bid(s) submitted by such RFP Bidder that will be presented to the PUC for that product.

The Bid Proposal Evaluation Team will also communicate to the Company the CAP of the winning combination for each product and the number of Bids presented to the PUC.

- 7.4.9 An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company at its sole and exclusive discretion.

7.5 Commission Approval and Review

- 7.5.1 The Bid Proposal Evaluation Team will prepare a report that presents the results of a solicitation to the PUC for approval. The Bid Proposal Evaluation Team's report will summarize the Bidder Qualification process and the Bid Proposals that were considered on the Bid Proposal Due Date. The PUC will have one (1) business day to decide whether to approve the results. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 7.5.2 The winning RFP Bidders will receive a Transaction Confirmation(s) from PPL Electric on the date of the PUC's approval, or in the event the PUC does not act no later than the next business day following the date when the PUC was expected to act. Specifically, PPL Electric will forward by email or other acceptable means, to each winning RFP Bidder a partially executed Transaction Confirmation(s). By 2:00 p.m. EPT on the second Business Day following the RFP Bidder's receipt of such partially executed Transaction Confirmation(s) electronically, the RFP Bidder shall return by email or other acceptable means, to PPL Electric one (1) fully executed Transaction Confirmation(s). In addition, if such Transaction(s) is/are the initial Transaction(s) with the winning RFP Bidder under the current RFP solicitation, then PPL Electric will forward to the RFP Bidder one (1) fully executed Default Service SMA electronically. If a winning RFP Bidder fails to execute the Transaction Confirmation(s) as required under this Section 7.5.2, the winning RFP Bidder may forfeit its Bid Assurance Collateral.
- 7.5.3 If the PUC rejects all Bids for a given product, for a given Customer Group, in any solicitation, or if some tranches of a given Product, for a given Customer Group, in a particular solicitation do not receive bids, within one (1) business day, the RFP Manager will contact all RFP Bidders that are qualified in that solicitation, including RFP Bidders that are qualified but did not submit a Bid Proposal in that solicitation, and solicit information regarding the RFP Bidder's interests for that Product. The RFP Manager will submit a report to the PUC regarding the information it receives. Nothing in this Section 7.5.3 requires any RFP Bidder contacted by the RFP Manager pursuant to this section to provide confidential or proprietary business information.
- 7.5.4 If the PUC rejects all Bids for a given product, for a given Customer Group, in any solicitation, or if some tranches of a given product, for a given Customer Group, in a particular solicitation do not receive Bids, those tranches will be offered consistent with Section 1.1.22. In the event that a Default Supplier for a Product defaults, PPL Electric will offer full requirements supply assignment consistent with the Step-Up process described in the Default Service SMA.

ARTICLE 8 RESERVED RIGHTS

8.1 Non-Binding RFP

- 8.1.1 Prior to the submission of any Bid Proposals and with PUC approval, PPL Electric has the right to withdraw and terminate this RFP without any liability or responsibility to any RFP Bidder or any other party, for reasonable cause, including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, etc., that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.2 Subject to PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Proposals, without any liability or responsibility to any RFP Bidder or any other party, for reasons set forth in Section 7.4 of this RFP or for any other reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.3 PPL Electric will not be liable to any RFP Bidder or any other party for failure to execute a Default Service SMA. Nothing herein may be construed to bind the Company unless and until the PUC has approved winning Bid(s), and each Default Service SMA with an RFP Bidder has been executed and is effective. Once effective, the Default Service SMA will govern the relationship between and the responsibilities of the parties to that agreement and not the RFP or any documents relating thereto.
- 8.1.4 Pursuant to these RFP rules, PPL Electric or the Bid Proposal Evaluation Team shall reject Bid Proposals submitted in response to this RFP that are incomplete, or do not conform to the requirements of this RFP, or are submitted beyond the deadline for submission, or for any other reason set forth in Section 7.4 of this RFP.
- 8.1.5 The RFP Rules may be further updated to reflect additional decisions by the PUC, relevant changes in law, or non-material modifications to the processing of Proposals expected to improve potential participation by suppliers. Further, PPL Electric and its RFP Manager may amend the RFP Rules if necessary to correct typographical errors, cure inconsistencies in the provisions of this RFP or clarify the intent of the provisions of this RFP.

8.2 Proposals Become PPL Electric's Property

- 8.2.1 All Proposals submitted by RFP Bidders in response to this RFP will become the exclusive property of PPL Electric upon the receipt of such document(s).

Appendix 1
Default Service Supplier Master Agreement

Appendix 2

Expression of Interest Form Default Service Fixed Price and Spot Market Supply

Note that completion of all information is required.

This response is an indication of our interest in PPL Electric Utilities Corporation's Request for Proposals to provide wholesale fixed price and/or spot market service.

Date:

Company:

Contact Name:

Contact Title:

Address:

City:

State:

Zip:

Phone Number:

Email Address:

Appendix 3

Confidentiality Agreement

[Name and Address of Bidder]

[Date]

Ladies and Gentlemen,

This letter is a Confidentiality Agreement between PPL Electric Utilities Corporation (“PPL Electric”) and _____ (“RFP Bidder”) in connection with the RFP Bidder’s intent to participate in the Request for Proposals (“RFP”) to provide Full Requirements Service. This Confidentiality Agreement also pertains to the rights and obligations of PPL Electric and the RFP Bidder in the event the RFP Bidder ultimately is selected as a winner in the RFP and provides service pursuant to PPL Electric’s Default Service Supplier Master Agreement (“Default Service SMA”). PPL Electric and the RFP Bidder hereby agree to accept, and to be bound by the terms of, this Agreement.

DEFINITIONS:

(a) The following terms have the following meanings:

- 1 “Agreement” is this Confidentiality Agreement.
- 2 “Pennsylvania PUC” has the meaning set forth in Section 3(b).
- 3 “Confidential Information” has the meaning set forth in Section 5.
- 4 “Party” means PPL Electric or the RFP Bidder.
- 5 “Parties” means PPL Electric and the RFP Bidder collectively.
- 6 “Representatives” means the officers, directors, employees, advisors, lenders, and other persons, including but not limited to any affiliates who are actively and directly participating in evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP. A person or entity is not a “Representative” unless that person or entity agrees to preserve the confidentiality of the Confidential Information in accordance with the terms of this Agreement.
- 7 “Third Parties” means a party or parties other than PPL Electric, the RFP Bidder or their respective Representatives.

(b) Other capitalized terms used in this Agreement have the meaning set forth in this Agreement and/or the applicable Request for Proposals, and/or the applicable Default Service SMA.

TERMS:

1. Condition Precedent. PPL Electric and the RFP Bidder shall execute this Agreement as a condition precedent to PPL Electric's furnishing to the RFP Bidder or the RFP Bidder furnishing to PPL Electric a copy of any Confidential Information.

2. Purpose. The purpose of this Agreement is to protect the confidentiality of the Confidential Information and to restrict the use and disclosure of that information in the manner set forth below.

3. Limitations on Use and Disclosure.

(a) A Party shall use the other Party's Confidential Information only for the purpose of evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP, and/or consummating the Default Service SMA and not for any other purpose. Neither Party shall disclose to Third Parties any information about PPL Electric's or RFP Bidder's participation in the RFP or execution of a Default Service SMA, or the terms or conditions or any other facts relating thereto, including the fact that discussions are taking place with respect thereto, the status of those discussions, or the fact that Confidential Information has been made available by or to PPL Electric or RFP Bidder or their Representatives. Provided, however, that the identity of all (but no fewer than all) bidders who were awarded any load in the state may be released on a statewide basis on or after the first day of the service year, and that no winning bidder's name is to be associated with a particular PPL Electric Default Service Load.

(b) Notwithstanding the foregoing or any other provision of this Agreement, PPL Electric may share any Confidential Information with the Pennsylvania Public Utility Commission, or its Staff (collectively "Pennsylvania PUC") as requested by the Pennsylvania PUC. Any such information shared will be designated as confidential, and PPL Electric will ask the Pennsylvania PUC to hold and use it on a confidential basis.

4. Disclosure upon Default. Notwithstanding the foregoing or any other provision of the Agreement, PPL Electric may disclose Confidential Information in an Event of Default by RFP Bidder, as provided for in the Default Service SMA. PPL Electric may disclose to any RFP Bidder with whom it has executed the Default Service SMA and who is not a Defaulting Party the contract price of the Defaulting Party for the purpose of allowing the Bidder to make the election provided for in Section 5.5 of the Default Service SMA.

5. Definition of Confidential Information. Confidential Information shall consist of oral, electronic and written information that is confidential, proprietary, or generally not available to the public. Whenever possible, such Confidential Information shall be marked prior to or at the time of disclosure as being "Confidential Information". Confidential Information in the case of information provided by PPL Electric to the RFP Bidder shall include, without limitation, all data, reports, interpretations, forecasts or records relating to PPL Electric and/or its

customers, and any other document created by PPL Electric or others which directly or indirectly relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts and bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

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

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

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

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

10. Disclosure to Governmental Authorities Other than the Pennsylvania PUC.

(a) A Party (the "disclosing Party") may also disclose the other Party's Confidential Information to any governmental, judicial, or regulatory authority ("Authority") requiring such Confidential Information; provided that the disclosing Party a) promptly informs the other Party of the substance of any inquiries, requests or requirements in order to afford the other Party an opportunity to attempt to prevent or limit the disclosure of the Confidential Information; b) makes a good faith effort to persuade the Authority (i) that submission of the Confidential Information should not be required, or, if that effort fails, (ii) that submission of the Confidential Information on a non-public basis should be permitted; and c) endeavors in good faith to protect the Confidential Information provided to an Authority from disclosure to Third Parties. If an

Authority orders the disclosing Party to disclose any documents containing the other Party's Confidential Information, the disclosing Party shall a) attempt to obtain from the other Party, if the Authority allows the time, a "Public Disclosure Copy", or b) if the Authority does not allow such time, shall prepare itself a "Public Disclosure Copy" in which the Confidential Information has been redacted to the extent that such redaction is permitted by the Authority requiring disclosure. Confidential Information disclosed pursuant to this Section 10 on a non-public basis shall not lose its status as Confidential Information by virtue of such non-public disclosure.

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

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

12. Liability and Relief. A Party or any of its Representatives shall be liable for any breach of this Agreement. In the event a non-breaching Party or its Representatives shall have knowledge of any breach of the confidentiality of, or the misappropriation of, any of the Confidential Information, the non-breaching Party shall promptly give notice thereof to the breaching Party. The Parties agree that breach of this confidentiality agreement may cause damages to which a dollar amount may be difficult or impossible to ascribe, however, that such a breach would be irremediable by damages alone and specifically agree to equitable relief as appropriate. The non-breaching Party shall be entitled to specific performance or other equitable relief by way of injunction or otherwise, if the other Party or any of its Representatives breach or threaten to breach any of the provisions of this Agreement. Such remedy shall not be deemed to be the exclusive remedy available to the non-breaching Party, but shall be in addition to all other available remedies. Neither failure nor delay by the non-breaching Party, in exercising any of its rights or privileges herein, shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise of any right, power or privilege.

13. Representatives, Successors and Assigns. This Agreement shall be binding upon and for the benefit of the Parties, and their respective Representatives, successors, and permitted

assigns. Neither Party may assign its rights or obligations hereunder without prior written consent of the other Party.

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

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

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

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

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

RFP BIDDER

By: _____

Name of Officer: _____

Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____

Name: _____

Title: _____

Appendix 4

PJM Qualification Certification Form

I, _____ (“Agent”) am an authorized signatory for
_____ (“Company”) and hereby certify that Company is a member of
the PJM Interconnection, LLC (“PJM”) and is qualified as a market buyer and market seller in
good standing able to secure generation or otherwise obtain and deliver electricity in PJM
through compliance with all applicable requirements of PJM to fulfill a Full Requirements
Service obligation.

Signed:

Date:

Type or Print Name of Officer:

Title:

Company:

Appendix 5

FERC Authorization Certification Form

I, _____ (“Agent”) am an authorized signatory for
_____ (“Company”) and hereby certify that Company has been
authorized by the Federal Energy Regulatory Commission (“FERC”) to make sales of energy,
capacity and ancillary services at market-based rates, pursuant to the Federal Power Act and the
provisions of FERC’s regulations promulgated thereunder. The Company’s authorization to
make such sales at market-based rates was granted in Docket No(s).

_____.

Signed:

Date:

Type or Print Name of Officer:

Title:

Company:

Appendix 6

Credit Application

1 Company Information

Type of Business

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

RFP Bidder Organization

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

For Corporation/Limited Liability Companies (please enter “n/a”, if this does not apply to you)

Date and State of Incorporation/Registration:

For Limited Partnerships (please enter “n/a”, if this does not apply to you)

Name of General Partner:

Address of General partner:

City, State, Zip Code:

2 Application for Credit

- The RFP Bidder is not seeking to be granted unsecured credit under the Default Service SMA. (If you check this option, this Credit Application is complete and you are not required to provide any supporting documentation).

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

The RFP Bidder listed under Section 1.

The parent/guarantor company listed below.

Parent/Guarantor Company

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:
Federal Tax ID Number:

Applicant Credit Contact Name

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

Email Address:

3 Credit Information

The Applicant indicated in Section 2 is required to provide the Securities and Exchange Commission (“SEC”) Form 10-Q or 10-K (whichever is more recent). If the SEC 10-Q or 10-K is unavailable, the supporting documents must include the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement); and the most recent quarterly, monthly or bi- annual financial information, if available. Indicate below what statements are being submitted.

SEC 10-K
 SEC 10-Q

If the SEC 10-K or 10-Q is unavailable, the Applicant must provide:

most recent audited annual financial information: (describe)
and
 most recent quarterly, monthly or bi- annual financial information, if available: (describe)

In the event the above information is inadequate to appropriately assess the Applicant's creditworthiness, the Applicant must provide evidence of its capability to provide collateral instruments, its capability to borrow and other sources of liquidity.

Subject to Section 4.5.2 of the Default Service RFP, submitted information must be in the English language, and financial data denominated in United States currency, and conform to generally accepted accounting principles (“GAAP”) in the United States. If the Applicant's financial information is consolidated with other entities, then it is the Applicant's responsibility to extract and submit as separate documents all data and information related solely to the Applicant. This must include all financial information, associated notes and all other information that would comprise a full financial report conforming to GAAP.

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

Yes

No

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

Yes

No

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

4 Applicant's Credit Ratings (please enter "n/a" when the information requested in this item is unavailable)

Standard & Poor's

Current Rating: _____

(Senior Unsecured Long-Term Debt Rating or Issuer Rating)

Moody's Investor Services

Current Rating: _____

Indicate whether this rating is:

(Senior Unsecured Long-Term Debt Rating or Issuer Rating)

Fitch Ratings

Current Rating: _____

Indicate whether this rating is:

(Senior Unsecured Long-Term Debt Rating or Issuer Rating)

Along with the above information, attach the latest review from each of the agencies. Documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant is acceptable.

5 Foreign Guarantor Requirements

Is the RFP Bidders relying on the financial standing of a foreign Guarantor?

No (Please proceed to Section 7)

Yes (Please complete this Section 6)

An RFP Bidder relying on the financial standing of a foreign Guarantor may provide any additional evidence of creditworthiness for the Guarantor so as to provide PPL Electric with comparable assurances of creditworthiness as is applicable for an entity that has been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. Please indicate if you are including any such additional information:

- Yes: (Describe)
- No

Under the terms of the Default Service SMA, additional documents are required for the foreign Guarantor to be granted unsecured credit and for the RFP Bidder to rely on the financial standing of the Guarantor. The RFP Bidder may, but is not required to, submit with its Bidder Qualifications a draft of these additional documents for review. Please indicate if you are including any such additional information:

Yes, the Applicant is providing the following documents for review:

Draft legal opinion of outside counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the guaranty pursuant to the Default Service SMA is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed

Draft sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the guaranty pursuant to the Default Service SMA on behalf of the Guarantor has the authority to execute the guaranty pursuant to the Default Service SMA and that the governing board of such guarantor has approved the execution of the guaranty pursuant to the Default Service SMA

Draft sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the guaranty pursuant to the Default Service SMA.

No

If an RFP Bidder submits a draft of the documents for evaluation, the RFP Manager will provide this evaluation to the RFP Bidder on the Qualified Bidders Notified Date.

6 Authorization

The Applicant indicated in Section 2 hereby represents and warrants that all statements and representations made herein, including any supporting documents, are true to the best of Applicant’s knowledge and belief. The undersigned authorized official of the Applicant warrants that the Applicant agrees to be bound by these representations. The Applicant authorizes the above listed entities to release data requested by PPL Electric Utilities Corporation necessary to perform a credit check in connection with RFP Bidder’s interest to bid on this RFP.

Applicant’s Company Name: _____

Signature of Authorized Official: _____

Name of Authorized Official (print): _____

Title of Authorized Official (print): _____

Date Signed: _____

Appendix 6b

Confirmation of Previously Submitted Credit and Financial Information

The RFP Bidder, _____, has qualified for a prior solicitation in the Default Service RFP. I confirm that with the Exceptions indicated below and that are enclosed herein, all previously submitted credit and financial information remain up-to-date and accurate. I provide this statement as part of the abbreviated Qualifications process for the following solicitation of the PPL Electric Default Service RFP.

- October 2021 solicitation
- April 2022 solicitation
- October 2022 solicitation
- April 2023 solicitation
- October 2023 solicitation
- April 2024 solicitation
- October 2024 solicitation

Exceptions:

- None
- Updated SEC 10-K. Updated SEC 10-Q
- Updated most recent audited annual financial information: (describe)
- Updated most recent quarterly, monthly or bi- annual financial information: (describe)
- Updated credit ratings support documentation.

Signature: _____

Date: _____

RFP Bidder: _____

Name of Authorized Official: _____

Title: _____

APPENDIX 7

BID ASSURANCE LETTER OF CREDIT SUPPLY FOR DEFAULT SERVICE LOAD

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

ISSUE DATE _____ EXPIRY DATE _____

APPLICANT
[NAME]
[ADDRESS]

BENEFICIARY
[NAME]
[ADDRESS]

CURRENCY AMOUNT
USD *****\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (“APPLICANT”) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME, WHICH IS AT LEAST 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS LETTER OF CREDIT OR OTHERWISE EXTENDED BY AMENDMENT.

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

BENEFICIARY WILL HOLD THIS LETTER OF CREDIT UNTIL WE RECEIVE WRITTEN NOTIFICATION FROM THE BENEFICIARY THAT EITHER:

1. THE APPLICANT’S BID PROPOSAL IN THE PPL ELECTRIC DEFAULT SERVICE RFP SOLICITATION ON [INSERT DATE] (THE “SOLICITATION DATE”) HAS BEEN REJECTED IN WHOLE AND THE APPLICANT HAS BEEN NOTIFIED OF SUCH REJECTION; OR

2. THE APPLICANT HAS WON TRANCHES IN THE PPL ELECTRIC DEFAULT SERVICE RFP SOLICITATION ON THE SOLICITATION DATE AND HAS EXECUTED THE DEFAULT SERVICE SUPPLIER MASTER AGREEMENT (“SMA”) AND/OR TRANSACTION CONFIRMATIONS FOR SUCH TRANCHES.

UPON EITHER OF THE ABOVE TWO CONDITIONS, THIS LETTER OF CREDIT WILL BE RETURNED BY THE BENEFICIARY TO THE ISSUER WITHIN TWO BUSINESS DAYS. THE APPLICANT MAY REQUEST THAT THIS LETTER OF CREDIT RESIDE WITH THE BENEFICIARY THROUGH THE ENTIRE MULTI-SOLICITATION PERIOD OF THE PPL DEFAULT SERVICE RFP.

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

IF THE APPLICANT IS AWARDED TRANCHE(S) IN THE PPL DEFAULT SERVICE RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH TRANCHES, THE APPLICANT SHALL FORFEIT THE ENTIRE AMOUNT OF THIS LETTER OF CREDIT.

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

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

“THE AMOUNT FOR THIS DRAWING, USD _____ (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (INSERT NAME OF BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY PURSUANT TO THE TERMS OF SUCH LETTER OF CREDIT.”

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

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

THE TERM “BUSINESS DAY” AS USED HEREIN MEANS ANY DAY OTHER THAN (I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS

LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY NOT BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

NAME: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

PPL Electric Utilities
Default Service RFP Process and Rules
APPENDIX 8

Example Bid Proposal Spreadsheet—Notes

Instructions:

The RFP Bidder must complete the Bid Proposal Spreadsheet as directed in Article 5.

All required information must be entered in the shaded cells. The absence of any required information will be deemed a non-conforming bid and will be eliminated from further consideration.

Residential -- is comprised of the following rate schedules:

RS* RS – Residential Service
RTS* RTS(R) – Residential Service – Thermal Storage

Small Commercial and Industrial -- is comprised of the following rate schedules:

GS-1* GS-1 – Small General Service
GS-3* GS-3 – Large General Service – Customers with less than 100 kW peak demand
LP-4 LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
GH-2* GH-2(R) – Separate Meter General Space Heating Service
BL BL – Borderline Service – Electric Utilities
SA SA – Private Area Lighting
SM SM – Mercury Vapor Street Lighting
SHS SHS – High Pressure Sodium Street Lighting
SE SE – Energy Only Street Lighting Service
TS TS(R) – Municipal Traffic Signal Lighting Service
SI-1 SI-1(R) – Municipal Street Lighting
Standby Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

Large Commercial and Industrial -- is comprised of the following rate schedules:

GS-3 GS-3 – Large General Service –Customers with 100 KW and higher peak demand
LP-4 LP-4 – Large General Service (12 KV or Higher) – Customers with 100 KW and higher peak demand
LP-5 LP-5 – Large General Service (69 KV or Higher)

LPEP Power Service to Electric Propulsion

Standby Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

NOTES:

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 100 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 100 KW or greater peak demand will be included in the Large C&I Customer Group. The initial determination of peak demand will be based on the customer’s ICAP peak load contribution assigned for the June 1, 2021 date by PJM Interconnection, LLC (“PJM”) and will take effect starting December 1, 2021. All following determinations of peak demand and classification of customers will be reassessed annually on June 1 each year thereafter, throughout the period of June 1, 2022 through May 31, 2025.
4. For the purposes of this RFP, Time-of-Use load will be included in the calculation of Default Service Load.

**PPL Electric Utilities Corporation
Default Service RFP Process and Rules**

APPENDIX 8

Example Bid Proposal Spreadsheet—Default Service Fixed Price Supply

Solicitation # <number>

Full Requirements Service

Bid Proposal Due Date: <month>, <day>, <year>

<Customer Group>

<number>-Month Delivery Period: <commencement date> - <expiration date>

Bidder Information:

Company Name

Contact Name

Phone Number

* Required Field

* Required Field

* Required Field

Tranche Information:

Solicitation Load Cap

85%

Aggregate Load Cap

50%

Total Available Tranches

Tranche Size (% of Total Residential Default Service Load)

<percentage>%

Bid Information:

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

* Required Field

* Required Field

* Required Field

* Required Field

* Required Field

Complete/Incomplete:

**PPL Electric Utilities Corporation
Default Service RFP Process and Rules**

APPENDIX 8

Example Bid Proposal Spreadsheet—Default Service Spot Market Supply

Solicitation # <number>

Full Requirements Service

Bid Proposal Due Date: <month>, <day>, <year>

Large Commercial and Industrial

<number>-Month Delivery Period: <commencement date> - <expiration date>

Bidder Information:

Company Name

Contact Name

Phone Number

* Required Field

* Required Field

* Required Field

Tranche Information:

Solicitation Load Cap

85%

Total Available Tranches

Tranche Size (% of Total Large Commercial and Industrial

Default Service Load)

<percentage>%

Bid Information:

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

* Required Field

* Required Field

* Required Field

* Required Field

Complete/Incomplete:

Appendix 9

Binding Bid Agreement

Bid Proposal Due Date: <month> <day><year>

In consideration for the privilege of submitting bids as part of the Default Service Requests For Proposals process, _____ (“RFP Bidder”) agrees to be bound by the price quotes entered for Fixed Price and/or Spot Market Products on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Section 5.6 (Expiration of Bid Proposals) of this Request For Proposals (“RFP”), submitted to PPL Electric Utilities Corporation (“PPL Electric”), in response to this multi-solicitation process, which shall constitute a firm offer to supply service in accordance with the Default Service Supplier Master Agreement (“Default Service SMA”) and applicable Pennsylvania law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Section 7.5.2 of the RFP Rules.

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

The RFP Bidder certifies that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP. The RFP Bidder certifies that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the Pennsylvania Public Utility Commission has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP.

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

Signature of Officer: _____

Name of Officer (*print*): _____

Title of Officer (*print*): _____

Date Signed: _____

EXHIBIT B

DEFAULT SERVICE
SUPPLIER MASTER AGREEMENT (SMA)
BETWEEN
PPL ELECTRIC UTILITIES CORPORATION
AND
[DS SUPPLIER NAME]

DATED _____

DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

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PENNSYLVANIA DEFAULT SERVICE SUPPLIER MASTER AGREEMENT

THIS DEFAULT SERVICE SUPPLIER MASTER AGREEMENT, made and entered into this _____ day of _____, _____ (“Effective Date”), by and between PPL Electric Utilities Corporation (the “Company” and “Buyer”), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania and _____ (“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 and Transaction Confirmation(s) under this Agreement, 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 – Shall mean, 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.

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

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 “ARRs” – 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.

Block Supply – Shall mean, such MWs of around-the-clock Energy, Capacity, transmission service, Ancillary Services and associated AECs, delivered to the Delivery Point, as established by the PaPUC Orders. Block Supply is currently scheduled to be 50 MW for the period June 1, 2021 through November 30, 2021, to be 100 MW for the period December 1, 2021 through May 31, 2026 and to be 50 MW for the period June 1, 2026 through November 30, 2026. The entirety of this Block Supply will be allocated to the Residential Customer Group.

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 – PPL Electric Utilities Corporation.

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 Transaction(s) under this Agreement; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement.

Credit Limit – Shall mean an unsecured line of credit pursuant to Article 6.

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

Customer Group – Shall have the meaning ascribed to it in Appendix C.

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

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

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

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

Default Service Customer(s) (“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.

Default Service Fixed Price (“DS Fixed Price”) – The price in dollars per MWh as determined pursuant to the DS Solicitation.

Default Service Load (“DS Load”) – Shall mean the net total default service customer sales at the retail meter, plus any transmission and distribution losses and Unaccounted for Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PaPUC Orders, as such sales vary from hour to hour, in Buyer’s Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to *de minimis* geographic border changes to the service territory that exists on the Effective Date, less excess generation purchased from net metering (customer generation) and less supply the Company is obligated to purchase pursuant to the Public Utility Regulatory Policies Act (“PURPA”). Additionally, with respect to the Residential Customer Group, less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power

Authority (“NYPA”) and less Block Supply. For the purposes of this Agreement, Time-of-Use load will not be included in the calculation of DS Load unless required by an appropriate order of the Pennsylvania Public Utility Commission.

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

Default Service Supplier (“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 DS 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 an LSE.

Default Service Supplier Responsibility Share (“DS Supplier Responsibility Share”) – The fixed percentage share of the Company’s DS Load for a given Customer Group as indicated in the Transaction Confirmation which the DS Supplier is responsible.

Default Service Supply (“DS Supply”) – Shall mean Full Requirements Service as detailed in Appendix C that the DS Supplier is required to provide in order to meet the DS Supplier’s DS Supplier Responsibility Share.

Delivery Period – The period of months, as specified on an executed Transaction Confirmation, where a DS Supplier has an obligation to provide service.

Delivery Point – Means the applicable zone or aggregate of the Company as designated by PJM and set forth in the Transaction Confirmation.

Early Termination – Termination of this Agreement prior to the end of the term of all Transactions under this Agreement due to the occurrence of an Event of Default as specified in Section 5.1 of this Agreement and the declaration of Early Termination as specified in Section 5.2.

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

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 or its successor.

Final Hourly Energy Allocation or "FHEA" – A quantity in MWh which, for any hour, is the PHEA, adjusted for any billing or metering errors found subsequent to the calculation of PHEA, of which PJM is notified within 60 days.

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 for Full Requirements Service on a fixed price basis as indicated on the Transaction Confirmation.

Force Majeure - 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.

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.

Guaranty – A guaranty, suretyship, hypothecation agreement, margins or security agreement or any other document in the form attached as Exhibit 5 to this Agreement or other form approved by the Company.

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

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

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

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

Large Commercial and Industrial Customer Group – Group of Rate Schedules that comprise the large commercial and industrial class for DS Supply and itemized in Appendix C.

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

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 - A liquid pricing point located within PJM’s geographic footprint, as specified in Appendix B.

Maximum Credit Limit – The lesser of the applicable percentage of TNW or the applicable Credit Limit Cap as specified in Appendix A of this Agreement.

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 as determined in the reasonable 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 as determined in the reasonable 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 Council or its successor.

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

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

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

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 Final Zonal Net Load Price– Shall have the meaning ascribed to it in the PJM Agreements.

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 or its successor.

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.

PHEA/FHEA 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 PHEA used for the purpose of calculating estimated payments made to the DS Supplier for a given hour and the FHEA used for calculating the final payments due to the DS Supplier for such hour as more fully described in Article 9 hereof.

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 Hourly Energy Allocation or “PHEA” – A quantity in MWh which, for any hour, is the preliminary calculation of the DS Supplier’s DS Supplier Responsibility Share for that hour.

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 for that Billing Month.

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.

Reference Market Maker – Shall mean any broker in energy products.

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

Residential Customer Group – 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 Customer Group – Group of Rate Schedules that comprise the small commercial and industrial class for DS Supply and itemized in Appendix C.

Spot Market Transaction – A Transaction for Full Requirements Service with spot market pricing as indicated on the Transaction Confirmation.

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 a given 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 Section 5.4.

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 for all Fixed Price Transactions for DS Supply arising under this Agreement; (ii) the amount designated as the “credit exposure” for all Spot Market Transactions under this Agreement; (iii) any amount(s) designated as the “Mark-to-Market Exposure” arising under any other agreements providing for “DS Supply” or similar default service on a fixed price basis minus amounts due pursuant to such transactions; and (iv) the amount designated as the “credit exposure” under any other 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.

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 the Transaction Confirmation(s) in the form attached as Exhibit 1.

Transaction Confirmation – Shall have the meaning ascribed to it in Appendix C and shall be in a form substantially as set forth in Exhibit 1 of this Agreement.

Transaction Date – Means the date that a Transaction is effective as set forth in the Transaction Confirmation.

Unaccounted for Energy – Means an energy accounting adjustment for settlement purposes among retail energy suppliers at the Delivery Point. Unaccounted for Energy is distributed among all retail energy suppliers at the Delivery Point on an hourly basis.

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 agrees that the Company is entitled to seek enforcement of this Agreement on behalf of the 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" within the meaning of the United States Bankruptcy Code ("USBC"), that each Party hereto is a "forward contract merchant" within the meaning of the USBC, that all setoffs, netting and liquidations contemplated hereunder constitute "settlement payments" within the meaning of the USBC, that each payment or transfer of performance assurance is a "margin payment", "settlement payment" or transfer within the meaning of the USBC, 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 Section 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 each Transaction under the Agreement meets the terms and conditions set forth in Appendix C and the applicable Transaction Confirmation;
- (ii) To provide sufficient quantities of DS Supply on an instantaneous basis at all times during the Delivery Period of each Transaction 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, the FERC or any other regulatory body asserting jurisdiction;
- (v) To become the LSE with respect to the provision of DS Supply for the DS Supplier Responsibility Share and to comply with all requirements of an

LSE with respect to such DS Supplier Responsibility Share;

- (vi) To pay to the Company the PMEA/FMEA Adjustment Amount for any Billing Month in which the PMEA exceeds the FMEA, and to pay to the Company adjustments pursuant to Sections 9.1(b)(iii) and 9.1(b)(iv) if applicable, as more fully described in Article 9 of this Agreement;
- (vii) To accept assignment of and to fulfill all obligations of an LSE that are assigned to it by this Agreement;
- (viii) To comply in a timely manner with all obligations under this Agreement imposed upon the DS Supplier; and

(b) Obligations of the Company

The Company hereby agrees as follows:

- (i) To pay to the 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, and to pay to the DS Supplier adjustments pursuant to Sections 9.1(b)(iii) and 9.1(b)(iv) if applicable, 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; and
- (v) Accept the delivery of DS Supply necessary to meet the DS Load.

2.3 Congestion and Congestion Management

The DS Supplier is responsible for any congestion costs incurred to meet the DS Supplier Responsibility Share. The Company shall transfer or assign to the DS Supplier the Company's rights to ARRs to which the Company is entitled as an LSE pursuant to the PJM Agreements, 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 indicated in the Transaction Confirmation(s). 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

- (a) 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.

- (b) The Company will manage PJM load response programs in accordance with PJM Agreements as amended from time to time and the provisions of its applicable riders and retail electric service tariffs, as amended and approved by the PaPUC from time to time, or the Company customer contracts, as amended by the Company from time to time. The Company will retain all of the benefits associated with its load response programs, including but not limited to all associated wholesale revenues from PJM for Capacity, Energy and Ancillary Services. Unless specifically prohibited by its retail electric service tariffs, DS Customers may, at their election, participate in demand response programs offered under the PJM Agreements.
- (c) DS Supplier will be responsible for any costs regarding demand response compensation in organized wholesale energy markets.
- (d) The Company and DS Supplier shall work with PJM to establish any PJM E-Accounts necessary for the DS Supplier to provide Full Requirements Service. The Company shall generate and provide to DS Supplier PJM shortname(s) associated with supplier's unique contract type(s), as necessary. Unique shortname(s) may be generated for each differing

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

- (e) Upon DS Supplier's creation of new shortname(s), the Company shall establish PJM E-Account contract(s) for the entire duration of the Transaction(s).
- (f) The Company will complete and partially execute the PJM Declaration of Authority , Exhibit 3, and issue to the DS Supplier to execute. The PJM Declaration of Authority will be used to allocate PJM costs, in association with the shortnames created in accordance with Section 2.4(d) above, and Appendix C.
- (g) Following the Company's establishing new contracts within the PJM eSuite system, the DS Supplier shall review and confirm the PJM E-Account contract(s) for the entire duration of the Transaction(s).
- (h) For the period of time this Agreement is in effect, DS Supplier shall be: (i) a member in good standing of PJM; (ii) qualified as a PJM "Market Buyer" and "Market Seller" pursuant to the PJM Agreements; and (iii) qualified as a PJM "Load Serving Entity." For the period of time this Agreement is in effect, the Company shall be a member in good standing of PJM.
- (i) For the period of time this Agreement is in effect, both the Company and DS Supplier shall have executed the PJM Declaration of Authority (Exhibit 3), which shall remain in effect during the term of each Transaction under 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 PJM Declaration of Authority in accordance with PJM requirements.

2.5 PJM Billing

- (a) Buyer and Seller shall direct PJM to invoice Seller and Buyer for charges and credits relating to Seller's and Buyer's rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with this Agreement, Buyer shall rectify such PJM invoice discrepancy in the invoice sent pursuant to Section 9.1 (Billing and Payment).
- (b) The Parties agree that the PJM bill may change from time to time. Allocation of any charges that are reflected in a PJM bill that are not included on or are inconsistent with this Agreement will be determined pursuant to Appendix C (DS Supply Specifications), Section 2.4 (PJM Services), and Section 2.6 (PJM Agreement Modifications) of this Agreement.

2.6 PJM Agreement Modifications

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

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

2.7 PJM Member Default Cost Allocation

In the event PJM imposes a Default Allocation Assessment upon the Company relating to a default during the term of Transaction(s) under this Agreement, 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.

2.8 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 non-compliance 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.

2.9 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.

2.10 Record Retention

The Company shall retain necessary records for the longer of four 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.

2.11 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 as of the Effective Date and throughout the term of the Transaction(s) under 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 and in the Commonwealth of Pennsylvania;
- (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 under this Agreement;
- (g) It has entered into this Agreement and all Transactions under 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) 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;
- (m) 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

- (n) It has entered into this Agreement and all Transactions under 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(18) of the Commodity Exchange Act.

3.2 Company’s Representations and Warranties

The Company hereby represents, warrants and covenants to the DS Supplier as of the Effective Date and throughout the term of the Transaction(s) under this Agreement 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, or constitute a breach of or default under, any of the terms, conditions, or provisions of the Company’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 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 and all Transactions under this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;
- (i) It is in good standing with 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 applicable to Company, as established and interpreted by the PJM OI;
- (j) The Company's performance under this Agreement is not contingent upon the performance of Customers or the ability of Customers to pay rates;
- (k) The Company shall have sole responsibility for metering and billing with respect to DS Customers;
- (l) The Company shall be responsible for electric distribution services and the DS Supplier shall not be responsible for distribution charges;
- (m) 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 DS Supplier;
- (n) 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;
- (o) 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;

- (p) 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
- (q) It has entered into this Agreement and all Transactions under 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(18) of the Commodity Exchange Act.

3.3 Survival of Obligations

All representations and warranties contained in this Article must be maintained up through the termination or expiration of all Transactions under this Agreement. If a Party learns that any of the representations, warranties or covenants in this Agreement are no longer true during the term of any Transaction under this Agreement, the Party shall immediately notify the other Party via email, with a hard copy of the notice delivered by overnight mail, and Company may, in its reasonable discretion treat such occurrence as an Event of Default hereunder.

3.4 Joint Representations and Warranties

This Agreement is for the purchase and sale of Full Requirements Service that will be delivered in quantities expected to be used or sold over a defined period(s) in the

normal course of business, and it is the intention at the inception and throughout the term of each Transaction under this Agreement that the Agreement will result in physical delivery and not financial settlement, and the quantity of Full Requirements Service that DS Supplier must deliver and Company must receive will be determined by the requirements of the applicable DS Load, and, as such, the Agreement does not provide for an option by either Party with respect to the quantity of Full Requirements Service to be delivered or received during performance of the Agreement. This Agreement has been drafted to effectuate Company's and DS Supplier's specific intent so that in accordance with Accounting Standards Codification 815 ("ASC 815"), as amended, Company would be able to elect to use accrual accounting for its purchases under this Agreement, while DS Supplier would be able to elect to use either accrual or mark-to-market accounting for its sales under the Agreement. If either Company or DS Supplier determines, in good faith, that the intended accounting treatment has become jeopardized, due to a change in interpretations of ASC 815, as amended, or otherwise, then Company and DS Supplier agree to meet and use their best efforts to reform the Agreement so that, with the minimum changes possible, the Agreement again qualifies for the intended accounting treatments.

ARTICLE 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 including, without limitation, Article 4 (Commencement and Termination of Agreement), Article 5 (Breach and Default), Article 11 (Dispute Resolution), Article 13 (Limitations of Remedies, Liabilities and Damages), Article 14 (Indemnification) and Article 16 (Miscellaneous Provisions).

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 may enter into such a Mutual Termination Agreement, which will discharge the terminating DS Supplier (the “Terminating DS Supplier”) with respect to liabilities other than surviving

obligations set forth in Section 4.3 that arise 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 expressly assumes all obligations of the Terminating DS Supplier hereunder for the remaining term of Transactions under 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 reasonable discretion of Company; (iii) the Replacement DS Supplier executes a counterpart signature page to this Agreement assuming all obligations of the Terminating DS Supplier hereunder and with respect to all Transaction Confirmation(s) that are currently in effect and thereby becomes a Party under this Agreement and all relevant Transaction(s), 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 that, as of the effective date of the Mutual Termination Agreement, it may have incurred Damages as a result of the Event of Default, 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 reasonable discretion.

ARTICLE 5 BREACH AND DEFAULT

5.1 Events of Default

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

- (a) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;
- (b) In the case of a DS Supplier, fails to comply with the requirements of Section 3.1(b) and (h) if such failure is not remedied within three (3) Business Days after written notice;
- (c) Makes an assignment for the benefit of its creditors;
- (d) 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;
- (e) In the case of a DS Supplier, is dissolved or is the subject of a Merger Event;
- (f) 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;
- (g) Has a resolution passed for its winding-up, official management or liquidation;
- (h) 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 to meet the DS Supplier's DS Supplier Responsibility Share under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;

- (i) 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 6.3 or post any performance assurance collateral as set forth in Section 6.7 to cover Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;
- (j) 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;
- (k) Fails to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;
- (l) Violates any federal, state or local code, regulation or statute applicable to the provision of DS Supply 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;

- (m) Is the subject of an involuntary bankruptcy or similar proceeding;
- (n) 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;
- (o) Fails to perform or otherwise comply with any material covenant or obligation set forth in this Agreement, if such failure is not remedied within three (3) Business Days after written notice;
- (p) Makes a materially incorrect or misleading representation or warranty under this Agreement or under any response to the DS Solicitation;
- (q) Makes an omission or commits an act that constitutes an “Event of Default” under any other agreement(s) for the provision of DS Supply between the Company and the DS Supplier; and fails to remedy such condition, event or delinquency herein above described such that the other Party (the “Non-Defaulting Party”) is completely made whole with respect to such condition, event or delinquency, within three (3) Business Days of receipt of written notice thereof from such Non-Defaulting Party; provided, however, that an Event of Default shall be deemed to have occurred immediately, without any need for the provision of notice thereof by the Non-Defaulting Party and without any right of cure on the part of the Defaulting Party, in the event of the occurrence of a condition, event or delinquency described in subsections (a), (d), (e), (f), (g), (h), (i), and (j)

above. Termination or modification of this Agreement or any Transactions hereunder by the PaPUC, other regulatory authority or court of law does not constitute an Event of Default under this Agreement; or

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

1. any representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
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 three (3) 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 the DS Supplier under this Agreement without the written consent of the Company; or
4. Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty in connection with this Agreement.

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 Sections 5.6 and 5.7. In addition to any other remedies available at law or in equity to the Non-Defaulting Party, subject to the dispute resolution provisions in Article 11 of this Agreement, 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 (a), (c), (d), (e), (f), (g), (h) and (i) of Section 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 DS Supplier; and
- (ii) Receive Damages in accordance with Section 5.3 of this

Agreement.

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 Section 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 Transaction(s) of 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 DS 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:

- (1) 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;
- (2) The costs of DS Supply purchased by the Company to replace DS Supply

that the DS Supplier was obligated to supply under this Agreement during the term hereof;

- (3) Administrative and legal costs associated with procuring replacement DS Supply; and
- (4) 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 Section 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 Section 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. The DS Supplier covenants that it shall, upon request of Company, execute any tolling agreement necessary in the event that final Damages have not been determined prior to the expiration of any applicable statute of limitations or other limitation of action rule or order of court or other legal authority relating to the Company's rights to recover Damages.

- (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 Transaction(s) of 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 Transaction(s) of 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.
- (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 Section 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) **Other Damages:** Damages for Events of Default not specified above shall consist of the direct Damages incurred by the Non-Defaulting Party.
- (e) **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 the 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 as provided in Section 5.2 of this Agreement; provided however, that an Early Termination Date shall be deemed to occur automatically and concurrently with the Event of Default, without any requirement for the provision of notice by the Non-Defaulting Party, with respect to an Event of Default under subsections (a), (c), (d), (e), (f), (g), (h) and (i) of Section 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)(1) by checking this box. If DS Supplier does not check this box, subsection 5.4(a)(1) will be deemed to be excluded from this Agreement.

5.4. (a) (1) 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 Transaction(s) under this Agreement shall be deemed to be those quantity amounts that would have been delivered on an hourly basis, had such Transaction(s) under 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 (i) 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 (ii) 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 Interest Index.

- (c) **Notice of Termination Payment.** As soon as practicable after an Early Termination Date, 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 Section 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 (“Termination Payment Date”).

- (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 notice of Termination Payment pursuant to Section 5.4(c).
- (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, all such agreements may be considered, at the Company’s reasonable discretion, to be in default, and the Company

will calculate a single Termination Payment applicable to all such agreements as set forth herein.

5.5 Step-Up Provision

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

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

including the maximum amount that the DS Supplier indicates. The DS Supplier's pro-rata share, as described in this paragraph, shall be the ratio of the DS Supplier's amount indicated in the DS Supplier's Step-Up response, stated on a PLC basis, to the total of amounts indicated in all DS Suppliers' Step-Up responses. The Company will determine the DS Supplier's pro-rata share within six (6) Business Days from the date of the Company's initial notification. Once the Company has determined the DS Supplier's pro-rata share, the Company will forward electronically, by immediate means acceptable to both Parties, to the DS Supplier a partially executed Transaction Confirmation(s). By 2:00 p.m. Eastern Prevailing Time ("EPT") on the second Business Day following the DS Supplier's receipt of such partially executed Transaction Confirmation(s), the DS Supplier shall return electronically, by immediate means acceptable to both Parties, to the Company one (1) fully executed Transaction Confirmation(s).

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, 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 Sections 5.4 and 5.6 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 ARRs to which the replacement DS Supplier is entitled as an 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

With respect to all Transactions under this Agreement and all other transactions for supply serving DS Load under other agreements executed between the Parties pursuant to the PaPUC Orders, if at any time and from time to time during the term of Transaction(s) under this Agreement, DS Supplier's aggregate credit exposure exceeds the Credit Limit on any Business Day, then the Company shall have the right to request that DS Supplier post performance assurance in an amount equal to the amount by which DS Supplier's aggregate exposure exceeds the Credit Limit (rounding upwards to the nearest \$100,000), less any performance assurance already posted with the Company. The Company's request for performance assurance shall not be disputed by DS Supplier in the absence of manifest error.

6.2 Creditworthiness Determination

The DS Supplier may submit and maintain a security deposit in accordance with Section 6.4(e) 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 agents unrestricted access to audited financial statements; provided that if audited financial statements are not available, the Company, in its reasonable discretion, may specify other types of financial statements that will be accepted.

6.3 Credit Exposure

(a) Fixed Price Transactions

To calculate the daily exposure for each DS Supplier for Fixed Price Transactions, the MtM credit exposure methodology will be used. For each Fixed Price Transaction, the “initial marks” for each Billing Month will be determined at the time the DS Solicitation is completed based on the available On-Peak Energy Forward Price and Off-Peak Energy Forward Price. At the time the DS Solicitation is completed, the MtM credit exposure for Fixed Price Transaction(s) arising from such DS Solicitation shall be equal to zero. Subsequently, the differences between (i) the available On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices on the valuation date and (ii) the “initial mark” prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DS Supplier. The MtM Exposure Amount for a given Fixed Price Transaction will be equal to 1.1 times the sum of the MtM credit exposures across all Billing Months of such Fixed Price Transaction minus amounts due pursuant to such Fixed Price Transaction to such DS Supplier for the delivery of DS Supply. The methodology for calculation of the MtM credit exposure on a per Tranche basis is illustrated in Appendix B hereto.

(b) Spot Market Transactions

Credit exposure for Spot Market Transactions shall be the product of \$75,000 and the total number of Tranches awarded to DS Supplier for each Spot Market Transaction under this Agreement.

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.

- (a) 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.
- (b) 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.
- (c) For a DS Supplier having a Guarantor, the Guarantor (i) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (ii) must have a minimum senior unsecured debt rating (or, if unavailable,

corporate issuer rating) equal to the Minimum Rating, as defined in Appendix A. 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 on 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 applicable Maximum Credit Limit as determined in Appendix A. 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 performance assurance collateral as set forth in Section 6.7 to cover 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 the posted performance assurance collateral 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.

(d) For a Guarantor that has not been incorporated or otherwise formed under the laws of the United States; in addition to the requirements set forth in 6.4(c), they shall supply the following additional information:

- i. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty is, or upon completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed;
- ii. The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of the Guarantor has approved the execution of the Guaranty;
- iii. The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the Guaranty; and
- iv. Such other documents and certificates as may be required by the Company in its reasonable discretion.

- (e) If a DS Supplier chooses not to undertake a creditworthiness evaluation, it shall be required to post cash or a letter of credit for the 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 Transaction(s) under 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, 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 Section 6.7(b) of this Agreement (see standard format in Exhibit 4), in an amount equal to the Margin (less any performance assurance collateral for 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 performance assurance collateral to cover Margin from the Company by 1:00 p.m. New York time on a Business Day, then the DS Supplier shall post the performance assurance collateral to cover 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 performance assurance collateral to cover Margin. If the DS Supplier receives notice for performance assurance collateral to cover 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 performance assurance collateral to cover Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide performance assurance collateral to cover 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 performance assurance collateral to cover Margin when due in accordance with this Section 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 Section 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 performance assurance collateral to cover Margin 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 electronic 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:

Attn: Kelly Gower – Manager FP&A

Two North Ninth Street, TW20, Allentown, PA 18101

Copy to:

James M. Rouland – Regulatory Policy Manager

Two North Ninth Street, TW20, Allentown, PA 18101

Notice received after the close of the Business Day shall be deemed received on the next Business Day; provided that notice by electronic 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 to satisfy Margin requirements, if required:

- (a) Cash; or
- (b) A standby irrevocable letter of credit acceptable to the Company, in its reasonable 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.

- (c) 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 Section 6.7(b) 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 within three (3) Business Days 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 Section 6.5 of this Agreement. The additional security must be in a form acceptable to the Company in its reasonable discretion, as specified in Section 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 (a), (c), (d), (e), (f), (g), (h) and (i) of Section 5.1 of this

Agreement.

6.10 Interest on Cash Held by Company

The Company will pay simple interest calculated at the Interest Index 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 5th day of each calendar month.

6.11 No Endorsement of DS Supplier

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

6.12 Multiple DS Supply Agreements

It is the intention of the Company and the DS Supplier that, in the event the DS Supplier is a party to other agreements with the Company for the provision of DS Supply that existed prior to the Effective Date of this Agreement, the Company will calculate the Margin applicable to all such agreements based upon the terms and conditions of the applicable agreements.

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 an LSE under the PJM Agreements.

7.2 Data Transmission

The procedures for transmitting load obligation data to PJM for the 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 Supply obligation will be based on the final total Energy

loads for the Customers receiving Default Service, including deration 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. Unless specified otherwise, the following provisions apply to both Fixed Price Transactions and Spot Market Transactions. Specifically:

(a) Fixed Price Transactions:

- (i) With respect to each Fixed Price Transaction, for each Billing Month, the Company will prepare a Statement of amounts due to

the DS Supplier. This Statement will show the aggregate amounts due based on the DS Fixed Price indicated in such Transaction Confirmation multiplied by the PMEA of the Billing Month.

- (ii) With respect to each Fixed Price Transaction, 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.

(b) Spot Market Transactions:

- (i) With respect to each Spot Market Transaction, for each Billing Month, the Company will prepare a Statement of amounts due to the DS Supplier. This Statement will show the amounts due the DS Supplier, equal to the sum of: (a) an energy charge equal to sum of the products of each hour's load weighted, real-time spot market energy price for the Delivery Point, and the PHEA in each hour of the Billing Month, (b) a capacity charge equal to the sum of the product of the PJM Final Zonal Net Load Price for the Delivery Point in \$/MW-day and the daily amounts of Capacity reported as the DS Supplier's Capacity obligation by Buyer to PJM for each day of the Billing Month; and (c) the product of the DS Fixed Price and the PMEA.
- (ii) With respect to each Spot Market Transaction, 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. The PMEA/FMEA Adjustment Amounts apply only to payments unrelated to the energy charge or capacity charge as described in Section 9.1(b)(i) above.

- (iii) With respect to each Spot Market Transaction, to the extent that the FHEA differs from the PHEA, the Company will calculate the PHEA/FHEA Adjustment Amount for each hour by multiplying the difference between the two amounts by the load weighted, real-time spot market energy price for the Delivery Point, and will sum the negative and positive dollar values over all hours to arrive at a net PHEA/FHEA Adjustment Amount for the Billing Month. Based on the calculated net PHEA/FHEA Adjustment Amount, the Company will pay or charge the DS Supplier for such billing adjustments within the PJM deadline for conducting the final settlement.
- (iv) With respect to each Spot Market Transaction, to the extent that the daily Capacity obligations used in the calculation detailed in Section 9.1(b)(i) are adjusted, the Company will pay or charge the DS Suppliers any net difference between the payment made and the payment calculated using the adjusted values. For avoidance of doubt, the MW of Capacity reported as DS Supplier's Capacity obligation shall be adjusted for any subsequent meter corrections reported to PJM, or as a result of any subsequent retail load

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

(c) General Provisions:

- (i) The Statement(s) 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.
- (ii) The Company shall make payment on the first Business Day after the 19th day of each calendar month.
- (iii) 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.
- (iv) 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 all Transactions under this Agreement.
- (v) The Company shall make payments of funds payable to the DS Supplier by electronic transfer to a bank designated by the DS Supplier.

- (vi) 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 (Dispute Resolution) 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.
- (vii) 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.
- (viii) If DS Supplier has entered into more than one Transaction with

Buyer, DS Supplier shall receive a single Statement listing the relevant information detailed above.

9.2 Billing for DS Supplier's Obligations to Other Parties

Except as set forth in Sections 2.5 and 2.6, the Company shall have no responsibility for billing between the DS Supplier and PJM; the DS Supplier and any Energy or Capacity source; or the DS Supplier and any other third party. The Company will be solely responsible for billing DS Customers for Default Service.

9.3 The DS Supplier Payment of Obligations to the Company

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

- (a) Each Billing Month, the Company shall submit an invoice to the DS Supplier for all Charges owed by the DS Supplier under this Agreement. The DS Supplier shall make payment for Charges shown on the invoice. The due date will be on the first Business Day after the 19th day of each calendar month. The invoice will be sent to the DS Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.
- (b) Invoices shall be subject to adjustment for any arithmetic errors, computation errors, meter reading errors, or other errors, provided that the errors become known within one (1) year of the termination of all Transactions 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 be obligated to 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. 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 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.

10.4 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 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 Section 5.1 (a), (c), (d), (e), (f), (g), (h) and (i)), and as a

condition precedent thereto, the disputing Party shall provide written notice to the other Party setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. The Parties shall use good faith and reasonable commercial efforts to informally resolve such dispute. Such efforts shall last for a period of at least thirty (30) calendar days from the date that the notice of the dispute is first delivered from one Party to the other Party. Any amounts that are owed by one Party to the other Party as a result of resolution of a dispute pursuant to this Section 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 condition precedent requirements of Section 11.1 (Informal Resolution of Disputes) have been satisfied, all unresolved disputes, except as noted below, between the Parties shall be submitted to the appropriate authority as set forth in Section 16.5 of this Agreement. 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”) or with the PaPUC under relevant provisions of the Applicable Legal Authorities. The Company, but not the DS Supplier, may also elect, in its sole discretion, to pursue its remedies in the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania in Allentown subject to Section 16.5 of this Agreement. The Party’s agreement hereunder is without prejudice to any Party’s right to contest the jurisdiction of the FERC or the PaPUC to which a complaint is brought, however, should the Company elect Court, the DS Supplier hereby consents to the jurisdiction of the Lehigh

County Court of Common Pleas, or the Eastern District Court of Pennsylvania and waives all rights to contest the Company's election of court whether based on forum non conveniens or otherwise.

The Parties hereby acknowledge and agree that both Parties entered into this Agreement and all Transactions under this Agreement freely and in good faith, both had the opportunity to have counsel review the Agreement, and agree 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 the 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 new or existing energy efficiency and conservation programs, and retail market 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 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, special, incidental, punitive, exemplary or indirect Damages, lost profits, loss of financing, business or reputation 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 it is agreed that 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, and its Affiliates, its shareholders, board members, directors, officers and employees, agents, contractors, subcontractors, invitees, successors, representatives, and permitted assigns 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 in the event of and to the extent that there is a final determination by 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 in which event Company agrees to reimburse DS Supplier within sixty (60) days of DS Supplier's demand to the extent that such third party claims and/or liabilities is not covered by insurance required to be maintained pursuant to this Contract solely for Company's share in contributing to the cause of such losses, penalties, expenses or damages. 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 in the event of and to the extent that there is a final determination by 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 Section 14.1(a) or Section 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.

- (d) In the event that a Party fails or refuses to indemnify an indemnitee hereunder, in addition to all other obligations and upon adjudication in favor of an indemnitee, the indemnitor shall be responsible for any and all costs associated with bringing such action, including but not limited to attorneys' fees and costs.

14.2 Survives Agreement

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article 14 (Indemnification) shall survive termination of this Agreement, and as such obligation relates to claims asserted by employees of the indemnified party or otherwise, 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 workers' compensation acts, disability benefit acts or other employee benefit acts and both Parties hereby waive any and all immunities or statutory protections under any workers' compensation act or similar statute.

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 Section 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 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 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/Forum Selection

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 the FERC, the Parties agree that all disputes relating to formation, validity, interpretation, execution, amendment, termination and construction of this Agreement not satisfied or resolved under the required resolution provisions of

Section 11.1 of this Agreement shall be submitted to the PaPUC for determination, unless the Company, at its sole discretion, elects to submit any such dispute hereunder to the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania in Allentown. If the Company elects Court, 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 of each Transaction 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) PaPUC 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. In the case of

an actual or apparent inconsistency between this Agreement and the PPL Electric Utilities Corporation Default Service Request for Proposals Process and Rules (“RFP”), the provisions of this Agreement shall control. 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. 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 sales and use taxes as defined above, the affected DS Supplier will, if requested, provide the Company with valid tax exemption certificates. Should the Company be required to remit any sales and use 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 applicable sales and use tax amounts upon demand.

16.11 Disclosure of Tax Treatment

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

16.12 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) of this Agreement.

16.13 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) References to the singular include the plural and vice versa;
- (c) 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;
- (d) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (e) 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.

16.14 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 16.14, 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 16.14, and further provided that in no event shall a document or information be

disclosed in violation of the standard of conduct requirements established by the 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 or is being disclosed to PJM or PaPUC in order for the Transactions contemplated by this Agreement to be consummated or to otherwise comply with the provisions of this Agreement, 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 16.14. 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 Section 16.14, 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.

16.15 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;
- 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.

16.16 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.

16.17 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”).

16.18 Counterparts and Electronic Signatures

This Agreement including all Transaction Confirmations hereunder may be executed in counterparts, each of which will be considered an original, but all of which shall constitute one instrument. Further, the Parties agree that the electronic signature of a Party to this Agreement and the forms appended herein shall be as valid as an original signature of such Party and shall be effective to bind such Party. The Parties agree that any electronically signed document shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the Parties to the same extent and under the same conditions as other original business records created and

maintained in documentary form. Neither Party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, “electronic signature” means either a manually signed original signature or an electronic symbol or process attached to or logically associated with a record and executed or adopted by a Party with the intent to sign the record that is then transmitted by electronic means; transmitted by electronic means” means email transmission, facsimile transmission or other similar electronic or digital means of communication providing evidence of transmission, including transmission via the internet as a “pdf” (portable document format) or equivalent format. The use of electronic signature shall be approved by PPL Electric prior to use by the DS Supplier. The requirement for Attestation and Witness is waived upon approval of electronic signature by PPL Electric.

16.19 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:

[DS SUPPLIER]

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

ATTEST:

**PPL ELECTRIC UTILITIES
CORPORATION**

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

APPENDIX A

Maximum Unsecured Credit

S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap (\$)
A- and above	A3 and above	A- and above	5%	60M
BBB+	Baa1	BBB+	5%	40M
BBB	Baa2	BBB	5%	30M
BBB-	Baa3	BBB-	5%	15M
BB+	Ba1	BB+	5%	5M
BB	Ba2	BB	5%	3M
BB-	Ba3	BB-	5%	1M
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 Rating¹. If the DS Supplier or its Guarantor is rated by more than one rating agency, and the ratings are split, the lowest of the available ratings will be used. The Maximum Credit Limit shall be calculated as the lesser of the percentage of TNW or the Credit Limit Cap.

¹ **Minimum Rating** – The lowest credit rating, as set forth in this Appendix A, that a DS Supplier or Guarantor must have to obtain unsecured credit.

APPENDIX B

MtM Exposure Amount Calculation Information

Table 1 provides information that will be determined on each DS Solicitation Date for each month of the Delivery Period for each applicable Transaction. An average of broker quotes will be used to develop monthly on- and off-peak energy forward price marks when quotes are available for individual months, two-month blocks (e.g., January-February) or quarterly blocks (e.g., October-December)². For all the remaining months the Company will be using a proprietary method that reflects forward market conditions. The Company reserves the right to examine the quotes from sources for anomalies or inconsistencies and to discard anomalous quotes as appropriate in its reasonable discretion. The initial mark for each Billing Month is the On-Peak Energy Forward Price and the Off-Peak Energy Forward Price that was calculated on the date that the DS Solicitation closes and will not change over the life of the applicable Transaction.

After the close of the DS Solicitation On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM credit exposures will be adjusted monthly to reflect the most current changes. If quotes are obtained from more than one broker for a month, the mark for that month will be the average mark over all sources that are available. If quotes for individual months are unavailable then the Company may make use of quotes that are available for a two-month block or a quarterly block to develop the monthly mark as described above. The Company reserves the right to examine the quotes from sources for

² If quotes are obtained from more than one broker for a month, the mark for that month will be the average mark over all sources that are available. If quotes for individual months are unavailable, then the Company may make use of quotes that are available for a two-month block or a quarterly block to develop the monthly mark. For example, when an On-Peak Energy Forward Price is available for a two-month block or a quarterly block and a component of the block are both quoted, the component will be equal to its quoted price and the other months in the block will be constructed so that the weighted average (weighted by on-peak hours in each month) of the block equals the quote for the block; e.g., Q4 2013 = \$50 and Oct 2013 = \$40; therefore, Oct 2013 = \$40 and Nov-Dec 2013 = \$55.61 (i.e., $(\$50 \times (336 + 320 + 368) - \$40 \times 336) / (336 + 320) = \55.61). If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2014 = \$35, then Jan 2014 = \$35 and Feb 2014 = \$35.

anomalies or inconsistencies and to discard anomalous quotes as appropriate in its reasonable discretion. On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices for the months, two-month blocks or quarterly blocks where broker quotes are unavailable will be equal to the last available broker quotes or in case they have not been quoted on the broker sheets since the applicable DS Solicitation closed, they will be equal to the marks set at the close of the applicable DS Solicitation.

MtM Calculation Example

Parameters

On the closing day of a DS Solicitation, the following parameters are set for each applicable Transaction:

- (a) The estimated monthly On-Peak Load per Tranche.
- (b) The estimated monthly Off-Peak Load per Tranche.
- (c) The monthly On-Peak Energy Forward Prices (to be used as the inception on-peak price “initial mark” for each month of the Delivery Period).
- (d) The monthly Off-Peak Energy Forward Prices (to be used as the inception off-peak price “initial mark” for each month of the Delivery Period)

All On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices are based on a Market Price Hub that the Company will specify as follows: PJM Western Hub.

Table 1 - Data set on the Closing Day of the DS Solicitation (MWh/Tranche)

	On-Peak Volume ³	Off-Peak Volume ⁴	Initial Mark On-Peak Price ⁵	Initial Mark Off-Peak Price ⁶
Month 1				
Month 2				
Month 3				
Month 4				
Month 5				
Month 6				
Month 7				
Month 7				
Month 8				
Month 9				
Month 10				
Month 11				
Month 12				

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EXAMPLE

Table 2 – Post DS Solicitation Close MTM Credit Exposure Calculation (MWh/Tranche)

	On-Peak Load per Tranche (MWh)	Off-Peak Load per Tranche (MWh)	Initial Mark On-Peak Price	Initial Mark Off-Peak Price	On-Peak Energy Forward Price ⁷	Off-Peak Energy Forward Price ⁸	MtM ⁹
Month 1							
Month 2							
Month 3							
Month 4							
Month 5							
Month 6							
Month 7							
Month 8							
Month 9							
Month 10							
Month 11							
Month 12							
							Total

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³ On-peak and off-peak volumes will be adjusted monthly.

⁴ On-peak and off-peak volumes will be adjusted monthly.

⁵ Initial Mark On-peak price set at day DS Solicitation closes. Remains constant through term of applicable Transaction.

⁶ Initial Mark Off-peak price set at day DS Solicitation closes. Remains constant through term of applicable Transaction.

⁷ On-peak Energy Forward Price as available and quoted by Referenced Market Makers.

⁸ Off-peak Energy Forward as available and quoted by Referenced Market Makers.

⁹ MTM = (On-Peak Load * (On-Peak Energy Forward Price - Initial Mark On-Peak Price) + (Off-Peak Load *(Off-Peak Energy Forward Price- Initial Mark Off-Peak Price)

APPENDIX C

DS Supply Specifications

- 1) With respect to a Transaction, DS Supplier shall provide Full Requirements Service on a firm and continuous basis. The terms of the Transaction shall be set forth in a Transaction Confirmation to this Agreement, in a form as set forth in Exhibit 1. Full Requirements Service shall mean, all of the following necessary services or products that are required to supply the DS Supplier Responsibility Share for the DS Customers associated with the Transaction Confirmation, including: Energy, Capacity, transmission (other than Non-market-based Transmission Services), Ancillary Services, transmission and distribution system losses, congestion management costs, and such other products and services that are required except for distribution service.
- 2) With respect to a Transaction, the Company shall be responsible, at its sole cost and expense, for the costs of Non-market-based Transmission Services and for compliance with the AEPS Act in connection with the DS Load. Additionally, the Company will be responsible for any distribution service necessary to serve the DS Supplier Responsibility Share.
- 3) Except as provided in Paragraph 1 above, DS Supplier bears the risk of any other changes in PJM products and pricing during the term of all Transactions under this Agreement. However, if there are any other new FERC-approved PJM transmission charges other than those referred to in Paragraph 1 above or other new PJM charges and costs, charged to network transmission customers, that DS Supplier believes the Company should recover through retail rates because they

are directly related to the Company's obligations, then Company may file with the PaPUC a request for approval to recover such new costs. DS Supplier is required to intervene in any such proceeding before the PaPUC. Such new costs can only be charged to the Company to the extent that the PaPUC approves the Company's recovery of those costs. DS Supplier agrees to be bound by the decision of the PaPUC (subject to the normal rules for appeal of the decision of the PaPUC) and waives all claims concerning this issue before the FERC. Notwithstanding the foregoing, nothing in the Agreement shall preclude DS Supplier or Company from taking any position before the FERC regarding the creation and allocation of any such PJM charges.

Customer Group and Service Type:

Customer Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
Small Commercial & Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 100 kW peak demand
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	TS	TS(R) – Municipal Traffic Signal Lighting Service
	SI-1	SI-1(R) – Municipal Street Lighting
	Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.
	Large Commercial & Industrial	GS-3
LP-4		LP-4 – Large General Service (12 KV or Higher) – Customers with 100 KW or higher peak demand
LP-5		LP-5 – Large General Service (69 KV or Higher)
LPEP		Power Service to Electric Propulsion
Standby		Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

Notes:

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.
2. LPEP will be included in the Large C&I Customer Group only if Amtrak requests 60 Hz electricity supply.
3. Rate Schedule LP-4 customers with less than 100 KW peak demand will be included in the Small C&I Customer Group and Rate Schedule GS-3 customers with 100 KW or greater peak demand will be included in the Large C&I Customer Group. The initial determination of peak demand will be based on the customer’s ICAP peak load contribution assigned for the June 1, 2021 date by PJM Interconnection, LLC (“PJM”) and will take effect starting December 1, 2021. All following determinations of peak demand and classification of customers will be reassessed annually on June 1 each year thereafter, throughout the period of June 1, 2022 through May 31, 2025.
4. Time-of-Use load will be included in the calculation of Default Service Load.

EXHIBIT 1 – TRANSACTION CONFIRMATION EXAMPLE

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Default Service Supplier Master Agreement (“Agreement”) dated [INSERT SMA Effective DATE] between PPL Electric Utilities Corporation (“Company”) and [INSERT DS SUPPLIER NAME] (“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 [INSERT DS Solicitation PaPUC approval date] (“Transaction Date”).

Transaction Type: [Fixed Price Transaction / Spot Market Transaction]

Product: Full Requirements Service

Customer Group: Residential

Service Type: Rate Schedules RS and RTS.

Delivery Point: PPL_RESID_AGG

Delivery Period: [MONTH] [DAY], [YEAR] through [MONTH] [DAY], [YEAR]

The DS Supplier’s DS Supplier Responsibility Share is [INSERT]. DS Supplier will supply [INSERT] Tranche(s) at a DS Fixed Price of \$ [INSERT] per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	% Size of a Tranche	PLC (MW)	MW-Measure
Rate Schedules RS and RTS	[INSERT]	[INSERT]	[INSERT]	[INSERT]

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

WITNESS:

**PPL ELECTRIC UTILITIES
CORPORATION**

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

WITNESS:

[DS SUPPLIER]

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

EXHIBIT 2 – FORM OF NOTICE

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

BUYER: PPL Electric Utilities Corporation

DS Supplier: [INSERT]

All Notices:

Street: **Two North Ninth Street**
City/State/Zip: **Allentown, PA 18101**
Attn: **James M. Rouland**
Facsimile: **N/A**
Duns: **00-790-9427**
Federal Tax ID Number: **23-0959590**
Email: **jmrouland@pplweb.com**

All Notices:

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

Invoices:

Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: **N/A**
Email: **jmrouland@pplweb.com**

Invoices:

Attn:
Phone:
Facsimile:
Email:

Scheduling:

Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: **N/A**
Email: **jmrouland@pplweb.com**

Scheduling:

Attn:
Phone:
Facsimile:
Email:

Payments:

Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: **N/A**
Email: **jmrouland@pplweb.com**

Payments:

Attn:
Phone:
Facsimile:
Email:

Wire Transfer
BNK: **Wells Fargo**
ABA: _____
ACCT: _____

Credit and Collections:
Attn: **Nathan Huber**
Phone: **610-774-7323**
Facsimile: N/A
Email: **NGHuber@pplweb.com**

**With Additional Notices of an
Event of Default to:**
Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: N/A
Email: **jmrouland@pplweb.com**

Wire Transfer
BNK:
ABA:
ACCT:

Credit and Collections:
Attn:
Phone:
Facsimile:
Email:

**With Additional Notices of an
Event of Default to:**
Attn:
Phone:
Facsimile:
Email:

EXHIBIT 3 – PJM DECLARATION OF AUTHORITY

This Declaration of Authority (“Declaration”) is made this ____ day of _____, 201_ by the following:

PARTY A: PPL Electric Utilities Corporation (“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
(Initial) 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:

Signature: _____

Name: _____

Title: _____

Company Name:
PPL Electric Utilities Corporation

PARTY B:

Signature: _____

Name: _____

Title: _____

Company Name: _____

**EXHIBIT 4 - PERFORMANCE ASSURANCE EVERGREEN
LETTER OF CREDIT**

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

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

ISSUE DATE _____

EXPIRY DATE: _____

APPLICANT

[NAME]

[ADDRESS]

BENEFICIARY

PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH STREET
ALLENTOWN, PA 18101
ATTN: JAMES ROULAND

CURRENCY AMOUNT

USD *****\$ _____

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

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

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

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

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

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

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

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

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

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED. IN THE EVENT OF ANY PARTIAL DRAWING WE WILL, PROMPTLY FOLLOWING PRESENTATION THEREOF, RETURN THE ORIGINAL LETTER OF CREDIT AND ALL AMENDMENTS TO YOU. ALL AMOUNTS PAID BY US TO BENEFICIARY IN

COMPLIANCE WITH THIS LETTER OF CREDIT SHALL CONSTITUTE A PRO TANTO REDUCTION IN THE STATED AMOUNT OF THIS LETTER OF CREDIT.

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

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

IN THE EVENT OF ANY NON-CONFORMING PRESENTATION, WE SHALL IMMEDIATELY NOTIFY BENEFICIARY IN WRITING BY FACSIMILE TO FAX NUMBER 610-774-2881 THAT THE PRESENTATION HAS BEEN REJECTED, WHICH NOTICE SHALL INDICATE THE REASONS FOR DISHONORING SUCH PRESENTATION AND SHALL PLACE AT THE DISPOSAL OF BENEFICIARY THE DOCUMENTS PRESENTED BY BENEFICIARY IN SUPPORT OF ITS DEMAND FOR PAYMENT. BENEFICIARY MAY THEREAFTER PRESENT DOCUMENTS AND RECEIVE PAYMENT HEREUNDER IN THE EVENT A CONFORMING PRESENTATION IS MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

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

THE TERM "BUSINESS DAY" AS USED HEREIN MEANS ANY DAY OTHER THAN

(I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

ADDITIONAL TERMS AND CONDITIONS:

PPL Electric Utilities Corporation
Default Service Supplier Master Agreement
[Month] [Day], 2021

1. ALL COMMISSIONS, FEES, COSTS, AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 (“ISP98”). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK], INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK]. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
3. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS, AND THEN ONLY TO THE EXTENT THAT, THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER EXPRESSLY WAIVING SUCH RIGHT OR RIGHTS. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF ANY BREACH OR NON-COMPLIANCE AFTER THE WAIVER.
4. A FAILURE TO MAKE ANY DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR ANY SUBSEQUENT DEMAND OR DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED
SIGNATURE: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT 5 – UNCONDITIONAL GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty”) is made and entered into as of this _____ day of _____, by _____ (the “Guarantor”), with an address at _____, in favor of PPL Electric Utilities Corporation (the “Buyer”), with an address at Two North Ninth Street, Allentown, PA 18101, in consideration of all Transactions for Default Service, Block Service and Alternative Energy Credits under Supplier Master Agreement(s) (“SMA(s)”) between PPL Electric Utilities Corporation and _____ (the “Seller”), including but not limited to all transactions under other agreements providing for default service or similar service, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings assigned thereto in the applicable SMA(s).

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

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

1. Guaranty of Obligations.

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

2. Nature of Guaranty; Waivers

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

any time Buyer or any other person or entity exhaust any right to take any action against Seller or Seller's assets or any other guarantor, person or entity, and Buyer shall not be bound or obligated to exhaust its recourse against Seller or any other person or entity or against any performance assurance or other collateral it may hold or take any other action before being entitled to receive payment from Guarantor. Any failure of Buyer to give notice shall not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all claims, defenses, and rights of set-off based on suretyship or impairment of collateral or any other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims, defenses, or rights of set-off of Seller in respect of its obligations under the SMA(s) that are expressly reserved under Section 2(c) above.

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

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

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to applicable

bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law);

- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor;
 - (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and
 - (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that could reasonably be expected to have a material adverse effect on this Guaranty or Guarantor's ability to perform all of its obligations hereunder.
4. Repayments or Recovery from the Buyer. If any demand is made at any time upon the Buyer for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Buyer repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor shall be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Buyer. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Buyer's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable. Furthermore, this Guaranty shall continue to be effective or be reinstated, as the case may be, without any release or discharge of any obligations if at any time any payment of any of the Obligations is rescinded, avoided, recovered or must otherwise be returned by Buyer upon the insolvency, bankruptcy, or reorganization of Seller, Guarantor or any other guarantor or any other person or entity or otherwise, all as though such payment had not been made.
5. Enforceability of Obligations. No modification, limitation or discharge of the obligations of Seller arising out of or by virtue of any bankruptcy, reorganization

or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.

6. Postponement of Subrogation. Guarantor shall not be subrogated to any of the rights (or if subrogated by operation of law, such Guarantor hereby waives such rights to the extent permitted by applicable law) of Buyer as the result of any payment or enforcement of any of the Obligations until all of the SMA(s) have terminated and all Obligations (other than contingent indemnities not then due) have been paid in full (such date, the "Obligations Full Payment Date"). If any amount shall be paid to Guarantor on account of subrogation at any time prior to the Obligations Full Payment Date, such amount shall be held by Guarantor in trust for Buyer, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to Buyer in the exact form received by Guarantor (duly endorsed by Guarantor to Buyer, if required) to be applied against the Obligations, whether due or to become due, in such order as Buyer may determine. On the Obligations Full Payment Date, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payments to Buyer hereunder that have not been rescinded, avoided or otherwise required to be returned.

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

All communications to Buyer shall be directed to:

Attn: James Rouland
Phone: 610-774-3042
Fax: 610-774-2881
E-mail: jmrouland@pplweb.com
Address: 2 North 9th Street, TW20, Allentown, PA 18101

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

All communications to Guarantor shall be directed to:

Attn: _____
Phone: _____
Fax: _____

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

8. Preservation of Rights. No delay or omission on the Buyer's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Buyer's action or inaction impair any such right or power. The Buyer's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Buyer may have under other agreements with the Guarantor or in respect of any performance assurance or at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire statement of the terms of this Guaranty and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Buyer with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon the successors and permitted assigns of Guarantor and inure to the benefit of the Buyer and its successors and assigns. Any assign must meet the requirements of a Guarantor under the SMA. Guarantor shall not assign this Guaranty in whole or in part without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that concurrently assumes in a writing provided to the Buyer all of Guarantor's obligations hereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than

the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BB-, as rated by Standard & Poor's Financial Services LLC, a part of McGraw-Hill Financial (or its successor) ("S&P") or Fitch Ratings, Inc. (or its successor) ("Fitch"), or Ba3, as rated by Moody's Investors Service, Inc. (or its successor) ("Moody's"), and (ii) the Seller is in compliance with all of its obligations under the SMA(s) before and immediately after giving effect to such assignment and assumption. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings (or, if unavailable, the most current corporate issuer rating) determined by S&P, Moody's or Fitch immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.

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

acknowledges and agrees that the venue provided above is the most convenient forum for both the Buyer and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

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

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

[Guarantor]

By: _____

Name: _____

Title: _____

EXHIBIT C

PPL Electric Utilities Corporation

**Default Service Block Supply
Request for Proposals (RFP) Process and Rules**

[Month] [Day], 2021

DEFAULT SERVICE BLOCK SUPPLY RFP PROCESS AND RULES

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ARTICLE 1 INTRODUCTION

1.1 Overview

- 1.1.1 Capitalized terms in this document, which are not defined explicitly herein, are defined in the PPL Electric Utilities Corporation Default Service Block Supplier Master Agreement (“DSB SMA”) incorporated hereto as Appendix 1.
- 1.1.2 PPL Electric Utilities Corporation (“Company” or “PPL Electric”) has proposed a competitive bidding process to obtain electric supply sufficient for the Company to meet its default service obligations, pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812, and Pennsylvania Public Utility Commission (“PUC” or “Commission”) Orders and Regulations. This Request for Proposals (“RFP”) is being issued to select electricity suppliers for block supply, which contributes to Residential default service supply beginning on June 1, 2021.
- 1.1.3 PPL Electric is issuing this RFP to procure electricity service under the terms described in the DSB SMA. Specifically, an electricity supplier selected through this RFP (i.e., Block Service Supplier) will supply PPL Electric with block electricity service in the form of Block Products. Being selected as a Block Service Supplier is subject to the approval by the Pennsylvania Public Utility Commission (“PUC” or “Commission”).
- 1.1.4 A “Block Product” is a fixed MW block of around-the-clock electricity service, for a given time period (“Delivery Period”), which includes all necessary energy, transmission (excluding Non-market-based Transmission Services as defined in the DSB SMA), transmission losses, congestion management costs, and such other services or products (but excluding capacity, ancillary services, and Alternative Energy Credits (“AECs”) to meet Pennsylvania’s Alternative Energy Portfolio Standards Act) that are required with that block supply. For purposes of this RFP, the quantity of Block Products to be procured will be expressed in tranches where each tranche is 25 MW of the Block Product.
- 1.1.5 Block Products must be provided under the terms of the DSB SMA, in which supply is provided at a single specified firm price (in \$/MWh) for delivery to the Delivery Point as defined in the DSB SMA. The single specified firm price will be the Block Service Supplier’s winning price for tranche(s) that the Block Service Supplier has been awarded. PPL Electric’s Residential Customer Group’s retail rates for default service supply will incorporate the prices of the Block Products.
- 1.1.6 PPL Electric seeks to procure Block Products under contracts for a 5-year term through two (2) solicitations held in April 2021 and October 2021. The Delivery Period for each Block Product begins at 12:00:00 a.m. Eastern Prevailing Time (“EPT”) of that product’s commencement date and ends at 11:59:59 p.m. EPT of that product’s expiration date. PPL Electric seeks to procure two (2) tranches of the Block Product corresponding to 50 MW of block supply for the period of June 1, 2021 through May 31, 2026 and an additional two (2) tranches of Block Product corresponding to 50 MW of block supply for the period of December 1, 2021 through November 30, 2026. The following table shows

available tranches, amounts (in MW), the commencement and expiration dates for the Five-Year Block Product for each solicitation.

5-Year Block Product				
Solicitation #	Available Tranches	Amount (MW)	Commencement Date and Time	Expiration Date and Time
1	2	50	12:00:00 a.m. EPT, June 1, 2021	11:59:59 p.m. EPT, May 31, 2026
2	2	50	12:00:00 a.m. EPT, December 1, 2021	11:59:59 p.m. EPT, November 30, 2026

- 1.1.7 Any prospective supplier, including any PPL Electric generation supply affiliate, that can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will supply Block Products, may respond to any solicitation in this RFP.
- 1.1.8 Any prospective respondent to this RFP must meet the Bidder Qualification requirements provided in Article 4, and submit a Bid Proposal as described in Articles 5 and 6. The Bidder Qualification requirements generally require the prospective RFP Bidder to provide certain evidence of being a recognized electricity supplier and, if applicable, to submit documents establishing the RFP Bidder’s credit. A Bid Proposal must include the RFP Bidder’s Bid(s), and must be accompanied by the executed DSB SMA and sufficient Bid Assurance Collateral. A Bid is a price, in U.S. Dollars per megawatt-hour (“MWh”) for the product’s Delivery Period, at which the RFP Bidder is willing to serve a number of tranches.
- 1.1.9 All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Section 2.2. In general, for each solicitation to be conducted under this RFP, there will be a pre-specified time period prior to the submission of Bid Proposals wherein RFP Bidders can: 1) express interest in offering supplies; 2) obtain data on supply obligations; 3) attend a Bidder Information Session; and 4) submit and receive answers to questions regarding the solicitation.
- 1.1.10 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals, subject to the restrictions of this Article 1. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. The number of tranches for which an RFP Bidder submits a Bid cannot exceed the Available Tranches in the solicitation. An RFP Bidder cannot be awarded tranches for supply exceeding the Aggregate Load Cap of 50MW across all solicitations. The Aggregate Load Cap ensures that, at any given point in time during the period June 1, 2021 through November 30, 2026, the Residential Customer Group has no more than a 50% exposure to any one Block Service Supplier selected pursuant to this RFP. Thus, an RFP Bidder can bid and

win at most two (2) tranches corresponding to a total of 50MW of block supply across the two (2) solicitations under this RFP. In any solicitation, when an RFP Bidder submits a Bid to supply a number of tranches, the RFP Bidder must submit a price at which that RFP Bidder is willing to serve each number of tranches up to and including that number of tranches. Instructions for preparation of a Bid Proposal are addressed in Articles 5 and 6.

- 1.1.11 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (1) business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have one (1) business day to consider the report of the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 1.1.12 If the PUC rejects all Bids in any solicitation, or if some tranches in a particular solicitation do not receive Bids, the Company will expeditiously seek guidance and approval from the PUC to address this shortfall. Subject to PUC approval, PPL Electric will rollover unfilled tranches from the first solicitation to second solicitation with the unfilled tranches adjusted to have the same Delivery Period as products in the second solicitation or issue a new RFP as soon as practicable if there is a shortfall in the second solicitation, and if needed, the Company will obtain Block Product through the spot market administered by PJM in the interim. In the event a Block Product defaults, PPL Electric will offer Block Product supply assignment as specified in Section 7.5.

1.2 Summary of RFP Documents

1.2.1 The following documents are appended to, and shall be considered an integral part of, this RFP:

Appendix 1:	PPL Electric Utilities Corporation DSB SMA
Appendix 2:	Expression of Interest Form
Appendix 3:	Confidentiality Agreement
Appendix 4:	PJM Qualification Certification Form
Appendix 5:	FERC Authorization Certification Form
Appendix 6:	Credit Application
Appendix 6b:	Confirmation of Previously Submitted Credit and Financial Information
Appendix 7:	Bid Assurance Letter of Credit
Appendix 8:	Bid Proposal Spreadsheet
Appendix 9:	Binding Bid Agreement

ARTICLE 2 INFORMATION AND SCHEDULE

2.1 Information Provided to Potential Bidders

2.1.1 PPL Electric and its RFP Manager have established a Web site that will be the main source of information for this RFP. Prospective RFP Bidders are requested to use this Web site for current data and information about all aspects of this RFP and to access all essential RFP-related documents. Certain data may be password-protected at PPL Electric's sole discretion, in which case passwords would be provided upon execution of the Confidentiality Agreement as described in Section 4.3.

2.2 RFP Schedule

2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric may publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. The Bid Proposal Due Dates will occur on or about the following dates:

- April 6, 2021
- October 12, 2021

2.2.2 Each solicitation will generally span a four-week to six-week time period. Solicitation activities are shown below. The expected completion date of each of the activities shown is expressed in the approximate number of weeks prior to the expected execution of default service contracts.

- Five weeks or more: RFP Addendum Issued, Bidder Interest Form and Confidentiality Agreement Available, RFP Data Room Opens;
- Three and one-half weeks: Bidder Information Session;
- Two and one-half weeks: Bidder Qualifications Due;
- Two weeks: Cure Deficiency Deadline;
- One and one-half weeks: Qualified Bidders Notified;
- Final week: Bid Proposals Due, PUC Decision Issued, Transaction Confirmations Issued.

2.2.3 The RFP Schedule for each solicitation will be provided in the RFP Addendum issued for that solicitation.

ARTICLE 3

GENERAL REQUIREMENTS FOR PROPOSALS

3.1 RFP General Requirements

- 3.1.1 A Proposal consists of Bidder Qualifications (a response to the Bidder Qualification requirements in Article 4 of this RFP) and one Bid Proposal for a given solicitation with its accompanying documents (as described in Article 5). A respondent to this RFP is an RFP Bidder. An RFP Bidder that fulfills the Bidder Qualification requirements can submit a maximum of one Bid Proposal on each Bid Proposal Due Date in response to this RFP.
- 3.1.2 Bidder Qualifications and Bid Proposals must: (i) adhere to this RFP's terms and conditions; and (ii) fulfill all requirements in Articles 3 through 6 of this RFP.
- 3.1.3 Bidder Qualifications and Bid Proposals that do not adhere to the terms and conditions of this RFP and/or do not fulfill all requirements set forth in Articles 3 through 6 of this RFP will not be considered.
- 3.1.4 It is the intention, but not the obligation, of the Company to enter into a DSB SMA with two or more winning RFP Bidders.
- 3.1.5 PPL Electric is not responsible or liable for any costs incurred by the RFP Bidder in responding to this RFP, including any presentations, demonstrations, or travel, meals or other out-of-pocket expenses. In addition, PPL Electric is not responsible or liable to any broker, consultant, or other person or entity acting on your behalf for any brokerage or other fee or payment related directly or indirectly to the RFP proposal submission or to the selection of a RFP Bidder for Default Service Supply, whether or not a contract is awarded and executed.

- 3.1.6 The RFP Bidder, at its own cost and expense, shall defend PPL Electric, its parent company, and its subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders, executors, administrators, successors and assigns, against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions, proceedings, or allegations of any kind which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any covenant by the RFP Bidder set forth herein. The RFP Bidder shall indemnify and hold harmless PPL Electric, its parent company, subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders and agents, as well as the heirs, executors, administrators, successors and assigns against any and all liens, judgments, liabilities, losses, injuries, damages, fees (including consulting, expert and attorney fees), fines, costs or expenses which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any warranty by the RFP Bidder as set forth herein.
- 3.1.7 The submission of any portion of a Proposal to the Company constitutes the RFP Bidder's acknowledgement and acceptance of all the terms and conditions of this RFP, regardless of the outcome of this RFP or the ultimate fate of such Proposal.
- 3.1.8 An Officer of the RFP Bidder is an individual empowered to undertake contracts and bind the RFP Bidder. The forms and/or agreements attached as Appendices 3, 4, 5 and 9, as well as Appendix 1 if an award is made to the RFP Bidder, shall be executed by individuals who are Officers of the RFP Bidder. Unless otherwise noted, all other representations with respect to this RFP must be made by an Officer of the RFP Bidder.
- 3.1.9 Each RFP Bidder must comply with all the Bidder Qualification requirements described in Article 4.
- 3.1.10 All information provided, and certifications made in the Bidder Qualifications must remain valid and remain in full force until five (5) business days after the applicable Bid Proposal Due Date. Regardless of the reason, if any information provided in the Bidder Qualifications for a given solicitation changes or any certification fails to remain valid, it is the sole responsibility of the RFP Bidder to notify the Bidder Qualification Evaluation Team of such change at least three (3) business days before the submission of any Bid Proposal on a Bid Proposal Due Date. Failing to do so may result in disqualification of the RFP Bidder and the Bid Proposal for that solicitation. The Bidder Qualification Evaluation Team reserves the right to vary the assessment of Bidder Qualifications based on the revised information provided by the RFP Bidder.

ARTICLE 4

BIDDER QUALIFICATION

4.1 Overview of Bidder Qualification Process

- 4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; 3) certifies that it meets the PJM membership and Federal Energy Regulatory Commission ("FERC") authorization requirements stated in Section 4.4 (Applicant's PJM Qualification and FERC Authorization Certifications); 4) submits the Credit Application and, if applicable, associated financial information requested in Section 4.5 (Credit Application and Financial Information); and, 5) submits an executed copy of the Binding Bid Agreement provided as Appendix 9. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral in an amount directly proportional to the amount of load bid upon. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution or the rejection of its bid(s), as described in Section 5.3 (Bid Assurance Collateral).
- 4.1.2 Bidder Qualifications will be available to be completed online by RFP Bidders through a Proposal Submission Web site as further explained in Section 6.1.2 and the electronic signature of a party to a form or document required as part of Bidder Qualifications shall be as valid as an original signature of such party and shall be effective to bind such party as further explained in Section 6.2.4.
- 4.1.3 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will endeavor, on a best efforts basis, to notify applicants of any deficiencies in their submittals in accordance with Section 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Section 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Section 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.
- 4.1.4 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by: a) verifying that the previously submitted credit and financial information is up-to-date and accurate by submitting Appendix 6b; and b) providing the executed Binding Bid Agreement for that solicitation. These documents must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance

Collateral for that solicitation and to fulfill all requirements of the Bid Proposal as specified in Article 5. It is the sole responsibility of the RFP Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

4.2 Expression of Interest

- 4.2.1 Applicants will be required to express their non-binding interest to bid by completing and submitting the Expression of Interest Form (Appendix 2). An electronic copy of the Expression of Interest Form can be found on PPL Electric's Proposal Submission Web site. The applicant will not be eligible to submit a Bid Proposal until the completed Expression of Interest Form has been provided to PPL Electric. Applicants are required to complete and submit this form as directed in Section 6.1.2 no later than the Bidder Qualifications Due Date.
- 4.2.2 The Bidder Qualification Evaluation Team will not provide a deficiency notice to an applicant that submits an Expression of Interest Form but that submits none of the other documents required as part of the Bidder Qualification requirements.

4.3 Confidentiality Agreement

- 4.3.1 An applicant and PPL Electric will be required to execute the Confidentiality Agreement (Appendix 3). The applicant will not be eligible to submit a Bid Proposal until such agreement has been executed. An electronic copy of the Confidentiality Agreement can be found on PPL Electric's Proposal Submission Web site. This agreement must be signed by an Officer as defined in Section 3.1.7. The applicant must provide as part of its Bidder Qualifications the executed agreement as directed in Section 6.1.2. Applicants are required to submit this agreement no later than the Bidder Qualifications Due Date.
- 4.3.2 If PPL Electric is providing data or information on a confidential basis, upon submission of the executed Confidentiality Agreement, an applicant will be issued a password to access such data and information from the RFP Web site. Once the Confidentiality Agreement is received from the applicant, PPL Electric will complete the execution of the agreement and send a copy of the fully executed agreement to the applicant by e-mail.

4.4 Applicant's PJM Qualification and FERC Authorization Certifications

- 4.4.1 An applicant must certify that it is a member of PJM and qualified as a market buyer and market seller in good standing able to secure generation or otherwise obtain and deliver electricity in PJM through compliance with all applicable requirements of PJM to fulfill Block Service obligation. In addition, an applicant must certify that it has been authorized by the FERC to make sales of energy, capacity and ancillary services at market-based rates. The PJM Qualification Certification Form (Appendix 4) and the FERC Authorization Certification Form (Appendix 5) can be found on PPL Electric's Proposal Submission Web site. Such certifications must be signed by an Officer as defined in Section 3.1.7. Applicants are required to submit such certifications no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder

Qualifications such certifications as directed in Section 6.1.2. The applicant will not be eligible to submit bids until such certifications have been provided to PPL Electric.

4.5 Credit Application and Financial Information

- 4.5.1 Applicants are required to submit the Credit Application (Appendix 6) and associated financial information to PPL Electric. An electronic copy of the Credit Application can be found on PPL Electric’s Proposal Submission Web site. Applicants are required to submit the Credit Application no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications the completed Credit Application and one (1) copy of any supporting documents to this Credit Application including the associated financial information as directed in Section 6.1.2. Supporting documents to the Credit Application include for the entity on whose creditworthiness the RFP Bidder is relying: (i) documentation from the credit rating agencies showing the name of the rating agency, the type of rating, and the rating indicated in the Credit Application and (ii) the Securities and Exchange Commission (“SEC”) Form 10-Q or 10-K (whichever is more recent). If the SEC 10-Q or 10-K is unavailable, the supporting documents must include the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement); and the most recent quarterly, monthly or bi- annual financial information, if available.
- 4.5.2 All submitted information must be in the English language. Financial data must be denominated in U.S. Dollars and conform to Generally Accepted Accounting Principles (“GAAP”) in the United States. If the applicant's financial information is consolidated with other entities, then it is the applicant's responsibility to extract and submit as separate documents all data and information related solely to the applicant. This must include all financial information, associated notes, and all other information that would comprise a full financial report conforming to GAAP.
- 4.5.3 PPL Electric may, at its sole discretion, consider financial information of foreign Guarantors that are not denominated in U.S. Dollars or do not conform to GAAP in the United States. Such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. Any Guarantor will be required to execute the Unconditional Guaranty as it appears in the DSB SMA (Exhibit 6) and as such the Guarantor must be able to make all representations and warranties therein.
- 4.5.4 The following additional requirements apply only for RFP Bidders relying on the financial standing of a foreign Guarantor:
- An RFP Bidder relying on the financial standing of a foreign Guarantor may provide, in addition to supplying all required information and documents under Section 4.5.1, any additional evidence of creditworthiness for the Guarantor so as to provide PPL Electric with comparable assurances of creditworthiness as is applicable for an entity that has been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia.
 - Under the terms of the DSB SMA, the following additional documents are required for the foreign Guarantor to be granted unsecured credit and for the RFP Bidder to

rely on the financial standing of the Guarantor: (i) a legal opinion of outside counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the guaranty pursuant to the DSB SMA is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed; and (ii) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the guaranty pursuant to the DSB SMA on behalf of the Guarantor has the authority to execute the guaranty pursuant to the DSB SMA and that the governing board of such guarantor has approved the execution of the guaranty pursuant to the DSB SMA; and (iii) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the guaranty pursuant to the DSB SMA.

- The RFP Bidder may, but is not required to, submit with its Bidder Qualifications a draft of these additional documents for review. If an RFP Bidder submits a draft of the documents for evaluation, the RFP Manager will provide this evaluation to the RFP Bidder on the Qualified Bidders Notified Date.

4.5.5 An RFP Bidder that is not seeking to be granted unsecured credit under the DSB SMA is not required to provide any of the supporting documents to the Credit Application and must clearly state this intent in the Credit Application.

4.6 Binding Bid Agreement

4.6.1 An applicant must certify that as an RFP Bidder it agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet submitted by the RFP Bidder, which shall constitute a firm offer to supply service in accordance with the DSB SMA. The signatory to the Binding Bid Agreement must be an Officer, as defined in Section 3.1.7, binding the RFP Bidder to perform the terms and conditions of the DSB SMA at the prices and for the load amounts specified in its Bid Proposal. In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Section 5.7 of this RFP. An electronic copy of the Binding Bid Agreement can be found on PPL Electric's Proposal Submission Web site. For each solicitation, applicants are required to submit such certification, in the form of Appendix 9, no later than the Bidder Qualifications Due Date for that solicitation. The applicant must send such certification as directed in Section 6.1.2.

4.7 Cure Time for Deficiencies in Qualification Requirements

4.7.1 In the event that an RFP Bidder has not met all of the Bidder Qualification requirements under Article 4 (Bidder Qualification), PPL Electric will endeavor, on a best efforts basis, to notify the RFP Bidder no later than forty-eight hours before the Cure Deficiency Deadline. It is understood and agreed that PPL Electric has no liability for any failure to notify an RFP Bidder of a deficiency. If the RFP Bidder fails to remedy any deficiencies by the Cure Deficiency Deadline for a solicitation so as to not be qualified to submit a Bid Proposal in that solicitation, such applicant will be allowed to cure any such

deficiency and participate in subsequent solicitations, if the deficiency is cured no later than the Cure Deficiency Deadline for the next solicitation.

4.8 Bid Assurance Collateral and Alternative Letter of Credit Form

- 4.8.1 No later than two (2) business days before the Bid Proposal Due Date, each RFP Bidder must provide liquid Bid Assurance Collateral in an amount of \$500,000 per tranche bid. The purpose of this collateral is to assure commitment of the RFP Bidder to execute the Transaction Confirmations for the tranches awarded to the RFP Bidder. The form of collateral must be either cash or an irrevocable Letter of Credit (“LOC”). An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric’s RFP Web site or the Proposal Submission Web site. If the RFP Bidder is participating in more than one RFP issued by the Company, the RFP Bidder must provide separate Bid Assurance LOC for each RFP. If the RFP Bidder is providing Bid Assurance Collateral in the form of cash, and if the RFP Bidder is also participating in other RFP(s) issued by the Company, the RFP Bidder must advise the Bid Proposal Evaluation Team as to the amount allocated as Bid Assurance Collateral for purposes of each RFP.
- 4.8.2 As part of the Bidder Qualifications, an applicant may propose modifications to the Bid Assurance LOC that are non-substantive or clarifying in nature. The applicant proposing modifications to the Bid Assurance LOC must provide an electronic copy in MS Word with all proposed modifications clearly marked and submit such document as directed in Section 6.1.2. The acceptability of such proposed modifications will be at PPL Electric’s sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Bid Assurance LOC will be posted to PPL Electric’s RFP Web site or the Proposal Submission Web site no later than seven (7) business days before the Bid Proposal Due Date.

4.9 Alternative Forms of Performance Assurance

- 4.9.1 Subsequent to the return of an applicant’s Bid Assurance Collateral, another instrument of performance assurance to secure PPL Electric’s exposure during the Delivery Period of a Transaction Confirmation to the DSB SMA may be required, as set forth in the DSB SMA. Any performance assurance required of the applicant determined in accordance with the DSB SMA may be in the form of cash or LOC. An acceptable Performance Assurance LOC form is provided as Exhibit 5 in the DSB SMA. An acceptable Unconditional Guaranty form is provided as Exhibit 6 in the DSB SMA. As part of its Bidder Qualifications, an applicant may propose modifications to the Performance Assurance LOC or the Unconditional Guaranty form that are non-substantive or clarifying in nature. The applicant proposing modifications to the Performance Assurance LOC or the Unconditional Guaranty must provide an electronic copy in MS Word with all proposed modifications clearly marked and submit such document as directed in Section 6.1.2. The acceptability of such proposed modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be determined at PPL Electric’s sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of

all acceptable modifications to the Performance Assurance LOC or the Unconditional Guaranty form will be posted to PPL Electric's RFP Web site or the Proposal Submission Web site.

ARTICLE 5 BID PROPOSAL REQUIREMENTS

5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their Bid Proposal using only the Bid Proposal Spreadsheet attached to this RFP as Appendix 8; an electronic copy is available on PPL Electric's RFP Web site or the Proposal Submission Web site. There is a separate Bid Proposal Spreadsheet for each solicitation, as indicated in the title area of each Bid Proposal Spreadsheet. The Bid Proposal Spreadsheet contains sections of information labeled Bidder Information, Tranche Information, and Bid Information. The Bid Proposal Spreadsheet contains shaded cells in which RFP Bidders provide information and their Bids. **In order to prevent any misunderstanding of an RFP Bidder's Bid Proposal, all shaded cells within a Bid Proposal Spreadsheet must be completed by the RFP Bidder. A Bid Proposal Spreadsheet submitted by an RFP Bidder that contains blank shaded cells will be deemed a non-conforming Bid Proposal, and will be eliminated from further consideration. Therefore, if it is the intent of an RFP Bidder to offer to supply a particular total number of tranches, the RFP Bidder must enter a price quote in the price cells associated with each of the total number of tranches up to and including that particular total number of tranches and must enter an "X" in price cells associated with each of the total number of tranches beyond that particular total number of tranches.** The non-shaded cells are read-only cells containing either fixed or computed amounts.
- 5.1.2 No Bid Proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposal in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name and Phone Number, and must be provided by the RFP Bidder.
- 5.1.4 Tranche Information – The contents of these cells are provided by PPL Electric and include the Aggregate Load Cap and Available Tranches. The number of tranches that each RFP Bidder can bid and win cannot exceed the Aggregate Load Cap.
- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder can offer to supply.
- 5.1.6 Bid Assurance Collateral Amount – The contents of these cells are computed as the product of the Total Tranches Supplied and \$500,000.
- 5.1.7 Price (U.S. \$/MWh) – These cells are **RFP Bidder input cells** for the RFP Bidder's price quote corresponding to each Total Tranches Supplied. The price quotes shall be in terms of U.S. \$/MWh for the time period of the product's delivery. As set forth in the DSB SMA, the MWh of energy shall be equivalent to 25 MW of energy delivered to the Delivery Point as defined in the DSB SMA for one hour. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to supply a particular Total

Tranches Supplied must: 1) provide a price quote in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied up to and including that particular Total Tranches Supplied; and 2) mark an “X” in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied beyond that particular Total Tranches Supplied. For example, if an RFP Bidder wishes to offer to supply two Total Tranches Supplied, then the RFP Bidder must provide a price quote for one Total Tranche Supplied as well; and if an RFP Bidder wishes to offer to supply one Total Tranche Supplied, then the RFP Bidder must provide a price quote for one Total Tranche Supplied and mark an “X” for two Total Tranches Supplied.

- 5.1.8 Complete/Incomplete Flag – The content of this cell is computed and indicates whether or not the Bid Proposal Spreadsheet has been fully completed in accordance with Section 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Section 5.5 (Conforming Bid Proposals).
- 5.1.9 On any Bid Proposal Due Date, the number of tranches for which an RFP Bidder submits a Bid Proposal must be a whole number and cannot exceed the number of Available Tranches in that solicitation. In addition, the number of tranches that an RFP Bidder bids and wins cannot exceed the Aggregate Load Cap.

5.2 Submittal of Bid Proposals

- 5.2.1 Each RFP Bidder shall only submit its Bid Proposal using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT on the Bid Proposal Due Date for each solicitation as indicated in Section 2.2 (RFP Schedule).

5.3 Bid Assurance Collateral

- 5.3.1 Each RFP Bidder must provide liquid Bid Assurance Collateral to support its Bid Proposal. The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 7; an electronic copy can be found on PPL Electric’s RFP Web site or Proposal Submission Web site. PPL Electric will consider modifications to the Bid Assurance LOC in accordance with the process provided in Article 4.
- 5.3.2 The RFP Bidder must provide, no later than two (2) business days before the Bid Proposal Due Date, Bid Assurance Collateral in an amount equal to the sum of \$500,000 times the total number of tranches bid in all its Bid Proposal. PPL Electric will hold the Bid Assurance Collateral until either the RFP Bidder is notified by PPL Electric that it has not been awarded tranches for a solicitation or until the RFP Bidder executes the Transaction Confirmation forms upon being awarded tranches. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one (1) business day, and Bid Assurance Collateral in the form of an LOC will be returned within two (2) business days. The RFP Bidder may request that the Bid Assurance Collateral reside with PPL Electric through the entire multi-solicitation period. An RFP Bidder that is awarded tranche(s) and does not timely execute the Transaction

Confirmation forms associated with such tranches shall forfeit its Bid Assurance Collateral.

- 5.3.3 Wire transfer instructions for RFP Bidders who intend to provide Bid Assurance Collateral in the form of cash is available upon request from the RFP Manager.

5.4 Submittal of DSB SMA

- 5.4.1 No later than two (2) business days before the Bid Proposal Due Date, the RFP Bidder must submit an executed DSB SMA, as instructed in Section 6.1.5, including the completed signature page of the DSB SMA and Exhibit 3 of the DSB SMA filled in with the appropriate contact information for the RFP Bidder. Other exhibits of the DSB SMA either are samples or are documents that do not need to be completed until execution of the Transaction Confirmation form.
- 5.4.2 RFP Bidders must execute and submit the current form of DSB SMA set forth in Appendix 1. SMAs executed as part of a prior Default Service Program (i.e. the Competitive Bridge Plan, Default Service Program I, Default Service Program II, Default Service Program III and Default Service Program IV) are not applicable to this Default Service Program and will not be accepted.

5.5 Conforming Bid Proposals

- 5.5.1 In order for a Bid Proposal to be conforming, the Bid Proposal must be: (i) submitted using the Bid Proposal Spreadsheet, completed in full and without modification; (ii) submitted by 12:00:00 pm EPT on the Bid Proposal Due Date; (iii) submitted by a qualified RFP Bidder as defined in Section 6.1.1; (iv) submitted by an RFP Bidder that has also submitted sufficient Bid Assurance Collateral; (v) submitted by an RFP Bidder that has also submitted the executed DSB SMA as instructed in Section 5.4.1.

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

5.6 Expiration of Bid Proposals

- 5.6.1 An RFP Bidder's Bid Proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its Bid Proposal has been rejected or at midnight EPT three (3) business days after the scheduled day of awarding bids within each solicitation.

5.7 Additional Requirements

- 5.7.1 The RFP Bidder certifies, by its submission of a Binding Bid Agreement in its Bidder Qualifications, that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP.
- 5.7.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance LOC, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the RFP Bidder is submitting a Proposal in response to this RFP; the RFP Bidder's Bids; the RFP Bidder's number of tranches bid; the RFP Bidder's estimation of the value of a tranche; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for power with a party to provide the supply associated with a Block Product were the RFP Bidder to become a Block Service Supplier.

ARTICLE 6
INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS
AND BID PROPOSALS

6.1 General

- 6.1.1 An RFP Bidder must submit its Bidder Qualifications and Bid Proposal separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Bidder Qualification requirements) as required in Article 4 of this RFP. RFP Bidders that are notified that they are qualified RFP Bidders for a solicitation may submit a Bid Proposal, along with all other required documents as described in Section 5.5, by the Bid Proposal Due Date as indicated in Section 2.2 (RFP Schedule).
- 6.1.2 Bidder Qualifications will be available to be completed online by RFP Bidders through a Proposal Submission Web site. Additional instructions will be provided to RFP Bidders in an addendum to these RFP Rules. The addendum contains instructions to be followed when the Proposal Submission Web site is available. Bidder Qualifications that do not adhere to the terms and conditions of this RFP or that are not submitted in accordance with the instructions provided in such addendum to these RFP Rules will not be considered.
- 6.1.3 Bidder Qualifications must be submitted by the Bidder Qualifications Due Date for the appropriate solicitation as indicated in the RFP Schedule developed pursuant to Section 2.2. Bidder Qualifications received after the due date will be considered for the next solicitation if there are remaining solicitations; otherwise the Bidder Qualifications will be rejected, and the RFP Bidder will have failed to qualify for submitting a Bid Proposal. Each RFP Bidder assumes full responsibility for timely submission of its Bidder Qualification materials.
- 6.1.4 Bid Assurance Collateral for a solicitation, if submitted in the form of a LOC, must be sent by certified mail, registered mail, hand delivery, or courier service to the following address:

PPL Electric Utilities Corporation RFPs
1835 Market Street, Suite 1205
Philadelphia, PA 19103
Attn: PPL Electric Default Service Block Supply RFP Manager.

All Bid Assurance Collateral, in the form of LOC or cash, must be received no later than two (2) business days prior to the Bid Proposal Due Date for that solicitation. Bid Assurance Collateral received after the second business day prior to the Bid Proposal Due Date will result in the rejection of the corresponding Bid Proposal. Each RFP Bidder assumes full responsibility for timely delivery to the address specified in this Section 6.1.4.

- 6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal, the RFP Bidder must have signed the DSB SMA as instructed in Section 5.4.1 and

submitted these by noon EPT on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any tranches in any solicitation in this RFP, the signed DSB SMA that was initially submitted will be executed by PPL Electric and provided to the RFP Bidder together with the partially executed Transaction Confirmation forms via e-mail. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein an RFP Bidder that has previously executed the DSB SMA in a satisfactory manner is awarded additional tranches. If the RFP Bidder was not awarded tranches in the solicitation for which a DSB SMA was provided, PPL Electric will retain the DSB SMA for any future solicitation in which the RFP Bidder may again submit a Bid Proposal, in which case it is the responsibility of the RFP Bidder to submit any updated pages of the DSB SMA no later than two (2) business days prior to the Bid Proposal Due Date of the solicitation in which the RFP Bidder is participating.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the DSB SMA with the Company should the party be a winning RFP Bidder and should the PUC approve the RFP results. Each RFP Bidder shall submit its Bid Proposal using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT, on the Bid Proposal Due Date.

6.2 Submission of Materials

- 6.2.1 In response to this RFP, each RFP Bidder must provide to the RFP Manager its Bidder Qualifications by the Bidder Qualifications Due Date (and any supporting documents to the Credit Application including the associated financial information).
- 6.2.2 The qualified RFP Bidder must provide Bid Assurance Collateral supporting its Bid Proposal. The RFP Bidder must provide the executed DSB SMA no later than two (2) business days prior to the Bid Proposal Due Date.
- 6.2.3 Only Bid Proposals using the Bid Proposal Spreadsheet submitted by secure electronic file transfer to the PPL secure server or through an alternate method if so directed by the RFP Manager will receive consideration.
- 6.2.4 Under this RFP, the electronic signature of a party to a form or document required as part of Bidder Qualifications and/or the DSB SMA shall be as valid as an original signature of such party and shall be effective to bind such party. Any electronically signed document shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. PPL Electric will not contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule and the RFP Bidder hereby agrees not to contest the admissibility of such documents as a condition of qualification.

For purposes hereof, “electronic signature” means either a manually signed original signature or an electronic symbol or process attached to or logically associated with a record and executed or adopted by a party with the intent to sign the record that is then transmitted by electronic means; “transmitted by electronic means” means documents delivered via an electronic format, including through the internet as a “pdf” (portable document format) or equivalent format. The use of electronic signature shall be approved by PPL Electric prior to use by the DS Supplier. The requirement for Attestation and Witness is waived upon approval of electronic signature by PPL Electric.

ARTICLE 7

EVALUATION OF PROPOSALS

7.1 Bidder Qualifications Processing

- 7.1.1 As determined by the RFP Manager, the Bidder Qualification Evaluation Team will consist of representatives of the RFP Manager, a credit representative from PPL Electric, and representatives on behalf of PPL Electric (including PPL Electric's Default Service Block Supply RFP Manager).
- 7.1.2 All submissions containing Bidder Qualifications will be reviewed by the Bidder Qualification Evaluation Team. If requested, representatives from the PUC may be provided with such Bidder Qualifications. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline.
- 7.1.3 Bidder Qualifications of an RFP Bidder that do not comply with the submission instructions will not be considered.
- 7.1.4 Bidder Qualifications must include all documents and information required to satisfy the Bidder Qualification requirements as set out in Article 4.
- 7.1.5 The Bidder Qualification Evaluation Team will review Bidder Qualifications until the Cure Deficiency Deadline. The Bidder Qualification Evaluation Team will assess the Bidder Qualifications for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Section 7.2.

7.2 Bidder Qualifications Evaluation

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualifications to be complete and compliant if: (i) all information specified in Section 4.1.1 has been fully and satisfactorily provided; and (ii) all certifications and documents have been signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt but no earlier than five (5) business days prior to the Bidder Qualifications Due Date. If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualifications is deficient because the response is incomplete or is not compliant with the terms of this RFP, the Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to issue a deficiency notice requesting that the RFP Bidder cure the deficiency with respect to that particular aspect of its Bidder Qualifications. The Bidder Qualification Evaluation Team will endeavor, on a best efforts basis, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, and to provide a decision on the acceptability of proposed modifications to the Bid Assurance LOC or other instruments for Performance Assurance, no later than forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure

Deficiency Deadline. The RFP Manager communicates with the RFP Bidder by email. If an RFP Bidder receives a first deficiency notice from the RFP Manager, regarding any item of the Bidder Qualifications, the RFP Bidder has until 12:00:00 p.m. (noon) EPT, on the Bidder Qualifications Due Date, or until 6:00:00 p.m. EPT, on the second business day following the business day during which a first deficiency notice is sent to the Bidder, whichever comes later, to respond. If the Bidder does not correct or adequately explain the deficiency within the time allowed, the Bidder Qualifications may be rejected. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted. If a response to a deficiency is provided by an RFP Bidder within the time allowed and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency for that solicitation. In no event, notwithstanding the foregoing provisions, will a Bidder be allowed to respond after 12:00:00 p.m. EPT, on the Cure Deficiency Deadline.

- 7.2.3 If a deficiency notice is sent and the RFP Bidder does not respond within the time allowed and established by the Bidder Qualification Evaluation Team, or does not address the deficiency in a manner that is deemed satisfactory at the Bidder Qualification Evaluation Team's sole discretion, the RFP Bidder will not be qualified for that solicitation.
- 7.2.4 When the evaluation of the responses to the Bidder Qualifications is completed for all RFP Bidders, RFP Bidders will be either qualified or disqualified. RFP Bidders whose responses to the Bidder Qualifications, as may be supplemented or amended in response to a deficiency notice by the Bidder Qualification Evaluation Team, are found to be complete and compliant will be deemed qualified for that solicitation; all other RFP Bidders will be disqualified for that solicitation.
- 7.2.5 Bidders will be notified on the Qualified Bidders Notified Date in the RFP Schedule if they qualify to submit Bid Proposal on the Bid Proposal Due Date. Only those RFP Bidders whose response to the Bidder Qualification requirements is complete and compliant with the terms of this RFP will be invited to submit Bid Proposal. An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company in its sole and exclusive discretion at any point in the process.

7.3 Bid Proposal Processing

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a response to the Bidder Qualification requirements.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives designated to act on behalf of the Company.
- 7.3.3 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be evaluated at the same time. A representative of the PUC may be present to attend the opening and evaluation of the Bid Proposals. Information regarding the content or status of any Bid Proposal will not be publicly released during the evaluation process.
- 7.3.4 The Bid Proposal Evaluation Team will assess the Bid Proposal(s) and all accompanying documents for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Section 7.4.
- 7.3.5 The Bid Proposal Evaluation Team may issue a deficiency notice with respect to any aspect of the Bid Proposal and accompanying documents as described in Section 5.5.1, if practicable to do so before the 12:00:00 pm EPT deadline on the Bid Proposal Due Date. The Bid Proposal Evaluation Team is under no obligation to issue such a deficiency notice. Should the Bid Proposal Evaluation Team issue such a deficiency notice, the RFP Bidder will have until the 12:00:00 pm EPT deadline on the Bid Proposal Due Date to cure any such deficiency. All non-conforming Bid Proposals will be removed from consideration. If an RFP Bidder submits a Bid Proposal Spreadsheet more than once between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT, the last Bid Proposal Spreadsheet that is submitted in accordance with all requirements of this RFP, including the requirements set forth in Section 5.1, automatically supersedes all previously submitted Bid Proposal Spreadsheet.

7.4 Bid Proposal Evaluation

- 7.4.1 Bid Proposals received from RFP Bidders may be eliminated from further consideration at any point, at the Bid Proposal Evaluation Team's sole and exclusive discretion, for any of the following reasons including (but not limited to): (i) failure to provide clarification of, or additional information relating to, a Bid Proposal as requested by the Bid Proposal Evaluation Team subsequent to the submission of a Bid Proposal; (ii) illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of the Bids; and (iii) failure to honor representations made in a Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all information required with the Bid Proposal, as specified in Article 5, has been submitted. If the required information has not been submitted by the Bid Proposal Due Date, the Bid Proposal will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Section 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous information; or (iii) it is not supported by a Bid Assurance LOC acceptable to the Company; or (iv) the RFP Bidder has not submitted a signed DSB SMA; or (v) the RFP

Bidder has violated or has not complied with one or more material term or condition set forth in this RFP.

- 7.4.4 The Bid Proposal Evaluation Team will ensure that sufficient financial guarantees are provided to support the Bids. Financial guarantees will be sufficient if the amount of Bid Assurance Collateral is sufficient given the sum of the maximum number of tranches offered for the product by the RFP Bidder as specified in Section 4.8.
- 7.4.5 If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the sum of the maximum number of tranches offered for the product by the RFP Bidder, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheet. The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that its amount of Bid Assurance Collateral is sufficient to support and that would not cause the Aggregate Load Cap to be violated. The Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied that is not supported by the amount of Bid Assurance Collateral or that would cause the Aggregate Load Cap to be violated. By submitting a Bid Proposal in response to this RFP, each RFP Bidder is authorizing the Bid Proposal Evaluation Team to modify the RFP Bidder's Bid Proposal documents as specified in and as required by this Article 7.
- 7.4.6 The remaining Bid Proposals will be evaluated on a price-only basis as follows. The Bid Proposal Evaluation Team will consider all combinations of Bid(s) (across RFP Bidders) whose sum of Total Tranches Supplied is equal to the Available Tranches for that product in that solicitation. In the event that the greatest sum of Total Tranches Supplied for any combination for that product is less than the Available Tranches in Solicitation for that product, the Bid Proposal Evaluation Team will consider all combinations of Bids for that product whose sum of Total Tranches Supplied equal the most obtainable given those Bids. For each combination, the Bid Proposal Evaluation Team will calculate the Combination Average Price ("CAP") equal to the average Price (U.S. \$/MWh) of the Bids in the combination weighted by their corresponding Total Tranches Supplied. The winning Bid(s) will be the Bid(s) contained in the combination with the lowest CAP. An RFP Bidder that is awarded tranches shall receive the Price (U.S. \$/MWh) corresponding to the winning Bid as stated in its Bid Proposal Spreadsheet under the Bid Information section.
- 7.4.7 In the event that two or more combinations have the lowest CAP, the winning Bid(s) will be the Bid(s) contained in the combination that is drawn randomly from the set of combinations with the lowest CAP.
- 7.4.8 After sufficient financial guarantees are determined, all combinations of Bid(s) are ranked from lowest to highest for the product, and the tied combinations, if any, are resolved, the Bid Proposal Evaluation Team will communicate with each RFP Bidder that has submitted at least one of the Bid(s) in the winning combination and present the winning Bid(s) to the Commission. For each such RFP Bidder, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination being presented to the PUC; and (ii) identify the Bid submitted by such RFP Bidder that will be presented to the PUC.

The Bid Proposal Evaluation Team will also communicate to the Company the CAP of the winning combination and the number of Bids presented to the PUC.

- 7.4.9 An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company at its sole and exclusive discretion.

7.5 Commission Approval and Review

- 7.5.1 The Bid Proposal Evaluation Team will prepare a report that presents the results of a solicitation to the PUC for approval. The Bid Proposal Evaluation Team's report will summarize the Bidder Qualification process and the Bid Proposals that were considered on the Bid Proposal Due Date. The PUC will have one (1) business day to decide whether to approve the results. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 7.5.2 The winning RFP Bidders will receive a Transaction Confirmation from PPL Electric on the date of the PUC's approval, or in the event the PUC does not act no later than the next business day following the date when the PUC was expected to act. Specifically, PPL Electric will forward by e-mail or other acceptable means, to each winning RFP Bidder a partially executed Transaction Confirmation. By 2:00 p.m. EPT on the second Business Day following the RFP Bidder's receipt of such partially executed Transaction Confirmation electronically, the RFP Bidder shall return by email or other acceptable means, to PPL Electric one (1) fully executed Transaction Confirmation. In addition, if such Transaction is the initial Transaction with the winning RFP Bidder under the current RFP solicitation, then PPL Electric will forward to the RFP Bidder one (1) fully executed DSB SMA electronically. If a winning RFP Bidder fails to execute the Transaction Confirmation as required under this Section 7.5.2, the winning RFP Bidder may forfeit its Bid Assurance Collateral.
- 7.5.3 If the PUC rejects all Bids in any solicitation, or if some tranches in a particular solicitation do not receive bids, within one (1) business day, the RFP Manager will contact all RFP Bidders that are qualified in that solicitation, including RFP Bidders that are qualified but did not submit a Bid Proposal in that solicitation, and solicit information regarding the RFP Bidder's interests for that Product. The RFP Manager will submit a report to the PUC regarding the information it receives. Nothing in this Section 7.5.3 requires any RFP Bidder contacted by the RFP Manager pursuant to this section to provide confidential or proprietary business information.
- 7.5.4 If the PUC rejects all Bids in any solicitation, or if some tranches in a particular solicitation do not receive Bids, those tranches will be offered consistent with Section 1.1.12. In the event that a Block Service Supplier defaults, PPL Electric will offer supply assignment consistent with the Step-Up process described in the DSB SMA.

ARTICLE 8 RESERVED RIGHTS

8.1 Non-Binding RFP

- 8.1.1 Prior to the submission of any Bid Proposals and with PUC approval, PPL Electric has the right to withdraw and terminate this RFP without any liability or responsibility to any RFP Bidder or any other party, for reasonable cause, including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, etc., that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.2 Subject to PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Proposals, without any liability or responsibility to any RFP Bidder or any other party, for reasons set forth in Section 7.4 of this RFP or for any other reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.3 PPL Electric will not be liable to any RFP Bidder or any other party for failure to execute a DSB SMA. Nothing herein may be construed to bind the Company unless and until the PUC has approved winning Bid(s), and each DSB SMA with an RFP Bidder has been executed and is effective. Once effective, the DSB SMA will govern the relationship between and the responsibilities of the parties to that agreement and not the RFP or any documents relating thereto.
- 8.1.4 Pursuant to these RFP rules, PPL Electric or the Bid Proposal Evaluation Team shall reject Bid Proposals submitted in response to this RFP that are incomplete, or do not conform to the requirements of this RFP, or are submitted beyond the deadline for submission, or for any other reason set forth in Section 7.4 of this RFP.
- 8.1.5 The RFP Rules may be further updated to reflect additional decisions by the PUC, relevant changes in law, or non-material modifications to the processing of Proposals expected to improve potential participation by suppliers. Further, PPL Electric and its RFP Manager may amend the RFP Rules if necessary to correct typographical errors, cure inconsistencies in the provisions of this RFP or clarify the intent of the provisions of this RFP.

8.2 Proposals Become PPL Electric's Property

- 8.2.1 All Proposals submitted by RFP Bidders in response to this RFP will become the exclusive property of PPL Electric upon the receipt of such document(s).

Appendix 1

Default Service Block Supplier Master Agreement

Appendix 2

Expression of Interest Form Default Service Block Supply

Note that completion of all information is required.

This response is an indication of our interest in PPL Electric Utilities Corporation's Request for Proposals to provide block supply service.

Date:

Company:

Contact Name:

Contact Title:

Address:

City:

State:

Zip:

Phone Number:

Email Address:

Appendix 3

Confidentiality Agreement

[Name and Address of Bidder]

[Date]

Ladies and Gentlemen,

This letter is a Confidentiality Agreement between PPL Electric Utilities Corporation (“PPL Electric”) and _____ (“RFP Bidder”) in connection with the RFP Bidder’s intent to participate in the Request for Proposals (“RFP”) to provide around the clock electricity service through Block Products. This Confidentiality Agreement also pertains to the rights and obligations of PPL Electric and the RFP Bidder in the event the RFP Bidder ultimately is selected as a winner in the RFP and provides service pursuant to PPL Electric’s Default Service Block Supplier Master Agreement (“DSB SMA”). PPL Electric and the RFP Bidder hereby agree to accept, and to be bound by the terms of, this Agreement.

DEFINITIONS:

(a) The following terms have the following meanings:

- 1 “Agreement” is this Confidentiality Agreement.
- 2 “Pennsylvania PUC” has the meaning set forth in Section 3(b).
- 3 “Confidential Information” has the meaning set forth in Section 5.
- 4 “Party” means PPL Electric or the RFP Bidder.
- 5 “Parties” means PPL Electric and the RFP Bidder collectively.
- 6 “Representatives” means the officers, directors, employees, advisors, lenders, and other persons, including but not limited to any affiliates who are actively and directly participating in evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP. A person or entity is not a “Representative” unless that person or entity agrees to preserve the confidentiality of the Confidential Information in accordance with the terms of this Agreement.
- 7 “Third Parties” means a party or parties other than PPL Electric, the RFP Bidder or their respective Representatives.

(b) Other capitalized terms used in this Agreement have the meaning set forth in this Agreement and/or the applicable Request for Proposals, and/or the applicable DSB SMA.

TERMS:

1. Condition Precedent. PPL Electric and the RFP Bidder shall execute this Agreement as a condition precedent to PPL Electric's furnishing to the RFP Bidder or the RFP Bidder furnishing to PPL Electric a copy of any Confidential Information.

2. Purpose. The purpose of this Agreement is to protect the confidentiality of the Confidential Information and to restrict the use and disclosure of that information in the manner set forth below.

3. Limitations on Use and Disclosure.

(a) A Party shall use the other Party's Confidential Information only for the purpose of evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP, and/or consummating the DSB SMA and not for any other purpose. Neither Party shall disclose to Third Parties any information about PPL Electric's or RFP Bidder's participation in the RFP or execution of a DSB SMA, or the terms or conditions or any other facts relating thereto, including the fact that discussions are taking place with respect thereto, the status of those discussions, or the fact that Confidential Information has been made available by or to PPL Electric or RFP Bidder or their Representatives. Provided, however, that the identity of all (but no fewer than all) bidders who were awarded any supply in the state may be released on a statewide basis on or after the first day of the service year, and that no winning bidder's name is to be associated with a particular PPL Electric Default Service Load.

(b) Notwithstanding the foregoing or any other provision of this Agreement, PPL Electric may share any Confidential Information with the Pennsylvania Public Utility Commission, or its Staff (collectively "Pennsylvania PUC") as requested by the Pennsylvania PUC. Any such information shared will be designated as confidential, and PPL Electric will ask the Pennsylvania PUC to hold and use it on a confidential basis.

4. Disclosure upon Default. Notwithstanding the foregoing or any other provision of the Agreement, PPL Electric may disclose Confidential Information in an Event of Default by RFP Bidder, as provided for in the DSB SMA. PPL Electric may disclose to any RFP Bidder with whom it has executed the DSB SMA and who is not a Defaulting Party the contract price of the Defaulting Party for the purpose of allowing the Bidder to make the election provided for in Section 5.5 of the DSB SMA.

5. Definition of Confidential Information. Confidential Information shall consist of oral, electronic and written information that is confidential, proprietary, or generally not available to the public. Whenever possible, such Confidential Information shall be marked prior to or at the time of disclosure as being "Confidential Information". Confidential Information in the case of information provided by PPL Electric to the RFP Bidder shall include, without limitation, all data, reports, interpretations, forecasts or records relating to PPL Electric and/or its

customers, and any other document created by PPL Electric or others which directly or indirectly relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts and bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

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

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

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

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

10. Disclosure to Governmental Authorities Other than the Pennsylvania PUC.

(a) A Party (the "disclosing Party") may also disclose the other Party's Confidential Information to any governmental, judicial, or regulatory authority ("Authority") requiring such Confidential Information; provided that the disclosing Party a) promptly informs the other Party of the substance of any inquiries, requests or requirements in order to afford the other Party an opportunity to attempt to prevent or limit the disclosure of the Confidential Information; b) makes a good faith effort to persuade the Authority (i) that submission of the Confidential Information should not be required, or, if that effort fails, (ii) that submission of the Confidential Information on a non-public basis should be permitted; and c) endeavors in good faith to protect the Confidential Information provided to an Authority from disclosure to Third Parties. If an

Authority orders the disclosing Party to disclose any documents containing the other Party's Confidential Information, the disclosing Party shall a) attempt to obtain from the other Party, if the Authority allows the time, a "Public Disclosure Copy", or b) if the Authority does not allow such time, shall prepare itself a "Public Disclosure Copy" in which the Confidential Information has been redacted to the extent that such redaction is permitted by the Authority requiring disclosure. Confidential Information disclosed pursuant to this Section 10 on a non-public basis shall not lose its status as Confidential Information by virtue of such non-public disclosure.

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

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

12. Liability and Relief. A Party or any of its Representatives shall be liable for any breach of this Agreement. In the event a non-breaching Party or its Representatives shall have knowledge of any breach of the confidentiality of, or the misappropriation of, any of the Confidential Information, the non-breaching Party shall promptly give notice thereof to the breaching Party. The Parties agree that breach of this confidentiality agreement may cause damages to which a dollar amount may be difficult or impossible to ascribe, however, that such a breach would be irremediable by damages alone and specifically agree to equitable relief as appropriate. The non-breaching Party shall be entitled to specific performance or other equitable relief by way of injunction or otherwise, if the other Party or any of its Representatives breach or threaten to breach any of the provisions of this Agreement. Such remedy shall not be deemed to be the exclusive remedy available to the non-breaching Party, but shall be in addition to all other available remedies. Neither failure nor delay by the non-breaching Party, in exercising any of its rights or privileges herein, shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise of any right, power or privilege.

13. Representatives, Successors and Assigns. This Agreement shall be binding upon and for the benefit of the Parties, and their respective Representatives, successors, and permitted

assigns. Neither Party may assign its rights or obligations hereunder without prior written consent of the other Party.

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

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

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

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

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

RFP BIDDER

By: _____

Name of Officer: _____

Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____

Name: _____

Title: _____

Appendix 4

PJM Qualification Certification Form

I, _____ (“Agent”) am an authorized signatory for
_____ (“Company”) and hereby certify that Company is a member of
the PJM Interconnection, LLC (“PJM”) and is qualified as a market buyer and market seller in
good standing able to secure generation or otherwise obtain and deliver electricity in PJM
through compliance with all applicable requirements of PJM to fulfill a Block Service obligation.

Signed:

Date:

Type or Print Name of Officer:

Title:

Company:

Appendix 5

FERC Authorization Certification Form

I, _____ (“Agent”) am an authorized signatory for
_____ (“Company”) and hereby certify that Company has been
authorized by the Federal Energy Regulatory Commission (“FERC”) to make sales of energy,
capacity and ancillary services at market-based rates, pursuant to the Federal Power Act and the
provisions of FERC’s regulations promulgated thereunder. The Company’s authorization to
make such sales at market-based rates was granted in Docket No(s).

_____.

Signed:

Date:

Type or Print Name of Officer:

Title:

Company:

Appendix 6

Credit Application

1 Company Information

Type of Business

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

RFP Bidder Organization

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

For Corporation/Limited Liability Companies (please enter “n/a”, if this does not apply to you)

Date and State of Incorporation/Registration:

For Limited Partnerships (please enter “n/a”, if this does not apply to you)

Name of General Partner:

Address of General partner:

City, State, Zip Code:

2 Application for Credit

- The RFP Bidder is not seeking to be granted unsecured credit under the DSB SMA. (If you check this option, this Credit Application is complete and you are not required to provide any supporting documentation).

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

The RFP Bidder listed under Section 1.

The parent/guarantor company listed below.

Parent/Guarantor Company

Legal Corporate Name:

Street Address:

City, State, Zip Code:

DUNS Number:

Federal Tax ID Number:

Applicant Credit Contact Name

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

3 Credit Information

The Applicant indicated in Section 2 is required to provide the Securities and Exchange Commission (“SEC”) Form 10-Q or 10-K (whichever is more recent). If the SEC 10-Q or 10-K is unavailable, the supporting documents must include the most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement); and the most recent quarterly, monthly or bi- annual financial information, if available. Indicate below what statements are being submitted.

SEC 10-K
 SEC 10-Q

If the SEC 10-K or 10-Q is unavailable, the Applicant must provide:

most recent audited annual financial information: (describe)
and
 most recent quarterly, monthly or bi- annual financial information, if available: (describe)

In the event the above information is inadequate to appropriately assess the Applicant's creditworthiness, the Applicant must provide evidence of its capability to provide collateral instruments, its capability to borrow and other sources of liquidity.

Subject to Section 4.5.2 of the DSB RFP, submitted information must be in the English language, and financial data denominated in United States currency, and conform to generally accepted accounting principles (“GAAP”) in the United States. If the Applicant's financial information is consolidated with other entities, then it is the Applicant's responsibility to extract and submit as separate documents all data and information related solely to the Applicant. This must include all financial information, associated notes and all other information that would comprise a full financial report conforming to GAAP.

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

Yes
 No

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

Yes

No

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

4 Applicant's Credit Ratings (please enter "n/a" when the information requested in this item is unavailable)

Standard & Poor's

Current Rating: _____

(Senior Unsecured Long-Term Debt Rating or Issuer Rating)

Moody's Investor Services

Current Rating: _____

(Senior Unsecured Long-Term Debt Rating or Issuer Rating)

Fitch Ratings

Current Rating: _____

(Senior Unsecured Long-Term Debt Rating or Issuer Rating)

Along with the above information, attach the latest review from each of the agencies. Documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant is acceptable.

5 Foreign Guarantor Requirements

Is the RFP Bidders relying on the financial standing of a foreign Guarantor?

No (Please proceed to Section 7)

Yes (Please complete this Section 6)

An RFP Bidder relying on the financial standing of a foreign Guarantor may provide any additional evidence of creditworthiness for the Guarantor so as to provide PPL Electric with comparable assurances of creditworthiness as is applicable for an entity that has been incorporated or otherwise formed under the laws of a state of the United States or of the District of Columbia. Please indicate if you are including any such additional information:

Yes: (Describe)

No

Under the terms of the DSB SMA, additional documents are required for the foreign Guarantor to be granted unsecured credit and for the RFP Bidder to rely on the financial standing of the Guarantor. The RFP Bidder may, but is not required to, submit with its Bidder Qualifications a draft of these additional documents for review. Please indicate if you are including any such additional information:

Yes, the Applicant is providing the following documents for review:

Draft legal opinion of outside counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the guaranty pursuant to the DSB SMA is, or upon the completion of execution formalities will become, the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed.

Draft sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the guaranty pursuant to the DSB SMA on behalf of the Guarantor has the authority to execute the guaranty pursuant to the DSB SMA and that the governing board of such guarantor has approved the execution of the guaranty pursuant to the DSB SMA.

Draft sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the guaranty pursuant to the DSB SMA.

No

If an RFP Bidder submits a draft of the documents for evaluation, the RFP Manager will provide this evaluation to the RFP Bidder on the Qualified Bidders Notified Date.

6 Authorization

The Applicant indicated in Section 2 hereby represents and warrants that all statements and representations made herein, including any supporting documents, are true to the best of Applicant's knowledge and belief. The undersigned authorized official of the Applicant warrants that the Applicant agrees to be bound by these representations. The Applicant authorizes the above listed entities to release data requested by PPL Electric Utilities Corporation necessary to perform a credit check in connection with RFP Bidder's interest to bid on this RFP.

Applicant's Company Name: _____

Signature of Authorized Official: _____

Name of Authorized Official (print): _____

Title of Authorized Official (print): _____

Date Signed: _____

Appendix 6b

Confirmation of Previously Submitted Credit and Financial Information

The RFP Bidder, _____, has qualified for a prior solicitation in the Default Service Block Supply RFP. I confirm that with the Exceptions indicated below and that are enclosed herein, all previously submitted credit and financial information remain up-to-date and accurate. I provide this statement as part of the abbreviated Qualifications process for the following solicitation of the PPL Electric Default Service Block Supply RFP.

October 2021 solicitation

Exceptions:

None

Updated SEC 10-K. Updated SEC 10-Q

Updated most recent audited annual financial information: (describe)

Updated most recent quarterly, monthly or bi- annual financial information: (describe)

Updated credit ratings support documentation.

Signature: _____

Date: _____

RFP Bidder: _____

Name of Authorized Official: _____

Title: _____

APPENDIX 7

**BID ASSURANCE LETTER OF CREDIT
DEFAULT SERVICE BLOCK SUPPLY**

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

ISSUE DATE _____ EXPIRY DATE _____

APPLICANT
[NAME]
[ADDRESS]

BENEFICIARY
[NAME]
[ADDRESS]

CURRENCY AMOUNT
USD *****\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (“APPLICANT”) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME, WHICH IS AT LEAST 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS LETTER OF CREDIT OR OTHERWISE EXTENDED BY AMENDMENT.

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

BENEFICIARY WILL HOLD THIS LETTER OF CREDIT UNTIL WE RECEIVE WRITTEN NOTIFICATION FROM THE BENEFICIARY THAT EITHER:

1. THE APPLICANT’S BID PROPOSAL IN THE PPL ELECTRIC DEFAULT SERVICE BLOCK SUPPLY RFP SOLICITATION ON [INSERT DATE] (THE “SOLICITATION DATE”) HAS BEEN REJECTED IN WHOLE AND THE APPLICANT HAS BEEN NOTIFIED OF SUCH REJECTION; OR

2. THE APPLICANT HAS WON TRANCHES IN THE PPL ELECTRIC DEFAULT SERVICE BLOCK SUPPLY RFP SOLICITATION ON THE SOLICITATION DATE AND HAS EXECUTED THE DEFAULT SERVICE BLOCK SUPPLIER MASTER AGREEMENT (“SMA”) AND/OR TRANSACTION CONFIRMATIONS FOR SUCH TRANCHES.

UPON EITHER OF THE ABOVE TWO CONDITIONS, THIS LETTER OF CREDIT WILL BE RETURNED BY THE BENEFICIARY TO THE ISSUER WITHIN TWO BUSINESS DAYS. THE APPLICANT MAY REQUEST THAT THIS LETTER OF CREDIT RESIDE WITH THE BENEFICIARY THROUGH THE ENTIRE MULTI-SOLICITATION PERIOD OF THE PPL DEFAULT SERVICE BLOCK SUPPLY RFP.

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

IF THE APPLICANT IS AWARDED TRANCHE(S) IN THE PPL DEFAULT SERVICE BLOCK SUPPLY RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH TRANCHES, THE APPLICANT SHALL FORFEIT THE ENTIRE AMOUNT OF THIS LETTER OF CREDIT.

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

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

“THE AMOUNT FOR THIS DRAWING, USD _____ (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (INSERT NAME OF BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY PURSUANT TO THE TERMS OF SUCH LETTER OF CREDIT.”

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

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

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

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY NOT BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 (“ISP98”). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

NAME: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

PPL Electric Utilities
Block Product RFP Process and Rules
APPENDIX 8

Example Bid Proposal Spreadsheet—Notes

Instructions:

The RFP Bidder must complete the Bid Proposal Spreadsheet as directed in Article 5.

All required information must be entered in the shaded cells. The absence of any required information will be deemed a non-conforming bid and will be eliminated from further consideration.

Residential -- is comprised of the following rate schedules:

RS*	RS – Residential Service
RTS*	RTS(R) – Residential Service – Thermal Storage

NOTES:

1. Rate schedules also may be subject to riders. Any such riders are set forth in PPL Electric Utilities Corporation General Tariff, Rules and Rate Schedules for Electric Service.

**PPL Electric Utilities Corporation
Default Service Block Supply RFP Process and Rules**

**APPENDIX 8
Example Bid Proposal Spreadsheet—Default Service Block Supply**

Solicitation # <number>
Block Supply
Bid Proposal Due Date: <month>, <day>, <year>

Residential
<number>-Month Delivery Period: <commencement date> - <expiration date>

Bidder Information:

Company Name		* Required Field
Contact Name		* Required Field
Phone Number		* Required Field

Tranche Information:

Aggregate Load Cap (across solicitations)	50MW
Total Available Tranches	
Tranche Size	25MW

Bid Information:

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (US\$/MWh)	
Bids	1	\$500,000		* Required Field
	2	\$1,000,000		* Required Field

Complete/Incomplete:

Appendix 9

Binding Bid Agreement

Bid Proposal Due Date: <month> <day><year>

In consideration for the privilege of submitting bids as part of the Default Service Block Supply Requests For Proposals process, _____ (“RFP Bidder”) agrees to be bound by the price quotes entered for block supply on any Bid Proposal Spreadsheet, up to the expiration time of its proposal, as set forth in Section 5.6 (Expiration of Bid Proposals) of this Request For Proposals (“RFP”), submitted to PPL Electric Utilities Corporation (“PPL Electric”), in response to this multi-solicitation process, which shall constitute a firm offer to supply service in accordance with the Default Service Block Supplier Master Agreement (“DSB SMA”) and applicable Pennsylvania law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Section 7.5.2 of the RFP Rules.

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

The RFP Bidder certifies that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP. The RFP Bidder certifies that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the Pennsylvania Public Utility Commission has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP.

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

Signature of Officer: _____

Name of Officer (*print*): _____

Title of Officer (*print*): _____

Date Signed: _____

EXHIBIT D

DEFAULT SERVICE BLOCK
SUPPLIER MASTER AGREEMENT (SMA)
BETWEEN
PPL ELECTRIC UTILITIES CORPORATION
AND
[DSB SUPPLIER NAME]

DATED _____

DEFAULT SERVICE BLOCK SUPPLIER MASTER AGREEMENT

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PENNSYLVANIA DEFAULT SERVICE BLOCK SUPPLIER MASTER AGREEMENT

THIS DEFAULT SERVICE BLOCK SUPPLIER MASTER AGREEMENT,
made and entered into this _____ day of _____, _____
("Effective Date"), by and between PPL Electric Utilities Corporation (the "Company"
and "Buyer"), a corporation and a public utility organized and existing under the laws of
the Commonwealth of Pennsylvania and _____ ("DSB Supplier"), the Company and the
DSB 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 and Transaction Confirmation(s) under this Agreement, it would serve the
public interest for the Company to secure Default Service Supply ("DSB Supply")
through a competitive procurement process ("DSB Solicitation") and the PaPUC has
approved such a process; and

WHEREAS, the Company has conducted and completed a successful DSB

Solicitation for the provision of DSB Supply, and the DSB Supplier was one of the winning bidders in the DSB Solicitation; and

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

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

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 “ARRs” – 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, ARRAs 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.

Block Supply – Shall mean, such MWs of around-the-clock Energy, Capacity, transmission service, Ancillary Services and associated AECs, delivered to the Delivery Point, as established by the PaPUC Orders. Block Supply is currently scheduled to be 50 MW for the period June 1, 2021 through November 30, 2021, to be 100 MW for the period December 1, 2021 through May 31, 2026 and to be 50 MW for the period June 1, 2026 through November 30, 2026. The entirety of this Block Supply will be allocated to the Residential Customer Group.

“Block Service” means all necessary Energy, Transmission other than Non-market-based Transmission Services, transmission losses, congestion management costs, and such other services or products (but excluding Capacity, Ancillary Services, and Pennsylvania Alternative Energy Portfolio Standard (“AEPS”) obligation) that are required to supply the DSB Supplier Responsibility Amount delivered to the Delivery Point.

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.

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

Company – PPL Electric Utilities Corporation.

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 Transaction(s) under this Agreement; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement.

Credit Limit – Shall mean an unsecured line of credit pursuant to Article 6.

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

Customer Group – Shall have the meaning ascribed to it in Appendix C.

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

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

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

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

Default Service Customer(s) (“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.

Default Service Block Fixed Price (“DSB Fixed Price”) – The price in dollars per MWh as determined pursuant to the DSB Solicitation.

Default Service Load (“DS Load”) – Shall mean the net total default service customer sales at the retail meter, plus any transmission and distribution losses and Unaccounted for Energy, adjusted for PJM's derating in conjunction with marginal loss implementation as appropriate, expressed in MWh or MW, as appropriate, for a particular class(es) of retail customers being served by Buyer pursuant to the PaPUC Orders, as such sales vary from hour to hour, in Buyer's Pennsylvania franchise service territory, as such territory exists on the Effective Date or may increase or decrease due to *de minimis* geographic border changes to the service territory that exists on the Effective Date, less excess

generation purchased from net metering (customer generation) and less supply the Company is obligated to purchase pursuant to the Public Utility Regulatory Policies Act (“PURPA”). Additionally, with respect to the Residential Customer Group, less a fractional percentage of committed energy and capacity obtained under long-term contract with Allegheny Electric Cooperative, Inc. for supply from the New York Power Authority (“NYPA”) and less Block Supply. For the purposes of this Agreement, Time-of-Use load will not be included in the calculation of DS Load unless required by an appropriate order of the Pennsylvania Public Utility Commission.

Default Service Block Solicitation (“DSB Solicitation”) – The competitive bidding processes, procedures and rules employed by the Company to competitively procure DSB Supply for purposes of this Agreement.

Default Service Block Supplier (“DSB Supplier”) – An entity that (i) has been selected through the DSB Solicitation and has accepted the obligations and associated rights to provide DSB Supply to the Company for DS 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.

Default Service Block Supplier Responsibility Amount (“DSB Supplier Responsibility Amount”) – The amount in MW of Block Service as indicated in the Transaction Confirmation which the DSB Supplier is responsible.

Default Service Block Supply (“DSB Supply”) – Shall mean Block Service as detailed in Appendix C that the DSB Supplier is required to provide in order to meet the DSB Supplier’s DSB Supplier Responsibility Amount.

Delivery Period – The period of months, as specified on an executed Transaction Confirmation, where a DSB Supplier has an obligation to provide service.

Delivery Point – Means the applicable zone or aggregate of the Company as designated by PJM and set forth in the Transaction Confirmation.

Early Termination – Termination of this Agreement prior to the end of the term of all Transactions under this Agreement due to the occurrence of an Event of Default as specified in Section 5.1 of this Agreement and the declaration of Early Termination as specified in Section 5.2.

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

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 DSB 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.

Estimated Off-Peak Energy Quantity means, for each month in each Transaction, the product of: (i) the DSB Supplier Responsibility Amount; and (ii) the number of Off-Peak Hours remaining (excluding the current day) in each month.

Estimated On-Peak Energy Quantity means, for each month in each Transaction, the product of: (i) the DSB Supplier Responsibility Amount; and (ii) the number of On-Peak Hours remaining (excluding the current day) in each month.

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 or its successor.

Final Monthly Energy Allocation or “FMEA” – A quantity of Energy which, for any Billing Month, is equal to the product of: (i) the DSB Supplier Responsibility Amount and (ii) the total number of hours in that month.

Fixed Price Transaction – A Transaction for Block Service on a fixed price basis as indicated on the Transaction Confirmation.

Force Majeure - 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 DSB Supplier's supply; (ii) DSB Supplier's ability to sell the DSB Supply at a price greater than that received under any Transaction; (iii) curtailment by a utility transmitting DSB Supply; (iv) the Company's ability to purchase the DSB 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.

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.

Guaranty – A guaranty, suretyship, hypothecation agreement, margins or security agreement or any other document in the form attached as Exhibit 4 to this Agreement or other form approved by the Company.

Guarantor – Any party having the authority and agreeing to guarantee the DSB 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 DSB Supplier.

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

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

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

Load Serving Entity or "LSE" – Shall have the meaning ascribed to it in the PJM Agreements.

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

Maximum Credit Limit – The lesser of the applicable percentage of TNW or the applicable Credit Limit Cap as specified in Appendix A of this Agreement.

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 DSB 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 DSB Supplier hereunder as determined in the reasonable 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 DSB Supplier's obligations hereunder, and the resulting entity or its guarantor fails to meet the creditworthiness requirements of this Agreement as determined in the reasonable 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 Council or its successor.

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

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

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

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.

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

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.

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

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 or its successor.

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.

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.

Reference Market Maker – Shall mean any broker in energy products.

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

Residential Customer Group – Group of Rate Schedules that comprise the residential class for the DSB Supply and itemized in Appendix C.

Rounding Amount - \$100,000.

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

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

Supply Day – Any calendar day during the term of this Agreement on which the DSB Supplier is providing, or is obligated by this Agreement to provide, DSB 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 Section 5.4.

Total Exposure Amount – An amount calculated daily for the DSB Supplier reflecting the total credit exposure to the Company and consisting of the sum of (i) the Mark-to-Market Exposure Amount for all Fixed Price Transactions for DSB Supply arising under this Agreement; (iii) any amount(s) designated as the “Mark-to-Market Exposure” arising under any other agreements providing for default service on a fixed price basis minus amounts due pursuant to such transactions; and (iv) the amount designated as the “credit exposure” under any other agreements providing for 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 amount in MW of Block Service as indicated in any given Transaction Confirmation.

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

Transaction Confirmation – Shall have the meaning ascribed to it in Appendix C and shall be in a form substantially as set forth in Exhibit 1 of this Agreement.

Transaction Date – Means the date that a Transaction is effective as set forth in the Transaction Confirmation.

ARTICLE 2

GENERAL TERMS AND CONDITIONS

2.1 Capacity In Which Company Is Entering Into This Agreement

The DSB Supplier agrees and acknowledges that the Company is contracting for the provision of DSB Supply from such DSB Supplier for Customers receiving Default Service on the Company's electric system pursuant to the authorizations provided to the Company. The DSB Supplier further agrees and acknowledges that the Company will administer and monitor the DSB Supplier's performance in providing DSB Supply under this Agreement and that the Company shall be entitled to enforce the DSB Supplier's obligations related to the provision of DSB Supply. The DSB Supplier hereby agrees that the Company is entitled to seek enforcement of this Agreement on behalf of the 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 DSB 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" within the meaning of the United States Bankruptcy Code ("USBC"), that each Party hereto is a "forward contract merchant" within the meaning of the USBC, that all setoffs, netting and liquidations contemplated hereunder constitute "settlement payments" within the meaning of the USBC, that each payment or transfer of performance assurance is a "margin payment", "settlement payment" or transfer within the meaning of the USBC, 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 Section 5.2 of this Agreement.

2.2 Parties' Obligations

(a) Obligations of DSB Supplier

The DSB Supplier hereby agrees as follows:

- (i) To provide service on a firm and continuous basis such that the supply delivered for the term of each Transaction under the Agreement meets the terms and conditions set forth in Appendix C and the applicable Transaction Confirmation;
- (ii) To provide sufficient quantities of DSB Supply on an instantaneous basis at all times during the Delivery Period of each Transaction and supplied to the Delivery Point to meet the DSB Supplier Responsibility Amount;
- (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 DSB 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 DSB Supply before the PaPUC, the FERC or any other regulatory body asserting jurisdiction;
- (v) To comply in a timely manner with all obligations under this Agreement imposed upon the DSB Supplier; and

(b) Obligations of the Company

The Company hereby agrees as follows:

- (i) To pay to the DSB 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 comply in a timely manner with all obligations under this Agreement imposed upon the Company; and
- (iii) Accept the delivery of DSB Supply.

2.3 Congestion and Congestion Management

The DSB Supplier is responsible for any congestion costs incurred to meet the DSB Supplier Responsibility Amount. The Company shall retain the rights to ARR to which the Company is entitled as an LSE pursuant to PJM Agreements and no ARRs will be transferred or assigned to the DSB Supplier. .

2.4 PJM Services

- (a) The DSB Supplier shall make all necessary arrangements for the delivery of DSB Supply through the PJM OI. The Company will advise the PJM OI of the magnitude and location of each DSB Supplier's actual DSB Supplier Responsibility Amount, as required by the PJM OI, for the purpose of calculating such DSB Supplier's appropriate DSB Supply requirements related to the provision of service under this Agreement by DSB Supplier arising under the PJM Agreements.
- (b) The Company will manage PJM load response programs in accordance

with PJM Agreements as amended from time to time and the provisions of its applicable riders and retail electric service tariffs, as amended and approved by the PaPUC from time to time, or the Company customer contracts, as amended by the Company from time to time. The Company will retain all of the benefits associated with its load response programs, including but not limited to all associated wholesale revenues from PJM for Capacity, Energy and Ancillary Services. Unless specifically prohibited by its retail electric service tariffs, DSB Customers may, at their election, participate in demand response programs offered under the PJM Agreements.

- (c) DSB Supplier will be responsible for any costs regarding demand response compensation in organized wholesale energy markets.
- (d) The Company and DSB Supplier shall work with PJM to establish any PJM E-Accounts necessary for the DSB Supplier to provide Block Service. The Company shall generate and provide to DSB Supplier PJM shortname(s) associated with supplier's unique contract type(s), as necessary. Unique shortname(s) may be generated for each differing contract type. DSB Supplier shall complete all required forms and processing to PJM to create shortname(s) within the PJM system.
- (e) Upon DSB Supplier's creation of new shortname(s), the Company shall establish PJM E-Account contract(s) for the entire duration of the Transaction(s).
- (f) Following the Company's establishing new contracts within the PJM

eSuite system, the DSB Supplier shall review and confirm the PJM E-Account contract(s) for the entire duration of the Transaction(s).

- (g) For the period of time this Agreement is in effect, DSB Supplier shall be:
 - (i) a member in good standing of PJM; (ii) qualified as a PJM “Market Buyer” and “Market Seller” pursuant to the PJM Agreements; and (iii) qualified as a PJM “Load Serving Entity.” For the period of time this Agreement is in effect, the Company shall be a member in good standing of PJM.

2.5 PJM Billing

- (a) Buyer and Seller shall direct PJM to invoice Seller and Buyer for charges and credits relating to Seller’s and Buyer’s rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with this Agreement, Buyer shall rectify such PJM invoice discrepancy in the invoice sent pursuant to Section 9.1 (Billing and Payment).
- (b) The Parties agree that the PJM bill may change from time to time. Allocation of any charges that are reflected in a PJM bill that are not included on or are inconsistent with this Agreement will be determined pursuant to Appendix C (DSB Supply Specifications), Section 2.4 (PJM Services), and Section 2.6 (PJM Agreement Modifications) of this Agreement.

2.6 PJM Agreement Modifications

- (a) If the PJM Agreements are amended or modified so that any schedule or

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

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

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 non-compliance by the DSB Supplier with this Agreement, any other requirements of law or the PJM Agreements, the DSB 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 DSB 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 DSB Supplier or by the Company in connection with the provision of DSB Supply by the DSB Supplier to DS Customers, if required.

The DSB 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 four years or as required under applicable PaPUC requirements so as to permit DSB Supplier to confirm the validity of payments due to DSB Supplier hereunder; provided that if a DSB 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 DSB Supplier's Representations and Warranties

The DSB Supplier hereby represents, warrants and covenants to the Company as of the Effective Date and throughout the term of the Transaction(s) under 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 and in the Commonwealth of Pennsylvania;
- (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 DSB Supplier's obligations hereunder have been duly authorized by all necessary action on the part of the DSB 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 DSB 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 DSB Supplier is a party or by which the DSB Supplier or any of its properties is bound or subject;

- (d) All necessary and appropriate action that is required on the DSB Supplier's part to execute this Agreement has been completed;
- (e) This Agreement is the legal, valid and binding obligation of the DSB 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 DSB Supplier's knowledge, threatened against the DSB Supplier before any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the DSB Supplier's performance of its obligations under this Agreement;
- (g) It has entered into this Agreement and all Transactions under 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 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, as defined by the PJM Agreements;

- (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 DSB 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) 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;
- (m) 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
- (n) It has entered into this Agreement and all Transactions under this

Agreement in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of DSB Supply as required by this Agreement; and it is an “eligible contract participant” as defined in Section 1a(18) of the Commodity Exchange Act.

3.2 Company’s Representations and Warranties

The Company hereby represents, warrants and covenants to the DSB Supplier as of the Effective Date and throughout the term of the Transaction(s) under this Agreement 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, or constitute a breach of or default under, any of the terms, conditions, or provisions of the Company’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 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 and all Transactions under this Agreement with a full understanding of the material terms and risks of the same, and it is capable of assuming those risks;

- (i) It is in good standing with 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 applicable to Company, as established and interpreted by the PJM OI;
- (j) The Company's performance under this Agreement is not contingent upon the performance of Customers or the ability of Customers to pay rates;
- (k) The Company shall have sole responsibility for metering and billing with respect to DSB Customers;
- (l) The Company shall be responsible for electric distribution services and the DSB Supplier shall not be responsible for distribution charges;
- (m) 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 DSB Supplier;
- (n) 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;
- (o) 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;
- (p) 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

- (q) It has entered into this Agreement and all Transactions under this Agreement in connection with the conduct of its business and it has the capacity or ability to provide or take delivery of DSB Supply as required by this Agreement; and it is an “eligible contract participant” as defined in Section 1a(18) of the Commodity Exchange Act.

3.3 Survival of Obligations

All representations and warranties contained in this Article must be maintained up through the termination or expiration of all Transactions under this Agreement. If a Party learns that any of the representations, warranties or covenants in this Agreement are no longer true during the term of any Transaction under this Agreement, the Party shall immediately notify the other Party via email, with a hard copy of the notice delivered by overnight mail, and Company may, in its reasonable discretion treat such occurrence as an Event of Default hereunder.

3.4 Joint Representations and Warranties

This Agreement is for the purchase and sale of Block Service that will be delivered in quantities expected to be used or sold over a defined period(s) in the normal course of business, and it is the intention at the inception and throughout the term of each Transaction under this Agreement that the Agreement will result in physical delivery and not financial settlement, and the quantity of Block Service that DS Supplier must deliver and Company must receive will be determined by the requirements of the DSB Supplier

Responsibility Amount, and, as such, the Agreement does not provide for an option by either Party with respect to the quantity of Block Service to be delivered or received during performance of the Agreement. This Agreement has been drafted to effectuate Company's and DSB Supplier's specific intent so that in accordance with Accounting Standards Codification 815 ("ASC 815"), as amended, Company would be able to elect to use accrual accounting for its purchases under this Agreement, while DSB Supplier would be able to elect to use either accrual or mark-to-market accounting for its sales under the Agreement. If either Company or DSB Supplier determines, in good faith, that the intended accounting treatment has become jeopardized, due to a change in interpretations of ASC 815, as amended, or otherwise, then Company and DSB Supplier agree to meet and use their best efforts to reform the Agreement so that, with the minimum changes possible, the Agreement again qualifies for the intended accounting treatments.

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

4.3 Survival of Obligations

Termination of this Agreement for any reason shall not relieve the Company or the DSB 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 including, without limitation, Article 4 (Commencement and Termination of Agreement), Article 5 (Breach and Default), Article 11 (Dispute Resolution), Article 13 (Limitations of Remedies, Liabilities and Damages), Article 14 (Indemnification) and Article 16 (Miscellaneous Provisions).

4.4 Mutual Termination

The Company and the DSB 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 DSB Supplier (“Mutual Termination Agreement”); provided that Company may enter into such a Mutual Termination Agreement, which will discharge the terminating DSB Supplier (the “Terminating DSB Supplier”) with respect to liabilities other than surviving obligations set forth in Section 4.3 that arise after the effective date of the Mutual Termination Agreement if the following conditions precedent are met: (i) the

Terminating DSB Supplier identifies a replacement DSB Supplier expressly assumes all obligations of the Terminating DSB Supplier hereunder for the remaining term of Transactions under this Agreement (the “Replacement DSB Supplier”); (ii) the Replacement DSB 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 reasonable discretion of Company; (iii) the Replacement DSB Supplier executes a counterpart signature page to this Agreement assuming all obligations of the Terminating DSB Supplier hereunder and with respect to all Transaction Confirmation(s) that are currently in effect and thereby becomes a Party under this Agreement and all relevant Transaction(s), effective immediately following the effective date of the Mutual Termination Agreement; and (iv) the Terminating DSB 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 DSB 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 that, as of the effective date of the Mutual Termination Agreement, it may have incurred Damages as a result of the Event of Default, the Replacement DSB 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 reasonable discretion.

ARTICLE 5 BREACH AND DEFAULT

5.1 Events of Default

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

- (a) Is the subject of a voluntary bankruptcy, insolvency or similar proceeding;
- (b) In the case of a DSB Supplier, fails to comply with the requirements of Section 3.1(b) and (h) if such failure is not remedied within three (3) Business Days after written notice;
- (c) Makes an assignment for the benefit of its creditors;
- (d) 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;
- (e) In the case of a DSB Supplier, is dissolved or is the subject of a Merger Event;
- (f) 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;
- (g) Has a resolution passed for its winding-up, official management or liquidation;
- (h) In the case of a DSB Supplier, PJM terminates the DSB Supplier’s ability to make purchases from PJM markets or PJM holds the Company

responsible for the provision of DSB Supply to meet the DSB Supplier's DSB Supplier Responsibility Amount under this Agreement and PJM does not rescind such termination or assignment of responsibility within seven (7) Business Days;

- (i) 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 6.3 or post any performance assurance collateral as set forth in Section 6.7 to cover Margin due under Section 6.5 of this Agreement, within the time frames set forth in this Agreement;
- (j) 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;
- (k) Fails to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;
- (l) Violates any federal, state or local code, regulation or statute applicable to the provision of DSB Supply 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 DSB 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;

- (m) Is the subject of an involuntary bankruptcy or similar proceeding;
- (n) Subject to Section 5.3 (b) of this Agreement, in the case of the Company, fails to accept DSB Supply properly tendered by the DSB Supplier under this Agreement;
- (o) Fails to perform or otherwise comply with any material covenant or obligation set forth in this Agreement, if such failure is not remedied within three (3) Business Days after written notice;
- (p) Makes a materially incorrect or misleading representation or warranty under this Agreement or under any response to the DSB Solicitation;
- (q) Makes an omission or commits an act that constitutes an “Event of Default” under any other agreement(s) for the provision of DSB Supply between the Company and the DSB Supplier; and fails to remedy such condition, event or delinquency herein above described such that the other Party (the “Non-Defaulting Party”) is completely made whole with respect to such condition, event or delinquency, within three (3) Business Days of receipt of written notice thereof from such Non-Defaulting Party; provided, however, that an Event of Default shall be deemed to have occurred immediately, without any need for the provision of notice thereof by the Non-Defaulting Party and without any right of cure on the part of the Defaulting Party, in the event of the occurrence of a condition, event or delinquency described in subsections (a), (d), (e), (f), (g), (h), (i), and (j)

above. Termination or modification of this Agreement or any Transactions hereunder by the PaPUC, other regulatory authority or court of law does not constitute an Event of Default under this Agreement; or

(r) With respect to the DSB Supplier's Guarantor, if any:

1. any representation or warranty made by the Guarantor in connection with this Agreement is false or misleading in any material respect when made or when deemed made or repeated;
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 three (3) 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 the DSB Supplier under this Agreement without the written consent of the Company; or
4. Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of any guaranty in connection with this Agreement.

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 Sections 5.6 and 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, subject to the dispute resolution provisions in Article 11 of this Agreement, 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 DSB Supplier is the Defaulting Party occurring under subsections (a), (c), (d), (e), (f), (g), (h) and (i) of Section 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 DSB Supplier; and
- (ii) Receive Damages in accordance with Section 5.3 of this

Agreement.

5.3 Damages Resulting From an Event of Default

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

Termination By Company: Damages resulting from (i) the DSB Supplier's failure to (A) provide DSB Supply in conformance with Section 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 DSB Supply to meet the DSB Supplier's DSB Supplier Responsibility Amount under Transaction(s) of this Agreement or (ii) the occurrence of any Event of Default attributable to the DSB 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 DSB Supplier, which Costs exceed the amounts that would have been payable to the defaulting DSB Supplier under this Agreement. Costs incurred by the Company for the purpose of calculating Damages hereunder will consist of:

- (1) The cost of DSB Supply allocated to the Company by the PJM OI due to the failure of the DSB Supplier to meet obligations owing to the PJM OI in connection with its obligations under this Agreement;
- (2) The costs of DSB Supply purchased by the Company to replace DSB Supply that the DSB Supplier was obligated to supply under this

Agreement during the term hereof;

- (3) Administrative and legal costs associated with procuring replacement DSB Supply; and
- (4) Financial hedging costs incurred by the Company on behalf of DSB Customers as a result of having to procure DSB Supply not provided by the DSB 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 DSB Supplier. The Company and the DSB 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 DSB Customers in the event of an Early Termination as set forth in Section 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 Section 5.3, the amounts of Damages due and owing will be reconciled with payments already made by the DSB Supplier under Section 5.4 of this Agreement. The DSB Supplier covenants that it shall, upon request of Company, execute any tolling agreement necessary in the event that final Damages have not been determined prior to the expiration of any applicable statute of limitations or other limitation of action rule or order of court or other legal authority relating to the Company's rights to recover Damages.

- (b) **Failure By Company on Behalf of Customers To Accept DSB Supply Tendered By DSB Supplier:** Damages resulting from the failure of the Company on behalf of Customers to accept DSB Supply tendered by the DSB Supplier necessary to meet the DSB Supplier Responsibility Amount under Transaction(s) of this Agreement shall consist of the positive difference (if any) between (i) the amounts that would have been payable to the DSB Supplier hereunder had the Company accepted the DSB Supply tendered by the DSB Supplier necessary to meet the DSB Supplier Responsibility Amount under Transaction(s) of this Agreement and (ii) the amount realized by the DSB Supplier in disposing, in a commercially reasonable manner, of the DSB Supply not accepted by the Company.
- (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 Section 5.4 shall be the exclusive remedy available to the DSB Supplier in the event of Early Termination resulting from an Event of Default attributable to the Company.
- (d) **Other Damages:** Damages for Events of Default not specified above shall consist of the direct Damages incurred by the Non-Defaulting Party.
- (e) **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 DSB Supplier to meet any or all of its DSB 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 DSB 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 the 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 as provided in Section 5.2 of this Agreement; provided however, that an Early Termination Date shall be deemed to occur automatically and concurrently with the Event of Default, without any requirement for the provision of notice by the Non-Defaulting Party, with respect to an Event of Default under subsections (a), (c), (d), (e), (f), (g), (h) and (i) of Section 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 DSB Supplier may, in its sole discretion, add the following subsection 5.4(a)(1) by checking this box. If DSB Supplier does not check this box, subsection 5.4(a)(1) will be deemed to be excluded from this Agreement.

5.4. (a) (1) For the purposes of such determination, the DSB Supply provided for under this Agreement for the period following the Early Termination Date through the remainder of the term of Transaction(s) under this Agreement shall be deemed to be those quantity amounts that would have been delivered on an hourly basis, had such Transaction(s) under this Agreement been in effect during the previous calendar year adjusted for such DSB 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 DSB Supplier for the provision of DSB Supply into a single amount by netting out (i) 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 DSB Supplier for the provision of DSB Supply against (ii) 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 DSB Supplier for the provision of DSB Supply, so that all such amounts shall be netted out to a single liquidated amount; provided, however, that if the DSB Supplier is the Defaulting Party and the Termination Payment is due to the DSB 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 DSB 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 DSB Supplier, and if, upon making a final determination of Damages, the Termination Payment, or any portion thereof, is to be made to the DSB Supplier, the Company will pay simple interest on the Termination Payment amount being made to the DSB Supplier. Simple interest will be calculated at the Interest Index.

- (c) **Notice of Termination Payment.** As soon as practicable after an Early Termination Date, 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 Section 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 (“Termination Payment Date”).

(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 notice of Termination Payment pursuant to Section 5.4(c).

(e) **Multiple Default Service or DSB Supply Agreements.** It is the intention of the Company and the DSB Supplier that, in the event the DSB Supplier is a party to other agreements with the Company for the provision of Default Service or DSB Supply that existed prior to the Effective Date of this Agreement or are entered into after the Effective Date of this Agreement, all such agreements may be considered, at the Company’s reasonable discretion, to be in default, and the Company will calculate a

single Termination Payment applicable to all such agreements as set forth herein.

5.5 Step-Up Provision

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

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

zero up to and including the maximum amount that the DSB Supplier indicates. The DSB Supplier's pro-rata share, as described in this paragraph, shall be the ratio of the DSB Supplier's amount indicated in the DSB Supplier's Step-Up response, stated on a MW basis, to the total of amounts indicated in all DSB Suppliers' Step-Up responses. The Company will determine the DSB Supplier's pro-rata share within six (6) Business Days from the date of the Company's initial notification. Once the Company has determined the DSB Supplier's pro-rata share, the Company will forward electronically, by immediate means acceptable to both Parties, to the DSB Supplier a partially executed Transaction Confirmation(s). By 2:00 p.m. Eastern Prevailing Time ("EPT") on the second Business Day following the DSB Supplier's receipt of such partially executed Transaction Confirmation(s), the DSB Supplier shall return electronically, by immediate means acceptable to both Parties, to the Company one (1) fully executed Transaction Confirmation(s).

For the avoidance of doubt, in the event that the DSB Supplier does not respond to the Company's Step-Up request within the relevant timeframe, the DSB 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 DSB Supplier for the provision of DSB 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 DSB Supplier for the provision of Default Service or DSB 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 DSB Supplier for the provision of Default Service or DSB 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 DSB Supplier for the provision of Default Service or DSB Supply.

5.7 Preservation of Rights of Non-Defaulting Party

The rights of the Non-Defaulting Party under this Agreement, including without limitation Sections 5.4 and 5.6 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.

ARTICLE 6 CREDITWORTHINESS

6.1 Applicability

With respect to all Transactions under this Agreement and all other transactions for supply serving DSB Load under other agreements executed between the Parties

pursuant to the PaPUC Orders, if at any time and from time to time during the term of Transaction(s) under this Agreement, DSB Supplier's aggregate credit exposure exceeds the Credit Limit on any Business Day, then the Company shall have the right to request that DSB Supplier post performance assurance in an amount equal to the amount by which DSB Supplier's aggregate exposure exceeds the Credit Limit (rounding upwards to the nearest \$100,000), less any performance assurance already posted with the Company. The Company's request for performance assurance shall not be disputed by DSB Supplier in the absence of manifest error.

6.2 Creditworthiness Determination

The DSB Supplier may submit and maintain a security deposit in accordance with Section 6.4(e) of this Agreement in lieu of submitting to or being qualified under a creditworthiness evaluation. The DSB Supplier shall have the opportunity to request that the Company re-evaluate its creditworthiness whenever an event occurs that the DSB 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. DSB Supplier shall provide the Company and its agents unrestricted access to audited financial statements; provided that if audited financial statements are not available, the Company, in its reasonable discretion, may specify other types of financial statements that will be accepted.

6.3 Credit Exposure

(a) Fixed Price Transactions

To calculate the daily exposure for each DSB Supplier for Fixed Price Transactions, the MtM credit exposure methodology will be used. For each Fixed Price Transaction, the “initial marks” for each Billing Month will be determined at the time the DSB Solicitation is completed based on the available On-Peak Energy Forward Price and Off-Peak Energy Forward Price. At the time the DSB Solicitation is completed, the MtM credit exposure for Fixed Price Transaction(s) arising from such DSB Solicitation shall be equal to zero. Subsequently, the differences between (i) the available On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices on the valuation date and (ii) the “initial mark” prices for the corresponding Billing Months will be used to calculate the daily credit exposures for each DSB Supplier. The MtM Exposure Amount for a given Fixed Price Transaction will be equal to the sum of the MtM credit exposures across all Billing Months of such Fixed Price Transaction minus amounts due pursuant to such Fixed Price Transaction to such DSB Supplier for the delivery of DSB Supply. The methodology for calculation of the MtM credit exposure is illustrated in Appendix B hereto.

6.4 Credit Limit

The following criteria constitute the Company’s creditworthiness requirements for the DSB 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.

- (a) For a DSB Supplier to be granted an unsecured line of credit, the DSB 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.
- (b) The DSB 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 3) for the Margin due the Company as set forth in Section 6.5 of this Agreement.
- (c) For a DSB Supplier having a Guarantor, the Guarantor (i) must be rated by at least two of the following rating agencies: S&P, Moody's, or Fitch, and (ii) must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating, as defined in Appendix A. 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 4) will be determined based on the credit matrix table for Guarantors on Appendix A. The DSB 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 applicable Maximum Credit Limit as determined in Appendix A. The DSB 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 DSB Supplier has posted the required performance assurance collateral as set forth in Section 6.7 to cover Margin. Notwithstanding anything herein to the contrary, the DSB 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 DSB Supplier may request a return of the posted performance assurance collateral in accordance with Section 6.5 of this Agreement. The DSB 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 3) for the Margin due the Company as set forth in Section 6.5 of this Agreement.

- (d) For a Guarantor that has not been incorporated or otherwise formed under the laws of the United States; in addition to the requirements set forth in 6.4(c), they shall supply the following additional information:
 - i. A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty is, or upon completion of execution formalities will become, the binding obligation of the Guarantor in

the jurisdiction in which it has been incorporated or otherwise formed;

- ii. The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of the Guarantor has approved the execution of the Guaranty;
- iii. The sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Guarantor has been authorized by its governing board to enter into agreements of the same type as the Guaranty; and
- iv. Such other documents and certificates as may be required by the Company in its reasonable discretion.

- (e) If a DSB Supplier chooses not to undertake a creditworthiness evaluation, it shall be required to post cash or a letter of credit for the 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 Transaction(s) under this Agreement, the Total Exposure Amount, rounded by the Rounding Amount, exceeds the DSB Supplier's or the Guarantor's Credit Limit by the Minimum Transfer Amount, then the Company on any Business Day, may request that the DSB Supplier provide 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 3), in an amount equal to the Margin (less any performance assurance collateral for Margin posted by the DSB Supplier and held by the Company pursuant to this Agreement or any other agreement(s) between the Company and the DSB Supplier for the provision of DSB Supply). If the DSB Supplier receives written notice for performance assurance collateral to cover Margin from the Company by 1:00 p.m. New York time on a Business Day, then the DSB Supplier shall post the performance assurance collateral to cover 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 performance assurance collateral to cover Margin. If the DSB Supplier receives notice for performance assurance collateral to cover 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 DSB Supplier must post performance assurance collateral to cover Margin the second Business Day following the date of notice unless the Company agrees in writing to extend the period to provide performance assurance collateral to cover Margin. The Company will not unreasonably deny a request for a one-day extension of such period. In the event that the DSB Supplier fails to post performance assurance collateral to cover Margin when due in accordance with this Section 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 DSB Supplier upon receipt of a written request by the DSB Supplier. Surplus Margin means cash or a letter of credit posted by the DSB Supplier as a result of a request by the Company pursuant to Section 6.5(a) that exceeds the Total Exposure Amount less the DSB 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 DSB Supplier. If the DSB 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 DSB 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 DSB Supplier agrees in writing to extend the period to return the surplus Margin. If the DSB 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 DSB Supplier agrees in writing to extend the period to return the surplus Margin. The DSB 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 DSB 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 DSB Supplier posted performance assurance collateral to cover Margin hereunder, the DSB 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 DSB 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 DSB Supplier in the possession of the Company whether held in connection with this Agreement or any other agreement(s) between the Company and the DSB Supplier for the provision of DSB 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 DSB Supplier, including any equity or right of purchase or redemption by the DSB Supplier. The Company shall apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce the DSB Supplier's obligation under this Agreement or any other agreement(s) between the Company and the DSB Supplier for the provision of DSB Supply (the DSB 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 DSB Supplier to:

Copy to:

If to the Company to:

Attn: Kelly Gower – Manager FP&A

Two North Ninth Street, TW20, Allentown, PA 18101

Copy to:

James M. Rouland – Regulatory Policy Manager

Two North Ninth Street, TW20, Allentown, PA 18101

Notice received after the close of the Business Day shall be deemed received on the next Business Day; provided that notice by electronic 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 DSB Supplier's choice, the following are deemed to be acceptable methods for posting security to satisfy Margin requirements, if required:

- (a) Cash; or
- (b) A standby irrevocable letter of credit acceptable to the Company, in its reasonable 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 3). 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 DSB 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 DSB 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.

- (c) If the credit rating of a bank or other financial institution from which a DSB Supplier has obtained a letter of credit falls below the levels specified in Section 6.7(b) of this Agreement, the DSB 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 DSB Supplier shall promptly notify the Company within three (3) Business Days of any change in its credit rating or financial condition or that of its Guarantor. The DSB 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 DSB Supplier whenever it becomes aware of an adverse change, through the provision of notice by the DSB Supplier or otherwise, in the DSB 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 DSB Supplier's Maximum Credit Limit or its Credit Limit adversely changes, the Company will require additional security

from the DSB Supplier in accordance with Section 6.5 of this Agreement. The additional security must be in a form acceptable to the Company in its reasonable discretion, as specified in Section 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 DSB Supplier if the DSB Supplier fails to pay amounts due to the Company pursuant to this Agreement or any other agreement(s) between the Company and the DSB Supplier for the provision of DSB Supply after all of the following events occur:

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

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

6.10 Interest on Cash Held by Company

The Company will pay simple interest calculated at the Interest Index 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 DSB Supplier. The statement will be sent to the DSB 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 5th day of each calendar month.

6.11 No Endorsement of DSB Supplier

The Company's determination that a DSB 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 DSB Supplier. The Company will treat all DSB Suppliers in a non-discriminatory manner and shall provide no preference to any DSB Supplier.

6.12 Multiple DSB Supply Agreements

It is the intention of the Company and the DSB Supplier that, in the event the DSB Supplier is a party to other agreements with the Company for the provision of Default Service or DSB Supply that existed prior to the Effective Date of this Agreement, the Company will calculate the Margin applicable to all such agreements based upon the terms and conditions of the applicable agreements.

ARTICLE 7 Procedures For Energy Scheduling, Capacity Resource Submission And Transmission Procurement

7.1 Load Obligations

The Company and the DSB Supplier acknowledge and agree that (1) the Company shall provide to the DSB Supplier and PJM all information required by PJM, for the purpose of calculating the DSB Supplier's DSB Supply obligations and (2) the DSB Supplier shall schedule DSB Supply obligations pursuant to the PJM Agreements.

7.2 Data Transmission

The procedures for transmitting load obligation data to PJM for the DSB Supplier's DSB 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 DSB Supplier's actual Energy obligations in a supply/usage reconciliation process. The Energy obligations for each DSB Supplier will be determined based on the DSB Supplier Responsibility Amount. .

8.2 Energy Settlement by the Company

In the event PJM imposes penalties against the Company as a result of the DSB Supplier's Transactions or failure to meet PJM requirements, such penalties shall be passed through by the Company to the DSB 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 DSB Supplier.

ARTICLE 9 BILLING AND PAYMENT

9.1 The Company Payment of Obligations to the DSB Supplier

The Company shall pay all amounts due to the DSB Supplier hereunder in accordance with the following provisions. Unless specified otherwise, the following

provisions apply to both Fixed Price Transactions and Spot Market Transactions. Specifically:

(a) Fixed Price Transactions:

- (i) With respect to each Fixed Price Transaction, for each Billing Month, the Company will prepare a Statement of amounts due to the DSB Supplier. This Statement will show the aggregate amounts due based on the DSB Fixed Price indicated in such Transaction Confirmation multiplied by the FMEA of the Billing Month.

(b) General Provisions:

- (i) The Statement(s) will be sent to the DSB Supplier within eight (8) Business Days after the end of the Billing Month via overnight mail or other expeditious means.
- (ii) The Company shall make payment on the first Business Day after the 19th day of each calendar month.
- (iii) 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.

- (iv) 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 all Transactions under this Agreement.
- (v) The Company shall make payments of funds payable to the DSB Supplier by electronic transfer to a bank designated by the DSB Supplier.
- (vi) If a good faith dispute arises between the Company and the DSB 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 (Dispute Resolution) 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.
- (vii) If payment is made to the DSB 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.

- (viii) If DSB Supplier has entered into more than one Transaction with Buyer, DSB Supplier shall receive a single Statement listing the relevant information detailed above.

9.2 Billing for DSB Supplier’s Obligations to Other Parties

Except as set forth in Sections 2.5 and 2.6, the Company shall have no responsibility for billing between the DSB Supplier and PJM; the DSB Supplier and any Energy or Capacity source; or the DSB Supplier and any other third party. The Company will be solely responsible for billing DS Customers for Default Service.

9.3 The DSB Supplier Payment of Obligations to the Company

The DSB 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 DSB Supplier for all Charges owed by the DSB Supplier under this Agreement. The DSB Supplier shall make payment for Charges shown on the invoice. The due date will be on the first Business Day after the 19th day of each calendar month. The invoice will be sent to the DSB 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 all Transactions of this Agreement.
- (c) The DSB 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 DSB Supplier regarding an invoice, the disputing Party shall be obligated to 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 DSB 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 DSB Suppliers, to disconnect (or otherwise curtail, interrupt or reduce deliveries from) the DSB 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. 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 PJM Requirements

The DSB 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 DSB 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.

10.4 Compliance With Governmental Directives

The DSB Supplier also acknowledges and agrees that the Company may need to act in response to governmental or civil authority directives which may affect DSB Load.

The DSB 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 Section 5.1 (a), (c), (d), (e), (f), (g), (h) and (i)), and as a condition precedent thereto the disputing Party shall provide written notice to the other Party setting forth the nature of the dispute, the amount involved, if any, and the remedies sought. The Parties shall use good faith and reasonable commercial efforts to informally resolve such dispute. Such efforts shall last for a period of at least thirty (30) calendar days from the date that the notice of the dispute is first delivered from one Party to the other Party. Any amounts that are owed by one Party to the other Party as a result of resolution of a dispute pursuant to this Section 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 condition precedent requirements of Section 11.1 (Informal Resolution of Disputes) have been satisfied, all unresolved disputes, except as noted below, between the Parties shall be submitted to the appropriate authority as set forth in Section 16.5 of this Agreement. 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”)

or with the PaPUC under relevant provisions of the Applicable Legal Authorities. . The Company, but not the DS Supplier, may also elect, in its sole discretion, to pursue its remedies in the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania in Allentown subject to Section 16.5 of this Agreement. The Party's agreement hereunder is without prejudice to any Party's right to contest the jurisdiction of the FERC or the PaPUC to which a complaint is brought, however, should the Company elect Court, the DS Supplier hereby consents to the jurisdiction of the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania and waives all rights to contest the Company's election of court whether based on forum non conveniens or otherwise.

The Parties hereby acknowledge and agree that both Parties entered into this Agreement and all Transactions under this Agreement freely and in good faith, both had the opportunity to have counsel review the Agreement, and agree 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 DSB 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 the 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 DSB 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.

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, special incidental, punitive, exemplary or indirect Damages, lost profits, loss of financing, business or reputation 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 it is agreed that 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 DSB Supplier upon receipt thereof into the Company's distribution system and until delivery thereof at the retail electric meter of the Customer; and the DSB Supplier shall be deemed to have custody and control of the DSB Supply at all times prior to receipt thereof by the Company. The Party deemed to have custody and control of DSB Supply shall be responsible for all loss or damage to property or injury or death to persons arising in connection with such DSB 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 DSB Supplier with respect to an obligation arising under or in connection with this Agreement, or for which the DSB Supplier has otherwise assumed liability under the terms of this Agreement, the DSB Supplier shall defend (at the Company's option), indemnify and hold

harmless the Company, and its Affiliates, its shareholders, board members, directors, officers and employees, agents, contractors, subcontractors, invitees, successors, representatives, and permitted assigns from and against any and all such third party claims and/or liabilities, and shall appoint counsel at DSB Supplier's expense, subject to the approval of Company to defend any such claims or liabilities, except in the event of and to the extent that there is a final determination by 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 in which event Company agrees to reimburse DS Supplier within sixty (60) days of DS Supplier's demand to the extent that such third party claims and/or liabilities is not covered by insurance required to be maintained pursuant to this Contract solely for Company's share in contributing to the cause of such losses, penalties, expenses or damages. The Company may, at its own expense, retain counsel and participate in the defense of any such suit or action.

- (b) Should the DSB Supplier (the "Indemnified DSB 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 DSB Supplier), indemnify and hold harmless the Indemnified DSB Supplier, its shareholders, board members, directors, officers and employees, from and against any and all such third party claims and/or liabilities, except in the event of and to the extent that there is a final determination by 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 DSB Supplier. The Indemnified DSB 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 Section 14.1(a) or Section 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.

- d) In the event that a Party fails or refuses to indemnify an indemnitee hereunder, in addition to all other obligations and upon adjudication in favor of an indemnitee, the indemnitor shall be responsible for any and all costs associated with bringing such action, including but not limited to attorneys' fees and costs.

14.2 Survives Agreement

The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article 14 (Indemnification) shall survive termination of this Agreement, and as such obligation relates to claims asserted by employees of the indemnified party or otherwise, 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 workers' compensation acts, disability benefit acts or other employee benefit acts and both Parties hereby waive any and all immunities or statutory protections under any workers' compensation act or similar statute.

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 Section 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 DSB 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 DSB 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 DSB Supply to third party, or (ii) the elimination of the Company's obligation to obtain or provide DSB 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 DSB 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 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 DSB 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 DSB 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 DSB 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/Forum Selection

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 the FERC, the Parties agree that all disputes relating to formation, validity, interpretation, execution, amendment, termination and construction of this Agreement not satisfied or resolved under the required resolution provisions of Section 11.1 of this Agreement shall be submitted to the PaPUC for determination, unless the Company, at its sole discretion, elects to submit any such dispute hereunder to the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania in Allentown. If the Company elects Court, 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

DSB 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 of each Transaction 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 DSB Supplier of all DSB Supplier required regulatory approvals, and (iii) PaPUC 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. In the case of an actual or apparent inconsistency between this Agreement and the PPL Electric Utilities Corporation Default Service Request for Proposals Process and Rules (“RFP”), the provisions of this Agreement shall control. 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 DSB 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 DSB 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 DSB Supply. Should the DSB 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 DSB Supplier on behalf of the Company, the Company will defend and indemnify the DSB Supplier for such sales and use taxes and will pay to the DSB Supplier all such tax amounts upon demand. If any Transaction is exempt from the payment of any sales and use taxes as defined above, the affected DSB Supplier will, if requested, provide the Company with valid tax exemption certificates. Should the Company be required to remit any sales and use taxes directly to any applicable taxing authority, other than taxes previously collected by the Company directly from the DSB Supplier, the DSB Supplier will defend and indemnify the Company and will pay to the Company all applicable sales and use tax amounts upon demand.

16.11 Disclosure of Tax Treatment

Notwithstanding anything to the contrary in this Agreement or in the RFP and appendices thereto, DSB Supplier and Company agree that: (i) any obligation of confidentiality with respect to the Parties' Transactions hereunder does not apply, and has

not applied from the commencement of discussions between the Parties, to the tax treatment and tax structure of the Agreement and all Transactions thereunder, and (ii) DSB Supplier and Company (and each of their respective employees, representatives, or agents) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Agreement and the Transactions thereunder, as well as any materials of any kind (including opinions or other tax analyses) that have been provided to the disclosing Party relating to such tax treatment and tax structure, all within the meaning of Treasury Regulations Section 1.6011-4; provided, however, that the foregoing is not intended to affect any privileges that each Party is entitled, at its reasonable discretion, to maintain, including with respect to any confidential communications with its attorney or any confidential communications with a federally authorized tax practitioner under Section 7525 of the Internal Revenue Code.

16.12 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) of this Agreement.

16.13 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) References to the singular include the plural and vice versa;
- (c) 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;
- (d) In carrying out its rights, obligations and duties under this Agreement, each Party shall have an obligation of good faith and fair dealing; and
- (e) 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.

16.14 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 16.14, 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 16.14, and further provided that in no event shall a document or information be disclosed in violation of the standard of conduct requirements established by the 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 or is being disclosed to PJM or PaPUC in order for the Transactions contemplated by this Agreement to be consummated or to otherwise comply with the provisions of this

Agreement, 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 16.14. 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 Section 16.14, 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.

16.15 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 DSB 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;
- 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.

16.16 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.

16.17 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”).

16.18 Counterparts and Electronic Signatures

This Agreement including all Transaction Confirmations hereunder may be executed in counterparts, each of which will be considered an original, but all of which shall constitute one instrument. Further, the Parties agree that the electronic signature of a Party to this Agreement and the forms appended herein shall be as valid as an original signature of such Party and shall be effective to bind such Party. The Parties agree that any electronically signed document shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the Parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither Party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, “electronic signature” means either a manually signed original signature or an electronic symbol or process attached to or logically associated with a record and executed or adopted by a Party with the intent to sign the record that is then transmitted by electronic means; transmitted by electronic means” means email transmission,

facsimile transmission or other similar electronic or digital means of communication providing evidence of transmission, including transmission via the internet as a “pdf” (portable document format) or equivalent format. The use of electronic signature shall be approved by PPL Electric prior to use by the DS Supplier. The requirement for Attestation and Witness is waived upon approval of electronic signature by PPL Electric.

16.19 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:

[DSB SUPPLIER]

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

ATTEST:

**PPL ELECTRIC UTILITIES
CORPORATION**

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

APPENDIX A

Maximum Unsecured Credit

S&P	Moody's	Fitch	Percentage of TNW	Credit Limit Cap (\$)
A- and above	A3 and above	A- and above	5%	60M
BBB+	Baa1	BBB+	5%	40M
BBB	Baa2	BBB	5%	30M
BBB-	Baa3	BBB-	5%	15M
BB+	Ba1	BB+	5%	5M
BB	Ba2	BB	5%	3M
BB-	Ba3	BB-	5%	1M
Below BB-	Below Ba3	Below BB-	0	0

Credit Rating Determination Methodology

The DSB Supplier or its Guarantor must have a minimum senior unsecured debt rating (or, if unavailable, corporate issuer rating) equal to the Minimum Rating¹. If the DSB Supplier or its Guarantor is rated by more than one rating agency, and the ratings are split, the lowest of the available ratings will be used. The Maximum Credit Limit shall be calculated as the lesser of the percentage of TNW or the Credit Limit Cap.

¹ **Minimum Rating** – The lowest credit rating, as set forth in this Appendix A, that a DSB Supplier or Guarantor must have to obtain unsecured credit.

APPENDIX B

MtM Exposure Amount Calculation Information

Table 1 provides information that will be determined on each DSB Solicitation Date for each month of the Delivery Period for each applicable Transaction. An average of broker quotes will be used to develop monthly on- and off-peak energy forward price marks when quotes are available for individual months, two-month blocks (e.g., January-February) or quarterly blocks (e.g., October-December)². For all the remaining months the Company will be using a proprietary method that reflects forward market conditions. The Company reserves the right to examine the quotes from sources for anomalies or inconsistencies and to discard anomalous quotes as appropriate in its reasonable discretion. The initial mark for each Billing Month is the On-Peak Energy Forward Price and the Off-Peak Energy Forward Price that was calculated on the date that the DSB Solicitation closes and will not change over the life of the applicable Transaction.

After the close of the DSB Solicitation On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM credit exposures will be adjusted monthly to reflect the most current changes. If quotes are obtained from more than one broker for a month, the mark for that month will be the average mark over all sources that are available. If quotes for individual months are unavailable then the Company may make use of quotes that are available for a two-month block or a quarterly block to develop the monthly mark as described above. The Company reserves the right to examine the quotes from sources for

² If quotes are obtained from more than one broker for a month, the mark for that month will be the average mark over all sources that are available. If quotes for individual months are unavailable, then the Company may make use of quotes that are available for a two-month block or a quarterly block to develop the monthly mark. For example, when an On-Peak Energy Forward Price is available for a two-month block or a quarterly block and a component of the block are both quoted, the component will be equal to its quoted price and the other months in the block will be constructed so that the weighted average (weighted by on-peak hours in each month) of the block equals the quote for the block; e.g., Q4 2013 = \$50 and Oct 2013 = \$40; therefore, Oct 2013 = \$40 and Nov-Dec 2013 = \$55.61 (i.e., $(\$50 \times (336 + 320 + 368) - \$40 \times 336) / (336 + 320) = \55.61). If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2014 = \$35, then Jan 2014 = \$35 and Feb 2014 = \$35.

anomalies or inconsistencies and to discard anomalous quotes as appropriate in its reasonable discretion. On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices for the months, two-month blocks or quarterly blocks where broker quotes are unavailable will be equal to the last available broker quotes or in case they have not been quoted on the broker sheets since the applicable DSB Solicitation closed, they will be equal to the marks set at the close of the applicable DSB Solicitation.

MtM Calculation Example

Parameters

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

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

(a)

All On-Peak Energy Forward Prices and Off-Peak Energy Forward Prices are based on a Market Price Hub that the Company will specify as follows: PJM Western Hub.

APPENDIX C

DSB Supply Specifications

- 1) With respect to a Transaction, DSB Supplier shall provide Block Service on a firm and continuous basis. The terms of the Transaction shall be set forth in a Transaction Confirmation to this Agreement, in a form as set forth in Exhibit 1. Block Service shall mean, all of the following necessary services or products that are required to supply the DSB Supplier Responsibility Amount for the DS Customers associated with the Transaction Confirmation, including: Energy, Transmission other than Non-market-based Transmission Services, transmission losses, congestion management costs, and such other services or products (but excluding Capacity, Ancillary Services, and Pennsylvania Alternative Energy Portfolio Standard (“AEPS”) obligation) that are required to supply the DSB Supplier Responsibility Amount delivered to the Delivery Point.
- 2) With respect to a Transaction, the Company shall be responsible, at its sole cost and expense, for the costs of Non-market-based Transmission Services. Additionally, the Company will be responsible for any distribution service necessary to serve the DSB Supplier Responsibility Amount.
- 3) Except as provided in Paragraph 1 above, DSB Supplier bears the risk of any other changes in PJM products and pricing during the term of all Transactions under this Agreement. However, if there are any other new FERC-approved PJM transmission charges other than those referred to in Paragraph 1 above or other new PJM charges and costs, charged to network transmission customers, that

DSB Supplier believes the Company should recover through retail rates because they are directly related to the Company's obligations, then Company may file with the PaPUC a request for approval to recover such new costs. DSB Supplier is required to intervene in any such proceeding before the PaPUC. Such new costs can only be charged to the Company to the extent that the PaPUC approves the Company's recovery of those costs. DSB Supplier agrees to be bound by the decision of the PaPUC (subject to the normal rules for appeal of the decision of the PaPUC) and waives all claims concerning this issue before the FERC. Notwithstanding the foregoing, nothing in the Agreement shall preclude DSB Supplier or Company from taking any position before the FERC regarding the creation and allocation of any such PJM charges.

EXHIBIT 1 – TRANSACTION CONFIRMATION EXAMPLE

This Transaction Confirmation letter is being provided pursuant to and in accordance with the Default Service Block Supplier Master Agreement (“Agreement”) dated [INSERT SMA Effective DATE] between PPL Electric Utilities Corporation (“Company”) and [INSERT DSB SUPPLIER NAME] (“DSB 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 [INSERT DSB Solicitation PaPUC approval date] (“Transaction Date”).

Transaction Type: [Fixed Price Transaction]

Product: Block Service

Customer Group: Residential

Service Type: Rate Schedules RS and RTS.

Delivery Point: PPL_RESID_AGG

Delivery Period: [MONTH] [DAY], [YEAR] through [MONTH] [DAY], [YEAR]

The DSB Supplier’s DSB Supplier Responsibility Amount is [INSERT]. DSB Supplier will supply [INSERT] Tranche(s) at a DSB Fixed Price of \$ [INSERT] per MWh for the duration of the Delivery Period.

Service Type	Total Tranches	Size of a Tranche		
Rate Schedules RS and RTS	[INSERT]	25 MW		

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

WITNESS:

**PPL ELECTRIC UTILITIES
CORPORATION**

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

WITNESS:

[DSB SUPPLIER]

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

EXHIBIT 2 – FORM OF NOTICE

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

BUYER: PPL Electric Utilities Corporation

DSB Supplier: [INSERT]

All Notices:

Street: **Two North Ninth Street**
City/State/Zip: **Allentown, PA 18101**
Attn: **James M. Rouland**
Facsimile: **N/A**
Duns: **00-790-9427**
Federal Tax ID Number: **23-0959590**
Email: **jmrouland@pplweb.com**

All Notices:

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

Invoices:

Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: **N/A**
Email: **jmrouland@pplweb.com**

Invoices:

Attn:
Phone:
Facsimile:
Email:

Scheduling:

Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: **N/A**
Email: **jmrouland@pplweb.com**

Scheduling:

Attn:
Phone:
Facsimile:
Email:

Payments:

Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: **N/A**
Email: **jmrouland@pplweb.com**

Payments:

Attn:
Phone:
Facsimile:
Email:

Wire Transfer
BNK: **Wells Fargo**
ABA: _____
ACCT: _____

Credit and Collections:
Attn: **Nathan Huber**
Phone: **610-774-7323**
Facsimile: N/A
Email: **NGHuber@pplweb.com**

**With Additional Notices of an
Event of Default to:**
Attn: **James M. Rouland**
Phone: **610-774-3042**
Facsimile: N/A
Email: **jmrouland@pplweb.com**

Wire Transfer
BNK:
ABA:
ACCT:

Credit and Collections:
Attn:
Phone:
Facsimile:
Email:

**With Additional Notices of an
Event of Default to:**
Attn:
Phone:
Facsimile:
Email:

**EXHIBIT 3 - PERFORMANCE ASSURANCE EVERGREEN
LETTER OF CREDIT**

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

IRREVOCABLE STANDBY LETTER OF CREDIT NO. _____

ISSUE DATE _____

EXPIRY DATE: _____

APPLICANT

[NAME]

[ADDRESS]

BENEFICIARY

PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH STREET
ALLENTOWN, PA 18101
ATTN: JAMES ROULAND

CURRENCY AMOUNT

USD *****\$ _____

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

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

THE BELOW MENTIONED DOCUMENT(S) MUST BE PRESENTED ON OR

BEFORE THE EXPIRY DATE OR ANY AUTOMATICALLY EXTENDED EXPIRY DATE, AS PROVIDED HEREIN, OF THIS INSTRUMENT IN ACCORDANCE WITH THE TERMS AND CONDITIONS OF THIS LETTER OF CREDIT.

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

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

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

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

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

PARTIAL AND MULTIPLE DRAWINGS ARE PERMITTED. IN THE EVENT OF ANY PARTIAL DRAWING WE WILL, PROMPTLY FOLLOWING PRESENTATION THEREOF, RETURN THE ORIGINAL LETTER OF CREDIT AND ALL

AMENDMENTS TO YOU. ALL AMOUNTS PAID BY US TO BENEFICIARY IN COMPLIANCE WITH THIS LETTER OF CREDIT SHALL CONSTITUTE A PRO TANTO REDUCTION IN THE STATED AMOUNT OF THIS LETTER OF CREDIT.

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

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

IN THE EVENT OF ANY NON-CONFORMING PRESENTATION, WE SHALL IMMEDIATELY NOTIFY BENEFICIARY IN WRITING BY FACSIMILE TO FAX NUMBER 610-774-2881 THAT THE PRESENTATION HAS BEEN REJECTED, WHICH NOTICE SHALL INDICATE THE REASONS FOR DISHONORING SUCH PRESENTATION AND SHALL PLACE AT THE DISPOSAL OF BENEFICIARY THE DOCUMENTS PRESENTED BY BENEFICIARY IN SUPPORT OF ITS DEMAND FOR PAYMENT. BENEFICIARY MAY THEREAFTER PRESENT DOCUMENTS AND RECEIVE PAYMENT HEREUNDER IN THE EVENT A CONFORMING PRESENTATION IS MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

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

THE TERM "BUSINESS DAY" AS USED HEREIN MEANS ANY DAY OTHER THAN

(I) A SATURDAY, (II) A SUNDAY, OR (III) A DAY ON WHICH BANKING INSTITUTIONS LOCATED IN THE CITY OF NEW YORK, NEW YORK ARE REQUIRED OR AUTHORIZED BY LAW TO BE CLOSED.

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS, FEES, COSTS, AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 ("ISP98"). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK], INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE [COMMONWEALTH OF PENNSYLVANIA; STATE OF NEW YORK]. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
3. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS, AND THEN ONLY TO THE EXTENT THAT, THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER EXPRESSLY WAIVING SUCH RIGHT OR RIGHTS. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF ANY BREACH OR NON-COMPLIANCE AFTER THE WAIVER.
4. A FAILURE TO MAKE ANY DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR ANY SUBSEQUENT DEMAND OR DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS LETTER OF CREDIT.

AUTHORIZED
SIGNATURE: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

EXHIBIT 4 – UNCONDITIONAL GUARANTY

THIS GUARANTY AGREEMENT (this “Guaranty”) is made and entered into as of this _____ day of _____, by _____ (the “Guarantor”), with an address at _____, in favor of PPL Electric Utilities Corporation (the “Buyer”), with an address at Two North Ninth Street, Allentown, PA 18101, in consideration of all Transactions for Default Service, Block Service and Alternative Energy Credits under Supplier Master Agreement(s) (“SMA(s)”) between PPL Electric Utilities Corporation and _____ (the “Seller”), including but not limited to all transactions under other agreements providing for default service or similar service, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged. Unless otherwise defined herein, all capitalized terms used herein shall have the respective meanings assigned thereto in the applicable SMA(s).

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

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

1. Guaranty of Obligations.

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

2. Nature of Guaranty; Waivers

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

any time Buyer or any other person or entity exhaust any right to take any action against Seller or Seller's assets or any other guarantor, person or entity, and Buyer shall not be bound or obligated to exhaust its recourse against Seller or any other person or entity or against any performance assurance or other collateral it may hold or take any other action before being entitled to receive payment from Guarantor. Any failure of Buyer to give notice shall not discharge, alter or diminish in any way Guarantor's obligations under this Guaranty. The Guarantor waives all claims, defenses, and rights of set-off based on suretyship or impairment of collateral or any other defenses that would constitute a legal or equitable discharge of Guarantor's obligations, except any claims, defenses, or rights of set-off of Seller in respect of its obligations under the SMA(s) that are expressly reserved under Section 2(c) above.

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

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

- (a) it is a [limited liability company, corporation, limited partnership, general partnership] duly organized, validly existing and in good standing under the laws of the jurisdiction of its [formation, organization, incorporation] and has the [corporate power] [power] and authority to conduct the business in which it is currently engaged and enter into and perform its obligations under this Guaranty;
- (b) it has the [corporate power] [power] and authority and the legal right to execute and deliver, and to perform its obligations under, this Guaranty, and has taken all necessary [corporate action] [action] to authorize its execution, delivery and performance of this Guaranty;
- (c) this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable in accordance with its terms, subject to applicable

bankruptcy, reorganization, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law);

- (d) the execution, delivery and performance of this Guaranty will not violate any provision of any requirement of law or contractual obligation of the Guarantor;
 - (e) no consent or authorization of, filing with, or other act by or in respect of, any arbitrator or governmental authority and no consent of any other person (including, without limitation, any stockholder or creditor of the Guarantor) is required in connection with the execution, delivery, performance, validity or enforceability of this Guaranty, other than any which have been obtained or made prior to the date hereof and remain in full force and effect; and
 - (f) no litigation, investigation or proceeding of or before any arbitrator or governmental authority is pending or, to the knowledge of the Guarantor, threatened by or against the Guarantor that could reasonably be expected to have a material adverse effect on this Guaranty or Guarantor's ability to perform all of its obligations hereunder.
4. Repayments or Recovery from the Buyer. If any demand is made at any time upon the Buyer for the repayment or recovery of any amount received by it in payment or on account of any of the Obligations, including but not limited to upon the bankruptcy, insolvency, dissolution or reorganization of the Seller and if the Buyer repays all or any part of such amount by reason of any judgment, decree or order of any court or administrative body or by reason of any settlement or compromise of any such demand, the Guarantor shall be and remain liable hereunder for the amount so repaid or recovered to the same extent as if such amount had never been received originally by the Buyer. The provisions of this section will be and remain effective notwithstanding any contrary action which may have been taken by the Guarantor in reliance upon such payment, and any such contrary action so taken will be without prejudice to the Buyer's rights hereunder and will be deemed to have been conditioned upon such payment having become final and irrevocable. Furthermore, this Guaranty shall continue to be effective or be reinstated, as the case may be, without any release or discharge of any obligations if at any time any payment of any of the Obligations is rescinded, avoided, recovered or must otherwise be returned by Buyer upon the insolvency, bankruptcy, or reorganization of Seller, Guarantor or any other guarantor or any other person or entity or otherwise, all as though such payment had not been made.
5. Enforceability of Obligations. No modification, limitation or discharge of the obligations of Seller arising out of or by virtue of any bankruptcy, reorganization

or similar proceeding for relief of debtors under federal or state law will affect, modify, limit or discharge the Guarantor's liability in any manner whatsoever and this Guaranty will remain and continue in full force and effect and will be enforceable against the Guarantor to the same extent and with the same force and effect as if any such proceeding had not been instituted. The Guarantor waives all rights and benefits which might accrue to it by reason of any such proceeding and will be liable to the full extent hereunder, irrespective of any modification, limitation or discharge of the liability of Seller that may result from any such proceeding.

6. Postponement of Subrogation. Guarantor shall not be subrogated to any of the rights (or if subrogated by operation of law, such Guarantor hereby waives such rights to the extent permitted by applicable law) of Buyer as the result of any payment or enforcement of any of the Obligations until all of the SMA(s) have terminated and all Obligations (other than contingent indemnities not then due) have been paid in full (such date, the "Obligations Full Payment Date"). If any amount shall be paid to Guarantor on account of subrogation at any time prior to the Obligations Full Payment Date, such amount shall be held by Guarantor in trust for Buyer, segregated from other funds of Guarantor, and shall, forthwith upon receipt by Guarantor, be turned over to Buyer in the exact form received by Guarantor (duly endorsed by Guarantor to Buyer, if required) to be applied against the Obligations, whether due or to become due, in such order as Buyer may determine. On the Obligations Full Payment Date, Buyer agrees that Guarantor shall be subrogated to the rights of Buyer against Seller to the extent of Guarantor's payments to Buyer hereunder that have not been rescinded, avoided or otherwise required to be returned.

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

All communications to Buyer shall be directed to:

Attn: James Rouland
Phone: 610-774-3042
Fax: 610-774-2881
E-mail: jmrouland@pplweb.com
Address: 2 North 9th Street, TW20, Allentown, PA 18101

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

All communications to Guarantor shall be directed to:

Attn: _____
Phone: _____
Fax: _____

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

8. Preservation of Rights. No delay or omission on the Buyer's part to exercise any right or power arising hereunder will impair any such right or power or be considered a waiver of any such right or power, nor will the Buyer's action or inaction impair any such right or power. The Buyer's rights and remedies hereunder are cumulative and not exclusive of any other rights or remedies which the Buyer may have under other agreements with the Guarantor or in respect of any performance assurance or at law or in equity.
9. Illegality. In case any one or more of the provisions contained in this Guaranty should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
10. Amendments. No modification, amendment or waiver of any provision of this Guaranty nor consent to any departure by the Guarantor therefrom, will be effective unless made in a writing signed by the Buyer, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case will entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstance.
11. Entire Agreement. This Guaranty (including the documents and instruments referred to herein) constitutes the entire statement of the terms of this Guaranty and supersedes all other prior agreements and understandings, both written and oral, between the Guarantor and the Buyer with respect to the subject matter hereof.
12. Successors and Assigns. This Guaranty will be binding upon the successors and permitted assigns of Guarantor and inure to the benefit of the Buyer and its successors and assigns. Any assign must meet the requirements of a Guarantor under the SMA. Guarantor shall not assign this Guaranty in whole or in part without Buyer's prior written consent, which consent shall not be unreasonably withheld or delayed, except that this Section 12 shall not limit the Guarantor's right to assign this Guaranty, along with substantially all of the Guarantor's assets and business to a successor entity or Affiliate that concurrently assumes in a writing provided to the Buyer all of Guarantor's obligations hereunder and (i) where the successor Guarantor's Lowest Credit Rating is equal to or greater than

the Guarantor's Lowest Credit Rating or where the successor Guarantor's Lowest Credit Rating is equal to or greater than BB-, as rated by Standard & Poor's Financial Services LLC, a part of McGraw-Hill Financial (or its successor) ("S&P") or Fitch Ratings, Inc. (or its successor) ("Fitch"), or Ba3, as rated by Moody's Investors Service, Inc. (or its successor) ("Moody's"), and (ii) the Seller is in compliance with all of its obligations under the SMA(s) before and immediately after giving effect to such assignment and assumption. The "Lowest Credit Rating" shall mean the lowest of the senior unsecured long-term debt ratings (or, if unavailable, the most current corporate issuer rating) determined by S&P, Moody's or Fitch immediately before such transfer and assumption. Upon any such delegation and assumption of obligations by a successor Guarantor, the Guarantor shall be relieved of and fully discharged from all of its obligations hereunder, whether such obligations arose before or after the date of such delegation and assumption.

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

acknowledges and agrees that the venue provided above is the most convenient forum for both the Buyer and the Guarantor. The Guarantor waives any objection to venue and any objection based on a more convenient forum in any action instituted under this Guaranty.

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

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

[Guarantor]

By: _____

Name: _____

Title: _____

EXHIBIT E

PPL Electric Utilities Corporation

Alternative Energy Credits

Request for Proposals (RFP) Process and Rules

[Month] [Day], 2021

ALTERNATIVE ENERGY CREDITS RFP PROCESS AND RULES

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ARTICLE 1 INTRODUCTION

1.1 Overview

- 1.1.1 Capitalized terms in this document, which are not defined explicitly herein, are defined in the PPL Electric Utilities Corporation Alternative Energy Credits Supplier Master Agreement (“AEC SMA”) incorporated hereto as Appendix 1.
- 1.1.2 PPL Electric Utilities Corporation (“Company” or “PPL Electric”) has proposed a competitive bidding process to obtain Alternative Energy Credits (“AEC”) for the Company to meet its obligations, pursuant to Pennsylvania’s Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8 (“AEPS Act”). An AEC is a tradable instrument that is used to establish, verify, and monitor compliance with the AEPS Obligation; one AEC equals one megawatt hour of electricity from an alternative energy source.
- 1.1.3 PPL Electric is issuing this RFP to procure AECs necessary to meet the obligations under the AEPS Act associated with PPL Electric’s provision of default service pursuant to Chapter 28 of the Pennsylvania Public Utility Code, 66 Pa. C. S. §§ 2801-2812, and Pennsylvania Public Utility Commission (“PUC” or “Commission”) Orders and Regulations for the period beginning June 1, 2021 through May 31, 2025. The AECs will be procured through multiple solicitations to meet PPL Electric’s Tier 1, Tier 2, and Photo-voltaic (a subset of the Tier 1 AECs) obligations associated with the AEPS Act. Each type of AECs (i.e., Tier 1, Tier 2, and Photo-voltaic) will be solicited separately.
- 1.1.4 A “Product” is an AEC provided: (i) for a given type of AEPS Obligation (i.e., Tier I, Tier II, and Photo-voltaic); (ii) associated with a given vintage period (period when the electricity is generated for which the AEC is based on); and (iii) under the terms of the AEC SMA. An AEC Supplier selected to supply a Product or Products shall be paid under a firm price contract in which it will receive the price it bid.
- 1.1.5 For each Product, the RFP will solicit a quantity of AECs known as the Target Quantity in each solicitation. The Target Quantity of a Product in a solicitation will be divided into tranches. A tranche of a Product represents an equal quantity of AECs of the Target Quantity of such Product.
- 1.1.6 Any prospective supplier, including any PPL Electric affiliate that can meet the Bidder Qualification requirements established in Article 4, and is willing to provide prices at which it will supply tranches of any Product, may respond to any solicitation in this RFP.
- 1.1.7 Any prospective respondent to this RFP must meet the Bidder Qualification requirements provided in Article 4 and submit Bid Proposal(s) as described in Articles 5 and 6. The Bidder Qualification requirements generally require the prospective RFP Bidder to provide certain evidence of being a recognized energy market participant. A Bid Proposal must include the RFP Bidder’s Bid(s) for each Product it is interested in bidding on and must be accompanied by the executed AEC SMA and sufficient Bid Assurance

Collateral. A Bid is a price, in U.S. Dollars per AEC for each Product, at which the RFP Bidder is willing to supply a number of tranches of a given Product.

- 1.1.8 All elements of this RFP will be carried out pursuant to the RFP Schedule developed pursuant to Section 2.2. In general, for each solicitation to be conducted under this RFP, there will be a pre-specified time period prior to the submission of Bid Proposals wherein RFP Bidders can: 1) express interest in offering supplies; 2) obtain data on supply obligations; 3) attend a Bidder Information Session; and 4) submit and receive answers to questions regarding the solicitation.
- 1.1.9 On the Bid Proposal Due Date of any solicitation, a qualified RFP Bidder may submit Bid Proposals for one or more Products, subject to the restrictions of this Article 1. In any solicitation, the RFP Bidder may only submit Bids for whole numbers of tranches. No Bid for any number of tranches of any Product may be made contingent upon winning or losing another Bid for some number of tranches of another Product.
- 1.1.10 For each solicitation, the Bid Proposal Evaluation Team will present the results of that solicitation to the PUC within one (1) business day of the Bid Proposal Due Date of that solicitation. At that time, the PUC will have one (1) business day to consider the report of the Bid Proposal Evaluation Team and to render a final decision on the results of that solicitation. The PUC may either accept or reject all of the Bid Proposals presented for a Product, as defined in Section 1.1.4, in its entirety. If the PUC does not act within one (1) business day from its receipt of the bid results, the winning Bids are deemed to be approved.
- 1.1.11 If, for a given Product, the PUC rejects all Bids in any solicitation, or if some tranches remain unfilled, the unfilled tranches will be included in the next solicitation provided there remains another solicitation for the procurement of AECs and the Product is not needed for Buyer's compliance of the AEPS Act prior to the next solicitation. In the event an AEC Supplier defaults, PPL Electric will offer AEC supply assignment as specified in Section 7.5. If AECs are required to comply with AEPS Act requirements, PPL Electric will obtain the necessary AECs through brokers in the interim. If some AEPS obligation remains unprocured, the Company will expeditiously seek guidance and approval from the PUC to address this shortfall.

1.2 Summary of RFP Documents

- 1.2.1 The following documents are appended to, and shall be considered an integral part of, this RFP:

- Appendix 1: PPL Electric Utilities Corporation AEC SMA
- Appendix 2: Expression of Interest Form
- Appendix 3: Confidentiality Agreement
- Appendix 4: AEC Delivery Timing Acknowledgement Form
- Appendix 5: Bid Assurance Letter of Credit
- Appendix 6: Bid Proposal Spreadsheets
- Appendix 7: Binding Bid Agreement

1.3 AEC Supplier Obligations

- 1.3.1 This section contains a general description of the AECs, and an AEC Supplier's obligations. It is only a summary and is subject to and qualified in its entirety by the AEC SMA, incorporated hereto as Appendix 1.
- 1.3.2 The AEC SMA executed pursuant to this RFP will be for AECs only. AEC Supplier must enable PPL Electric to comply with the Alternative Energy Portfolio Standards, including the regulations adopted thereunder, (together the AEPS Obligation) and shall provide AECs to fulfill PPL Electric's AEPS Obligation as set forth in the AEPS Act and PUC rules and Orders in the amounts it is awarded. Information related to the acceptable vintage period for AECs to be procured for a solicitation will be provided in the RFP Addendum issued for that solicitation.
- 1.3.3 AEC Supplier and PPL Electric will work together to establish the proper accounts within the PJM-EIS Generation Attribute Tracking System ("GATS"), or its successor as approved by the PUC. AEC Supplier shall be a subscriber to GATS and is responsible for paying its annual subscription fee. The AEC Supplier shall transfer AECs into PPL Electric's GATS account(s) equal to the number and type awarded within 5 business days of the approval of the bid results by the PUC. AEC Suppliers will be required to participate exclusively in GATS to demonstrate proof of performance and will be responsible for any costs, expenses, and penalties incurred by PPL Electric associated with non-performance.
- 1.3.4 Subject to the AEC SMA, failure to provide AECs may require the AEC Supplier to pay PPL Electric in an amount equal to the alternative compliance payment required by the Act for each AEC not delivered, as well as damages.
- 1.3.5 AEC Supplier will provide to PPL Electric all information regarding the AECs it provides that may be required by the PUC rules governing reporting and auditing of PPL Electric's compliance with the AEPS Obligation.

ARTICLE 2 INFORMATION AND SCHEDULE

2.1 Information Provided to Potential Bidders

2.1.1 PPL Electric and its RFP Manager have established a Web site that will be the main source of information for this RFP. Prospective RFP Bidders are requested to use this Web site for current data and information about all aspects of this RFP and to access all essential RFP-related documents. Certain data may be password-protected at PPL Electric's sole discretion, in which case passwords would be provided upon execution of the Confidentiality Agreement as described in Section 4.3.

2.2 RFP Schedule

2.2.1 RFP schedules will be established by PPL Electric and its RFP Manager. PPL Electric may publish advertisements in daily and weekly energy publications and the RFP Manager will notify potential bidders to inform them of the upcoming solicitation. Beginning [], AEC RFP solicitations will take place on a semi-annual basis. The Bid Proposal Due Dates will occur on or about the following dates:

- July [], 2021
- January [], 2022
- July [], 2022
- January [], 2023
- July [], 2023
- January [], 2024
- July [], 2024
- January [], 2025

2.2.2 AEC solicitations will generally span a four-week to six-week time period. Solicitation activities are shown below. The expected completion date of each of the activities shown is expressed in the approximate number of weeks prior to the expected execution of contracts for AECs.

- Three weeks or more: RFP Addendum Issued, Bidder Interest Form and Confidentiality Agreement Available;
- Two weeks: Bidder Qualifications Due;
- One-half weeks: Cure Deficiency Deadline;
- One week: Qualified Bidders Notified;
- Final week: Bid Proposals Due, PUC Decision Issued, Transaction Confirmations Issued.

2.2.3 The RFP Schedule and Tier 1, Tier 2, and Photo-voltaic AEC quantities to be procured (each such quantity, the "Target Quantity" of a Product), the number of Available Tranches for each Product and the Bid Assurance Collateral requirements for each solicitation will be provided in the RFP Addendum issued for that solicitation.

2.3 Available Tranches

- 2.3.1 The Available Tranches for each Product in a solicitation are the number of tranches the Company seeks to procure for that Product in that solicitation. In the event that PPL Electric is unable to secure AEC Suppliers for all of the Available Tranches for a Product in a solicitation, the unfilled tranches in that solicitation will be procured as specified in Section 1.1.11.

ARTICLE 3 GENERAL REQUIREMENTS FOR PROPOSALS

3.1 RFP General Requirements

- 3.1.1 A Proposal consists of Bidder Qualifications (a response to the Bidder Qualification requirements in Article 4 of this RFP) and one or several Bid Proposal(s) for a given solicitation with its accompanying documents (as described in Article 5). A respondent to this RFP is an RFP Bidder. An RFP Bidder that fulfills the Bidder Qualification requirements can submit a maximum of one Bid Proposal for each Product on each Bid Proposal Due Date in response to this RFP.
- 3.1.2 Bidder Qualifications and Bid Proposals must: (i) adhere to this RFP's terms and conditions; and (ii) fulfill all requirements in Articles 3 through 6 of this RFP.
- 3.1.3 Bidder Qualifications and Bid Proposals that do not adhere to the terms and conditions of this RFP and/or do not fulfill all requirements set forth in Articles 3 through 6 of this RFP, will not be considered.
- 3.1.4 It is the intention, but not the obligation, of the Company to enter into an AEC SMA, with at least one winning RFP Bidder.
- 3.1.5 PPL Electric is not responsible or liable for any costs incurred by the RFP Bidder in responding to this RFP, including any presentations, demonstrations, or travel, meals or other out-of-pocket expenses. In addition, PPL Electric is not responsible or liable to any broker, consultant, or other person or entity acting on your behalf for any brokerage or other fee or payment related directly or indirectly to the RFP proposal submission or to the selection of a RFP Bidder for Default Service Supply, whether or not a contract is awarded and executed.
- 3.1.6 The RFP Bidder, at its own cost and expense, shall defend PPL Electric, its parent company, and its subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders, executors, administrators, successors and assigns, against any and all manner of past, present, or future claims, demands, disputes, controversies, complaints, suits, actions, proceedings, or allegations of any kind which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any covenant by

the RFP Bidder set forth herein. The RFP Bidder shall indemnify and hold harmless PPL Electric, its parent company, subsidiaries, affiliates, successors and assigns, and each and every one of their respective past, present, or future officers, directors, trustees, employees, shareholders and agents, as well as the heirs, executors, administrators, successors and assigns against any and all liens, judgments, liabilities, losses, injuries, damages, fees (including consulting expert and attorney fees), fines, costs or expenses which in any manner relate to, arise out of, or result from any false statements or misrepresentations, intentional or unintentional, in the Bidder Qualifications and Bid Proposal or breach of any warranty by the RFP Bidder as set forth herein.

- 3.1.7 The submission of any portion of a Proposal to the Company constitutes the RFP Bidder's acknowledgement and acceptance of all the terms and conditions of this RFP, regardless of the outcome of this RFP or the ultimate fate of such Proposal.
- 3.1.8 An Officer of the RFP Bidder is an individual empowered to undertake contracts and bind the RFP Bidder. The forms and/or agreements attached as Appendices 3, 4 and 7, as well as Appendix 1 if an award is made to the RFP Bidder, shall be executed by individuals who are Officers of the RFP Bidder. Unless otherwise noted, all other representations with respect to this RFP must be made by an Officer of the RFP Bidder.
- 3.1.9 Each RFP Bidder must comply with all the Bidder Qualification requirements described in Article 4.
- 3.1.10 All information provided, and certifications made in the Bidder Qualifications, must remain valid and remain in full force until fifteen (15) business days after the day scheduled for the approval of the bid results by the PUC. Regardless of the reason, if any information provided in the Bidder Qualifications for a given solicitation changes or any certification fails to remain valid, it is the sole responsibility of the RFP Bidder to notify the Bidder Qualification Evaluation Team of such change at least three (3) business days before the submission of any Bid Proposal on a Bid Proposal Due Date. Failing to do so may result in disqualification of the RFP Bidder and the Bid Proposal for that solicitation. The Bidder Qualification Evaluation Team reserves the right to vary the assessment of Bidder Qualifications based on the revised information provided by the RFP Bidder.

ARTICLE 4
BIDDER QUALIFICATION

4.1 Overview of Bidder Qualification Process

- 4.1.1 The purpose of the Bidder Qualification process is to determine the applicant's eligibility to bid. An applicant is qualified to bid in a given solicitation if, by the Cure Deficiency Deadline of that solicitation, it satisfactorily completes or updates the following: 1) submits an Expression of Interest Form; 2) executes the Confidentiality Agreement; 3) demonstrate that it has a GATS account and submits an executed copy of the AEC Delivery Timing Acknowledgment provided as Appendix 4; 4) submits an executed copy of the Binding Bid Agreement provided as Appendix 7; and 5) provides a fully executed Electronic Funds Transfer form and Bidder W-9. With the submission of a Bid Proposal, qualified RFP Bidders will be required to post Bid Assurance Collateral in an amount directly proportional to the number of tranches bid upon. The Bid Assurance Collateral will be returned to the RFP Bidder subsequent to contract execution and delivery of AECs or the rejection of its bid(s), as described in Section 5.3 (Bid Assurance Collateral).
- 4.1.2 Bidder Qualifications will be available to be completed online by RFP Bidders through a Proposal Submission Web site as further explained in Section 6.1.2 and the electronic signature of a party to a form or document required as part of Bidder Qualifications shall be as valid as an original signature of such party and shall be effective to bind such party as further explained in Section 6.2.4.
- 4.1.3 Applicants are urged to provide the materials necessary to establish eligibility as soon as practicable. PPL Electric will, exercising reasonable efforts, to notify applicants of any deficiencies in their submittals in accordance with Section 7.2 no later than forty-eight hours before the Cure Deficiency Deadline for the appropriate solicitation as indicated in an RFP Schedule developed subject to Section 2.2. However, PPL Electric does not bear any responsibility for failure to notify applicants of deficiencies prior to the Cure Deficiency Deadline as indicated in an RFP Schedule developed subject to Section 2.2, and PPL Electric assumes no liability or obligation for a defective submission or for notifying any RFP Bidder of a defective submission. Early submittal of materials will provide the greatest flexibility to correct deficiencies prior to the Cure Deficiency Deadline and applicants are encouraged to submit Bidder Qualifications as soon as possible following the issuance of the RFP, or RFP Addendum. PPL Electric will notify applicants whether or not they have qualified by noon of the Qualified Bidders Notified Date.
- 4.1.4 After an RFP Bidder has qualified for a solicitation in the RFP, that RFP Bidder can qualify again for a subsequent solicitation by providing the executed Binding Bid Agreement for that solicitation. The executed Binding Bid Agreement must be provided by the Bidder Qualifications Due Date for that solicitation. Once qualified, the RFP Bidder will be required to submit the appropriate Bid Assurance Collateral for that solicitation and to fulfill all requirements of the Bid Proposal(s) as specified in Article 5. It is the sole responsibility of the RFP Bidder to notify PPL Electric of any changes to the RFP Bidder's previously submitted Bidder Qualification materials.

4.2 Expression of Interest

- 4.2.1 Applicants will be required to express their non-binding interest to bid by completing and submitting the Expression of Interest Form (Appendix 2). An electronic copy of the Expression of Interest Form can be found on PPL Electric's Proposal Submission Web

site. The applicant will not be eligible to submit a Bid Proposal until the completed Expression of Interest Form has been provided to PPL Electric. Applicants are required to complete and submit this form as directed in Section 6.1.2 no later than the Bidder Qualifications Due Date.

- 4.2.2 The Bidder Qualification Evaluation Team will not provide a deficiency notice to an applicant that submits an Expression of Interest Form but that submits none of the other documents required as part of the Bidder Qualification requirements.

4.3 Confidentiality Agreement

- 4.3.1 An applicant and PPL Electric will be required to execute the Confidentiality Agreement (Appendix 3). The applicant will not be eligible to submit a Bid Proposal until such agreement has been executed. An electronic copy of the Confidentiality Agreement can be found on PPL Electric's Proposal Submission Web site. This agreement must be signed by an Officer as defined in Section 3.1.7. The applicant must provide as part of its Bidder Qualifications the executed agreement as directed in Section 6.1.2. Applicants are required to submit this agreement no later than the Bidder Qualifications Due Date.

- 4.3.2 If PPL Electric is providing data or information on a confidential basis, upon submission of the executed Confidentiality Agreement, an applicant will be issued a password to access such data and information from the RFP Web site. Once the Confidentiality Agreement is received from the applicant, PPL Electric will complete the execution of the agreement and send a copy of the fully executed agreement to the applicant by e-mail.

4.4 AEC Delivery Timing Acknowledgment

- 4.4.1 An applicant must certify that it has a GATS account and that it acknowledges that if it is awarded AEC quantities, it will deliver AEC Delivery within 5 business days of the approval of the bid results by the PUC by submitting the AEC Delivery Timing Acknowledgement Form (Appendix 4). The AEC Delivery Timing Acknowledgement Form (Appendix 4) can be found on PPL Electric's Proposal Submission Web site. Such certifications must be signed by an Officer as defined in Section 3.1.7. Applicants are required to submit such certifications no later than the Bidder Qualifications Due Date. The applicant must provide as part of its Bidder Qualifications such certifications as directed in Section 6.1.2. The applicant will not be eligible to submit bids until such certifications have been provided to PPL Electric.

4.5 Binding Bid Agreement

- 4.5.1 An applicant must certify that as an RFP Bidder it agrees to be bound by the price quotes entered on any Bid Proposal Spreadsheet(s) submitted by the RFP Bidder, which shall constitute a firm offer to supply product in accordance with the AEC SMA. The signatory to the Binding Bid Agreement must be an Officer, as defined in Section 3.1.7, binding the RFP Bidder to perform the terms and conditions of the AEC SMA at the prices and for the AEC quantities specified in its Bid Proposal(s). In addition, by submitting the Binding Bid Agreement, the RFP Bidder certifies that it has met the conditions stipulated in Section 5.7 of this RFP. An electronic copy of the Binding Bid Agreement can be

found on PPL Electric's Proposal Submission Web site. For each solicitation, applicants are required to submit such certification, in the form of Appendix 7, no later than the Bidder Qualifications Due Date for that solicitation. The applicant must send such certification as directed in Section 6.1.2.

4.6 Cure Time for Deficiencies in Qualification Requirements

- 4.6.1 In the event that an RFP Bidder has not met all of the Bidder Qualification requirements under Article 4 (Bidder Qualification), PPL Electric will, exercising reasonable efforts, to notify the RFP Bidder no later than forty-eight hours before the Cure Deficiency Deadline. It is understood and agreed that PPL Electric has no liability for any failure to notify an RFP Bidder of a deficiency. If the RFP Bidder fails to remedy any deficiencies by the Cure Deficiency Deadline for a solicitation so as to not be qualified to submit Bid Proposals in that solicitation, such applicant will be allowed to cure any such deficiency and participate in subsequent solicitations, if the deficiency is cured no later than the Cure Deficiency Deadline for the next solicitation.

4.7 Bid Assurance Collateral and Alternative Letter of Credit Form

- 4.7.1 No later than two (2) business days before the Bid Proposal Due Date, each RFP Bidder must provide liquid Bid Assurance Collateral in an amount consistent with the requirements provided in the RFP Addendum issued at the beginning of a solicitation. The form of collateral must be either cash or an irrevocable Letter of Credit ("LOC"). In lieu of providing the Bid Assurance Collateral, the RFP Bidder may elect to transfer AECs to PPL Electric's GATS account as further explained in Section 5.3.4. An acceptable Bid Assurance LOC form is provided as Appendix 5; an electronic copy can be found on PPL Electric's RFP Web site or the Proposal Submission Web site. If the RFP Bidder is providing Bid Assurance Collateral in the form of a Bid Assurance LOC, the RFP Bidder may provide one Bid Assurance LOC for all Products under this RFP.
- 4.7.2 As part of the Bidder Qualifications, an applicant may propose modifications to the Bid Assurance LOC that are non-substantive or clarifying in nature. The applicant proposing modifications to the Bid Assurance LOC must provide an electronic copy in MS Word with all proposed modifications clearly marked and submit such document as directed in Section 6.1.2. The acceptability of such proposed modifications will be at PPL Electric's sole discretion, and such acceptability will be communicated to the applicant no later than forty-eight hours before the Cure Deficiency Deadline. A list of all acceptable modifications to the Bid Assurance LOC will be posted to PPL Electric's RFP Web site or the Proposal Submission Web site no later than seven (7) business days before the Bid Proposal Due Date.

ARTICLE 5 BID PROPOSAL REQUIREMENTS

5.1 Bid Proposal Format

- 5.1.1 RFP Bidders shall submit their Bid Proposal(s) using only the Bid Proposal Spreadsheets attached to this RFP as Appendix 6; an electronic copy is available on PPL Electric's RFP Web site or the Proposal Submission Web site. There is a separate Bid Proposal Spreadsheet for each solicitation and each Product, as indicated in the title area of each Bid Proposal Spreadsheet. The Bid Proposal Spreadsheets contain sections of information labeled Bidder Information, Tranche Information and Bid Information. The Bid Proposal Spreadsheets contain shaded cells in which RFP Bidders provide information and their Bids. **In order to prevent any misunderstanding of an RFP Bidder's Bid Proposal, all shaded cells within a Bid Proposal Spreadsheet must be completed by the RFP Bidder. A Bid Proposal Spreadsheet submitted by an RFP Bidder that contains blank shaded cells will be deemed a non-conforming Bid Proposal and will be eliminated from further consideration. Therefore, if it is the intent of an RFP Bidder to offer to supply a particular total number of tranches, the RFP Bidder must enter a price quote in the price cells associated with each of the total number of tranches up to and including that particular total number of tranches and must enter an "X" in price cells associated with each of the total number of tranches beyond that particular total number of tranches.** The non-shaded cells are read-only cells containing either fixed or computed amounts.
- 5.1.2 No Bid Proposal can be conditioned in any manner. PPL Electric reserves the right to accept or reject any RFP Bidder's Bid Proposal(s) in accordance with the proposal evaluation criteria set forth in Article 7 (Evaluation of Proposals).
- 5.1.3 Bidder Information – These cells are **RFP bidder input cells** and include Company Name, Contact Name, Phone Number, and must be provided by the RFP Bidder.
- 5.1.4 Tranche Information – The contents of these cells are provided by PPL Electric and include the Available Tranches and Tranche Size (AEC quantity per Tranche).
- 5.1.5 Total Tranches Supplied – These cells show the number of total tranches the RFP Bidder can offer to supply.
- 5.1.6 Price (U.S. \$/AEC) – These cells are **RFP Bidder input cells** for the RFP Bidder's price quote corresponding to each Total Tranches Supplied. The price quotes shall be in terms of U.S. \$/AEC. All price quotes are limited to two decimal places. An RFP Bidder that wishes to offer to supply a particular Total Tranches Supplied must: 1) provide a price quote in the Price (U.S. \$/AEC) cell corresponding to each of the Total Tranches Supplied up to and including that particular Total Tranches Supplied; and 2) mark an "X" in the Price (U.S. \$/MWh) cell corresponding to each of the Total Tranches Supplied beyond that particular Total Tranches Supplied. For example, if an RFP Bidder wishes to offer to supply six Total Tranches Supplied, then the RFP Bidder must provide a price

quote for each Total Tranches Supplied from one to six and mark an “X” for all Total Tranches Supplied greater than six.

5.1.7 Complete/Incomplete Flag – The content of this cell is computed and indicates whether or not the Bid Proposal Spreadsheet has been fully completed in accordance with Section 5.1 (Bid Proposal Format). An incomplete Bid Proposal Spreadsheet will be deemed non-conforming, as set forth in Section 5.5 (Conforming Bid Proposals).

5.1.8 The RFP Bidder may choose to bid in one or several Products, subject to the restrictions of this Article 5. On any Bid Proposal Due Date, the number of tranches for which an RFP Bidder submits a Bid Proposal must be a whole number.

5.2 Submittal of Bid Proposals

5.2.1 Each RFP Bidder shall only submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT on the Bid Proposal Due Date for each solicitation as indicated in Section 2.2 (RFP Schedule).

5.3 Bid Assurance Collateral

5.3.1 Each RFP Bidder must provide liquid Bid Assurance Collateral to support its Bid Proposal(s). The form of collateral must be either cash or an irrevocable LOC. An acceptable Bid Assurance LOC form is provided as Appendix 5; an electronic copy can be found on PPL Electric’s RFP Web site or Proposal Submission Web site. PPL Electric will consider modifications to the Bid Assurance LOC in accordance with the process provided in Article 4.

5.3.2 Unless an RFP Bidder transfers AECs in accordance with Section 5.3.4, the RFP Bidder must provide, no later than two (2) business days before the Bid Proposal Due Date, Bid Assurance Collateral in an amount consistent with the requirements provided in the RFP Addendum issued at the beginning of a solicitation. The RFP Bidder must confirm the number of maximum tranches it is intending to bid for each Product. PPL Electric will hold the Bid Assurance Collateral until either 1) the RFP Bidder is notified by PPL Electric that it has not been awarded tranches for a solicitation or 2) the RFP Bidder executes the Transaction Confirmation forms upon being awarded tranches and delivers the AECs pursuant to the AEC SMA. Upon either of the above two conditions, Bid Assurance Collateral in the form of cash will be returned within one (1) business day, and Bid Assurance Collateral in the form of a LOC will be returned within two (2) business days. The RFP Bidder may request that the Bid Assurance Collateral reside with PPL Electric through the entire multi-solicitation period. An RFP Bidder that is awarded tranche(s) and does not timely execute the Transaction Confirmation forms associated with such tranches or deliver AECs within 5 business days of the approval of the bid results by the PUC shall forfeit its Bid Assurance Collateral.

- 5.3.3 Wire transfer instructions for RFP Bidders who intend to provide Bid Assurance Collateral in the form of cash is available upon request from the RFP Manager.
- 5.3.4 In lieu of providing the Bid Assurance Collateral, the RFP Bidder may elect to transfer AECs to PPL Electric's GATS account. AECs transferred must be for the Product and in the quantity of such Product the RFP Bidder intends to submit a bid. If the RFP Bidder is notified by PPL Electric that it has not been awarded tranches for a solicitation or has been awarded fewer tranches than the maximum bid by the RFP Bidder, excess AECs transferred in lieu of Bid Assurance Collateral will be returned within two (2) business days.

5.4 Submittal of AEC SMA

- 5.4.1 No later than two (2) business days before the Bid Proposal Due Date, the RFP Bidder must submit an executed AEC SMA, as instructed in Section 6.1.5, including the completed signature page of the AEC SMA and Exhibit 3 of the AEC SMA filled in with the appropriate contact information for the RFP Bidder. Other exhibits of the AEC SMA either are samples or are documents that do not need to be completed until execution of the Transaction Confirmation form.
- 5.4.2 RFP Bidders must execute and submit the current form of AEC SMA set forth in Appendix 1. AEC SMAs executed as part of a prior Default Service Program are not applicable to this Default Service Program and will not be accepted.

5.5 Conforming Bid Proposals

- 5.5.1 In order for a Bid Proposal to be conforming, the Bid Proposal must be: (i) submitted using the Bid Proposal Spreadsheet, completed in full and without modification; (ii) submitted by 12:00:00 pm EPT on the Bid Proposal Due Date; (iii) submitted by a qualified RFP Bidder as defined in Section 6.1.1; (iv) submitted by an RFP Bidder that has also submitted sufficient Bid Assurance Collateral or AEC Credits in lieu of Bid Assurance Collateral; (v) submitted by an RFP Bidder that has also submitted the executed AEC SMA as instructed in Section 5.4.1.

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

5.6 Expiration of Bid Proposals

- 5.6.1 An RFP Bidder's Bid Proposal shall expire the earlier of the time PPL Electric notifies the RFP Bidder that its Bid Proposal has been rejected or at midnight EPT fifteen (15) business days after the scheduled day of awarding bids within each solicitation.

5.7 Additional Requirements

- 5.7.1 The RFP Bidder certifies, by its submission of a Binding Bid Agreement in its Bidder Qualifications, that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP.
- 5.7.2 The RFP Bidder certifies by its submission of a Binding Bid Agreement that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance LOC the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the PUC has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP. Such information includes, but is not limited to: the fact that the RFP Bidder is submitting a Proposal in response to this RFP; the RFP Bidder's Bids; the RFP Bidder's number of tranches bid; the RFP Bidder's estimation of the value of a tranche of a Product; the RFP Bidder's estimation of the risks associated with supply of AECs; the RFP Bidder's preference for bidding on one or several Products; the RFP Bidder's preference for bidding on one or another Bid Proposal Due Date; and the RFP Bidder's contractual arrangements for supply of AECs were the RFP Bidder to become an AEC Supplier.

ARTICLE 6
INSTRUCTIONS FOR PREPARATION OF BIDDER QUALIFICATIONS
AND BID PROPOSALS

6.1 General

- 6.1.1 An RFP Bidder must submit its Bidder Qualifications and Bid Proposal(s) separately. The RFP Bidder will first submit its Bidder Qualifications (responses to Bidder Qualification requirements) as required in Article 4 of this RFP. RFP Bidders that are notified that they are qualified RFP Bidders for a solicitation may submit a Bid Proposal for each Product, along with all other required documents as described in Section 5.5, by the Bid Proposal Due Date as indicated in Section 2.2 (RFP Schedule).
- 6.1.2 Bidder Qualifications will be available to be completed online by RFP Bidders through a Proposal Submission Web site. Additional instructions will be provided to RFP Bidders in an addendum to these RFP Rules. The addendum contains instructions to be followed when the Proposal Submission Web site is available. Bidder Qualifications that do not adhere to the terms and conditions of this RFP or that are not submitted in accordance with the instructions provided in such addendum to these RFP Rules will not be considered.
- 6.1.3 Bidder Qualifications must be submitted by the Bidder Qualifications Due Date for the appropriate solicitation as indicated in the RFP Schedule developed pursuant to Section 2.2. Bidder Qualifications received after the due date will be considered for the next solicitation if there are remaining solicitations; otherwise the Bidder Qualifications will be rejected, and the RFP Bidder will have failed to qualify for submitting a Bid Proposal. Each RFP Bidder assumes full responsibility for timely submission of its Bidder Qualification materials.
- 6.1.4 Bid Assurance Collateral for a solicitation, if submitted in the form of a LOC, must be sent by certified mail, registered mail, hand delivery, or courier service to the following address:

PPL Electric Utilities Corporation RFPs
1835 Market Street, Suite 1205
Philadelphia, PA 19103
Attn: PPL Electric AEC RFP Manager.

All Bid Assurance Collateral, in the form of LOC or cash or AECs transferred in lieu of Bid Assurance Collateral, must be received no later than two (2) business days prior to the Bid Proposal Due Date for that solicitation. Bid Assurance Collateral or AECs received after the second business day prior to the Bid Proposal Due Date will result in the rejection of the corresponding Bid Proposal(s). Each RFP Bidder assumes full responsibility for timely delivery to the address specified in this Section 6.1.4.

- 6.1.5 For the first solicitation in which an RFP Bidder is qualified and submits a Bid Proposal, the RFP Bidder must have signed the AEC SMA as instructed in Section 5.4.1 and

submitted these by noon EPT on the second business day prior to the Bid Proposal Due Date. If the RFP Bidder is awarded any tranches in any solicitation in this RFP, the signed AEC SMA that were initially submitted will be executed by PPL Electric and provided to the RFP Bidder together with the partially executed Transaction Confirmation forms via e-mail. The execution of a Transaction Confirmation is all that will be required in subsequent solicitations wherein an RFP Bidder that has previously executed the AEC SMA in a satisfactory manner is awarded additional tranches. If the RFP Bidder was not awarded tranches in the solicitation for which AEC SMA was provided, PPL Electric will retain the AEC SMA for any future solicitation in which the RFP Bidder may again submit a Bid Proposal, in which case it is the responsibility of the RFP Bidder to submit any updated pages of the AEC SMA no later than two (2) business days prior to the Bid Proposal Due Date of the solicitation in which the RFP Bidder is participating.

- 6.1.6 Bid Proposals must be completed in the full legal name of the party that will execute the AEC SMA with the Company should the party be a winning RFP Bidder and should the PUC approve the RFP results. Each RFP Bidder shall submit its Bid Proposal(s) using the Bid Proposal Spreadsheet described in Section 5.1 by secure electronic file transfer to the PPL secure server between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT, on the Bid Proposal Due Date.

6.2 Submission of Materials

- 6.2.1 In response to this RFP, each RFP Bidder must provide to the RFP Manager its Bidder Qualifications by the Bidder Qualifications Due Date.
- 6.2.2 The qualified RFP Bidder must provide Bid Assurance Collateral or transfer the required AECs to PPL Electric's GATS account supporting its Bid Proposal(s). The RFP Bidder must provide the executed AEC SMA no later than two (2) business days prior to the Bid Proposal Due Date.
- 6.2.3 Only Bid Proposals using the Bid Proposal Spreadsheet submitted by secure electronic file transfer to the PPL secure server or through an alternate method if so directed by the RFP Manager will receive consideration.
- 6.2.4 Under this RFP, the electronic signature of a party to a form or document required as part of Bidder Qualifications and/or the AEC SMA shall be as valid as an original signature of such party and shall be effective to bind such party. Any electronically signed document shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts," if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. PPL Electric will not contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule and the RFP Bidder hereby agrees not to contest the admissibility of such documents as a condition of qualification.

For purposes hereof, “electronic signature” means either a manually signed original signature or an electronic symbol or process attached to or logically associated with a record and executed or adopted by a party with the intent to sign the record that is then transmitted by electronic means; “transmitted by electronic means” means documents delivered via an electronic format, including through the internet as a “pdf” (portable document format) or equivalent format. The use of electronic signature shall be approved by PPL Electric prior to use by the DS Supplier. The requirement for Attestation and Witness is waived upon approval of electronic signature by PPL Electric.

ARTICLE 7 EVALUATION OF PROPOSALS

7.1 Bidder Qualifications Processing

- 7.1.1 As determined by the RFP Manager, the Bidder Qualification Evaluation Team will consist of representatives of the RFP Manager and representatives on behalf of PPL Electric.
- 7.1.2 All submissions containing Bidder Qualifications will be reviewed by the Bidder Qualification Evaluation Team. If requested, representatives from the PUC may be provided with such Bidder Qualifications. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline.
- 7.1.3 Bidder Qualifications of an RFP Bidder that do not comply with the submission instructions will not be considered.
- 7.1.4 Bidder Qualifications must include all documents and information required to satisfy the Bidder Qualification requirements as set out in Article 4.
- 7.1.5 The Bidder Qualification Evaluation Team will review Bidder Qualifications until the Cure Deficiency Deadline. The Bidder Qualification Evaluation Team will assess the Bidder Qualifications for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Section 7.2.

7.2 Bidder Qualifications Evaluation

- 7.2.1 The Bidder Qualification Evaluation Team will deem a response to the Bidder Qualifications to be complete and compliant if: (i) all information specified in Section 4.1.1 has been fully and satisfactorily provided; and (ii) all certifications and documents have been signed by an Officer of the RFP Bidder.
- 7.2.2 The Bidder Qualification Evaluation Team will review Bidder Qualifications upon receipt but no earlier than five (5) business days prior to the Bidder Qualifications Due Date. If the Bidder Qualification Evaluation Team determines that some portion of the RFP Bidder's response to the Bidder Qualifications is deficient because the response is incomplete or is not compliant with the terms of this RFP, the Bidder Qualification Evaluation Team will, exercising reasonable efforts, to issue a deficiency notice requesting that the RFP Bidder cure the deficiency with respect to that particular aspect of its Bidder Qualifications. The Bidder Qualification Evaluation Team will, exercising reasonable efforts, to notify RFP Bidders of any deficiencies in their Bidder Qualifications, and to provide a decision on the acceptability of proposed modifications to the Bid Assurance LOC or other instruments for Performance Assurance, no later than forty-eight hours before the Cure Deficiency Deadline. PPL Electric assumes no liability for any failure to notify RFP Bidders of a deficiency in a submission prior to the Cure Deficiency Deadline. The RFP Manager communicates with the RFP Bidder by email.

If an RFP Bidder receives a first deficiency notice from the RFP Manager, regarding any item of the Bidder Qualifications, the RFP Bidder has until 12:00:00 p.m. (noon) EPT, on the Bidder Qualifications Due Date, or until 6:00:00 p.m. EPT, on the second business day following the business day during which a first deficiency notice is sent to the Bidder, whichever comes later, to respond. If the Bidder does not correct or adequately explain the deficiency within the time allowed, the Bidder Qualifications may be rejected. The Bidder Qualification Evaluation Team will review all responses to deficiencies submitted. If a response to a deficiency is provided by an RFP Bidder within the time allowed and the response is not sufficient to cure the deficiency, the RFP Bidder may continue to provide the required clarification or additional information to cure the deficiency for that solicitation. In no event, notwithstanding the foregoing provisions, will a Bidder be allowed to respond after 12:00:00 p.m. EPT, on the Cure Deficiency Deadline.

- 7.2.3 If a deficiency notice is sent and the RFP Bidder does not respond within the time allowed and established by the Bidder Qualification Evaluation Team or does not address the deficiency in a manner that is deemed satisfactory at the Bidder Qualification Evaluation Team's sole discretion, the RFP Bidder will not be qualified for that solicitation.
- 7.2.4 When the evaluation of the responses to the Bidder Qualifications is completed for all RFP Bidders, RFP Bidders will be either qualified or disqualified. RFP Bidders whose responses to the Bidder Qualifications, as may be supplemented or amended in response to a deficiency notice by the Bidder Qualification Evaluation Team, are found to be complete and compliant will be deemed qualified for that solicitation; all other RFP Bidders will be disqualified for that solicitation.
- 7.2.5 Bidders will be notified on the Qualified Bidders Notified Date in the RFP Schedule if they qualify to submit Bid Proposal(s) on the Bid Proposal Due Date. Only those RFP Bidders whose response to the Bidder Qualification requirements is complete and compliant with the terms of this RFP will be invited to submit Bid Proposal(s). An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company in its sole and exclusive discretion at any point in the process.

7.3 Bid Proposal Processing

- 7.3.1 Bid Proposals will only be considered for those RFP Bidders that qualify as a result of the prior submission of a response to the Bidder Qualification requirements.
- 7.3.2 The Bid Proposal Evaluation Team will consist of representatives of the RFP Manager and representatives designated to act on behalf of the Company.
- 7.3.3 All Bid Proposals will be electronically and privately opened by the Bid Proposal Evaluation Team and will be evaluated at the same time. A representative of the PUC may be present to attend the opening and evaluation of the Bid Proposals. Information regarding the content or status of any Bid Proposal will not be publicly released during the evaluation process.

- 7.3.4 The Bid Proposal Evaluation Team will assess the Bid Proposal(s) and all accompanying documents for completeness and compliance with the terms and conditions of this RFP, in accordance with the procedure in Section 7.4.
- 7.3.5 The Bid Proposal Evaluation Team may issue a deficiency notice with respect to any aspect of the Bid Proposal(s) and accompanying documents as described in Section 5.5.1, if practicable to do so before the Bid Proposal Due Date. The Bid Proposal Evaluation Team is under no obligation to issue such a deficiency notice. Should the Bid Proposal Evaluation Team issue such a deficiency notice, the RFP Bidder will have until the Bid Proposal Due Date to cure any such deficiency. All non-conforming Bid Proposals will be removed from consideration. If an RFP Bidder submits a Bid Proposal Spreadsheet for a Product more than once between 10:00:00 a.m. EPT and 12:00:00 p.m. EPT, the last Bid Proposal Spreadsheet for such Product that is submitted in accordance with all requirements of this RFP, including the requirements set forth in Section 5.1, automatically supersedes all previously submitted Bid Proposal Spreadsheet for such Product.

7.4 Bid Proposal Evaluation

- 7.4.1 Bid Proposals received from RFP Bidders may be eliminated from further consideration at any point, at the Bid Proposal Evaluation Team's sole and exclusive discretion, for any of the following reasons including (but not limited to): (i) failure to provide clarification of, or additional information relating to, a Bid Proposal as requested by the Bid Proposal Evaluation Team subsequent to the submission of a Bid Proposal; (ii) illegal conduct, attempts or the appearance of attempts to improperly influence the consideration or ranking of the Bids; and (iii) failure to honor representations made in a Proposal.
- 7.4.2 The Bid Proposal Evaluation Team will assess that all information required with the Bid Proposal(s), as specified in Article 5, has been submitted. If the required information has not been submitted by the Bid Proposal Due Date, the Bid Proposal(s) will be rejected.
- 7.4.3 Any Bid Proposal will be removed from consideration if: (i) it is not submitted electronically using the Bid Proposal Spreadsheet that the RFP Bidder was instructed to use in Section 5.1; or (ii) it is on a Bid Proposal Spreadsheet that includes extraneous information; or (iii) it is not supported by Bid Assurance Collateral or AECs in lieu of Bid Assurance Collateral; or (iv) the RFP Bidder has not submitted a signed AEC SMA; or (v) the RFP Bidder has violated or has not complied with one or more material term or condition set forth in this RFP.
- 7.4.4 The Bid Proposal Evaluation Team will ensure that sufficient financial guarantees or AEC transfer are provided to support the Bids. Financial guarantees will be sufficient if the amount of Bid Assurance Collateral is sufficient given the sum of the maximum number of tranches offered for each Product by the RFP Bidder as specified in Section 5.3.
- 7.4.5 If a qualified RFP Bidder's Bid Assurance Collateral is insufficient to support the sum of the maximum number of tranches offered for each Product by the RFP Bidder, the Bid Proposal Evaluation Team will modify that RFP Bidder's Bid Proposal Spreadsheets.

The Bid Proposal Evaluation Team will determine for each such RFP Bidder the greatest number of whole tranches that its amount of Bid Assurance Collateral is sufficient to support. The Bid Proposal Evaluation Team will strike a Bid from a Bid Proposal Spreadsheet for any Total Tranches Supplied that is not supported by the amount of Bid Assurance Collateral or AECs in lieu of Bid Assurance Collateral. For each Product, the greatest number of whole tranches that its amount of Bid Assurance Collateral or AECs is sufficient to support will be based on the maximum tranches that the RFP Bidder confirmed it intended to bid for such Product when it submitted its Bid Assurance Collateral or AECs. By submitting a Bid Proposal in response to this RFP, each RFP Bidder is authorizing the Bid Proposal Evaluation Team to modify the RFP Bidder's Bid Proposal documents as specified in and as required by this Article 7.

- 7.4.6 The remaining Bid Proposals will be evaluated on a price-only basis as follows. The Bid Proposal Evaluation Team will, for each Product, consider all combinations of Bid(s) (across RFP Bidders) whose sum of Total Tranches Supplied is equal to the Available Tranches for that Product in that solicitation. In the event that the greatest sum of Total Tranches Supplied for any combination for that Product is less than the Available Tranches in Solicitation for that Product, the Bid Proposal Evaluation Team will consider all combinations of Bids for that Product whose sum of Total Tranches Supplied equal the most obtainable given those Bids. For each combination, the Bid Proposal Evaluation Team will calculate the Combination Average Price ("CAP") equal to the average Price (U.S. \$/AEC) of the Bids in the combination weighted by their corresponding Total Tranches Supplied. The winning Bid(s) will be the Bid(s) contained in the combination with the lowest CAP. An RFP Bidder that is awarded tranches shall receive the Price (U.S. \$/AEC) corresponding to the winning Bid as stated in its Bid Proposal Spreadsheet under the Bid Information section.
- 7.4.7 In the event that two or more combinations have the lowest CAP for a given Product, the winning Bid(s) will be the Bid(s) contained in the combination that is drawn randomly from the set of combinations with the lowest CAP.
- 7.4.8 After sufficient financial guarantees are determined, all combinations of Bid(s) are ranked from lowest to highest for each of the Products, and the tied combinations, if any, are resolved, the Bid Proposal Evaluation Team will communicate with each RFP Bidder that has submitted at least one of the Bid(s) in the winning combination for each Product and present the winning Bid(s) to the Commission. For each such RFP Bidder for a Product, the Bid Proposal Evaluation Team will: (i) communicate the CAP of the winning combination for that Product being presented to the PUC; and (ii) identify the Bid(s) submitted by such RFP Bidder that will be presented to the PUC for that Product.

The Bid Proposal Evaluation Team will also communicate to the Company the CAP of the winning combination for each Product and the number of Bids presented to the PUC.

- 7.4.9 An RFP Bidder acting in concert with another RFP Bidder may be disqualified by the Company at its sole and exclusive discretion.

7.5 Commission Approval and Review

- 7.5.1 The Bid Proposal Evaluation Team will prepare a report that presents the results of a solicitation to the PUC for approval. The Bid Proposal Evaluation Team's report will summarize the Bidder Qualification process and the Bid Proposals that were considered on the Bid Proposal Due Date. The PUC will have one (1) business day to decide whether to approve the results. If the PUC does not act within one (1) business day, the winning Bids are deemed to be approved.
- 7.5.2 The winning RFP Bidders will receive a Transaction Confirmation(s) from PPL Electric on the date of the PUC's approval, or in the event the PUC does not act no later than the next business day following the date when the PUC was expected to act. Specifically, PPL Electric will forward by email or other acceptable means, to each winning RFP Bidder a partially executed Transaction Confirmation(s). By 2:00 p.m. EPT on the second Business Day following the RFP Bidder's receipt of such partially executed Transaction Confirmation(s) electronically, the RFP Bidder shall return by email or other acceptable means, to PPL Electric one (1) fully executed Transaction Confirmation(s). In addition, if such Transaction(s) is the initial Transaction(s) with the winning RFP Bidder under the current RFP solicitation, then PPL Electric will forward to the RFP Bidder one (1) fully executed AEC SMA electronically. If a winning RFP Bidder fails to execute the Transaction Confirmation(s) as required under this Section 7.5.2, the winning RFP Bidder may forfeit its Bid Assurance Collateral or AECs submitted in lieu of Bid Assurance Collateral.
- 7.5.3 If the PUC rejects all Bids for a given Product, in any solicitation, or if some tranches of a given Product, in a particular solicitation do not receive Bids, those tranches will be offered consistent with Section 1.1.11. In the event that an AEC Supplier for a Product defaults, PPL Electric will offer supply assignment consistent with the Step-Up process described in the AEC SMA.

ARTICLE 8 RESERVED RIGHTS

8.1 Non-Binding RFP

- 8.1.1 Prior to the submission of any Bid Proposals and with PUC approval, PPL Electric has the right to withdraw and terminate this RFP without any liability or responsibility to any RFP Bidder or any other party, for reasonable cause, including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, etc., that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.2 Subject to PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Proposals, without any liability or responsibility to any RFP Bidder or any other party, for reasons set forth in Section 7.4 of this RFP or for any other reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PUC orders and/or regulations, market conditions, etc., that preclude this RFP from being implemented in substantially the manner described herein.
- 8.1.3 PPL Electric will not be liable to any RFP Bidder or any other party for failure to execute a AEC SMA. Nothing herein may be construed to bind the Company unless and until the PUC has approved winning Bid(s), and each AEC SMA with an RFP Bidder has been executed and is effective. Once effective, the AEC SMA will govern the relationship between and the responsibilities of the parties to that agreement and not the RFP or any documents relating thereto.
- 8.1.4 Pursuant to these RFP rules, PPL Electric or the Bid Proposal Evaluation Team shall reject Bid Proposals submitted in response to this RFP that are incomplete, or do not conform to the requirements of this RFP, or are submitted beyond the deadline for submission or for any other reason set forth in Section 7.4 of this RFP.
- 8.1.5 The RFP Rules may be further updated to reflect additional decisions by the PUC, relevant changes in law, or non-material modifications to the processing of Proposals expected to improve potential participation by suppliers. Further, PPL Electric and its RFP Manager may amend the RFP Rules if necessary to correct typographical errors, cure inconsistencies in the provisions of this RFP or clarify the intent of the provisions of this RFP.

8.2 Proposals Become PPL Electric's Property

- 8.2.1 All Proposals submitted by RFP Bidders in response to this RFP will become the exclusive property of PPL Electric upon the receipt of such document(s).

Appendix 1

Alternative Energy Credits Supplier Master Agreement

Appendix 2

Expression of Interest Form AEC Supply

Note that completion of all information is required.

This response is an indication of our interest in PPL Electric Utilities Corporation's Request for Proposals to provide Alternative Energy Credits.

Date:

Company:

Contact Name:

Contact Title:

Address:

City:

State:

Zip:

Phone Number:

Email Address:

Appendix 3

Confidentiality Agreement

[Name and Address of Bidder]

[Date]

Ladies and Gentlemen,

This letter is a Confidentiality Agreement between PPL Electric Utilities Corporation (“PPL Electric”) and _____ (“RFP Bidder”) in connection with the RFP Bidder’s intent to participate in the Request for Proposals (“RFP”) to provide Alternative Energy Credits. This Confidentiality Agreement also pertains to the rights and obligations of PPL Electric and the RFP Bidder in the event the RFP Bidder ultimately is selected as a winner in the RFP and provides service pursuant to PPL Electric’s Alternative Energy Credits Supplier Master Agreement (“AEC SMA”). PPL Electric and the RFP Bidder hereby agree to accept, and to be bound by the terms of this Agreement.

DEFINITIONS:

(a) The following terms have the following meanings:

- 1 “Agreement” is this Confidentiality Agreement.
- 2 “Pennsylvania PUC” has the meaning set forth in Section 3(b).
- 3 “Confidential Information” has the meaning set forth in Section 5.
- 4 “Party” means PPL Electric or the RFP Bidder.
- 5 “Parties” means PPL Electric and the RFP Bidder collectively.
- 6 “Representatives” means the officers, directors, employees, advisors, lenders, and other persons, including but not limited to any affiliates who are actively and directly participating in evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP. A person or entity is not a “Representative” unless that person or entity agrees to preserve the confidentiality of the Confidential Information in accordance with the terms of this Agreement.
- 7 “Third Parties” means a party or parties other than PPL Electric, the RFP Bidder or their respective Representatives.

(b) Other capitalized terms used in this Agreement have the meaning set forth in this Agreement and/or the applicable Request for Proposals, and/or the applicable AEC SMA.

TERMS:

1. Condition Precedent. PPL Electric and the RFP Bidder shall execute this Agreement as a condition precedent to PPL Electric's furnishing to the RFP Bidder or the RFP Bidder furnishing to PPL Electric a copy of any Confidential Information.

2. Purpose. The purpose of this Agreement is to protect the confidentiality of the Confidential Information and to restrict the use and disclosure of that information in the manner set forth below.

3. Limitations on Use and Disclosure.

(a) A Party shall use the other Party's Confidential Information only for the purpose of evaluating, responding to, negotiating and consummating the RFP and/or the response to the RFP, and/or consummating the AEC SMA and not for any other purpose. Neither Party shall disclose to Third Parties any information about PPL Electric's or RFP Bidder's participation in the RFP or execution of a AEC SMA, or the terms or conditions or any other facts relating thereto, including the fact that discussions are taking place with respect thereto, the status of those discussions, or the fact that Confidential Information has been made available by or to PPL Electric or RFP Bidder or their Representatives. Provided, however, that the identity of all (but no fewer than all) bidders who were awarded any AEC quantity in the state may be released on a statewide basis on or after the first day of the service year.

(b) Notwithstanding the foregoing or any other provision of this Agreement, PPL Electric may share any Confidential Information with the Pennsylvania Public Utility Commission, or its Staff (collectively "Pennsylvania PUC") as requested by the Pennsylvania PUC. Any such information shared will be designated as confidential, and PPL Electric will ask the Pennsylvania PUC to hold and use it on a confidential basis.

4. Disclosure upon Default. Notwithstanding the foregoing or any other provision of the Agreement, PPL Electric may disclose Confidential Information in an Event of Default by RFP Bidder, as provided for in the AEC SMA. PPL Electric may disclose to any RFP Bidder with whom it has executed the AEC SMA and who is not a Defaulting Party, the contract price of the Defaulting Party for the purpose of allowing the Bidder to make the election provided for in Article 19 of the AEC SMA.

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

relates to all or any portion of the bid evaluation information provided to the RFP Bidder by PPL Electric. Confidential Information in the case of information provided by the RFP Bidder to PPL Electric shall include, without limitation, all data, reports, interpretations, forecasts, bids, credit information, credit collateral amounts, bidder identity, and shall also include information prepared by the RFP Bidder that includes directly or indirectly Confidential Information furnished by PPL Electric.

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

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

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

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

10. Disclosure to Governmental Authorities Other than the Pennsylvania PUC.

(a) A Party (the "disclosing Party") may also disclose the other Party's Confidential Information to any governmental, judicial, or regulatory authority ("Authority") requiring such Confidential Information; provided that, the disclosing Party a) promptly informs the other Party of the substance of any inquiries, requests or requirements in order to afford the other Party an opportunity to attempt to prevent or limit the disclosure of the Confidential Information; b) makes a good faith effort to persuade the Authority (i) that submission of the Confidential Information should not be required, or, if that effort fails, (ii) that submission of the Confidential Information on a non-public basis should be permitted; and c) endeavors in good faith to protect the Confidential Information provided to an Authority from disclosure to Third Parties. If an Authority orders the disclosing Party to disclose any documents containing the other Party's

Confidential Information, the disclosing Party shall a) attempt to obtain from the other Party, if the Authority allows the time, a “Public Disclosure Copy”, or b) if the Authority does not allow such time, shall prepare itself a “Public Disclosure Copy” in which the Confidential Information has been redacted to the extent that such redaction is permitted by the Authority requiring disclosure. Confidential Information disclosed pursuant to this Section 10 on a non-public basis shall not lose its status as Confidential Information by virtue of such non-public disclosure.

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

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

12. Liability and Relief. A Party or any of its Representatives shall be liable for any breach of this Agreement. In the event a non-breaching Party or its Representatives shall have knowledge of any breach of the confidentiality of, or the misappropriation of, any of the Confidential Information, the non-breaching Party shall promptly give notice thereof to the breaching Party. The Parties agree that breach of this confidentiality agreement may cause damages to which a dollar amount may be difficult or impossible to ascribe, however, that such a breach would be irremediable by damages alone and specifically agree to equitable relief as appropriate. The non-breaching Party shall be entitled to specific performance or other equitable relief by way of injunction or otherwise, if the other Party or any of its Representatives breach or threaten to breach any of the provisions of this Agreement. Such remedy shall not be deemed to be the exclusive remedy available to the non-breaching Party, but shall be in addition to all other available remedies. Neither failure nor delay by the non-breaching Party, in exercising any of its rights or privileges herein, shall operate as a waiver nor shall any single or partial exercise preclude any other or further exercise of any right, power or privilege.

13. Representatives, Successors and Assigns. This Agreement shall be binding upon and for the benefit of the Parties, and their respective Representatives, successors, and permitted

assigns. Neither Party may assign its rights or obligations hereunder without prior written consent of the other Party.

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

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

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

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

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

RFP BIDDER

By: _____

Name of Officer: _____

Title: _____

PPL ELECTRIC UTILITIES CORPORATION

By: _____

Name: _____

Title: _____

Appendix 4

AEC Delivery Timing Acknowledgment Form

I, _____ am an authorized signatory for _____ (“Company”) and hereby certify that Company has an account with PJM-EIS Generation Attribute Tracking System (“GATS”). Further, the Company acknowledges that if it is awarded a contract to sell Alternative Energy Credits (“AECs”) to PPL Electric Utilities Corporation (“PPL Electric”), it will transfer AECs of the appropriate Product type and quantities into PPL Electric’s GATS account(s) within 5 business days of the approval of the bid results by the Pennsylvania Public Utility Commission. Failure to deliver AECs in accordance with the terms of the AEC Supplier Master Agreement in a timely manner shall result in the forfeiture of its Bid Assurance Collateral. For such failure to deliver AECs, PPL Electric shall be entitled to payment by the Company of the alternative compliance payment established by the Commonwealth of Pennsylvania. The Company acknowledges that (A) PPL Electric shall be damaged by the failure of the Company to Deliver AECs in a timely manner, (B) it would be impracticable or extremely difficult to determine the actual damages resulting therefrom, (C) the remedies specified herein are fair and reasonable and do not constitute a penalty, and (D) the remedies specified herein shall be PPL Electric’s sole and exclusive remedy in the event that Company fails to deliver AECs in a timely manner.

Signed:

Type or Print Name of Officer:

Title:

Company:

Date:

APPENDIX 5

BID ASSURANCE LETTER OF CREDIT SUPPLY FOR ALTERNATIVE ENERGY CREDITS

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

ISSUE DATE _____ EXPIRY DATE _____

APPLICANT

[NAME]

[ADDRESS]

BENEFICIARY

[NAME]

[ADDRESS]

CURRENCY AMOUNT

USD *****\$

WE HEREBY ISSUE IN YOUR FAVOR OUR IRREVOCABLE STANDBY LETTER OF CREDIT NO: _____ FOR THE ACCOUNT OF _____ (“APPLICANT”) FOR AN AMOUNT OR AMOUNTS NOT TO EXCEED IN THE AGGREGATE US DOLLARS _____ AVAILABLE BY YOUR DRAFT(S) AT SIGHT ON THE BANK OF _____ (“ISSUER”) _____ (ADDRESS), EFFECTIVE _____ AND EXPIRING AT OUR COUNTERS ON _____ AT 5:00 PM NEW YORK, NEW YORK TIME, WHICH IS AT LEAST 60 DAYS FROM THE DATE OF ISSUANCE, UNLESS TERMINATED EARLIER IN ACCORDANCE WITH THE PROVISIONS OF THIS LETTER OF CREDIT OR OTHERWISE EXTENDED BY AMENDMENT.

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

BENEFICIARY WILL HOLD THIS LETTER OF CREDIT UNTIL WE RECEIVE WRITTEN NOTIFICATION FROM THE BENEFICIARY THAT EITHER:

1. THE APPLICANT’S BID PROPOSAL IN THE PPL ELECTRIC ALTERNATIVE ENERGY CREDIT RFP SOLICITATION ON [INSERT DATE] (THE “SOLICITATION DATE”) HAS BEEN REJECTED IN WHOLE AND THE APPLICANT HAS BEEN NOTIFIED OF SUCH REJECTION; OR

2. THE APPLICANT HAS WON TRANCHES IN THE PPL ELECTRIC AEC RFP SOLICITATION ON THE SOLICITATION DATE AND HAS EXECUTED THE AEC SUPPLIER MASTER AGREEMENT (“SMA”) AND/OR TRANSACTION CONFIRMATIONS FOR SUCH TRANCHES AND HAS DELIVERED THE ALTERNATIVE ENERGY CREDITS TO PPL ELECTRIC.

UPON EITHER OF THE ABOVE TWO CONDITIONS, THIS LETTER OF CREDIT WILL BE RETURNED BY THE BENEFICIARY TO THE ISSUER WITHIN TWO BUSINESS DAYS. THE APPLICANT MAY REQUEST THAT THIS LETTER OF CREDIT RESIDE WITH THE BENEFICIARY THROUGH THE ENTIRE MULTI-SOLICITATION PERIOD OF THE PPL AEC RFP.

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

IF THE APPLICANT IS AWARDED TRANCHE(S) IN THE PPL AEC RFP SOLICITATION ON THE SOLICITATION DATE AND DOES NOT TIMELY EXECUTE THE TRANSACTION CONFIRMATIONS ASSOCIATED WITH SUCH TRANCHES OR DOES NOT TIMELY DELIVER THE ALTERNATIVE ENERGY CREDITS TO PPL ELECTRIC, THE APPLICANT SHALL FORFEIT THE ENTIRE AMOUNT OF THIS LETTER OF CREDIT.

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

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

“THE AMOUNT FOR THIS DRAWING, USD _____ (INSERT AMOUNT), BEING MADE UNDER THE BANK OF _____ (INSERT NAME OF BANK) LETTER OF CREDIT NUMBER (INSERT LETTER OF CREDIT REFERENCE NUMBER), REPRESENTS AN AMOUNT DUE AND PAYABLE TO BENEFICIARY PURSUANT TO THE TERMS OF SUCH LETTER OF CREDIT.”

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

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

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

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

ADDITIONAL TERMS AND CONDITIONS:

1. ALL COMMISSIONS AND OTHER BANKING CHARGES WILL BE BORNE BY THE APPLICANT.
2. THIS LETTER OF CREDIT MAY NOT BE TRANSFERRED OR ASSIGNED.
3. THIS LETTER OF CREDIT IS IRREVOCABLE.
4. THIS LETTER OF CREDIT IS SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES (1998) OF THE INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590 (“ISP98”). AS TO MATTERS NOT GOVERNED BY ISP98, THIS LETTER OF CREDIT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA, INCLUDING, TO THE EXTENT NOT INCONSISTENT WITH ISP98, THE UNIFORM COMMERCIAL CODE AS IN EFFECT IN THE COMMONWEALTH OF PENNSYLVANIA. THIS LETTER OF CREDIT MAY NOT BE AMENDED, CHANGED OR MODIFIED WITHOUT THE EXPRESS WRITTEN CONSENT OF THE BENEFICIARY AND THE ISSUER.
5. THE BENEFICIARY SHALL NOT BE DEEMED TO HAVE WAIVED ANY RIGHTS UNDER THIS LETTER OF CREDIT, UNLESS THE BENEFICIARY OR AN AUTHORIZED AGENT OF THE BENEFICIARY SHALL HAVE SIGNED A DATED WRITTEN WAIVER. NO SUCH WAIVER, UNLESS EXPRESSLY SO STATED THEREIN, SHALL BE EFFECTIVE AS TO ANY TRANSACTION THAT OCCURS SUBSEQUENT TO THE DATE OF THE WAIVER, NOR AS TO ANY CONTINUANCE OF A BREACH AFTER THE WAIVER.
6. A FAILURE TO MAKE ANY PARTIAL DRAWINGS AT ANY TIME SHALL NOT IMPAIR OR REDUCE THE AVAILABILITY OF THIS LETTER OF CREDIT IN ANY SUBSEQUENT PERIOD OR OUR OBLIGATION TO HONOR YOUR SUBSEQUENT

DEMANDS FOR PAYMENT MADE IN ACCORDANCE WITH THE TERMS OF THIS
LETTER OF CREDIT.

AUTHORIZED SIGNATURE: _____

NAME: _____

TITLE: _____

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

[BANK NAME, ADDRESS AND PHONE NUMBER]

**PPL Electric Utilities Corporation
AEC RFP Process and Rules**

**APPENDIX 6
Example Bid Proposal Spreadsheet**

**Solicitation # <number>
AEC RFP**

Bid Proposal Due Date: <month>, <day>, <year>

<Product>

<number>-Month Delivery Period: <commencement date> - <expiration date>

Bidder Information:

Company Name
Contact Name
Phone Number

* Required Field
* Required Field
* Required Field

Tranche Information:

Total Available Tranches
Tranche Size (AECs per Tranche)

Bid Information:

	Total Tranches Supplied	Bid Assurance Collateral Amount	Price (US\$/AEC)
Bids	1	\$[]	
	2	\$[]	
	3	\$[]	
	4	\$[]	
	5	\$[]	

* Required Field
* Required Field
* Required Field
* Required Field
* Required Field

Complete/Incomplete:

Appendix 7

Binding Bid Agreement

Bid Proposal Due Date: <month> <day><year>

In consideration for the privilege of submitting bids as part of the AEC Requests For Proposals process, _____ (“RFP Bidder”) agrees to be bound by the price quotes entered for Products on any Bid Proposal Spreadsheet(s), up to the expiration time of its proposal, as set forth in Section 5.6 (Expiration of Bid Proposals) of this Request For Proposals (“RFP”), submitted to PPL Electric Utilities Corporation (“PPL Electric”), in response to this multi-solicitation process, which shall constitute a firm offer to supply service in accordance with the AEC Supplier Master Agreement (“AEC SMA”) and applicable Pennsylvania law and regulations. Any bid is not subject to any contingencies or conditions precedent and, if accepted by PPL Electric, the RFP Bidder agrees to execute the Transaction Confirmation in a timely manner as set forth in Section 7.5.2 of the RFP Rules.

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

The RFP Bidder certifies that it is bidding independently and that it has no knowledge of any Proposal being submitted by another RFP Bidder in response to this RFP. The RFP Bidder certifies that, except for any communication with its financial institution for the purpose of preparing the Bid Assurance Letter of Credit, the RFP Bidder has not disclosed and will not disclose publicly or to any other party before the Pennsylvania Public Utility Commission has rendered a decision on the RFP results any information relating to its Proposal, which could have an effect on whether another party submits a Proposal to this RFP or on the contents of such Proposal that another RFP Bidder would be willing to submit in response to this RFP.

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

Signature of Officer: _____

Name of Officer (*print*): _____

Title of Officer (*print*): _____

Date Signed: _____

EXHIBIT F

**ALTERNATIVE ENERGY CREDIT
SUPPLY MASTER AGREEMENT (SMA)
BETWEEN
PPL ELECTRIC UTILITIES CORPORATION
AND
[SELLER NAME]**

DATED _____

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THIS ALTERNATIVE ENERGY CREDITS SUPPLIER MASTER AGREEMENT, made and entered into this _____ day of _____, _____ (“Effective Date”), by and between PPL Electric Utilities Corporation (the “Company” and “Buyer”), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania and _____ (“AEC Supplier” or “Seller”), the Company and the AEC Supplier hereinafter sometimes referred to collectively as the “Parties”, or individually as a “Party”.

RECITALS

WHEREAS, Seller has the ownership rights, or possesses all necessary rights as a marketer, to the Environmental Attributes to certain renewable resources (the "Projects");

WHEREAS, the Projects also represent and create certain characteristics that arise from the generation of electricity using a renewable energy source, referred to herein as Alternative Energy Credits or AECs;

WHEREAS, Seller is in the business of owning and operating such Projects or marketing AECs from producers and reselling them to retail and wholesale customers; and

WHEREAS, Seller wishes to sell AECs created by the Projects and Buyer wishes to buy such AECs from Seller.

NOW, THEREFORE, in consideration of the above recitals and the mutual promises of the parties set forth below, the Parties hereto and intending to be legally bound hereby, agree as follows:

ARTICLE 1 TERM OF AGREEMENT

The term of this Agreement shall commence on the Effective Date and shall remain in effect through May 31, 2025, unless terminated earlier in accordance with the terms of this Agreement.

ARTICLE 2 DEFINITIONS

As used in this Agreement, the following terms have the respective meanings set forth below. Other capitalized terms are defined elsewhere in this Agreement.

Agreement means all provisions, exhibits incorporated as part of this Agreement, and documents incorporated by reference and all amendments and addenda thereto.

Alternative Energy Credit ("AEC") - shall have, the meaning set forth in the AEPS Act.

Alternative Energy Portfolio Standards ("AEPS") - standards requiring that a certain amount of electric energy sold from Alternative Energy Resources be included as part of the sources of electric generation by electric utilities within the Commonwealth of Pennsylvania in accordance with the Alternative Energy Portfolio Standards Act, 73 P.S. §§ 1648.1-1648.8, as may be amended from time to time.

Alternative Energy Portfolio Standards Act ("AEPS Act") - the Pennsylvania statute found at 73 P.S. §§ 1648.1-1648.8, as amended from time to time which, among other things, establishes the AEPS.

Alternative Energy Resource - means an electric power generator producing electric power from Solar Photovoltaic, Tier I (non-Solar Photovoltaic) or Tier II as set forth in the AEPS Act.

Business Day - any day on which the Buyer'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.

Confidential Information - means all information or material, whether tangible or

intangible and in whatever form, that is exchanged between the Parties with respect to the subject matter of this Agreement. The following information or materials do not constitute Confidential Information for purposes of this Agreement: (i) information or materials already known to the receiving Party before receipt from the disclosing Party; (ii) it is or becomes publicly available other than through the acts of the receiving Party; (iii) it is received by the receiving Party from a third party who, to the receiving Party's knowledge, is not prohibited from disclosing the information to the receiving Party by a contractual, fiduciary or other duty; (iv) developed or derived by the receiving Party without the aid, application or use of the Confidential Information; (v) authorized for disclosure in writing by the disclosing Party, to the extent of such authorization; or (vi) the receiving Party is advised by legal counsel that it is required to disclose by law or legal process, provided, however, that prior to any such disclosure, the receiving Party will give the disclosing Party as much advance notice of the requirement as is practical, will cooperate with the disclosing Party at the disclosing Party's expense to protect against disclosure, and if disclosure is still required, then disclose only such part of the Confidential Information that its legal counsel advises it must disclose and only to the extent of its compliance with such law or legal process.

Contract Quantity - means the total number of AECs to be delivered under this contract and pursuant to the Transaction Confirmation.

Delivery Date - means with respect to a Transaction, the last date on which Seller must initiate a transfer order for the Product to Buyer's PJM GATS account.

Interest Rate - means a per annum rate of interest equal to two (2%) percent over the prime lending rate as published from time to time in the Wall Street Journal under "Money Rates" on such due date (or if not published on such day on the most recent preceding day on which published), but in no event to exceed the maximum lawful rate.

Party or Parties means Buyer and Seller, individually or collectively, as applicable.

PJM GATS means the environmental registry and information system, which is administered by PJM Environmental Information Services, Inc., that tracks the environmental and fuel attributes of generation, and any successor tracking system that both Parties agree in their reasonable commercial judgment facilitates the sale and purchase of Product.

Product - Seller represents the Product sold hereunder meets the definition of "Alternative Energy Credit" as that term is defined in the AEPS Act, *et seq.*, as of the Effective Date.

Product Delivery - Seller shall initiate transfer order(s) for the Contract Quantity or Product to Buyer's PJM GATS account on or before the date set forth in Exhibit A. Upon receiving electronic confirmation from PJM GATS that a transfer order

has been initiated by Seller, Buyer shall confirm the transfer order in PJM GATS within five (5) Business Days.

Replacement Price - means the alternative compliance payment required by the AEPS Act for each AEC not delivered. If the alternative compliance payment required by the AEPS Act is not known for a Reporting Year for which the AECs have been intended for AEPS compliance by Buyer, then the last reported alternative compliance payment for such Product shall be used.

Reporting Year - with respect to Pennsylvania, means the period beginning June 1 of the prior year and continuing until May 31 of the subject year (e.g. Reporting Period 2020 means June 1, 2020 through May 31, 2021).

Transaction – means a particular agreement by which the Company purchases and the AEC Supplier sells AECs pursuant to this Agreement, the details of which are more fully set forth in the Transaction Confirmation(s) in the form attached as Exhibit A.

Transaction Confirmation – means a schedule in a form substantially as set forth in Exhibit A of this Agreement that contains quantity, pricing and delivery details of a Transaction.

Transaction Date - means with respect to a Transaction, the date the Pennsylvania Public Utility Commission approved the bid results associated with such Transaction.

Vintage – means the acceptable period for which the renewable energy supporting the AEC is generated as set forth in the Transaction Confirmation.

ARTICLE 3 AEC PROVISIONS

3.1 Provisions

Seller agrees to sell and Buyer agrees to purchase all of Seller's right, title and interest in and to the AECs to be provided on the date and otherwise as set forth on an applicable Transaction Confirmation. In selling the AECs to Buyer, Seller hereby represents and warrants that it transfers, conveys and sells to Buyer all present and future rights, title and interest of Seller in and to the AECs as set forth in Exhibit A to the extent: (i) Seller will have such rights, title, and interest in and to such AECs and shall be deemed to be the sole and exclusive owner of such AECs under applicable law; and (ii)

such transfer and sale to Buyer is not in violation of any applicable law at the time of such transfer and sale. Seller represents and warrants that it has exclusive rights to the full and good, unencumbered and marketable title and interest in and to the AECs being transferred to Buyer and will transfer the same to Buyer on the dates provided in an applicable Transaction Confirmation. Seller covenants that it has not and will not transfer any portion of the right, title and interest in and to the AECs to any other person. Seller shall take such action as may be necessary to transfer and evidence such transfer of AECs to Buyer including the registration and Product Delivery of AECs with PJM GATS.

3.2 Reporting

Seller shall be obligated to assist Buyer in the event of any discrepancies from transferring RECs to the Buyer's PJM GATS account.

ARTICLE 4 BILLING AND PAYMENT

Within ten (10) Business Days of Buyer's receipt of electronic confirmation from PJM GATS that the transfer order has been completed and an invoice has been received, Buyer shall pay Seller the Contract Price for the Product delivered in accordance with this Agreement. If payment is not made within the time specified herein, the past due amount shall carry interest at the Interest Rate.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

5.1 Representations and Warranties of Both Parties

As of the Effective Date, each Party hereby represents and warrants to the other Party that:

- (a) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;
- (b) it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement;
- (c) it has the full right, power and authority to enter into this Agreement, to grant the rights granted hereunder, and to perform its obligations hereunder;
- (d) the execution, delivery and performance of this Agreement is within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;
- (e) this Agreement and each other document executed and delivered in accordance with this Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms;
- (f) no Event of Default (as defined in ARTICLE 10 below) 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;
- (g) it is acting for its own account, has made its own independent decision to

enter into this Agreement, has had its own legal counsel review the Agreement or had the opportunity for its own legal counsel to review the Agreement and elected to not have such a review, and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement;

(h) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code;

(i) it has entered into this Agreement in connection with the conduct of its business and it has the capacity or ability to make or take delivery of all Products referred to in the Agreement to which it is a Party; and

(j) with respect to this Agreement, it is a producer, processor, commercial user or merchant handling the Product, and it is entering into such Agreement for purposes related to its business as such.

5.2 Representations and Warranties of Seller

As of each Delivery Date, Seller hereby represents and warrants to Buyer that:

(a) it has the full right, interest, and/or title to sell the Product;

(b) the Product has never been sold for any other purpose or use;

(c) such transfer and sale to Buyer is not in violation of any applicable law at the time of such transfer and sale or the rights of any third party;

(d) the Product is free and clear of all liens or other encumbrances or clouds on title or marketability; and

(e) the Product is based on renewable energy generation that occurred during the eligible Vintage Period.

ARTICLE 6 TAXES AND FEES

Each Party shall be responsible for any taxes or other fees associated with its respective purchase and sale hereunder. As used herein "taxes" means, but is not limited to, any or all ad valorem, property, occupation, severance, first use, conservation, gross receipts, privilege, sales, use, consumption, excise, lease, transfer, transaction, surcharges, business license, and other taxes, governmental charges, licenses, fees, permits and assessments, or increases therein, other than taxes based on net income or net worth. A tax is not a penalty or a fine.

ARTICLE 7 ASSIGNMENT

Neither Buyer nor Seller shall assign this Agreement nor delegate any of its duties hereunder without the prior written consent of the other Party, which consent shall not be unreasonably withheld; provided that Seller may assign this Agreement without the consent of Buyer as collateral security to any lender (and in connection therewith, Buyer shall execute and deliver to such lender a consent agreement in a form reasonably acceptable to Buyer) or to a successor of all or substantially all of the assets of Seller through merger, reorganization, consolidation or acquisition.

ARTICLE 8 CHANGE IN LAW

If any statutes, rules, regulations, permits or authorizations are enacted, amended, granted or revoked which have the effect of changing the transfer and sale procedure set forth in this Agreement so that the implementation of this Agreement becomes impossible or impracticable, or otherwise revokes or eliminates the Pennsylvania Alternative Energy Portfolio Standards, the Parties hereto agree to exercise reasonable efforts to negotiate an amendment to this Agreement to conform with such new statutes, regulations, or rules in order to maintain the original intent of the Parties under this Agreement.

ARTICLE 9 INDEMNIFICATION

(a) Should Buyer 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 Seller with respect to an obligation arising under or in connection with this Agreement, or for which Seller has otherwise assumed liability under the terms of this Agreement, Seller shall defend (at Buyer's option), indemnify and hold harmless Buyer and its Affiliates and each of their respective shareholders, board members, directors, officers and employees, agents, contractors, subcontractors, invitees, successors, representatives, and permitted assigns from and against any and all such third party claims and/or liabilities, and shall appoint counsel at Seller's expense, subject to the

approval of Buyer, to defend any such claims or liabilities, except in the event of and to the extent that there is a final determination by a court of competent jurisdiction that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of Buyer in which event Buyer agrees to reimburse Seller within sixty (60) days of Seller's demand to the extent that such third party claims and/or liabilities is not covered by insurance required to be maintained pursuant to this Agreement solely for Buyer's share in contributing to the cause of such losses, penalties, expenses or damages. Buyer may, at its own expense, retain counsel and participate in the defense of any such suit or action.

(b) Should Seller (the "Indemnified Seller") 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 Buyer with respect to an obligation arising under or in connection with this Agreement, or for which Buyer has otherwise assumed liability under the terms of this Agreement, Buyer shall defend (at the option of the Indemnified Seller), indemnify and hold harmless the Indemnified Seller, its shareholders, board members, directors, officers and employees, from and against any and all such third party claims and/or liabilities, except in the event of and to the extent that there is a final determination by a court of competent jurisdiction that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Indemnified Seller. The Indemnified Seller 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 Section 9.1 or 9.2, 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.

(d) In the event that a Party fails or refuses to indemnify an indemnitee hereunder, in addition to all other obligations and upon adjudication in favor of an indemnitee, the indemnitor shall be responsible for any and all costs associated with bringing such action, including but not limited to attorneys' fees and costs.

(e) The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article 9 (Indemnification) shall survive termination of this Agreement, and as such obligation relates to claims asserted by employees of the indemnified party or otherwise, 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 workers' compensation acts, disability benefit acts or other employee benefit acts and both Parties. hereby waive any and all immunities or statutory protections under any workers' compensation act or similar statute.

ARTICLE 10 EVENTS OF DEFAULT

For purposes of this Agreement, a Party shall be in default (each of the following, an "Event of Default"):

- (a) if that Party materially breaches any or all of its obligations as described in this Agreement and such breach is not cured within five (5) Business Days of written notice of such breach from the other Party;
- (b) if any representation or warranty made by a Party in Article 5 of this Agreement proves to have been misleading or false in any material respect when made and such Party does not cure the underlying facts so as to make such representation and warranty correct and not misleading within five (5) Business Days of written notice from the other Party; or
- (c) if a Party:
 - (i) makes an assignment or any general arrangement for the benefit of its creditors,
 - (ii) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause under any bankruptcy or similar law for the protection of creditors, or has such a petition filed against it,
 - (iii) otherwise becomes bankrupt or insolvent (however evidenced),
 - (iv) has a resolution passed for its winding-up, official management or liquidation; or
 - (v) be unable to pay its debts as they fall due.

(d) if Seller fails to deliver AECs to Buyer's PJM GATS account within 10 Business Days of the approval of the bid results by the Pennsylvania Public Utility Commission, or if Seller delivered AECs to Buyer's PJM GATS account, but such AECs do not conform to the requirements of this Agreement or allow Buyer to comply with the AEPS Act, and such non-compliant AECs are not replaced with compliant AECs within five (5) Business Days of Buyer's notice to Seller of such non-compliance.

(e) if a Seller violates any federal, state or local code, regulation or statute applicable to the provision of AECs in a manner that materially, and adversely, affects the Party's performance under this Agreement.

ARTICLE 11 REMEDIES UPON DEFAULT

11.1 Remedies

If either Party is in default, as set forth in Article 10 at any time during the Term, the non-defaulting Party may select any or all of the following remedies: (i) upon two (2) Business Days written notice to the defaulting Party terminate this Agreement, (ii) withhold any payments due in respect of this Agreement and any other agreements between the Parties to the extent of its damages pursuant to this Article 11, and (iii) exercise such remedies as provided in this Agreement, including an action for damages (except as limited by Article 11.7) subject to the dispute resolution provisions in Article 13 of this Agreement.

11.2 Termination By Seller

If Buyer is in default and Seller elects to terminate this Agreement, then Buyer shall pay Seller, within ten (10) Business Days of invoice receipt, an amount equal to the Contract Price for any Product delivered to Buyer for which Seller has not been paid.

11.3 Termination By Buyer

If Seller is in default pursuant to Article 5(d) and Buyer elects to terminate this Agreement, then Seller shall be obligated to pay Buyer, within ten (10) Business Days of invoice receipt, an amount equal the Replacement Price for any undelivered or non-compliant Product.

11.4 Interest

All overdue payments hereunder shall bear interest from (and including) the due date to (but excluding) the date of payment at the Interest Rate.

11.5 No Penalty

Both Parties hereby stipulate that the payment obligations set forth in this Article 11 are reasonable in light of the anticipated harm and the difficulty of estimation or calculation of actual damages, and each Party hereby waives the right to contest such payments as an unreasonable penalty.

11.6 Exclusive Remedy

THE REMEDIES SET FORTH IN THIS ARTICLE 11 ARE THE SOLE AND EXCLUSIVE REMEDIES IN THE EVENT OF A DEFAULT OF A PARTY'S OBLIGATIONS TO SELL OR PURCHASE PRODUCT, AND A PARTY'S LIABILITY SHALL BE LIMITED AS SET FORTH IN THIS ARTICLE. ALL OTHER REMEDIES OR DAMAGES FOR FAILURE TO SELL OR PURCHASE PRODUCT AT LAW ARE HEREBY WAIVED.

11.7 Limitation of Liability

IN THE EVENT OF A DEFAULT, THE DEFAULTING PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT, ACTUAL DAMAGES ONLY, AND SUCH DIRECT AND ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY HEREUNDER. IN NO EVENT SHALL ANY OTHER LIABILITY BE INCURRED BY EITHER PARTY FOR ANY OBLIGATIONS WHICH ARISE UNDER THIS AGREEMENT, INCLUDING (BUT NOT LIMITED TO) CONSEQUENTIAL, SPECIAL, INCIDENTAL, TREBLE, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES. LOST PROFITS, LOSS OF FINANCING, BUSINESS OR REPUTATION, WHEN IN TORT, CONTRACT, OR OTHERWISE.

ARTICLE 12 CONFIDENTIALITY

12.1 Confidentiality.

Except as provided in this Article, neither Party shall publish, disclose, or otherwise divulge Confidential Information to any person at any time during or after the term of this Agreement, without the other Party's prior express written consent. Each Party shall permit knowledge of and access to Confidential Information only to those of its affiliates and to persons investing in, providing funding to or acquiring it or its affiliates, and to its and the foregoing persons' respective attorneys, accountants, representatives, agents and employees who have a need to know such Confidential Information related to this Agreement. If Seller defaults and this Agreement is terminated pursuant to ARTICLE 11, Buyer may disclose the terms of this Agreement and any Transaction Confirmation to all other non-defaulting suppliers providing AECs to Buyer pursuant to the PUC Orders. Such disclosure by Buyer shall be made for the purpose of allowing each non-defaulting supplier to make its Step-Up elections described in ARTICLE 19 below.

12.2 **Required Disclosure.**

If required by any law, statute, ordinance, decision, order or regulation passed, adopted, issued or promulgated by a court, governmental agency or authority having jurisdiction over a Party, as determined by legal counsel for a Party, that Party may release Confidential Information, or a portion thereof, to the court, governmental agency or authority, as required by the applicable law, statute, ordinance, decision, order or regulation, and a Party may disclose Confidential Information to accountants in connection with audits, provided that such Party has notified the other Party of the required disclosure, such that the other Party may attempt (if such Party so chooses) to cause that court, governmental agency, authority or accountant to treat such information in a confidential manner and to prevent such information from being disclosed or otherwise becoming part of the public domain.

12.3 **Tax.**

Notwithstanding any provision of this Agreement to the contrary, the legal obligations of confidentiality hereunder do not extend to the U.S. federal or state tax structure or the U.S. federal or state tax treatment of any transaction hereunder. If any U.S. federal or state tax analyses or materials are provided to a Party, such Party is free to disclose any such analyses or materials without limitation.

12.4 **Survival.**

The Parties obligations under this Article 12 shall survive for a period of three (3) years following the expiration or termination of this Agreement.

ARTICLE 13
GOVERNING LAW; DISPUTE RESOLUTION; FORM
SELECTION; WAIVER OF TRIAL BY JURY

This Agreement shall be construed, enforced, and performed in accordance with the laws of the Commonwealth of Pennsylvania, without recourse to principles governing conflicts of law.

In the event of any dispute, claim, question or disagreement arising from or relating to this Agreement or breach thereof, including but not limited to claims for equitable relief, to the extent not subject to the jurisdiction of the FERC, the Parties agree that all such disputes arising under this Agreement not satisfied or resolved under the required informal resolution provisions of this Article 13 shall be submitted to the Pennsylvania Public Utility Commission for determination, unless the Buyer, at its sole discretion, elects to submit any such dispute hereunder to the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania in Allentown.

AS A MATERIAL INDUCEMENT TO EACH PARTY TO ENTER INTO THIS AGREEMENT, IF THE BUYER ELECTS COURT, THE PARTIES EACH HEREBY IRREVOCABLY WAIVE ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING HERETO, ANY PRODUCT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY FURTHER WAIVES ANY RIGHT TO CONSOLIDATE ANY ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED.

In the event that the Buyer elects Court, the Seller hereby consents to the jurisdiction of the Lehigh County Court of Common Pleas, or the Eastern District Court of Pennsylvania and waives all rights to contest the Buyer's election of court whether based on forum non conveniens or otherwise.

ARTICLE 14 ENTIRE AGREEMENT

This Agreement, together with any attachments or exhibits specifically referenced herein, constitutes the entire agreement between the Seller and the Buyer with respect to the subject matter hereof, supersedes all prior oral or written representations and contracts, and may be modified only by a written amendment signed by Buyer and Seller.

ARTICLE 15 RECORDING

Each Party consents to the recording of its trading, marketing and scheduling representatives' telephone conversations without any further notice. Any tape recordings may be submitted in evidence to any court or in any legal proceeding for the purpose of establishing any matter relating to the Transaction. In addition, the Parties agree not to contest the authority of either Party's employees to enter into the Transaction evidenced by this Confirmation. Notwithstanding the foregoing, any agreement with respect to the Transaction shall be in a writing signed by both Parties.

ARTICLE 16 WAIVER

No delay or omission by a Party in the exercise of any right under this Agreement shall be taken, construed or considered as a waiver or relinquishment thereof, and any such right may be exercised from time to time and as often as may be deemed expedient. If any of the terms and conditions hereof are breached and thereafter waived by a Party, such waiver shall be limited to the particular breach so waived and is not deemed to waive any other breach hereunder.

ARTICLE 17 MISCELLANEOUS

- (a) In the event that any provision of the Agreement shall be found to be void or unenforceable, such findings shall not be construed to render any other provision of the Agreement either void or unenforceable, and all other provisions shall remain in full force and effect unless the provisions which are void or unenforceable shall substantially affect the rights or obligations granted to or undertaken by either Party.
- (b) Neither Party shall issue or release any announcement, statement, press release or other publicity or marketing materials relating to this Agreement, or otherwise use the other Party's trademarks, service marks, trade names, logos, symbols or brand names, in each case, without the prior written consent of the other Party.

- (c) This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each Party hereto.
- (d) This Agreement including all Transaction Confirmations hereunder may be executed in counterparts, each of which will be considered an original, but all of which shall constitute one instrument. Further, the Parties agree that the electronic signature of a Party to this Agreement and the forms appended herein shall be as valid as an original signature of such Party and shall be effective to bind such Party. For purposes hereof, “electronic signature” means either a manually signed original signature or an electronic symbol or process attached to or logically associated with a record and executed or adopted by a party with the intent to sign the record that is then transmitted by electronic means; “transmitted by electronic means” means documents delivered via an electronic format, including through the internet as a “pdf” (portable document format) or equivalent format. The use of electronic signature shall be approved by Buyer prior to use by Seller.

ARTICLE 18

NOTICES

All notices, payments and other formal communications which either Party may give to the other under or in connection with this Agreement shall be in writing and shall be sent electronically and by any of the following methods: hand delivery; reputable overnight courier; certified mail, return receipt requested; or, with respect to communications other than payments, by electronic means, if the original

communication is delivered by reputable overnight courier. The communications shall be sent to the following addresses, and shall be effective when received:

If to PPL Electric Utilities Corporation:

PPL Electric Utilities Corporation

Attn: James M. Rouland

Telephone: 610.774.3042

Email: jmrouland@pplweb.com

If to _____(Seller):

Attn:

Telephone:

Email: [Insert Email]

ARTICLE 19 SELLER'S STEP UP RIGHT

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

In the event that Seller wishes to exercise its option to Step-Up when such an opportunity arises, Seller shall respond to Buyer of such within five (5) Business Days from the date of Buyer's notification. In Seller's response, Seller shall indicate: (i) the maximum amount of the increased obligation that Seller wishes to take on given the additional supply obligation available from the terminated transactions (which need not be all). The amount of supply obligation assigned to Seller following Seller's Step-Up response will be Seller's pro-rata share of the total of such Step-Up responses from all sellers and will be from zero up to and including the maximum amount that the Seller indicates. Seller's pro-rata share, as described in this paragraph, shall be the ratio of Seller's amount indicated in Seller's Step-Up response to the total of amounts indicated in all sellers' Step-Up responses. Once Buyer has determined Seller's pro-rata share, the Seller is obligated to execute a Transaction Confirmation in the amount of the pro-rata share within one (1) business day. The Delivery Date for such Transaction shall be the 10th Business Day from the Transaction Date.

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

WITNESS WHEREOF, each of the parties hereto acknowledge that they have read the terms and conditions contained herein, understand and agree to the same and agree to be bound thereby and have caused this Agreement to be executed in duplicate originals by its duly authorized representative on the respective dates entered below.

[AEC SUPPLIER]
("SELLER")

PPL Electric Utilities Corporation
("BUYER")

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

EXHIBIT A

TRANSACTION CONFIRMATION EXAMPLE

(One per Product)

This Transaction Confirmation letter is being provided pursuant to and in accordance with the AEC Supplier Master Agreement ("Agreement") dated _____ between PPL Electric Utilities Corporation ("Company" or "Buyer") and _____ ("AEC Supplier" or "Seller"). 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 [INSERT AEC RFP Solicitation PaPUC approval date] ("Transaction Date").

Buyer and Seller are each referred to as a "Party" and, collectively, as the "Parties".

The terms of the Transaction to which this Letter relates are as follows:

Delivery Date: _____, which shall be the 10th Business Day after the Transaction Date.

Product: Pennsylvania [Insert Tier] Alternative Energy Credits ("AEC") as defined in this Agreement.

Vintage: _____ through _____.

Contract Quantity: _____ AEC

Contract Price: \$XX.XX per AEC

Transaction Value: \$ _____

Seller: _____

Buyer: PPL Electric Utilities Corporation

Capitalized terms used but not defined herein shall have the meanings given to them in the AEC SMA.

SELLER (“SELLER”)

BUYER (“BUYER”)

BY: _____

BY: _____

NAME: _____

NAME: _____

TITLE: _____

TITLE: _____

DATE: _____

DATE: _____

EXHIBIT G



PPL Electric Utilities Corporation

GENERAL TARIFF

RULES AND RATE SCHEDULES FOR ELECTRIC SERVICE

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

ISSUED: TBD

EFFECTIVE: TBD

GREGORY N. DUDKIN, PRESIDENT

Two North Ninth Street
Allentown, PA 18101-1179

NOTICE

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

GENERATION SUPPLY CHARGE-1

(C)

The Generation Supply Charge-1 (GSC-1) shall be applied to each kilowatt-hour supplied to residential customers who take Basic Utility Supply Service (“BUSS”) from the Company under Rate Schedules RS and RTS (R), small commercial and industrial customers who take BUSS service under Rate Schedules GS-1, GS-3, BL, SA, SM (R), SHS, SLE, SE, TS (R) and GH-2 (R), and standby service for the foregoing rate schedules. The GSC-1 will not apply to those Rate Schedule GS-3 customers who have a peak demand of 100 kW or greater, but the GSC-1 will apply to those Rate Schedule LP-4 customers who have a peak demand of less than 100 kW. This peak demand will be based on the customer’s ICAP peak load contribution to PJM peak load assigned for the most recent PJM Planning Year. The GSC-1 shall have the options listed below.

(C)

FIXED PRICE OPTION – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL

PURPOSE

The Fixed Price Option provides eligible customers in the Residential and Small Commercial & Industrial Customer Class with default electric service for those customers who have not selected a retail electric generation supplier (EGS) or the Time of Use Program.

PRICING PROVISIONS

The Fixed Price GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for service provided during the billing period:

$$\text{Fixed Price GSC-1} = \left[\left(\frac{GS_{fp}}{S_{fp}} \right) - \left(\frac{E}{S_{fp}} \right) \right] \times \frac{1}{(1-T)}$$

Where:

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial as designated above.

GS_{fp} = The total estimated direct and indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers on the Fixed Price Option in the applicable Customer Class. These costs shall be reduced by any revenue received by the Company from the sale of Alternative Energy Credits that otherwise would have expired.

The computation period shall be the six calendar months over which the Fixed Price GSC-1, as computed, will apply. Projections of the Company’s costs to acquire generation supply, adjusted for losses and including Alternative Energy Credits, for the computation quarter shall include all direct and indirect costs of generation supply to be acquired by the Company from any source plus any associated generation supply-related procurement and administration costs. Any costs incurred prior to June 1, 2021, shall be amortized ratably over the 48-month period June 1, 2021, through May 31, 2025, and the 6-month amortization amount shall be included in the computation of the GSC-1.

(C)

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

(C)

FIXED PRICE SERVICE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

- E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers in the applicable Customer Class. These costs will be computed as of the end of the calendar month ended two months prior to the beginning of the computation period, and will include applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of overcollections and undercollections shall be calculated at the prime rate for commercial borrowing in effect on the last day of the month the over or undercollection occurred.

- S_{fp} = The Company’s total retail KWH sales to participating BUSS customers on the Fixed Price Option in the applicable Customer Class, projected for the computation quarter.

- T = The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing month, expressed in decimal form.

Minimum bills shall not be reduced by reason of the GSC-1, nor shall GSC-1 charges be a part of the monthly rate schedule minimum. The GSC-1 shall not be subject to any credits or discounts and Part 2 of the STAS shall apply.

The following GSC-1 charges apply for the Fixed Price Option during the period December 1, YYYY (C) through May 31,YYYY.

Customer Class	Small C&I	Residential
Rate Schedule / Charge	GS-1, GS-3 (< 100 kW), LP-4 (< 100 kW), BL, and GH-2 (R) \$#.##/KWH	RS and RTS (R) \$#.##/KWH

Small C&I – Street Lights										
Rate Schedule/ Charge	SA		SM (R)		SHS		SLE		SE	TS (R)
	Nominal Lumens	Charge	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Lamp	Nominal Lumens	\$/Fixture	\$/KWH	\$/Watt
	HPS 9,500	\$/Lamp	3,350		5,800		2,600			
6,650				9,500		3,300				
10,500				16,000		3,800				
\$/Fixture		20,000		25,500		4,900				
		34,000		50,000		7,500				
		51,000				15,000				
						20,000				

(Continued)

(D) Indicates Decrease **(I)** Indicates Increase **(C)** Indicates Change

Issued:

Effective:

GENERATION SUPPLY CHARGE -1 (Continued)

FIXED PRICE SERVICE – RESIDENTIAL & SMALL COMMERCIAL/INDUSTRIAL (Continued)

GSC – 1 RECONCILIATION PROVISIONS -

The GSC-1 shall be filed with the Commission thirty (30) days prior to the effective date of the rate for each computation period. The rate shall become effective for BUSS service rendered during the computation period, unless otherwise ordered by the Commission, and shall remain in effect for one 6-month period.

For the Fixed Price Option, the Company will file with the Commission thirty (30) days prior to each computation period, a reconciliation of GSC-1 actual billed revenues and actual incurred costs for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation period and shall remain in effect for a period of six months, or until new GSC-1 rates are approved by the Commission.

The reconciliation will be calculated separately for each of the two Customer Classes. The reconciliation will include a calculation of any over/under collection that will be reflected in the GSC-1 charges for the subsequent computation period. The GSC-1 will be reconciled every six months, using over/under collection balance for the six month period ending two months prior to the new GSC-1 effective date.

Application of the GSC-1 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-1 and the costs included therein.

TIME OF USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL (C)

PURPOSE

Beginning on June 1, 2019, this Time-of-Use (TOU) Program provides for the voluntary participation of eligible existing and new residential and small commercial & industrial customers in a year-round TOU Program. Eligible customers must meet the APPLICATION PROVISIONS of this TOU Program. The objective of this TOU Program is to provide eligible residential and small commercial & industrial customers with an opportunity to shift energy usage away from the on-peak periods, when wholesale electricity demand and prices are high, to off-peak periods, when demands and prices are lower.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL **(C)**
 (Continued)

PRICING PROVISIONS

The following Generation Supply Charges apply for service under the TOU Program during the period December 1, YYYY through May 31, YYYY. On-Peak hours will be set based on schedule **(C)** below Monday through Friday, excluding weekends and holidays.

Rate Schedule RS and RTS (R)	Winter On-Peak Hours (4:00 PM to 8:00 PM) <u>December 1 to May 31</u>	Summer On-Peak Hours (2:00 PM to 6:00 PM) <u>June 1 to November 30</u>
On-Peak Hours	### cts per kWh	### cts per kWh
Off Peak Hours	### cts per kWh	### cts per kWh

Rate Schedules GS-1, GS-3 (< 100 kW), LP-4 (<100kW), BL, and GH-2 (R)	Winter On-Peak Hours (4:00 PM to 8:00 PM) <u>December 1 to May 31</u>	Summer On-Peak Hours (2:00 PM to 6:00 PM) <u>June 1 to November 30</u>
On-Peak Hours	### cts per kWh	### cts per kWh
Off Peak Hours	### cts per kWh	### cts per kWh

The TOU GSC-1, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for BUSS service provided during the billing month:

$$\text{Summer On-Peak TOU GSC-1} = \left[\left[\frac{GS_{OFF}}{S} \times GS_M \right] + \left[\frac{GS_{IND} - E}{S} \right] \right] \times \frac{1}{(1-T)}$$

$$\text{Winter On-Peak TOU GSC-1} = \left[\left[\frac{GS_{OFF}}{S} \times GS_M \right] + \left[\frac{GS_{IND} - E}{S} \right] \right] \times \frac{1}{(1-T)}$$

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL **(C)**
 (Continued)

$$\text{Summer Off-Peak TOU GSC-1} = \left[\left[\frac{GS_{GEN}}{S} \times 0.90 \right] + \left[\frac{GS_{IND} - E}{S} \right] \right] \times \frac{1}{(1-T)}$$

$$\text{Winter Off-Peak TOU GSC-1} = \left[\left[\frac{GS_{GEN}}{S} \times 0.90 \right] + \left[\frac{GS_{IND} - E}{S} \right] \right] \times \frac{1}{(1-T)}$$

Where:

- GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial (taking service at secondary voltage levels) as designated above.
- GS_{GEN} = The total generation component for the respective customer classes' fixed price default service rate.
- GS_{OFF} = The total Off-Peak generation component for the respective customer classes' fixed price default service rate.
- GS_{IND} = The total estimated indirect costs incurred by the Company to acquire generation supply from any source on behalf of participating BUSS customers in the applicable Customer Class.
- E = Experienced net over or undercollection of costs associated with the acquisition of generation supply for participating BUSS customers in the applicable Customer Class. These costs will be computed as of the end of the calendar month ended two months prior to the beginning of the computation period, and will include applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of overcollections and undercollections shall be calculated at the prime rate for commercial borrowing in effect on the last day of the month the over or undercollection occurred.
- GS_M = Seasonal Multiplier based on historic data.
- S = The Company's total retail KWH sales to participating BUSS customers in the applicable Customer Class, projected for the computation period.
- T = The Pennsylvania gross receipts tax rate in effect during the billing month, expressed in decimal form.

(Continued)

(C) Indicates Change

Issued:

Effective:

GENERATION SUPPLY CHARGE – 1 (Continued)

TIME-OF-USE PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL **(C)**
(Continued)

APPLICATION PROVISIONS

This TOU Program is available to existing and new residential and small commercial/ industrial customers who are served, or qualify to be served, under Rate Schedules RS, RTS(R), GS-1, GS-3 (customers with peak demands less than 100 KW), LP-4 (customers with peak demands less than 100KW), BL and GH-2 (R). This includes Volunteer/Non-Profit organizations (Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services) served under Rate Schedules GS-1 and GS-3, but does not include customers in the Company's OnTrack program. Customers taking service under the above-referenced rate schedules, who also participate in the Company's Net Metering for Renewable Customer Generator programs, are eligible for the TOU Program.

TERMINATING PARTICIPATION

A customer may leave this TOU Program after providing notice to the Company. The customer, if still receiving BUSS, will return to the standard Fixed Price GSC-1.

GENERATION SUPPLY CHARGE-2

(C)

The Generation Supply Charge-2 (GSC-2) shall be charged to customers in the Large Commercial & Industrial Customer Class who take Basic Utility Supply Service ("BUSS") from the Company under Rate Schedules GS-3, LP-4, LP-5, LPEP, and standby service for the foregoing rate schedules. The GSC-2 will not apply to those Rate Schedule LP-4 customers who have a peak demand of less than 100 kW, but the GSC-2 will apply to those Rate Schedule GS-3 customers who have a peak demand of 100 kW or greater. This peak demand will be based on the customer's ICAP peak load contribution assigned for the most recent PJM Planning Year. The GSC-2 shall have one rate option provision: Hourly Default Service Option.

(C)

PURPOSE

The Hourly Default Service Option provides default electric generation service to eligible customers in the Large Commercial & Industrial Customer Class who have not selected an alternative generation supplier.

PRICING PROVISIONS

All of the following charges apply to this rate option.

- **GSC-2 Energy Charge per KWH:** The product of actual real-time Locational Marginal Prices at the PPL Residual Aggregate Node as reported by PJM Interconnection, LLC. (PJM) for each hour of the billing month expressed in cents per KWH times the customer's actual energy use, adjusted for losses, during each hour of the billing month.
- **GSC-2 Capacity Charge:** The product of the PJM Reliability Pricing Model ("RPM") price of capacity expressed in dollars per KW-Day, as reported by PJM for the PL Zone, for the applicable billing month times the customer's fixed peak load capacity obligation, as determined by the Company in accordance with the applicable PJM Agreements, times the number of days in the billing month.
- **GSC-2 Administrative Charge per KWH:** The product of all administrative charges (both the supplier's charges and PPL Electric's charges) expressed in cents per KWH times the customer's actual energy use, adjusted for losses, during each hour of the billing month. The supplier's charges shall be the supplier's winning bid in PPL Electric's most recent solicitation for supply of default service to customers in the Large C&I Customer Class. The supplier's charges may include, but are not limited to, the costs of transmission service (other than non-market-based transmission service charges), ancillary services, congestion management costs, and such other services or products that are required to supply hourly default service to customers in the Large C&I Customer Class, including Alternative Energy Credits. PPL Electric's charges shall be a monthly pro rata amortization of the actual costs incurred by the Company to acquire generation supply from any source for the Large C&I Customer Class during the most recent 12-month period ended May 31 (as determined by amortizing such costs ratably over a 12-month period) plus the monthly amortization of the cost of administering that program prior to June 1, 2021 (as determined by amortizing such costs ratably over the 48-month period June 1, 2021 through May 31, 2025). In addition, the initial computation period will include any remaining over or undercollection balance related to application of the GSC-2 for the Large Commercial and Industrial Customer Class.

(Continued)

GENERATION SUPPLY CHARGE-2 (CONTINUED)

The following rate components of the GSC-2 shall be filed with the Pennsylvania Public Utility Commission (Commission) thirty (30) days prior to each application year (June 1 through May 31). The rate components subject to this filing requirement are: (1) the supplier's charges to be included in the GSC-2 Administrative Charge and (2) PPL Electric's charges to be included in the GSC-2 Administrative Charge. The reconciliation of the GSC-2 will be the difference between the actual administration costs incurred and the applicable billed revenue for the computation period. These rate components, as well as any net over or undercollection of these rate components as of the end of the 12-month period ending March 31 immediately preceding the computation period and set forth as a separate E-factor reconciliation component, shall become effective for BUSS rendered on and after the following June 1, and shall remain in effect for a period of one year.

By May 1 of each year, the Company will file with the Commission the experienced net over or undercollection of the GSC-2 associated with the above-identified costs that are incurred to provide generation supply for participating BUSS customers as of the end of the calendar month ending two months prior to the computation period, including applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of undercollections shall be calculated at the prime rate of interest. Interest on refunds of overcollections shall be calculated at the prime rate of interest.

The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within the tariff) in effect during the billing month shall apply to charges under the GSC-2.

Minimum bills shall not be reduced by reason of the GSC-2, nor shall GSC-2 charges be a part of the monthly rate schedule minimum. The GSC-2 shall not be subject to any credits or discounts, but Part 2 of the STAS shall apply.

Application of the GSC-2 shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the GSC-2 and the costs included therein.

EXHIBIT H



PPL Electric Utilities Corporation

GENERAL TARIFF

RULES AND RATE SCHEDULES FOR ELECTRIC SERVICE

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

ISSUED: TBD

EFFECTIVE: TBD

GREGORY N. DUDKIN, PRESIDENT

Two North Ninth Street
Allentown, PA 18101-1179

NOTICE

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

GENERATION SUPPLY CHARGE -1 (Continued)

RENEWABLE ENERGY PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL **(C)**

PURPOSE

Beginning on December 1, 2021, the Renewable Energy Program allows for the voluntary participation of eligible existing and new residential and small commercial & industrial customers. Eligible customers must meet the APPLICATION PROVISIONS of this Renewable Energy Program. The objective of this Renewable Energy Program is to provide eligible residential and small commercial & industrial customers with an opportunity to purchase renewable energy credits to offset their monthly load.

PRICING PROVISIONS

The following apply for service under the Renewable Energy Program, the Renewable Matching Service (“RMS”) price during the period Month DD, YYYY through Month DD, YYYY.

Customer Class	Small C&I	Residential
Rate Schedule / Charge	GS-1, GS-3 (< 100 kW), LP-4 (< 100 kW), and GH-2 (R) #.### cts per kWh	RS and RTS (R) #.### cts per kWh

The RMS price, determined in accordance with the formula set forth below, shall be applied to all kilowatt-hours billed for the Renewable Energy Program service provided during the billing month:

$$RMS = GSC-1 + \left[\left[AEC - \frac{E}{Sfp} \right] \times \frac{1}{(1-T)} \right]$$

RMS = The Renewable Matching Service price, stated in cents per kilowatt hour, shall be calculated separately for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial as designated in the Application Provisions.

GSC-1 = The Generation Supply Charge-1, stated in cents per kilowatt hour, for each of the following two Customer Classes: (1) residential, and (2) small commercial and industrial.

(Continued)

GENERATION SUPPLY CHARGE – 1 (Continued)

RENEWABLE ENERGY PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL (C)
(Continued)

- AEC = The Alternative Energy Credit supplier price (cent per kWh) incurred by the Company to acquire alternative energy credits on behalf of participating customers in the applicable Renewable Energy Program Customer Class.
- E = Experienced net over or undercollection of costs associated with the acquisition of renewable credits for participating customers. These costs will be computed as of the end of the calendar month ended two months prior to the beginning of the computation period, and will include applicable interest. Interest shall be computed monthly from the month the over or undercollection occurs to the month in which the overcollection is refunded or the undercollection is recouped. Interest on recoveries of overcollections and undercollections shall be calculated at the prime rate for commercial borrowing in effect on the last day of the month the over or undercollection occurred.
- S_{f p} = The Company's total retail kWh sales for participating customers on the Renewable Energy Program in the applicable Customer Class, projected for the computation period.
- T = The Pennsylvania gross receipts tax rate (exclusive of Part 2 of the State Tax Adjustment Surcharge (STAS) within this tariff) in effect during the billing month, expressed in decimal form.

The RMS shall be filed with the Commission thirty (30) days prior to the effective date of the rate for each computation period. The rate shall become effective for service rendered during the computation period, unless otherwise ordered by the Commission, and shall remain in effect for one 6-month period.

For the Fixed Price Option, the Company will file with the Commission thirty (30) days prior to each computation period, a reconciliation of RMS actual billed revenues and actual incurred costs for the most recently available actual computation period, pursuant to 66 Ps. C.S. §1307. The reconciliation shall become effective for service rendered during the computation period and shall remain in effect for a period of six months, or until new RMS rates are approved by the Commission.

The reconciliation will include a calculation of any over/under collection that will be reflected in the RMS charges for the subsequent computation period. The RMS will be reconciled every six months, using over/under collection balance for the six month period ending two months prior to the new RMS effective date.

Application of the RMS shall be subject to continuous review and audit by the Commission at intervals it shall determine. The Commission shall review the reasonableness and lawfulness of the level of charges produced by the RMS and the costs included therein.

(Continued)

RENEWABLE ENERGY PROGRAM – RESIDENTIAL AND SMALL COMMERCIAL/INDUSTRIAL (C)
(Continued)

APPLICATION PROVISIONS

This Renewable Energy Program is available to existing and new residential and small commercial/industrial customers who are served, or qualify to be served, under Rate Schedules RS, RTS(R), GS-1, GS-3 (customers with peak demands less than 100 KW), LP-4 (customers with peak demands less than 100KW) and GH-2 (R). This includes Volunteer/Non-Profit organizations (Volunteer Fire Companies, Non-Profit Senior Citizen Centers, Non-Profit Rescue Squads, and Non-Profit Ambulance Services) served under Rate Schedules GS-1 and GS-3, but does not include customers in the Company's OnTrack program or Net Metering customers as defined in NET METERING FOR RENEWABLE CUSTOMER-GENERATORS section of the tariff.

TERMINATING PARTICIPATION

A customer may leave this Renewable Energy Program after providing notice to the Company. If a Customer fails to pay their bill in full for two consecutive billing periods, that Customer's participation in the Renewable Energy Program will terminate. The customer, if still receiving BUSS, will return to the standard Fixed Price GSC-1.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. P-2020-_____

PPL Electric Utilities Corporation

Statement No. 1

Direct Testimony of James M. Rouland

Topics Addressed: Default Service Program and Procurement Plan
Request for Proposals Process and Rules
Default Service Supply Master Agreement
Alternative Energy Credits
Time of Use Program
Renewable Energy Rate Program
Third-Party Administrator
Compliance with Regional Transmission
Organization
Standard Offer Program
Customer Assistance Program Shopping

March 25, 2020

1 **I. INTRODUCTION**

2 **Q. Please state your name and business address.**

3 A. My name is James M. Rouland. My business address is Two North Ninth Street,
4 Allentown, Pennsylvania 18101.

5
6 **Q. What is your current position?**

7 A. I am employed by PPL EU Services Corporation, an affiliate of PPL Electric Utilities
8 Corporation (“PPL Electric” or the “Company”), as the Regulatory Policy Manager.

9
10 **Q. Please describe your primary responsibilities in that position.**

11 A: My primary responsibilities include overseeing, reviewing, and responding to regulatory
12 topics; completing business analysis and strategy development; managing the PPL
13 Electric Default Service Plan auctions and related activities; managing energy contracts
14 and associated credit provisions; and managing the alternative energy credit (“AEC”)
15 contracts and associated state reporting obligations.

16
17 **Q. Please describe your educational experience.**

18 A: I graduated from Albright College in 2005 with a Bachelor of Arts in Environmental
19 Policy and a Bachelor of Science in Environmental Science. I graduated from the
20 University of Phoenix in 2008 with a Master of Business Administration.

21
22 **Q. Please describe your professional experience.**

23 A: I began my career in 2005 with PPL Services Corporation, in the PPL Environmental
24 Management Department, as an Environmental Auditor and was later promoted to Lead

1 Environmental Auditor in 2007. In 2008, I joined PPL Development Company and was
2 promoted to the position of Senior Energy and Climate Change Professional. In 2009, I
3 joined the Energy Acquisition Department within PPL Electric as a Senior Analyst of
4 Business Operations Analysis. In 2012, I was promoted to Supervisor of Energy
5 Procurement within the Distribution Regulatory and Business Affairs Department of PPL
6 Electric. In 2016, my role expanded to include the management of PPL EU Services
7 Corporation's Settlement and Scheduling Team. In 2018, I assumed the role of
8 Regulatory Policy Manager, which is the position I currently hold.

9
10 **Q. Have you testified previously before the Commission?**

11 Yes. I previously testified before the Commission in support of the PPL Electric's
12 Petition for the Approval of a Pilot Time-of-Use Program at Docket No. P-2013-
13 2389572; PPL Electric's Default Service Program and Procurement Plan for the Period
14 June 1, 2015 through May 31, 2017, at Docket No. P-2014-2417907; PPL Electric's 2015
15 base rate case, at Docket No. R-2015-2469275; a net metering complaint at Docket No.
16 C-2013-2375440; PPL Electric's Default Service Program and Procurement Plan for the
17 Period of June 1, 2017 through May 31, 2021, at Docket No. P-2016-2526627; and PPL
18 Electric's Time-of-Use Program at Docket No. P-2016-2578051.

19
20 **Q. What is the purpose of your testimony?**

21 A. My testimony is being submitted in support of the Petition of PPL Electric Utilities
22 Corporation for Approval of a Default Service Program and Procurement Plan for the
23 Period June 1, 2021 through May 31, 2025, filed with the Commission on March 25,

1 2020. Therein, PPL Electric requests approval of its fifth Default Service Program and
2 Procurement Plan (“DSP V Program”) to establish the terms and conditions under which
3 PPL Electric will acquire and supply Default Service or provider of last resort service
4 (“Default Service”), from June 1, 2021 through May 31, 2025 (the “DSP V Program
5 Period”). The subjects of my testimony include the following:

- 6 • A description of the background of, and essential elements of, the DSP V
7 Program;
- 8 • A description of the *pro forma* Request for Proposals Process and Rules (“RFP
9 Rules”) and the *pro forma* Supplier Master Agreement (“SMA”) for Default
10 Service, Block Energy, and Alternative Energy Credits, which are included as
11 Attachments A, B, C, D, E and F to the Petition, respectively;
- 12 • A description of the Renewable Energy Rate Program;
- 13 • A description of the Time of Use (“TOU”) Program;
- 14 • A summary of research into Critical Peak Pricing (“CPP”);
- 15 • Compliance with the Alternative Energy Portfolio Standards Act (“AEPS Act”)
16 and Procurement of Alternative Energy Credits (“AECs”);
- 17 • A description of the Request for Proposals (“RFP”) process, including bidder
18 qualifications under the RFP Rules and the Default Service SMA;
- 19 • The selection of the independent third-party manager to administer procurement
20 under the Default Service Program;
- 21 • Compliance with Regional Transmission Organization (“RTO”) requirements;
22 and

- 1 • A response to the Commission’s request for additional information posed by the
2 Commission in its Secretarial Letter closing the Investigations into Default
3 Service and PJM Interconnection, LLC. Settlement Reforms docket.¹
4

5 **Q. Please describe the direct testimony submitted by the Company in this proceeding.**

6 A. In addition to my direct testimony, the Company also has submitted the direct testimony
7 of the following witnesses that will explain the subject matter indicated:

- 8 • PPL Electric Statement No. 2 - the Direct Testimony of A. Joseph Cavicchi,
9 explaining the lessons learned from PPL Electric’s existing Default Service
10 Procurement Program, describing the products to be procured in the DSP V
11 Program, explaining the procurement process, describing how the DSP V
12 Program meets the “Prudent Mix” and “Least Cost Over Time” requirements, and
13 providing information on CPP Programs.
- 14 • PPL Electric Statement No. 3 - the Direct Testimony of Melinda Stumpf,
15 explaining PPL Electric’s Customer Assistance Program (“CAP”), providing
16 historic information on CAP customer shopping, and providing detail into PPL
17 Electric’s proposal to require CAP customers remain on the Company’s Default
18 Service rate while participating in the CAP.
- 19 • PPL Electric Statement No. 4 - the Direct Testimony of Michelle Lawall-Schmidt,
20 explaining customer retail shopping history, providing insight into the PPL
21 Electric Standard Offer Program (“SOP”), explaining the changes the Company is

¹ Pennsylvania Public Utility Commission, *Investigations into Default Service and PJM Interconnection, LLC. Settlement Reforms*, Docket No. M-2019-3007101.

1 proposing to implement to the SOP, and providing detailed support for the
2 changes being proposed.

3
4 **Q. Mr. Rouland, are you sponsoring any exhibits in this proceeding?**

5 A. Yes. I am sponsoring the Company's Petition, including the following attachments:
6 Attachment A, the DSP V RFP; Attachment B, the DSP V SMA; Attachment C, the
7 Block Energy RFP; Attachment D, the Block Energy SMA; Attachment E, the AEC RFP;
8 Attachment F, the AEC SMA; Attachment G, the *pro forma* tariff provisions for the
9 Generation Supply Charge-1, the Generation Supply Charge-2, and the Transmission
10 Service Charge ("TSC"); and Attachment H, the *pro forma* tariff provisions for the
11 Renewable Energy Rate Program. The Company requests that the Petition, together with
12 the accompanying Attachments, be identified as PPL Electric Exhibit Number 1. I also
13 am sponsoring the following exhibits that are attached to my testimony: PPL Electric
14 Exhibit JMR-1, JMR-2, JMR-3, JMR-4, and JMR-5.

15
16 **II. BACKGROUND**

17 **Q. Please explain why PPL Electric is filing the DSP V Program.**

18 A. Act 129 of 2008 ("Act 129") became effective on October 15, 2008. Among other
19 provisions, Act 129 amended the Electric Generation Customer Choice and Competition
20 Act to require Electric Distribution Companies ("EDCs"), in their role as Default Service
21 providers, to procure supply through competitive processes utilizing a "prudent mix" of
22 contracts, and to offer a TOU rate option to customers with smart meters.

23 Pursuant to 52 Pa. Code § 54.185, a Default Service provider must file a Default
24 Service program with the Commission no later than 12 months prior to the conclusion of

1 the currently effective Default Service program. 52 Pa. Code § 54.185(a). PPL Electric’s
2 current Commission-approved Default Service Program and Procurement Plan (“DSP IV
3 Program”) expires on May 31, 2021. To meet its statutory and regulatory Default Service
4 obligation after the expiration of the DSP IV Program, PPL Electric is filing the DSP V
5 Program to establish the terms and conditions under which PPL Electric will acquire and
6 supply Default Service during the DSP V Program Period.

7 This filing represents PPL Electric’s sixth program for procurement of Default
8 Service Supply. The first procurement plan was known as the Competitive Bridge Plan,
9 or CBP, and operated for calendar year 2010. The next three plans, DSP I, DSP II, and
10 DSP III operated for the periods of January 1, 2011 through May 31, 2013, June 1, 2013
11 through May 31, 2015, and June 1, 2015 through May 31, 2017, respectively. The
12 current plan, DSP IV, operates from June 1, 2017 through May 31, 2021. PPL Electric is
13 proposing the DSP V Program to establish the terms and conditions under which PPL
14 Electric would continue to provide Default Service and obtain generation supply for the
15 period beginning June 1, 2021 through May 31, 2025.

16
17 **Q. What are some of the important aspects of the DSP IV Program that are relevant to**
18 **the DSP V Program?**

19 A. By Final Order entered October 27, 2016, the Commission approved the Company’s DSP
20 IV Program. *See Petition of PPL Electric Utilities Corporation for Approval of a Default*
21 *Service Program and Procurement Plan for the Period June 1, 2017 Through May 31,*
22 *2021, Docket No. P-2016-2526627 (Order entered October 27, 2016). Importantly, PPL*
23 *Electric plans to acquire the generation supply and related services needed to meet its*

1 Default Service obligation for the DSP V Program Period through procedures similar to
2 those previously approved by the Commission and successfully used by PPL Electric for
3 its Default Service supply under the DSP IV Program. The DSP V Program incorporates
4 the best practices and lessons learned from the preceding default service programs, and
5 includes several modifications designed to better address customer needs for the DSP V
6 Program Period.

7
8 **Q. Please provide a summary of the Commission-approved DSP IV Program.**

9 A. PPL Electric's current DSP IV Program relies on a portfolio of fixed-price full-
10 requirements supplies for both the Residential and Small Commercial and Industrial
11 ("Small C&I") customers. The Residential customer portfolio also includes a pre-
12 existing Optional Monthly Pricing Service ("OMPS") block contract for 50 MW of
13 supply committed from January 1, 2011 through May 31, 2021.² The Residential and
14 Small C&I product mixtures are designed around the purchase of fixed-price, full-
15 requirements, load-following products with 6 and 12-month contract terms using a
16 laddered procurement approach. Under the laddered procurement approach, the
17 procurements are staggered rather than procuring all of the products at the same time.
18 Under the DSP IV Program, the residential customer class utilizes staggered 12-month
19 products reflecting a total of 80% of the load requirement, and a 6-month product
20 reflecting 20% of the load requirement (where the default service load is first reduced to

² The OMPS product is a variable block product whereby PPL Electric established the minimum supply obligation per month for the wholesale supplier providing service. This supplier may provide up to 50MW of supply, or as low as the minimum supply amount as dictated by the contract terms. Any load not provided by the OMPS supplier up to the 50MW contract limit is procured by PPL Electric through the PJM spot market.

1 account for the 50 MW OMPS block product). Twelve-month contracts reflecting 40% of
2 the load requirement continue in effect through November 30, 2021. The Small C&I
3 customer class utilizes staggered 12-month products reflecting a total of 55% of load
4 requirements, and a 6-month product reflecting 45% of load requirements. Twelve-month
5 contracts reflecting 25% of the load requirement continue in effect through November 30,
6 2021. The Company conducts competitive solicitations to purchase these Default Service
7 products.

8 For its Large Commercial and Industrial (“Large C&I”) customers, PPL Electric’s
9 DSP IV Program provides full-requirements, load-following power supply contracts.
10 This product includes an energy component priced at wholesale electricity real-time
11 hourly spot market prices to meet the Default Service demand of those customers electing
12 to receive default service. These are 12-month products effective June 1 of each year.

13 With respect to its obligation under the AEPS Act, the Company procures certain
14 AECs as a component of its fixed-price and spot-market Default Service supply
15 contracts. The seller must provide its proportional share of AECs to fulfill PPL Electric’s
16 Alternative Energy Portfolio Standard (“AEPS”) obligation, in accordance with the terms
17 of the SMA. Additionally, the SMA requires the seller to complete its transfer of AECs
18 into PPL Electric’s account through the PJM Generation Attribute Tracking System
19 (“GATS”) in the amount necessary to fulfill the seller’s AEPS obligation, pursuant to the
20 schedule set forth in the SMA. PPL Electric previously acquired long-term solar Tier I
21 AECs in its Commission-approved DSP I Program and Tier I non-solar AECs in its
22 Commission-approved DSP III Program. The Company has also procured Tier II AECs
23 to cover its 50MW block contract obligations from AEC brokers.

1 The DSP IV Program’s procurement process is administered by an independent
2 third-party, NERA Economic Consulting (“NERA”). NERA monitors the results of each
3 solicitation to confirm that they are consistent with prevailing market prices. NERA also
4 submits confidential reports to the Commission evaluating the solicitation process and the
5 results of each solicitation.

6
7 **Q. Have the products in the Company’s DSP IV Program been successful?**

8 A. Yes. PPL Electric has successfully procured fixed-priced full-requirements supply and
9 spot market full requirements supply as part of its product portfolio going back to July
10 2007, when PPL Electric first began procuring supplies for its 2010 Competitive Bridge
11 Plan, through its most recent DSP IV solicitation. The results from PPL Electric’s
12 solicitations confirm that these Default Service products draw numerous suppliers
13 offering bids in each auction, and that multiple bidders are successful suppliers. There
14 currently is substantial competition to supply the fixed-price, full-requirements and spot
15 market full-requirements supply products.

16
17 **Q. Does PPL Electric offer a TOU rate option under the DSP IV Program?**

18 A. Yes. Pursuant to 66 Pa.C.S. § 2807(f)(5), PPL Electric, as the Default Service provider,
19 is required to offer a TOU rate option to its Default Service customers. The Company
20 currently provides a TOU rate option to Residential and Small C&I customers through its
21 tariff.

1 **Q. Is the Company proposing major changes to its Default Service Procurement or**
2 **TOU Procurement relative to the DSP IV Program?**

3 A. No. In general, PPL Electric’s DSP IV Program, as approved by the Commission, did
4 not implement major changes to the types of energy products or means to procure them
5 when compared to prior Default Service Program and Procurement Plans. The Company
6 implemented two substantive changes to the preceding DSP III Program:

- 7 • Extending the duration of DSP IV from a 2-year plan to a 4-year plan; and
- 8 • Semi-annual reconciliation and Price-to-Compare (“PTC”) calculations.

9 PPL Electric also implemented changes to its TOU Program during the DSP IV period:

- 10 • The TOU Program was changed from a retail supplier-offered TOU program to an
11 TOU Program relying upon an auction platform and based upon the PTC.

12 As summarized above, PPL Electric has acquired, and continues to successfully acquire,
13 the generation supply and related services needed to meet its Default Service obligation
14 under the DSP IV Program.

15 The Company is only seeking three procurement-related changes in the DSP V
16 Plan: 1) the procurement of new long-term block products for the residential class, 2)
17 procuring AECs for all default service load through separate auctions, and 3) adjusting
18 the TOU Plan to utilize the current TOU contingency plan as its primary procurement
19 option. As explained later in my testimony, the Company has been operating its TOU
20 Program under the contingency procurement plan since June 1, 2019 because no
21 wholesale supplier has bid to provide TOU supply under a separate contract.
22 Commensurate with these proposed changes, PPL Electric has created additional RFP
23 and SMA documents for both block and AEC contracts. To maintain standardization and

1 uniformity, the Block Energy and AEC contracts are based upon the standard template
2 already employed in PPL Electric’s full requirements contracts. The Company has
3 updated all contract documents to reflect the current terms and conditions of this energy
4 plan; however, all modifications are small in scope. Updated tariff pages have also been
5 created to reflect changes to terms and conditions of both the PTC and TOU rates. PPL
6 Electric’s DSP V Program will continue to build on the success of the procedures and
7 products used in the DSP IV Program with a few modifications.

8
9 **Q. Is the Company proposing any additional changes as part of this filing?**

10 A. Yes. Compared to the product and service offerings of DSP IV, PPL Electric is seeking
11 to make three additional changes:

- 12 • Creating a default service Renewable Energy Rate Program;
- 13 • Providing improved protections for CAP customers by requiring they remain on
14 PPL Electric default service while participating in the CAP Program,³ and
- 15 • Improving the customer experience while participating in the SOP through the
16 implementation of SOP-related program changes.

17
18 **Q. Can you please summarize the differences between the Commission-approved DSP
19 IV Program and the proposed DSP V Program?**

20 A. The primary changes from the DSP IV Program include:

- 21 • Procuring 100MWs of 5-year block energy contracts;

³ PPL Electric’s CAP Program is called “OnTrack”.

- 1 • Procuring AECs for all default service customer load through separate AEC-only
2 contracts;
- 3 • Revising the Default Service SMA to eliminate the AEC obligations as part of the
4 full requirements contract;
- 5 • Implementation of a Renewable Energy Rate Program;
- 6 • Revising the TOU Program to implement the DSP IV TOU contingency plan as
7 the TOU primary plan, eliminating the TOU auctions entirely;
- 8 • Revising elements of the SOP to improve the customer experience and solidify
9 customer protections, including: adjusting the EGS participation term from 3-
10 months to 6-months to synchronize the EGS term with the PTC term;
11 implementation of SOP script guidelines; returning customers participating on
12 SOP to default service at the conclusion of the 12-month contract; improving
13 communications with customers regarding the SOP; and updating the SOP
14 Binding Agreement.
- 15 • Revising the PPL Electric CAP Shopping rules, such that customers participating
16 in the PPL Electric On-Track Program must remain on PPL Electric Default
17 Service, receiving the PTC.

18 Proposed modifications to PPL Electric’s CAP shopping program and the SOP
19 Program will be discussed in the testimony of Ms. Stumpf (Statement No. 3) and Ms.
20 Lawall-Schmidt (Statement No. 4), respectively. All other modifications summarized
21 above are explained in greater detail below.

22

23 **III. DESCRIPTION OF THE DSP V PROGRAM**

1 **A. OVERVIEW OF DSP V PROGRAM**

2 **Q. Please summarize the essential elements of PPL Electric’s DSP V Program.**

3 A. The DSP V Program consists of: a proposal for competitive procurement of Default
4 Service supply and related AECs during the DSP V Program Period; an implementation
5 plan; a proposed rate design, including a TOU rate option and Renewable Energy Rate
6 option for Default Service during the DSP V Program Period; a proposal to continue,
7 with modifications, the Company’s current SOP; a proposal to exclusively serve CAP
8 customers through default service; and contingency plans for products procured under the
9 DSP V Program.

10 PPL Electric will procure Default Service supply separately for its three Customer
11 Classes: Residential; Small C&I; and Large C&I. The Company will purchase energy,
12 capacity, transmission (other than Non-market-based Transmission Services),⁴ ancillary
13 services, transmission and distribution losses, congestion management costs, and such
14 other services or products that are required to supply Default Service to PPL Electric’s
15 retail customers, through a series of fixed-price, load-following, full-requirements
16 contracts. Additionally, PPL Electric will procure 100MWs of Block Energy supply
17 through staggered 5-year contacts to be used in serving the Residential customer class.
18 The Block Energy contracts will be energy-only, 24x7 supply obligations. Capacity and
19 ancillary services required in association with the Block Energy contracts will be
20 procured by PPL Electric through the PJM markets. Finally, the Company will procure

⁴ The Non-market-based Transmission Services that will not be purchased from wholesale suppliers by the Company through the Default Service auction process include: Network Integration Transmission Services; Transmission Enhancement Costs; Expansion Cost Recovery Costs; Non-Firm Point-to-Point Transmission Service Credits; Regional Transmission Expansion Plan; and Generation Deactivation Charges. These services will be procured by PPL Electric directly from PJM. This is how PPL Electric currently procures these services under DSP IV.

1 all of its default service AECs obligations through separate competitive auctions, divided
2 by tier type: solar, Tier I non-solar, and Tier II. The Company proposes to recover the
3 cost of obtaining all services necessary to provide Default Service from the customers in
4 each respective Customer Class.

5
6 **Q. Please explain the proposed term of the DSP V Program Period.**

7 A. PPL Electric proposes that the DSP V Program be in effect for a period of four years,
8 from June 1, 2021 through May 31, 2025. The Company proposes to continue the 4-year
9 plan format in effect as part of DSP IV because the proposed DSP V Program is largely
10 unchanged from its predecessor. PPL Electric enacted a 4-year energy plan in DSP IV to
11 great success. As explained in the prior plan, the relatively short, market reflective terms
12 of the DSP I through DSP III enabled the Company to enact refinements to the
13 procurement process and products. The Company has always sought to develop a default
14 service plan that is transparent in process and practice, balancing market reflectivity and
15 reducing price volatility for customers. The Company believes it continues to maintain a
16 “steady state” mix of products that should not need modification for a four-year period.
17 The Company is confident it has achieved its goals and as such, seeks to maintain the
18 resulting successes going forward.

19 Additionally, PPL Electric’s DSP IV was able to achieve equivalent auction
20 results to those found in prior, shorter term energy plans, while saving litigation costs and
21 time that would have otherwise been incurred. This directly translated to reduced
22 administrative costs to customers. For these reasons, PPL Electric believes that it is
23 reasonable and appropriate to continue utilizing a four-year term for DSP V.

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Q. How have DSP III auction results under a 2-year energy plan compared to DSP IV auction results under a 4-year energy plan?

A. The 6 and 12-month fixed price full requirements products procured in DSP IV are not affected by the length of the default service plan in effect. As such, the 2-year energy plan under DSP III and the 4-year energy plan under DSP IV did not affect the auction results.

Q. Is there any concern that approval of a 4-year DSP Program could become an issue if the Company ceased to be the Default Service Provider prior to the end of the Program?

A. No. If PPL Electric’s role as a Default Service Provider is eliminated prior to May 31, 2025 (the end of the proposed DSP V Program Period), the Company can respond quickly in several ways. First, if the Company is made aware of a change prior to the final DSP V procurements in October 2024, the Company can request to modify the term of the final contracts procured under DSP IV to reduce or eliminate any overlap beyond May 2025. Second, the SMA enables the Company to transfer its obligations to procure or provide Default Service supply to a third party in the event PPL Electric ceases to serve as the Default Service Supplier. Specifically, Section 16.3 of the SMA would allow the Company to terminate or transfer its Default Service contracts if required by a change in law or regulation. This provision is unchanged from the SMA currently in effect for DSP IV.

1 I also note that PPL Electric's proposed SMAs under Section 16.3 continue to
2 contain provisions, which were accepted in the DSP IV Program, that allow for the
3 transfer/assignment of its Default Service obligations to a credit-worthy third-party
4 provider. These provisions can be used to implement any change to PPL Electric's role
5 as Default Service provider that may be made in the future. PPL Electric's SMAs for
6 Default Service, Block Energy, and AECs all contain this language. I note further, that in
7 the Commission's January 23, 2013 Order concerning DSP II, the Commission
8 specifically acknowledged that provision would be made for recovery of the costs of
9 these contracts if the Company ceased to be the Default Service Provider prior to the
10 conclusion of these contracts.

11
12 **Q. Please summarize the auction results from DSP IV to date.**

13 A. At the time of this testimony, the Company has completed 6 of 8 energy auctions under
14 DSP IV. As explained previously, PPL Electric has successfully procured fixed-priced
15 full-requirements supply and spot market full-requirements supply. Furthermore, the
16 Commission has approved the auction results of all six auctions without exception. See
17 Exhibit JMR-1 which details the summary auction results for each of the six auctions and
18 commensurate Commission Secretarial Letter approving the results. These results show
19 that there is substantial competition to supply the fixed-price full-requirements and spot
20 market full-requirements supply products.

21
22 **Q. Please provide a summary of PPL Electric's PTC throughout DSP IV.**

1 A. Please see Exhibit JMR-2 for a complete history of PPL Electric’s Residential and Small
2 C&I PTCs from 2010 to present.

3

4 **B. PROCUREMENT AND RATE DESIGN**

5 **Q. Is the Company proposing to modify the procurement approach under DSP V?**

6 A. The Company is not seeking to modify the procurement approach for most of its products
7 under DSP V. The DSP V Program will continue to implement the same basic
8 procurement approach taken in DSP IV by primarily utilizing 6 and 12-month full
9 requirements contracts to meet the electricity demand of default service customers.
10 However, as explained above, PPL Electric is seeking to add two types of products into
11 the DSP V procurement plan – 100MWs of 5-year block supply and AEC contracts
12 covering all default service supply obligations. The use of AEC contracts will remove
13 AECs as a component provided under the full requirements contracts. As explain later in
14 my testimony, the AEC contract will not be customer class specific.

15

16 **Q. Please describe the rate schedules that compromise the Residential Customer Class.**

17 A. The Residential Customer Class is comprised of customers served under current PPL
18 Electric Rate Schedules RS and RTS. This remains unchanged from the DSP IV
19 Program.

20

21 **Q. Please describe the proposed procurement for the Residential Customer Class under
22 DSP V.**

23 A. Under the proposed DSP V Program, PPL Electric will primarily utilize fixed price full
24 requirements contracts for Residential Customer Class Default Service supply. The first

1 six months of DSP V contains overlapped supply procured in DSP IV – 40% of 12-month
2 fixed-price, load-following, full-requirements contracts. In addition to the fixed-price,
3 full-requirements contracts, PPL Electric will also procure 100MWs of 5-year block
4 energy supply contracts. The fixed-price, load-following, full-requirements supply will be
5 obtained through semiannual solicitations beginning in April 2021 and continuing
6 through October 2024. As further explained in the Direct Testimony of Mr. Cavicchi
7 (PPL Electric Statement No. 2), the DSP V Program’s procurement schedule will procure
8 a fixed percentage of its Default Service load on a semiannual basis through 12- and 6-
9 month contracts using a laddered or staggered approach so that all of the products are not
10 procured at the same time. The 5-year block energy contracts will be procured over the
11 first two energy auctions of DSP V (April 2021 and October 2021), segmented into two
12 50MW products. The proposed procurement of Residential Customer Class Default
13 Service supply remains unchanged from the DSP IV Program with the exception being
14 the addition of new block energy contracts and the separate procurement of AECs.

15
16 **Q. Why is the Company proposing to include 100MW of Block Energy as part of its**
17 **Residential Default Service product mix?**

18 A. As explained previously, PPL Electric has a responsibility to utilize short-term, long-
19 term, and spot market contracts as part of its product mix.⁵ The Company utilized the 10-
20 year 50MW long-term OMPS block product originally procured in 2011 under DSP I to
21 meet its long-term product regulatory obligation under DSP IV. Under DSP IV, the
22 50MW block product supplied approximately 5% of the overall customer usage, relative

⁵ Sections 2807(e)(3.1), (3.2), and (3.4).

1 to the total amount of default service load supplied. The 50MW block product in place
2 throughout DSP IV concludes on May 31, 2021; therefore, PPL Electric proposes to
3 replace it with another long-term contract to meet its regulatory responsibilities and to
4 continue to meet its core objective of providing a PTC that is both market reflective and
5 not overly volatile.

6 To do so, PPL Electric is proposing to replace the previous 50 MW OMPS block
7 energy contract with 100MWs of block energy contracts. The Company is proposing to
8 utilize 5-year contracts, with 50MWs procured in the April 2021 auction, and the
9 remaining 50MW procured in the October 2021 auction.

10 Exhibit JMR-3 provides a summary of block energy contracts in effect (by MW)
11 per PTC period and the respective load share block energy provided to overall default
12 service supply for the residential customer class. Since June 1, 2015, PPL Electric has
13 maintained 50MW of block supply which has supplied up to 7.5% of residential default
14 service load; however, on average block energy provided approximately 5.3% of total
15 residential load. Utilizing the average load statistics, 100MW block contracts would
16 supply approximately 10.5% of the Residential customer load.

17 As explained in greater detail in Mr. Cavicchi's testimony, a 10.5% load share
18 over a 5-year period provides a reasonable amount of long-term energy supply, tempering
19 wholesale market price volatility, without losing market reflectivity realized through
20 shorter-term contracts.

21
22 **Q. Please describe the rate schedules that make up the Small C&I Customer Class.**

1 A. The Small C&I Customer Class is comprised of customers served under current PPL
2 Electric Rate Schedules GS-1, GS-3 (under 100 kW), LP-4 (under 100 kW), GH-2, BL,
3 SA, SM, SHS, SLE, SE, TS, and standby service for qualifying facilities. This is
4 unchanged from the Small C&I Customer Class definition currently in effect for DSP IV.
5 The classification of individual commercial and industrial customers on Rate Schedules
6 GS-3 and LP-4 as either Small C&I or Large C&I will be updated effective December 1,
7 2021, based upon demand data for each customer's peak load contribution assigned for
8 the 2020-2021 PJM Interconnection, LLC ("PJM") Planning Year. This classification
9 will be updated annually thereafter on June 1 of each year based upon the updated peak
10 load contribution for each successive PJM Planning Year.

11

12 **Q. Please describe the proposed procurement for the Small C&I Customer Class.**

13 A. PPL Electric will acquire 100% of the Small C&I Customer Class Default Service supply
14 through a series of fixed-price, load-following, full-requirements contracts. The first six
15 months of DSP V contains overlapped supply procured in DSP IV – 25% of 12-month
16 fixed-price, load-following, full-requirements contracts. No block supply is being
17 proposed for the Small C&I customer class, consistent with prior DSPs. The fixed-price,
18 load-following, full-requirements supply will be obtained through semiannual
19 solicitations beginning in April 2021 and continuing through October 2024. As further
20 explained in the Direct Testimony of Mr. Cavicchi (PPL Electric Statement No. 2), the
21 DSP V Program's procurement schedule will procure a fixed percentage of its Default
22 Service load on a semiannual basis through 6 and 12-month contracts using a ladder or
23 staggered approach so that all of the products are not procured at the same time. The

1 proposed procurement of Small C&I Customer Class Default Service supply remains
2 unchanged from the DSP IV Program.

3
4 **Q. Why did PPL Electric not propose to procure long-term block contracts as part of**
5 **the product mix for the Small C&I customer class?**

6 A. There are two primary reasons PPL Electric has chosen not include long-term block
7 energy contracts as a component of the Small C&I product mix including: 1) prior
8 success of the Small C&I product mix without block energy contracts, and 2) concerns
9 that the Small C&I default service load is too small to be conducive to including block
10 contracts. As explained previously and as represented in resulting Small C&I PTCs – see
11 Exhibit JMR-2 – PPL Electric’s Small C&I energy auctions have been successful,
12 resulting in stable, yet market reflective rates for the class. Layering in long-term block
13 contracts is not likely to improve the success of the PTC and could in fact make the rate
14 less market reflective. Compounding this concern is the fact that a large majority of
15 Small C&I customers choose to shop for their electricity, resulting in low Small C&I
16 default service load. As of January 31, 2020, approximately 50% of Small C&I customers
17 or 82% of Small C&I load is shopping.⁶ Including long-term block contracts could in fact
18 result in an overreliance on the block contracts with so little default service load. This
19 results in an even less market-reflective customer rate. The Company sees no reason to
20 change this successful model and include block energy contracts.

21

⁶ Statistics reflect customer billed sales, shopping load and counts versus non-shopping load and counts through January 2020.

1 **Q. How will the costs to provide Default Service to the Residential and Small C&I**
2 **Customer Classes be recovered?**

3 A. The costs incurred by PPL Electric to provide Default Service to the Residential and
4 Small C&I Customer Classes will be recovered through the Generation Supply Charge-1
5 (“GSC-1”). The GSC-1 will be separately calculated for the Residential Customer Class
6 and Small C&I Customer Class. This remains unchanged from DSP IV.

7 The costs recovered in the GSC-1 will include, among other costs, those costs
8 incurred under the various supplier contracts, AEC-only contract costs, and costs incurred
9 to acquire the supply and administer the DSP V Program. The costs incurred prior to
10 June 1, 2021, related to procurement of supply and other costs related to development and
11 implementation of the DSP V Program will be included in the GSC-1, as applicable, and
12 will be amortized ratably over the 48-month term of the DSP V Program.

13 The GSC-1 will be adjusted every six months, effective June 1 and December 1,
14 respectively, to reflect the cost of the Default Service supply contracts in place for the
15 upcoming six-month period. It will be reconciled every six months for over and under
16 recoveries by the respective Customer Class. Any remaining over or under collections
17 from the DSP IV Program and TOU over or under collections will be included in the
18 reconciliation by respective customer class.

19 The proposed cost recovery and GSC-1 remain unchanged from the DSP IV
20 Program. *Pro forma* tariff pages for the GSC-1 rate are provided in Attachment G to the
21 Company’s Petition.

22
23 **Q. Please describe the rate schedules that make up the Large C&I Customer Class.**

1 A. The Large C&I Customer Class includes customers served under current PPL Electric
2 Rate Schedules GS-3 (over 100 kW), LP-4 (over 100 kW), LP-5, LP-6, LPEP, and
3 standby service for qualifying facilities. This is the same customer classification
4 currently in effect for DSP IV.

5
6 **Q. Please describe the proposed procurement for the Large C&I Customer Class.**

7 A. For the Large C&I Customer Class, the Company proposes to continue to obtain Default
8 Service energy supply on a real-time hourly basis through the PJM spot market.
9 Specifically, PPL Electric proposes to issue a single annual solicitation to obtain
10 competitive offers from suppliers to provide the Default Service PJM wholesale market
11 supply to the Large C&I Customer Class. These annual procurements will be held in
12 April 2021, April 2022, April 2023, and April 2024 for the subsequent PJM planning
13 periods. As explained in the direct testimony of Mr. Cavicchi (PPL Electric Statement
14 No. 2), this form of contract has been used for the Large C&I Class under previous
15 procurement plans and has been successful in providing service to this Class, which is
16 overwhelmingly (roughly 95%) comprised of customers who are shopping. The
17 proposed procurement of Large C&I Customer Class Default Service supply has one
18 change relative to the DSP IV Program – removing the obligation of wholesale suppliers
19 to provide AECs to PPL Electric based on their default service load obligation. AECs
20 will be separately procured as explained previously. Apart from this sole change, the
21 Large C&I customer class default service supply is unchanged from the DSP IV Program.

22

1 **Q. Please explain how the costs to provide Default Service to the Large C&I Customer**
2 **Class will be recovered.**

3 A. The costs incurred by PPL Electric to provide Default Service to the Large C&I
4 Customer Class will be recovered through the Generation Supply Charge-2 (“GSC-2”).
5 The costs recovered in the GSC-2 will include PJM real-time spot market energy, PJM
6 capacity charges, the suppliers’ charge for all other services based upon winning bids in
7 the annual solicitation, the AEC-only contract charges allocated to the Large C&I
8 customer group from the semi-annual AEC auctions, and PPL Electric’s costs to acquire
9 the supply and administer the DSP V Program.

10 Customers in the Large C&I Customer Class will continue to pay the following
11 three charges for Default Service under the GSC-2:

- 12 • An energy charge per kWh based on the real-time hourly spot-market price and
13 the customer’s actual hourly energy use;
- 14 • A capacity charge per kW based on the PJM Reliability Pricing Model (“RPM”)
15 price for capacity and the customer’s peak load contribution; and
- 16 • An energy charge per kWh to recover all supplier charges and PPL Electric’s cost
17 of administration, both prospective costs and an amortization of previously
18 incurred costs over the term of the DSP V Program.

19 The GSC-2 will be revised annually, effective June 1 on thirty days advance notice, to
20 reflect changes in costs. The GSC-2 will continue to be reconciled on an annual basis.
21 Also, any remaining under/over collections from the DSP IV Program will be included in
22 this reconciliation.

1 The proposed cost recovery and GSC-2 remain largely unchanged from the DSP
2 IV Program. The difference in the process occurs with the inclusion of the AEC costs.
3 Large C&I AEC costs will be added to the Large C&I adder – the price wholesale
4 supplier bid in the Default Service auction. *Pro forma* tariff pages for the GSC-2 rate are
5 provided in Attachment G to the Company’s Petition.

6
7 **Q. Please explain how the 100kW demand split for the GS-3 and LP-4 Rate Schedules**
8 **will be implemented under the DSP V Plan.**

9 A. The 100kW demand split will be based upon the installed capacity customer tag (“ICAP
10 tag”)⁷ for the period which the change is going into effect. This demand split
11 redetermination will only impact GS-3 and LP-4 rate schedules. The first demand split
12 redetermination will occur beginning December 1, 2021, based upon each customer’s
13 ICAP tag for the 2021/22 period. Each subsequent demand split redetermination will
14 occur beginning June 1, based upon the June to May ICAP tag for that period.
15 Specifically, June 1, 2022 based upon the 2022/23 ICAP tag; June 1, 2023 based upon the
16 2023/24 ICAP tag, and June 1, 2024 based upon the 2024/25 ICAP tag.

17 The first demand split redetermination is scheduled to begin December 1, 2021,
18 instead of June 1, 2021, to account for the carryover 12-month DSP IV contracts for the
19 Small C&I customer class, which have different rules governing the determination of the
20 demand split. Specifically, under DSP IV the demand splits were based upon the ICAP

⁷ ICAP tags, also referred to as peak load contribution or PLC tags, are a cost recovery method for capacity costs whereby PJM applies capacity rates to Load Serving Entities based upon the total customer PLC tags assigned to the Load Serving Entity.

1 tags for the 2016-17 period,⁸ and this definition was incorporated into all DSP IV SMAs.
2 The 12-month DSP IV contracts run through November 30, 2021; therefore,
3 implementing a new demand split determination on December 1, 2021 will not impact
4 existing DSP IV contracts. For this reason, the June 1, 2021 through November 30, 2021
5 period will be governed by the terms set forth in DSP IV, with the 100kW demand split
6 based upon the 2016/17 ICAP tags.

7 Additionally, each 100kW demand split redetermination will be implemented at a
8 customer level based upon each customer's first bill cycle change on or after December
9 1, 2021, or June 1 for each change thereafter. This confirms that any customer who's
10 ICAP tag results in a change from Small C&I rate to Large C&I rate, or vice versa, does
11 not result in prorated billing, customer confusion, or other similar billing complications.

12
13 **Q. Does PPL Electric expect the number of customers impacted by the redetermination**
14 **to be high?**

15 A. No, the Company expects both the total number of customers impacted and the net
16 switches between Small C&I – GS3 and Large C&I – LP4 rate groups to be low. During
17 the DSP IV 100kW redetermination a total of 1,136 Small C&I and Large C&I customers
18 were adjusted. Of those impacted 668 moved from Small C&I to Large C&I and 468
19 moved from Large C&I to Small C&I. The net impact between customer groups was 200
20 customers net moving from Small C&I to Large C&I. PPL Electric expects similar results
21 in future redeterminations.

22

⁸ See PPL Electric DSP IV Default Service RFP Process and Rules, p. 5, Docket No. P-2016-2526627.

1 **Q. How will wholesale suppliers be notified of the impact of customer redetermination?**

2 A. PPL Electric will evaluate the customer impacts, both gross and net redeterminations, and
3 communicate the impact to wholesale suppliers through the data posted to its auction
4 website. This location previously provided such customer redetermination information
5 and continues to be the most transparent location to present such information. Of
6 important note, the information provided to suppliers will not be customer-specific data,
7 but summary information that explains the total moves from GS-3 to LP-4, LP-4 to GS-3,
8 and the net changes. Customer information will continue to remain anonymous and in
9 aggregate form as all data provided to wholesale suppliers is.

10

11 **Q. How will the Company communicate with customers impacted by the annual
12 redetermination of the 100kW demand split?**

13 A. Any GS-3 and LP-4 customer that is impacted by the 100kW demand split
14 redetermination will receive notification from PPL Electric at least one billing cycle prior
15 to the redetermination taking effect. This notification will inform them of the change and
16 their new rate. Notifications will be sent to both shopping and non-shopping customers;
17 however, the shopping customer notification will explain that the rate impact (moving
18 from fixed rate to spot market rate, or vice-versa) only takes effect upon their return to
19 default service – there is no impact to customers while they shop. GS-3 and LP-4
20 customers that are not re-assigned as a result of the redetermination will not receive any
21 notifications or communications.

22

1 **Q. Why is PPL Electric proposing to redetermine the 100kW demand split adjustment**
2 **annually, instead of once at the start of the plan, as done in DSP IV?**

3 A. The DSP V seeks to implement annual 100kW demand split redeterminations to
4 expediently reflect GS-3 and LP-4 customer assignments – no longer building in a delay
5 of reassignment from default service plan to default service plan. To better explain, in
6 DSP IV a single 100kW demand split redetermination was conducted at the start of the
7 plan. Therefore, a customer’s assignment was based upon their ICAP tag for one point in
8 time and does not reflect subsequent annual ICAP tag changes for the customer. This
9 means GS-3 and LP-4 customer assignments remaining fixed for the remainder of the
10 plan, up to four years.⁹ By implementing an annual demand split redetermination, GS-3
11 and LP-4 customer rate assignments are updated in conjunction with when ICAP tags are
12 updated, without a delay as is currently experienced.

13
14 **C. AEPS PROCUREMENT**

15 **Q. Does the Company propose to procure AECs under the DSP V Program?**

16 A. Yes. The AEPS Act and the Commission’s implementing regulations require EDCs to
17 obtain AECs in an amount equal to certain percentages of electric energy sold to retail
18 customers in this Commonwealth.¹⁰ The DSP V Program will procure the AECs
19 necessary to meet its obligations under the AEPS Act.

20

⁹ For example, if a GS-3 customer had an ICAP of 90kW during 2016/17, the customer would appropriately remain classified as a GS-3 rate customer. If during the 2017/18 period their ICAP tag changed to 110kW, per the demand split classification they should be classified as an LP-4 rate customer; however, because customer redetermination only occurs once an energy plan, no further redetermination would occur.

¹⁰ See 52 Pa. § Code 54.182.

1 **Q. Please explain how AECs will be procured under the DSP V Program.**

2 A. Under the DSP V Program, PPL Electric will procure necessary AECs to meet its
3 obligation under the AEPS Act through AEC-only contracts. The Company will conduct
4 biannual auctions to procure Tier I Solar, Tier I Non-solar, and Tier II AECs instead of
5 relying upon wholesale supplier full requirements contracts. The contracts will procure a
6 specified number of AECs and are not “load-following” procurements. The contracts
7 will procure AECs associated with all default service supply, without separate contracts
8 by customer class. The cost of AECs is not dependent upon customer load or load curves,
9 and thus separate contracts by class are not needed.

10 Similar to the wholesale energy auctions, PPL Electric will utilize a sealed-bid
11 auction process, where suppliers are obligated to qualify for the auction, provide bid and
12 performance assurance, and submit a bid to the Company’s auction manager, NERA.
13 NERA will evaluate the bids and selected the winning supplier(s) based solely upon
14 price. Following the successful auction, the auction manager submits an auction report to
15 the Commission and will seek approval of the auction results. The AEC post-auction
16 report will be due to the Commission one business day after the auction, and the
17 Commission will have one business day to approve or reject the results.

18 AEC auctions will occur each July and January, employing a ‘forecast and
19 reconciliation’ process, whereby PPL Electric will forecast anticipated AEC needs for the
20 June to November or December to May period, whichever is closest to the auction, and
21 reconciliation for the June to November or December to May period just exited. The
22 quantity of AECs for each AEPS tier will be set prior to each auction, as will the vintages
23 of the AECs to be procured. AEC contracts will be short-term in nature, employing

1 immediate transfer of AECs from supplier to PPL Electric, following the approval of the
2 auction by the Commission. Upon transfer, payment by PPL Electric will occur
3 immediately after. Specifically, upon Commission approval, AECs must be transferred to
4 PPL Electric within 5 business days. Once received, PPL Electric will make payment to
5 the supplier within 5 business days.

6
7 **Q. Please explain how the “forecast and reconciliation” process described above will**
8 **work.**

9 A. Prior to each July and January auction, PPL Electric will forecast default service
10 customer usage. Prior to conducting the July auction, the Company will forecast the
11 customer usage for default service customers for June through November of that year and
12 determine the AECs necessary to cover the AEPS obligation for that period.¹¹ Prior to
13 conducting the January auction, the Company will forecast the default service customer
14 usage for December to May and determine the AECs necessary to cover the AEPS
15 obligation for that period. For example, on July 2021, default customer usage for June
16 through November 2021 will be forecast, the AEPS obligations in effect for this period
17 will be applied and resulting AECs needed to comply with the AEPS obligation based
18 upon the forecast will be set.¹² The same practice will occur prior to the January 2022
19 AEC auction, but for the December 2021 through May 2022 period. Once the forecasted
20 AEC obligations are calculated, the Company will reconcile the prior terms to determine

¹¹ In the example provided, June actual usage will not be finalized at the time the forecast for the July auction is made.

¹² The July 2021 auction will also account for DSP IV 12-month full requirements contracts that contain AEPS obligations, therefore not requiring the AECs be procured through the AEC auction.

1 if AECs were over-procured or under-procured relative to the actual default service
2 customer usage. The January auctions will reconcile the immediately preceding June
3 through November period;¹³ the July auctions¹⁴ will reconcile the immediately preceding
4 June through May period.¹⁵ Once the forecasts and reconciliations are completed, the
5 resulting AECs will be bid in the requisite auction.

6 In addition to the forecast and reconciliation process described above, PPL
7 Electric will also include Tier I non-solar AECs necessary to support the PPL Electric
8 Renewable Energy Rate Program. The process used to calculate the AECs necessary for
9 the Renewable Energy Rate Program are described in detail in Section IX below. In
10 summary, prior to each AEC auction PPL Electric will total the usage for all customers
11 participating in the Renewable Energy Rate for the immediately preceding PTC period,¹⁶
12 determine the number of AECs corresponding to that usage and add those AECs to the
13 Tier I non-solar AEC product procurement.

14
15 **Q. Please provide an example of the forecast and reconciliation process.**

¹³ The June through November period is forecast in the preceding July auction. The reconciliation will compare the forecast June through November customer usage to the actual customer usage for this same period to determine if the quantity of AECs to be acquired in the January auction must be adjusted.

¹⁴ Of note, the first AEC auction held in July 2021 will not have a reconciliation component as preceding December to May period as the AEPS obligations are managed utilizing DSP IV rules.

¹⁵ July auctions will reconcile the preceding 12-month period instead of only the immediately preceding 6-month term to ensure any updated customer usage changes or changes to the AEPS obligations are appropriately reflected in the quantity of AECs to be procured in the July AEC auction. Reconciliation during this period is expected to primarily focus on the December to May period.

¹⁶ The June through November period will be included in the January AEC auction, the December through May period will be included in the July AEC auction.

1 A. The process explained above can be broken down into two parts, based upon the
2 respective auction – the July auction and the January auction. Functionally speaking, the
3 July auction includes forecasting necessary AECs for the June through November period
4 and truing up the immediately preceding annual year – June through May. The January
5 auction includes forecasting necessary AECs for the December through May period and
6 truing up the immediately preceding 6-month term – June through November. For the
7 purposes of this example, Table 1 below provides the fictional forecasted and actual
8 default service customer usage for the term of June 2021 through May 2022. The AEC
9 obligations will utilize the AEPS percentages in effect for June 2021 through May 2022 –
10 0.5% solar, 7.5% Tier I non-solar, and 10.0% Tier II. Additionally, this example will
11 present the January 2022 and July 2022 auctions.

12

13 **Table 1 – Forecast and Actual Usage Example.**

Term	Forecast Usage (MWh)	Actual Usage (MWh)
June 1, 2021 – November 30, 2021	4,000,000	4,575,000
December 1, 2021 – May 31, 2022	5,000,000	5,350,000
June 1, 2022 – November 30, 2022	4,250,000	4,400,000
December 1, 2022 – May 31, 2023	4,475,000	5,250,000

14

15 **Table 2 – AECs Offered (Forecast and Reconciliation) – January 2022 Auction Example**

Term	Forecast AECs (Dec '21 – May '22)	Reconciled AECs (June '21 – Nov '21)	Total AECs
Solar	25,000	2,875	27,875
Tier I Non-Solar	375,000	43,125	418,125
Tier II	500,000	57,500	557,500

16

17 Table 2 provides the hypothetical results of the forecast and actual usage data
18 provided in Table 1 above and the AEPS obligations listed previously. In summary,

1 forecast of the December 2021 through May 2022 period would require the Company to
 2 procure 25,000 Solar AECs; 375,000 Tier I Non-Solar AECs; and, 500,000 Tier II AECs.
 3 Reconciling the June 1, 2021 through November 30, 2021 period shows that the
 4 Company under forecast that period, requiring the Company to procure an additional
 5 2,875 Solar AECs, 43,125 Tier I Non-Solar AECs, and 57,500 Tier II AECs. As a result,
 6 the Company would offer 27,875 solar AECs, 418,125 Tier I non-solar AECs, and
 7 557,500 Tier II AECs in its January 2022 auction.

8 **Table 3 – AECs Offered (Forecast and Reconciliation) – July 2022 Auction Example**

Term	Forecast AECs (June '22 – Nov '22)	Reconciled AECs (June '21 – May '22)	Total AECs
Solar	21,250	1,750	23,000
Tier I Non-Solar	318,750	26,250	345,000
Tier II	425,000	35,000	460,000

9
 10 The July 2022 auction follows the same general methodology used in the January
 11 2022 auction; however, the forecast and reconciliation periods change. Table 3 provides
 12 the results of the forecast and reconciliation for the July 2022 auction. First, PPL Electric
 13 would calculate the required AECs for the forecast period of June 2022 through
 14 November 2022. Then the Company reconciles the prior annual period of June 2021
 15 through May 2022. The summation of the forecast AECs and the reconciled AECs result
 16 in the AECs to be offered through the July 2022 auction. For the purposes of this
 17 example, the June 2021 through November 2021 did not have any changes to the actual
 18 customer usage or reflect any changes to the AEPS obligations; therefore, no additional
 19 AECs for that period were required.

20 The primary conclusions in implementing this methodology to set and procure
 21 AECs each auction are: 1) that the quantity of AECs to be procured is significant – which

1 should encourage supplier participation, 2) it allows PPL Electric to constantly review
2 and adjust the AEC quantities each auction based upon the best available forecast and
3 AEPS Obligation data at the time, and 3) the approach reduces the risk of under-supply or
4 over-supply of AECs at any point in time, reducing the need to bank AECs.

5
6 **Q. How many AECs is the Company expecting to procure in each auction?**

7 A. PPL Electric is not able to provide the exact quantity of AECs that will be procured
8 throughout DSP V as the quantities are based upon the best available forecast and
9 reconciliation set at the time the auction process begins. Evaluating historic default
10 service usage values and the AEPS obligation for the 2020/21 period suggests that the
11 Company could expect to procure an average of 24,000 Solar AECs, 364,000 Tier I Non-
12 solar AECs, and 485,000 Tier II AECs each auction. Exhibit JMR-4 provides details
13 behind these results. Additionally, PPL Electric will be procuring Tier I non-solar AECs
14 in association with the Renewable Energy Rate Program; however, the Company has no
15 information on the number of customers that may participate in the Renewable Energy
16 Rate Program and, therefore, the number of AECs that will be procured in support of this
17 program.

18
19 **Q. Please explain how the Company will determine the vintage of AECs suppliers may
20 use to meet their contractual obligations.**

21 A. It is PPL Electric's intention to grant suppliers the greatest AEC vintage flexibility to
22 improve competition and pricing. The Company must also ensure however, that all AECs
23 can be used for compliance with the AEPS Act – that no vintages are accepted beyond

1 their useful life. For compliance with PA AEPS obligations, EDCs are able to use AECs
2 from the compliance year plus two years prior.¹⁷ To ensure both parameters are met –
3 maximum vintage and usefulness – PPL Electric will determine the maximum vintage of
4 AECs that can be used for the period in which AECs are being purchased and declare the
5 vintage requirements prior to auction, at the time the AEC quantities are announced.

6 For example, during the January 2022 auction, PPL Electric will be procuring
7 AECs exclusively for the 2021/22 AEPS compliance period. As such, the vintages of
8 AECs will be 2019/20, 2020/21, and 2021/22. This will grant suppliers the greatest
9 flexibility of vintages. Comparatively, for the July 2022 auction, PPL Electric will
10 evaluate the AECs necessary for the 2021/22 compliance period and the 2022/23
11 compliance period and ratio vintage obligations to ensure AECs transferred can be used
12 to meet the obligations of both compliance periods. If, for example, the July 2022 auction
13 finds that 100 Tier II AECs are needed for the 2021/22 period and 300 Tier II AECs are
14 needed for the 2022/23 period, 25% of Tier II AECs must meet vintage requirements of
15 the 2021/22 compliance period and 75% meeting vintage requirements of the 2022/23
16 compliance period.¹⁸

17 This AEC vintage-setting process allows PPL Electric to pinpoint the exact
18 vintages of AECs needed to meet its compliance obligations, while also providing
19 suppliers with the greatest range of vintages that are able to be used. This also grants PPL

¹⁷ For example - for the 2021/22 AEPS compliance period, AECs may have a vintage from 2019/20, 2020/21, or 2021/22. AECs created prior to the 2019/20 period are not able to be used for compliance in 2021/22.

¹⁸ 2021/22 acceptable vintages: 2019/21, 2020/21, and 2021/22; 2022/23 acceptable vintages: 2020/21, 2021/22, and 2022/23.

1 Electric necessary flexibility should rules or requirements change from auction to auction
2 – ensuring AECs are always useful.

3
4 **Q. Why is PPL Electric utilizing this revised AEC procurement methodology?**

5 A. Procuring AECs through separate auctions is not new to PPL Electric’s Default Service
6 Plan or to utilities in Pennsylvania and neighboring states.¹⁹ In DSP I, DSP II, and DSP
7 III, PPL Electric conducted auctions for AECs with varying contract terms, vintage
8 requirements, and quantities. In DSP IV, PPL Electric procured Tier II AECs from
9 brokers to meet obligations associated with the Company’s block energy default service
10 supply. Separating AECs from fixed-price, full-requirements contracts are a practice the
11 Company has enacted to varying degrees in each of its Default Service Plans since 2011.

12 In DSP V, PPL Electric is proposing to conduct AEC-only auctions to increase
13 competition and achieve the least cost products for customers. AECs are meant to support
14 alternative energy generating facilities and meet state-mandated alternative energy targets
15 such as the PA AEPS Act. AECs themselves are independent intangible commodities
16 separate from the PJM markets and settlement process. Unlike energy, capacity and PJM
17 ancillary services, which must be scheduled and settled daily to align with customer
18 usage and similar market demands, AECs are not part of the energy market’s scheduling
19 and settlement process. PJM has even separated AECs from the market by creating a
20 suite of applications used for energy market settlement²⁰ which are separate from its tool

¹⁹ PECO AEC Auctions at Docket No. P-2010-2210975; *FirstEnergy Ohio Utilities* conducted an RFP for Solar Renewable Energy Credits and Renewable Energy Credits in November 2019 (https://www.firstenergycorp.com/content/fecorp/upp/oh/rec_procurements/ShortTermRECRFP.html).

²⁰ This suite of tools is the PJM eSuite Tool application.

1 that manages AECs.²¹ Separating AECs from fixed-price, full requirements contracts
2 should not negatively impact the wholesale energy contracts and instead creates the
3 opportunity to increase competition and decrease prices for AECs through a competitive
4 auction.

5 The AEC auction process achieves increased competition through two
6 fundamental actions: 1) separating the AECs from wholesale contracts which allows this
7 commodity to be separately auctioned, and 2) using new contract terms associated solely
8 with the AEC procurement process to improve supplier participation. As explained
9 previously, AECs are already naturally separated from the market by PJM. The first
10 fundamental benefit is that divesting AECs from wholesale supply contracts provides an
11 opportunity for new suppliers to participate in the auction process. This includes the
12 opportunity for AEC-specific suppliers, such as brokers and aggregators, and energy
13 suppliers that are simply not interested in bidding on the energy products offered by PPL
14 Electric in its auctions but do have AECs they are looking to sell. Implementing this
15 change also holds the associated opportunity to increase the number of suppliers
16 participating in the auction as parties other than wholesale energy suppliers may
17 participate.

18 The second fundamental benefit to separating AECs from full-requirements
19 contracts is that PPL Electric is able to create more favorable contract terms for both
20 suppliers and the Company. PPL Electric has shortened the time between auction,
21 supply, and payment to minimize the risk of non-supply, expedite payment to suppliers,
22 and minimize the need for performance assurance. This is in direct contrast to previous

²¹ PJM Generation Attribute Tracking System or GATS.

1 AEC-only contracts and full-requirements contracts.²² Under the current proposal, from
2 the time suppliers submit bids and provide performance assurance to the time when PPL
3 Electric makes payment for the AECs and returns performance assurance is less than one
4 month.²³ If a supplier provides the AECs to the Company soon after Commission
5 approval and PPL Electric makes payment immediately following the transfer of AECs,
6 this time can be significantly shorter. PPL Electric is also offering two means of
7 performance assurance to provide greater flexibility to suppliers without creating
8 concerns of exposing the Company to non-compliance. Bidders may meet the
9 performance assurance obligations by providing cash or a Letter of Credit (“LC”) to PPL
10 Electric per the terms of the RFP or may transfer the bid level of AECs to PPL Electric’s
11 PJM GATS account ahead of the auction in lieu of cash or LC performance assurance.
12 This alternative form of performance assurance provides greater flexibility to suppliers.

13 A result of increased supplier participation and resulting competition is the
14 opportunity for decreased prices. While PPL Electric is unable to forecast resulting
15 auction prices, increased competition naturally supports the opportunity for pricing
16 decreases, resulting in lower rates for customers.

²² AECs tied to full-requirements contracts are transferred at regular intervals by suppliers after energy supply is provided and the quantity of AECs are known – typically quarterly. This results in AEC transfers being stretched over the term of the contract. Historic AEC-only contracts also required transfers in intervals that spanned the term of the contract. These AEC-only auctions also were based upon fixed quantities of AECs bid without any true-up, and relied upon banking provisions, which required diligent AEC vintage management to meet AEPS compliance obligations. Further, historic AEC-only contracts required performance assurance for the duration of the contract, in some instances spanning years.

²³ Total transaction time is likely to take 15 business days, with suppliers providing collateral by the Friday before the AEC auction, the AEC auction taking place on the subsequent Tuesday, Commission approval on Thursday, supplier contract execution by the following Monday, transfer of AECs within 5 business days after contract execution, and payment for AECs and return of collateral within 5 business days thereafter. Of note, if suppliers pretransfer AECs in lieu of collateral, total time is reduced by 5 business days.

1 Finally, the forecast and reconciliation process that will be employed grants PPL
2 Electric with the flexibility to adjust quantity and vintage as necessary, reducing the risk
3 of over-supply or under-supply for any given AEPS compliance period. This is
4 especially important when the Commission's AEPS Manager changes the Tier I non-
5 solar obligations each quarter. As detailed in 66 Pa. C.S. § 2814(c), the Commission is
6 required to increase the percentage share of Tier I resources to be sold by EDCs and
7 EGSs to reflect any new Tier I resources added. This means that under the current
8 process of procuring AECs a part of the wholesale contracts, PPL Electric will not always
9 know the percentage increase to the Tier I obligation prior to each auction; however, the
10 Company's proposed AEC procurement method allows a look-back to true-up for the
11 prior period after the Commission has increased the Tier I resource percentage.

12
13 **Q. Why are AEC auctions conducted in July and January, instead of being in**
14 **conjunction with the default service auctions in April and October?**

15 A. AEC auctions will occur in July and January to leverage the best available customer
16 usage data used to forecast and reconcile AECs and to ensure that the Company can meet
17 its annual obligations to transfer AECs to the State. The January auction provides the best
18 actual usage data for June through November and provides just-in-time forecasting of
19 usage for December through May. The January auction also seeks to procure AECs at a
20 time when the market is not very active, which may result in lower AEC prices. The July
21 auction timing serves two major purposes: 1) like the January auction it provides the best
22 actual usage data for the entire prior compliance period and just-in-time forecasting of
23 usage for June through November, and 2) would enable PPL Electric to transfer all

1 required AEC obligations to the State AEPS Manger prior to the compliance deadline on
2 August 31st.

3
4 **Q. Please explain how AECs will be bid.**

5 A. PPL Electric proposes enacting a tranche-based system similar to its other products.
6 Tranches for Tier I Solar, Tier I Non-solar, and Tier II AECs will be set at 5%, with a
7 total of 20 tranches offered per product, per auction. Exact quantities of AECs associated
8 with each tranche will be set prior to the auctions, when total quantities to be bid is set.
9 Of note, tranches are not assigned to individual customer rate classes. Instead, costs will
10 be divided between rate classes based upon the final, actual load supplied to each
11 customer class.

12
13 **Q. Please explain the AEC pre- and post-auction process.**

14 A. The AEC auction process mirrors the load-following, full-requirements auctions. Bidders
15 provide the required qualification materials prior to bid-day, per the terms of the AEC
16 RFP. These provisions include: submission of an expression of interest form, execution
17 of a confidentiality agreement, providing information that they have an active PJM
18 GATS account and are able to transfer AECs, providing performance assurance,
19 submission of a binding bid agreement form, submission of banking instructions, and
20 submission of a W-9 form. Once qualified, the supplier determines the number of
21 tranches of AECs per product they want to bid on and submit performance assurance to
22 support that bid prior to the auction. As explained above, performance assurance can be
23 in the form of cash or an LC, or the supplier may transfer the total quantity of AECs they

1 wish to bid on to the PPL Electric GATS account prior to the bid in lieu of performance
2 assurance.

3 The bid day process is identical between the AEC RFP and Default Service RFP,
4 with bidders submitting bid sheets to the PPL Electric Auction Manager commensurate
5 with performance assurance, bids being evaluated based solely on price, and the results
6 being communicated by the Auction Manager to the Commission in the form of an
7 Auction Report.

8 Following the approval of auction results by the Commission, contracts between
9 PPL Electric and winning AEC suppliers will be executed. During this time, AEC
10 suppliers who were unsuccessful in the auction will have their performance assurance or
11 AECs returned. Once the contracts are executed, winning bidders will have 5 business
12 days to transfer AECs to the PPL Electric GATS. If AECs have already been transferred
13 in lieu of performance assurance, no additional transfers are required. PPL Electric will
14 have 10 business days to review AEC transfers to ensure compliance with the terms of
15 the agreement, process banking information, and make payment. Coinciding with
16 payment, PPL Electric will return letter of credit or cash performance assurance, if
17 applicable. Once payment is made by PPL Electric to winning AEC suppliers, including
18 return of collateral, the transaction between PPL Electric and AEC supplier is concluded.

19 In the event that a winning AEC supplier fails to execute the contract following
20 approval of the auction results by the Commission or fails to transfer AECs per the terms
21 of the executed contract, the AEC supplier will be deemed in default of contract. PPL
22 Electric will retain the performance assurance of the defaulting party. Furthermore, PPL
23 Electric will contact the other qualified bidder(s) from the auction and offer the terms of

1 the defaulting supplier. If more than one supplier shows interest in fulfilling the
2 defaulting suppliers' contract, the supplier will be chosen at random. The defaulting
3 supplier will be subsequently barred from participating in future auctions under DSP V.
4

5 **Q. Is PPL Electric proposing to create a bid cap, limiting the quantity of AECs any**
6 **supplier may bid on and win? Explain.**

7 A. No. Bid caps are typically employed to limit the supply risk should a supplier default on
8 the contract. For contracts that have a continuous supply obligation, it is important to
9 limit the risk that a supplier would default – over-exposing the Company. The Company
10 is employing a process that expedites transfer of AECs from supplier to PPL Electric,
11 creating a very short time from auction of AECs to transfer of AECs to PPL Electric to
12 payment made to supplier for AECs transferred. As a result, the risk that a supplier
13 defaults on the contract is low – 7 business days from the auction date or 5 business days
14 from Commission approval. Further, PPL Electric is enacting performance assurance
15 obligations to protect PPL Electric and customers from supplier noncompliance until
16 AECs are transferred. As such, PPL Electric is not proposing to limit supplier bids.
17

18 **Q. Please explain how performance assurance in the form of cash or LC is calculated.**

19 A. PPL Electric has implemented a specific performance assurance process for any supplier
20 in the AEC RFP who chooses to send cash or an LC as collateral. The performance
21 assurance will be set at the beginning of each solicitation, on a per tranche basis, by AEC
22 tier type. The calculation to be employed will use the most recent AEC prices available,

1 either using the Commission AEPS Annual Report or PPL Electric's most recent auction
2 price. The calculation will be as follows:

$$3 \quad \text{AEC price} \times \text{Qty of AECs in 1 Tranche} \times 20\%$$

4 For the first AEC auction in July 2021, PPL Electric will use the most recently
5 published AEC prices in the Commission AEPS Annual Report, by tier type. Once PPL
6 Electric conducts a successful AEC auction, those average prices will be used in the
7 subsequent auction to set the AEC price.

8 For example, the AEPS 2018 Annual Report shows a Tier I non-solar AEC price
9 of \$10.15. Based upon the example provided in Table 2, on page 32 above, in January
10 2022 the Company would seek to procure 418,125 Tier I non-solar AECs. These AECs
11 would be broken into 20, 5% tranches, or approximately 20,907 Tier I non-solar AECs
12 per tranche. Based upon the calculation above, this results in a per tranche performance
13 assurance of \$42,500 ($\$10.15 \times 20,907 \times 20\%$). Therefore, if an AEC bidder wants to bid
14 on 4 tranches of Tier I non-solar AECs, the supplier would be obligated to submit
15 approximately \$170,000.

16 Following a successful AEC auction, those average AEC prices will be used in
17 the subsequent AEC auction to set the performance assurance. Using this method in
18 setting performance assurance dynamically changes the collateral obligations based upon
19 the prevailing market price. PPL Electric chose a 20% factor as reasonable, having
20 realized a factor smaller results in performance assurance that is too weak, and a larger
21 factor may be overly-burdensome that may drive away potential bidders.

22

1 **Q. Please explain how the process will work if AEC suppliers provide AECs instead of**
2 **cash or an LC to meet performance assurance obligations?**

3 A. As summarized previously, PPL Electric is providing AEC suppliers two means to meet
4 performance assurance obligations: 1) provide cash or an LC commensurate with the
5 terms of the RFP, or 2) transfer AECs to PPL Electric ahead of the bid in lieu of cash or
6 an LC. Similar to the transfer of cash or an LC, AEC suppliers must determine the
7 maximum number of tranches, per product, they are looking to bid on in the auction.
8 Instead of transferring cash or an LC to PPL Electric as performance assurance, the
9 supplier may transfer the full quantity of AECs to be bid on to PPL Electric. For example,
10 if a supplier is seeking to bid on 5 tranches – 25% - of Tier I solar AECs auctioned and
11 wishes to provide AECs instead of cash or LC, the supplier must transfer all 25% of
12 AECs they plan to bid, meeting the vintage obligations set forth by PPL Electric. PPL
13 Electric will review the transfer to confirm they meet the terms of the auction and
14 communicate the quantity to the Auction Manager. The supplier will then be limited, in
15 this case, to bid on up to 25% of Tier I solar AECs offered. If a supplier wins less than
16 the 25% Tier I AECs transferred, PPL Electric will return the difference between AECs
17 won and AECs transferred.

18
19 **Q. Will wholesale suppliers providing fixed-price full-requirements default service be**
20 **obligated to provide AECs as part of their full requirements contract?**

21 A. No. Wholesale suppliers' obligation to supply AECs as part of the default service
22 auctions will be removed for all customer groups – Residential, Small C&I, and Large
23 C&I. There will be a 6-month transition period, for the 12-month contracts carried over

1 from DSP IV, where those suppliers will continue to provide AECs per their contracts.
2 These AECs will remain assigned to the respective Residential and Small C&I customer
3 classes.

4
5 **Q. Does the Company anticipate banking AECs under the DSP V Program?**

6 A. Not to any significant degree. The quantities of AECs procured will be appropriately
7 sized to limit the potential for banking. As explained above, when the Company sets the
8 quantity of AECs to be procured, the intent is to procure only what is needed. This also
9 confirm that cost recovery takes place on a current basis for those AECs purchased by
10 compliance period. In the event AECs are over-procured, only those excess AECs would
11 be banked, and no more than one compliance period, to the subsequent AEC auction
12 when the quantity of AECs to be procured will be adjusted to once again procure the
13 targeted amount.²⁴

14
15 **Q. Please explain how the costs to procure AECs will be recovered.**

16 A. The costs incurred to procure the AECs will be recovered through the GSC-1 and GSC-2,
17 based upon the AECs required to meet the AEPS obligations per customer group. Costs
18 will be divided among the three customers classes – Residential, Small C&I, and Large
19 C&I – based upon the percentage of load supplied during the compliance period.
20 Additionally, this allocation process directly aligns with the quantity of AECs procured.

²⁴ For example – January auction procures 100 Solar AECs for the December through May period. The actual Solar AECs necessary is 95, leading to an oversupply of 5 AECs. The July auction would seek to procure 5 less Solar AECs for the June through November period than otherwise calculated, using the 5 oversupplied, banked AECs. This results in banking of 5 AECs for one compliance period.

1 For example, if PPL Electric supplied 3,000,000 kWhs to Residential customers,
2 1,500,000 kWhs to Small C&I customers, and 500,000 kWhs to Large C&I customers –
3 60% of AEC costs would be applied to the Residential customer group through the GSC-
4 1, 30% of AEC costs would be applied to the Small C&I customer group through the
5 GSC-1, and 10% of AEC costs would be applied to the Large C&I customer group
6 through the GSC-2. Costs will be reflected in the PPL Electric GSC-1 and GSC-2
7 following the successful auctions for AECs.

8
9 **Q. Please explain the AEC auction Contingency Plan.**

10 A. The AEC contingency plan differs based upon which auction results in a failed bid,
11 Commission rejection, or Supplier default. If any part of the first July auction fails (July
12 2021), the AECs that were not procured will be rolled to the subsequent January auction
13 (January 2022). This is because the July 2021 auction seeks credits for the prospective
14 June 2021 through November 2021 period, and needed credits for the preceding period
15 will have been procured pursuant to the DSP IV process. The January 2022 auction
16 would then seek to procure the forecasted December 2021 through May 2022 AECs, and
17 remaining AECs that were not procured in the July 2021 auction. If any part of any
18 January auction fails, the AECs not procured will be rolled to the subsequent July
19 auction. This results in the July auction seeking to procure the forecasted AECs needed
20 and the AECs not procured in the preceding January. If any July auction fails, other than
21 the first (July 2021), PPL Electric will roll-over the forecasted AECs required (June
22 through November) to the subsequent January auction, and will procure the necessary
23 reconciliation credits for the preceding June through May period from brokers. The

1 Company will utilize the same methodology used in DSP IV, by soliciting not fewer than
2 3 brokers, and selecting the lowest price offered.

3 It should be noted that AECs added to the AEC RFP to support the Renewable
4 Energy Rate Program will follow the AEC contingency plan detailed above. A failed
5 auction for Tier I non-solar AECs that includes AECs needed for the Renewable Energy
6 Rate will first be pushed to the next available auction if applicable, however if the July
7 Tier I non-solar auction fails, AECs needed for the Renewable Energy Rate will be bid to
8 brokers.

9 Employing the AEC contingency plan utilizes the auction platform to the greatest
10 extent possible and minimizes broker-only purchases. This process also offers continuous
11 feedback and AEC offerings, providing valuable information should force majeure as
12 defined under the AEPS Act occur.

13 14 **D. PRUDENT MIX OF SUPPLIES**

15 **Q. Does the DSP V Program comply with Act 129 by providing for the procurement of**
16 **Default Service supply through a prudent mix of spot, short-term, and long-term**
17 **power supplies?**

18 A. Yes. The proposed DSP V Program will acquire a fixed percentage of the Company's
19 Default Service load on a semiannual basis through short and medium-term 6 and 12-
20 month contracts. The Company proposes to obtain Default Service supply with energy
21 priced to the PJM real-time spot market for the Large C&I Customer Class. Additionally,
22 the Company is seeking to procure 100MW of energy and capacity for the residential
23 class through long-term, 5-year contracts. 50MWs will be procured with a supply term of
24 June 1, 2021 through May 31, 2026; 50MWs will be procured with a supply term of

1 December 1, 2022 through November 30, 2026. As further explained in the Direct
2 Testimony of Mr. Cavicchi (PPL Electric Statement No. 2), the proposed product mixture
3 will continue to promote the development of retail competition while protecting against
4 various risks that must be addressed by any Default Service plan.

5 Finally, it should be noted that in its October 27, 2016 Opinion and Order
6 approving the DSP IV Program, the Commission found that the “proposed generation
7 supply procurement plan, as set forth in its DSP IV program and modified by the
8 terms of the Partial Settlement, encompasses a prudent mix of supply methods,
9 which is anticipated to result in adequate, reasonable and reliable service to
10 customers, as well as service that is provided at the least cost over time.”²⁵ As
11 explained above, the DSP V Program will continue the same procurement approach taken
12 in the Commission-approved DSP IV Program.

13
14 **IV. DSP V PROGRAM RFP AND SMA**

15 **A. THE RFP PROCESS**

16 **Q. How will PPL Electric implement the DSP V Program?**

17 A. PPL Electric will implement the DSP V Program by holding solicitations pursuant to a
18 series of RFPs to obtain the Default Service products from competitive wholesale
19 generation and AEC suppliers. Separate bids will be solicited for the Residential, Small
20 C&I and Large C&I Customer Classes, except for AECs.

21

²⁵ See *DSP IV Order*, p. 23

1 **Q. Is the implementation process for solicitations under the DSP V Program similar to**
2 **the DSP IV Program?**

3 A. Yes. The DSP V Default Service Program is nearly identical to the DSP IV Program
4 with the exception being the creation of new Block Energy and AEC products and
5 associated RFPs and SMAs. PPL Electric based the *pro forma* RFPs on the documents
6 approved by the Commission in the DSP IV Program proceeding. The *pro forma* RFPs
7 are provided as Attachments A, C, and E to the Company's Petition.

8

9 **Q. Are the DSP V Program RFP Rules similar to the DSP IV Program?**

10 A. Yes. The DSP V Program's RFP Rules are similar to the rules approved by the
11 Commission in the DSP IV Program. Updates to the RFP Rules include changes such as:
12 creating new RFP documents, based on the basic DSP V Program RFP Rules, to
13 accommodate the Block and AEC procurements; updating auction dates; updating the
14 product details; improving confidentiality terms; adjusting bid submission and withdraw
15 through use of an updated electronic submission tool; and adjusting the terms concerning
16 use of electronic signatures.

17

18 **Q. Please summarize the solicitation and approval process.**

19 A. Separate bids will be solicited for the Residential, Small C&I, and Large C&I Customer
20 Classes, with the exception of the AEC solicitation, which procures all credits without
21 class distinction. The proposed solicitation schedule is provided in the Testimony of Mr.
22 Cavicchi (PPL Electric Statement No. 2) in Exhibits JC-2 and JC-3. The results for each
23 solicitation will be presented to the Commission within one business day of the bid

1 proposal due date for that solicitation. At that time, the Commission will have one
2 business day to review those results and render a final decision. The Commission may
3 either accept or reject all of the winning bids presented for a customer group (or AECs) in
4 their entirety. After receiving Commission approval of the solicitation results, PPL
5 Electric will then execute transaction confirmations with the winning suppliers. This is
6 the same solicitation and approval procedure used in the DSP IV Program.

7
8 **Q. Please summarize the bidder qualifications in the RFP.**

9 A. The bidder qualifications are straightforward and primarily require that the supplier be a
10 member of PJM in good standing and that they meet certain fundamental credit-
11 worthiness criteria. More specifically, the qualifications consist of:

- 12 • Submitting an Expression of Interest Form;
- 13 • Executing a Confidentiality Agreement;
- 14 • Certifying the supplier meets the PJM membership and Federal Energy Regulatory
15 Commission authorization requirements;
- 16 • Demonstrating that the supplier's, or supplier's guarantors, unsecured senior long-
17 term debt rating is available from Standard & Poor's, Fitch Ratings, or Moody's
18 Investor Services;
- 19 • Submitting a Credit Application and associated financials; and,
- 20 • Submitting an executed copy of the Binding Bid Agreement.

21 These bidder qualifications are the same in the DSP V Program as they were in prior DSP
22 Programs.

1 Also, an individual bidder for Residential and Small C&I contracts is subject to
2 two load cap limitations. First, a bidder cannot be awarded more than 85% of the
3 contracts offered in a single solicitation, by customer class (“Solicitation Cap”). Second,
4 a wholesale supplier cannot supply more than 50% of the Default Service load for either
5 the Residential or Small C&I Customer Classes at any time (“Load Cap”).²⁶ This
6 limitation was approved in the DSP IV and PPL Electric is proposing to continue it in the
7 DSP V. PPL Electric believes that continuing this limitation in DSP V will continue to
8 encourage development of the competitive wholesale market by ensuring supplier
9 diversity, present opportunities for multiple suppliers, and provide protection against the
10 default of a single supplier.

11 It is important to note that the Block and AEC contracts will not be used in
12 calculating a supplier’s Load Cap. Furthermore, the Block Energy auctions will not
13 utilize a solicitation load cap, but will implement a separate 50% load cap. As such, a
14 winning supplier may not be eligible to supply more than 50MW of the 100MW on offer.
15 The AEC auction will not implement any Solicitations Caps or Load Caps.

16
17 **Q. How much supply is PPL Electric procuring in each solicitation?**

18 A. PPL Electric proposes to continue to conduct semi-annual auctions occurring each April
19 and October, respectively (excluding the AEC solicitations). As explained previously
20 and in the testimony of Mr. Cavicchi, the Company utilizes laddered supply contracts
21 with varying terms to reduce abrupt price changes and limit the risk inherent in

²⁶ The 50% Load Cap was not applied to the Large C&I Customers Class in DSP IV and is not proposed for DSP V. The small number of tranches solicited for this Customer Class (10, once per year) would indicate that a further Load Cap restriction may result in higher rates, as the Company could be required to reject lower bids.

1 purchasing 100% of supply at any one point in time. As conducted under DSP IV, and as
2 proposed for DSP V, PPL Electric will procure 60% of Residential customer supply each
3 solicitation – comprised of 40% 12-month contracts and 20% 6-month contracts.
4 Additionally, the Company is proposing two solicitations of 50MW block supply for the
5 Residential customer group. PPL Electric will also continue its practice of procuring
6 between 70-75% of supply for Small C&I customers each auction, comprised of 25-30%
7 12-month contracts and 45% 6-month contracts. For the Large C&I customer group, PPL
8 Electric plans to procure 100% of default service load through PJM wholesale market
9 priced full requirements contracts, once per year, in the April solicitations. Finally, the
10 Company proposes to procure its AEC obligations through short-term contracts, requiring
11 nearly immediate transfer of AECs to the Company.
12

13 **Q. How are the Residential and Small C&I fixed-price tranche sizes determined?**

14 A. For both the Residential and Small C&I Customer Classes, each fixed-price tranche will
15 be a fixed percentage of the Customer Class' Default Service load, with that percentage
16 estimated to produce approximately 75 MW of peak load per tranche for Residential, and
17 100 MW of peak load per tranche for Small C&I based on current PPL Electric forecasts
18 and the Customer Class' 2020-2021 projected peak load contributions with PJM. As
19 detailed in the RFP as well as the accompanying SMA, Residential tranche size will
20 remain at 2.5% and Small C&I tranche size will remain at 5%.

21
22 **Q. How is the Large C&I spot market tranche size determined?**

1 A. The Large C&I customer tranche size is 10% or approximately 200 MW per tranche
2 based upon current PPL Electric forecasts and the Customer Class' 2020-2021 projected
3 peak load contributions with PJM.
4

5 **Q. What services will the winning bidder provide to PPL Electric?**

6 A. As explained in the RFP Rules and the Default Service SMA, each winning supplier must
7 provide the products and services required by the Company to fulfill its obligations as
8 Default Service provider. These products and services include energy, capacity,
9 transmission (other than Non-market-based Transmission Services), ancillary services,
10 transmission and distribution losses, congestion management costs, and such other
11 services or products that are required to supply Default Service to PPL Electric's retail
12 customers, excluding AECs. As a result, each supplier will become the load-serving
13 entity in PJM for its share of PPL Electric's Default Service load. PPL Electric, however,
14 will remain the Default Service provider for its retail customers.
15

16 **Q. Will the selected suppliers be required to post performance assurance?**

17 A. PPL Electric proposes to continue the process employed in the DSP IV Plan, requiring
18 wholesale suppliers selected to serve any portion of PPL Electric's Default Service load
19 to post performance assurance above the amount of any unsecured credit provided to the
20 supplier based upon the results of the mark-to-market calculations set forth in the SMA.
21 Such assurance is required to enable PPL Electric to recover costs arising in the event of
22 a supplier default. The unsecured credit amounts have not been changed as compared to
23 DSP IV.

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B. THE SMA

Q. Is the DSP V Program’s Default Service SMA similar to that used in the DSP IV Program?

A. Yes. I note that the Commission-approved DSP III SMA was substantively changed following the Commission’s Final Order in Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service, Docket No. I-2011-2237952, 2013 Pa. PUC LEXIS 306; 303 P.U.R.4th 28 (February 15, 2013). The DSP V SMAs for full requirements and block contracts are nearly identical to the DSP III and IV SMAs. The only substantive changes to the SMAs are to remove the terms and conditions associated with AEPS obligations language, adjust the definition and terms associated with block energy supply, and update the terms surrounding the use of electronic signature. The Company also made minor adjustments to the SMA concerning dates, citations, and improvements to PPL Electric and supplier protections. The Block Energy SMAs had a few additional changes, when compared to the full requirements SMA, to reflect the terms and conditions of block supply specifically. The AEC SMA terms and conditions are different than the Full Requirements and Block SMAs as there are considerably less conditions with AEC supply than energy. Furthermore, other provisions such as step-up, AEC transfer and settlement, and performance assurance are very different, requiring different terms in the AEC SMA. The proposed *pro forma* SMAs are provided as Attachment B, D, and F to the Company’s Petition.

V. THIRD-PARTY MANAGER

1 **Q. Will an independent party be used to administer the DSP V Program**
2 **procurements?**

3 A. The Default Service Policy Statement provides that the competitive bid solicitation
4 process should be monitored by an independent evaluator to achieve a fair and
5 transparent process for each solicitation. The Default Service Policy Statement also
6 states that the independent evaluator should have expertise in the analysis of wholesale
7 energy markets, including methods of energy procurement. Consistent with these
8 requirements, PPL Electric has retained NERA as the independent third-party manager to
9 administer each procurement, analyze the results of the solicitations for each customer
10 class, select the supplier(s) that will provide services at the lowest cost and submit all
11 necessary reports to the Commission.

12
13 **Q. Why was NERA retained as the third-party manager?**

14 A. NERA has successfully administered the CBP, the DSP I, DSP II, DSP III and DSP IV
15 Program procurements and other utilities' Default Service supply procurement programs
16 throughout the region. Based on this track record, the Company proposes to retain
17 NERA to administer the DSP V Program. NERA is the main point of contact with
18 bidders, ensures the RFP Rules approved by the Commission are followed, ensures
19 bidder qualifications are evaluated equitably and fairly, ensures bids are conforming,
20 evaluates and determines the lowest-cost combination of bids based solely on price, and
21 lastly presents the results to the Commission.

22
23 **VI. RTO COMPLIANCE**

24 **Q. Will the DSP V Program comply with RTO requirements?**

1 A. Yes. Section 54.185(d)(4) of the Commission’s regulations requires Default Service
2 plans to include documentation that the program is consistent with the requirements
3 regarding the generation, sale and transmission of electricity of the RTO in the control
4 area where the Default Service provider is providing service. 52 Pa. Code §
5 54.185(d)(4). The Company will provide Default Service within the control area of PJM,
6 which is an RTO approved by the Federal Energy Regulatory Commission (“FERC”).
7 PPL Electric’s DSP V Program fully meets this requirement.

8
9 **Q. Please explain how the DSP V Program is consistent with RTO requirements.**

10 A. First, the Company is proposing a plan that is aligned with PJM’s planning period, *i.e.*,
11 begins June 1. Second, the Default Service RFP Rules and accompanying SMA require
12 that both PPL Electric and any bidder in the energy procurement process must be in
13 compliance with PJM requirements.²⁷ For example, Section 2.4 of the full requirements
14 SMA requires that the DS Supplier be a PJM member in good standing, be qualified as a
15 market buyer and seller, and be qualified as a PJM Load Serving Entity. Additionally,
16 Article 4 of the RFP Rules requires that an applicant must certify that it is a member of
17 PJM and qualified as a market buyer and market seller in good standing that is able to
18 secure generation or otherwise obtain and deliver electricity in PJM through compliance
19 with all applicable requirements of PJM to fulfill a full requirements obligation. Finally,
20 a potential bidder must certify that it has been authorized by FERC to make sales of
21 energy, capacity and ancillary services at market-based rates.

22

²⁷ Bidders in the AEC procurement must comply with PJM requirements associated with the PJM GATS system.

1 **VII. CONTINGENCY PLANNING**

2 **Q. Does the DSP V Program contain a contingency plan to ensure reliable provision of**
3 **Default Service?**

4 A. Yes. The Commission's Default Service Regulations require that a Default Service plan
5 include contingency plans to ensure the reliable provision of Default Service if a
6 wholesale generation supplier fails to meet its contractual obligations. The DSP V
7 Program meets these requirements.

8

9 **Q. Is the contingency plan in the DSP V Program similar to the contingency plan in the**
10 **DSP IV Program?**

11 A. Yes, for previously offered products the contingency plans are the same. Specifically,
12 fixed-price, full-requirements and spot market, full-requirements contingency plans
13 remain the same in DSP V as they were previously approved under DSP IV. Block
14 energy contracts implement similar contingency provisions as implemented in DSP I,
15 when block energy contracts were previously entered into. The AEC RFP is new for DSP
16 V and has its own unique contingency plan. There is no contingency plan for the DSP V
17 TOU rate option as it is a calculation based upon the PTC and does not require a
18 contingency plan.

19

20 **Q. Please summarize the contingency plan to be used for fixed-price, full-requirements**
21 **contracts and spot market, full-requirements contracts under the DSP V Program.**

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

1 will expeditiously seek guidance and approval from the Commission to address this
2 shortfall in procurement of Default Service supply.

3 To the extent that unfilled tranches remain at the commencement of delivery for a
4 given product, the Company will obtain Default Service supply through the spot market
5 administered by PJM. Specifically, PPL Electric will supply the unserved load by
6 purchasing energy and all other necessary services through the PJM-administered
7 markets, including, but not limited to, the energy, capacity, ancillary services, and any
8 other service required by PJM to serve such unserved load. PPL Electric proposes to
9 recover all the costs of such purchases from Default Service customers in the retail rates
10 charged for the service for which the purchases are made.

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

19
20 **Q. Please summarize the contingency plans to be used for block energy contracts and**
21 **AEC contracts under the DSP V Program.**

22 A. The Company will implement different contingency plans for block energy contracts and
23 AEC contracts. For block energy contracts, if the Commission rejects all bids for a given

1 product, in any solicitation, or if there are not at least two wholesale suppliers submitting
2 offers for the block energy tranches, the Company will offer the unsuccessful block
3 energy tranches during the next default service auction. The term of the block contract
4 will remain at 5 years when rebid. Following the third unsuccessful auction for the block
5 products PPL Electric will cease offering the block product and instead seek PUC
6 guidance.

7 In the event a block energy supplier defaults, PPL Electric will offer full-
8 requirements supply assignment to other winning bidders for the same product consistent
9 with the step-up process described in the Default Service SMA. If this assignment is not
10 successful, PPL Electric will offer full-requirements supply assignment to all Default
11 Service suppliers consistent with the Default Service SMA, even if a Default Service
12 supplier does not serve tranches for that product. These assignments will be offered at
13 the original bid price. If the step-up process does not result in a wholesale supplier
14 assuming responsibility for block energy supply PPL Electric will seek guidance from the
15 Commission.

16 For AEC contracts, as explained above, the contingency plan includes two steps –
17 first, procuring AECs necessary for compliance from brokers, and second, in the instance
18 procurement from brokers is unsuccessful, PPL Electric will seek guidance from the
19 Commission.

20
21 **VIII. TIME-OF-USE**

22 **Q. Does the Company currently offer a TOU rate option under its DSP IV Program?**

23 A. Yes. The Company currently provides a TOU rate option to Residential and Small C&I
24 customers through its tariff, which relies upon an auction as its primary plan to set TOU

1 rates. The currently effective TOU Program reflects the terms of a complete settlement,
2 which was approved by the Commission on May 17, 2018.²⁸

3
4 **Q. Describe the currently effective TOU Program.**

5 A. The currently effective PPL Electric TOU Program was approved by the Commission on
6 May 17, 2018 and was developed as a result of Settlement among parties in that case.
7 When developing the TOU Program PPL Electric used its prior TOU experience,
8 information on customer consumption and load data, Commission TOU guidelines,²⁹ and
9 collected recommendations from parties to ultimately settle on what is now the TOU
10 Program.

11 The current TOU Program is comprised of two plans, the TOU primary plan and a
12 TOU contingency plan, both implementing the same seasonality, on- and off-peak hours,
13 and on-peak price multipliers. The TOU Program in general implements a summer and
14 winter term – the summer term runs June 1st through November 30th annually, and the
15 winter term runs December 1st through May 31st annually. The summer term on-peak
16 hours are from 2 through 6 pm, Monday through Friday, excluding holidays. Off-peak
17 hours are all other hours not deemed on-peak and includes weekends and holidays. The
18 winter term on-peak hours are 4 through 8 pm, Monday through Friday, excluding
19 holidays. Off-peak hours are all other hours not deemed on-peak and includes weekends
20 and holidays.

²⁸ See *PPL Electric Time-of-Use Final Order, Docket No. M-2016-2578051 and P-2016-2526627*.

²⁹ Pennsylvania Public Utility Commission Secretarial Letter, issued April 6, 2017, RE: the Commission's TOU program guidance for PPL Electric Utilities Corporation.

1 For the TOU primary plan, off-peak rates are based upon the winning supplier's
2 bid as a percentage off the generation component of the PTC.³⁰ The on-peak rates are
3 based upon a multiplier, calculated based upon the differential between the on-peak and
4 off-peak spot market prices for the seasonal term over the previous 5 years. The on-peak
5 multiplier is applied to the off-peak rate to create the on-peak rate.³¹ For instance, the
6 summer 2020 on-peak multiplier utilized PJM Locational Marginal Pricing for the PPL
7 Residual Aggregation point³² for the June through November months in years 2014
8 through 2018. The Company calculated the differential between the on-peak hours (2-
9 6pm, excluding weekends and holidays) and off-peak hours during those historic periods.
10 The Summer 2020 on-peak multiplier was calculated to be 162%. The winter 2020/21 on-
11 peak multiplier utilizing the same process (for months December through May with on-
12 peak hours of 4-8pm, excluding weekends and holidays) was calculated to be 124%.

13 For the TOU contingency plan, on-peak and off-peak rates are applied to the
14 generation rate of the PTC for each respective customer class for which the TOU
15 contingency plan is being enacted. Off-peak rates are set at 90% of the generation rate of
16 the PTC; on-peak rates are set using the multiplier described above and the TOU off-peak
17 rate. Under the TOU contingency plan, energy is procured from the wholesale suppliers
18 serving default service. Wholesale suppliers are paid their bid price, as contracted, not the
19 calculated TOU rates.

³⁰ For example, if the generation rate of the PTC is 5.0 cents/kWh, the winning supplier bid may be 10% off of this rate. This results in an off-peak rate of 4.5 cents/kWh.

³¹ For example, if the off-peak rate is 4.5 cents/kWh and the on-peak multiplier is 150%, the resulting on-peak rate is 6.75 cents/kWh.

³² The PPL Residual Aggregation Point is the PJM designation for PPL Electric's market zone. This is used by PJM to define PPL Electric market components such as locational marginal pricing or spot pricing.

1 PPL Electric publishes the TOU rates after the TOU auction has been completed
2 and approved by the Commission. TOU rates are communicated to customers
3 approximately 10 days in advance of when they become effective – June 1st or December
4 1st, respectively.

5
6 **Q. Has the DSP IV TOU Program been successful?**

7 A. In part. During the Summer 2019 and Winter 2019/20 TOU Program terms, both TOU
8 auctions failed, having no wholesale energy suppliers qualifying to submit bids in either
9 the May 2019 or November 2019 auctions. Per the Commission-approved TOU Program
10 rules, following the failed TOU primary plan auctions, the TOU contingency plan was
11 implemented. PPL Electric successfully implemented the TOU contingency plan and
12 made the TOU Program available for Residential and Small C&I customers to participate
13 starting June 1, 2019 as expected.

14 When the Company implemented the TOU contingency plan, a 90% off-peak
15 multiplier and the summer and winter term on-peak multipliers of 162% and 124%,
16 respectively, were used. For the summer term, the fully weighted³³ Residential on-peak
17 rate was 10.129 cents/kWh and the off-peak rate was 7.280 cents/kWh. For the Summer
18 term, the fully weighted Small C&I on-peak rate was 8.491 cents/kWh and the off-peak
19 rate was 5.710 cents/kWh. For the Winter term, the fully weighted Residential on-peak
20 rate was 8.254 cents/kWh and the off-peak rate was 7.098 cents/kWh. For the Winter
21 term, the fully weighted Small C&I on-peak rate was 6.952 cents/kWh and the off-peak
22 rate was 5.850 cents/kWh.

³³ Includes on-peak or off-peak generation rate, respectively, gross receipts tax, E-factor, administration charge, merchant function charge, state tax adjustment surcharge, and TSC.

1 As of January 31, 2020, 314 Residential customers and 13 Small C&I customers
2 have elected to participate in the TOU Program.

3 As evidenced by the auction results, the TOU primary plan was unsuccessful,
4 being unable to garner wholesale supplier interest. However, the TOU contingency plan
5 was successfully implemented to create TOU rates for both Residential and Small C&I
6 customers and garner some participation by both customer classes.

7
8 **Q. Is PPL Electric proposing any changes to its TOU rate option under the DSP V**
9 **Program?**

10 A. Yes. PPL Electric is proposing to make three changes to the TOU Program based upon
11 lessons learned from the currently effective TOU Program. It should be noted that the
12 Company is seeking to maintain many elements of the currently effective program
13 including customer eligibility, seasonality, on-peak and off-peak hours, multipliers, and
14 maintaining a webpage dedicated to the TOU Program.

15 The first proposed change is to elevate the current TOU contingency plan
16 employed under the DSP IV TOU Program to become the new TOU primary plan in the
17 TOU Program under the DSP V Plan. As a result, the Company will eliminate the TOU
18 auction, instead employing the DSP IV TOU Program's TOU calculation methodology
19 used in the contingency plan. Additionally, PPL Electric is proposing to change the
20 release of the TOU rates to be in conjunction with the issuance of the PTC, 30-days in
21 advance of the TOU and PTC rates going into effect. Currently, PPL Electric delays the
22 publication of the TOU rates until after the TOU auction has been completed and

1 approved, meaning TOU rates are communicated to customers approximately 10 days in
2 advance of when then become effective.

3 Finally, PPL Electric is also proposing to make one minor customer eligibility
4 change – restricting TOU eligibility to a small subset of grandfathered water heating
5 customers based upon their complex configuration.

6 PPL Electric is proposing to maintain the two-season format and off-peak and on-
7 peak hours currently in effect. The Summer term will remain June 1st through November
8 30th, and the Winter term will run December 1st through May 31st. Summer term on-peak
9 hours will remain 2-6p, Monday through Friday, excluding weekends and PJM Holidays.
10 Summer term off-peak hours will include all hours not deemed on-peak. Winter term on-
11 peak hours will run 4-8p, Monday through Friday, excluding weekends and PJM
12 Holidays. Winter term off-peak hours will include all hours not deemed on-peak.

13 PPL Electric also proposes maintaining the TOU on-peak and off-peak rate
14 multipliers and general TOU rate methodology. The off-peak multiplier will remain at
15 90% relative to the generation portion of the PTC in effect. The on-peak multiplier will
16 continue to reflect the price differential between on-peak and off-peak spot market prices
17 at the PPL Residual Aggregation Point, based upon a rolling 5-year history of these spot
18 market prices. Following the Company's calculation of the Residential and Small C&I
19 PTCs, PPL Electric will then calculate the Residential and Small C&I TOU rates by
20 utilizing a 90% off-peak multiplier and the calculated on-peak multiplier, both applied to
21 the respective generation rate components of the PTCs per customer group. The
22 remaining rate components of the PTC, including over/under collection, Merchant
23 Function Charge, Administration Charge, TSC, and State Tax Adjustment Surcharge will

1 all be used for the TOU rates. TOU reconciliation will still occur across the entire default
2 service customer group – Residential and Small C&I, respectively – and be used in both
3 the PTC and TOU rate calculations. The use of a dedicated TOU webpage and net
4 metering eligibility for TOU will continue unchanged.

5
6 **Q. Why is PPL Electric proposing to eliminate the TOU auction in favor of a calculated**
7 **TOU rate?**

8 A. The primary reason for PPL Electric’s proposal to eliminate the TOU auction is because
9 TOU auctions under the current plan have failed. As explained above, PPL Electric has
10 conducted two TOU auctions – Summer 2019 and Winter 2019 – both failing to attract
11 participation from any wholesale suppliers. While the Company has not received any
12 direct feedback from suppliers explaining their lack of participation, the results speak for
13 themselves. Even though PPL Electric has streamlined the TOU qualification process –
14 pre-qualifying any wholesale supplier that qualifies for the preceding default service
15 auction – and minimized the bid assurance collateral amount – \$75,000 – wholesale
16 suppliers have chosen not to participate. This has led PPL Electric to move to a
17 calculated TOU rate instead of pursuing additional changes to the auction process.

18 Choosing to move to a calculated TOU rate has two supplemental benefits: 1)
19 eliminates TOU auction costs, and 2) allows PPL Electric to communicate the rate at the
20 same time as the PTC. Eliminating a TOU auction will eliminate all costs associated with
21 such an auction. This will reduce the administration costs for the program and will
22 commensurately reduce the administration charge of the PTC and TOU rates. The second
23 benefit of eliminating the auction is that the TOU rates can be released in conjunction

1 with the PTC, for which they are based, instead of being delayed until 10-days before
2 they go into effect as a result of the timing of the auction. As proposed, TOU rates are
3 calculated based upon the generation price of the PTC and will be issued 30-days in
4 advance of the rates going into effect, like the PTC. This means customers will have
5 more time to evaluate the TOU rates when considering participation in the TOU Program.

6 It should also be noted that while PPL Electric is proposing to eliminate the TOU
7 auction, TOU rates continue to be based upon the competitive market. The generation
8 rate component of the PTC for both Residential and Small C&I customer groups is
9 entirely based upon the Commission-approved semi-annual default service auctions.
10 Furthermore, the seasonal on-peak multiplier is based upon the PPL Electric spot market
11 price. This is important as the Company has built a TOU Program that relies upon the
12 spot market to calculate the on-peak multiplier and competitive default service auctions
13 to create the TOU rates.

14
15 **Q. Please describe PPL Electric's proposed modifications to the TOU rate option**
16 **contained in its tariff under DSP V.**

17 A. Tariff page supplements found in Appendix H reflect three changes. First, all references
18 to TOU auction results have been stricken and the current TOU Contingency Plan is now
19 the TOU Primary Plan. In association with this, PPL Electric is no longer proposing a
20 TOU Contingency Plan. The second change is revised verbiage concerning how the on-
21 peak multiplier will be applied to calculate the TOU on-peak rate. This was done to more
22 clearly detail that the on-peak multiplier is applied to the generation rate of the PTC.
23 Finally, the tariff was updated to reflect new dates.

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Q. Is PPL Electric proposing any changes to the eligibility of the TOU Program?

A. Yes, the Company is proposing one change to the Residential Customer Group’s eligibility. Currently all residential customers, with the exception of Customer Assistance Program (CAP) customers, are eligible to participate in the PPL Electric TOU Program. When implementing the current TOU Program, PPL Electric identified a special type of residential customer that should have been ineligible for the TOU Program – a grandfathered water heater rate identified by PPL Electric as “RWO.” This special group has been grandfathered since January 1, 2000 and was original created by PPL Electric to support a special residential water heater program.³⁴ Customers who participated in the program have two meters – one connected to their house and one connected to their water heater – linked by a single account. While the program itself is no longer active and no new customers may enter the program, there are 111 customers remaining on the rate with dual meters.

Given the complexity inherent in a dual meter structure and the complication and cost it creates for PPL Electric systems to model the TOU rates for these customers, PPL Electric is seeking to make these customers ineligible for TOU while remaining on RWO service. These customers may leave the RWO rate group for another eligible rate group. Once joining an eligible rate group, customers may participate in the TOU Program. Under PPL Electric’s current tariff, when an RWO customer leaves this service, they are no longer eligible to return to RWO service in the future.

³⁴ PPL Electric Utilities – Rate Schedule RS – Residential Service Tariff. See “Separate Water Heating Service”. <https://www.pplelectric.com/-/media/PPLElectric/At-Your-Service/Docs/Current-Electric-Tariff/rate-rs.pdf>

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Q. What is the impact on the current TOU Program if RWO is excluded from participating?

A. There are currently no RWO customers participating in the TOU Program. As a result, there is no impact to the current TOU Program. If an RWO customer would choose to sign-up for the TOU Program prior to DSP V going into effect, PPL Electric proposes they become ineligible beginning June 1, 2021 and be returned to basic default service. If an RWO customer seeks to participate in the DSP V TOU Program they must first leave the RWO rate group for the basic RS rate group whereby they may then begin to participate in the program. Doing so permanently removes the customer from the RWO rate group.

Q. Please provide the TOU Program-specific over/under collection to date.

A. As a component of the Joint Petition for Settlement of the TOU Program, PPL Electric agreed to track the amount of TOU related over- and under-recoveries and the impact of those over/under recoveries on fixed price default service customers. To date, the Company is in the second period of its TOU Program, having concluded the June 2019 through November 2019 summer period. The TOU-specific reconciliations included in the December 2019 through May 2020 Residential and Small C&I PTCs are: \$42,102 under-collected for the Residential customer group and \$13,857 under-collected for the Small C&I customer group. The Residential Default Service over/under collection for the same term was \$9,264,729 under-collected, the Small C&I over/under collection for

1 the same term was \$1,052,497 over-collected.³⁵ As such, Residential TOU under-
2 collection contributed 0.45% to the overall residential under-collection; Small C&I TOU
3 under-collection did not contribute to the overall Small C&I over-collection. Neither
4 Residential or Small C&I TOU contributed significantly to the over/under recoveries
5 through the GSC-1.

6
7 **Q. Has PPL Electric considered any additional dynamic rate designs beyond**
8 **traditional TOU rate design?**

9 A. Yes. During litigation of the currently effective TOU Program, the witness for the Office
10 of Small Business Advocate (“OSBA”), Mr. Robert Knecht, recommended PPL Electric
11 begin evaluating dynamic TOU rates.³⁶ In my Rebuttal Testimony during that
12 proceeding, I stated that the Company expects to continue to examine TOU designs in the
13 future.³⁷ In this proceeding, PPL Electric and Mr. Cavicchi have evaluated the potential
14 introduction of a Critical Peak Pricing (“CPP”) rate for PPL Electric’s Small C&I
15 customers.

16
17 **Q. Does PPL Electric propose the development of a CPP rate for its Small C&I**
18 **customer group?**

19 A. No. As explained in greater detail in Mr. Cavicchi’s testimony, successfully
20 implemented CPP rates rely on various design features that are outside of the scope and

³⁵ PPL Electric Utilities Corporation Generation Supply Charge-1 (“GSC-1”) Reconciliation, Report For The Period April 1, 2019 to March 31, 2020.

³⁶ PPL Electric TOU Proceeding, Docket No. M-2016-2578051, Direct Testimony of Robert D. Knecht, On Behalf of the Pennsylvania Office of Small Business Advocate.

³⁷ PPL Electric TOU Proceeding, Docket No. M-2016-2578051, Rebuttal Testimony of James M. Rouland.

1 intent of the Company's default service program and would necessitate that PPL Electric
2 incur various costs that it would not be able to recover exclusively from those customers
3 that may adopt CPP. First, most dynamic pricing programs, such as CPP, implement
4 customer opt-out provisions to garner greater customer participation and work to realize
5 the benefits of the CPP program exceed the implementation and upkeep costs of the
6 program. However, in compliance with Pennsylvania's Act 129, PPL Electric's TOU
7 Program (CPP is a type of TOU pricing) must employ opt-in provisions.³⁸ The fact that a
8 Company CPP program would need to be opt-in is likely to lead to low customer
9 participation and undermine any potential for successful results as it makes it difficult,
10 and likely impossible, for the Company to develop an auction process to solicit and
11 secure competitive CPP service providers (similar to the lack of interest that the
12 Company observed in its failed TOU auctions).

13 Next, with low expected customer participation it is likely that the Company
14 would spend more on administration and customer education to provide an opportunity
15 for a CPP program to be successful than would ever be achieved in savings. The
16 Company would incur costs researching and designing a CPP rate structure that would be
17 expected to incentivize customer participation. Moreover, as Mr. Cavicchi notes in his
18 Direct Testimony, providing customers with enabling technologies can be pivotal in
19 supporting customers, allowing them to respond effectively to infrequent CPP events.
20 However, the success of a CPP program would not be known until after it is
21 implemented.

³⁸ 66 Pa. C.S., § 2807(f)(5).

1 Finally, if the Company were to implement a CPP program it is likely it would
2 have to be structured like the current TOU contingency program (albeit considerably
3 more complicated). PPL Electric’s TOU Program reconciles TOU over/under-collections
4 with the general over/under-collections from all default service customers. Given the
5 likely low participation rate and high communication and education costs associated with
6 CPP, implementing a CPP rate would simply mean default service customers pay more
7 than necessary for default service, with no expected benefits. In my opinion if this type
8 of rate structure offered customers savings, EGSs would already be offering it.

9
10 **IX. RENEWABLE ENERGY RATE PROGRAM**

11 **Q. Is PPL Electric proposing any new rate programs as part of its DSP V Plan?**

12 A. Yes. PPL Electric is proposing to create a Renewable Energy Rate Program for default
13 service customers. The intent of this rate is to provide a renewable energy option for
14 customers who remain on default service. This new program is not replacing any other
15 rate and will be designed to be opt-in only.

16
17 **Q. Describe the PPL Electric Renewable Energy Rate Program.**

18 A. The PPL Electric Renewable Energy Rate Program is designed as an adder to the PPL
19 Electric PTC and is based on the purchase of AECs that cover 100% of participating
20 customer consumption. In practice the foundation of the rate is the respective customer’s
21 PTC, which includes generation costs, transmission costs, administrative costs, over and
22 under-collection, and taxes. A customer interested in the program must contact PPL
23 Electric and affirmatively elect to participate in the program. Doing so results in the
24 adder being applied to their bill based upon the value of PA non-solar Tier I AECs.

1 Customers will remain in the program until they request removal from the program or
2 begin shopping.

3
4 **Q. What customers are eligible to participate in the Renewable Energy Rate?**

5 A. Customer rate schedules RS, RTS, GS-1, GS-3 (<100kW), GH-2, and LP-4 (<100kW),
6 excluding PPL Electric OnTrack customers and Net Metering customers, are eligible to
7 participate in the Renewable Energy Rate Program.

8
9 **Q. How will the Company determine the necessary AECs to be procured?**

10 A. The quantity of AECs to be purchased directly corresponds to participating customer
11 consumption during a calendar month. Prior to each of PPL Electric's AEC auctions the
12 Company will total the usage of all customers participating in the program in the
13 preceding period.³⁹ The Company will then add the necessary AECs to cover 100% of the
14 customer's usage to the AEC auction. 1 MWh of consumption equates to 1 AEC.
15 Customer consumption will be rounded down to the nearest MWh, and the remaining
16 usage will be added to the next period's total.⁴⁰

17
18 **Q. How will PPL Electric procure the AECs necessary to cover participating customer**
19 **usage?**

³⁹ For example, as part of the January AEC auction forecast and reconciliation process PPL Electric will total the Renewable Energy Rate customer consumption from June through November.

⁴⁰ For example, during the June through November period, if the sum of Renewable Energy Rate customer usage is 2.4 MWhs, PPL Electric will add 2 Tier I AECs to the AEC auction. The remaining .4 MWhs will be added to the next period's usage – December through May.

1 A. PPL Electric will utilize the AEC auctions to procure the necessary AECs for the
2 Renewable Energy Rate. As part of the AEC RFP forecast and reconciliation process the
3 Company will total the usage for Renewable Energy Rate customers for the period
4 immediately preceding each AEC auction. That quantity of AECs will be added to the
5 Tier I non-solar total to be procured in the auction. This process will only apply to the
6 Tier I non-solar AEC auction.

7
8 **Q. Please describe how the Renewable Energy Rate adder is calculated.**

9 A. The Renewable Energy Rate adder is set based upon the combined average price of the
10 most recent successful Tier I non-solar AEC auction results. As described above, AEC
11 auctions are conducted each January and July. In addition to the price set as a result of
12 the AEC auction process, the Renewable Energy Rate will include reconciliation
13 exclusively for the Renewable Energy Rate. Exhibit JMR-5 provides a table detailing
14 each Renewable Energy Rate period and how the rate pricing will be set – including
15 expected auctions and reconciliation periods. The Renewable Energy Rate adder will be
16 charged to customers and displayed on their bills as a cent/kWh value. This is to ensure
17 customers participating in the program are charged commensurate with their
18 consumption. If any Tier I non-solar AEC auction fails, the Renewable Energy Rate will
19 continue;⁴¹ however, the adder will remain at the rate in effect for the prior period. This
20 will continue until PPL Electric successfully completes a Tier I non-solar AEC auction or

⁴¹ If the July 2021 Tier I non-solar AEC auction fails, the Renewable Energy Rate will not be offered until the first successful Tier I non-solar AEC auction is completed. For example, if the July 2021 auction fails, but the January 2022 auction is successful, the Renewable Energy Rate would be offered starting June 1, 2022.

1 the program concludes. In addition to the Tier I non-solar AEC price and reconciliation,
2 the Renewable Energy Rate adder will also include Gross Receipts Tax (GRT).

3
4 **Q. Why does the Renewable Energy Rate require reconciliation?**

5 A. The Renewable Energy Rate requires a reconciliation mechanism to allow for the true-up
6 of costs between the rate a customer is charged each period and the resulting cost of Tier
7 I non-solar AECs procured in a future auction to offset the customer's usage. For
8 example, the December 1, 2021 Renewable Energy Rate will be based upon the results of
9 the July 2021 auction. Throughout the December 1, 2021 to May 31, 2022 period
10 customers will sign-up for the program. Once the period ends, PPL Electric will total the
11 usage for all customers on the rate, calculate the necessary AECs to offset the usage,
12 and will procure the AECs in the July 2022 AEC auction. The Renewable Energy Rate
13 charged to customers in the December 1, 2021 through May 31, 2022 period will be
14 different than the cost of the AECs PPL Electric procures in the July 2022 AEC auction –
15 resulting in an over or under-collection.⁴² This difference will be recovered from
16 customers on the renewable energy rate in the next available period. For the purposes of
17 this example, this means the over or under-collection will be included in the December 1,
18 2022 through May 31, 2022 Renewable Energy Rate.

19

⁴² For example, if the July 2021 AEC auction results in a Tier I non-solar price of \$10 – setting the Renewable Energy Rate adder for December 2021 through May 2022 – and the July 2022 AEC auction results in a Tier I non-solar price of \$15 – the price AECs for Renewable Energy Rate customers during December 2021 through May 2022 – PPL Electric is under-collected by \$5 per AEC purchased.

1 **Q. What occurs if customers leave the Renewable Energy Rate while there is an**
2 **existing over or under-recovery balance?**

3 A. There are two distinct scenarios that impact how the Company will approach recovering a
4 reconciliation balance when there are no customers on the Renewable Energy Rate: 1)
5 when there are no customers on the rate during any period or series of periods throughout
6 the DSP 5 term, and 2) if there are no customers on the rate at the conclusion of DSP 5.
7 In the first instance, if at any time there are no customers on the Renewable Energy Rate,
8 any balance will be carried over to the subsequent period or periods for future
9 reconciliation. This follows current cost recovery practices.

10 If at the conclusion of the DSP V Program there are no customers on the
11 Renewable Energy Rate and the Company continues the Renewable Energy Rate in its
12 next plan, the outstanding balance will be carried over into the next plan's Renewable
13 Energy Rate. If, however, there are no customers on the Renewable Energy Rate and the
14 Company chooses to not continue the Renewable Energy Rate, the outstanding
15 reconciliation amount will be recovered through the GSC-1 over/under-collection.

16

17 **Q. When will the Renewable Energy Rate be offered and at what intervals will the rate**
18 **be updated or changed to reflect new pricing?**

19 A. The Renewable Energy Rate Program will commence on December 1, 2021, subject to
20 the availability of a Tier I non-solar AEC price. If the Tier I non-solar AEC auction in
21 July 2021 fails, the program will be delayed until the Tier I non-solar AEC auction is
22 successful, beginning with the next available PTC change – June 1 or December 1, as

1 applicable. The Renewable Energy Rate will be updated each PTC period – June 1 and
2 December 1.

3
4 **Q. What occurs if the Tier I non-solar AEC auction fails?**

5 A. If the July 2021 Tier I non-solar AEC auction fails, the Renewable Energy Rate will not
6 be offered until the first successful Tier I non-solar AEC auction is completed. Once a
7 successful auction is conducted the Renewable Energy Rate will be offered to customers
8 on the following June 1 or December 1, whichever is applicable. If any Tier I non-solar
9 AEC auction fails after the Renewable Energy Rate Program is made available, the
10 Renewable Energy Rate adder in effect will remain through the next period until a Tier I
11 non-solar AEC auction is successful; then following the normal rate change rules detailed
12 above.

13
14 **Q. What will PPL Electric do with the AECs it procures for the Renewable Energy
15 Rate?**

16 A. The Tier I non-solar AECs procured by the Company in association with the Renewable
17 Energy Rate will be voluntarily retired on behalf of the customers on the Renewable
18 Energy Rate. No AECs procured for the Renewable Energy Rate will be used for basic
19 default service AEPS compliance.

20
21 **Q. How will customers elect the Renewable Energy Rate Program?**

1 A. Customers may select the Renewable Energy Rate in two ways: 1) calling PPL Electric
2 and requesting to sign-up on the Renewable Energy Rate, or 2) sign-up on the rate
3 through the PPL Electric customer web portal.
4

5 **Q. How will the Renewable Energy Rate Program be communicated to customers?**

6 A. PPL Electric intends to update its website to present the Renewable Energy Rate and
7 explain the program terms and eligibility. PPL Electric will also include information on
8 the program in its PPL Electric Connect newsletter. Lastly, as described below, the
9 Company has revised its GSC-1 tariff that is also be available on PPL Electric’s website.
10

11 **Q. Has PPL Electric created a new tariff for the Renewable Energy Rate Program?**

12 A. No. PPL Electric has added the Renewable Energy Rate Program to the Generation
13 Service Charge – 1 (“GSC-1”) rate tariff, similar to the approach taken for the PPL
14 Electric TOU Program. The new language added for the Renewable Energy Rate
15 Program can be found in Attachment H to the Petition, which sets forth the *pro forma*
16 tariff provisions.
17

18 **X. CUSTOMER PROGRAMS**

19 **Q. Briefly describe the origins of PPL Electric’s Customer Assistance Program
20 Standard Offer Program (“CAP SOP”).**

21 A. During PPL Electric’s 2014-2016 Universal Service and Energy Conservation Plan
22 (“USECP”) filing parties raised concerns about OnTrack Customer Shopping.⁴³ The
23 Commission’s Final Order in that proceeding directed PPL Electric to address OnTrack

⁴³ PPL Electric’s CAP Program is called OnTrack.

1 shopping at part of its next Default Service Plan. As a result, PPL Electric and other
2 interested parties addressed OnTrack shopping in DSP IV. Ultimately, the Commission
3 approved the creation of the CAP SOP. This program enabled OnTrack customers to
4 shop through an SOP with special terms and conditions meant to help protect the
5 customers while also allowing them to participate in the retail energy market. CAP SOP
6 contained the same terms and conditions as the PPL Electric SOP with one primary
7 exception – at the conclusion of the 12-month CAP SOP contract, OnTrack customers
8 must be returned to default service by the EGS whereby the customer may choose to shop
9 through the CAP SOP again or remain on default service. This program is still in effect.

10
11 **Q. Is the Company proposing to make any changes to the CAP SOP? Explain.**

12 A. Yes. The testimony of Ms. Stumpf provides greater detail into the PPL Electric CAP
13 SOP Program and proposed modifications to CAP shopping. In summary, PPL Electric
14 is proposing to eliminate the CAP SOP and require all OnTrack customers remain on
15 default service while participating in the PPL Electric OnTrack Program. If an OnTrack
16 customer wishes to shop with a retail supplier, they must first leave the OnTrack
17 Program. Low-income customers that seek to participate in the OnTrack Program must
18 first return to default service before being eligible to participate in the OnTrack Program.

19 The Company is proposing to make this change to the OnTrack Program due to
20 the negative impacts associated with OnTrack customer shopping and limited Electric
21 Generation Supplier (“EGS”) participation in the PPL Electric CAP SOP. As presented
22 in DSP IV and further expanded upon in the direct testimony of Ms. Stumpf, PPL
23 Electric maintains that OnTrack customers who are freely allowed to shop through EGSs

1 are harmed, negatively impacting OnTrack customers and those Residential customers
2 that subsidize the OnTrack Program. Furthermore, since the implementation of the CAP
3 SOP in June of 2017, analysis shows that new low-income customer participants to the
4 OnTrack Program who were shopping prior to participation in the Program continue to be
5 harmed as they are eligible to remain on those harmful rates while participating in
6 OnTrack. For this reason, PPL Electric proposes a number of program rule changes
7 concerning customer shopping prior to and during participation in OnTrack, including the
8 provision that OnTrack customers remain on PPL Electric default service while
9 participating in the OnTrack Program.

10
11 **Q. Briefly describe PPL Electric's SOP.**

12 A. Through PPL Electric's DSP II Program, the Commission approved implementation of
13 the PPL Electric SOP. The SOP was continued in DSP III and DSP IV with some
14 modification, primarily including changes to scripting and customer enrollment
15 mechanics. The program enables customers to shop with an EGS through a standardized
16 program, facilitated by PPL Electric. Under DSP IV's SOP, all Residential – except
17 OnTrack - and Small C&I customers with a demand less than 25kW were eligible to
18 enroll in the program. It implements a rate set at 7% off the PTC in effect for the
19 respective customer group, fixed for 12 months from the date of sign-up, and includes no
20 sign-up or termination fees. Customers are able to leave the program at any time.

21
22 **Q. Is the Company proposing to make any changes to the SOP Program?**

1 A. Yes. The testimony of Ms. Lawall-Schmidt provides greater detail into the PPL Electric
2 SOP and proposed modifications to the SOP. In summary PPL Electric is proposing to
3 make the following changes to the Program: eliminate specific SOP scripting for PPL
4 Electric call center representatives and instead establish SOP script guidelines; update
5 third-party call scripts to reflect changes to the SOP; implement enhanced
6 communication with customers enrolled in the SOP, notifying them of their options at the
7 conclusion of the 12-month SOP contract; implement an automatic return to default
8 service for all customers enrolled on SOP at the conclusion of the 12-month contract; and
9 extend the EGS enrollment term from quarterly to semi-annually, coinciding with the
10 PPL Electric PTC. Additionally, the Company proposes modifications to the SOP
11 Binding Agreement and Process and Rules documents commensurate with the changes to
12 the SOP as presented above.

13

14 **XI. MISCELLANEOUS**

15 **Q. Is PPL Electric requesting that the Commission issue any specific rulings to support**
16 **implementation of the DSP V Program?**

17 A. Yes. In addition to approving all aspects of the DSP V Program and the requested
18 waivers described in the Petition, PPL Electric requests that the Commission approve the
19 DSP V SMA as an affiliated interest agreement under 66 Pa.C.S. § 2102 and include such
20 approval in its final order.

21

22 **Q. Please explain why the Company is requesting affiliate approval of the DSP V SMA.**

23 A. Under 52 Pa. Code § 54.186(b)(5), an affiliated supplier may participate in a Default
24 Service Provider's competitive bid solicitations for generation service. PPL Electric

1 currently does not have any affiliated suppliers.⁴⁴ However, in the event any suppliers
2 were to become affiliated with PPL Electric during the DSP V Program Period, any such
3 unregulated affiliates will be permitted to participate in the Company's Default Service
4 supply solicitations. If one of those affiliates is the successful bidder for one or more
5 tranches of Default Service supply, PPL Electric would enter into a SMA with that
6 affiliate.

7 It would not be practical or efficient, in light of the procurement schedule set forth
8 in Attachment C to the Petition, for the Commission to review the SMA contract under
9 66 Pa.C.S. § 2102 following the solicitation processes. Rejection or significant
10 modification to the SMA after a solicitation has concluded, and winning bidders have
11 been selected, could significantly disrupt the Company's Default Service procurement
12 process.

13
14 **Q. Is the Company requesting any waivers in this proceeding?**

15 A. Yes. Pursuant to 52 Pa. Code § 54.185(f), a Default Service provider "shall include
16 requests for waivers from the provisions of this subchapter in their Default Service

⁴⁴ See *Joint Application of PPL Interstate Energy Company and PPL Electric Utilities Corporation for All of the Necessary Authority, Approvals, and Certificates of Public Convenience (1) for the Transfer of PPL Corporation's Ownership Interest in PPL Interstate Energy Company to Talen Energy Corporation, and Certain Post Closing Transactions Associated therewith; (2) for the Transfer of Certain Property Interests Between PPL Electric Utilities Corporation and PPL Energy Supply, LLC, and its Subsidiaries in Conjunction with the Transfer of All of the Interests of PPL Energy Supply, LLC and its Subsidiaries to Talen Energy Corporation; (3) for any Modification or Amendment of Associated Affiliated Interest Agreements; and (4) for any Other Approvals Necessary to Complete the Contemplated Transactions*, Docket Nos. A-2014-2435752, A-2014-2435833, 2015 Pa. PUC LEXIS 157 (Order entered April 15, 2015).

1 program filings.” In this proceeding, PPL Electric is requesting the following waivers for
2 the DSP IV Program:

- 3 • PPL Electric seeks a waiver of the quarterly PTC requirement and, instead,
4 proposes to continue to offer semi-annual PTC changes. The semi-annual PTC
5 was approved in DSP III and DSP IV, to be consistent with the 6- and 12-month
6 procurements used in both the DSP III and DSP IV Program. The six-month PTC
7 changes, and associated six-month reconciliations, reduce volatility in the PTC.
8 Moreover, the six-month PTC changes support retail competition by providing
9 customers greater certainty when evaluating shopping opportunities and by
10 providing EGSs greater certainty when developing offers.
- 11 • PPL Electric also seeks a waiver from the requirement to issue a final PTC 45
12 days prior to the effective date of the PTC, and to continue the issuance of the
13 PTC 30 days in advance of the effective date that was approved for DSP III and
14 DSP IV.
- 15 • PPL Electric also seeks a waiver of the provisions of 52 Pa. Code § 54.10(3), to
16 the extent necessary to return customers on SOP to default service at the
17 conclusion of the SOP contract, unless the customer affirmatively elects an EGS
18 contract.
- 19 • To the extent required, PPL Electric also seeks a waiver from Section 69.1804 of
20 the Commission’s DSP Policy Statement, which provides that default service
21 plans should be for two years, unless otherwise directed by the Commission. As
22 explained previously, PPL Electric proposes that the term of DSP V Program be
23 for four years.

- 1 • In addition, the Commission offered a series of guidelines for PPL Electric’s TOU
2 Program design in its Secretarial Letter issued April 6, 2017. Although these
3 were specified as guidelines, and not requirements, PPL Electric requests
4 waivers as appropriate, if necessary. In particular, PPL Electric proposes to
5 eliminate the use of a TOU auction process.

6
7 **Q. Is the Company requesting that the Commission act on its petition by a specific**
8 **date?**

9 A. Yes. PPL Electric requests that the Commission approve the DSP V Program on or
10 before December 25, 2020. The Company requests Commission approval of the DSP V
11 Program no later than December 25, 2020, to provide sufficient time to implement
12 procurements under the Program.

13
14 **Q. Please summarize the Commission’s Secretarial Letter issued January 23, 2020**
15 **concerning the Investigation into Default Service and PJM Interconnection, LLC.**
16 **Settlement Reforms as it relates to the PPL Electric Default Service Plan?**

17 A. On January 17, 2019, the Commission commenced the *Investigation into Default Service*
18 *and PJM Interconnection, LLC. Settlement Reforms*, at Docket No. M-2019-3007101
19 (“Investigation”). Through the investigation the Commission sought information from all
20 interested parties, however input from EDCs was of particular interest. The Commission
21 presented a series of questions focusing on 4 primary areas, including: EDC transmission
22 and capacity cost allocator calculation methodologies and background, dynamic pricing,
23 demand pricing, and default service products and contract terms. Comments were due by

1 July 26, 2019, Reply Comments were due by August 26, 2019. PPL Electric submitted
2 both Comments and Reply Comments to this docket.

3 On January 23, 2020 the Commission issued a Secretarial Letter closing the
4 docket and issuing a series of requests to EDCs for information to be included in each
5 EDCs next default service plan filing. Specifically, the Commission requested:

- 6 1. Large EDCs provide information and analysis on their Network Service Peak
7 Load (“NSPL”) and Peak Load Contribution (“PLC”) cost allocation
8 calculations and why each allocation is used. Where appropriate, large EDCs
9 are requested to explain why monthly summary usage data may still be used
10 instead of actual customer usage data to determine NSPLs and PLCs, as well
11 as steps and costs that would be needed to implement a change in their current
12 practice.
- 13 2. Consider how Electric Vehicle (EV) specific TOU rate offerings could be
14 made available to consumers.
- 15 3. EDCs include evidence showing how the DSP complies with the prudent mix
16 requirements of the Public Utility Code and case law.
- 17 4. Large EDCs include a 10-year history of their PTCs and assess the benefits of
18 a 6-month PTC change compared to a 3-month PTC change.
- 19 5. EDCs with Customer Assistance Programs (CAP) consider the issues and
20 concerns raised by the Commission when developing their CAP-shopping
21 proposals.
- 22 6. EDCs are requested to review the Commission’s actions in the FirstEnergy
23 proceeding concerning SOP scripting and include analysis of their SOPs,

1 scripting, and proposed scripting that informs customers about the SOP while
2 maintaining safeguards and protections.

3
4 **Q. Please explain PPL Electric’s capacity and transmission calculation process and its
5 application.**

6 A. As explained in detail in the Company’s Comments to the Commission’s Investigation
7 into Default Service and PJM Interconnection, LLC. Settlement Reforms, the
8 implementation of PPL Electric’s first advanced metering system in the early 2000’s was
9 the catalyst that enabled the Company to move from estimating customer usage patterns
10 to utilizing actual customer hourly interval data. This resulted in the Company
11 developing customer-specific capacity calculation process⁴⁵ and transmission calculation
12 process⁴⁶. Both the PPL Electric ICAP tag and NITS tag calculation methodologies for
13 are very similar.

14 ICAP tags are primarily used as a cost recovery method for capacity. Capacity
15 market costs are charged by PJM to Load Serving Entities (“LSEs”) operating within the
16 PJM market through a capacity rate. This rate is calculated by dividing the capacity costs
17 for a given PJM Planning Year⁴⁷ by the absolute coincidental peak⁴⁸ during the PJM
18 RTO-wide peak period. Furthermore, the PJM coincidental peak can only be selected
19 during the June 1 through September 30 period each year.

⁴⁵ Referenced by the Commission as “PLC” or peak load contribution, and defined by PPL Electric as installed capacity or “ICAP tag”.

⁴⁶ Referenced by the Commission as “NSPL” or network service peak load, and defined by PPL Electric as network integrated transmission service or “NITS tag”.

⁴⁷ A PJM Planning Year occurs June 1 through May 31, annually.

⁴⁸ The absolute coincidental peak is the single greatest hour during the June 1 through September 30 period each year.

1 In order to determine the PJM capacity obligation for each load-serving entity in
2 PPL Electric's service territory, PPL Electric creates ICAP tags. ICAP tags are calculated
3 on a per customer basis, determining each customer's contribution to peak events, then
4 aggregated together by LSE and reported to PJM. In short, the PPL Electric PLC tag
5 creation process is based upon a series of specific inputs provided by PJM and customer-
6 specific data. PJM provides support during the ICAP tag creation process by providing
7 PPL Electric with the five coincidental peaks (5 CP) occurring during the June through
8 September period. In PJM Manual 19, PJM explains that the 5 CPs may be used by EDCs
9 when calculating customer ICAP tags.⁴⁹ Much like the absolute coincidental peak
10 explained above, 5 CP for ICAP purposes includes the five highest peaking hours, not
11 occurring on the same day and excluding weekends and holidays, during the June through
12 September period. PPL Electric utilizes the 5 CPs provided by PJM in its process.

13 To create a customer's ICAP tag, PPL Electric identifies each customer's hourly
14 usage during the 5 CPs, applies both loss factors and reconciliation factors,⁵⁰ and
15 averages the results together to create a single ICAP tag.⁵¹ It is important to note that all
16 customer ICAP tags utilize the same calculation methodology – using the same 5 CPs,
17 including losses, utilizing the same reconciliation factor. Furthermore, ICAP tags follow
18 the customer regardless of their shopping status – *e.g.*, from default service supply to

⁴⁹ PJM Manual 19. <https://pjm.com/-/media/documents/manuals/m19.ashx>

⁵⁰ PPL Electric Utilities Peak Load Contribution Calculation Methodology.
<https://www.pplelectric.com/-/media/PPLElectric/At-Your-Service/Docs/General-Supplier-Reference-Information/HowPPLCalculatesCustomerPLCs-Starting2011.pdf>

⁵¹ PPL Electric ICAP tag calculation is as follows: (PJM Coincidental Peak #1 + Demand Management Add-Back) x Customer Loss Factor x Reconciliation Factor = Adjusted Load Value for PJM Coincidental Peak #1. This process is repeated for PJM Coincidental Peak #2 through #5. Finally, all five PJM Coincidental Peaks are averaged to create a single ICAP tag per customer.

1 retail supply or between retail suppliers. PJM allocates costs to the LSE based upon the
2 customers served by the LSE. For example, PJM charges PPL Electric for all default
3 service customers being served by PPL Electric – which is the sum of all default service
4 customer ICAP tags multiplied by the capacity rate. PPL Electric collects these costs
5 from customers through the generation rate of its PTC.

6 PPL Electric follows PJM Manual 19 guidance to use the 5 CPs to obtain an
7 accurate representation of each customer’s use of generation resources. Use of 5 CPs also
8 hinders a customer’s ability to momentarily adjust their usage to avoid consuming during
9 a peak hour and shift capacity costs to other customers. For instance, if a single CP was
10 used, sophisticated customers could reduce their usage during prospective PJM peak
11 hours, resulting in a lower ICAP tag for that customer, which changes the capacity
12 obligations of LSEs that serve those customers and thus shifts the allocation of costs
13 among LSEs.

14 NITS tags are calculated in a similar fashion to ICAP tags, and for much the same
15 reason. Like capacity costs, transmission costs are charged by PJM to LSEs through a
16 transmission rate (approved by FERC). For PPL Electric, this is done by dividing the PPL
17 Electric Transmission costs for a year by the absolute coincidental peak during the PPL
18 Zone peak period. Based upon PPL Zone’s system demand – that is, the demand by all
19 customers using the PPL Zone’s transmission resources throughout its service territory –
20 PPL Electric has identified the peak period to occur November 1 through October 31
21 each year. In effect, PPL Electric’s peak period is season-neutral, as it allows for a peak
22 to be selected at any point during the year based upon customer demand.

1 To recover the transmission costs charged by PJM to PPL Electric from each
2 customer in PPL Electric's service territory, PPL Electric starts by creating NITS tags.
3 NITS tags are used to allocate costs to and recover transmission costs from the LSE's
4 customers based on the actual energy usage of the LSE's customers being served during
5 PPL Electric's system peak events.

6 To create a customer's NITS tag, PPL Electric identifies each customer's usage
7 during the transmission 5 CPs (rather than PJM 5 CPs as used for ICAP tag creation),
8 then applies both loss factors and reconciliation factors, and averages the results together
9 to create a single NSPL tag for each customer.⁵² Like PLC tags, NITS tags utilize 5 CPs
10 and follow the customer regardless of their shopping status. PJM allocates costs to the
11 LSE based upon the customers served by the LSE. For example, PJM charges PPL
12 Electric for all default service customers being served by PPL Electric – which is the sum
13 of all default service customer NITS tags multiplied by the transmission rate. PPL
14 Electric collects these costs from customers through the TSC contained within the PTC.
15 Use of the 5 CPs is identified and has been approved by the Commission in PPL
16 Electric's TSC calculation process as set forth in PPL Electric's Tariff.⁵³

17 Mirroring the PLC tag methodology, PPL Electric uses 5 CPs when calculating a
18 customer's NITS tag to obtain an accurate representation of each customer's use of the
19 transmission system. This also helps reduce the likelihood a customer could adjust their

⁵² PPL Electric NITS tag calculation is as follows: PPL Electric Coincidental Peak #1 x Customer Loss Factor x Reconciliation Factor = Adjusted Load Value for PPL Electric Coincidental Peak #1. This process is repeated for PPL Electric Coincidental Peak #2 through #5. Finally, all five PPL Electric Coincidental Peaks are averaged to create a single ICAP tag per customer.

⁵³ PPL Electric TSC. <https://www.pplelectric.com/-/media/PPElectric/At-Your-Service/Docs/Current-Electric-Tariff/trans-serv-charge.pdf>

1 usage to avoid consuming during a peak hour and shift transmission costs among LSEs
2 and ultimately between customers.

3
4 **Q. Does the Company use monthly summary usage data instead of actual customer
5 usage data when calculating ICAP and NITS tags?**

6 A. No. Monthly summary usage data is not used to determined customer tags. The only
7 instance a customer's actual data is not used is if a customer is classified as a new or
8 moving customer, or operations at the customer's location are significantly changing
9 from prior use. In these instances, the Company uses a default PLC and/or NSPL tag until
10 actual usage data establishes a customer-specific tag.

11
12 **Q. Does PPL Electric NSPL and PLC calculation process require any changes?**

13 A. No. PPL Electric has successfully implemented its NSPL and PLC calculation
14 methodology for nearly 20 years. During that time the Company has not sought to
15 change its methodology. The Company's process utilizes actual customer usage when
16 calculating a customer tag, buffers cost shifting between customers, and is transparent for
17 customers and suppliers alike. As explained in PPL Electric's Comments and Reply
18 Comments to the Commission's Investigation, careful consideration of impacts to
19 customers and the market would be necessary prior to implementing any change to NSPL
20 and PLC tag calculation processes. Based upon PPL Electric's experience, a change to its
21 methodology is not necessary.

1 **Q. Does PPL Electric have a recommendation concerning EV TOU rates and how they**
2 **could be applied?**

3 A. No, not at this time. PPL Electric supports customers pursuing EV adoption. The
4 Company has actively participated in the PA Department of Environmental Protection led
5 Drive Electric Pennsylvania (“DEPA”) Coalition and sees itself as an enabler in the EV
6 space – supporting customers who seek to connect EV charging stations to the PPL
7 Electric system.

8 Dynamic pricing models are built to guide customers to use power at times of the
9 day that have a lower system demand. Mirroring this sentiment, an EV TOU rate should
10 guide EV customers to charge their vehicles at times of the day when there is less system
11 demand. Furthermore, TOU rates in general work best when there are peak demand
12 system constraints; using a TOU rate to shift usage during those peak periods provides
13 opportunity benefits to customers through lower rates outside of those periods, and
14 benefits to the Company through less system strain during those periods. Other options
15 exist to incentivize adoption of EVs such as EV and charging station grant programs, tax
16 credits, and rebate programs. As such, before an EV TOU rate or any other rate-based
17 program is adopted, careful consideration should be made to determine the objective of
18 the rate – to incentivize EV adoption or to relieve system constraints.

19 To better determine if there is a concern now or during the duration of the DSP V
20 plan, EV adoption rates and forecasts can be used. The Pennsylvania Electric Vehicle
21 Roadmap (“PA EV Roadmap”) report,⁵⁴ issued by the PA DEPA coalition in February

⁵⁴ Pennsylvania Electric Vehicle Roadmap, prepared by the Pennsylvania Department of Environmental Department, issued February 2019.

2019, states that as of 2017, PA represents 0.56% of the market for battery electric vehicles (“BEVs”) and plug-in hybrid electric vehicles (“PHEVs”). The annual sales figure of zero emission vehicles in PA for 2017 was over 3,000; this is up from 2011 figures of less than 50. The report also provides summary statistics of registered BEVs and PHEVs by Metropolitan Area. Table 4 below provides summary 2017 BEV and PHEV registered vehicles by Metropolitan Area for PPL Electric’s service territory. While the information provided in the report does not include data for all customers in PPL Electric’s service territory, the metropolitan statistics provide a representative example of EV adoption in the Company’s service territory. As of 2017, approximately 1,700 EVs were registered in PPL Electric’s service territory. If an assumption that each registered EV is a unique customer, this means 1,700 customers out of 1.4 million customers have an EV.

Table 4.

Metropolitan Statistical Area	BEVs	PHEV’s	TOTAL EVs
Allentown-Bethlehem-Easton, PA-NJ	75	311	386
Harrisburg-Carlisle, PA	147	473	620
Lancaster, PA	116	359	475
Scranton-Wilkes-Barre, PA	71	153	224
TOTAL	409	1,296	1,705

As the PA EV Roadmap states, its focus is to review the PA EV market, define strategies to support the expansion of the PA EV market, and estimate the potential benefits and impacts of such an increase. For the purposes of answering the Commission’s question about the application of EV TOU rates, the first part of the roadmap’s focus, as summarized above, is key. While strides are being made to support

1 the adoption of EVs in Pennsylvania, during the term of the PPL Electric DSP V – 2021
2 through 2025 – the rate of adoption in PA does not seem to warrant an EV TOU rate to
3 curb the impact of EVs during PPL Electric’s system peaks. Current forecasts indicate
4 EVs’ adoption is growing, but is not likely to have a significant impact on PPL Electric’s
5 system in the short term. This is not to say that EV adoption will not grow – EV market
6 trending suggests the opposite. Furthermore, changes in law, regulation, or the EV market
7 could spur EV adoption beyond current forecasts. Simply, an EV TOU rate is not
8 required to provide relief to PPL Electric’s system at this time. It is important to note,
9 however, that PPL Electric continues to monitor the EV market, and if such rates would
10 be beneficial in the future, the Company will look to develop them to support customers
11 and maintain grid reliability.

12 As explained previously, PPL Electric does have a TOU rate in effect for
13 Residential and Small C&I customers. Should customers that own EVs in either customer
14 group find benefit in a TOU rate, they are able to select such a rate. However, this is not a
15 TOU rate specific to EVs. The PPL Electric TOU rate applies to the entire customer
16 account – this includes everything connected through to the PPL Electric meter, not just
17 the EV at the customer’s premises.

18
19 **Q. Are there any additional factors the Company considered when reviewing the**
20 **concept of EV TOU rates?**

21 A. Yes. One additional consideration is how an EV TOU rate could be applied to only a
22 customer’s EV charging station and not a customer’s entire account. Practically speaking,
23 PPL Electric has no way of distinguishing any appliances or customer assets behind the

1 meter. PPL Electric cannot directly communicate with EV charging stations. Currently,
2 any EV TOU rate requires the installation of a second meter to separate the customer's
3 EV charging station from rest of the account's load. However, I have been advised by
4 counsel that current Commission regulations do not allow EDCs to mandate a second
5 meter.

6
7 **Q. Has the Company addressed the Commission's request for information regarding**
8 **the PPL Electric Default Service Plan's adherence to the prudent supply mix**
9 **requirement?**

10 A. Yes. As detailed in the Company's DSP V Petition, in the testimony of Mr. Cavicchi, and
11 in my testimony, DSP V adheres to the prudent supply mix requirements governing EDC
12 default service plans. PPL Electric's Default Service Plan V seeks to procure a mix of
13 short and long-term contracts, including fixed-price and spot market, load following, full-
14 requirement contracts, block energy contracts, and AEC specific contracts. PPL Electric
15 Default Service Plans have always adhered to prudent supply mix requirements and DSP
16 V is no different.

17
18 **Q. Please summarize PPL Electric's PTC history and experience transitioning from a**
19 **3-month PTC to a 6-month PTC.**

20 A. Please see JMR-1 which provides the complete history of PPL Electric's Residential and
21 Small C&I PTCs, by period, from 2010 through May 2020. PPL Electric has utilized a 6-
22 month PTC since June 1, 2015 – the commencement of PPL Electric's DSP III. The

1 Commission Order’s approving DSP III⁵⁵ and DSP IV⁵⁶ have already approved PPL
2 Electric’s use of a 6-month PTC. The Company’s transition to a 6-month PTC in 2015
3 was smooth, and the implementation of the 6-month PTC continues to be successful.
4

5 **Q. How has PPL Electric considered issues and concerns raised by the Commission**
6 **when considering CAP customer shopping?**

7 A. As summarized above in my testimony and provided in greater detail in the testimony of
8 Ms. Stumpf, PPL Electric has actively evaluated CAP customers shopping for many
9 years. Through DSP IV, PPL Electric proposed a specialized program – CAP SOP – to
10 provide a path for CAP customers to shop while also implementing program rules to
11 protect these at-risk customers. As already explained, EGSs generally have not sought to
12 participate in the CAP SOP supporting PPL Electric’s proposal in DSP V – to maintain
13 CAP customers on default service while participating in the OnTrack Program.

14 PPL Electric has actively followed all CAP shopping proceedings in
15 Pennsylvania, including those referenced by the Commission in the Secretarial Letter.
16 FirstEnergy’s (“FE”) CAP shopping program is similar in concept to PPL Electric’s CAP
17 SOP, however it implements different mechanics. The FE CAP shopping program⁵⁷

⁵⁵ *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2015 Through May 31, 2017*, Docket No. P-2014-2417907, Pennsylvania Public Utility Commission Opinion and Order, entered January 15, 2015.

⁵⁶ *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2017 Through May 31, 2021*, Docket No. P-2016-2526627, Pennsylvania Public Utility Commission Opinion and Order, entered October 27, 2016.

⁵⁷ *See Petition of Metropolitan Edison Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023*, Docket P-2017-2637855; and *Petition of Pennsylvania Electric Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023*, Docket P-2017-2637857; and *Petition of Pennsylvania Power Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023*, Docket P-2017-2637858; and *Petition of West*

1 requires EGSs maintain a rate at or below the FE PTC for the duration of the contract.
2 The objective is that CAP customers can shop in the market but will not have to worry
3 about rates exceeding the FE PTC – an objective similar to PPL Electric’s program. PPL
4 Electric has not been able to find any statistics on EGS participation in the FE program.

5 The Commission CAP shopping policy statement⁵⁸ proposes EDCs consider
6 implementing similar provision to those of the FE CAP shopping program including:

- 7 • A rate that is always at or below the EDC PTC;
- 8 • No early termination or cancellation fees; and,
- 9 • At the end of the contract, CAP customers may re-enroll with the EGS if the
10 above provision are maintained, switch to another EGS or return to default
11 service.

12 As explained above, it’s unclear if FE’s CAP shopping program is successful
13 because there are no statistics showing the number of EGSs participating and resulting
14 CAP customers participating. Therefore, adopting a new PPL Electric CAP shopping
15 program does not seem justified at this time. Furthermore, while PPL Electric’s CAP
16 SOP is prescriptive concerning the rate at sign-up – 7% off the PTC in effect – it is not as
17 restrictive after sign-up. Specifically, if the PTC goes down in a future term, below the
18 CAP SOP rate at sign-up, EGSs are not required to drop their rate further as proposed by
19 the Commission policy statement. Under FE’s CAP shopping program EGSs must
20 maintain customer rates at or below the PTC in effect. PPL Electric is concerned with

Penn Power Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023, Docket P-2017-2637866.

⁵⁸ *See Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping, Docket M-2018-3006578 (Order entered February 28, 2019).*

1 the time and resources needed to monitor EGSs pricing to ensure the rules are followed
2 for CAP customers.

3 Finally, PPL Electric carefully considered CAP customers themselves, looking to
4 develop rules that are clear and transparent. PPL Electric is concerned that CAP customer
5 confusion will increase with more complex shopping rules. This was why the PPL
6 Electric CAP SOP was introduced – it was simple, straight forward, transparent, and easy
7 for a CAP customer to understand.

8 PPL Electric supports the Commission’s efforts to look for ways to allow CAP
9 customers to participate in the retail market while also protecting these same at-risk
10 customers from falling victim to higher rates that decrease the benefits of the CAP
11 program and burden those residential customers that subsidize the program. Based upon
12 PPL Electric’s experience with CAP shopping and our responsibility to guide and protect
13 these at-risk customers, the Company proposes to require CAP customers remain on PPL
14 Electric default service while in the CAP Program.

15
16 **Q. Please summarize the Commission’s SOP scripting changes to the FE SOP**
17 **Program.**

18 A. The Final Order to the FE Default Service Plan for the period June 1, 2019 through May
19 31, 2023 contains prescriptive SOP scripting.⁵⁹ The Commission originally proposed FE
20 revert back to pre-May 2017 scripting, then updated the scripting obligations in the Final
21 Order following recommendations by parties to the case. In the Final Order, the

⁵⁹ See *Petition of Metropolitan Edison Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023*, Docket P-2017-2637855 (Order entered February 28, 2019) et.al.

1 Commission stated that the SOP was not built to guaranty savings given changes to the
2 PTC from term to term; however, the Commission agreed to adjust language that the
3 customer may see “potential rate savings.”⁶⁰ The FE Final Order also contains detailed
4 scripting for the third-party vendor including provisions on the SOP discount, the SOP
5 not containing fees, information on the FE PTC, and the rights a customer has to cancel at
6 any time.

7
8 **Q. Did PPL Electric consider the Commission’s SOP scripting as provided in the FE**
9 **Default Service Plan? Explain.**

10 A. Yes. However, the means by which the Company has sought to implement the scripting is
11 different than found in the FE Default Service Plan. As provided in summary above and
12 in greater detail in the testimony of Ms. Lawall-Schmidt, PPL Electric is seeking to
13 implement SOP scripting guidelines instead of prescriptive scripting for PPL Electric call
14 center representatives. This is to provide greater call fluidity and customer satisfaction
15 not realized through prescriptive scripting.

16 It is important to note, however the necessity of detailed scripting when using
17 third-party call center representatives versus PPL Electric representatives. Third-party
18 call center use requires detailed call scripts to affirm adherence to PPL Electric rules and
19 principles, as well as to align compliance with the contract between the third-party and
20 the Company. PPL Electric’s third-party call center scripting already contains the core
21 elements highlighted in the Final Order to FE Default Service Plan on SOP. PPL Electric
22 is proposing that minor adjustments be made to the third-party call center scripts to

⁶⁰ FE Final Order, pp. 37-38

1 account for the program changes that PPL Electric is proposing in this filing. These
2 changes involve explaining to the customer that they will be returned to the PTC at the
3 end of SOP contract.

4

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

6 A. Yes.

JMR – 1

PPL Electric Utilities Corporation
DSP 4, Solicitation 1 Results
Completed April 4, 2017
Delivery Term begins June 1, 2017
Average Prices are \$ / MWH

Product	Term	Tranches	Average Price
Residential Fixed Price FR	12-Months	16	\$ 53.93
Residential Fixed Price FR	6-Months	6	\$ 50.76
Small C&I Fixed Price FR	12-Months	6	\$ 53.21
Small C&I Fixed Price FR	6-Months	5	\$ 49.48
Large C&I Fixed Price FR	12-Months	10	\$ 2.92

Notes:

1 -

Prices do not reflect taxes and other cost used to derive the retail price to customers.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

April 6, 2017

Docket No. P-2016-2526627
Utility Code: 110500

KIMBERLY A KLOCK
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH ST
ALLENTOWN PA 18101

Re: PPL Electric Utilities Corporation
Results of April 2017 Request for Proposals Process

Dear Ms. Klock.:

On April 5, 2017, PPL Electric Utilities Corporation (PPL or the Company) filed the results of its Request for Proposals (RFP) Process and Rules for the April 2017 Solicitation for provider of last resort service. The filing includes bid results for a Full Requirements RFP for Residential and Small Commercial and Industrial customers who receive default service from PPL during the period June 1, 2017 through May 31, 2018. The filing also includes proposed bid results for a Full Requirements RFP for Large Commercial and Industrial customers who receive default service from PPL during the period June 1, 2017 through May 31, 2018.

This filing was submitted in accordance with the RFP Process and Rules filed by PPL on July 19, 2016 as part of a Joint Petition for Partial Settlement. The RFP Process and Rules were approved as modified by the Partial Settlement in the Commission's Opinion and Order, entered October 27, 2016, at Docket No. P-2016-2526627.

PPL requests that the Commission approve the bid results of the April 2017 Solicitation on or before April 6, 2017.

Further investigation does not appear to be warranted at this time, since the results of the April 2017 Solicitation appear to have been conducted in accordance with the RFP Process and Rules as approved by the Commission.

Therefore, we direct PPL to disclose the results of this April 2017 Solicitation in accordance with the Commission's Secretarial Letter in Re: Disclosure of Default Service Solicitation Results and Creation of a Default Service Rate Calculation Model, issued October 12, 2010 at Docket No. M-2009-2082042.

Please direct any questions to Darren D. Gill, Deputy Director, Bureau of Technical Utility Services, at (717) 783-5244.

Sincerely,

Rosemary Chiavetta
Secretary

cc: All Parties of Record

PPL Electric Utilities Corporation
DSP 4, Solicitation 2 Results
Completed October 10, 2017
Delivery Term begins December 1, 2017
Average Prices are \$ / MWh

Product	Term	Tranches	Average Price
Residential Fixed Price FR	12-Months	16	\$ 49.72
Residential Fixed Price FR	6-Months	8	\$ 51.91
Small C&I Fixed Price FR	12-Months	5	\$ 49.25
Small C&I Fixed Price FR	6-Months	9	\$ 52.97

Notes:

1 -

Prices do not reflect taxes and other cost used to derive the retail price to customers.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

October 12, 2017

Docket No. P-2016-2526627
Utility Code: 110500

KIMBERLY A KLOCK
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH ST
ALLENTOWN PA 18101

Re: PPL Electric Utilities Corporation
Results of October 2017 Request for Proposals Process

Dear Ms. Klock:

On October 11, 2017, PPL Electric Utilities Corporation (PPL or the Company) filed the results of its Request for Proposals (RFP) Process and Rules for the October 2017 Solicitation for provider of last resort service. The filing includes bid results for a Full Requirements RFP for Residential and Small Commercial and Industrial customers who receive default service from PPL during the period December 1, 2017 through November 30, 2018.

This filing was submitted in accordance with the RFP Process and Rules filed by PPL on July 19, 2016 as part of a Joint Petition for Partial Settlement. The RFP Process and Rules were approved as modified by the Partial Settlement in the Commission's Opinion and Order, entered October 27, 2016, at Docket No. P-2016-2526627.

PPL requests that the Commission approve the bid results of the October 2017 Solicitation on or before October 12, 2017.

Further investigation does not appear to be warranted at this time, since the results of the October 2017 Solicitation appear to have been conducted in accordance with the RFP Process and Rules as approved by the Commission.

Therefore, we direct PPL to disclose the results of this October 2017 Solicitation in accordance with the Commission's Secretarial Letter in Re: Disclosure of Default Service Solicitation Results and Creation of a Default Service Rate Calculation Model, issued October 12, 2010 at Docket No. M-2009-2082042.

Please direct any questions to Debra Backer, Energy Supervisor, Bureau of Technical Utility Services, at (717) 783-9787.

Sincerely,

Rosemary Chiavetta
Secretary

cc: All Parties of Record

**PPL Electric Utilities Corporation
DSP 4, Solicitation 3 Results
Completed April 10, 2018
Delivery Term begins June 1, 2018
Average Prices are \$ / MWh**

Product	Term	Tranches	Average Price
Residential Fixed Price FR	12-Months	16	\$51.57
Residential Fixed Price FR	6-Months	8	\$47.32
Small C&I Fixed Price FR	12-Months	6	\$49.84
Small C&I Fixed Price FR	6-Months	9	\$46.48
Large C&I Spot Price FR	12-Months	10	\$2.80

Notes:

1 -

Prices do not reflect taxes and other cost used to derive the retail price to customers.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

April 12, 2018

Docket No. P-2016-2526627
Utility Code: 110500

KIMBERLY A KLOCK
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH ST
ALLENTOWN PA 18101

Re: PPL Electric Utilities Corporation
Results of April 2018 Request for Proposals Process

Dear Ms. Klock.:

On April 11, 2018, PPL Electric Utilities Corporation (PPL or the Company) filed the results of its Request for Proposals (RFP) Process and Rules for the April 2018 Solicitation for provider of last resort service. The filing includes bid results for a Full Requirements RFP for Residential, Small Commercial and Industrial, and Large Commercial and Industrial customers who receive default service from PPL during the period June 1, 2018 through May 31, 2019.

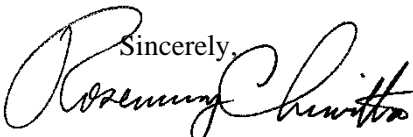
This filing was submitted in accordance with the RFP Process and Rules filed by PPL on July 19, 2016 as part of a Joint Petition for Partial Settlement. The RFP Process and Rules were approved as modified by the Partial Settlement in the Commission's Opinion and Order, entered October 27, 2016, at Docket No. P-2016-2526627.

PPL requests that the Commission approve the bid results of the April 2018 Solicitation on or before April 12, 2018.

Further investigation does not appear to be warranted at this time, since the results of the April 2018 Solicitation appear to have been conducted in accordance with the RFP Process and Rules as approved by the Commission.

Therefore, we direct PPL to disclose the results of this April 2018 Solicitation in accordance with the Commission's Secretarial Letter in Re: Disclosure of Default Service Solicitation Results and Creation of a Default Service Rate Calculation Model, issued October 12, 2010 at Docket No. M-2009-2082042.

Please direct any questions to Debra Backer, Energy Supervisor, Bureau of Technical Utility Services, at (717) 783-9787.

Sincerely,


Rosemary Chiavetta
Secretary

cc: All Parties of Record

PPL Electric Utilities Corporation
DSP 4, Solicitation 4 Results
Completed October 9, 2018
Delivery Term begins December 1, 2018
Average Prices are \$ / MWh

Product	Term	Tranches	Average Price
Residential Fixed Price FR	12-Months	16	\$50.64
Residential Fixed Price FR	6-Months	8	\$58.73
Small C&I Fixed Price FR	12-Months	5	\$48.76
Small C&I Fixed Price FR	6-Months	9	\$58.01

Notes:

1 -

Prices do not reflect taxes and other cost used to derive the retail price to customers.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

October 11, 2018

Docket No. P-2016-2526627
Utility Code: 110500

KIMBERLY A KLOCK
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH ST
ALLENTOWN PA 18101

Re: PPL Electric Utilities Corporation
Results of October 2018 Request for Proposals Process

Dear Ms. Klock:

On October 10, 2018, PPL Electric Utilities Corporation (PPL or the Company) filed the results of its Request for Proposals (RFP) Process and Rules for the October 2018 Solicitation for provider of last resort service. The filing includes bid results for a Full Requirements RFP for Residential and Small Commercial & Industrial customers who receive default service from PPL during the period December 1, 2018 through November 30, 2019.

This filing was submitted in accordance with the RFP Process and Rules filed by PPL on July 19, 2016 as part of a Joint Petition for Partial Settlement. The RFP Process and Rules were approved as modified by the Partial Settlement in the Commission's Opinion and Order, entered October 27, 2016, at Docket No. P-2016-2526627.

PPL requests that the Commission approve the bid results of the October 2018 Solicitation on or before October 11, 2018.

Further investigation does not appear to be warranted at this time, since the results of the October 2018 Solicitation appear to have been conducted in accordance with the RFP Process and Rules as approved by the Commission.

Therefore, we direct PPL to disclose the results of this October 2018 Solicitation in accordance with the Commission's Secretarial Letter in Re: Disclosure of Default Service Solicitation Results and Creation of a Default Service Rate Calculation Model, issued October 12, 2010 at Docket No. M-2009-2082042.

Please direct any questions to Debra Backer, Energy Supervisor, Bureau of Technical Utility Services, at (717) 783-9787.

Sincerely,

Rosemary Chiavetta
Secretary

cc: All Parties of Record

**PPL Electric Utilities Corporation
DSP 4, Solicitation 5 Results
Completed April 9, 2019
Delivery Term begins June 1, 2019
Average Prices are \$ / MWh**

Product	Term	Tranches	Average Price
Residential Fixed Price FR	12-Months	16	\$47.76
Residential Fixed Price FR	6-Months	8	\$42.75
Small C&I Fixed Price FR	12-Months	6	\$45.50
Small C&I Fixed Price FR	6-Months	9	\$41.26
Large C&I Spot Price FR	12-Months	10	\$2.96

Notes:

1 -

Prices do not reflect taxes and other cost used to derive the retail price to customers.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

April 11, 2019

Docket No. P-2016-2526627
Utility Code: 110500

KIMBERLY A KLOCK
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH ST
ALLENTOWN PA 18101

Re: PPL Electric Utilities Corporation
Results of April 2019 Request for Proposals Process

Dear Ms. Klock.:

On April 10, 2019, PPL Electric Utilities Corporation (PPL or the Company) filed the results of its Request for Proposals (RFP) Process and Rules for the April 2019 Solicitation for provider of last resort service. The filing includes bid results for a Full Requirements RFP for Residential, Small Commercial & Industrial, and Large Commercial & Industrial customers who receive default service from PPL during the period June 1, 2019 through May 31, 2020.

This filing was submitted in accordance with the RFP Process and Rules filed by PPL on July 19, 2016 as part of a Joint Petition for Partial Settlement. The RFP Process and Rules were approved as modified by the Partial Settlement in the Commission's Opinion and Order, entered October 27, 2016, at Docket No. P-2016-2526627.

PPL requests that the Commission approve the bid results of the April 2019 Solicitation on or before April 11, 2019.

Further investigation does not appear to be warranted at this time, since the results of the April 2019 Solicitation appear to have been conducted in accordance with the RFP Process and Rules as approved by the Commission.

Therefore, we direct PPL to disclose the results of this April 2019 Solicitation in accordance with the Commission's Secretarial Letter in Re: Disclosure of Default Service Solicitation Results and Creation of a Default Service Rate Calculation Model, issued October 12, 2010 at Docket No. M-2009-2082042.

Please direct any questions to Debra Backer, Energy Supervisor, Bureau of Technical Utility Services, at (717) 783-9787.

Sincerely,

Rosemary Chiavetta
Secretary

cc: All Parties of Record

PPL Electric Utilities Corporation
DSP 4, Solicitation 6 Results
Completed October 8, 2019
Delivery Term begins December 1, 2019
Average Prices are \$ / MWh

Product	Term	Tranches	Average Price
Residential Fixed Price FR	12-Months	16	\$43.66
Residential Fixed Price FR	6-Months	8	\$49.64
Small C&I Fixed Price FR	12-Months	5	\$41.30
Small C&I Fixed Price FR	6-Months	9	\$47.80

Notes:

1 -

Prices do not reflect taxes and other cost used to derive the retail price to customers.



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
400 NORTH STREET, HARRISBURG, PA 17120

IN REPLY PLEASE
REFER TO OUR FILE

October 10, 2019

Docket No. P-2016-2526627
Utility Code: 110500

KIMBERLY A KLOCK
PPL ELECTRIC UTILITIES CORPORATION
TWO NORTH NINTH ST
ALLENTOWN PA 18101

Re: PPL Electric Utilities Corporation
Results of October 2019 Request for Proposals Process

Dear Ms. Klock:

On October 9, 2019, PPL Electric Utilities Corporation (PPL or the Company) filed the results of its Request for Proposals (RFP) Process and Rules for the October 2019 Solicitation for provider of last resort service. The filing includes bid results for a Full Requirements RFP for Residential and Small Commercial & Industrial customers who receive default service from PPL during the period December 1, 2019 through November 30, 2020.

This filing was submitted in accordance with the RFP Process and Rules filed by PPL on July 19, 2016 as part of a Joint Petition for Partial Settlement. The RFP Process and Rules were approved as modified by the Partial Settlement in the Commission's Opinion and Order, entered October 27, 2016, at Docket No. P-2016-2526627.

PPL requests that the Commission approve the bid results of the October 2019 Solicitation on or before October 10, 2019.

Further investigation does not appear to be warranted at this time, since the results of the October 2019 Solicitation appear to have been conducted in accordance with the RFP Process and Rules as approved by the Commission.

Therefore, we direct PPL to disclose the results of this October 2019 Solicitation in accordance with the Commission's Secretarial Letter in Re: Disclosure of Default Service Solicitation Results and Creation of a Default Service Rate Calculation Model, issued October 12, 2010 at Docket No. M-2009-2082042.

Please direct any questions to Debra Backer, Energy Supervisor, Bureau of Technical Utility Services, at (717) 783-9787.

Sincerely

A handwritten signature in black ink that reads "Rosemary Chiavetta".

Rosemary Chiavetta
Secretary

cc: All Parties of Record

JMR – 2

PPL Electric Default Service Plan V
Statement 1 - JMR 2

Default Service Plan	Period	Residential PTC (cents/kWh)	Small C&I PTC (cents/kWh)
DSP IV	12/1/2019 - 5/31/2020	7.632	6.360
	6/1/2019 - 11/30/2019	7.585	6.207
	12/1/2018 - 5/31/2019	7.039	7.244
	6/1/2018 - 11/30/2018	7.449	6.776
	12/1/2017 - 5/31/2018	7.463	7.701
	6/1/2017 - 11/30/2017	8.493	7.490
DSP III	12/1/2016 - 5/31/2017	7.439	7.197
	6/1/2016 - 11/30/2016	7.491	6.664
	12/1/2015 - 5/31/2016	7.878	7.731
	6/1/2015 - 11/30/2015	9.493	8.982
	3/1/2015 - 5/31/2015	9.559	10.121
DSP II	12/1/2014 - 2/28/2015	9.318	9.325
	10/1/2014 - 11/30/2015	8.956	8.596
	9/1/2014 - 9/30/2014	8.814	8.785
	6/1/2014 - 8/31/2014	9.036	9.585
	3/1/2014 - 5/31/2014	8.754	10.391
	12/1/2013 - 2/28/2014	8.754	9.250
	9/1/2013 - 11/30/2013	8.777	7.605
	6/1/2013 - 8/31/2013	8.227	7.715
DSP I	3/1/2013 - 5/31/2013	7.237	10.814
	12/1/2012 - 2/28/2013	7.554	10.206
	9/1/2012 - 11/30/2012	7.907	10.346
	6/1/2012 - 8/31/2012	7.993	9.154
	3/1/2012 - 5/31/2012	6.935	6.387
	11/1/2011 - 2/29/2012	7.769	6.775
	9/1/2011 - 10/30/2011	8.411	10.184
	6/1/2011 - 8/31/2011	8.774	13.028
	1/1/2011 - 5/31/2011	9.270	9.766
CBP	1/1/2010 - 12/31/2010	10.448	10.402

DSP = Default Service Plan

CBP = Competitive Bridge Plan

JMR – 3

PPL Electric Default Service Plan V

Statement 1 - JMR-3

Period	Size of Block Product (MW)	Estimated Load (%)
12/1/2019 - 5/31/2020	50	3.8
6/1/2019 - 11/30/2019	50	5.3
12/1/2018 - 5/31/2019	50	4.0
6/1/2018 - 11/30/2018	50	5.9
12/1/2017 - 5/31/2018	50	4.0
6/1/2017 - 11/30/2017	50	6.1
12/1/2016 - 5/31/2017	50	4.1
6/1/2016 - 11/30/2016	50	7.4
12/1/2015 - 5/31/2016	50	7.5
6/1/2015 - 11/30/2015	150	22.0
3/1/2015 - 5/31/2015	150	19.6
12/1/2014 - 2/28/2015	150	15.0
10/1/2014 - 11/30/2015	150	23.4
9/1/2014 - 9/30/2014	150	23.4
6/1/2014 - 8/31/2014	150	22.1
3/1/2014 - 5/31/2014	150	20.4
12/1/2013 - 2/28/2014	200	19.5
9/1/2013 - 11/30/2013	250	34.7
6/1/2013 - 8/31/2013	350	38.7
3/1/2013 - 5/31/2013	350	38.8
12/1/2012 - 2/28/2013	350	31.2
9/1/2012 - 11/30/2012	350	46.7
6/1/2012 - 8/31/2012	350	45.0
3/1/2012 - 5/31/2012	350	39.7
11/1/2011 - 2/29/2012	350	31.6

JMR – 4

PPL Electric Utilities Corporation
Statement 1 - JMR-4

Forecast AEC Example

2020/21 AEPS Obligations

Solar	0.5%
Tier I Non-Solar	7.5%
Tier II	10.0%

		Forecast AECs using 2020/21 AEPS Obligations**		
Period	Usage* (MWh)	Solar AEC	Tier I Non-Solar AEC	Tier II AEC
6/1/2015 - 11/30/2015	4,220,409.05	21,102	316,531	422,041
12/1/2015 - 5/31/2016	4,685,570.40	23,428	351,418	468,557
6/1/2016 - 11/30/2016	4,480,303.49	22,402	336,023	448,030
12/1/2016 - 5/31/2017	4,979,155.28	24,896	373,437	497,916
6/1/2017 - 11/30/2017	4,368,570.05	21,843	327,643	436,857
12/1/2017 - 5/31/2018	5,347,019.65	26,735	401,026	534,702
6/1/2018 - 11/30/2018	4,978,514.30	24,893	373,389	497,851
12/1/2018 - 5/31/2019	5,631,815.12	28,159	422,386	563,182
6/1/2019 - 11/30/2019	5,000,371.01	25,002	375,028	500,037
Average AECs		24,273	364,098	485,464

* Values include Residential, Small C&I, and Large C&I customer usage.

** Utilizes historic default service usage and 2020/21 AEPS obligations as a best estimate of future AEPS obligations

JMR – 5

PPL Electric Utilities Corporation
Statement 1 - JMR-5

**PPL Electric Utilities Corporation
Renewable Energy Rate Program - Rate & Rate Component Timing**

<u>Renewable Rate Period</u> *	<u>AEC Auction Renewable Rate Is Based On</u>	<u>Renewable Rate Reconciliation Period</u>	<u>AEC Auction Associated With This Period's Supply</u>
June 1, 2021 through November 30, 2021	NA ¹	NA ¹	NA ¹
December 1, 2021 through May 31, 2022	July 2021	NA ²	July 2022
June 1, 2022 through November 30, 2022	January 2022	NA ²	January 2023
December 1, 2022 through May 31, 2023	July 2022	December 2021 - May 2022	July 2023
June 1, 2023 through November 30, 2023	January 2023	June 2022 - November 2022	January 2024
December 1, 2023 through May 31, 2024	July 2023	December 2022 - May 2023	July 2024
June 1, 2024 through November 30, 2024	January 2024	June 2023 - November 2023	January 2025
December 1, 2024 through May 31, 2025	July 2024	December 2023 - May 2024	July 2025

* Renewable Rate Periods directly correspond with PPL Electric PTC Periods.

¹ Renewable rate is not available during this period

² There is no reconciliation for this period - renewable rate is not available for June 2021 through the November 2021 period and December 2021 through May 2022 load is not complete at the time of Renewable Rate issuance (June 1, 2022).

VERIFICATION

I, JAMES M. ROULAND, being the Regulatory Policy Manager at PPL EU Services Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: March 25, 2020



JAMES M. ROULAND

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. P-2019-_____

PPL Electric Utilities Corporation

Statement No. 2

Direct Testimony of A. Joseph Cavicchi

Topics Addressed: Lessons Learned from DSP IV
 Product Description
 Procurement Plan
 Prudent Mix and Least Cost Over Time
 Critical Peak Pricing

March 25, 2020

1 **I: QUALIFICATIONS, INTRODUCTION, AND SUMMARY**

2 **Q: Please state your full name and business address.**

3 A: My name is A. Joseph Cavicchi. My business address is 111 Huntington Avenue,
4 Boston, MA 02199.

5 **Q: Who is your employer and what is your position?**

6 A: I am employed by Analysis Group as a Vice President.

7 **Q: Please briefly describe the services provided by Analysis Group.**

8 A: Analysis Group's energy and environment practice area is distinguished by expertise in
9 economics, finance, market modeling and analysis, regulatory issues, and public policy,
10 as well as deep experience in environmental economics and energy infrastructure
11 development. Analysis Group has worked for a wide variety of clients, including (among
12 others) energy producers, suppliers and consumers, utilities, regulatory commissions and
13 other federal and state agencies, tribal governments, power-system operators,
14 foundations, financial institutions, and start-up companies.

15 **Q: What are your duties as Vice President?**

16 A: I provide economic analysis and expert testimony in various state and federal regulatory
17 proceedings related to electricity markets. In particular, I work with clients on a variety
18 of state regulatory and Federal Energy Regulatory Commission proceedings, and often
19 file testimony and affidavits supported by economic analyses. Throughout my career I
20 have been directly involved with corporations, private and public institutions, and state
21 and federal regulatory authorities in connection with the economics of the electricity
22 industry. For the past 23 years I have been working almost exclusively on the regulatory

1 economics of the electricity industry, and, in particular, performing economic analyses of
2 wholesale electricity markets.

3 **Q: What is your educational background?**

4 A: I hold Masters degrees in Technology and Policy and in Environmental Engineering from
5 the Massachusetts Institute of Technology and Tufts University, respectively.

6 **Q: Have you previously testified as a witness on regulation and competition in the
7 electricity industry?**

8 A: Yes. I have previously testified on power supply procurement plans in Pennsylvania and
9 Ohio. In addition, I have testified on several occasions regarding wholesale electricity
10 market competitiveness and design issues at the Federal Energy Regulatory Commission.
11 I have also testified on qualifying facility pricing policy and wholesale market design
12 policy in the state of California. Finally, I have written articles on electricity industry
13 structure and issues associated with procuring wholesale electricity supplies for delivery
14 to retail customers. Additional detail regarding my credentials and experience can be
15 found in my *curriculum vitae*, which is attached as Appendix A to this testimony.

16 **Q: What is the subject matter of your testimony in this proceeding?**

17 A: My testimony describes and evaluates the competitive procurement program proposed by
18 PPL Electric Utilities Corporation (“PPL Electric” or “Company”) in its Petition for
19 Approval of a Default Service Program and Procurement Plan (“DSP V”), filed with the
20 Pennsylvania Public Utility Commission (“PUC” or “Commission”) on March 25, 2020,

1 to procure default service supply for non-shopping customers from June 1, 2021, through
2 May 31, 2025.¹ Consistent with the Commission’s policy on the provision of default
3 service, PPL Electric is proposing a default service program that: (1) establishes a
4 procurement plan for acquiring generation and Alternative Energy Credit (AEC) supplies;
5 (2) provides an implementation plan that identifies the schedules and technical
6 requirements of these supply procurements; (3) provides a rate design plan; and (4) is
7 designed to meet the requirements set forth in Pennsylvania’s Act 129 of 2008, P.L.
8 1592, as codified in 66 Pa.C.S. Chapter 28.²

9 **Q: Please describe PPL Electric’s proposed DSP V.**

10 A: The central objective of PPL Electric’s proposed DSP V is to obtain a portfolio of default
11 service supply contracts that provide power for non-shopping customers from June 1,
12 2021, through May 31, 2025. To meet this objective, PPL Electric proposes to use a
13 portfolio of laddered fixed-price, full-requirements, load-following electricity supply
14 contracts to meet the majority of the demand of its residential and small commercial and
15 industrial customers, and a full-requirements—load-following—spot market service to
16 meet the demand of its large commercial and industrial customers. In addition, the
17 Company proposes to separately procure AECs for its default service customers to
18 provide more flexibility to meet Pennsylvania alternative energy portfolio requirements
19 and to create the opportunity to increase competition among AEC suppliers. Notably, the

¹ *Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period June 1, 2021, through May 31, 2025*, Filed on March 25, 2020 (hereinafter “Petition”).

² See 66 Pa. C.S. § 2807(e).

1 proposed DSP V portfolio of products continues the key components of the Company's
2 current, successful default service plan ("DSP IV") and incorporates new longer-term
3 energy supply contracts for the residential class that will replace one remaining long-term
4 energy supply contract that expires at the start date of DSP V. As I explain herein, PPL
5 Electric's proposal provides for continuation of a clear, logical procurement plan that
6 recognizes the experience PPL Electric has had with DSP IV and the ongoing high
7 numbers of customers obtaining competitive retail service within the PPL Electric service
8 territory.

9 **Q: What are full-requirements, load-following electricity supply products and why is**
10 **PPL Electric proposing to continue using these products for the provision of default**
11 **service?**

12 A: A full-requirements, load-following electricity supply product obligates a wholesale
13 electricity seller to supply a fixed-percentage (referred to as a "tranche") of PPL
14 Electric's default service hourly load during every hour of a product's term. By
15 assuming this obligation, sellers are responsible for managing the acquisition of energy,
16 capacity, transmission (other than non-market-based transmission services), ancillary
17 services, and other related products (net of transmission and distribution losses) to meet
18 default service customers' hourly loads. The pricing for a full-requirements, load-
19 following product is specified based on the type of default service load being supplied.
20 For PPL Electric's residential and smaller commercial and industrial customers, the price
21 is fixed for the term of the product and does not vary regardless of the number of default
22 service customers being served. Thus, a fixed-price, full-requirements, load-following
23 product provides PPL Electric's smaller default service customers with reasonably stable

1 rates that change in response to power market changes as contracts expire and are
2 replaced.

3 To reduce abrupt pricing changes, PPL Electric staggers, or ladders, procurements
4 for residential and small commercial and industrial customer classes to avoid situations
5 where all contracts expire at the same time. For PPL Electric’s large commercial and
6 industrial customers, the full-requirements, load-following product is procured once per
7 year, and pricing includes an energy component that varies hourly based on changes in
8 hourly wholesale electricity prices (commonly referred to as “spot” market pricing).
9 Because the majority of PPL Electric’s larger customers obtain electric supply service
10 tailored to their needs from retail power providers, the full-requirements, load-following,
11 spot market product has proven to be the best approach to providing large customers
12 default service. Several power suppliers compete to provide full-requirements, load-
13 following products, and PPL Electric has used these products successfully in all of its
14 default service supply procurement plans.

15 **Q: What guided the development of PPL Electric’s proposed DSP V?**

16 A: Pennsylvania’s Act 129, the Commission’s Final Policy Statement in Proposed Policy
17 Statement Regarding Default Service and Retail Electric Markets,³ its Final Order in

³ Final Policy Statement, *Proposed Policy Statement Regarding Default Service and Retail Electric Markets*, Docket No. M-2009-2140580, September 23, 2011 (hereinafter “DS Policy Statement”). In particular, the details of the policy are stated in Annex A, Title 52 Pa. Code §§ 69.1802-69.1817, Public Utilities, Part I. Public Utility Commission, Subpart C. Fixed Service Utilities, Chapter 69, General Orders, Policy Statements and Guidelines on Fixed Utilities, Default Service and Retail Electric Markets (hereinafter “52 Pa. Code §§ 69”).

1 Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service,⁴
2 and the Company’s experience with the Competitive Bridge Plan, DSP I, DSP II, DSP
3 III, and DSP IV guided the development of PPL Electric’s DSP V. Consistent with Act
4 129 and PUC policy, the proposed DSP V ensures that default service customers will
5 receive adequate and reliable electricity supply at least cost over time while maintaining
6 support for the competitive retail market.

7 Two important objectives were carefully considered when developing the
8 proposed DSP V. First, to be consistent with the Commission’s policy outlined in its DS
9 Policy Statement⁵ and additional guidance provided in its Final ES Order,⁶ PPL Electric’s
10 DSP V continues semiannual competitive procurement of a laddered portfolio of supply
11 products with differing terms that emphasizes shorter contract terms while maintaining
12 price stability (nearly identical to the Company’s successful DSP IV). Thus, consistent
13 with the Commission’s DS Policy Statement, DSP V continues to strike a balance by
14 providing reasonably frequent price adjustment without exposing customers to
15 unacceptable price volatility, while facilitating retail customers seeking service from
16 Electric Generation Suppliers (EGSs). Second, should the Company no longer serve as
17 the default service provider, PPL Electric’s DSP V is designed to allow the Company to
18 modify the contract terms of its proposed final DSP V default service procurement to
19 provide a smooth transition if necessary. This establishes a procurement platform for

⁴ Final Order, *Investigation of Pennsylvania’s Retail Electricity Market: End State of Default Service*, Docket No. I-2011-2237952, February 15, 2013 (hereinafter “Final ES Order”).

⁵ 52 Pa. Code §§ 69.1802 and 69.1805.

⁶ Final ES Order at pp. 29-32 and 41-43.

1 PPL Electric that can continue in the future as appropriate, or if the PUC so determines,
2 easily accommodate transferring the responsibility of providing default service to an
3 entity other than PPL Electric.

4 **Q: Please summarize your conclusions.**

5 A: In my expert opinion as an economist, I believe the proposed DSP V represents a prudent
6 default service product mixture, procured at least cost over time, which will ensure that
7 customers receive the benefits of competition in regional wholesale electricity markets
8 while supporting retail competition in Pennsylvania. The heart of PPL Electric's DSP V
9 is its portfolio of power supply products that will provide default service customers with
10 competitively priced power supplies. PPL Electric's DSP V product portfolio provides
11 for customer rates to change on a semiannual basis (and more frequently for larger
12 customers), ensuring that customers have continued opportunities to assess competitive
13 retail opportunities, while guarding against excessive price volatility. Finally, PPL
14 Electric's DSP V relies on fixed-price, full-requirements, load-following products that
15 have a proven record for supplying default service, and proposes to obtain these products
16 through transparent competitive solicitations that have been widely successful in all the
17 Company's default service procurement plans to date, and elsewhere throughout
18 Pennsylvania and the Mid-Atlantic U.S.

19 **Q: Please summarize the following sections of your testimony.**

20 A: In my testimony, I first review additional lessons learned from PPL Electric's experience
21 with DSP IV. Next, I describe the Company's proposed DSP V's product portfolio for
22 each customer group. I then evaluate the proposed DSP V and explain why the plan is a
23 reasonable approach to procuring default service supply in a manner that is consistent

1 with Act 129's requirements and the Commission's Orders. In particular, I address why
2 the product portfolio constitutes a "prudent mix" that will ensure "least cost over time" to
3 non-shopping customers while continuing to support the development of a competitive
4 retail market.

5 **II. LESSONS LEARNED FROM PPL ELECTRIC'S DSP IV**

6 **Q: Please provide a brief overview of PPL Electric's existing DSP IV.**

7 A: For residential customers, PPL Electric's current DSP IV obtains a portfolio of laddered
8 fixed-price, full-requirements, load-following supplies plus long-term block power
9 supply.⁷ For small commercial and industrial customers, PPL Electric's current DSP IV
10 also obtains a portfolio of laddered fixed-price, full-requirements, load-following
11 supplies. Under DSP IV, the Company purchases laddered full-requirements power
12 supply products with 6 and 12-month contract terms for its non-shopping residential and
13 small commercial and industrial customers. For its large commercial and industrial
14 customers, PPL Electric's current DSP IV provides a full-requirements, load-following,
15 spot market power supply to meet the default service demand of those customers electing
16 to receive such service.

17 **Q: In your opinion, have the results of the procurements under DSP IV continued to**
18 **support the competitive retail market?**

⁷ Under DSP IV, PPL Electric's residential default service supply mixture includes a long-term unit-contingent energy contract that equates to a 50 MW energy block as explained in the Direct Testimony of Mr. Rouland. This energy supply was purchased under DSP I and continues through May 31, 2021 when DSP IV ends.

1 A: Yes. Retail electricity shopping statistics recently reported by the Pennsylvania Office of
2 Consumer Advocate (“OCA”) show that PPL Electric’s service territory has maintained a
3 high rate of shopping by residential, commercial, and industrial customers.⁸ For
4 example, reported customer shopping percentages by load show residential shopping at
5 42%, commercial shopping at 80%, and industrial shopping at 97% within PPL Electric’s
6 service territory.⁹ In addition, there continues to be a large number of licensed EGSs
7 serving residential customers in PPL Electric’s service territory as of January 2020.¹⁰
8 Retail competition is strong in the PPL Electric service territory.

9 **Q: Is there evidence that the auction process used to solicit the fixed-price, load-**
10 **following product types within DSP IV provides least-cost supplies?**

11 A: Yes. With respect to the product types within DSP IV’s product portfolio, PPL Electric
12 has successfully procured these products numerous times (going back to July 2007, when
13 PPL Electric first began procuring supplies for its Competitive Bridge Plan, through its
14 most recent DSP IV solicitation). The results from PPL Electric’s auctions, as well as
15 those of numerous similar auctions conducted by Pennsylvania, Maryland, and New
16 Jersey utilities during the past several years for these products, confirm that these default
17 service products draw numerous competitors and that multiple bidders are successful

⁸ *Pennsylvania Electric Shopping Statistics*, Pennsylvania Office of Consumer Advocate, October, 2019 (hereinafter “*Electric Shopping Statistics*”).

⁹ *Electric Shopping Statistics*.

¹⁰ As of December 2019, 30 EGSs were reported as offering service to PPL Electric Utility residential customers (see PA Office of Consumer Advocate’s *Electric Shopping Guides*, December 2019, available at http://www.oca.state.pa.us/Industry/Electric/elecomp/Archive/pricecharts_archive.htm). In addition, 28 EGSs were reported as willing to serve business consumers as of January 5, 2020 (see <http://www.papowerswitch.com/shop-for-electricity/>).

1 suppliers.¹¹ Competition disciplines the prices offered by suppliers and drives
2 competitors to innovate and find methods to deliver services at lower costs to buyers than
3 their rivals. The evidence shows that there is substantial competition to supply the fixed-
4 price, full-requirements, load-following products.¹²

5 **Q: How have the Company's default service rates varied under the DSP IV product**
6 **mixture?**

7 A: PPL Electric Exhibit JC-1 plots the Company's fixed-price, full-requirements power
8 supply auction prices and Price-to-Compare ("PTC") for residential and small
9 commercial and industrial customers over recent years.¹³ PPL Electric Exhibit JC-1
10 shows that over the past several years the Company's fixed-price power supply pricing
11 for its non-shopping customers reasonably has tracked wholesale power market changes
12 and provided price stability through the underlying mixture of wholesale contracts.
13 Exhibit JC-1 also shows how the small commercial and industrial customer pricing is
14 more responsive to wholesale market changes as a larger portion (45% versus 20%) of
15 these customers' power supply is re-priced in each semi-annual procurement. Under
16 DSP IV, PPL Electric's procurement of default power supply semiannually using a
17 straightforward product mixture effectively balances responsiveness to market changes

¹¹ See, e.g., <https://www.bge.com/MyAccount/MyBillUsage/Pages/ElectricSupplyAuctionResults.aspx>,
<https://www.pepco.com/DoingBusinessWithUs/Pages/SOSPublicDisclosureofInformation.aspx>, and
https://www.firstenergycorp.com/upp/md/power_procurements/mdsosrfp/archive.html, accessed January 6,
2020.

¹² More detailed empirical analysis of the results of the Company's power procurements shown in PPL Electric
Exhibits JC-4 and JC-5 reinforces the benefits of relying on fixed-price, full-requirements products.

¹³ The PTC includes additional costs incurred by the Company to provide default service as well as a reconciliation
adjustment.

1 and default service price stability. At the same time, default service pricing updates
2 associated with a large quantity of PPL Electric's default service load being re-priced in
3 each Company procurement ensures that EGSs continue to have an opportunity to
4 compete for customers in the PPL Electric service territory.

5 **Q: Are there other lessons that can be learned from PPL Electric's experience with**
6 **DSP IV?**

7 A: Yes. The Company has concluded that separating the procurement of AECs will allow it
8 to improve its AEC procurement process. Under the Company's proposed AEC
9 procurement process for DSP V, the Company seeks to take advantage of its ability to use
10 AECs of different vintages for AEPS compliance by creating the opportunity to use
11 AECs generated in up to two prior compliance periods and by using a streamlined
12 solicitation process.¹⁴ Greater flexibility to tailor the vintages of AECs it purchases is
13 expected to enhance competition among AEC suppliers.¹⁵ Moreover, separating AEC
14 procurement from the fixed-price, full-requirements products will allow the Company to
15 use an AEC procurement process that promotes broad supplier participation by
16 minimizing barriers to entry.

17 **III. PPL ELECTRIC'S PROPOSED DSP V**

18 **A. OVERVIEW, PRODUCT DESCRIPTIONS, AND PROCUREMENT PLAN**

19 **Q: Please provide an overview of PPL Electric's proposed DSP V.**

¹⁴ Commonwealth of Pennsylvania, ALTERNATIVE ENERGY PORTFOLIO STANDARDS ACT - ENACTMENT, Act of Nov. 30, 2004, P.L.1672, No. 213 at 3 (e) (6). Wholesale default service providers meet AEPS requirements using current compliance period AECs under DSP IV.

¹⁵ See the Direct Testimony of Mr. Rouland.

1 A: For its residential and small commercial and industrial default service customers, PPL
2 Electric’s DSP V envisions relying primarily on a portfolio of laddered fixed-price, full-
3 requirements, load-following supplies.¹⁶ In particular, for its non-shopping residential
4 and small commercial and industrial customers, DSP V provides for the purchase of
5 fixed-price, full-requirements, load-following power supply products with 6 and 12-
6 month contract terms using a laddering approach. DSP V’s reliance on 6 and 12-month
7 products reflects a continuation of the default service procurement program used to
8 provide default supply during DSP IV.

9 For large commercial and industrial customers, DSP V will continue the approach
10 taken in DSP IV and provide for the purchase of power supply pursuant to full-
11 requirements, load-following contracts with an energy component that reflects wholesale
12 electricity spot market prices on a real-time hourly basis. These contracts will meet the
13 default service demand of those customers electing to receive such service. To be clear,
14 products to supply each customer group (i.e., residential, small commercial and
15 industrial, and large commercial and industrial) will be procured separately.

16 **1. Residential and Small Commercial and Industrial Customers**

17 **Q: How is the proposed DSP V structured for residential customers?**

18 A: PPL Electric Exhibit JC-2 shows DSP V’s product portfolio and procurement schedule.
19 For residential customers, DSP V is composed primarily of a portfolio of 6 and 12-month

¹⁶ Under DSP V PPL Electric also proposes two new long-term block energy purchases (50 MW each) for its default service residential customers that will replace the current 50 MW block energy purchase that expires May 31, 2021.

1 fixed-price, full-requirements, load-following products procured semiannually. Each
2 semiannual solicitation will procure 20% of the power supply under a 6-month contract
3 and 40% under a 12-month contract (load that remains after deducting the long-term
4 block supply). The 12-month products overlap, so at any one time 80% of the residential
5 supply is provided under 12-month contracts. In addition, for residential customers DSP
6 V includes the proposed procurement of two 5-year, 50 MW blocks of energy that are
7 scheduled to occur in each of DSP V's 2021 solicitations. These longer-term product
8 procurements are similar to the block energy procurements that the Company has relied
9 upon in the past to meet its residential customers' default service load.¹⁷ Under the
10 proposed DSP V, default service power supply continues to be repriced with sufficient
11 regularity to capture changes in market conditions without exposing customers to
12 excessive price volatility. DSP V is structured so that, following its completion, PPL
13 Electric will have one 12-month default service supply (40% of the default service load)
14 under contract at the end of the DSP V period and a small overhang of 100 MW of block
15 energy supply that extends 1-1.5 years beyond the end date of DSP V.

16 **Q: How is the proposed DSP V structured for small commercial and industrial**
17 **customers?**

18 A: For small commercial and industrial customers, DSP V proposes to continue the current
19 supply portfolio of 6 and 12-month fixed-price, full-requirements, load-following power
20 supply products procured semiannually. Each semiannual solicitation will procure 45%

¹⁷ The Company will procure capacity and ancillary services associated with this energy supply directly from PJM as it does currently in association with its existing block energy supply contract.

1 of the power supply under a 6-month contract and 25% or 30% under a 12-month
2 contract.¹⁸ The 12-month products overlap so at any one time 55% of the small
3 commercial and industrial supply is provided under 12-month contracts. PPL Electric
4 Exhibit JC-3 shows DSP V's product portfolio and procurement schedule for the small
5 commercial and industrial customer group.

6 **Q: Why is the proposed DSP V's product mixture for small commercial and industrial**
7 **customers similar to residential customers?**

8 A: The proposed DSP V approach for the small commercial and industrial customers
9 (ignoring block purchases) recognizes that these non-shopping small commercial and
10 industrial customers collectively represent PPL Electric's lowest-load customers in this
11 rate class. The incidence of shopping for these lower-load customers is notably less than
12 for larger-load small commercial and industrial customers. In particular, OCA shopping
13 statistics show that almost 95,000 commercial customers, out of a total of approximately
14 185,000 customers, are shopping and represent approximately 80% of the load.¹⁹ Based
15 upon this information, we can conclude that the remaining non-shopping customers,
16 representing approximately 20% of the load, are customers with much lower loads.²⁰

17 Thus, the reasoning supporting the small commercial and industrial product mixture is

¹⁸ The small commercial and industrial customer supply mixture is procured in 5% tranches. To achieve 55%, one semi-annual procurement obtains 25% of the supply while the other obtains 30% of the supply.

¹⁹ *Electric Shopping Statistics*. I understand that the OCA's definition of commercial customers for the purposes of tracking shopping statistics closely matches the Company's definition of small commercial and industrial customers.

²⁰ For example, these remaining customers total approximately 90,000 customers and represent only 20% of the load. Thus, the per-customer load of the non-shopping commercial customers is much smaller when compared to the approximately 95,000 customers who represent 80% of the load.

1 similar to that for the residential plan.²¹ That is, DSP V provides a continued reliance on
2 shorter-term fixed-price, full-requirements, load-following products. Moreover, the
3 PUC's DS Policy Statement allows for a similar mixture of products for these two
4 customer groups, and using an approach that mirrors the residential plan simplifies the
5 procurement process.²²

6 **Q: When will the DSP V products for residential and small commercial and industrial**
7 **customers be solicited?**

8 A: The semiannual solicitations envisioned under DSP V will procure the 6 and 12-month
9 products approximately two months prior to delivery. This is the same approach used in
10 DSP IV. In addition, the two 50 MW block energy procurements for residential customer
11 block energy supply will also be completed approximately two months prior to the
12 commencement of delivery as part of each 2021 solicitation.

13 2. Large Commercial and Industrial Customers

14 **Q: How is the proposed DSP V structured for large commercial and industrial**
15 **customers?**

16 A: As I describe above, for large commercial and industrial customers, DSP V obtains the
17 default service supply for these customers at prices based on the wholesale electricity
18 spot markets. PPL Electric will annually solicit contracts to administer the provision of
19 this spot market supply. This is identical to the approach taken in all the Company's

²¹ The Company has not historically procured a block energy product as part of its default service wholesale supply for small commercial and industrial customers and proposes to maintain this approach in DSP V.

²² 52 Pa. Code § 69.1805.

1 prior default service plans and, thus, non-shopping large commercial and industrial
2 customers will experience no change in the structure of their default service.

3 Specifically, PPL Electric proposes to issue single solicitations in the second
4 quarter of each year 2021 through 2024 in which PPL Electric will request competitive
5 offers from suppliers to manage the provision of its default service spot market supply for
6 a period of 12 months. Customer rates will include the real-time hourly spot market
7 electric energy prices in the PPL Electric transmission zone; PJM's pre-determined
8 electric capacity charge in the PPL Electric transmission zone; and a competitive supplier
9 charge that encompasses all other components of the spot market default service supply
10 necessary for PPL Electric to satisfy its customer obligations (excluding AECs), plus the
11 cost of AECs and PPL Electric's administration costs. Experience has shown that
12 competitive suppliers will make offers in response to the solicitation, and the successful
13 bidders' charges will form the basis of the competitive supplier charge described above.²³

14 3. Alternative Energy Credits

15 **Q: How does the Company propose to procure AECs under DSP V?**

16 **A:** The Company proposes to issue two AEC solicitations per year, one in January and one
17 in July. Each solicitation will procure the quantity of AECs that the Company estimates
18 will be necessary to meet its default service AEPS obligations for all customer classes in
19 the following six months including any reconciliation to true-up under or over collection

²³ As discussed above, PPL Electric has successfully used this approach to obtaining default service supplies for large commercial and industrial customers in the Competitive Bridge Plan, DSP I, DSP II, DSP III and DSP IV. In addition, I note that this service is similar to the commercial and industrial energy product solicited each year as part of New Jersey's basic generation service auctions.

1 of AEC costs from the prior period. The Company's proposal also allows AEC sellers
2 the flexibility to offer different vintage AECs such that a least-cost mixture of current and
3 prior compliance year AECs can be procured.

4 The Company proposes to use a straightforward request for proposal process to
5 solicit offers from a wide range of AEC sellers including electricity generators,
6 aggregators and brokers.²⁴ The proposed AEC solicitation is designed to allow the
7 Company to purchase and take delivery of those AECs necessary to comply with its next
8 six month's forecasted AEPS obligations over a 3-4 week period.²⁵ The design of the
9 solicitation seeks to maximize seller participation as credit requirements will be
10 minimized (given there is practically no lead time between contract award and AEC
11 transfer) and pre-qualifying all sellers that can demonstrate that they have on hand the
12 AECs that they are offering in the solicitation (in lieu of having to post credit).²⁶ The
13 Company will determine the least-cost mixture of AECs that are offered and make
14 contract awards to all sellers based on their offer prices (in principle this is same
15 approach used in the fixed-price, full-requirements auctions).

16 **B. DSP V SATISFIES THE "PRUDENT MIX" AND "LEAST COST OVER**
17 **TIME" REQUIREMENTS PUT FORTH BY ACT 129 AND PUC POLICY**

18 **Q: Can you please summarize how you have interpreted Act 129 and PUC policy for**
19 **the purposes of supporting the proposed DSP V?**

²⁴ As explained in the Direct Testimony of Mr. Rouland.

²⁵ The Company will recover its AEC costs as part of its Generation Supply Charges 1 and 2.

²⁶ There will also be no cap on the number of AECs any one seller can provide as the short time frame between receipt of offers and contract awards eliminates any concern regarding seller diversity.

1 A: A primary aspect of Act 129 and PUC policy is the requirement that default service
2 providers rely on a “prudent mix” of supplies that is “least cost over time” while
3 providing default service to customers that is adequate and reliable.²⁷ At the same time,
4 consistent with Act 129, the PUC’s policy regarding default service encourages retail
5 competition.²⁸ Thus, in my analysis I consider that the structure of a default service
6 program should be consistent with supporting continued retail competition. I also believe
7 a balance should be struck between market-reflective pricing and avoidance of excessive
8 price volatility.

9 **Q: How have you interpreted PUC policy with respect to the default service customers**
10 **in each of PPL Electric’s customer classes?**

11 A: I consider customer groupings as defined by PPL Electric in accordance with
12 Commission policy and evaluate each groupings’ product mixture separately.²⁹ For the
13 residential customer grouping I consider the Company’s proposal to continue procuring a
14 long-term block supply product. For the small commercial and industrial customers I
15 recognize that most non-shopping customers within these various rate schedules are
16 primarily PPL Electric’s smallest (i.e., lowest load per customer) commercial customers,
17 but these are customers who I believe should have rates that closely track market changes
18 and thus be readily able to obtain supply from EGSs. The large commercial and

²⁷ Act 129, 66 Pa. C.S. § 2807(e) 3.4 and 52 Pa. Code §§69.1802 and 69.1805. See also, *Implementation of Act 129 of October 15, 2008; Default Service and Retail Electric Markets*, Docket No. L-2009-2095604 (Final Rulemaking Order entered October 4, 2011), at p 40.

²⁸ 66 Pa. C.S. § 2802 (12) and 52 Pa. Code § 69.1802.

²⁹ 52 Pa. Code § 69.1805.

1 industrial customer grouping is distinctly different as almost all this load obtains its
2 supply from competitive retail suppliers. In this way, I am able to appropriately evaluate
3 a suitable prudent mix for the different customer classes, recognizing the different risks
4 that the customer classes' loads present to the default service that PPL Electric provides
5 consistent with PUC policy.

6 In addition, I have considered the Company's proposal to procure AECs for all of
7 its customer classes separately from its proposed power supply procurement. AEC
8 procurement is dependent on the Company's retail default service annual sales quantities
9 (megawatt hours). Key default service customer characteristics that affect default service
10 power pricing (energy, capacity and ancillary services) and define default service
11 customer groupings such as peak demand and diurnal variation in energy consumption do
12 not affect AEC prices. Procuring AECs independent of customer groupings simply
13 removes this specific obligation from wholesale power supplier default service sales
14 agreements and shifts it to a market that is expected to include all those sellers that are
15 able to offer AECs for sale. Thus, I also find the Company's proposal to procure AECs
16 independent of power supply to be consistent with PUC policy.³⁰

17 **Q: Can you please summarize why DSP V's proposal for residential and small**
18 **commercial and industrial customers is appropriate to comply with Act 129 and the**
19 **PUC's related orders regarding default service?**

³⁰ See also 52 Pa. Code § 69.1806 noting that default service procurement shall comply with AEPS obligations and reflect the incurrence of reasonable costs, but without identifying any particular procurement approach.

1 A: Consistent with Act 129, and Commission policy, defining a prudent mix requires
2 consideration of supporting retail competition while providing for the provision of
3 reliable supply without excessive price volatility over time.³¹ PPL Electric’s proposed
4 DSP V for its residential and small commercial and industrial customers continues to rely
5 on DSP IV’s proven mixture of short-term, fixed-price, full-requirements, load-following
6 power supply products which have a proven track record as prudent default service
7 products.³² As I explain in greater detail below, market uncertainty impacts any
8 particular mixture of power supply products, and it is not possible to know ahead of time
9 that one mixture will be less expensive than another mixture. Thus, there can be many
10 mixtures that will provide customer rates that are consistent with Commission policy.

11 Moreover, Commission policy does not provide an explicit definition regarding
12 the power supply mix that a default service provider should procure or precisely prescribe
13 how the supplies must be procured. Instead, Commission policy offers options to the
14 default service provider as to what types of products and procurement processes are
15 acceptable.³³ Commission policy recognizes that it is desirable for default service
16 programs to be structured so as to accommodate incremental changes as more experience
17 is gained with particular product mixtures, and with the impact of Pennsylvania’s other
18 policy objectives, including continued support for the competitive retail market.³⁴ DSP
19 V’s proposed procurements for PPL Electric’s residential and small commercial and

³¹ Act 129, Legislative Objectives and 52 Pa. Code § 69.1802.

³² Including as part of residential customers’ default service supply a long-term block energy supply product.

³³ 52 Pa. Code § 69.1805.

³⁴ 52 Pa. Code § 69.1805.

1 industrial customers provide a logical continuation of DSP IV’s default service product
2 mixture and an economically sound basis for separating AEC procurement. In my
3 opinion it is a reasonable approach for provision of default service supply by the
4 Company.

5 **Q: Can you please summarize why DSP V’s proposal for large commercial and**
6 **industrial customers is appropriate to comply with Act 129 and the PUC’s related**
7 **orders regarding default service?**

8 A: As I discuss above, the vast majority of PPL Electric’s large commercial and industrial
9 customers and load continue to be served by competitive suppliers.³⁵ By continuing to
10 offer default service with spot market pricing to non-shopping large commercial and
11 industrial customers, these non-shopping customers will continue to have a strong
12 incentive to consider the competitive offerings from retail suppliers, whose short- and
13 long-term products will be best suited to their particular individual needs.³⁶ Finally, PPL
14 Electric’s largest customers have demonstrated that they are able to consistently obtain
15 power supply from retail suppliers.

16 **1. The Proposed DSP V Provides a “Prudent Mix”**

17 **Q: Does PPL Electric’s proposed DSP V represent a “prudent mix” under Act 129?**

³⁵ Although the reported shopping statistics do not break down commercial and industrial customers by billing peak demands, the data show that practically all these customers’ load is served by EGSs (see above).

³⁶ The separate procurement of AECs for the large commercial and industrial customers is also an economically sound approach for meeting AEPS obligations for these customers.

1 A: Yes. The Company’s proposed DSP V includes each of the default service product types
2 specified in Act 129. Thus, the Company’s proposed DSP V is consistent with Act 129’s
3 prudent mix requirement.³⁷

4 **Q: What factors did you take into consideration when evaluating what products**
5 **constitute a prudent mix for the Company’s two default service customer**
6 **groupings?**

7 A: As I explained above, the definition of a prudent mixture takes into account balancing the
8 objective that default service rates support retail competition against ensuring that default
9 service rates are not unacceptably volatile. In addition, it is important to select a product
10 mixture that is expected to be successfully procured from the wholesale markets.

11 **Q: How do the product types within PPL Electric’s proposed DSP V constitute a**
12 **“prudent mix” for residential and small commercial and industrial customers?**

13 A: For residential and small commercial and industrial customers, DSP V’s primary reliance
14 on fixed-price, full-requirements, load-following power products with terms of 6 and 12
15 months will track ongoing changes in wholesale electricity market prices while guarding
16 against price volatility. The proposed product mixture will continue to support retail
17 competition while protecting against various risks that must be addressed by any default
18 service plan. Simply stated, the costs of otherwise protecting against uncertain future
19 load and prices (e.g., having the Company engage in managing default service
20 procurement risk) will not be known until after the fact and, thus, are best minimized by

³⁷ I understand that it is not necessarily the case that a prudent mix must contain all three types of power supply products, but note here that the Company’s proposed plan does.

1 using short-term (i.e., 12 months or less) fixed-price, full-requirements, load-following
2 products. These power supply products are well known throughout the industry and can
3 be competitively procured by PPL Electric to obtain reasonably priced reliable power
4 supplies for default service.

5 Next, the separation of AEC procurement from the wholesale power supplier full-
6 requirements solicitations is expected to provide the Company greater flexibility when
7 purchasing AECs and enhance competition among AEC suppliers. Moreover, historical
8 data shows that procuring AECs for immediate delivery will not materially affect default
9 service customers' PTC volatility.

10 **Q: Can you please explain why the use of fixed-price, full-requirements, load-following**
11 **power products continues to remain appropriate for obtaining default service**
12 **supply for non-shopping residential and small commercial and industrial**
13 **customers?**

14 A: The proposed DSP V continues to use a laddering approach whereby fixed-price, full-
15 requirements, load-following products are purchased periodically to establish default
16 service pricing for 6-month periods, and in doing so, reduces the risk of unreasonable
17 price volatility (See PPL Electric Exhibit JC-1). Moreover, competition between
18 wholesale suppliers in the provision of fixed-price, full-requirements, load-following
19 products has been robust for several years and ensures that PPL Electric will be able to
20 obtain supply for default service through these products at reasonable prices for its
21 customers while minimizing the risks associated with the provision of default service
22 supply.

1 **Q: What types of risk do wholesale suppliers manage when providing default service?**

2 A: Wholesale suppliers primarily manage the risks associated with offering a fixed-price
3 default service while underlying supply input costs and customer loads can change
4 throughout a product term. For example, wholesale suppliers agree to meet a fixed
5 percentage of default service load regardless of the number and type of default service
6 customers and the variance in load that occurs due to seasonal weather changes.
7 Wholesale suppliers also must manage the costs of default service supply and hedge
8 against possible shifts in fuel and power markets during the product delivery term.
9 Wholesale suppliers specialize in managing these risks and compete to provide the
10 lowest-price default service to PPL Electric's customers.

11 **Q: Why does the Company include 100 MW of longer-term block energy supply
12 product as part of the residential customer class product mixture?**

13 A: The Company proposes to maintain a limited reliance on a longer term supply product.
14 This product continues to be a part of its overall default service mixture, but is only
15 included in the Company's residential customer product mixture, as it has been
16 historically.³⁸ I evaluated the Company's selection of 100 MW, and I find that it
17 achieves the Company's objectives without materially impeding the ability of residential
18 customers to obtain supply from competitive retailers. In particular, the proposed supply
19 quantity represents approximately 10% of the recent default service load of the residential
20 customer grouping and allows for increased customer shopping while ensuring that the
21 Company would be unlikely to have to sell a portion of the block during low load

³⁸ See the Direct Testimony of Mr. Rouland.

1 periods.³⁹ In addition, the block supply provides a modest reduction in PTC volatility,
2 without materially affecting market responsiveness.

3 Finally, I also evaluated and support the Company's continued exclusion of a
4 long-term block energy supply product for its small commercial and industrial customers.
5 The small commercial and industrial customer fixed-price, full-requirements product
6 mixture is designed to track market changes closely with regularly updated PTCs. This
7 structure also ensures that in those instances when customers move on and off default
8 service their choices minimize the impact on default service customer rates. Moreover,
9 the minimum load levels of the Company's small commercial and industrial customer
10 grouping often fall close to 100 MW. Depending upon the portion of small commercial
11 and industrial customer load that is shopping, even a small block product could become a
12 large portion of the load in some hours, reduce default service market responsiveness,
13 and impede the opportunities for EGSs to compete to serve these customers.

14 **Q: Is there any evidence to support your claim that PPL Electric's use of fixed-price,**
15 **full-requirements, load-following products has resulted in reasonable prices for**
16 **customers?**

17 A: Yes. The pricing of the fixed-price, full-requirements, load-following products is
18 consistent with the actual prices of underlying wholesale electricity market products at
19 the time the purchases are made. To show this I have prepared PPL Electric Exhibits JC-
20 4 and JC-5. These exhibits compare the prices obtained for the various fixed-price, full-

³⁹ Based on recent default service load data the Company's minimum residential customer grouping hourly load is approximately 400 MW.

1 requirements, load-following products serving the residential and small commercial and
2 industrial customer groups in the more recent DSP III and DSP IV solicitations to the
3 estimated costs of each major component of the full-requirements product obtained
4 separately (not including the costs of overhead and risk management services, and a
5 competitive profit margin). These components are the cost of energy based on
6 contemporaneous forward prices of the same term plus a load-shaping adjustment, the
7 cost of capacity (based on the applicable price of capacity established by PJM), the cost
8 of ancillary services (based on the price of ancillary services reported in PJM's *State of*
9 *the Market Reports*⁴⁰), and the costs of AECs (based on the prices reported on the
10 PennAEPS website⁴¹).

11 As PPL Electric Exhibits JC-4 and JC-5 show, the cost build-up (not including the
12 expected costs of overhead and risk management services, and a competitive profit
13 margin) is somewhat less than the full-requirements product (which includes all the costs
14 a supplier expects to incur). On average, across the solicitations, the fixed-price, full-
15 requirements, load-following product prices are slightly higher than the cost build-up (by
16 \$2.75 per MWh for the residential customer group and \$2.30 per MWh for the small
17 commercial and industrial group).

⁴⁰ *2014 State of the Market Report for PJM*, Monitoring Analytics, LLC, Independent Market Monitor for PJM, March 12, 2015; *2016 State of the Market Report for PJM*, Monitoring Analytics, LLC, Independent Market Monitor for PJM, March 9, 2017; *2017 State of the Market Report for PJM*, Monitoring Analytics, LLC, Independent Market Monitor for PJM, March 8, 2018; *2018 State of the Market Report for PJM*, Monitoring Analytics, LLC, Independent Market Monitor for PJM, March 14, 2019; *2019 Q3 Quarterly State of the Market for PJM*, Monitoring Analytics, LLC, Independent Market Monitor for PJM, November 14, 2019.

⁴¹ PaPUC, Pennsylvania Alternative Energy Credits, Pricing, <http://www.pennaeps.com/reports/>.

1 Next, because estimating the costs a supplier incurs associated with overhead and
2 risk management services is difficult and subject to each supplier's particular business
3 structure, I have not tried to estimate these costs for the individual procurements, or tried
4 to estimate a competitive profit margin. However, empirical analysis suggests that these
5 excluded costs are at least in the range of \$2.50-5.50/MWh.⁴² Thus, these excluded costs
6 fall squarely into the range of the difference between default service auction prices and
7 the estimated prices using the cost build-ups. Including an estimate of the costs
8 associated with overhead and risk management services and a competitive profit margin
9 causes the results of my cost build-up analysis to be closely comparable to the actual
10 default service auction prices. This indicates that default service pricing based on fixed-
11 price, full-requirements, load-following products has been competitive and consistent
12 with power market conditions at the time the supply is procured.

13 **Q: Why have the contract terms been maintained for residential and small commercial**
14 **and industrial customers?**

15 A: Under DSP IV, PPL Electric maintained its reliance on shorter-term (6 and 12-month)
16 fixed-price, full-requirements default service products. As I explained above, PPL
17 Electric's lessons learned under DSP IV show continued high numbers of shopping
18 customers and competitively priced default service supply contracts. Under DSP V, the

⁴² Statistical modeling has shown that the modal premium associated with hedging is around 5%, the median premium is 8%, and the mean premium is 11% (see Faruqui, Ahmad, "The Ethics of Dynamic Pricing," The Brattle Group, March 30, 2010, at 22.). As with any statistical study, the result depends on assumptions regarding underlining stochastic variables. However, applying these results to the fixed-price, full-requirements, load-following products in PPL Electric Exhibits JC-4 and JC-5 suggests that roughly an additional \$2.5-5.50/MWh of costs associated with risk management are not included in the cost build-ups. This is consistent with the estimates reported elsewhere.

1 Company's default service load (less block purchases where relevant) is continually re-
2 priced through semiannual solicitations for non-shopping residential and small
3 commercial and industrial customers. This structure encourages these non-shopping
4 customers to consider offers from competitive retail suppliers (for example, prices each
5 year will rise and fall with market conditions during summer/fall and winter/spring,
6 which helps signal to customers the value of competitive supplier products), continuing
7 to support Pennsylvania's competitive retail electricity markets. Moreover, resetting
8 prices for 6-month time periods facilitates non-shopping customers' evaluation of EGS
9 offers by providing a long enough time horizon to make a reliable estimate of the savings
10 available from shopping.⁴³ In my opinion, this approach is fully consistent with Act 129
11 and the PUC's default service policies, and it represents an appropriate prudent mixture
12 of default service power products for the Company's residential and small commercial
13 and industrial customers.

14 **Q: Why does the proposed separate procurement of AECs constitute a component of a**
15 **“prudent mix” for residential and small commercial and industrial customers?**

16 **A:** The Company's proposed AEC procurement approach minimizes the risk for AEC
17 suppliers and is expected to increase the number of potential suppliers. The current
18 approach requires default service power providers to acquire AECs which may limit the
19 number of AEC suppliers that compete to provide AECs. The proposed AEC
20 procurement approach opens the bidding process to include all suppliers that can offer

⁴³ For smaller customers, more frequent default service price changes that accompany even shorter-term products (e.g., quarterly, monthly, and spot market) make the determination of savings less certain, and all else equal, will increase price volatility.

1 AECs and seeks to minimize any barriers that may reduce suppliers' ability to compete.
2 In addition, the proposed approach introduces the option to procure multiple AEC vintage
3 years.⁴⁴ The Company proposes to procure and take delivery of AECs over a period of
4 only a couple weeks, minimizing supplier credit obligations and maximizing the number
5 of AEC suppliers that can compete.⁴⁵ Moreover, allowing for AEC vintages of multiple
6 years also provides the opportunity for a wide range of suppliers to qualify.

7 Finally, the separate procurement of AECs is expected to have no notable impact
8 on residential and small commercial and industrial default service rate stability. To
9 estimate the impact of the Company's proposal on rate stability I examined the
10 movement of AEC spot prices over the prior three years and focused on the December
11 2018 through December 2019 time period where the largest range of spot price variation
12 occurred.⁴⁶ Next, based on an approximate estimate of the number of AECs the
13 Company will need to procure in each auction (one-half the total annual amount
14 assuming 7.5% Tier I non-solar and 0.5% tier I solar AECs), I calculated the estimated
15 AEC cost per auction using the minimum and maximum spot prices from the range. I
16 then divided this cost by the total estimated residential and small commercial and
17 industrial default service load over this same period to estimate the portion of the PTC
18 that is associated with these AECs. Finally, if I assume that the entire change in AEC

⁴⁴ The Company's proposed procurement is similar to a procurement held recently by FirstEnergy utilities in Ohio (see <https://feohiorecrfp.com/documents/>, accessed January 6, 2020).

⁴⁵ See the Direct Testimony of Mr. Rouland.

⁴⁶ My analysis focused on Tier I non-solar and solar AECs as Tier II AEC prices are consistently very low and stable at approximately \$.1/MWh (2018 PA AEPS Report at Chart 21).

1 cost in a single auction was as high as implied by the range used in my calculations, I
2 find that the AEC cost portion of the PTC may change up to \$0.16/MWh for residential
3 and SC&I Solar AECs, and \$0.29/MWh for residential and SC&I Residential Tier I
4 AECs. The sum of these two values represents approximately 0.5% of recent residential
5 and small commercial and industrial customer PTCs ranging from \$62-\$72/MWh.⁴⁷
6 Thus, my results show that the Company's AEC procurement proposal is not expected to
7 impact default service rate stability.

8 **Q: How do the product types within PPL Electric's proposed DSP V constitute a**
9 **"prudent mix" for large commercial and industrial customers?**

10 A: In my opinion, the full-requirements, load-following, spot market power supply product
11 provides non-shopping large commercial and industrial customers a cost-effective default
12 service that has been consistently available from competitive wholesale suppliers. By
13 using a spot market product, PPL Electric protects large commercial and industrial
14 customers from the risks of high costs that could result if longer-term products were
15 purchased, which would require bidders to incorporate into their prices the uncertainty
16 associated with shopping customers possibly returning to default service. For example,
17 almost all of the Company's large commercial and industrial customers are shopping (see
18 above). Moreover, a spot market-priced service provides default service customers the
19 opportunity to shop without restrictions. Company experience has shown that the full-

⁴⁷ It is not surprising that AEC prices have very little impact on default service rates as the recent spot market prices show AECs (Tier I, II and SRECs) total less than \$1/MWh (See Exhibits JC-4 and 5).

1 requirements, load-following, spot market product facilitates retail competition and has
2 been a consistently successful default service product.

3 At the same time, the separation of the procurement of AECs for the large
4 commercial and industrial consumers will simply remove this obligation from default
5 service wholesale power suppliers. For all the same reasons I explain in Section III.B.1, I
6 find that the separation of AECs is expected to enhance competition among AEC
7 suppliers without impacting rate stability.

8 2. The Proposed DSP V Ensures “Least Cost Over Time”

9 **Q: In your opinion, will the products procured under the proposed DSP V ensure**
10 **“least cost over time” to customers?**

11 A: Yes. First, it is important to note that there are numerous assumptions regarding
12 inherently uncertain future market conditions that affect a given product portfolio’s costs
13 to customers. On a going-forward basis, there are many possible contract mixtures that
14 can constitute a prudent mix, and the cost of these various mixtures is not necessarily
15 known ahead of time. Thus, when assessing a product portfolio prospectively, it is
16 important to analyze the products recognizing the uncertainty surrounding energy
17 markets at the time the products are purchased. It is impossible to say with certainty
18 whether one particular prudent mixture of products will always be less costly than
19 another prudent mixture of products when evaluated post-procurement. What can be said
20 with certainty is that exposing PPL Electric’s smaller default service customers to price
21 and quantity volatility can result in unexpected cost increases. DSP V explicitly
22 recognizes such possibilities and insures against uncertain outcomes by relying primarily
23 on fixed-price, full-requirements, load-following products.

1 Consistent with the realities of the inherent uncertainty in energy markets, I have
2 interpreted “least cost over time” along two dimensions. First, in a broader context, it is
3 my understanding that the phrase “least cost over time” requires the selection of contracts
4 that compose a prudent mix, and that the types of products in the prudent mix are selected
5 by considering all relevant and appropriate risks and costs. Second, in a narrow context,
6 it is my understanding that this phrase requires default service products to be procured
7 through a process that produces the lowest cost for the particular product being
8 purchased.

9 **Q: How does PPL Electric’s proposed DSP V satisfy the broad interpretation of “least**
10 **cost over time” with respect to residential and small commercial and industrial**
11 **default service customers?**

12 A: I have analyzed the proposed DSP V from the perspective of satisfying the policy
13 objectives of the Commonwealth. In particular, I have assumed that it is important to
14 support retail competition while protecting default service customers, over time, from
15 costly risks. Retail competition is supported by default service rates that track changes in
16 wholesale electricity markets and provide customers an opportunity to assess the benefits
17 of shopping. As I show in PPL Electric Exhibit JC-1, under the Company’s approved
18 DSP IV which is essentially identical to the Company’s proposed DSP V, default service
19 prices are tracking changes in wholesale power markets while not being excessively
20 volatile. Under DSP V, fixed-price default service power supply products for residential
21 and small commercial and industrial customers will continue to incorporate market
22 variations and provide cost-effective protection against price volatility. At the same time,

1 bi-annual AEC auctions will ensure that default service customer AEC costs track
2 wholesale markets without impacting stability.

3 Thus, in my opinion, DSP V's product portfolio supports retail competition (one
4 of the Commonwealth's primary public policy objectives) while balancing market-
5 reflective price changes with reasonable price stability (which is another one of the
6 Commonwealth's public policy objectives, and is especially important for smaller
7 customers). The DSP V plan also takes into account the various risks that must be
8 addressed by any default service plan.

9 **Q: How does PPL Electric's proposed DSP V satisfy the narrow interpretation of "least
10 cost over time" with respect to residential and small commercial and industrial
11 default service customers?**

12 A: The proposed DSP V satisfies this provision by regularly holding transparent solicitations
13 in which wholesale suppliers can compete with one another to be the source of default
14 service supply. Over time this approach will produce default service prices that are the
15 least cost over time given the underlying energy market conditions. PPL Electric relies
16 on widely advertised, well-defined solicitations to procure these products where the
17 overarching objective is to seek out the lowest-cost suppliers. By obtaining default
18 service supplies through competitive solicitations in the form of an auction, PPL Electric
19 always obtains default supplies at the lowest possible cost for the product being procured.

20 **Q: How does PPL Electric's proposed DSP V satisfy the broad interpretation of "least
21 cost over time" with respect to large commercial and industrial default service
22 customers?**

1 A: As I have discussed above, by using the spot market to price default service for non-
2 shopping large commercial and industrial customers, the proposed DSP V ensures that
3 these customers are provided a default service product that has been demonstrably
4 successful and competitively priced.

5 **Q: How does PPL Electric’s proposed DSP V satisfy the narrow interpretation of “least**
6 **cost over time” with respect to large commercial and industrial default service**
7 **customers?**

8 A: The proposed DSP V satisfies this provision for the same reasons I have explained above
9 with respect to the fixed-price, full-requirements, load-following power products and
10 AEC procurements used to obtain supply for residential and small commercial and
11 industrial customers. Namely, wholesale competition among suppliers of the spot
12 market-priced product will ensure that PPL Electric provides this default service at the
13 lowest possible cost. Providing default service supplies based on the spot market allows
14 the large commercial and industrial customers complete flexibility to shop and recognizes
15 that retail suppliers have clearly offered large commercial and industrial customers
16 products that will take into account the particular needs of the individual customers. It is
17 my opinion that default service with prices based on the spot market will be least cost
18 over time for these customers.

19 **IV. CRITICAL PEAK PRICING (CPP)**

20 **Q: Have you considered the potential introduction of a CPP default service rate for**
21 **PPL’s small commercial and industrial customers?**

1 A: Yes. I was asked by the Company to review the attributes of successful CPP rate
2 designs⁴⁸ and consider whether the introduction of a CPP default service rate for the
3 Company’s small commercial and industrial customers would be appropriate.

4 **Q: Do you recommend that the Company develop a CPP default service rate for its**
5 **small commercial and industrial customers?**

6 A: No.

7 **Q: Please explain.**

8 A: The Company’s default service program provides small commercial and industrial
9 customers a straightforward, stable default service rate structure for customers that
10 choose not to shop. In contrast, successful CPP programs include key design features
11 that are inconsistent with the Company’s provision of default service. Effective CPP
12 Programs are often structured as opt-out (i.e., customers are enrolled in the program and
13 must proactively elect to be removed); use a notably high critical period pricing to non-
14 critical period pricing ratio; and, assist customers with the deployment of enabling
15 technologies that improve customer responsiveness when there are CPP events.⁴⁹

⁴⁸ CPP is a type of time-of-use rate design that sets energy prices at very high levels during a very limited number of critical peak period hours each year to incentivize CPP customers to reduce demand during these hours. These critical peak period hours -- typically identified the day before the Company would seek the demand reduction -- are expected to correspond to hours where power supply is scarce and expensive such that customer demand reductions result in overall system operational cost savings.

⁴⁹ See, for example, Faruqui, F., et al, “Arcturus 2.0: A Meta-Analysis of Time-Varying Rates for Electricity”, *The Electricity Journal*, 30 (2017) (hereinafter “Faruqui, F., et al”); Cross-Call, Dan, Becky Li, and James Sherwood, “Moving to Better Rate Design: Recommendations for Improved Rate Design in Ohio’s Power Forward Inquiry”, Rocky Mountain Institute, July 2018 (hereinafter “Schneider and Sunstein”); Schneider, Ian and Cass R. Sunstein, “Behavioral Considerations for Effective Time-Varying Electricity Prices”, Harvard John

1 For example, the implementation of an effective CPP rate requires careful study
2 and design to achieve successful results.⁵⁰ Consider the following attributes associated
3 with successful CPP rate designs. First, empirical data compiled based on the
4 implementation of a number of CPP rates show that they are more successful (i.e., greater
5 customer participation) if consumers are placed on CPP as a default service as opposed to
6 being provided an option to opt-in.⁵¹ This implies that a successful CPP rate design must
7 be the default service rate option for a pre-defined set of customers. However, under
8 Pennsylvania’s Act 129 a CPP rate must be opt-in.⁵² Next, an effective CPP rate design
9 must include a high peak period to off-peak price ratio to incentivize customer
10 responsiveness.⁵³ Finally, a CPP rate design is most effective with enabling technology
11 (that can be costly), as consumers with the ability to automatically adjust energy usage
12 during critical peak pricing periods will be better prepared to reduce demand.⁵⁴

13 **Q: Why are these key CPP rate features inconsistent with the Company’s provision of**
14 **default service for small commercial and industrial customers?**

15 **A:** Developing and offering a CPP default service rate design requires the Company to
16 undertake a number of activities and incur various costs with little expectation that the

M. Olin Center for Law, Economics, and Business, Discussion Paper no. 891, November 2016 (hereinafter “Cross-Call, Li, and Sherwood”).

⁵⁰ Cross-Call, Li, and Sherwood at 4; Schneider and Sunstein at 1.

⁵¹ Faruqui, et al at 66 and Schneider and Sunstein at 7.

⁵² 66 Pa. C.S., § 2807(f)(5).

⁵³ Cross-Call, Li, and Sherwood at 12-13.

⁵⁴ Schneider and Sunstein at 9; Faruqui, et al at 65-67; Cross-Call, Li, and Sherwood at 16.

1 CPP rate would be successful. First, assuming that the Company would be offering CPP
2 as a default service rate that small commercial and industrial customers would elect, I
3 would not expect that there would be significant enrollment.⁵⁵ Second, the peak to off-
4 peak period pricing ratio must be high enough to incentivize acceptable behavior.
5 However, unless the Company provides robust customer education, ensures customers
6 have the ability to receive and act on price signals, and points customers to the tools
7 necessary to shift electricity usage, consumers might not adjust their behavior and instead
8 face higher and more volatile electricity prices contrary to the principles that guide
9 default service rate design for lower demand customers.⁵⁶ Third, without enabling
10 technologies, the cost (even non-monetary cost) of accessing pricing information can
11 prevent consumers from reducing electricity use during peak pricing periods.⁵⁷ Investing
12 in these enabling technologies will represent an additional cost for potential CPP default
13 service customers, further reducing the likelihood of a CPP program's success, or require
14 the Company to incur additional costs that would need to be recovered from a broader
15 number of customers.

16 In summary, I conclude that the Company would face a number of challenges if it
17 were to offer a CPP default service rate and recommend against offering a CPP default
18 service rate for its small commercial and industrial customers. Instead, I would expect

⁵⁵ Note that the Company's current opt-in time-of-use rate, a simplified example of CPP, has very few customers enrolled as explained in the Direct Testimony of Mr. Rouland.

⁵⁶ Cross-Call, Li, and Sherwood at 14.

⁵⁷ Schneider and Sunstein at 9 and 11. For example, without enabling technology, a consumer would have to monitor notices and prices, and manually adjust electronic devices during peak periods to avoid the extreme prices.

1 that EGSs would offer a CPP type of product if it were economical for these customers to
2 adopt.

3 **Q: Does this conclude your direct testimony?**

4 A: Yes.

JOSEPH CAVICCHI
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Mr. Cavicchi is an expert on the economics of wholesale and retail electricity markets. With more than 20 years of consulting experience, he advises a wide range of clients on issues associated with wholesale power market design and market power mitigation frameworks, wholesale and retail contracting practices, and regulatory and contract disputes arising in these marketplaces. In these engagements, Mr. Cavicchi has conducted economic analyses evaluating the impact of regulatory policies on electricity markets, applied rigorous analytical modeling tools to power system operations, evaluated the effectiveness of market power mitigation frameworks in conjunction with antitrust analyses, and led economic investigations of market participant bidding behavior associated with allegations of market manipulation. Mr. Cavicchi has extensive experience as an expert witness before the Federal Energy Regulatory Commission (FERC) and other federal and state regulatory authorities. He presents and publishes frequently on issues relevant to electricity market design and evolution. He is a registered professional mechanical engineer in the Commonwealth of Massachusetts.

EDUCATION

1997	S.M., technology policy, Massachusetts Institute of Technology
1992	S.M., environmental engineering, Tufts University
1987	B.S., mechanical engineering, University of Connecticut

PROFESSIONAL EXPERIENCE

2019–Present	Analysis Group <i>Vice President</i>
1997–2019	Compass Lexecon <i>Executive Vice President/Senior Vice President (2007–2019)</i> <i>Vice President (2001–2006)</i> <i>Consultant/Senior Consultant (1997–2001)</i>
1989–1997	Massachusetts Institute of Technology <i>Research Assistant/Engineer (1995–1997)</i> <i>Project Manager/Staff Mechanical Engineer (1989–1995)</i>
1987–1988	Carrier Building Systems and Services <i>Project Engineer</i>

SELECTED CONSULTING EXPERIENCE

Electric Generation Companies, Trade Associations, and Independent System Operators

Conducts economic analyses of the interaction of regulatory policies and rules with wholesale power markets to support a wide variety of reports, presentations, and papers. Develops wholesale market power screening analyses and evaluates the impacts of mergers and acquisitions on wholesale and retail markets. Analyzes power market designs and runs workshops and seminars on power market design features.

Electricity Generation and Transmission Facility Developers

Oversees the development and implementation of security-constrained dispatch modeling for proposed electricity generation units and transmission facilities locating in the Northeastern, Mid-Atlantic, and Midwestern United States. The analyses typically focus on determining the infrastructure impacts on local and regional air pollutant emissions, as well as on wholesale electricity prices. In addition, these analyses often include an evaluation of the estimated impact of the proposed infrastructure investment on social welfare.

SELECTED EXPERT TESTIMONY

- **PJM Power Providers Group**
United States of America, Before the Federal Energy Regulatory Commission, Docket Nos. ER19-1486-000 and EL19-58-000
Affidavits of A. Joseph Cavicchi on Behalf of the PJM Power Providers (“P3”) Group, May 15, 2019 and June 20, 2019, Written, Public.
- **NextEra Energy Resources, LLC**
United States of America, Before the Federal Energy Regulatory Commission, Docket No. ER18-1639-000
Prepared Answering Testimony of A. Joseph Cavicchi on behalf of NextEraEnergy Resources, LLC, August 23, 2018, Written, Public and Confidential.
- **CXA La Paloma, LLC**
United States of America, Before the Federal Energy Regulatory Commission. RE : CXA La Paloma, LLC v. California Independent System Operator Corporation, Docket No. EL18-177
Affidavit of Jeffrey Tranen and Joseph Cavicchi, June 20, 2018. Written, Public.
- **Talen Montana, LLC and Talen Energy Marketing, LLC**
United States of America, Before the Federal Energy Regulatory Commission. RE : Triennial Market-Based Rate Update for the Northwest Region, Talen Montana, L.L.C. et al., Dockets ER 15-2013 et al.
Affidavit of A. Joseph Cavicchi, April 27, 2018. Written, Public.
- **Talen Montana, LLC and Talen Energy Marketing, LLC**
United States of America, Before the Federal Energy Regulatory Commission. RE : Triennial Market-Based Rate Update for the Northwest Region, Talen Montana, L.L.C. et al., Dockets ER 10-2016 et al.
Affidavit of A. Joseph Cavicchi, December 20, 2016. Written, Public.

- **PPL Electric Utilities Corporation and LG&E Energy Marketing Inc.**
United States of America, Before the Federal Energy Regulatory Commission. RE : Triennial Market-Based Rate Update for the Northeast Region, PPL Electric Utilities Corporation et al., Dockets ER 10-2010 et al.
Affidavit of A. Joseph Cavicchi, December 20, 2016. Written, Public.
- **NextEra Energy Resources, LLC**
Before the Commonwealth of Massachusetts, Department of Public Utilities, Docket D.P.U. 16-05, Petition for Approval of Gas Infrastructure Contracts with Algonquin Gas Transmission Co. for the Access Northeast Project
Direct Testimony of Joseph P. Kalt and A. Joseph Cavicchi, June 20, 2016 (corrected June 28, 2016), Written, Public and Confidential. Surrebuttal Testimony of Joseph P. Kalt and A. Joseph Cavicchi, July 18, 2016. Written, Public and Confidential.
- **NextEra Energy Resources, LLC**
Before the Commonwealth of Massachusetts, Department of Public Utilities, Docket D.P.U. 15-181, Petition for Approval of Gas Infrastructure Contracts with Algonquin Gas Transmission Co. for the Access Northeast Project
Direct Testimony of Joseph P. Kalt and A. Joseph Cavicchi, June 13, 2016 (corrected June 28, 2016), Written, Public and Confidential. Surrebuttal Testimony of Joseph P. Kalt and A. Joseph Cavicchi, July 12, 2016. Written, Public and Confidential.
- **PPL Electric Utilities Corporation**
Before the Pennsylvania Public Utility Commission, Docket No. P-2016-2526627, PPL Electric Utilities Corporation
Statement No. 2. Direct Testimony of A. Joseph Cavicchi, January 29, 2016. Written, Public. Statement No. 2-Supp. Supplemental Testimony of A. Joseph Cavicchi, March 9, 2016, Written, Public. Statement No. 2-R Rebuttal Testimony of A. Joseph Cavicchi, May 23, 2016. Written, Public.
- **Calpine Corporation et al.**
United States of America, Before the Federal Energy Regulatory Commission. Calpine Corporation et al., Complainants v. PJM Interconnection, L.L.C., Respondent. RE: Complaint Requesting Fast Track Processing, PJM Interconnection, L.L.C., Docket No. EL 16-49-000
Affidavit of A. Joseph Cavicchi, March 21, 2016. Written, Public.
- **PJM Power Providers Group**
Before the Public Utilities Commission of Ohio, In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider, Case No. 14-1693-EL-RHR et al.
Supplemental Testimony of A. Joseph Cavicchi on behalf of the PJM Power Providers Group and The Electric Power Supply Association, December 28, 2015. Written, Public and Confidential. Deposition of A. Joseph Cavicchi on behalf of the PJM Power Providers Group and The Electric Power Supply Association, January 5, 2016. Deposition Testimony of A. Joseph Cavicchi, January 5, 2016. Testimony of A. Joseph Cavicchi, January 7, 2016. Oral, Public.
- **Exelon Generation Company, LLC**
United States of America, Before the Federal Energy Regulatory Commission, San Diego Gas & Electric Company v. Sellers of Energy and Ancillary Services, Into Markets Operated by the California, Independent System Operator Corporation, And the California Power Exchange, Docket EL 00-95-280 et al.

Affidavit of A. Joseph Cavicchi in Support of the Exelon Generation Company, LLC's Fuel Cost Allowing Filing, December 4, 2015. Written, Public.

▪ **PJM Power Providers Group**

Before the Public Utilities Commission of Ohio, In the Matter of the Application Seeking Approval of Ohio Power Company's Proposal to Enter into an Affiliate Power Purchase Agreement for Inclusion in the Power Purchase Agreement Rider, Case No. 14-1693-EL-RHR et al.

Direct Testimony of A. Joseph Cavicchi on behalf of the PJM Power Providers Group and The Electric Power Supply Association, September 11, 2015, Written, Public and Confidential. Testimony of A. Joseph Cavicchi on behalf of the PJM Power Providers Group and The Electric Power Supply Association, October 20, 2015. Oral, Public.

▪ **Iberdrola Renewables, LLC**

United States of America, Before the Federal Energy Regulatory Commission, Docket Nos. EL02-60-007 and EL02-62-006, consolidated

Prepared Answering Testimony of A. Joseph Cavicchi on behalf of Iberdrola Renewables, LLC, July 21, 2015 Written, Public & Confidential. Deposition of A. Joseph Cavicchi on behalf of the Iberdrola Renewables, LLC, September, 24, 2015. Oral, Confidential. Testimony of A. Joseph Cavicchi, December 3, 2015. Oral, Public.

▪ **PPL Electric Utilities Corporation**

Before the Pennsylvania Public Utility Commission, Docket No. P-2014-2417907, PPL Electric Utilities Corporation

Statement No. 2. Direct Testimony of A. Joseph Cavicchi, April 25, 2014, Written, Public. Statement No. 2-R Rebuttal Testimony of A. Joseph Cavicchi, July 28, 2014. Written, Public.

▪ **San Diego Gas and Electric Company**

Naturener USA, LLC, et al. v. San Diego Gas & Electric Company, in the Montana Ninth Judicial District Court, Toole County, Declaration, January 22, 2014. Non-Public.

▪ **PPL EnergyPlus**

United States of America, Before the Federal Energy Regulatory Commission. RE : Triennial Market-Based Rate Update for the Northeast Region, PPL Electric Utilities Corporation et al., Dockets ER 10-2010 et al.

Affidavit of A. Joseph Cavicchi, December 31, 2013. Written, Public.

▪ **PPL EnergyPlus**

United States of America, Before the Federal Energy Regulatory Commission. RE : Triennial Market-Based Rate Update for the Northwest Region, PPL EnergyPlus LLC et al., Dockets ER 10-2011 et al.

Affidavit of A. Joseph Cavicchi, December 31, 2013. Written, Public.

▪ **Transalta Energy Marketing**

United States of America, Before the Federal Energy Regulatory Commission, Puget Sound Energy, Inc., Complainant v. All Jurisdictional Sellers of Energy and/or Capacity at Wholesale into Electric Energy and/or Capacity Markets in the Pacific Northwest, Including Parties to the Western System Power Pool Agreement Participants, Docket. No. EL01-085

Prepared Answering Testimony of A. Joseph Cavicchi on behalf of Transalta Energy Marketing (U.S.) Inc. and Transalta Energy Marketing (California) Inc., December 17, 2012. Deposition of A. Joseph Cavicchi on behalf of Transalta Energy Marketing (California) Inc., February 8, 2013. Testimony of A. Joseph Cavicchi, October 21 and 22, 2013. Oral, Public.

- **Avista Corporation et al.**
United States of America, Before the Federal Energy Regulatory Commission, In the Matter of Puget Sound Energy, Inc. v. All Jurisdictional Sellers of Energy and/or Capacity at Wholesale into Electric Energy and/or Capacity Markets in the Pacific Northwest, including Parties to the Western Systems Power Pool Agreement. Docket EL01-10-085
Testimony of A. Joseph Cavicchi, September 26, 2013. Oral, Public. Answering Testimony of A. Joseph Cavicchi on behalf of Avista Corporation et al. (“Joint Defense Group”), June 24, 2013. Deposition of A. Joseph Cavicchi on behalf of Avista Corporation et al., July 9, 2013.
- **US Department of Justice**
Before the United States Court of Federal Claims, Pacific Gas and Electric Company and Southern California Edison Company, Plaintiffs et al. v. The United States, Defendant, No. 07-157C, No. 07-167C (Consolidated), No. 07-184C
Deposition of A. Joseph Cavicchi, March 27, 2013. Confidential, Subject to Protective Order.
- **US Department of Justice**
Before the United States Court of Federal Claims, Pacific Gas and Electric Company and Southern California Edison Company, Plaintiffs et al. v. The United States, Defendant, No. 07-157C, No. 07-167C (Consolidated), No. 07-184C
Expert Report of A. Joseph Cavicchi, March 1, 2013. Confidential, Subject to Protective Order.
- **PPL Montana and PPL EnergyPlus**
United States of America, Before the Federal Energy Regulatory Commission, Puget Sound Energy, Inc., Complainant v. All Jurisdictional Sellers of Energy and/or Capacity at Wholesale into Electric Energy and/or Capacity Markets in the Pacific Northwest, Including Parties to the Western System Power Pool Agreement Participants, Docket. No. EL01-085
Prepared Answering Testimony of A. Joseph Cavicchi on behalf of PPL Montana and PPL EnergyPlus, December 17, 2012. Written, Public. Deposition of A. Joseph Cavicchi on behalf of PPL Montana and PPL EnergyPlus, February 8, 2013.
- **Constellation New Energy**
United States of America, Before the Federal Energy Regulatory Commission, Puget Sound Energy, Inc., Complainant v. All Jurisdictional Sellers of Energy and/or Capacity at Wholesale into Electric Energy and/or Capacity Markets in the Pacific Northwest, Including Parties to the Western System Power Pool Agreement Participants, Docket. No. EL01-085
Prepared Answering Testimony of A. Joseph Cavicchi on behalf of Constellation Energy Commodities Group, December 17, 2012. Written, Public. Deposition of A. Joseph Cavicchi on behalf of Constellation Energy Commodities Group, February 8, 2013.
- **Constellation NewEnergy**
United States of America, Before the Federal Energy Regulatory Commission, San Diego Gas & Electric Company, Complainant, v. Sellers of Energy and Ancillary Services into Markets Operated by the CA ISO and CA Power Exchange, et al., Respondents, Docket No. EL00-95-248
Direct Testimony and Exhibits of Constellation NewEnergy, Inc. Testimony of A. Joseph Cavicchi on behalf of Constellation NewEnergy, July 11, 2012. Oral, Public.
- **PPL Electric Utility Corporation**
Before the Pennsylvania Public Utility Commission, Docket No. P-2012-2302074, PPL Electric Utility Corporation

Statement No. 2. Direct Testimony of A. Joseph Cavicchi, May 16, 2012. Statement No. 2-R. Direct Testimony of A. Joseph Cavicchi, August 17, 2012. Statement No. 3. Testimony of A. Joseph Cavicchi, September 10, 2012. Oral, Public.

▪ **PPL Corporation**

United States of America, Before the Federal Energy Regulatory Commission, RE: Notice of Change in Status Regarding Market-Based Rate Authority, Docket No. ER10-2016-___ et al.

Affidavit of A. Joseph Cavicchi on behalf of PPL Corporation, January 30, 2012. Written, Public.

▪ **Entegra Power Services, LLC**

United States of America, Before the Federal Energy Regulatory Commission, Union Power Partners LP, Docket No. ER05-1191-016, Entegra Power Services LLC, Docket No. ER09-838-002

Updated Market Power Analysis for Market-Based Rates. Affidavit of A. Joseph Cavicchi, December 29, 2011.

▪ **Constellation NewEnergy, Inc.**

United States of America, Before the Federal Energy Regulatory Commission, San Diego Gas & Electric Company, Complainant, v. Sellers of Energy and Ancillary Services into Markets Operated by the CA ISO and CA Power Exchange, et al., Respondents, Docket No. EL00-95-248

Direct Testimony and Exhibits of Constellation NewEnergy, Inc., Direct and Answering Testimony and Exhibits of A. Joseph Cavicchi on behalf of Constellation NewEnergy, October 25, 2011. Written, Public.

▪ **CP Energy**

United States of America, Before the Federal Energy Regulatory Commission, RE: Triennial Market-Based Rate Update for the Northeast Region, Docket No. ER10-1342 et al.

Affidavit of A. Joseph Cavicchi, June 30, 2011. Written, Public.

▪ **Edison Mission**

United States of America, Before the Federal Energy Regulatory Commission, RE: Triennial Market-Based Rate Update for the Northeast Region, Edison Mission Marketing and Trading, et al., Docket No. ER11-___-000, et al.

Affidavit of A. Joseph Cavicchi, June 29, 2011. Written, Public.

▪ **Entegra Power Services, LLC**

United States of America, Before the Federal Energy Regulatory Commission, Gila River Energy Supply LLC, Docket No. ER11-___-000, Request for Acceptance of Initial Market-Based Rate Tariff, Waivers and Blanket Authority Under Section 205 of the Federal Power Act

Affidavit of A. Joseph Cavicchi, April 11, 2011. Written, Public.

▪ **PPL Corporation**

United States of America, Before the Federal Energy Regulatory Commission, Triennial Market-Based Rate Update for the Northwest Region, PPL Northwest Companies, ER10-2011-000 et al.

Affidavit of A. Joseph Cavicchi on behalf of the PPL Northwest Companies, January 31, 2011. Written, Public.

▪ **Entegra Power Services LLC**

United States of America, Before the Federal Energy Regulatory Commission, Gila River Power, LP, Docket No. ER05-1178-015 and Entegra Power Services LLC, Docket ER09-838-001, Second Supplement to Updated Market Power Analysis for Continued Market-Based Rate Authority in Compliance with Order No. 697

Second Supplement Affidavit of A. Joseph Cavicchi, January 12, 2011. Written, Public.

- **PPL Corporation**
United States of America, Before the Federal Energy Regulatory Commission, RE: Notice of Change of Status Regarding Market-Based Rate Authority, Docket No. ER10-1511-001 et al.
Affidavit of A. Joseph Cavicchi on behalf of PPL Corporation, December 1, 2010. Written, Public.
- **Entegra Power Services LLC**
United States of America, Before the Federal Energy Regulatory Commission, Gila River Power, LP, Docket No. ER05-1178-015 and Entegra Power Services LLC, Docket ER09-838-001
Supplement to Updated Market Power Analysis for Continued Market-Based Rate Authority in Compliance with Order No. 697. Affidavit of A. Joseph Cavicchi, November 19, 2010. Written, Public.
- **Chesapeake Energy Corp., et al.**
Before the Public Utilities Commission of the State of Colorado, In the Matter of Commission Consideration of Public Service Company of Colorado Plan in Compliance with House Bill 10-1365 "Clean Air Jobs Act," Docket No. 10M-245E
Testimony of A. Joseph Cavicchi on behalf of Noble Energy, Inc., Chesapeake Energy Corporation and Encana Oil & Gas (USA), November 1, 2010. Oral, Public. November 9, 2010. Written, Public. November 18, 2010. Oral, Public.
- **Chesapeake Energy Corp., et al.**
Before the Public Utilities Commission of the State of Colorado, In the Matter of Commission Consideration of Public Service Company of Colorado Plan in Compliance with House Bill 10-1365 "Clean Air Jobs Act," Docket No. 10M-245E
Cross Answer Testimony and Exhibits of A. Joseph Cavicchi on behalf of Noble Energy, Inc., Chesapeake Energy Corporation and Encana Oil & Gas (USA), October 8, 2010. Written Report Public, Exhibits Confidential, Filed Under Seal.
- **Chesapeake Energy Corp., et al.**
Before the Public Utilities Commission of the State of Colorado, In the Matter of Commission Consideration of Public Service Company of Colorado Plan in Compliance with House Bill 10-1365 "Clean Air Jobs Act," Docket No. 10M-245E
Answer Testimony and Exhibits of A. Joseph Cavicchi on behalf of Noble Energy, Inc., Chesapeake Energy Corporation and Encana Oil & Gas (USA), September 17, 2010. Written, Confidential.
- **PPL Electric Utilities Corporation**
Before the Pennsylvania Public Utility Commission, RE: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2011 through May 31, 2014, Docket No. P-2008-2060309
Statement No. 2. Direct Testimony of A. Joseph Cavicchi on behalf of PPL Electric, September 14, 2010. Oral, Written and Public.
- **PPL Corporation and E.ON U.S.**
United States of America, Before the Federal Energy Regulatory Commission, RE: PPL Corporation and E.ON U.S. LLC Application for Authorization Under Section 203 of the Federal Power Act, Request for Waivers of Filing Requirements, and Confidential Treatment of Agreement and Workpapers, Docket No. EC10-77-000
Affidavit of Dr. Joseph P. Kalt and Mr. A. Joseph Cavicchi, June 28, 2010.

- **BG Masspower**
Before the Commonwealth of Massachusetts Trial Court, Suffolk, SS, Civil Action 07-3243 (BLS2), Masspower, by its General Partners, BG MP Partners I, LLC, and BG MP Partners II, LLC, Plaintiffs, v. Massachusetts Municipal Wholesale Electric Company, Defendant
Deposition of A. Joseph Cavicchi on behalf of Masspower, February 19, 2010. Testimony of A. Joseph Cavicchi on behalf of Masspower, March 18 and 19, 2010. Oral, Public.
- **Allegheny**
United States of America, Before the Federal Energy Regulatory Commission, State of California ex rel. Lockyer v. British Columbia Power Exchange Corp., et al., Docket No. EL02-71-017 et al.
Prepared Answering Testimony of A. Joseph Cavicchi on behalf of Allegheny Energy, September 17, 2009. Written, Public.
- **MPS Merchant Services**
United States of America, Before the Federal Energy Regulatory Commission, State of California ex rel. Lockyer v. British Columbia Power Exchange Corp., et al., Docket No. EL02-71-017
Prepared Answering Testimony of A. Joseph Cavicchi on behalf of MPS Merchant Services, September 17, 2009. Written, Public.
- **PPL Montana, LLC**
United States of America, Before the Federal Energy Regulatory Commission, State of California ex rel. Lockyer v. British Columbia Power Exchange Corp., et al., Docket No. EL02-71-017
Answering Testimony of A. Joseph Cavicchi on behalf of PPL Montana, LLC, September 17, 2009. Written, Public.
- **Constellation New Energy**
United States of America, Before the Federal Energy Regulatory Commission, San Diego Gas and Electric Co. v. Sellers of Energy and Ancillary Services, Docket No. EL00-95 et al.
Affidavit of A. Joseph Cavicchi on behalf of Constellation New Energy, August 4, 2009. Written, Public.
- **Energy Northwest**
Before the American Arbitration Association, Seattle, Washington, Grays Harbor Energy LLC, Claimant, Energy Northwest, Respondent, Case No. 75-158-115-08
Testimony of A. Joseph Cavicchi on behalf of Energy Northwest, June 18, 2009. Oral, Public.
Deposition Testimony of A. Joseph Cavicchi on behalf of Energy Northwest, May 13, 2009. Oral, Public. Supplemental Expert Report of A. Joseph Cavicchi on behalf of Energy Northwest, April 30, 2009. Written, Confidential. Expert Report of A. Joseph Cavicchi on behalf of Energy Northwest, April 15, 2009. Written, Confidential.
- **Entegra Power Services LLC**
United States of America, Before the Federal Energy Regulatory Commission, Request for Acceptance of Initial Market-Based Rate Tariff, RE: Updated Market Power Analysis for EPS' Affiliate, Gila River, Docket ER09-838-000
Affidavit of A. Joseph Cavicchi, March 13, 2009. Written, Public.
- **Union Pacific Railroad Company**
In the Matter of the Arbitration between Wisconsin Public Service Corporation and Union Pacific Railroad Company
Rebuttal Expert Report of A. Joseph Cavicchi, February 16, 2009.

- **PPL Electric Utilities Corporation**
Before the Pennsylvania Public Utility Commission, RE: Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period January 1, 2001 through May 31, 2014, Docket No. P-2008-2060309
Testimony of A. Joseph Cavicchi on behalf of PPL Electric Utilities Corporation, February 11, 2009.
Oral, Public.
- **PPL Electric Utilities Corporation**
Before the Pennsylvania Public Utility Commission, Docket No. P-2008-2060309
Rebuttal Testimony of A. Joseph Cavicchi on behalf of PPL Electric Utilities Corporation, January 20, 2009.
- **Union Power Partners, L.P.**
United States of America, Before the Federal Regulatory Commission, Docket No. ER05-1191-014, Updated Market Power Analysis for Continued Market-Based Rate Authority
Affidavit of A. Joseph Cavicchi on behalf Union Power Partners, L.P., December 30, 2008.
- **PPL Electric Utilities Corporation**
Before the Pennsylvania Public Utility Commission, Docket No. P-2008-2060309
Supplemental Testimony of A. Joseph Cavicchi of behalf of PPL Electric Utilities Corporation, November 3, 2008.
- **PPL Electric Utilities Corporation**
Before the Pennsylvania Public Utility Commission, Docket No. P-2008-2060309
Testimony of A. Joseph Cavicchi of behalf of PPL Electric Utilities Corporation, September 11, 2008.
- **PPL Electric Utilities Corporation**
United States of America, Before the Federal Regulatory Commission, Docket No. ER00-1712-008, ER02-2408-003, ER00-744-006, ER02-1327-005, ER00-1703-003, ER02-1749-003, ER02-1747-003, ER99-4503-005, ER00-2186-003, ER01-1559-004
Affidavit of A. Joseph Cavicchi on behalf of PPL Companies, September 2, 2008.
- **PPL Electric Utilities Corporation**
United States of America, Before the Federal Regulatory Commission, Docket No. EL08-67-000
Affidavit of A. Joseph Cavicchi (with Joseph P. Kalt) on behalf of PPL Companies, August 12, 2008.
- **PPL Electric Utilities Corporation**
United States of America, Before the Federal Regulatory Commission, Docket No. EL08-67-000
Affidavit of A. Joseph Cavicchi (with Joseph P. Kalt) on behalf of PPL Companies, July 11, 2008.
- **Entegra Power Group L.L.C.**
United States of America, Before the Federal Regulatory Commission, Docket Nos. ER05-1178-00 and ER05-1191-00
Affidavit of A. Joseph Cavicchi on behalf of Entegra Power Group L.L.C, Gila River Power, L.P., Union Power Partners, L.P., Harbinger Capital Partners Master Fund I, Ltd., and Harbinger Capital Partners Special Situations Fund, LP, May 30, 2008.
- **Harbinger**
United States of America, Before the Federal Regulatory Commission, Docket No. EC08-87-000

Affidavit of A. Joseph Cavicchi on behalf of the Entegra Power Group L.L.C, Gila River Power, L.P., Union Power Partners, L.P., Harbinger Capital Partners Master Fund I, Ltd., and Harbinger Capital Partners Special Situations Fund, LP, May 9, 2008.

- **IEPA**
United States of America, Before the Federal Regulatory Commission, Docket Nos. ER08-556-000 and ER06-615-020
Affidavit of A. Joseph Cavicchi on behalf of Independent Energy Producers Association, February 29, 2008.
- **PJM Power Providers Group**
United States of America, Before the Federal Regulatory Commission, Docket No. EL08-34-000
Affidavit of Joseph P. Kalt and A. Joseph Cavicchi on behalf of the P3 Group, responding to the Complaint of the Maryland Public Service Commission against PJM Interconnection, L.L.C., regarding marketing power mitigation, February 19, 2008.
- **Tractebel Energy Marketing, Inc.**
Tractebel Energy Marketing, Inc. v. AEP Power Marketing, Inc., American Electric Power Company, Inc. and Ohio Power Company, 03 CV 6731 (S.D.N.Y.) (HB) (JCF); and Ohio Power Company and AEP Power Marketing, Inc. v. Tractebel Energy Marketing, Inc. and Tractebel S.A., 03 CV 6770 (S.D.N.Y.) (HB) (JCF)
Expert Report of A. Joseph Cavicchi on behalf of Tractebel Energy Marketing, Inc., January 21, 2008.
- **PPL Corporation**
United States of America, Before the Federal Regulatory Commission, Docket Nos. ER00-1712-007, ER02-2408-003, ER00-744-006, ER02-1327-005, ER00-1703-002, ER02-1749-003, ER02-1747-003, ER99-4503-005, ER00-2186-003, ER01-1559-004
Affidavit of A. Joseph Cavicchi on behalf of Triennial Market Power Update of PPL Companies, January 14, 2008.
- **IEPA**
United States of America, Before the Federal Regulatory Commission, Docket Nos. ER06-615-003, 005, 012, ER07-1257-000, ER02-1656-017, ER02-1656-018, EL05-146-000 and EL08-20-000
Affidavit of A. Joseph Cavicchi on behalf of Independent Energy Producers Association, January 9, 2008.
- **NRG**
United States of America, Before the Federal Regulatory Commission, New York Independent System Operator – Docket No. EL07-39-000
Affidavits of A. Joseph Cavicchi on behalf of NRG Power Marketing, Inc., Arthur Kill Power LLC, Astoria Gas Turbine Power LLC, Dunkirk Power LLC, Huntley Power LLC, and Oswego Harbor Power LLC, November 19, 2007, December 10, 2007, and December 21, 2007. Written, Public.
- **American Electric Power Services Corporation, Conectiv Energy Supplies, Inc., DTE Energy Trading, Inc., Energy America, LLC, Integrys Energy Services, Inc., and PPL Energy Plus, LLC**
United States of America, Before the Federal Regulatory Commission, The People of the State of Illinois, ex rel. Illinois Attorney General Lisa Madigan v. Exelon Generation Co., LLC, et al., Docket No. EL07-47-000
Affidavit of Joseph Cavicchi and Joseph P. Kalt, June 18, 2007. Written, Public.

- **Independent Energy Producers Association of California**
United States of America, Before the Federal Regulatory Commission, Docket No. R.06-02-013, Long-Term Procurement Plans, Prepared Testimony of the Independent Energy Producers Association
Prepared Testimony of Joseph Cavicchi and David Reishus on behalf of the IEPA, March 2, 2007. Written, Public.
- **Cross Hudson**
Before the State Of New York Public Service Commission, Request of Hudson Transmission Partners, LLC, for Unredacted Copies of Records Filed In Case 01-T-1474
Affidavit of Joseph Cavicchi in Support of Cross Hudson Corporation's Appeal of Records Access Officer's February 9, 2007, Determination (Trade Secret 07-1), February 21, 2007. Written, Public.
- **PPL Electric Utilities Corporation**
Before The Pennsylvania Public Utility Commission, RE: Petition of PPL Electric Utilities Corporation for Approval of A Competitive Bridge Plan, Docket No. P-00062227
Direct Testimony of Joseph Cavicchi, December 19 and 20, 2006. Oral, Public.
- **PPL Electric Utilities Corporation**
Before The Pennsylvania Public Utility Commission, RE: Petition of PPL Electric Utilities Corporation for Approval of A Competitive Bridge Plan, Docket No. P-00062227
Reply to Surrebuttal Testimony of Marjorie R. Philips, Joseph Cavicchi, December 20, 2006. Written, Public.
- **PJM Interconnect, LLC**
United States of America, Before the Federal Regulatory Commission, Docket No. EL05-148-000, 001; Docket No. ER05-1410-000, 001, Initial Comments of the PPL Parties and the PSEG Companies in Opposition to Proposed Settlement, Exhibit D-1 (Exhibit AJC-1)
Affidavit of A. Joseph Cavicchi, October 19, 2006. Written, Public.
- **Excelsior Energy Inc.**
Before The Minnesota Office Of Administrative Hearings, RE: In The Matter Of The Petition Of Excelsior Energy Inc. And Its Wholly-Owned Subsidiary MEP-I, LLC For Approval Of Terms And Conditions For The Sale Of Power From Its Innovative Energy Project Using Clean Energy Technology Under Minn. Stat. §216B.1694 and a Determination That The Clean Energy Technology Is Or Is Likely To Be A Least-Cost Alternative Under Minn. Stat. §216B.1693, MPUC Docket No. E-6472-/M-05-1993; OAH Docket No. 12-2500-17260-2
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CERTIFICATIONS/ACCREDITATIONS

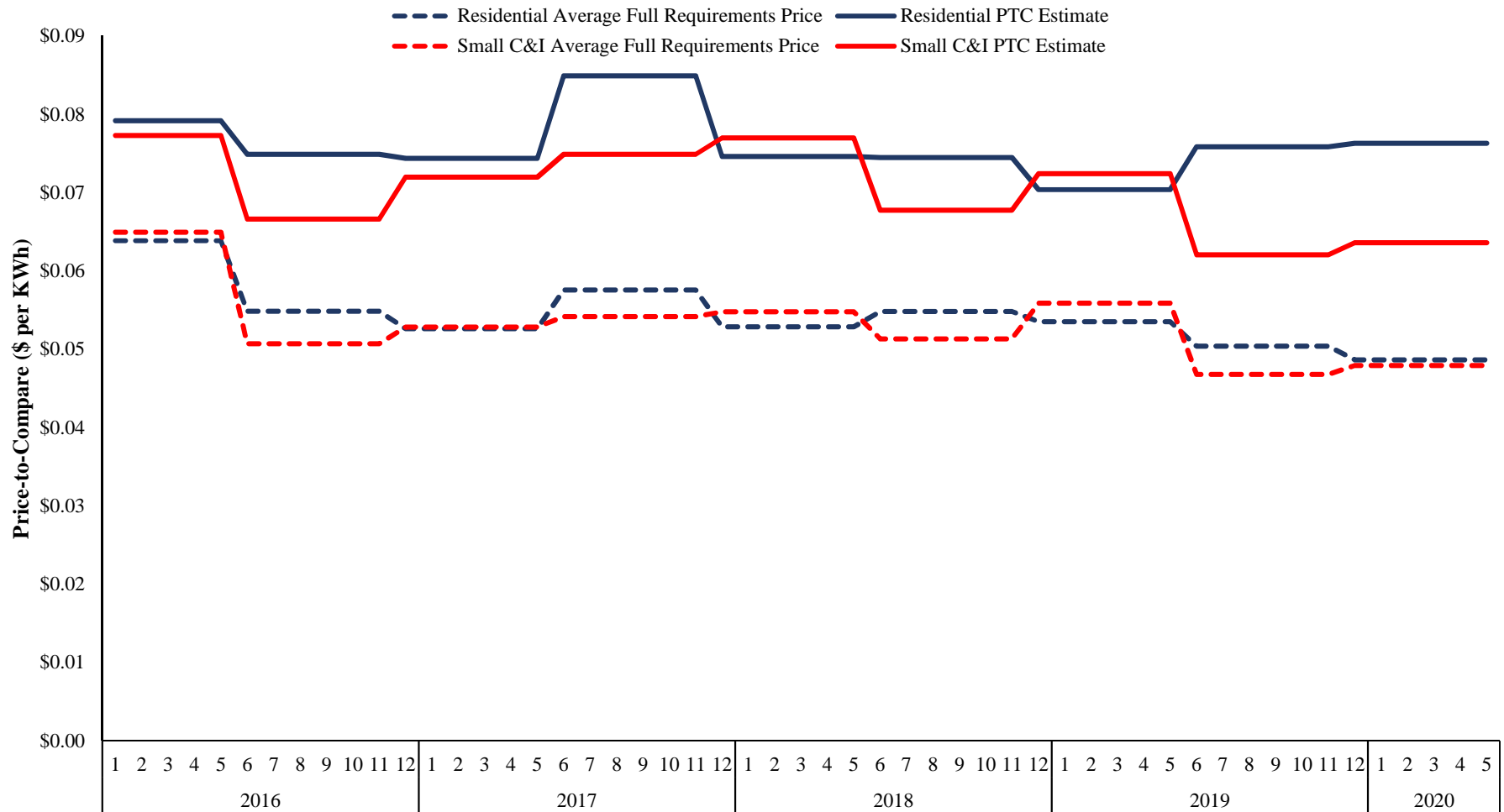
1992–present Registered Professional Engineer, Commonwealth of Massachusetts

PROFESSIONAL ASSOCIATIONS AND MEMBERSHIPS

2002–2012 Board of Directors, Northeast Energy and Commerce Association

Exhibit JC-1

PPL Electric's Price-To-Compare and Average Full Requirements Price for Residential and Small Commercial and Industrial Customers (January 2016 - May 2020)



Note:

[1] PPL Electric's Price-to-Compare includes the company's average fixed-price, full-requirements power supply price plus additional costs primarily composed of the transmission services charge, reconciliation adjustment, state tax adjustment surcharge, and block supply for residential customers.

Source:

[A] PPL Electric's Historical Price to Compare, accessed at <https://www.pplelectric.com/utility/about-us/for-generation-suppliers/general-supplier-reference-information/price-to-compare-and-shopping.aspx>

Exhibit JC-2 PPL Electric Utilities DSP V Product Structure and Procurement Schedule Residential Customer Class

DSP IV Product
 DSP V Product

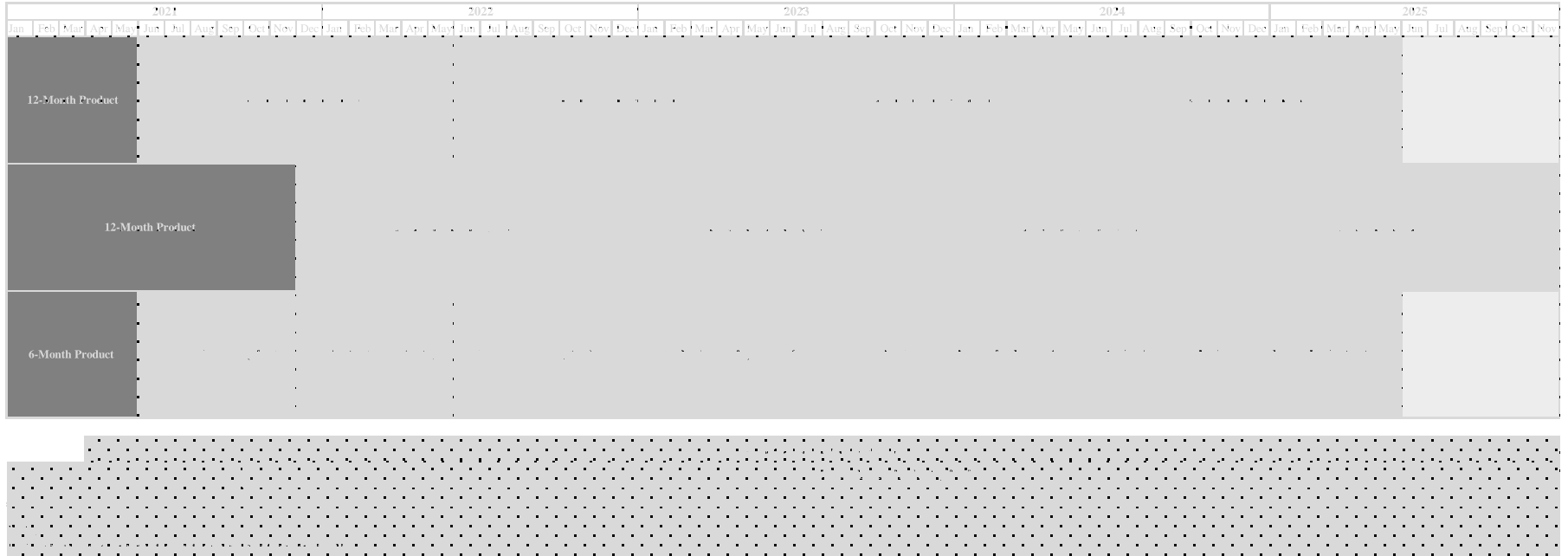
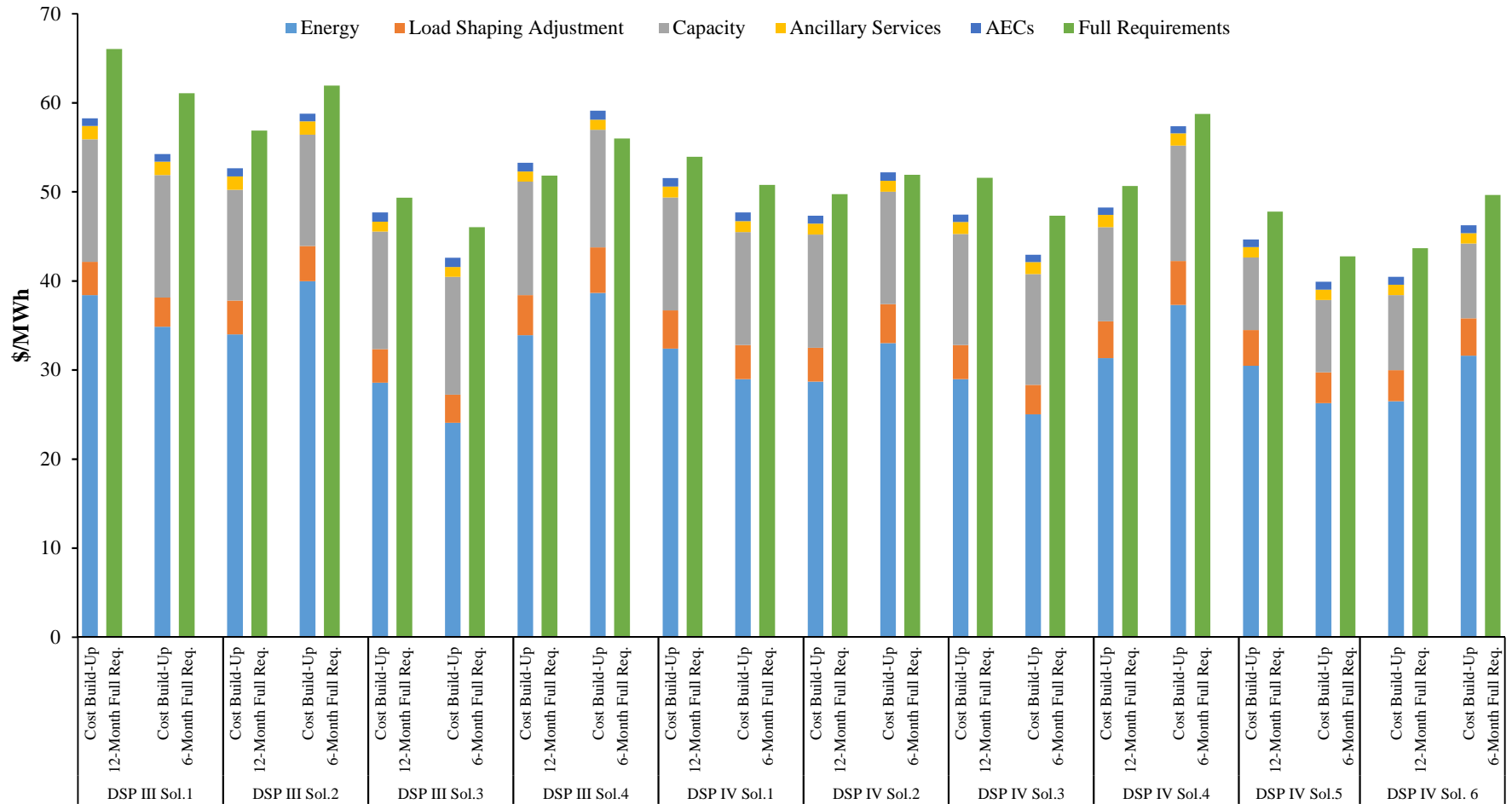


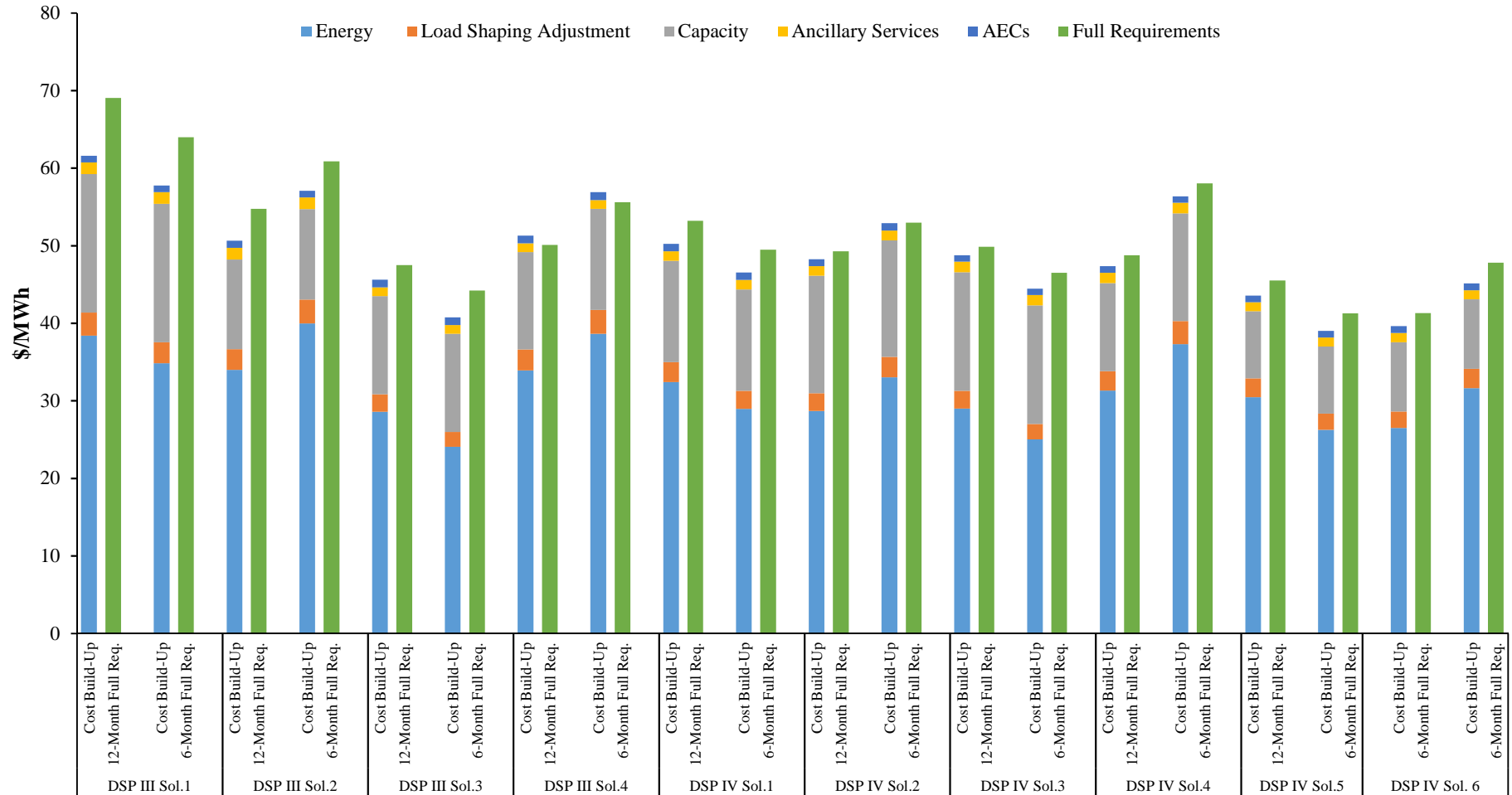
Exhibit JC-4 Cost Build-Up v. Full Requirements Price Residential Customer Class DSP III, DSP IV



Sources:

- [A] PPL Electric Utilities, "PPL Electric's Default Service Program," accessed at <https://www.ppldsp.com/data>.
- [B] PJM, Data Miner 2, accessed at: https://dataminer2.pjm.com/feed/rt_da_monthly_lmps/definition.
- [C] ICE Day Ahead Futures, accessed using Bloomberg.
- [D] State of the Market Report for PJM (2014-2018).

Exhibit JC-5 Cost Build-Up v. Full Requirements Price Small Commercial and Industrial Customer Class DSP III, and DSP IV



Sources:

- [A] PPL Electric Utilities, "PPL Electric's Default Service Program," accessed at <https://www.ppldsp.com/data>.
- [B] PJM, Data Miner 2, accessed at: https://dataminer2.pjm.com/feed/rt_da_monthly_lmpps/definition.
- [C] ICE Day-Ahead Futures, accessed using Bloomberg.
- [D] State of the Market Report for PJM (2014-2018).

VERIFICATION

I, A. JOSEPH CAVICCHI, being the Vice President at Analysis Group, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: March 25, 2020


A. JOSEPH CAVICCHI

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. P-2020-_____

PPL Electric Utilities Corporation

Statement No. 3

Direct Testimony of Melinda Stumpf

Topic Addressed: Customer Assistance Program Shopping

Date: March 25, 2020

1 **I. INTRODUCTION**

2 **Q. What is your name and business address?**

3 A. My name is Melinda Stumpf. My business address is PPL Electric Utilities Corporation,
4 827 Hausman Road, Allentown, PA 18104.

5
6 **Q. What is your current position?**

7 A. I am the Manager of Regulatory Programs and Business Services in PPL Electric Utilities
8 Corporation's ("PPL Electric" or the "Company") Customer Services Department.

9
10 **Q. What are your primary job responsibilities?**

11 A. I am responsible for the oversight and implementation of PPL Electric's universal service
12 programs, including OnTrack (Customer Assistance Program or "CAP"), WRAP (Low-
13 Income Usage Reduction Program or "LIURP"), Operation HELP (hardship fund), and
14 CARES (referral service). In addition, I lead various advocacy and outreach efforts for
15 the Low-Income Home Energy Assistance Program ("LIHEAP").

16
17 **Q. Have you testified in other Commission proceedings?**

18 A. No, I have not testified in other Commission proceedings.

19
20 **Q. What is your educational background?**

21 A. I have an undergraduate degree in Business Administration from Muhlenberg College
22 and a Master of Business Administration from St. Joseph's University.

23

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

2 A. The purpose of my direct testimony is to present the historical data related to Customer
3 Assistance Program (“CAP”) shopping within PPL Electric’s service territory, describe
4 the impact that CAP shopping has on CAP credits and the CAP program costs borne by
5 all residential customers, and present PPL Electric’s proposed changes to CAP shopping.
6 In my testimony I will address the current state of competitive electric generation
7 supplier (“EGS”) participation in PPL Electric’s CAP Standard Offer Program (“CAP
8 SOP”). I will also present data regarding CAP customers paying prices above the PTC
9 on pre-existing supply contracts that were entered into before the customer entered the
10 program. The information presented in my testimony supports the Company’s proposal
11 to require that all CAP customers take default service at the price-to-compare (“PTC”).¹

12
13 **Q. Are you sponsoring any exhibits for your direct testimony?**

14 A. Yes. I am sponsoring Exhibits MS-1 and MS-2. MS-1 graphs the average shopping
15 OnTrack customer rates relative to the PPL Electric PTC and the shopping OnTrack
16 customer net costs versus savings. MS-2 contains PPL Electric’s comments and reply
17 comments in response to the Commission’s February 28, 2019 Proposed Policy
18 Statement Order regarding CAP participant shopping.

19
20 **II. OVERVIEW OF ONTRACK**

21 **Q. Please summarize the key features of the Company’s OnTrack program.**

¹ In response to the Commission’s January 23, 2020 Secretarial Letter at Docket No. M-2019-3007101, PPL Electric intends to address CAP shopping and default service issues in this proceeding. All other CAP issues will be addressed in the Company’s next USECP proceeding.

1 A. PPL Electric’s Commission-approved CAP is called “OnTrack.” Through OnTrack, PPL
2 Electric provides reduced payment amounts based on household income, offers arrearage
3 forgiveness, and refers customers to other assistance programs (e.g., weatherization).
4 PPL Electric’s OnTrack customers pay a fixed amount each month based on household
5 income and ability to pay. Local community-based organizations (“CBO”), through
6 contracts with PPL Electric, administer the program.

7
8 **Q. Are there limits to participation in the OnTrack program?**

9 A. Yes. The OnTrack program is only available to residential customers. To participate in
10 OnTrack, the customer must have a household income at or below 150% of the federal
11 poverty level. Eligible customers are enrolled in the CAP for a period of eighteen
12 months, after which point they would need to re-apply to remain in the program.
13 Customers are removed from the OnTrack program if they miss two consecutive
14 payments. If a customer exhausts their allotted CAP credits prior to the end of the
15 eighteen-month CAP period, they will be placed on the OnTrack Budget Billing program.
16 Customers that are placed on OnTrack Budget Billing will still be eligible for arrearage
17 forgiveness however, their monthly bill will increase to the unsubsidized average bill
18 amount until the original CAP period has expired.

19
20 **Q. Please explain CAP credits.**

21 A. CAP credits are the shortfall between the customer’s fixed OnTrack payment and what
22 the OnTrack customer’s electric bill would be without CAP assistance. There is a limit
23 on the amount of CAP credits a customer can receive during an eighteen-month CAP

1 period. This CAP credit limit varies depending on income level and heating type.
 2 Consequently, the higher the total unsubsidized bill the faster the OnTrack customer will
 3 reach the maximum CAP credit limit. The Company's OnTrack program provides CAP
 4 credit assistance for a period of up to eighteen-months, after which the customer must
 5 reapply to continue to participate in the program. This term length, in addition to the
 6 CAP credits and other program parameters, were established by the Commission-
 7 approved settlement of the Company's 2017-2019 Universal Service & Energy
 8 Conservation Plan². Table 1 below provides the CAP credit limits as implemented in the
 9 current program.

10 **Table 1. – OnTrack Credit Details.**

FPL Tier/Level Federal Poverty Level (FPL)	Account Classification	Maximum Credit Amount That Could Be Used Over 18 Months
0% to 50%	Electric Heat	\$4,027
51% to 100%	Electric Heat	\$3,661
101% to 150%	Electric Heat	\$3,328
0% to 50%	Non-Electric Heat	\$1,585
51% to 100%	Non-Electric Heat	\$1,441
101% to 150%	Non-Electric Heat	\$1,310

11
 12 **Q. How does PPL Electric fund the OnTrack program?**

² Docket – M-2016-2554787

1 A. In PPL Electric’s 2007 distribution base rate case at Docket No. R-00072155, the
2 Commission approved a reconcilable Universal Service Rider (“USR”) for the recovery
3 of costs (excluding employee wages or internal administrative costs) associated with its
4 universal service programs, including OnTrack. The USR is applied to and recovered
5 from all residential customers.
6

7 **III. HISTORY OF CAP SHOPPING IN PPL ELECTRIC’S SERVICE TERRITORY**

8 **Q. Please describe the history of CAP shopping in PPL Electric’s service territory.**

9 A. CAP customers have been eligible to shop for their electric generation supply since the
10 beginning of shopping on January 1, 2010. However, there have been a number of
11 problems associated with unrestricted CAP shopping. CAP customers who shop at a rate
12 above the PTC are at risk of having electricity bills which are higher than they can
13 reasonably afford. If a CAP customer shops at a rate that exceeds the PTC the CAP
14 credits will be exhausted at a faster rate than they would be if the customer received
15 default service. As a result, the OnTrack customer is placed on OnTrack Budget Billing
16 prior to the expiration of the eighteen-month OnTrack term, thereby losing the full
17 benefit of the program and increasing the customer’s risk of becoming payment troubled.

18 In addition to the harms that befall the CAP customer who shops at a rate higher
19 than the PTC, all other residential customers are also harmed. First, all residential
20 customers subsidize the CAP program. Therefore, when CAP customers shop at a rate
21 higher than the PTC there is necessarily a higher program shortfall amount which is
22 recovered through the USR. Second, if the CAP customer exceeds their maximum credit
23 amount and cannot pay the unsubsidized bill amount, all residential customers pay for the

1 resulting uncollectibles due to CAP customer default. This distorts the purpose of CAP
2 away from providing payment assistance to low-income customers to providing
3 subsidized profits to retail suppliers.
4

5 **Q. Has PPL Electric conducted an analysis regarding the impacts of unrestricted CAP**
6 **shopping?**

7 A. Yes, the Company has previously conducted an analysis concerning CAP customer
8 shopping as part of its DSP IV plan and has subsequently updated this analysis as part of
9 this default service plan. In support of its CAP shopping proposal in DSP IV, PPL
10 Electric conducted a comprehensive review of CAP shopping customers during the
11 period January 1, 2013 through October 31, 2015.³ To summarize, that analysis
12 demonstrated that over a thirty-four-month period, an average of 49% of OnTrack
13 customers were shopping, and 55% of OnTrack shoppers were paying above the PTC.
14 For those OnTrack shopping customers paying above the PTC, the average monthly
15 energy charges were \$31 higher (each month) than they would have been had they not
16 shopped. Although some CAP customers did save by shopping, the average savings for
17 those paying less than the PTC was only \$9.00 per month. Although these shopping
18 customers' OnTrack payment amounts did not change, those paying above the PTC
19 exhausted their CAP credits at a faster pace.
20

³ PPL Electric Default Service Plan IV, Docket No. P-2016-2526627, Direct Testimony of Michael S. Wukitsch.

1 **Q. What was PPL Electric’s DSP IV proposal to address the problems associated with**
2 **CAP shopping?**

3 A. PPL Electric proposed and ultimately implemented a Standard Offer Program (“SOP”)
4 specific to CAP customers (“CAP SOP”) as part of the Company’s DSP IV Program.⁴
5 CAP SOP was implemented on June 1, 2017 and will remain in effect through May 31,
6 2021.

7

8 **Q. Please explain the CAP SOP.**

9 A. Currently, all OnTrack customers who wish to shop with an EGS must do so through the
10 CAP SOP. The CAP SOP is intended to mirror the Company’s traditional Standard
11 Offer Program, but with additional end-of-contract elements to protect OnTrack
12 customers at the end of the twelve-month contract term. Specifically, EGSs who wish to
13 participate in the CAP SOP must agree to serve customers at a 7% discount off the PTC
14 at the time of customer enrollment. The rate remains fixed for twelve months; however,
15 customers may terminate the contract at any time without termination or cancellation
16 fees or any other penalty. Customers are evenly distributed to participating EGSs. CAP
17 SOP customers must be returned to the CAP SOP pool and re-enrolled in a new CAP
18 SOP contract at the conclusion of the twelve-month contract period unless the customer
19 requests to be returned to default service or is no longer in CAP. It should be noted that

⁴ See PPL Electric Petition for a Default Service Plan, Docket No. P-2016-2526627 (Order entered October 27, 2016), *aff’d Retail Energy Supply Association v. Pa. PUC*, No. 230 CD 2017 (Opinion and Order issued May 2, 2018).

1 an OnTrack customer may only participate in the CAP SOP if there is at least one EGS
2 participating in the program.

3

4 **Q. Has PPL Electric experienced any difficulties administering the CAP SOP?**

5 A Yes. The main difficulty with the CAP SOP has been the lack of consistent supplier
6 participation. Supplier participation in the CAP SOP has been minimal and those
7 suppliers who have participated have only done so for a short period of time. This causes
8 customer confusion when CAP customers can shop at certain times and at other times
9 must receive default service when no suppliers are participating.

10

11 **Q. Describe the level of EGS participation throughout the CAP SOP?**

12 A. At the commencement of the CAP SOP in June 2017, through November 2017, there
13 were two EGSs participating in the CAP SOP. From December 2017 through May 2018,
14 a single EGS participated in the program. During the period when an EGS was
15 participating in the CAP SOP, 6,751 OnTrack customers shopped with an EGS. From
16 June 1, 2018 through February 29, 2020, there were no EGSs participating in PPL
17 Electric's CAP SOP which resulted in the program becoming inactive. During this time,
18 CAP customers were not eligible to shop. Analysis of CAP customer shopping from
19 June 1, 2018 through January 2020 shows that some customers continued to shop even
20 while the CAP SOP was inactive. As provided in Table 2, there are 7,975 OnTrack
21 customers that are shopping with an EGS as of January 2020, having signed up with an

1 EGS prior to participating in the OnTrack program. Effective March 1, 2020, there is
2 one EGS participating in the CAP SOP.

3
4 **Q. Has CAP SOP protected OnTrack customers from paying for generation at prices
5 above the PTC?**

6 A. No, not entirely. The other difficulty PPL Electric has experienced while implementing
7 the CAP SOP is that customers who shopped prior to enrolling in OnTrack continue to
8 pay significantly higher prices than the PTC. Under the terms of the CAP SOP approved
9 in DSP IV, OnTrack customers enrolled with an EGS prior to entering OnTrack are
10 permitted to remain with their existing supplier until the end of their contract term. As
11 shown in Table 2, while the number of OnTrack customers shopping with an EGS has
12 decreased over time, the number is not zero. Additionally, as detailed in Table 3, a
13 majority of those OnTrack customers that are shopping continue to pay a rate above the
14 PTC.

15
16 **Q. Has PPL Electric conducted any additional analysis on OnTrack customers who
17 have shopped after the CAP SOP was implemented?**

18 A. Yes. Table 2 below provides updated OnTrack customer shopping statistics from 2013
19 through present. As provided in this table, the number of OnTrack customers shopping
20 grew from 2013 through 2016, both in total number and as a percentage. On June 1,
21 2017 PPL Electric implemented the CAP SOP, requiring OnTrack customers to
22 exclusively use the CAP SOP to shop with a retail supplier. During the first year of this

1 program, OnTrack shopping remained flat. OnTrack shopping then summarily decreased
 2 thereafter, with major decreases from 2018 through present. A primary driver for the
 3 decrease in OnTrack shopping was due to a lack of EGS participation in the CAP SOP, as
 4 explained earlier in my testimony. It should be noted that while the CAP SOP was not
 5 available to OnTrack customers, shopping did not decline to zero. This is reflected in the
 6 2018, 2019 and 2020 figures all showing OnTrack customer shopping while the CAP
 7 SOP was inactive. The January 2020 figure in Table 2 shows 7,975 customers shopping
 8 with an EGS and participating in the PPL Electric OnTrack program. This occurs as a
 9 result of low-income customers shopping with an EGS prior to participating in the
 10 OnTrack program.

11 **Table 2. – Summary OnTrack Customer Shopping Statistics.**

Year	Avg. # of OnTrack Customers	Avg. # of OnTrack Shopping Customers	% OnTrack Customers Shopping
2013	35,197	16,752	48%
2014	38,373	19,115	50%
2015	45,827	23,385	51%
2016	53,970	27,786	51%
2017	52,809	24,848	47%
2018	54,978	18,824	34%
2019	61,202	10,932	18%
2020*	60,027	7,975	13%

12 * Y2020 figure includes January 2020 data only.

13

14 **Q. Has PPL Electric conducted any analysis concerning the impact of OnTrack**
 15 **customer shopping?**

1 A. Yes. Table 3 below provides a summary of average shopping OnTrack Customer
 2 statistics relative to the PTC. As explained in PPL Electric's DSP IV plan, through
 3 October 2015, approximately half of all shopping OnTrack customers were on rates
 4 above the PTC. As shown in Table 3, the number of shopping OnTrack customers paying
 5 a rate in excess of the PTC has grown, peaking in 2016 at 83%.⁵ In 2019, an average of
 6 62% of CAP customers who are shopping shopped at a rate above the PTC. Through
 7 January 2020 this trend seems to remain.

8 Comparing the figures in Table 3 with the OnTrack customer shopping statistics
 9 in Table 2 shows that while the number of customers shopping remained relatively flat at
 10 about 50% through 2017, the rates customers paid above the PTC grew. Furthermore,
 11 even as OnTrack customer shopping decreased in 2018 and 2019, the percentage of
 12 OnTrack customers paying a rate in excess of the PTC remained above 60%.

13 **Table 3. – OnTrack Customer Shopping Rates Relative to PTC.**

Year	Avg. # of Cust. Shopping	Avg. Rates Above PTC	Avg. Rates Below PTC
2013	16,752	67%	33%
2014	19,115	51%	49%
2015	23,385	49%	51%
2016	27,786	83%	17%
2017	24,848	64%	36%
2018	18,824	68%	32%
2019	10,932	62%	38%
2020*	7,975	62%	38%

14 * Y2020 values includes January 2020 only.

⁵ PPL Electric's CAP SOP Program did not begin until June 1, 2017; therefore, OnTrack customers were eligible to shop for their electricity until CAP SOP was implemented.

1 Exhibit MS-1 expands upon the summary results in Table 3, providing average
2 OnTrack customer shopping rates above and below the PTC and resulting total costs and
3 savings resulting from OnTrack customer shopping. Table 4 below summarizes the total
4 annual costs and savings per year for OnTrack shopping customers. Results show that
5 OnTrack shopping customers have net paid above the PTC in each year from 2013
6 through present. While total costs have decreased since 2018, this is largely attributable
7 to a decrease in the total number of OnTrack customers shopping, as provided in Table 2,
8 and not as a result of improved OnTrack customer shopping rates.

9 **Table 4. – Shopping OnTrack Customer Net Costs and Savings.**

Year	Incremental Costs Above PTC	Incremental Savings Below PTC	Net Incremental Cost/(Savings)
2013	\$ 3,102,101.99	(\$ 577,626.58)	\$ 2,524,475.41
2014	\$ 7,075,886.90	(\$ 1,260,702.83)	\$ 5,815,184.07
2015	\$ 4,143,051.93	(\$ 1,824,797.73)	\$ 2,318,254.20
2016	\$ 7,754,048.98	(\$ 299,675.37)	\$ 7,454,373.60
2017	\$ 5,733,675.86	(\$ 925,870.45)	\$ 4,807,805.41
2018	\$ 4,801,337.09	(\$ 519,755.99)	\$ 4,281,581.10
2019	\$ 3,163,412.20	(\$ 255,326.71)	\$ 2,908,085.49
2020	\$ 265,270.32	(\$ 43,797.44)	\$ 221,472.88
Grand Total	\$ 36,038,785.27	(\$ 5,707,553.10)	\$ 30,331,232.16

10 * Y2020 values includes January 2020 only.

11 It should be noted that while Tables 3 and 4, as well as the results in MS-1, all
12 show that some shopping OnTrack customers are paying rates below the PTC, the
13 realized savings by these customers pales in comparison to the costs incurred by OnTrack
14 customers paying rates above the PTC. While those customers paying rates below the
15 PTC may be able to extend the duration of their CAP credits, as explained above, those
16 customers paying rates above the PTC are likely to shorten the duration of their CAP

1 credits. Further, the net costs provided in Table 4 show that residential customers are
2 paying higher subsidies into the OnTrack program as a result of those OnTrack customers
3 that shop at rates above the PTC.

4
5 **Q. Does the CAP SOP sufficiently protect low-income customers from paying a rate**
6 **that is higher than the PTC?**

7 A. No. What we have discovered is that CAP SOP in its current form only protects CAP
8 customers from in-program shopping. CAP SOP does not protect customers who were
9 shopping before entering OnTrack. The data that we have gathered demonstrates that
10 there are a significant number of customers engaging in pre-program shopping who are
11 paying costs above the PTC. This is highlighted in Tables 2, 3, 4 and MS-1, all which
12 show OnTrack customer shopping while the CAP SOP was inactive, with more than 60%
13 of those customers paying rates above the PTC, resulting in average net annual costs in
14 2018 and 2019 of over \$3.5 million⁶. Effectively, pre-program shoppers are suffering the
15 same harm as they would have been before CAP SOP was implemented.

16
17 **Q. Has PPL Electric received any feedback from CAP customers regarding their**
18 **ability to shop?**

19 A. PPL Electric has not received any significant feedback of customer dissatisfaction related
20 to the unavailability of CAP customer shopping. There are currently just over 52,000

⁶ (\$ 4,281,581.10+\$ 2,908,085.49/2)

1 OnTrack customers who are not shopping. Since June 2017, PPL Electric has only
2 received two complaints from CAP customers pertaining to the lack of available
3 shopping options. However, PPL Electric has received several complaints from
4 customers who were not dropped from their pre-program supply contract at the end of the
5 term. This resulted in customers paying prices above the PTC for several months after
6 the supply contract expired. This is technically in violation of CAP SOP, but PPL
7 Electric does not have any visibility into pre-program contracts, or an effective way of
8 enforcing the supplier's obligations under CAP SOP. There is a concern that there are
9 many CAP customers who are continuing to shop after their pre-program contract expired
10 simply because they are unaware of the contract expiration date.

11
12 **Q. Did PPL Electric propose any additional actions be taken in its DSP IV proceeding**
13 **related to CAP shopping?**

14 A. Yes. In its DSP IV proceeding, PPL Electric also proposed that a statewide collaborative
15 be initiated to address the issue of CAP shopping on a uniform basis. On February 28,
16 2019, the Commission issued a Proposed Policy Statement Order to address CAP
17 participant shopping.⁷ PPL Electric submitted comments to the Commission's Proposed
18 Policy Statement Order, but no final order has been issued to date. PPL Electric's
19 comments and reply comments are provided as Exhibit MS-1 to my testimony.

⁷ See *Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping*,
Docket No. M-2018-3006578.

1 **IV. PPL ELECTRIC'S PROPOSAL**

2 **Q. What is PPL Electric proposing in its DSP V Program with respect to CAP**
3 **shopping?**

4 A. Beginning with the DSP V Program, PPL Electric is proposing that in order to enroll in
5 OnTrack, customers must receive default service at the price-to-compare. As a result,
6 CAP customers will be ineligible to shop and must remain or be placed on default service
7 beginning on June 1, 2021, prior to enrolling in OnTrack. This proposal adopts what has
8 been the status quo for the majority of the time that CAP SOP has existed since there has
9 only been minimal EGS participation. It also serves to protect customers who were
10 shopping before entering OnTrack. Given PPL Electric's experience with CAP customer
11 shopping in its service territory, the Company believes that this proposal is necessary to
12 protect CAP customers from exceeding their CAP credits, as well as to protect all
13 residential customers from subsidizing amounts that are not benefitting CAP customers.

14

15 **Q. What will be required for PPL Electric to implement its proposal?**

16 A. Minimal IT changes will be required since PPL Electric already built the feature to
17 disallow CAP shopping unless the customer shops through the CAP SOP. Additional
18 communications will be developed to inform the customer of the need to terminate their
19 existing supply contract prior to enrolling in OnTrack.

20

21 **Q. What will the process be to enroll someone in OnTrack who is already shopping?**

1 A. PPL Electric will reword the OnTrack application to inform customers that they must
2 cancel their shopping contract in order to participate in OnTrack. During the intake
3 process, the customer will be notified of the requirement to cancel their supplier contract
4 within two weeks of the program eligibility notification. At the time of the notification
5 the customer will be advised to inquire about early termination fees when they contact
6 their supplier to cancel service. The customer will be enrolled in OnTrack automatically
7 once the supplier contract has been terminated. If the customer chooses to remain with
8 the supplier, they will be notified that if they change their mind and want to participate in
9 OnTrack that they will need to reapply when they no longer have a supplier.

10

11 **Q. Has PPL Electric considered the impact of early termination fees on customers**
12 **looking to enroll in OnTrack with pre-existing shopping contracts?**

13 A. Yes. As part of the intake process where the CBO representative explains to customers
14 that they must contact their supplier to cancel the contract prior to entering OnTrack, they
15 will also advise the customer to inquire about their current shopping rate and any
16 applicable early termination fees (“ETF’s”). Ultimately it is the customer’s decision, but
17 with a complete understanding of the benefits versus the costs of the decision the
18 customer can make an informed choice on whether to cancel their current shopping
19 contract to enroll in OnTrack.

20

21 **Q. How will PPL Electric manage the transition of the CAP customers who are**
22 **currently receiving service from an EGS to default service?**

1 A. Existing CAP customers who are shopping will be allowed to remain in their contract
2 until the earlier of the contract expiring, or needing to re-enroll in CAP. At that point the
3 customer will be required to take default service to remain in the OnTrack program.

4

5 **Q. What options does a low-income customer have if they still desire to shop for their**
6 **electric supply?**

7 A. Low-income customers may still shop for their electric supply; however, they will be
8 ineligible to participate in the OnTrack program while shopping.

9

10 **Q. What does PPL Electric propose in the event that the Commission issues an order**
11 **on its Proposed Policy Statement at Docket No. M-2018-3006578 during the DSP V**
12 **Program period?**

13 A. Should the Commission issue a future order directing differently than what PPL Electric
14 is proposing in this proceeding, PPL Electric will seek to amend the DSP V with respect
15 to CAP shopping so that it is in compliance with the Commission's directives.

16

17 **Q. Does this conclude your Direct Testimony?**

18 A. Yes, however I reserve the right to supplement my testimony as additional issues arise.

VERIFICATION

I, A. JOSEPH CAVICCHI, being the Vice President at Analysis Group, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: March 25, 2020



A. JOSEPH CAVICCHI

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. P-2020-_____

PPL Electric Utilities Corporation

Statement No. 3

Direct Testimony of Melinda Stumpf

Topic Addressed: Customer Assistance Program Shopping

Date: March 25, 2020

1 **I. INTRODUCTION**

2 **Q. What is your name and business address?**

3 A. My name is Melinda Stumpf. My business address is PPL Electric Utilities Corporation,
4 827 Hausman Road, Allentown, PA 18104.

5
6 **Q. What is your current position?**

7 A. I am the Manager of Regulatory Programs and Business Services in PPL Electric Utilities
8 Corporation's ("PPL Electric" or the "Company") Customer Services Department.

9
10 **Q. What are your primary job responsibilities?**

11 A. I am responsible for the oversight and implementation of PPL Electric's universal service
12 programs, including OnTrack (Customer Assistance Program or "CAP"), WRAP (Low-
13 Income Usage Reduction Program or "LIURP"), Operation HELP (hardship fund), and
14 CARES (referral service). In addition, I lead various advocacy and outreach efforts for
15 the Low-Income Home Energy Assistance Program ("LIHEAP").

16
17 **Q. Have you testified in other Commission proceedings?**

18 A. No, I have not testified in other Commission proceedings.

19
20 **Q. What is your educational background?**

21 A. I have an undergraduate degree in Business Administration from Muhlenberg College
22 and a Master of Business Administration from St. Joseph's University.

23

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

2 A. The purpose of my direct testimony is to present the historical data related to Customer
3 Assistance Program (“CAP”) shopping within PPL Electric’s service territory, describe
4 the impact that CAP shopping has on CAP credits and the CAP program costs borne by
5 all residential customers, and present PPL Electric’s proposed changes to CAP shopping.
6 In my testimony I will address the current state of competitive electric generation
7 supplier (“EGS”) participation in PPL Electric’s CAP Standard Offer Program (“CAP
8 SOP”). I will also present data regarding CAP customers paying prices above the PTC
9 on pre-existing supply contracts that were entered into before the customer entered the
10 program. The information presented in my testimony supports the Company’s proposal
11 to require that all CAP customers take default service at the price-to-compare (“PTC”).¹

12
13 **Q. Are you sponsoring any exhibits for your direct testimony?**

14 A. Yes. I am sponsoring Exhibits MS-1 and MS-2. MS-1 graphs the average shopping
15 OnTrack customer rates relative to the PPL Electric PTC and the shopping OnTrack
16 customer net costs versus savings. MS-2 contains PPL Electric’s comments and reply
17 comments in response to the Commission’s February 28, 2019 Proposed Policy
18 Statement Order regarding CAP participant shopping.

19
20 **II. OVERVIEW OF ONTRACK**

21 **Q. Please summarize the key features of the Company’s OnTrack program.**

¹ In response to the Commission’s January 23, 2020 Secretarial Letter at Docket No. M-2019-3007101, PPL Electric intends to address CAP shopping and default service issues in this proceeding. All other CAP issues will be addressed in the Company’s next USECP proceeding.

1 A. PPL Electric’s Commission-approved CAP is called “OnTrack.” Through OnTrack, PPL
2 Electric provides reduced payment amounts based on household income, offers arrearage
3 forgiveness, and refers customers to other assistance programs (e.g., weatherization).
4 PPL Electric’s OnTrack customers pay a fixed amount each month based on household
5 income and ability to pay. Local community-based organizations (“CBO”), through
6 contracts with PPL Electric, administer the program.

7
8 **Q. Are there limits to participation in the OnTrack program?**

9 A. Yes. The OnTrack program is only available to residential customers. To participate in
10 OnTrack, the customer must have a household income at or below 150% of the federal
11 poverty level. Eligible customers are enrolled in the CAP for a period of eighteen
12 months, after which point they would need to re-apply to remain in the program.
13 Customers are removed from the OnTrack program if they miss two consecutive
14 payments. If a customer exhausts their allotted CAP credits prior to the end of the
15 eighteen-month CAP period, they will be placed on the OnTrack Budget Billing program.
16 Customers that are placed on OnTrack Budget Billing will still be eligible for arrearage
17 forgiveness however, their monthly bill will increase to the unsubsidized average bill
18 amount until the original CAP period has expired.

19
20 **Q. Please explain CAP credits.**

21 A. CAP credits are the shortfall between the customer’s fixed OnTrack payment and what
22 the OnTrack customer’s electric bill would be without CAP assistance. There is a limit
23 on the amount of CAP credits a customer can receive during an eighteen-month CAP

1 period. This CAP credit limit varies depending on income level and heating type.
 2 Consequently, the higher the total unsubsidized bill the faster the OnTrack customer will
 3 reach the maximum CAP credit limit. The Company's OnTrack program provides CAP
 4 credit assistance for a period of up to eighteen-months, after which the customer must
 5 reapply to continue to participate in the program. This term length, in addition to the
 6 CAP credits and other program parameters, were established by the Commission-
 7 approved settlement of the Company's 2017-2019 Universal Service & Energy
 8 Conservation Plan². Table 1 below provides the CAP credit limits as implemented in the
 9 current program.

10 **Table 1. – OnTrack Credit Details.**

FPL Tier/Level Federal Poverty Level (FPL)	Account Classification	Maximum Credit Amount That Could Be Used Over 18 Months
0% to 50%	Electric Heat	\$4,027
51% to 100%	Electric Heat	\$3,661
101% to 150%	Electric Heat	\$3,328
0% to 50%	Non-Electric Heat	\$1,585
51% to 100%	Non-Electric Heat	\$1,441
101% to 150%	Non-Electric Heat	\$1,310

11
 12 **Q. How does PPL Electric fund the OnTrack program?**

² Docket – M-2016-2554787

1 A. In PPL Electric’s 2007 distribution base rate case at Docket No. R-00072155, the
2 Commission approved a reconcilable Universal Service Rider (“USR”) for the recovery
3 of costs (excluding employee wages or internal administrative costs) associated with its
4 universal service programs, including OnTrack. The USR is applied to and recovered
5 from all residential customers.
6

7 **III. HISTORY OF CAP SHOPPING IN PPL ELECTRIC’S SERVICE TERRITORY**

8 **Q. Please describe the history of CAP shopping in PPL Electric’s service territory.**

9 A. CAP customers have been eligible to shop for their electric generation supply since the
10 beginning of shopping on January 1, 2010. However, there have been a number of
11 problems associated with unrestricted CAP shopping. CAP customers who shop at a rate
12 above the PTC are at risk of having electricity bills which are higher than they can
13 reasonably afford. If a CAP customer shops at a rate that exceeds the PTC the CAP
14 credits will be exhausted at a faster rate than they would be if the customer received
15 default service. As a result, the OnTrack customer is placed on OnTrack Budget Billing
16 prior to the expiration of the eighteen-month OnTrack term, thereby losing the full
17 benefit of the program and increasing the customer’s risk of becoming payment troubled.

18 In addition to the harms that befall the CAP customer who shops at a rate higher
19 than the PTC, all other residential customers are also harmed. First, all residential
20 customers subsidize the CAP program. Therefore, when CAP customers shop at a rate
21 higher than the PTC there is necessarily a higher program shortfall amount which is
22 recovered through the USR. Second, if the CAP customer exceeds their maximum credit
23 amount and cannot pay the unsubsidized bill amount, all residential customers pay for the

1 resulting uncollectibles due to CAP customer default. This distorts the purpose of CAP
2 away from providing payment assistance to low-income customers to providing
3 subsidized profits to retail suppliers.
4

5 **Q. Has PPL Electric conducted an analysis regarding the impacts of unrestricted CAP**
6 **shopping?**

7 A. Yes, the Company has previously conducted an analysis concerning CAP customer
8 shopping as part of its DSP IV plan and has subsequently updated this analysis as part of
9 this default service plan. In support of its CAP shopping proposal in DSP IV, PPL
10 Electric conducted a comprehensive review of CAP shopping customers during the
11 period January 1, 2013 through October 31, 2015.³ To summarize, that analysis
12 demonstrated that over a thirty-four-month period, an average of 49% of OnTrack
13 customers were shopping, and 55% of OnTrack shoppers were paying above the PTC.
14 For those OnTrack shopping customers paying above the PTC, the average monthly
15 energy charges were \$31 higher (each month) than they would have been had they not
16 shopped. Although some CAP customers did save by shopping, the average savings for
17 those paying less than the PTC was only \$9.00 per month. Although these shopping
18 customers' OnTrack payment amounts did not change, those paying above the PTC
19 exhausted their CAP credits at a faster pace.
20

³ PPL Electric Default Service Plan IV, Docket No. P-2016-2526627, Direct Testimony of Michael S. Wukitsch.

1 **Q. What was PPL Electric’s DSP IV proposal to address the problems associated with**
2 **CAP shopping?**

3 A. PPL Electric proposed and ultimately implemented a Standard Offer Program (“SOP”)
4 specific to CAP customers (“CAP SOP”) as part of the Company’s DSP IV Program.⁴
5 CAP SOP was implemented on June 1, 2017 and will remain in effect through May 31,
6 2021.

7
8 **Q. Please explain the CAP SOP.**

9 A. Currently, all OnTrack customers who wish to shop with an EGS must do so through the
10 CAP SOP. The CAP SOP is intended to mirror the Company’s traditional Standard
11 Offer Program, but with additional end-of-contract elements to protect OnTrack
12 customers at the end of the twelve-month contract term. Specifically, EGSs who wish to
13 participate in the CAP SOP must agree to serve customers at a 7% discount off the PTC
14 at the time of customer enrollment. The rate remains fixed for twelve months; however,
15 customers may terminate the contract at any time without termination or cancellation
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17 SOP customers must be returned to the CAP SOP pool and re-enrolled in a new CAP
18 SOP contract at the conclusion of the twelve-month contract period unless the customer
19 requests to be returned to default service or is no longer in CAP. It should be noted that

⁴ See PPL Electric Petition for a Default Service Plan, Docket No. P-2016-2526627 (Order entered October 27, 2016), *aff’d Retail Energy Supply Association v. Pa. PUC*, No. 230 CD 2017 (Opinion and Order issued May 2, 2018).

1 an OnTrack customer may only participate in the CAP SOP if there is at least one EGS
2 participating in the program.

3

4 **Q. Has PPL Electric experienced any difficulties administering the CAP SOP?**

5 A Yes. The main difficulty with the CAP SOP has been the lack of consistent supplier
6 participation. Supplier participation in the CAP SOP has been minimal and those
7 suppliers who have participated have only done so for a short period of time. This causes
8 customer confusion when CAP customers can shop at certain times and at other times
9 must receive default service when no suppliers are participating.

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11 **Q. Describe the level of EGS participation throughout the CAP SOP?**

12 A. At the commencement of the CAP SOP in June 2017, through November 2017, there
13 were two EGSs participating in the CAP SOP. From December 2017 through May 2018,
14 a single EGS participated in the program. During the period when an EGS was
15 participating in the CAP SOP, 6,751 OnTrack customers shopped with an EGS. From
16 June 1, 2018 through February 29, 2020, there were no EGSs participating in PPL
17 Electric's CAP SOP which resulted in the program becoming inactive. During this time,
18 CAP customers were not eligible to shop. Analysis of CAP customer shopping from
19 June 1, 2018 through January 2020 shows that some customers continued to shop even
20 while the CAP SOP was inactive. As provided in Table 2, there are 7,975 OnTrack
21 customers that are shopping with an EGS as of January 2020, having signed up with an

1 EGS prior to participating in the OnTrack program. Effective March 1, 2020, there is
2 one EGS participating in the CAP SOP.

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4 **Q. Has CAP SOP protected OnTrack customers from paying for generation at prices
5 above the PTC?**

6 A. No, not entirely. The other difficulty PPL Electric has experienced while implementing
7 the CAP SOP is that customers who shopped prior to enrolling in OnTrack continue to
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9 in DSP IV, OnTrack customers enrolled with an EGS prior to entering OnTrack are
10 permitted to remain with their existing supplier until the end of their contract term. As
11 shown in Table 2, while the number of OnTrack customers shopping with an EGS has
12 decreased over time, the number is not zero. Additionally, as detailed in Table 3, a
13 majority of those OnTrack customers that are shopping continue to pay a rate above the
14 PTC.

15
16 **Q. Has PPL Electric conducted any additional analysis on OnTrack customers who
17 have shopped after the CAP SOP was implemented?**

18 A. Yes. Table 2 below provides updated OnTrack customer shopping statistics from 2013
19 through present. As provided in this table, the number of OnTrack customers shopping
20 grew from 2013 through 2016, both in total number and as a percentage. On June 1,
21 2017 PPL Electric implemented the CAP SOP, requiring OnTrack customers to
22 exclusively use the CAP SOP to shop with a retail supplier. During the first year of this

1 program, OnTrack shopping remained flat. OnTrack shopping then summarily decreased
 2 thereafter, with major decreases from 2018 through present. A primary driver for the
 3 decrease in OnTrack shopping was due to a lack of EGS participation in the CAP SOP, as
 4 explained earlier in my testimony. It should be noted that while the CAP SOP was not
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2013	35,197	16,752	48%
2014	38,373	19,115	50%
2015	45,827	23,385	51%
2016	53,970	27,786	51%
2017	52,809	24,848	47%
2018	54,978	18,824	34%
2019	61,202	10,932	18%
2020*	60,027	7,975	13%

12 * Y2020 figure includes January 2020 data only.

13

14 **Q. Has PPL Electric conducted any analysis concerning the impact of OnTrack**
 15 **customer shopping?**

1 A. Yes. Table 3 below provides a summary of average shopping OnTrack Customer
 2 statistics relative to the PTC. As explained in PPL Electric's DSP IV plan, through
 3 October 2015, approximately half of all shopping OnTrack customers were on rates
 4 above the PTC. As shown in Table 3, the number of shopping OnTrack customers paying
 5 a rate in excess of the PTC has grown, peaking in 2016 at 83%.⁵ In 2019, an average of
 6 62% of CAP customers who are shopping shopped at a rate above the PTC. Through
 7 January 2020 this trend seems to remain.

8 Comparing the figures in Table 3 with the OnTrack customer shopping statistics
 9 in Table 2 shows that while the number of customers shopping remained relatively flat at
 10 about 50% through 2017, the rates customers paid above the PTC grew. Furthermore,
 11 even as OnTrack customer shopping decreased in 2018 and 2019, the percentage of
 12 OnTrack customers paying a rate in excess of the PTC remained above 60%.

13 **Table 3. – OnTrack Customer Shopping Rates Relative to PTC.**

Year	Avg. # of Cust. Shopping	Avg. Rates Above PTC	Avg. Rates Below PTC
2013	16,752	67%	33%
2014	19,115	51%	49%
2015	23,385	49%	51%
2016	27,786	83%	17%
2017	24,848	64%	36%
2018	18,824	68%	32%
2019	10,932	62%	38%
2020*	7,975	62%	38%

14 * Y2020 values includes January 2020 only.

⁵ PPL Electric's CAP SOP Program did not begin until June 1, 2017; therefore, OnTrack customers were eligible to shop for their electricity until CAP SOP was implemented.

1 Exhibit MS-1 expands upon the summary results in Table 3, providing average
2 OnTrack customer shopping rates above and below the PTC and resulting total costs and
3 savings resulting from OnTrack customer shopping. Table 4 below summarizes the total
4 annual costs and savings per year for OnTrack shopping customers. Results show that
5 OnTrack shopping customers have net paid above the PTC in each year from 2013
6 through present. While total costs have decreased since 2018, this is largely attributable
7 to a decrease in the total number of OnTrack customers shopping, as provided in Table 2,
8 and not as a result of improved OnTrack customer shopping rates.

9 **Table 4. – Shopping OnTrack Customer Net Costs and Savings.**

Year	Incremental Costs Above PTC	Incremental Savings Below PTC	Net Incremental Cost/(Savings)
2013	\$ 3,102,101.99	(\$ 577,626.58)	\$ 2,524,475.41
2014	\$ 7,075,886.90	(\$ 1,260,702.83)	\$ 5,815,184.07
2015	\$ 4,143,051.93	(\$ 1,824,797.73)	\$ 2,318,254.20
2016	\$ 7,754,048.98	(\$ 299,675.37)	\$ 7,454,373.60
2017	\$ 5,733,675.86	(\$ 925,870.45)	\$ 4,807,805.41
2018	\$ 4,801,337.09	(\$ 519,755.99)	\$ 4,281,581.10
2019	\$ 3,163,412.20	(\$ 255,326.71)	\$ 2,908,085.49
2020	\$ 265,270.32	(\$ 43,797.44)	\$ 221,472.88
Grand Total	\$ 36,038,785.27	(\$ 5,707,553.10)	\$ 30,331,232.16

10 * Y2020 values includes January 2020 only.

11 It should be noted that while Tables 3 and 4, as well as the results in MS-1, all
12 show that some shopping OnTrack customers are paying rates below the PTC, the
13 realized savings by these customers pales in comparison to the costs incurred by OnTrack
14 customers paying rates above the PTC. While those customers paying rates below the
15 PTC may be able to extend the duration of their CAP credits, as explained above, those
16 customers paying rates above the PTC are likely to shorten the duration of their CAP

1 credits. Further, the net costs provided in Table 4 show that residential customers are
2 paying higher subsidies into the OnTrack program as a result of those OnTrack customers
3 that shop at rates above the PTC.

4
5 **Q. Does the CAP SOP sufficiently protect low-income customers from paying a rate**
6 **that is higher than the PTC?**

7 A. No. What we have discovered is that CAP SOP in its current form only protects CAP
8 customers from in-program shopping. CAP SOP does not protect customers who were
9 shopping before entering OnTrack. The data that we have gathered demonstrates that
10 there are a significant number of customers engaging in pre-program shopping who are
11 paying costs above the PTC. This is highlighted in Tables 2, 3, 4 and MS-1, all which
12 show OnTrack customer shopping while the CAP SOP was inactive, with more than 60%
13 of those customers paying rates above the PTC, resulting in average net annual costs in
14 2018 and 2019 of over \$3.5 million⁶. Effectively, pre-program shoppers are suffering the
15 same harm as they would have been before CAP SOP was implemented.

16
17 **Q. Has PPL Electric received any feedback from CAP customers regarding their**
18 **ability to shop?**

19 A. PPL Electric has not received any significant feedback of customer dissatisfaction related
20 to the unavailability of CAP customer shopping. There are currently just over 52,000

⁶ (\$ 4,281,581.10+\$ 2,908,085.49/2)

1 OnTrack customers who are not shopping. Since June 2017, PPL Electric has only
2 received two complaints from CAP customers pertaining to the lack of available
3 shopping options. However, PPL Electric has received several complaints from
4 customers who were not dropped from their pre-program supply contract at the end of the
5 term. This resulted in customers paying prices above the PTC for several months after
6 the supply contract expired. This is technically in violation of CAP SOP, but PPL
7 Electric does not have any visibility into pre-program contracts, or an effective way of
8 enforcing the supplier's obligations under CAP SOP. There is a concern that there are
9 many CAP customers who are continuing to shop after their pre-program contract expired
10 simply because they are unaware of the contract expiration date.

11
12 **Q. Did PPL Electric propose any additional actions be taken in its DSP IV proceeding**
13 **related to CAP shopping?**

14 A. Yes. In its DSP IV proceeding, PPL Electric also proposed that a statewide collaborative
15 be initiated to address the issue of CAP shopping on a uniform basis. On February 28,
16 2019, the Commission issued a Proposed Policy Statement Order to address CAP
17 participant shopping.⁷ PPL Electric submitted comments to the Commission's Proposed
18 Policy Statement Order, but no final order has been issued to date. PPL Electric's
19 comments and reply comments are provided as Exhibit MS-1 to my testimony.

20

⁷ See *Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping*,
Docket No. M-2018-3006578.

1 **IV. PPL ELECTRIC'S PROPOSAL**

2 **Q. What is PPL Electric proposing in its DSP V Program with respect to CAP**
3 **shopping?**

4 A. Beginning with the DSP V Program, PPL Electric is proposing that in order to enroll in
5 OnTrack, customers must receive default service at the price-to-compare. As a result,
6 CAP customers will be ineligible to shop and must remain or be placed on default service
7 beginning on June 1, 2021, prior to enrolling in OnTrack. This proposal adopts what has
8 been the status quo for the majority of the time that CAP SOP has existed since there has
9 only been minimal EGS participation. It also serves to protect customers who were
10 shopping before entering OnTrack. Given PPL Electric's experience with CAP customer
11 shopping in its service territory, the Company believes that this proposal is necessary to
12 protect CAP customers from exceeding their CAP credits, as well as to protect all
13 residential customers from subsidizing amounts that are not benefitting CAP customers.

14

15 **Q. What will be required for PPL Electric to implement its proposal?**

16 A. Minimal IT changes will be required since PPL Electric already built the feature to
17 disallow CAP shopping unless the customer shops through the CAP SOP. Additional
18 communications will be developed to inform the customer of the need to terminate their
19 existing supply contract prior to enrolling in OnTrack.

20

21 **Q. What will the process be to enroll someone in OnTrack who is already shopping?**

1 A. PPL Electric will reword the OnTrack application to inform customers that they must
2 cancel their shopping contract in order to participate in OnTrack. During the intake
3 process, the customer will be notified of the requirement to cancel their supplier contract
4 within two weeks of the program eligibility notification. At the time of the notification
5 the customer will be advised to inquire about early termination fees when they contact
6 their supplier to cancel service. The customer will be enrolled in OnTrack automatically
7 once the supplier contract has been terminated. If the customer chooses to remain with
8 the supplier, they will be notified that if they change their mind and want to participate in
9 OnTrack that they will need to reapply when they no longer have a supplier.

10

11 **Q. Has PPL Electric considered the impact of early termination fees on customers**
12 **looking to enroll in OnTrack with pre-existing shopping contracts?**

13 A. Yes. As part of the intake process where the CBO representative explains to customers
14 that they must contact their supplier to cancel the contract prior to entering OnTrack, they
15 will also advise the customer to inquire about their current shopping rate and any
16 applicable early termination fees (“ETF’s”). Ultimately it is the customer’s decision, but
17 with a complete understanding of the benefits versus the costs of the decision the
18 customer can make an informed choice on whether to cancel their current shopping
19 contract to enroll in OnTrack.

20

21 **Q. How will PPL Electric manage the transition of the CAP customers who are**
22 **currently receiving service from an EGS to default service?**

1 A. Existing CAP customers who are shopping will be allowed to remain in their contract
2 until the earlier of the contract expiring, or needing to re-enroll in CAP. At that point the
3 customer will be required to take default service to remain in the OnTrack program.

4

5 **Q. What options does a low-income customer have if they still desire to shop for their**
6 **electric supply?**

7 A. Low-income customers may still shop for their electric supply; however, they will be
8 ineligible to participate in the OnTrack program while shopping.

9

10 **Q. What does PPL Electric propose in the event that the Commission issues an order**
11 **on its Proposed Policy Statement at Docket No. M-2018-3006578 during the DSP V**
12 **Program period?**

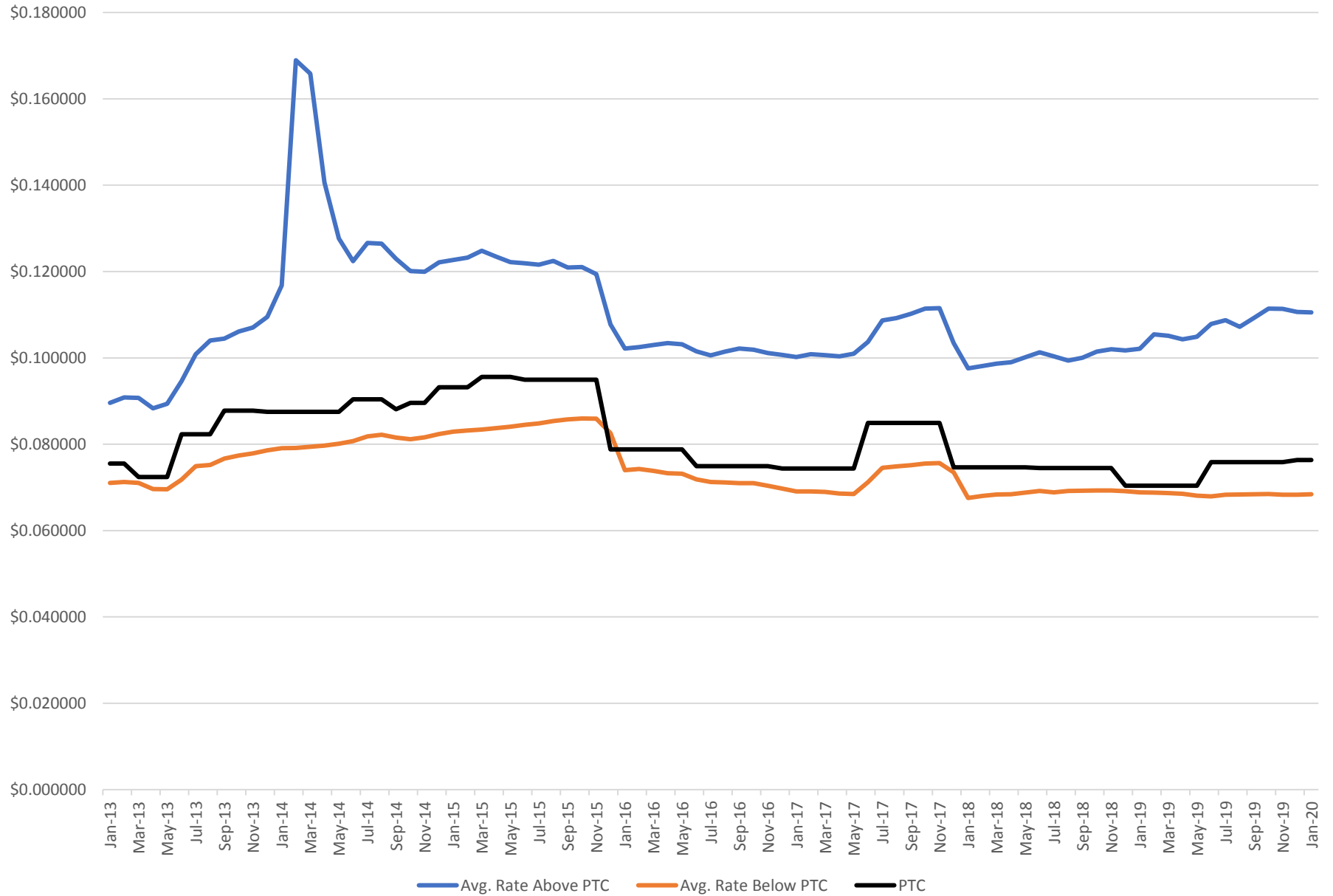
13 A. Should the Commission issue a future order directing differently than what PPL Electric
14 is proposing in this proceeding, PPL Electric will seek to amend the DSP V with respect
15 to CAP shopping so that it is in compliance with the Commission's directives.

16

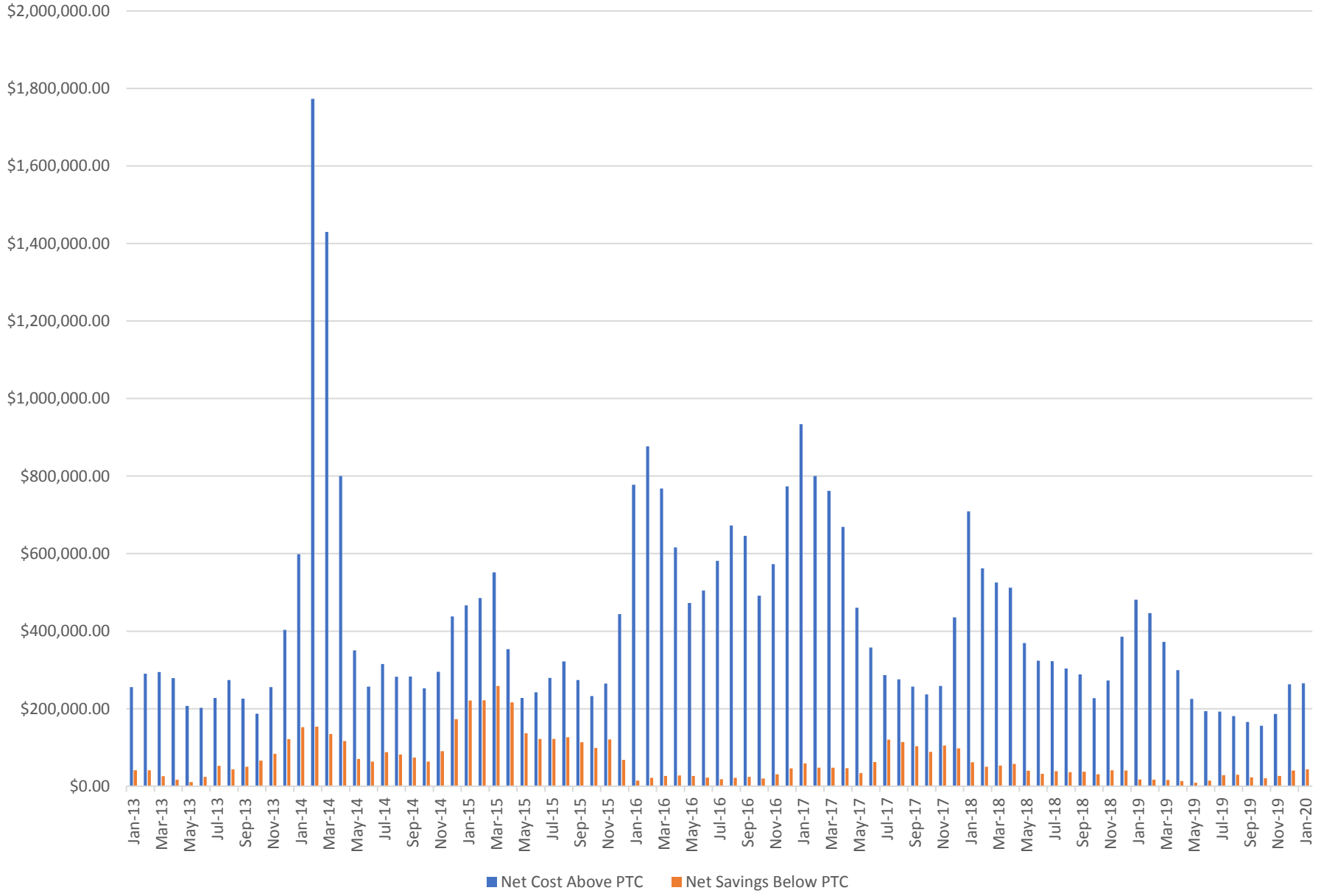
17 **Q. Does this conclude your Direct Testimony?**

18 A. Yes, however I reserve the right to supplement my testimony as additional issues arise.

(Exhibit MS-1) Shopping OnTrack Customer Average Rates vs. PTC



(Exhibit MS-1) Shopping OnTrack Customer Net Costs vs. Net Savings



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E-File

July 30, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17120-3265

**Re: Electric Distribution Company Default Service Plans –
 Customer Assistance Program Shopping
 Docket No. M-2018-3006578**


Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric”) is a corrected original of PPL Electric’s Comments in the above-captioned proceeding. Please reject the previous filing (eFiling Confirmation #1814459) which did not include a signature following the Comments. The instant filing now contains the required signature on page 11. These Comments are being filed pursuant to the Proposed Policy Statement Order issued on February 28, 2019 in this matter.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on July 30, 2019 which is the date it was filed electronically using the Commission’s E-filing system.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,



Michael J. Shafer

Enclosure

cc: Kriss Brown - Email
 Tiffany Tran - Email

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Electric Distribution Company
Default Service Plans – Customer
Assistance Program Shopping

:

Docket No. M-2018-3006578

**COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION & BACKGROUND

PPL Electric Utility Corporation’s (“PPL Electric”) low-income residential Customer Assistance Program (“CAP”), also called “OnTrack”, provides discounted payment amounts and arrearage forgiveness for eligible customers. PPL Electric administers its CAP program by individually evaluating customers to determine their ability to pay, regardless of shopping status, and establishing a reduced monthly payment amount for income qualified customers. The customer is then allotted a maximum amount of CAP credits pursuant to PPL Electric’s Universal Service and Energy Conservation Plan (“USECP”). The CAP credit is the difference between what their non-CAP bill amount would have been and the reduced payment amount under CAP.¹ CAP credits are paid for by PPL Electric’s other non-CAP residential customers. The Company’s current maximum 18-month CAP credit is \$3,328 (\$185 per month) for electric heat customers and \$1,310 (\$73 per month) for non-electric heating customers. Customers are enrolled in the CAP program for a period of eighteen months, at which point they would need to re-apply to remain in the program. However, if a customer exhausts their allotted CAP credits prior the end of the eighteen-month CAP period, that customer is removed from CAP and cannot re-apply until the original CAP period has expired.

¹ PPL Electric Utilities Corporation 2015 Base Rate Case, Docket No. R-2015-2469275.

On January 1, 2010², all customers, including those residential customers participating in the PPL Electric CAP program, were able to shop for their electricity. While customer shopping does not directly impact customer participation in the CAP program, if a CAP customer shops at a rate that exceeds the Price-To-Compare (“PTC”), CAP credits will be drawn down at a more rapid pace than they would otherwise be during the program term. This could result in a CAP customer exhausting their credits and being shifted to PPL Electric’s OnTrack budget billing program.³ In this scenario the Electric Generation Supplier (“EGS”) charging above the PTC benefits, while the CAP customer receives less than the full benefit under the program which has been paid for by other non-CAP residential customers.

During PPL Electric’s 2014-2016 Universal Service and Energy Conservation Plan (“USECP”) filing⁴, parties raised questions concerning CAP customer shopping. Through that proceeding the Commission concluded that CAP shopping was beyond the scope of a USECP proceeding and directed PPL Electric to address CAP shopping as part of its next Default Service Plan (“DSP”).⁵ In PPL Electric’s 2015 base rate proceeding, the Commission approved a settlement agreement under which the parties agreed to hold a collaborative on CAP shopping and further confirmed that CAP shopping would be addressed in the Company’s next DSP filing.⁶ Collaborative meetings were held to discuss the impact of shopping on CAP customers,

² On January 1, 2010, PPL Electric implemented its Default Service Competitive Bridge Plan (Docket No. P-00062227) which allowed PPL Electric service territory customers shop for their electricity.

³ Budget billing is a program whereby a customer’s bill is levelized over a 12-month period so that the customer can anticipate a consistent bill amount each month.

⁴ See PPL Electric Utilities Corporation Universal Service and Energy Conservation Plan for 2014-2016, Submitted in Compliance with 52 Pa. Code § 54.74, Docket No. M-2013-2367021(Final Order issued Sept. 11, 2014) (“PPL Universal Service Plan”).

⁵ See PPL Universal Service Plan, Docket No. M-2013-2367021.

⁶ See *Pa. PUC v. PPL Electric Utilities Corporation*, Docket Nos. R-2015-2469275, *et al.* (Order entered Nov. 19, 2015).

including the collection data and related information, which was used in the subsequent default service plan proceeding.

On January 29, 2016 PPL Electric filed a petition for its next DSP for the period of June 1, 2017 through May 31, 2021.⁷ While the DSP primarily focused on energy procurement methodology and setting the PPL Electric PTC, the plan also sought to address CAP shopping. In its 2016 DSP petition, PPL Electric recommended “that the Commission promptly initiate a statewide collaborative open to all interested stakeholders and/or initiate a new rulemaking proceeding to address these CAP shopping issues on a uniform, statewide basis.”⁸ In the interim, the PPL Electric default service petition proposed utilization of the existing Standard Offer Program (“SOP”) as a means to mitigate the impacts of CAP customers shopping at a rate that was above the PPL Electric PTC.

As a result of the CAP shopping collaboratives and through the default service plan settlement discussions, PPL Electric and certain parties agreed to a revised CAP shopping proposal to address concerns surrounding CAP customer shopping through the introduction of a CAP Standard Offer Program (“CAP SOP”). The intent of this program is to mirror the traditional SOP⁹, but also introduced new elements to protect CAP customers at the conclusion of the 12-month contract term. This included a requirement that CAP SOP customers be returned to the CAP SOP pool and re-enrolled in a new CAP SOP contract at the conclusion of the 12-month contract period unless the customer requests to be returned to default service or is no

⁷ See Petition of PPL Electric Utilities Corporation for Approval of a Default Service Program and Procurement Plan for the Period of June 1, 2017 Through May 31, 2021, Docket No P-2016-2526627 (“DSP IV Petition”).

⁸ See DSP IV Petition p. 33, paragraph 122.

⁹ CAP SOP adopted the following SOP elements: EGS’s participating agree to serve customers at a 7% discount off the PTC at the time of customer enrollment; the price shall remain fixed for 12 months; customers may terminate the contract at any time without termination or cancellation fees, or any other penalty; customers will be evenly distributed to participating EGSs.

longer a CAP customer. Additionally, EGSs must separately enroll into the PPL Electric standard SOP and CAP SOP. On October 27, 2016, the Commission issued its Opinion and Order approving PPL Electric’s Petition including Settlement provisions, which included the implementation of the CAP SOP.¹⁰ In the DSP proceeding, the Retail Energy Supply Association (“RESA”) opposed the adoption of any limits on CAP shopping and appealed the Commission’s October 27, 2016, Opinion and Order. On appeal, the Commonwealth Court issued an opinion affirming the Commission’s decision.¹¹

CAP SOP was implemented on June 1, 2017, and remains in effect through May 31, 2021. At the commencement of the program in June 2017, through November 2017, there were two EGSs participating in the program; from December 2017 through May 2018 a single EGS participated in the program. However, from June 1, 2018 through the present, there are no EGS’s participating in PPL Electric’s CAP SOP. Based upon the CAP SOP requirements, CAP customers only have two options - shop through CAP SOP or receive PPL Electric default service at the PTC. Since no EGSs are participating in the CAP program, and have not participated for over a year, nearly all CAP customers are currently on PPL Electric default service.

On February 28, 2019, the Commission introduced a Proposed Policy Statement Order concerning Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping.¹² In its Order, the Commission recognized that low-income customers, especially those participating in electric distribution company (“EDC”) CAP programs are at risk of harm based upon the rates they choose if allowed to shop without restriction. The Order cites

¹⁰ PPL Electric Default Service Plan, Pennsylvania Public Utility Commission Opinion and Order, P-2016-2526627 (issued October 27, 2016).

¹¹ *Retail Energy Supply Association vs. Pa. PUC*, No. 230 CD 2017 (Opinion and Order issued May 2, 2018).

¹² See Docket No. M-2018-3006578 (“CAP Shopping Order”)

PPL Electric’s statistics from its DSP, showing harm to over 55% of shopping CAP customers prior to the implementation of the CAP SOP, resulting in an estimated net financial impact of over \$2.7 million. Further, the Order references the varying programs other EDCs have in effect concerning CAP shopping.¹³ Within this Order, the Commission issued a draft CAP shopping policy statement and is seeking comments by parties to its policy statement.

PPL Electric respectfully submits the following Comments, summarizing its experience with CAP customer shopping, addressing the proposed CAP Shopping Policy Statement, and making recommendation for the Commission’s next steps to protect both at-risk CAP customers and non-CAP residential customers who pay the costs of the CAP program.

II. COMMENTS

A. The Impact of CAP Customer Shopping in PPL Electric’s Service Territory

As highlighted in the Introduction & Background section above, PPL Electric has, and continues to play an active role in supporting low-income customers through its CAP. During the implementation of PPL Electric’s last DSP, the Company recognized that CAP customers who shop at a rate above the PTC are at risk of paying more for electricity than they can reasonably afford. This often results in premature utilization of CAP credits – detrimentally impacting CAP customers. It is also important to highlight that CAP customers are not the only customers impacted. Non-CAP residential customers - those who pay the cost of the CAP program - are also negatively impacted and should be protected from unreasonable and unnecessary costs.

The Commission Order mirrors PPL Electric’s interest in minimizing impacts to CAP and non-CAP customers stating “[b]oth CAP participants, in potentially losing their CAP

¹³ CAP Shopping Order, pp. 2-4.

benefits, and non-CAP participants, because they subsidize uncollectibles resulting from CAP defaults, are harmed when CAP participants pay rates higher than their EDCs' applicable PTCs."¹⁴ Commission comments continue stating "[i]ncreased CAP participant default rates due to shopping at rates higher than the EDCs' PTCs harms non-CAP participants as well."

Statistics submitted by PPL Electric in its previous DSP highlight the tangible costs associated with CAP customer shopping at rates above the PTC. From January 2013 through October 2015, approximately 49% of CAP customers chose to shop with an EGS. Of those customers that shopped, approximately 55% were paying a rate above the PTC. Based upon actual CAP customer bills, those customers that shopped at a rate above the PTC paid an average of \$31 a month higher than they would have otherwise paid on the PPL Electric PTC. Customers that shopped at a rate below the PTC paid an average of \$9 per month below what they would have otherwise paid on the PTC. Extrapolating these figures, CAP customers who shop and are paying an amount above the PTC are paying approximately \$298,406 per month, or \$3,580,872 over 12 months, in excess of the PTC. This is compared to CAP customers who were shopping below the PTC and were paying \$69,750 per month, or \$837,000 over 12 months, less than what they would have paid with the PTC.¹⁵ The resulting impact to both shopping CAP customers and those non-CAP customers that pay the cost of the CAP program are stark. CAP customers who shopped incurred net costs of \$2,743,872 per 12-month period over what they would have incurred by simply remaining on the PTC.

As discussed earlier, there was only limited EGS support of CAP SOP when the program was initiated, which has since dwindled to zero EGSs currently participating in CAP SOP.

¹⁴ CAP Shopping Order, p. 5.

¹⁵ PPL Electric Utilities Corporation Default Service Plan, Statement No. 3, Direct Testimony of M. Wukitsch, Docket No. P-2016-2526627.

During the period when EGSs were participating in CAP SOP (June 1, 2017 through May 31, 2018) a total of 6,751 CAP customers shopped with an EGS through the CAP SOP. Since June 2018, nearly all CAP customers are on PPL Electric default service, receiving the PTC. The lack of support from EGSs for CAP SOP has had the effect of returning all CAP customers to the PTC.

C. PPL Electric Comments to the Commission Proposed CAP Shopping Policy Statement

The Proposed CAP Shopping Policy Statement clearly shows the Commission's intent to protect both CAP and non-CAP customers from harm. It does so by mandating that CAP shopping rates always be at or below the EDCs PTC, that the contract between CAP customer and EGS does not contain any early termination or cancellation fees, and that at the end of the contract, CAP customers may re-enroll with the EGS, enroll with a new EGS, or return to default service.

PPL Electric respects the intent of these prescriptive policy elements as a means to protect CAP customers from paying rates above the EDC PTC and minimize the costs incurred by non-CAP residential customers who subsidize the CAP program. In fact, many of these elements are incorporated into the PPL Electric CAP SOP. This includes EGSs offering a rate 7% below the PTC at the time of customer sign-up, and standardization of contract terms including the prohibition of early termination or cancellation fees. PPL Electric notes that under its current CAP SOP, the shopping rate could exceed the PTC if the PTC drops by more than 7% during the term of the CAP SOP contract. However, CAP SOP customers have the right to terminate the contract without payment of termination fees.

During PPL Electric's CAP shopping collaboratives and through settlement discussions in its previous DSP proceeding, a major area of discussion was the role of the EDC in reviewing

CAP customer retail contracts. PPL Electric does not have insight into any customer's retail contracts, regardless of the customer's participation in CAP. PPL Electric offers rate ready billing to EGSs. This is an option whereby EGSs submit their customer rates to PPL Electric, who then calculates all elements of the customer bill. However, many EGSs do not utilize rate ready billing which makes it difficult, if not impossible, for PPL Electric to accurately determine a customer's shopping rate.

PPL Electric's lack of insight into the CAP customers' retail contracts has created difficulties in administering its CAP SOP. There are some CAP customers that enter the program with pre-existing contracts that are not CAP SOP compliant. The CAP customer remains on the pre-existing contract until the end of its term, at which point the EGS is required to drop the customer, enabling them to shop through CAP SOP or be returned to the PTC. However, there have been instances where the EGS has failed to drop the customer at the expiration of the pre-CAP contract resulting in the CAP customer remaining on the non-CAP SOP compliant contract without PPL Electric's knowledge. PPL Electric does not know when the original contract term expired, therefore the Company is unable to determine when the customer should be returned to CAP SOP or the default rate.

The underlying issue with this process is that PPL Electric does not have a mechanism to review or enforce EGS compliance with the terms of the PPL Electric CAP SOP. Through the CAP SOP, it is the EGSs obligation to return customers to the CAP SOP pool or the PTC at the end of a CAP SOP contract. However, there are no policies or procedures to enforce EGSs obligations to drop customers at the end of their CAP SOP contracts. As mentioned above, PPL Electric offers a rate ready billing option that would grant some insight into customer shopping

rates, but rate ready billing only provides one piece of what is a large need – mechanisms to review and enforce program contract controls.

The Commission’s CAP Shopping Policy Statement seeks to limit the exposure of CAP customers to rates that are above the PTC, but does not address the role of the EDC in managing this process. PPL Electric supports revising the CAP Shopping Policy Statement to clarify the EGSs obligations in complying with an EDCs CAP SOP terms and provide methods to enforce EGS compliance with the terms of CAP SOP.

PPL Electric also supports further consideration of whether the best policy to protect CAP customers is to simply require that all CAP customers be placed on default service. PPL Electric continues to support its CAP SOP, and its mission of protecting CAP customers from paying costs in excess of the PTC. As has been demonstrated, CAP customers shopping prior to the implementation of the CAP SOP (i.e. prior to June 1, 2017) paid an estimated \$2.7 million over the PPL Electric PTC over a 12-month period. While PPL Electric’s CAP SOP sought to buffer CAP customers from paying a rate in excess of the PTC, EGSs have chosen not to participate in the program, meaning nearly all CAP customers are on the PPL Electric PTC. This has resulted in PPL Electric expending resources in maintaining CAP SOP despite the fact that no EGS has participated in the program for over a year. For these reasons, PPL Electric recommends the Commission consider redrafting its CAP Shopping Policy Statement, requiring all CAP customers receive the EDC PTC.

PPL Electric also requests the Commission take into consideration other compounding factors including program implementation and management costs. While the Commission’s CAP Shopping Policy Statement seeks to limit CAP customer shopping risk, it would also likely create additional EDC CAP program development and implementation costs. To ensure EGSs

are appropriately adhering to rate and contract requirements of the policy statement, EDCs would be tasked with actively tracking customer rates and communicating violations to impacted customers, EGSs, and/or the Commission. Currently, it is unclear how this would be done; however, any such requirements would require system changes, increased communication obligations, and increased time spent managing CAP. Furthermore, it is likely that customers would contact the EDC to help if issues arise, as the CAP program is managed and administered by the EDC, not EGSs. This could further increase PPL Electric customer service representative call time. Ultimately this increased call time may be for issues that should be directed to the EGS, such as questions regarding the customers retail contract terms. Overall, program costs would increase, requiring EDCs take a much more active management and reporting role. This is all assuming EGSs would participate in the new CAP shopping program.

In the interest of maximizing CAP customer program benefits, minimizing CAP customer risks, minimizing customer confusion, and minimizing costs to CAP and non-CAP customers alike, PPL Electric recommends the Commission consider revising its CAP Shopping Policy Statement such that low-income customers participating in the CAP program are not eligible to shop for their electricity.

III. CONCLUSION

PPL Electric is dedicated to supporting CAP customers as evident in the success of the CAP program itself and its drive to protect customers from paying rates in excess of the PTC. Further, PPL Electric continues to look for opportunities to reduce costs to non-CAP customers that subsidize the CAP. The Commission's Proposed CAP Shopping Policy Statement also seeks this same goal, recognizing the potential pitfalls that exist in the competitive market for CAP

customers and the harm that results from CAP customers paying in excess of the EDC PTC. PPL Electric now has the benefit of several years of experience with its CAP SOP, which was designed as a compromise between allowing CAP customers the ability to shop but ensuring that those customers did not pay an amount in excess of the PTC. What PPL Electric has discovered is that there are many challenges in administering its CAP SOP, and for over a year it has not been supported by a single EGS. This has resulted in PPL Electric continuing to maintain its CAP SOP, but for all practical purposes all CAP customers are automatically placed on default service. As such, since there appears to be no EGS support for CAP SOP, PPL Electric recommends the Commission consider simply requiring that CAP customers receive default service.

PPL Electric appreciates the opportunity to provide these Comments and work with the Commission to develop the best program for both CAP customers and non-CAP customers who support it.

Respectfully submitted,



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E-File

August 14, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17120-3265

**Re: Electric Distribution Company Default Service Plans –
Customer Assistance Program Shopping
Docket No. M-2018-3006578**

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation (“PPL Electric”) is an original of PPL Electric’s Reply Comments in the above-captioned proceeding. These Reply Comments are being filed pursuant to the Proposed Policy Statement Order issued on February 28, 2019 in this matter.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on August 14, 2019 which is the date it was filed electronically using the Commission’s E-filing system.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

Michael J. Shafer

Enclosure

cc: Kriss Brown – Email
Tiffany Tran – Email

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Electric Distribution Company : Docket No. M-2018-3006578
Default Service Plans – Customer :
Assistance Program Shopping :

**REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

I. INTRODUCTION & BACKGROUND

On February 28, 2019, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) introduced a Proposed Policy Statement Order concerning Electric Distribution Company Default Service Plans – Customer Assistance Program Shopping.¹ In the Order, the Commission issued a Proposed Policy Statement which comprised three principles: 1) CAP shopping products have a rate that is always at or below the Electric Distribution Company (“EDC”) Price-to-Compare (“PTC”), 2) the contract between Electric Generation Supplier (“EGS”) and Customer Assistance Program (“CAP”) participant contains no early termination or cancellation fees, and 3) at the end of the contract, CAP participants may re-enroll with the EGS, switch to another EGS, or return to default service as long as the first two provisions are maintained.² PPL Electric Utilities Corporation (“PPL Electric”) provided Comments on July 30, 2019 in response to the PUC’s request for Comment to its Proposed Policy Statement. PPL Electric submits these Reply Comments to address Comments submitted by parties to this docket.

¹ See Docket No. M-2018-3006578 (“CAP Shopping Order”)

² CAP Shopping Order, pp. 5.

II. COMMENTS

A. Complexity of Implementing PUC Policy Statement

A key theme of each party's comments to this docket, either directly, or indirectly, is the immense complexity foreseen if the Commission's Proposed Policy Statement is implemented. Parties highlighted a series of core elements that require significant expansion and developmental time, as well as consideration for the time and cost necessary to implement the new CAP shopping program. These include: the unspecified role of the PUC, EDC, and EGS in administering and enforcing the Proposed Policy Statement; the lack of specifics concerning CAP shopping reporting obligations for EDCs and EGSs; the circumstances if and when a CAP customer should be removed from the CAP program or an EGS contract; if non-kWh rates should be valued, and how to do so; and how the overall CAP must change to accommodate customer privacy, the CAP reapplication process, and general communication with CAP customers.

When considered holistically, it can be seen that the development, administration, and enforcement of CAP customer shopping is extremely complex for the PUC, EDCs, EGSs, and most importantly, customers. Take for instance, the concerns raised by the Consumer Advisory Counsel ("CAC"), Office of Consumer Advocate ("OCA"), CAUSE-PA³, Duquesne, UGI, and RESA concerning the Commission's proposed language detailing CAP customer disqualification from the program if the customer enters into a non-qualifying contract with an EGS.⁴ All five parties disagreed with this language; however, there was not a consensus on what approach should be taken to alleviate the issue. CAUSE-PA succinctly summarizes the impact of this language as exacerbating the problem⁵ and recommends the Commission omit section 69.276(b)

³ Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Tenant Union Representative Network and Action Alliance for Senior Citizens of Greater Philadelphia (TURN et al.).

⁴ CAP Shopping Order, pp. 11.

⁵ CAUSE-PA Comments, pp. 7.

of the Proposed Policy Statement.⁶ Further, CAUSE-PA recommends EDCs incorporate mechanisms into their CAPs to prevent or cancel non-compliant EGS contracts unless CAP customers “knowingly and voluntarily” opt to withdraw from the CAP.⁷ With CAUSE-PA’s proposal, an EDC’s responsibility has been compounded by being interjected into the CAP customer and EGS contract process and somehow developing a program to concretely discern if and when a customer truly wants to pursue a contract that would not meet the terms of the Proposed Policy Statement. The CAC also disagrees with 69.276(b) and states “it will be essential for the EDCs to have procedures in place” to govern this process.⁸ The OCA similarly disagrees with the potential impact of this language but concerning who’s responsibility it is to enforce the rule, states “this is a requirement for an EGS seeking to enroll a CAP customer.”⁹

From an EDC prospective, both Duquesne and UGI similarly highlight concern over the lack of protection for at risk customers with the language in 69.276(b). Duquesne aptly characterizes the risk of this language at obligating a customer to understand the terms and conditions of a retail program and CAP – the result of mis-reading a contract being elimination from CAP.¹⁰ Duquesne also proposes this burden be borne by EGSs or that a customer participating in a non-compliant contract be returned to default service instead of being taken out of the CAP.¹¹ UGI explains a scenario when a CAP customer prudently chooses an EGS rate meeting the criteria of the Proposed Policy Statement one month, but not the second month after the PTC is updated – the result being that the CAP customer may be dropped from CAP. UGI states it is unclear what the circumstances are for when the rule is to be applied, and how fast.¹²

⁶ CAUSE-PA Comments, pp. 8.

⁷ CAUSE-PA Comments, pp. 8-9.

⁸ CAC Comments, pp. 4.

⁹ OCA Comments, pp. 9.

¹⁰ Duquesne Comments, pp. 4.

¹¹ Duquesne Comments, pp. 5.

¹² UGI Comments, pp. 9.

Similarly, PPL Electric explained that it does not have access to EGSs' contracts with customers, and therefore is unable to determine whether a contract with a CAP customer complies with the terms of the Proposed Policy Statement.¹³

RESA seeks clarity surrounding the CAP customer contract cancellation and renewal process, and also recommends the language proposed in 69.276 be removed.¹⁴ RESA also contends that EDCs have no role in reviewing the terms of EGSs' contracts, and argues that the Commission is the entity that should enforce EGS compliance with CAP requirements.¹⁵

The clear result, after all recommendations are taken into account, is that CAP customers are at risk and may be placed further at risk unless either complex and potentially confusing rules are put in place or more simply, CAP customers are excluded from shopping while in the CAP program.

This fundamental conclusion carries through to the other issues highlighted above. WGL and RESA find issue with how "rate per kilowatt hour" is defined and its correlation to the PTC. WGL is concerned that simply relating an EGS rate to the PTC will limit an EGSs ability to offer products and services. WGL instead proposes that the limits placed in the Proposed Policy Statement be relaxed to allow CAP customers to choose products that may be more expensive than the PTC.¹⁶ RESA asserts that competitive supply options to CAP customers are limited when an EGS must maintain a price at or below the PTC.¹⁷ Both WGL and RESA recommendations, however create an even more complex process where either the PUC, EDCs or potentially customers must understand when a rate above the PTC is allowed, when it is not, and what the rules are in every scenario. The OCA recognizes the complexity inherent in the

¹³ PPL Electric Comments, pp. 8.

¹⁴ RESA Comments, pp. 16-19

¹⁵ RESA Comments, pp. 17.

¹⁶ WGL Comments, pp. 2-5.

¹⁷ RESA Comments, pp. 12-13.

policy discussion and instead recommends the term “rate per kilowatt hour” be defined to exclude other incentives that could be provided by EGSs such as gift cards, reward incentives, and so on.¹⁸

Both Duquesne and UGI highlight the need for additional rules and requirements to implement the Proposed Policy Statement. UGI asserts that EGSs must have a role in safeguarding CAP customers¹⁹ and that the PUC must clearly state reporting requirements.²⁰ Duquesne highlights the lack of protections for vulnerable customers,²¹ that enforcement obligations of CAP shopping terms and conditions is unclear,²² and that there are concerns with customer privacy,²³ among other things.

In summary, all parties seem to agree, either directly or indirectly, that any revision to CAP shopping requires significant expansion of process and rules, roles and requirements, and consideration as to the impact on CAP customers. As highlighted in PPL Electric’s Comments issued on July 30th, the clear and efficient resolution to this issue is excluding CAP customers from shopping. This eliminates the need for complex rules, eliminates the risk that customers pay too much for their electricity – a burden that falls on the backs of residential customers subsidizing the program and risks CAP customers being removed from the program – and ultimately protects at-risk low-income customers through an efficient and transparent CAP going forward.

B. Protecting Vulnerable Customers Participating in CAP

PPL Electric’s CAP focuses on supporting at-risk low-income customers by maximizing the financial benefits they receive in the program, while also seeking to minimize the cost paid

¹⁸ OCA Comments, pp. 6.

¹⁹ UGI Comments, pp. 5-7.

²⁰ UGI Comments, pp. 8-9.

²¹ Duquesne Comments, pp. 4-5.

²² Duquesne Comments, pp. 5-7.

²³ Duquesne Comments, pp. 7-8.

by those residential customers that subsidize the CAP. As summarized in PPL Electric Comments, the Company is dedicated to supporting CAP customers and continues to look for opportunities to reduce costs.²⁴ Other EDC comments similarly support these goals as found in their comments. It is with that said that PPL Electric finds it concerning that both WGL and RESA take issue with the proposed requirement that CAP customer rates always be at or below the PTC.

As expressed above, WGL is concerned that the Proposed Policy Statement focuses solely on the per kWh costs of a product and not “other factors” as well.²⁵ As an example, WGL lists a series of other products²⁶ it could offer CAP customers – all of which they admit could exceed the PTC and only hold a potential to reduce a CAP customer’s actual bill. WGL fails to recognize that a CAP customer is an especially vulnerable low-income customer who has sought support through an EDC’s CAP program – a program that is subsidized by other, non-CAP residential customers. A CAP customer’s primary focus in participating in this program is to minimize their energy burden. As such, it is at a minimum dangerous, if not inappropriate,²⁷ for CAP customers to knowingly choose rates that may harm both themselves²⁸ and the customers that support them.

What’s more concerning is that WGL fails to understand the purpose and structure of the CAP. PPL Electric’s OnTrack (CAP) Program established a fixed monthly payment amount that reflects each customer’s ability to pay. The difference between the customer’s actual bill (energy and distribution charges) and the CAP bill is the CAP credit, which is paid by non-CAP

²⁴ PPL Electric Comments, pp. 10-11.

²⁵ WGL Comments, pp. 2.

²⁶ WGL Comments, pp. 2-3.

²⁷ Several of the products proposed by WGL, such as cash back or rebate programs, will encourage customers to contract for higher rates, paid by non-CAP customers, in exchange for benefits not reflected in the calculation of the CAP customer’s fixed monthly payment.

²⁸ CAP customers who choose a rate that exceeds the PTC risk using their CAP credit prior to the end of the 18-month CAP period and being removed from CAP, resulting in increased costs to both CAP and non-CAP customers.

residential customers, through PPL Electric's Universal Service Rider. From the perspective of the CAP customer, their monthly payment is not immediately affected by changes to their actual bill, since the customer's fixed payment is based upon the ability to pay. By allowing customers to choose retail programs that are knowingly more expensive than the PTC subverts the goal of the CAP and unnecessarily burdens other non-CAP customers through increased CAP credit costs.

WGL also makes the claim that the Policy Statement would "limit the ability of CAP customers to choose renewable energy products".²⁹ The Commission's Proposed Policy Statement does not limit a low-income customer participating in CAP from choosing a renewable energy product, or any other product available in the retail space. What the Policy Statement does is require a CAP customer who chooses to shop for a product or service in the retail space to enter into contracts with specified limits, or be disqualified from participating in CAP. The Policy Statement appropriately identifies that CAP customers are at-risk customers that require assistance when paying their energy bills. As such, both the Policy Statement and PPL Electric's proposal to exclude CAP customers from shopping seek the same goal – to support at-risk low-income customers and minimize the costs subsidized by non-CAP residential customers.

RESA Comments similarly attack EDC PTCs as not being an "apples-to-apples" comparison³⁰ when compared to an EGS rate, claiming there will be a loss of supply options available to CAP customers.

With respect to RESA's claims that the PTC is not a proper comparison to an EGS's rates, RESA is simply presenting a variant of an argument that has been made, and lost before the Commission, in PECO Energy's recent rate case at Docket No. R-2018-3000164. That case

²⁹ WGL Comments, pp. 4.

³⁰ RESA Comments, pp. 9.

is currently on appeal. *NRG Energy, Inc. v. Pa. PUC*, No. 58 C.D. 2019. In that case, NRG contended that PECO Energy's PTC should have included substantial additional distribution costs. The Commission disagreed, concluding that the proper energy and procurement costs were reflected in PECO Energy's PTC. RESA's contentions should similarly be rejected here. Furthermore, for CAP purposes, CAP credits are defined as the difference between a customer's actual bill and the CAP payment amount. If a CAP customer does not shop, the actual bill equals the sum of distribution charges and the PTC. If a CAP customer shops, the actual bill equals the sum of distribution charges and the EGS's charges. Therefore, if the EGS's charges exceed the PTC, the result is a higher actual bill, and accordingly a higher CAP credit amount to be paid by non-CAP residential customers. The PTC is the proper comparison to the EGS's charges.

With respect to RESA's claim of reduced supply options, as explained above concerning WGL's Comments, the supply options proposed by RESA have inherent risk, if not near certainty, of increasing the actual bill of the CAP customer, resulting in increased costs to customers who pay CAP costs and increased potential that the customer will exceed their CAP credits and be removed from the CAP. RESA focuses on how the PTC is calculated and the costs included; however, RESA fails to acknowledge the advantages EGSs have when creating a rate, the regulatory responsibilities placed on an EDC when creating the PTC, and the purpose of the PTC. Every facet of the EDC default service process is regulated as the default service program and resulting PTC are intended to be a default option for customers who choose not to shop for any reason. EDC default service energy plans are fully litigated, auctions made publicly known, rates and the rate components placed on full display, and all approved by the Commission. No EGS rate is placed under the same rigor. Furthermore, EDCs may not actively adjust to the market, implementing hedges or altering products, unless such activities were approved in its default service plan.

Based upon the regulation imposed on an EDC's default service process and the public disclosure of the PTC and its elements, it would seem appropriate to assume EGSs could construct products at a lower comparative cost to the PTC. However, RESA proposes that the Commission allow for EGS rates to be up to 20 percent more than the PTC.³¹ This will increase CAP costs, as explained above. RESA also focuses on an EDC's "brand recognition" as an opportunity that EDCs have over EGSs.³² RESA ignores that EDCs do not profit from the PTC, and therefore have no incentive to "compete" with EGSs through "brand recognition" or otherwise. RESA further alleges that EDCs have an advantage as "the only entity permitted to bill residential customers each and every month for energy services."³³ This is inaccurate, as the Electric Generation Customer Choice and Competition Act specifically provides that customers have the right to choose to receive bills from the EGS.³⁴ As stated above, RESA fails to understand the purpose of the CAP and instead chooses to attack the PTC in an effort to offer products that are costlier. The CAP is intended to reduce at-risk customer energy burdens and minimize costs subsidized by non-CAP residential customers. RESA seeks regulatory approval to charge CAP customers more than the PTC, which will increase the energy burdens of CAP customers and increase the CAP costs paid by non-CAP residential customers.

III. CONCLUSION

The comments submitted by parties highlight the complexity inherent in the Pennsylvania CAP. PPL Electric is dedicated to supporting CAP customers as evidenced by the success of the PPL Electric CAP program. Based upon the detrimental impact of CAP customers paying a rate in excess of the PTC, the fact that both WGL and RESA seek to allow CAP customers to pay a rate in excess of the PTC, and the significant complexity and resulting confusion that would occur

³¹ RESA Comments, pp. 11.

³² RESA Comments, pp.10.

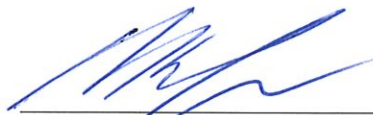
³³ RESA Comments, pp. 11.

³⁴ 66 Pa. C.S. § 2907(c).

should CAP shopping be allowed, PPL Electric recommends the Commission consider prohibiting CAP customer shopping.

PPL Electric appreciates the opportunity to provide these Reply Comments and work with the Commission to develop the best program for both CAP customers and non-CAP customers who support it.

Respectfully submitted,



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Date: August 14, 2019

Counsel for PPL Electric Utilities Corporation

VERIFICATION

I, MELINDA STUMPF, being the Manager – Regulatory Programs/Business Services at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: March 25, 2020



MELINDA STUMPF

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Docket No. P-2020-_____

PPL Electric Utilities Corporation

Statement No. 4

Direct Testimony of Michelle LaWall-Schmidt

Topic Addressed: Standard Offer Program

Date: March 25, 2020

1 **I. INTRODUCTION**

2 **Q. What is your name and business address?**

3 A. My name is Michelle Lawall-Schmidt. My business address is PPL Electric Utilities
4 Corporation (“PPL Electric” or the “Company”), 827 Hausman Road, Allentown, PA
5 18104.

6
7 **Q. What is your current position?**

8 A. I am the Director of Customer Service Operations in PPL Electric’s Customer Services
9 Department.

10

11 **Q. What are your primary job responsibilities?**

12 A. I provide oversight to the Regional Metering, Billing Operations, and Customer Contact
13 Center teams in PPL Electric customer service. I also oversee vendor call centers. I
14 serve as the primary voice of the customer and advocate for the customers’ needs
15 throughout the organization.

16

17 **Q. Have you testified in other Pennsylvania Public Utility Commission (“Commission”)
18 proceedings or proceedings in any other jurisdiction?**

19 A. I have testified in Formal Customer Complaint hearings before the commission.

20

21 **Q. What is your educational background and experience?**

22 A. I have a Bachelor of Science in Politics and Public Policy from Cedar Crest College,
23 1987. I have worked for PPL Electric (or an affiliated company) since 1989 and in

1 Customer Services since 1993. I have been responsible for managing the Meter-to-Cash
2 function for PPL Electric prior to assuming leadership of Customer Contact Centers. I
3 have held analytical and leadership roles in the call center, telephony platform, and
4 collection policy sections before being promoted to my current position in 2015.

5
6 **Q. What is the purpose of your direct testimony?**

7 A. The purpose of my testimony is to present the history of the Standard Offer Program
8 (“SOP”), present certain changes that the Company is proposing to its SOP, explain why
9 these changes should be implemented, and provide data supporting these changes.

10
11 **Q. Are you sponsoring any exhibits with your direct testimony?**

12 A. Yes, I’m sponsoring MLS-1 - SOP Scripting Guidelines, MLS – 2 - Revised Third-Party
13 Vendor Scripts, and MLS – 3 - Updated SOP Process and Rules Document (“SOP
14 Rules”).

15
16 **II. OVERVIEW OF SOP**

17 **Q. Please provide an overview of the Company’s SOP.**

18 A. The SOP was first established in PPL Electric’s DSP II Program. The SOP is available to
19 Residential customers, excluding CAP customers, and Small C&I customers under 25
20 kW peak demand.¹ The SOP provides participants with a standard 7% discount off the

¹ Customers enrolled in the Company’s OnTrack customer assistance program (“CAP”) are currently eligible for a SOP specific to CAP customers (the “CAP SOP”). As of March 1, 2020, there is one EGS participating in the CAP SOP. As explained in the direct testimony of Company witness Stumpf, the Company is proposing that all CAP customers receive default service at the PTC beginning with the DSP V Program.

1 then-current Price to Compare (“PTC”) for a twelve-month term. A customer who elects
2 to participate in the SOP may choose to receive service from a particular electric
3 generation supplier (“EGS”) that is participating in the program, or are randomly
4 assigned to an EGS for customers who do not choose a specific EGS. Customers may
5 exit a SOP contract at any time without penalty, either to re-enroll in the SOP with a new
6 rate, select another EGS or to return to default service.

7
8 **Q. When does PPL Electric inform customers about the SOP?**

9 A. PPL Electric informs customers about the SOP in certain situations, such as when a
10 customer calls in with a billing complaint or shopping question. PPL Electric does not
11 proactively inform customers about the SOP if they are already shopping or when a
12 customer calls in an emergency but will provide information on SOP upon customer
13 request. Additionally, customers may enroll via the customer web portal at any time.

14
15 **Q. How many eligible customers participate in the SOP?**

16 A. From 2017 through 2019, an average of 41,823 customers per year enrolled in the SOP.

17
18 **Q. How many suppliers have participated in the SOP?**

19 A. Table 1 and Table 2 below show EGS participation in the SOP by customer group during
20 each quarter of 2019.

21 **Table 1 - EGSs serving Residential Customers**

2019			
Q1	Q2	Q3	Q4
10	10	15	15

1

2

Table 2 - EGSs serving Small C&I Customers

2019			
Q1	Q2	Q3	Q4
6	8	4	5

3

4 **Q. How do EGSs enroll to participate in the SOP?**

5 A. EGSs participation in the SOP is voluntary. EGSs must affirmatively elect to participate
6 in the SOP each quarter² - EGSs are not automatically enrolled to participate in the SOP
7 from period to period. Before an EGS may participate in the SOP the EGS must first
8 meet certain pre-qualification requirements as defined in the SOP Rules, included in this
9 testimony as Exhibit MLS-3.³ Qualification includes execution of the SOP Binding
10 Participation Form, Exhibit 1 of the SOP Rules, and completion of the SOP Contact
11 Form, Exhibit 2 of the SOP Rules.. The SOP Binding Participation Form defines the
12 term of the SOP and commits the EGS to those terms during their participation in the
13 SOP.

14

15 **Q. How is the SOP administered?**

16 A. PPL Electric utilizes a third-party to administer the SOP.⁴ As explained previously, PPL
17 Electric’s Customer Service Representatives (“CSR’s) offer the SOP when customers

² SOP quarters span 3 calendar months beginning March 1, June 1, September 1, and December 1, respectively.

³ EGS qualifications are defined in Article 4 of the PPL Electric SOP Process and Rules.

⁴ Under the Company’s DSP II Program, PPL Electric undertook a RFP process to select a third-party SOP administrator. PPL Solutions, an affiliate of PPL Electric, was selected as the service provider who could provide

1 contact the Company under certain situations. CSR's provide a brief overview of the
2 SOP to eligible customers. Any customer who is interested in the SOP is transferred by
3 the CSR to the separate, dedicated third-party service provider that will provide more
4 detail regarding the SOP and refer customers interested in the SOP to EGSs for
5 enrollment. EGSs pay a fixed fee of \$28 per referred customer. The fee is paid to PPL
6 Electric by each EGS on a monthly basis, which is then passed on by PPL Electric to the
7 third-party vendor. PPL Electric does not receive any portion of the fee. In addition,
8 customers who have elected to utilize PPL Electric's Web Self Service program can
9 choose to participate in the SOP without using the third-party service provider.⁵ In these
10 instances, the EGS is not charged a referral fee.

11
12 **Q. How many customer inquiries does the third-party SOP administrator handle on**
13 **PPL Electric's behalf?**

14 A. In 2019, the SOP administrator handled 56,763 SOP calls on PPL Electric's behalf.

15
16 **Q. What percentage of those calls resulted in SOP enrollment?**

17 A. Approximately 68.6% of those calls resulted in SOP enrollment.

18

the appropriate level of service at the least cost. The third-party SOP service contract was subsequently extended for the DSP III and DSP IV Programs. During the term of the DSP IV Program, PPL Solutions was acquired by Hansen Technologies. Hansen Technologies is not an affiliate of PPL. The currently effective third-party SOP services contract with Hansen Technologies expires on May 31, 2021.

⁵ Approximately 80% of customers enroll in the SOP via phone call with an agent of the third-party administrator, and approximately 20% of customers enroll in the SOP via the Web Self Service program.

1 **Q. Does PPL Electric plan to continue using the third-party administrator to handle**
2 **SOP enrollments at the current fee?**

3 A. Yes. Given the current success of using Hansen, as summarized above, the Company is
4 recommending their continued use as its third-party administrator for the SOP. The
5 Company is seeking accomplish this by maintaining the program terms in place,
6 including the cost to provide the service of \$28 per referral, through May 31, 2025.

7
8 **Q. What changes is the Company proposing to the SOP?**

9 A. The Company is proposing to continue its SOP for the DSP V Program period with the
10 following changes: (1) educate customers of their options prior to the conclusion of the
11 12-month SOP contract; (2) automatically transfer SOP customers to default service upon
12 the expiration of their SOP contract; (3) replace specific SOP scripting used by PPL
13 Electric CSRs with guidelines to navigate customers through the SOP process, while
14 giving the Company flexibility to modify the precise words if customer confusion
15 becomes apparent; (4) update third-party scripting to reflect changes made to the SOP;
16 and (5) change the EGS enrollment term from quarterly to semi-annually, coinciding with
17 the PPL Electric PTC. Each of these proposals is addressed in the following sections of
18 my testimony.

19
20 **Q. Have you reviewed the Commission’s Secretarial Letter dated January 23, 2020, at**
21 **Docket No. M-2010-3007101, with respect to SOP scripting?**

22 A. Yes. On page 10 of the Secretarial Letter, the Commission suggested that EDCs “include
23 in their filings analyses of their SOPs, the current scripting, and any proposed scripting

1 that adequately informs customers about the SOPs while maintaining important
2 safeguards and protections.” The Commission also suggested that EDCs review the
3 Commission’s actions with respect to SOP scripting in the FirstEnergy proceeding.⁶
4

5 **Q. Does the scripting used by PPL Electric and the third-party administrator conform**
6 **to the Commission’s guidance?**

7 A. Yes. PPL Electric’s existing scripts, both internally and as used by the third-party
8 administrator, are already designed to communicate all of the key themes presented by
9 the Commission in the FirstEnergy Order.
10

11 **III. RETURN TO DEFAULT SERVICE AT EXPIRATION OF SOP CONTRACTS**
12

13 **Q. What currently happens when a SOP customer’s contract expires?**

14 A. Customer’s enrolled with and EGS through the SOP are deemed shopping customers.
15 The Commission’s regulation at 52 Pa. Code Section 54.10 provides details around the
16 communications EGSs are required to make to customers at the conclusion of a contract.
17 EGSs participating in PPL Electric’s SOP Program are responsible for notifying
18 customers of the SOP’s contract’s end and the terms and conditions of the new post-SOP
19 contract before their SOP contract expires. Upon the expiration of a customer’s SOP
20 contract, the customer can choose to return to default service or enter a new shopping

⁶ *Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023, Docket Nos. P-2017-2637855 (Order entered February 28, 2019) (“FirstEnergy Order”).*

1 contract with the existing supplier or a new supplier. Unless the customer affirmatively
2 elects to change suppliers or return to default service, the customer is automatically
3 enrolled in a new contract with the customer's existing supplier at a new rate. Analysis
4 of customer actions after the conclusion of the SOP contract has shown that most
5 customers do not take any action upon expiration of their SOP contract and therefore are
6 placed on a new contract at a new rate with their existing supplier. This result is
7 problematic because the customer's new rate is oftentimes higher than the then effective
8 PTC and higher than the customer's previous rate.

9
10 **Q. Has PPL Electric conducted an analysis of customers rolling off the SOP?**

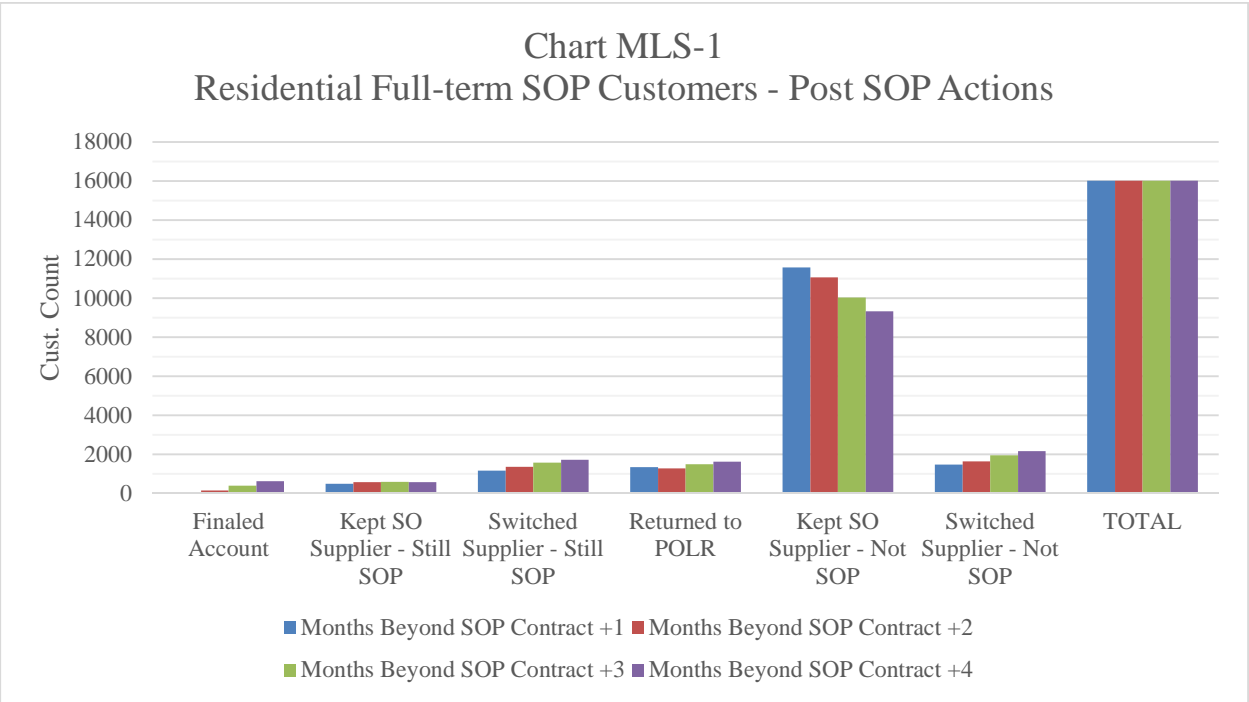
11 A. Yes. The Company conducted a review of customers who rolled off the SOP from 2015
12 through 2019.

13
14 **Q. How many Residential customers take some action following the expiration of their
15 SOP contract?**

16 A. The Company reviewed customers who reached the end of their twelve-month SOP
17 contract.⁷ The review examined their decisions for the four months following the
18 expiration of their SOP contract. As shown on Chart MLS-1 below, some customers
19 consciously choose to take action upon expiration of their SOP contract, whether it be re-
20 enrolling in SOP with their current supplier, re-enrolling in SOP and switching suppliers,
21 returning to default service, or leaving the SOP and shopping with a new supplier.

⁷ Some SOP customers leave their contracts before the conclusion of their contract term, for reasons not known to PPL Electric.

1 Approximately 28% of Residential customers made one of these affirmative decisions
 2 upon expiration of their SOP contract one month after the expiration of their SOP
 3 contract. However, the vast majority of customers were rolled over into a new contract
 4 with their existing SOP supplier outside of the SOP. The Company cannot determine the
 5 type of contract (month to month or longer term) that these customers are converted to at
 6 the end of their SOP contract term. As shown on Chart MLS-1, the number of
 7 Residential customers who are rolled-over to a non-SOP contract does slowly decrease
 8 each month following the expiration of their SOP contract. This means that those
 9 customers who did not take any action upon expiration of their SOP contract and were
 10 automatically converted to a new, non-SOP contract are later choosing to exit that
 11 contract. However, even after four months following the conclusion of their SOP
 12 contract, 58% of these customers continued to be served under a new contract with their
 13 prior SOP supplier.

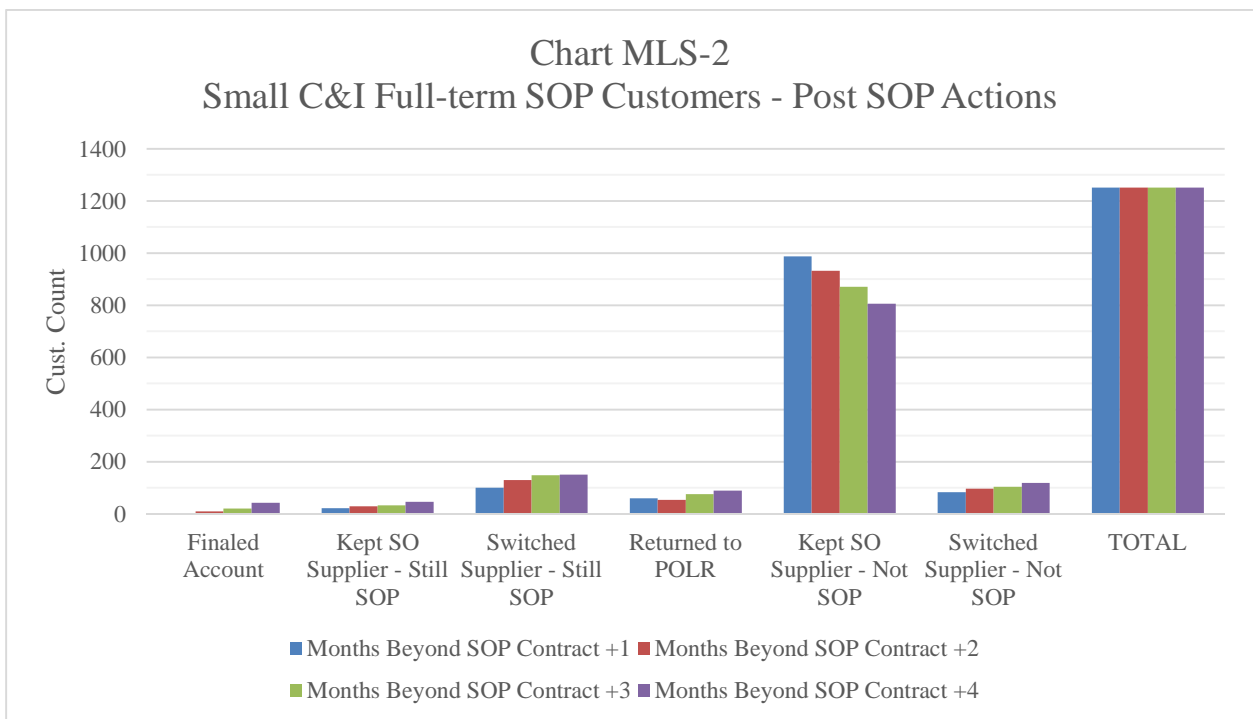


14

1 **Q. Did PPL Electric also examine the SOP experience of Small C&I customers?**

2 A. Yes. As you can see from Chart MLS-2, similar trends are also evident with Small C&I
3 customers. Over 64% of Small C&I SOP customers continued to be served by their SOP
4 supplier under some form of new contract four months after the conclusion of their SOP
5 contract.

6
7



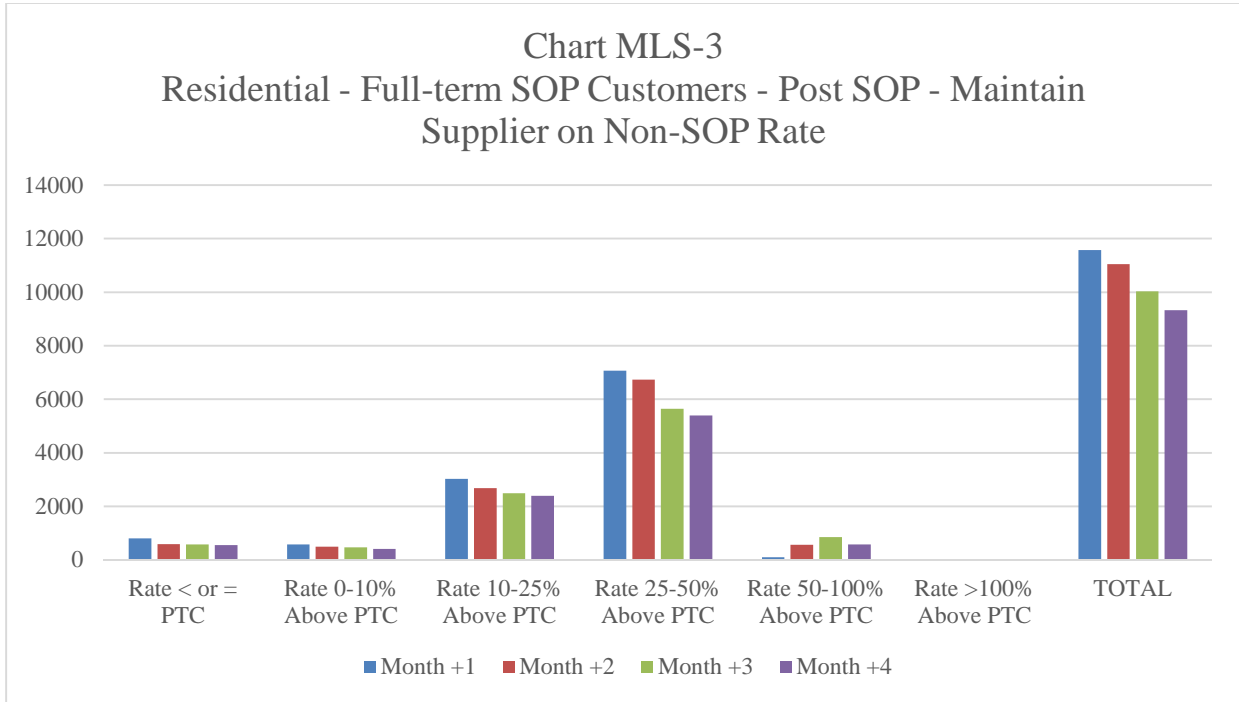
8

9 **Q. Is there a problem with SOP customers remaining with their supplier at the**
10 **conclusion of their SOP contract?**

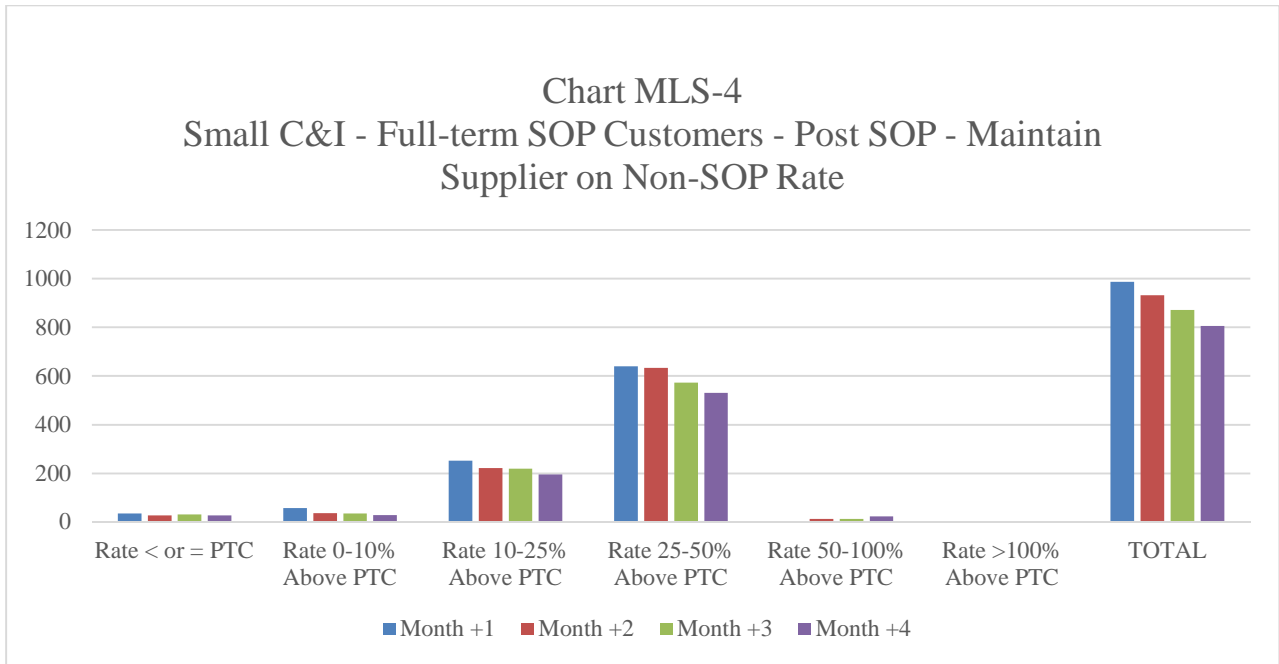
11 A. Not necessarily. If a customer is actively shopping, and concludes that their existing
12 supplier should be retained, that is their choice. However, there is a concern if customers
13 are passively remaining with their supplier, and as a result are paying more than default
14 service rates.

1 **Q. Has PPL Electric conducted an analysis of the rates paid by those customers who**
 2 **retain their existing supplier upon expiration of their SOP contract?**

3 A. Yes. As you can see from Charts MLS-3 and MLS-4, the customers who remained with
 4 their SOP supplier after the conclusion of the SOP (both Residential and Small C&I) paid
 5 a rate that was above the PTC.



6



1

2 As the charts show, 93% of residential customers who remain with their SOP supplier after the
 3 conclusion of their SOP contract are paying a rate at or above the PTC in the first month
 4 following the end of their SOP contract. Four months later, this value slightly increases to 94%
 5 are still paying rates at or above the PTC, with over 89% paying 10% or more above the PTC.
 6 Only 6% of these customers are paying at or below the PTC. Nearly identical percentages are
 7 experienced for Small C&I customers with 96% of customers paying a rate above the PTC after
 8 four months, and 93% paying a rate 10% or more above the PTC over the same time.

9

10 **Q. Please summarize the findings of your analysis of customers rolling off the SOP.**

11 A. PPL Electric finds that most customers who remain with their SOP supplier upon the
 12 conclusion of their SOP contract end up paying significantly more than the currently
 13 effective PTC. PPL Electric is concerned that this is occurring simply because the
 14 customers are taking no action in response to the notice that their contract is expiring.

15

1 **Q. Is this of concern to PPL Electric?**

2 A. Yes. In some cases, this can lead to high billing complaints and even customers
3 becoming payment troubled. It also is contrary to the purpose of shopping, which is to
4 give customers alternatives to reduce their electric bills. Additionally, customers
5 associate their SOP contracts with PPL Electric, and in some instances PPL Electric is
6 being blamed by customers for the increase in contract price after the SOP contract has
7 expired.

8

9 **Q. Please explain PPL Electric's proposal to address this problem.**

10 A. PPL Electric proposes that upon the expiration of a customer's SOP contract, the
11 customer be automatically transferred to default service at the PTC. PPL Electric's
12 proposal would prevent situations in which a customer's inaction upon expiration of the
13 SOP contract leads to that customer being placed on a new contract with their existing
14 EGS at a higher rate than the customer is accustomed to paying.

15

16 **Q. Has PPL Electric received any complaints from customers as a result of supplier
17 actions following expiration of the SOP contract?**

18 A. Yes. In PPL Electric's experience, customers associate PPL Electric with the SOP
19 contract and supplier actions following the expiration of the SOP contract. For example,
20 customers have filed complaints against PPL Electric alleging improper supplier action
21 following the expiration of the SOP contract. Returning customers to default service at
22 the conclusion of the SOP contract and providing them with educational materials on
23 shopping will help customers understand that, if they elect to shop, they will be doing so

1 through an EGS, not through PPL Electric. This process provides the customer with
2 important information to enable them to make an informed decision regarding whether to
3 shop independently of the PPL Electric SOP upon expiration of the SOP contract.
4

5 **Q. What will PPL Electric communicate with customers about the conclusion of their**
6 **contract, and when will the Company do so?**

7 A. PPL Electric proposes a two-step communication process for customers: 1) educating
8 SOP customers of their shopping options after the expiration of their contract, and 2)
9 informing the SOP customers of their movement back to default service at the conclusion
10 of the 12-month term.

11 First, three months prior to the end date, PPL Electric will undergo an outreach
12 campaign including calls, letters, emails and/or text messages (according to customer
13 preference) to discuss the options available to the customer. The materials will help the
14 customer become a proficient shopper after the SOP contract expires. This will include a
15 reference to the PaPowerSwitch.com website, and a discussion of key shopping terms.
16 The goal is to teach customers how to properly evaluate offers so they can become
17 confident shoppers.

18 PPL Electric also proposes to issue notification to customers that they will be
19 transferred to default service at the PTC upon the expiration of the contract 30 days prior
20 to the expiration of the SOP contract.
21
22

23 **Q. Is PPL Electric's proposal consistent with the original intent of the SOP?**

1 A. Yes, the SOP was created as a way to introduce customers to the competitive market and
2 incentivize customer participation.⁸ PPL Electric’s proposal preserves SOP’s original
3 purpose by introducing customers to the competitive market through the SOP and
4 educating customers regarding their options to shop independently of the SOP. PPL
5 Electric’s proposal continues to promote participation in the competitive market while
6 protecting those customers who choose not to take action upon expiration of their SOP
7 contract from paying rates considerably above the PTC, simply because they did nothing.

8
9 **Q. How will PPL Electric track customer SOP contracts and manage the customer**
10 **transfer process with the existing supplier?**

11 A. The current SOP process in place provides the Company with information on customer
12 participation in the SOP, including when the customer is enrolled in the SOP by the EGS.
13 PPL Electric systems will identify the end date for each customer on the SOP based upon
14 when the customer is enrolled to determine which customers require the communications
15 explained above. Furthermore, at the conclusion of the SOP contract, PPL will use
16 existing EDI protocol to return the customer to default service.

17
18 **Q. How will PPL Electric’s proposal impact those customers who do decide to take**
19 **affirmative action upon expiration of their SOP contract?**

20 A. Under PPL Electric’s proposal, customers will still be able to make those decisions that
21 they believe will benefit them. Customers will be moved to default service upon

⁸ See *Final Order on Reconsideration*, Docket Nos. P-2012-228364 et al. (Order entered April 4, 2013), p. 2.

1 expiration of their SOP contract only if they do nothing. Thus, the Company's proposal
2 is simply designed to protect those "passive" customers from paying rates that are much
3 higher than the PTC simply because they enrolled in the SOP and did nothing thereafter.
4

5 **Q. Would customers who are moved to default service be eligible to re-enter the SOP?**

6 A. Yes. Just as customers are able to re-enroll on the SOP if the new SOP rate decreases or
7 at the conclusion of their SOP contract, so too can those customers who are moved to
8 default service at the conclusion of the 12-month contract.
9

10
11 **Q. Would customers who are moved to default service be eligible to shop with an EGS
12 outside of the SOP at any time?**

13 A. Yes, and they can use the educational materials provided by PPL Electric to assist in the
14 shopping process.
15

16 **IV. REPLACING SOP SCRIPTS WITH SOP GUIDELINES.**

17 **Q. Please provide an overview of the current SOP enrollment process.**

18 A. As I testified to earlier, the SOP is offered to all eligible PPL Electric customers.
19 Consistent with the Order from DSP IV, the PPL Electric CSR reads the approved script
20 introducing the SOP. If the customer is interested in the SOP she is transferred to the
21 third-party vendor who reads the script approved in the DSP IV Order and administers
22 the SOP.
23

1 **Q. What steps does PPL Electric take when a customer expresses interest in the SOP?**

2 A. When a customer expresses interest in the SOP, PPL Electric CSRs transfer the customer
3 to the third-party SOP administrator for additional information and enrollment.
4 Representatives of the SOP administrator use pre-established scripts in their discussions
5 with customers.

6

7 **Q. Can you please describe the scripts that PPL Electric currently uses?**

8 A. The scripts that PPL Electric currently use were approved in the DSP IV proceeding. The
9 scripts provide the pertinent details to introduce SOP, but do not allow the CSR to deviate
10 at all from the approved language.

11

12

13 **Q. Have there been any issues associated with the use of scripts during interactions
14 with customers?**

15 A. In PPL Electric's experience, the existing scripts are problematic. The PPL Electric SOP
16 scripts do not provide CSRs the necessary flexibility to tailor the discussion to a
17 particular customer and their concerns. This has led to customer confusion and
18 dissatisfaction with the interaction between PPL Electric and the customer.

19

20 **Q. Please explain PPL Electric's proposal with respect to SOP scripting.**

1 A. PPL Electric is proposing to eliminate the PPL Electric SOP scripting. Instead, the
2 Company proposes to establish guidelines to navigate customers through the SOP
3 process.

4
5 **Q. Why is the Company proposing to replace the PPL Electric SOP scripts with SOP**
6 **guidelines?**

7 A. Based on experience and customer feedback, PPL Electric believes that the use of
8 guidelines rather than pre-scripted material will provide PPL Electric's CSRs with greater
9 flexibility during their interactions with customers. The ability to tailor the discussion to
10 the customer's specific request will result in an enhanced customer experience and better
11 understanding of the SOP. The guidelines will still include all of the information that is
12 in the current scripts to provide customers with the same protections they are receiving
13 today.

14
15 **Q. Please explain the guidelines that will be used in SOP discussions with customers.**

16 A. The proposed guidelines are based on the existing scripts and will communicate the same
17 principles that are contained in the existing scripts. Current referral guidelines will
18 continue to apply to SOP eligibility. The proposed guidelines are attached to my
19 testimony as Exhibit MLS – 1. PPL Electric CSRs will explain the SOP to eligible
20 customers using these general guidelines.

21
22 **Q. How will the Company train its CSRs on the guidelines?**

1 A. During the training process, associates will learn and test on the SOP process, including
2 sessions on live-practice, so that the associates will become more comfortable and
3 knowledgeable with the program, potential customer questions, and best-of-practice tips
4 from their peers. Associates will be expected to be conversational with the customer and
5 expert in answering any questions a customer may have.

6

7 **Q. Does PPL Electric plan to monitor its CSRs and evaluate SOP calls for customer**
8 **satisfaction?**

9 A. PPL Electric associates will have customer calls with CSRs reviewed by the Company's
10 Quality Program following their approval of mastery in this area. The associate and his
11 or her supervisor will listen to and score each call for coaching, improvement or
12 excellence.

13

14 **Q. Does PPL Electric need to update the scripts that its third-party SOP vendor uses?**

15 A. Yes, minor adjustments need to be made to those scripts to account for the program
16 changes that PPL Electric is proposing in this filing. These changes involve explaining to
17 the customer that they will be returned to the PTC at the end of SOP contract. I have
18 attached PPL Electric's proposed revisions to the third-party vendor's scripts as Exhibit
19 MLS – 2.

20

21 **Q. Have you reviewed the Commission's Secretarial Letter dated January 23, 2020, at**
22 **Docket No. M-2010-3007101, with respect to SOP scripting?**

1 A. Yes. On page 10 of the Secretarial Letter, the Commission suggested that EDCs “include
2 in their filings analyses of their SOPs, the current scripting, and any proposed scripting
3 that adequately informs customers about the SOPs while maintaining important
4 safeguards and protections.” The Commission also suggested that EDCs review the
5 Commission’s actions with respect to SOP scripting in the FirstEnergy proceeding.⁹
6

7 **Q. Did PPL Electric consider the Commission’s guidance when developing its SOP
8 proposal?**

9 A. Yes. As explained in my testimony and the testimony of Mr. Rouland, PPL Electric’s
10 proposed SOP guidelines for CSRs and scripts for the third-party SOP vendor scripts
11 maintain all of the key themes presented by the Commission in the FirstEnergy Order.
12

13 **V. EGS ENROLLMENT TERM**

14 **Q. Please describe the current process for EGS enrollment in the SOP.**

15 A. The process is detailed in the Company’s SOP Process and Rules document. Initially, an
16 EGS must be licensed by the Commission to participate in SOP. An EGS wishing to
17 participate must go through a pre-qualification process and be certified to exchange data
18 through PPL Electric’s EDI system. Once certified the EGS must notify PPL Electric of
19 its intent to participate in the upcoming SOP Quarter.
20

⁹ *Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company for Approval of a Default Service Program for the Period Beginning June 1, 2019 through May 31, 2023, Docket Nos. P-2017-2637855 (Order entered February 28, 2019) (“FirstEnergy Order”).*

1 **Q. When can an EGS enter and exit the SOP?**

2 A. Currently, EGSs can choose to participate and exit SOP on a quarterly basis.

3

4 **Q. Is PPL Electric proposing any changes with respect to EGS enrollment in the SOP?**

5 A. Yes. PPL Electric is proposing that the EGS enrollment term change from quarterly to
6 semi-annually.

7

8 **Q. Why is PPL Electric proposing to change the EGS enrollment term?**

9 A. Changing the enrollment term will make SOP easier to administer and make the Program
10 consistent with how many EGSs are already participating in the SOP. PPL Electric's
11 PTC is updated twice a year on June 1st and December 1st. The SOP is both easier to
12 administer and more efficient to implement if the Company knows which EGS's are
13 going to participate for the duration of the PTC period. It has been PPL Electric's
14 experience that many EGSs choose to participate for an entire 6-month PTC period,
15 rather than switching quarter by quarter. This change should not alter how many EGSs
16 are already engaging with the SOP.

17

18 **Q. Is the Company proposing any changes to the SOP Process and Rules Document
19 and the SOP Binding Participation Form?**

20 A. Yes, the Company is proposing to update the SOP Process and Rules Document and the
21 SOP Binding Participation Form to make those documents consistent with the
22 Company's proposals around SOP. The revised documents include changes to the EGS

1 participation period, adding the requirement that customers be returned to default service
2 at the end of the SOP contract, and cleanup edits. The revised SOP Process and Rules
3 Document and SOP Binding Participation Form is attached to my testimony as Exhibit
4 MLS – 3.

5

6 **Q. Does this conclude your Direct Testimony?**

7 A. Yes, however I reserve the right to supplement my testimony as additional issues arise.

Draft – Associate Talking Points for Standard Offer Program

- In Pennsylvania, you can choose the supplier that provides your electricity without impacting the quality of service provided by PPL Electric. PPL is sponsoring a program called the Standard Offer Program which may be able to offer you a potential savings opportunity by enrolling with an electric generation supplier. Would you like to hear more?
- PPL Electric is sponsoring a program called the Standard Offer Program which may be able to offer you a potential savings opportunity by enrolling with an electric generation supplier.
- It's simple: You'll be assigned to one of several suppliers who make the standard offer. This is an automatic 7% discount off the price to compare at the time you enroll. Our current Price to Compare is \$xx.
- PPL's price to compare changes on June 1st and December 1st each year. On those dates, you can check with us for our new price to compare.
- This program runs for 12 months. You will receive notices from your Standard Offer Supplier, as well as from PPL, prior to the end of the 12-month period. At that time, you will be returned to PPL's Price to Compare in effect at that time.
- If you do not elect to shop, you will automatically return to PPL and its price to compare at that time.

Draft – Hansen Script for Standard Offer Program

ROUTINE CALL GREETING/CUSTOMER NEW TO SOP

- Hi, my name is [Hansen Associate Name]. I understand you would like to learn more about the Standard Offer Program. Is that correct? PPL Electric is responsible for delivering your electric. The actual generation of the electric you receive can be provided by PPL Electric or a participating supplier of your choice. The Standard Offer Program offers a fixed price of \$xx for one year provided by an Electric Generation Supplier. The fixed Standard Offer Program price provides a 7% discount off today's Price to Compare which is \$xx. PPL Electric's Price to Compare changes on June 1st and December 1st each year. The Standard Offer Program price will not change during the 12 monthly bills, but the Price to Compare could be higher or lower than the Standard Offer program during this period when it changes. Are you interested in the standard offer?

- If yes:
 - Okay, I will set your account up for the Standard Offer rate. A supplier will be assigned to you and you will receive information from them to confirm your enrollment. The rate is \$xx. There are no cancellation fees under the Standard Offer Program, so you may select a different supplier at any time during the 12 month period. At the conclusion of the Standard Offer Program annual term, you will return to Default Service with PPL Electric at which time you can re-enroll in the Standard Offer Program, shop with a different supplier, or remain on default service.

SHOPPING CUSTOMER – CURRENT SUPPLIER NOT PARTICIPATING

- You currently are receiving electricity from [EGS Name]. [EGS Name] is not currently participating in this program. You can still participate in the Standard Offer Program but may incur cancellation fees from your current supplier if you switch to this rate with a new Supplier.

- Are you interested in the standard offer?

- If yes:
 - Okay, I will set your account up for the Standard Offer rate. A supplier will be assigned to you and you will receive information from them to confirm your enrollment. The rate is \$xx. There are no cancellation fees under the Standard Offer Program, so you may select a different supplier at any time during the 12 month period. At the conclusion of the Standard Offer Program annual term, you will return to Default Service with PPL Electric at which time you can re-enroll in the Standard Offer Program, shop with a different supplier, or remain on default service.

NO SUPPLIER PREFERENCE/RANDOM ASSIGNMENT OF SUPPLIER

- Unless you select a specific supplier participating in the Standard Offer Program, you will be randomly assigned a supplier from the list of suppliers participating in the Standard Offer Program.
- Once EGS is assigned:
 - Okay, I will set your account up for the Standard Offer rate. The supplier providing your electric will be [EGS name] and you will receive information from them to confirm your enrollment. The rate is #xx. There are no cancellation fees under the Standard Offer Program, so you may select a different supplier at any time during the 12-month period. At the conclusion of the Standard Offer Program annual term, you will return to Default Service with PPL Electric at which time you can re-enroll in the Standard Offer Program, shop with a different supplier, or remain on default service.

CALL COMPLETION

- Thank you for calling and being a valued PPL customer. It was nice talking to you today. Have a great day!

PPL Electric Utilities Corporation

Standard Offer Program Process and Rules

Dated: [EFFECTIVE DATE]

STANDARD OFFER PROGRAM PROCESS and RULES

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ARTICLE 1 INTRODUCTION

1.0 Introduction

- 1.1 This Standard Offer Program Process and Rules document (“SOP Rules”) defines the processes and rules for PPL Electric Utilities Corporation’s (“Company” or “PPL Electric”) Standard Offer Program (“SOP” or “Program”), implemented pursuant to the Pennsylvania Public Utility Commission’s (“PA PUC” or “Commission”) Final Order to PPL Electric Utilities Corporation Default Service Program and Procurement Plan V at Docket No..
- 1.2 PPL Electric is issuing this SOP Rules document, as a continuous program from June 1, 2021 through May 31, 2025, to solicit participation from Retail Electric Generation Suppliers (“EGS”) in a customer referral program, to serve Residential and Small Commercial & Industrial (“Small C&I”) Customer Groups. Customers who are net metered or who are participating in OnTrack¹ are not eligible to participate in SOP. The Residential Customer Group is defined on the basis of the Company’s existing specific rate schedules as shown in the following table. The Small C&I Customer Group is defined as those customers under 25kW demand and subsequently on the basis of the Company’s existing specific rate schedules as shown in the following table. To the extent an existing rate schedule is modified, or replaced by successor rate schedules, PPL Electric, at its sole discretion, will place that rate schedule in the appropriate Customer Group.

Customer Group	Rate Schedule	Description
Residential	RS	RS – Residential Service
	RTS	RTS(R) – Residential Service – Thermal Storage
Small Commercial & Industrial	GS-1	GS-1 – Small General Service
	GS-3	GS-3 – Large General Service – Customers with less than 100 kW peak demand
	GH-2	GH-2(R) – Separate Meter General Space Heating Service
	LP-4	LP-4 – Large General Service (12 KV or Higher) – Customers with less than 100 KW peak demand
	BL	BL – Borderline Service – Electric Utilities
	SA	SA – Private Area Lighting
	SM	SM(R) – Mercury Vapor Street Lighting
	SHS	SHS – High Pressure Sodium Street Lighting
	SE	SE – Energy Only Street Lighting Service
	SLE	SLE – Light Emitting Diode (LED) Street Lighting Service
TS	TS(R) – Municipal Traffic Signal Lighting Service	

¹ OnTrack is PPL Electric Customer Assistance Program.

SI-1	SI-1(R) – Municipal Street Lighting
Standby	Rule 6A – Standby Service for Qualifying Facilities applicable to customers in the above listed rate schedules.

- 1.3 Customers participating in the SOP will receive a fixed rate for a twelve-month period that is equal to a 7% discount off the Price-to-Compare (“PTC” or “Default Service”) in effect at the time the customer enrolls in the SOP.
- 1.4 A participating EGS, subject to the qualification requirements discussed in Article 4, will provide retail supply for eligible Residential and/or Small C&I customers who elect to participate in the Program and who are successfully enrolled into the Program as discussed in Article 5. Any Participating Customer may return to Default Service or choose another EGS in accordance with the Company’s standard switching requirements, without penalty.
- 1.5 EGSs interested in participating in the Program must initially meet Pre-Qualification Requirements to participate as provided in Section 4.2.
- 1.6 Once all Pre-Qualification Requirements are met, an EGS must meet the SOP Period Qualification Requirements in order to be an EGS Participant in any SOP Period (hereinafter defined). Section 4.3 details the Qualification requirements.
- 1.7 If during any SOP Period there are no EGSs meeting the Pre-Qualification Requirements to participate in the Program, or if no pre-qualified EGSs have met the SOP Period Qualification Requirements, the program will not be offered for that SOP Period. There must be at least one (1) qualified EGS with a submitted rate code for either the Residential or Small C&I Program. If a rate code is not submitted for either customer class, then that class (without a rate code) will not have a Program offering for that SOP Period.
- 1.8 Each Participating EGS must pay its share of the Program costs as set forth in Article 7.
- 1.9 EGSs are required to independently maintain their own data and information for all customers enrolled in the Program. The Company is not responsible for the reporting of any information on the Program for Participating EGSs. See Article 8 for more information.
- 1.10 Definitions:** In addition to terms defined elsewhere in this SOP Rules, the following definitions shall apply:

“CAP customers” means a residential customer enrolled in PPL Electric’s Customer Assistance Program, OnTrack.

“EDI” – Electronic Data Interchange, which is a standardized format for the electronic transfer of data between entities.

“Electric Generation Supplier” or “EGS” is defined as a retail generation supplier.

“Eligible Customers” include any default service Residential customer, with the exception of CAP customers, or Small Commercial & Industrial customer less than 25kW who contacts PPL Electric’s Call Center, other than for termination or emergency calls. This also includes any eligible shopping customer that actively requests participation in the Program. See Section 1.2 for a list of eligible customer rate classes by customer group.

“Participating EGS” or “EGS Participant” is an EGS that has successfully met Pre-Qualification and SOP Period Requirements.

“Participating Customer” means any Residential customer or Small Commercial and Industrial customer under 25kW in PPL Electric’s service territory that affirmatively elects to participate and successfully enrolls in the Program.

“Program Costs” means the costs that PPL Electric will incur to administer and communicate the Program to Eligible Customers.

“Program Term” means the period beginning on June 1, 2021 through May 31, 2025.

“Price-to-Compare Period” or “SOP Period” means the six (6) calendar month periods as follows: June – November and December –March.

“Pre-Qualification Requirements” are those requirements that any interested EGS must complete to initially qualify for the Program, as set forth in Article 4 of this SOP Rules document.

“SOP Period Qualification Requirements” are those SOP Period requirements, corresponding to the Price-to-Compare Period, that an EGS must complete once meeting all Pre-Qualification Requirements, as set forth in Article 4 of this SOP Rules document.

“Rate Ready Billing” billing scenario in which the EGS provides the Company its billing rates so that the Company can complete the billing calculation and bill delivery.

ARTICLE 2 INFORMATION AND SCHEDULE

2.0 Information and Schedule

- 2.1 PPL Electric will post information for this Program on the PPL Electric website on its General Supplier Information webpage:
<https://www.pplelectric.com/utility/about-us/for-generation-suppliers/general-supplier-reference-information/standard-offer-program.aspx>. This website will serve as the main source of information for the Standard Offer Program. Prospective EGS Participants are requested to use this website for current information about all aspects of this Program and to access all essential documents.
- 2.2 The Program will be offered by PPL Electric to all eligible non-shopping Residential customers and Small C&I customers under 25kW starting in June 2021. The Program will be offered on a semi-annual basis based upon the SOP Period.

ARTICLE 3 GENERAL REQUIREMENTS

3.0 General Requirements

- 3.1 Participating EGSs must adhere to the terms and conditions of the Program and fulfill all requirements of this SOP Rules document and Standard Offer Program Binding Participation Form. In the event an EGS fails to adhere to the Program terms and conditions the EGS will not be allowed to participate in the Program.
- 3.2 The submission of the Standard Offer Program Binding Participation Form to the Company constitutes the EGS's acknowledgement and acceptance of all the terms and conditions of this SOP Rules document.
- 3.3 All Representations in this Program and documents executed must be done by an individual authorized to 1) make contractual commitments on behalf of the EGS to provide retail customer generation supply and 2) to financially bind the Participating EGS.
- 3.4 Participation in this Program shall constitute an Agreement by EGS to abide by the terms and conditions of the Program as set forth herein. In the event of a material default by an EGS in any of its obligations under this Program, PPL Electric shall have the right to terminate the EGS's participation in the Program upon providing 10 business day written notice of the default to the EGS, directed to the contact listed in Exhibit 2. The EGS shall be permitted to continue participating in the Program if it cures the default during the 10 business day notice period. PPL Electric also may seek whatever remedies, including but not limited to reasonable

attorneys' fees, to which it may be entitled before the Commission, or a court of competent jurisdiction. The venue for any court action shall be in the Court of Common Pleas for Lehigh County or in the District Court for the Eastern District of Pennsylvania in Allentown.

ARTICLE 4

EGS Qualification Requirements

4.0 EGS Qualification Requirements

4.1 The EGS Qualification requirements are broken down into two components: 1) Pre-Qualifications (Section 4.2) and 2) SOP Period Qualifications (Section 4.3).

4.2 Pre-Qualification Requirements:

4.2.1 All EGSs must complete a one-time, pre-qualification process to allow the EGS access and future participation in the Program. Pre-qualification is composed of two primary steps: 1) Certification requirements (Section 4.2.2) and 2) Document completion and execution (Section 4.2.3).

4.2.2 Pre-qualification initially opens July 1, 2013 and remains open on a rolling basis. In order to pre-qualify for participation in any SOP Period, EGSs must submit all materials (as defined in this Article 4) at least 5 business days prior to the start of a new SOP Period. Pre-qualification is a one-time submission event.

4.2.3 Certification:

4.2.3.1 An EGS must be licensed as an EGS by the Commission with authority to provide service to Residential and/or Small C&I customers in PPL Electric's service territory. If an EGS loses its license to serve customers in PPL Electric's service territory it may not participate in the Program.

4.2.3.2 An EGS must be registered with PJM as an EGS to participate in the Program.

4.2.3.3 An EGS must be certified by PPL Electric to exchange data using the EDI process, through the EDC consolidated billing level. EGSs must be certified by PPL Electric as Rate Ready Billing.

4.2.3.4 All EGSs must meet the certification requirements on or before 5 business days prior to the start of a SOP Period to be

eligible to participate in the Program (contingent upon completion of the additional qualification requirements set forth in Section 4.2 and 4.3). Furthermore, EGSs must meet the certification requirements prior to PPL Electric accepting the Standard Offer Program Binding Participation Form and Standard Offer Program Contact Form.

4.2.3.5 Any EGS that is already Rate Ready Billing certified by the Company is already deemed certified and does not have to recertify to pre-qualify.

4.2.4 Documentation:

4.2.4.1 Every EGS must complete and execute the Standard Offer Program Binding Participation Form (Exhibit 1). The Standard Offer Program Binding Participation Form must be executed by an Authorized Individual of the EGS. Additionally, every EGS must fully complete the Standard Offer Program Contact Form.

4.2.4.2 Hardcopies of both the Standard Offer Program Binding Participation Form and Standard Offer Program Contact Form must be received in hard-copy format by PPL Electric at least 5 business days prior to the start of a SOP Period in order for the EGS to be eligible to participate in the Program (contingent upon completion of the additional qualification requirements set forth in Section 4.2 and 4.3). Any EGS failing to execute these documents will result in PPL Electric eliminating that EGS from participating in the Program until such time that the EGS submits completed and executed materials. It is of the sole responsibility of the EGS to cure any deficiency in the documentation materials.

4.2.4.3 All correspondence should be mailed to:

PPL Electric Utilities Corporation
Standard Offer Program
827 Hausman Road, LEHSC
Allentown, PA 18104
Attn: Manager – Billing Operations

4.3 SOP Period Qualification Requirements

4.3.1 Each EGS that is pre-qualified must notify the Company via e-mail of their intent to participate in the upcoming SOP Period, including identifying the Customer Groups in which they intend to serve. The

EGS must notify the Company by e-mail (see Section 4.3.2 for the contact e-mail address) on or before 5 business days prior to the start of the SOP Period. If the EGS does not notify the Company of their intent to participate, they will not be included in that SOP Period's Program.

- 4.3.2 All communications regarding an EGSs intent to participate in an SOP Period Program must be made to the following e-mail address: PPLUtilitiesSupplier@pplweb.com.

ARTICLE 5

Customer Communications and Customer Allocation Process

5.0 Customer Communications and Customer Allocation Process

- 5.1 The Program will be initially offered by the Company to all eligible PPL Electric Default Service customers who contact the Company call center, with the exception of those defined in Section 5.1.4. Before offering the Program, the Company will first resolve the customer's concerns or inquiry that was the reason for the call. The initial Program offering will only include a summary overview of the Program – upon interest of the customer, they will be transferred to a third-party to learn more information and enroll.
- 5.1.1 The Company will offer the Program to new or moving customers upon completing new account set-up.
- 5.1.2 Enrolled Customer Assistance Program (CAP) customers are not eligible to participate in this Program.
- 5.1.3 Residential and Small C&I less than 25kW shopping customers in the PPL Service territory calling the Company will not be actively offered the Program. If a shopping customer actively inquires about the Program, the Company will allow for the customer's participation and inclusion. The Company will explain to the customer that terminating their existing shopping contract to participate in SOP may trigger early termination fees.
- 5.1.4 The Company will not offer the Program to Default Service customers calling for an emergency or for termination of service.
- 5.2 Customers interested in the Program will be transferred from PPL Electric to a third-party vendor, who will then give the customer additional information on the Program and allow the customer to enroll. Customers who have a specific EGS in mind may enroll with that EGS. Otherwise, customers will be told that they will be randomly assigned to a Participating EGS.

- 5.3 If during any SOP Period there are no EGSs meeting the SOP Period Qualification Requirements, the Program will not be offered to customers for that SOP Period. If such an event occurs, Company call scripts will be modified to not offer the Program.
- 5.4 The Company will utilize an algorithm to randomly assign customers to participating EGSs. The algorithm is designed to assign an equal amount of customers to participating EGSs. As the customer accounts get assigned to an EGS, the accounts will be added to each EGS's referral report, real time.
- 5.5 At any point during the day, an EGS can access customer-specific data and information for those customers which have been assigned to the EGS through the supplier portal. This data is available via the Company's Supplier portal for each participating supplier at:
<https://supplier.prod.pplweb.com/eusupplierportal/Secured/Retail/SOReferrals.aspx>
- 5.6 The Company will return the SOP customer to Default Service one business day after the expiration of the customer's SOP contract.

ARTICLE 6

EGS Obligations

6.0 EGS Obligations

- 6.1 All Participating EGSs, upon receipt of the customer assignment data file (see Article 5.5), must begin the customer enrollment process. This process includes communicating the terms and conditions of the Program to the customer (Section 6.2) and the completion and submission and processing of the EDI 814 enrollment request transaction with the Company (Section 6.3).
- 6.2 Within three (3) business days upon an EGS receiving a list of customer assignments, the EGS must issue a letter to the customer detailing the terms and conditions of the Program. Additionally, the EGS is obligated to comply with all rules and requirements set forth in 52 Pennsylvania Code Chapter 54. The terms and conditions of the Program that shall be communicated to the customer include:
- 6.2.1 The generation rate will be set at 7% below the PTC at the time the customer elects the Program. Additionally, the rate must remain fixed for a 12 billing cycle term.
- 6.2.2 There will be no early termination fee or penalties.
- 6.2.3 The customer will be returned to Default Service at the end of the Program

- 6.3 Within 3 business days following the customer's rescission period for enrollment, the EGS must enroll assigned customers through the EDI 814 enrollment process. The Company will respond to the EGS with an EDI 814 enrollment response transaction indicating to the EGS whether the enrollment has been accepted or rejected by the Company and if accepted, the date the EGS should begin serving the customer.
- 6.3.1 An EGS may not limit or reject any customer assigned to it through the Company's assignment process.
- 6.4 Following the submission of the EDI 814 enrollment, a customer will begin supply with the EGS on the date communicated to the EGS by the Company via the EDI 814 enrollment response transaction. This date is calculated according to the 3 Business Day Switching Rule with an exception noted in Section 6.4.2, below.
- 6.4.1 Customers may choose to remain in their current shopping contract or on Default Service without taking service from their assigned EGS during the 3-day contract rescission period.
- 6.4.2 New and Moving customers will begin supply with the EGS on the date communicated to the EGS by the Company via the EDI 814 enrollment response transactions. The enrollment response will not be generated until the new account is active. The Company provides a separate pending enrollment report for each EGS that includes all accounts that have not been activated. An EGS will begin supplying the customer as of the customer's connect date.

ARTICLE 7

Program Costs and Invoicing

7.0 Program Costs and Invoicing

- 7.1 Participating EGSs are required to pay a fee of \$28 per referred customer. Any remaining costs shall be included and recovered in the Company's Competitive Enhancement Rider. The allocation of these costs to the Customer Groups will be determined consistent with the cost allocations accepted by the Commission in PPL Electric's most recent base-rate proceeding.
- 7.2 Invoices will be issued within 10 business days following the conclusion of the month. Invoices will be issued via e-mail to the EGS based upon the contact information provided.
- 7.3 Once issued an invoice, the EGS is required to pay the invoice within 20 business days to PPL Electric. Payment must be made via Electronic Funds Transfer (EFT). The Company will issue banking information upon successful completion of Pre-Qualification requirements.

ARTICLE 8 REPORTING REQUIREMENTS

8.0 Reporting Requirements

- 8.1 Each Participating EGS is independently responsible to maintain data and information regarding its participation and assigned customer participation in the Program. It is also the Participating EGS's responsibility to provide support or evidence, if called upon, in the event of a formal or informal complaint filed at the PUC by or for a customer with regards to a customer's participation in the Program.
- 8.2 The Company will not be responsible for tracking or reporting on the Program for the benefit of the EGS. Any actions taken by the Company to monitor the program will be completed on its own behalf.

ARTICLE 9 RESERVED RIGHTS

9.0 Non-Binding Program

- 9.1 Prior to the commencement of any SOP Period Program offering and with PA PUC approval, PPL Electric has the right to withdraw and terminate this Program without any liability or responsibility to any Participating EGS or any other party.
- 9.2 Subject to PA PUC approval, the Company reserves the right to accept or reject, in whole or in part, any and all Agreements, without any liability or responsibility to any Participating EGS or any other party, for reasonable cause including, but not limited to, adverse statutory changes or interpretations, issuance of new PA PUC orders and/or regulations, market conditions, etc., that preclude this Program from being implemented in substantially the manner described herein. Pursuant to these SOP Rules, PPL Electric shall reject any documents or agreements, including but not limited to the Standard Offer Program Binding Participation Form and Standard Offer Program Contact Form, submitted in response to this Program that are incomplete, or do not conform to the requirements of this Program, or are submitted beyond the deadline for submission. If the SOP Binding Participation Form or Contact form are incomplete or do not conform to Program requirements, the EGS will be given written notice and will have 48 hours to cure non-conformance. In no event shall cure period extend or toll the 5 business day qualification submission requirements (see Article 4 for details).
- 9.3 All documents and agreements submitted by Participating EGSs in response to this Program will become the exclusive property of PPL Electric upon the receipt of such document(s).

Exhibit 1

Standard Offer Program Binding Participation Form

To be included in PPL Electric Utilities Corporation's ("PPL Electric") Standard Offer Program, _____ ("EGS Participant") agrees to be bound by the terms set forth below.

The Standard Offer EGS Participant hereby agrees that:

- (1) It acknowledges, understands and will abide by the rules set forth in the Standard Offer Program (SOP) Process and Rules document;
- (2) It is obligated to pay a fee of \$28 per customer referred, as incurred by PPL Electric Utilities from the third-party provider, within 20 business days of being invoiced;
- (3) It will issue an EDI 814 enrollment upon notification from PPL Electric of customer being assigned to it. The EDI enrollment will be processed by the Standard Offer EGS Participant no later than 3 business days after the expiration of the rescission period for enrollment;
- (4) It must accept all Standard Offer Customers who elect to participate and are assigned to it under the Standard Offer Program;
- (5) It must accept customers enrolled in the Standard Offer Program and implement a new SOP rate code. If the customer was previously enrolled with the EGS Participant under a different SOP Period rate code assignment, the EGS Participant must send an EDI 814 rate code change transaction no later than 3 business days after the expiration of the rescission period for enrollment or change;
- (6) Once notification is received that a SOP Customer is enrolled, the EGS Participant will send notification to such customer and include the following terms as part of its disclaimer:
 - a. the terms and conditions of the Program;
 - b. the Standard Offer price, herein described below, for a term of twelve (12) billing cycles;
 - c. notification that there is no early termination penalty to any customer who leaves the Program at any time during the twelve (12) billing cycles;
 - d. any additional terms or conditions as set forth in Title 52, Chapter 54 of the Pennsylvania Code;
- (7) The SOP customer's price must reflect a 7% discount to PPL Electric's Price to Compare ("PTC") in effect at the time the customer elects service under the Program. This price will be maintained for all 12 billing cycles for which the customer participates in the Program; and,
- (8) In accordance with the provisions of 52 Pennsylvania Code Chapter 54, prior to the termination of the contract with a customer under this Program, the EGS will notify the customer regarding the conclusion of the contract.
- (9) [aren't we missing the provision that the EGS return the customer to default service?]

The EGS Participant warrants and agrees that it hereby undertakes all responsibilities and service delineated herein as to SOP customers, and expressly absolves PPL Electric from any and all liability for EGS Participant's failure to perform and/ or its default with respect to such responsibilities and service.

Participation in this Program shall constitute an Agreement by EGS to abide by the terms and conditions of the Program as set forth herein. In the event of a material default by an EGS in any of its obligations under this Program, PPL Electric shall have the right to terminate the EGS's participation in the Program upon providing 10 business day written notice of the default to the EGS, directed to the contact listed in Exhibit 2. The EGS shall be permitted to continue participating in the Program if it cures the default during the 10 business day notice period. PPL Electric also may seek whatever remedies, including but not limited to reasonable attorneys' fees, to which it may be entitled before the Commission, or a court of competent jurisdiction. The venue for any court action shall be in the Court of Common Pleas for Lehigh County or in the District Court for the Eastern District of Pennsylvania in Allentown.

The EGS Participant acknowledges that if PPL Electric is not able to confirm that the EGS Participant is licensed by the PUC, approved to participate in PPL Electric's service territory, is registered as an EGS at PJM, or has passed EDI "Rate Ready Billing" certification for the PPL Electric service territory as of the Submission Due Date, the EGS Participant will not be qualified to participate in the Program and will be excluded from the Program until such time as all deficiencies have been rectified. Furthermore, it is of the responsibility of the EGS Participant to cure such deficiencies.

The EGS Participant need only execute and submit this Form to PPL Electric once, unless the Standard Offer Program Binding Participation Form terms have been updated by PPL Electric. However, in order to be a participant during each SOP Period, the EGS Participant must utilize distinct Rate Codes for each SOP Period through the PPL Electric EDI system and notify the Company via e-mail of its intent to participate per Article 4 of the SOP Rules. Any EGS failing to notify the Company of its intent to participate in the Program will be excluded from that SOP Period.

The submission of this Form to PPL Electric shall constitute the Standard Offer EGS Participant's acknowledgment and acceptance of all the terms, conditions and requirements of this Standard Offer Program.

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

Customer Group Participation:

Residential _____ Small C&I < 25kW _____ Both _____

Signature of Authorized Individual: _____

Name of Authorized Individual (*print*): _____

Title of Authorized Individual (*print*): _____

Date Signed: _____

As part of your submission to participate in the Standard Offer Program, please send one (1) original of this Form to:

PPL Electric Utilities Corporation
Standard Offer Program
827 Hausman Road, LEHSC
Allentown, PA 18104
Attn: Manager – Billing Operations

EXHIBIT 2
Standard Offer Program Contact Form

Please provide contact information for purposes of the SOP (*items with an * are required*):

Company:* _____

Contact Name:* _____

Contact Title:* _____

Address:

Street 1* _____

Street 2 _____

City* _____

State* _____

Zip Code* _____

Phone Number:* _____

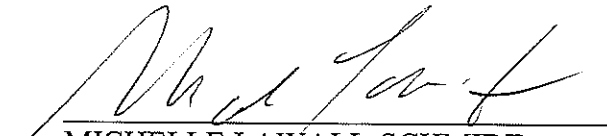
E-mail Address:* _____

Fax (Optional):

VERIFICATION

I, MICHELLE LAWALL-SCHMIDT, being the Director – Customer Service Operations at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: March 25, 2020


MICHELLE LAWALL-SCHMIDT