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May 26, 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 UGI Utilities, Inc. - Electric Division For Approval of a Default Service Plan (DSP IV) for the Period of June 1, 2021 through May 31, 2025
Docket Nos. P-2020-__________ & G-2020-__________

Dear Secretary Chiavetta:

Enclosed please find the Petition of UGI Utilities, Inc. – Electric Division ("UGI Electric") for Approval of a Default Service Plan for filing in the above-referenced proceeding. **Appendix E (Confidential), UGI Electric Exhibits AMB-2(a)(Confidential) and AMB-2(b) (Confidential)** are being provided only to Secretary Chiavetta via e-mail.

UGI Electric requests that the Confidential version of this filing be given Confidential treatment by the Commission, including its various offices and bureaus and that this information not be disclosed to the public. UGI Electric will provide the Confidential information to appropriate parties upon execution of a Stipulated Protective Agreement.

Copies are being provided electronically only as indicated on the Certificate of Service, due to the current closure of all non-life sustaining businesses in the Commonwealth upon direction of Governor Wolf.

Respectfully submitted,

Anthony D. Kanagy

ADK/jl
Enclosures

cc: Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric Division For Approval of a Default Service Plan (DSP IV) for the Period of June 1, 2021 through May 31, 2025	: : : :	Docket Nos. P-2020- G-2020-

CERTIFICATE OF SERVICE

I hereby certify that I have, this 26th day of May 2020, served a true and correct copy of the foregoing document in the manner and upon the persons listed below in accordance with requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

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Date: May 26, 2020`

Anthony D. Kanagy

20352505v1

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric Division For Approval of a Default Service Plan (DSP IV) for the Period of June 1, 2021 through May 31, 2025	:	Docket Nos. P-2020- G-2020-

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PETITION OF UGI UTILITIES, INC. – ELECTRIC DIVISION FOR APPROVAL OF A DEFAULT SERVICE PLAN

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Section 2807 of the Pennsylvania Public Utility Code, 66 Pa. C.S. § 2807, and the regulations of the Pennsylvania Public Utility Commission ("Commission") at 52 Pa. Code §§ 54.181-54.190 ("Default Service Regulations"), UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") hereby requests approval of its fourth Default Service Plan ("DSP IV" or the "Plan"). The Plan establishes the terms and conditions under which the Company will acquire default service supplies, including Alternative Energy Portfolio Standards ("AEPS") credits, from June 1, 2021 through May 31, 2025 ("DSP IV Term"). It employs a prudent mix of electric supplies (e.g., spot market purchases, short-term contracts, and long-term contracts) obtained through competitive bid solicitation processes (e.g., auctions, requests for proposals and/or bilateral agreements). Consequently, the Company's default service customers will receive adequate and reliable service at the least cost over time.[1] Additionally, UGI Electric requests that the Commission:

[1] This aligns with the Commission's goal for the Default Service Regulations - to ensure that each default service provider delivers adequate and reliable service at the least cost over time (as stated in 52 Pa. Code § 69.1802).

1. Approve potential affiliated interest transactions associated with DSP IV pursuant to Section 2102 of the Public Utility Code, 66 Pa. C.S § 2102; and

2. Approve the Company's DSP IV plan no later than the Commission's last public meeting in December 2020, to provide sufficient time to implement the procurement strategy in DSP IV prior to the expiration of the current DSP III plan on May 31, 2021, for purchases beginning June 1, 2021.

Through its DSP IV Petition, the Company will procure a competitive mix of default service supplies (through block, load-following and spot market purchases) and related AEPS credits over the 4-year DSP IV Term (i.e., 2021-2025); 2) implement a procurement schedule designed to obtain these supplies at the least cost; 3) issue Requests for Proposals ("RFPs") seeking default supply in accordance with the agreements and forms included with this Petition; 4) adopt a contingency plan[2] that addresses any procurement target shortfalls; 5) recover all incurred default service costs (on a full and current basis) through a specified rate design; and 6) continue the retail enhancement programs adopted in DSP III.

I. <u>INTRODUCTION</u>

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

2. UGI Electric provides electric distribution service to approximately 62,000 customers in portions of two northeastern Pennsylvania counties (Luzerne and Wyoming Counties), and since the expiration of its generation rate cap in 2002, has served as the default service provider for its electric distribution system.

[2] A default service plan must contain contingency plans to address situations where a wholesale generation supplier does not meet its contractual obligation to provide electric supply to default service providers. 52 Pa. Code § 54.185(d)(5).

3. UGI Electric's address is UGI Utilities, Inc., 1 UGI Drive, Denver, PA 17517.

4. UGI Electric's attorneys are:

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5. On December 3, 1996, Governor Tom Ridge signed into law the Electricity Generation Customer Choice and Competition Act ("Competition Act"). The Competition Act revised the Public Utility Code, 66 Pa. C.S. §§ 101, et seq., by, inter alia, adding Chapter 28, relating to restructuring of the electric utility industry. Chapter 28 provided for an orderly transition of the Pennsylvania electric industry from a vertically integrated monopoly to a structure which would support the development of a competitive retail electric generation market. The ultimate goal was to permit all Pennsylvania retail electric customers to have direct access to a competitive generation market, while simultaneously enjoying the continued reliability, and safety of existing transmission and distribution services. The Competition Act became effective on January 1, 1997.

6. The Alternative Energy Portfolio Standards Act of 2004, P.L. 1672, No. 213, ("AEPS Act") was signed into law on November 30, 2004. 73 P.S. §§ 1648.1 *et seq*. The AEPS Act, which took effect on February 28, 2005, established an alternative energy portfolio standard for Pennsylvania. Generally, the Act requires that an annually increasing percentage of electricity sold to retail customers in Pennsylvania by EDCs and electric generation suppliers ("EGSs") be derived from alternative energy resources.

7. On October 15, 2008, Governor Edward Rendell signed House Bill 2200, Act 129, into law. Act 129 became effective on November 14, 2008. It has several goals including reducing energy consumption and demand. It also revised the default service requirements contained in Chapter 28 of the Public Utility Code (i.e., the Competition Act). Act 129 of 2008, P.L. 1592.

8. As such, Section 2807(e) of the Competition Act now requires each EDC to provide default service to retail customers within their certificated territory when either a chosen EGS does not do so, or when customers otherwise do not choose to receive service from an EGS. Pursuant to Act 129, electric power shall be procured through competitive procurement processes and shall include one or more of the following: (1) auctions; (2) requests for proposals; or (3) bilateral agreements. 66 Pa. C.S. § 2807(e)(3.1). The electric power that is procured shall include a prudent mix of: (1) spot market purchases; (2) short-term contracts; and (3) long-term purchase contracts of more than 4 and not more than 20 years. 66 Pa. C.S. § 2807(e)(3.2). In addition, 66 Pa. C.S. § 2807(e)(3.3) made it clear that all energy purchased by a default service provider had to be competitively procured, including AEPS credits (for energy generated from qualifying alternative resources at the levels specified in the AEPS Act).

9. The “prudent mix” of contracts shall be designed to ensure: (1) adequate and reliable service; (2) the least cost to customers over time; and (3) compliance with the procurement methodologies described above, i.e., through auctions, RFPs; or bilateral agreements. 66 Pa. C.S. § 2807(e)(3.1).

10. Regarding process, default service providers must file a plan for competitive procurement with the Commission and obtain Commission approval of the plan considering certain factors and standards contained in Section 2807(e) before competitive procurements may be implemented.

11. When evaluating a default service plan, the Commission must consider the EDC’s obligation to provide adequate and reliable service to the customers. The Commission also must determine that the EDC has obtained a prudent mix of contracts at the least cost on a long-term, short-term and spot market basis. The Commission is required to make specific findings when reviewing DSPs: (1) the DSP includes prudent steps necessary to negotiate favorable generation supply contracts; (2) the DSP includes prudent steps necessary to obtain least cost generation contracts on a long-term, short-term and spot market basis; and (3) neither the default service provider nor its affiliated interest has withheld generation supply from the market as a matter of federal law. 66 Pa. C.S. § 2807(e)(3.7).

12. Further, Act 129 revised the Competition Act giving default service providers a right to recover default service costs pursuant to a reconcilable automatic adjustment clause. It also stated that residential and small commercial customers' rates cannot change more frequently than quarterly. 66 Pa. C.S. § 2807(e)(7).

13. To implement the statutory requirements of the Competition Act, the AEPS Act and Act 129, the Commission adopted Default Service Regulations at 52 Pa. Code §§ 54.181-54.190, a Default Electric Service ("DES") Policy Statement at 52 Pa. Code §§ 69.1801-69.1817 ("DES Policy Statement") and provided guidance for default service plans through various Electric Retail Markets Investigation ("RMI") Orders at Docket No. I-2011-2237952.

Default Service Regulations

14. The Commission's Default Service Regulations set forth the obligations of EDCs to serve as default service providers. Section 54.183 states that the incumbent EDC shall serve as the default service provider until and unless an alternative provider is approved by the Commission.[3]

15. Sections 54.184 through 54.186 set forth the framework through which customers have access to generation supply. Section 54.184 states that the default service provider, acting in the default service function, shall serve customers when either a chosen EGS does not do so, or when customers otherwise do not choose to receive service from an EGS (similar to the requirements set forth in 66 Pa. C.S § 2807(e)(3.1)). Additionally, a default service provider must file a DSP with the Commission no later than 12 months prior to the conclusion of the currently effective program (per 52 Pa. Code § 54.185(a)). After the first DSP, the term of subsequent programs shall be

[3] The Commission confirmed this much in its *Investigation of Pennsylvania's Retail Market: End State Default Service*, Docket No. I-2011-2237952 (Final Order entered February 15, 2013). Based on its review of industry feedback in Docket No. I-2011-2237952, the Commission was "persuaded to adopt [its] initial proposal to retain the EDC in the DSP role." Id. at 20.

determined by the Commission. 52 Pa. Code § 54.185(d).[4] Moreover, Section 54.185(e) specifies seven elements that must be included in a DSP:

> *(e)(1) A procurement plan identifying the DSP'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.*
>
> *(e)(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).*
>
> *(e)(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.*
>
> *(e)(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 DSP is providing service. The default service procurement plan's period of service must align with the planning period of that RTO or other entity.*
>
> *(e)(5) Contingency plans to ensure the reliable provision of default service when a wholesale generation supplier fails to meet its contractual obligations.*
>
> *(e)(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 supplier master agreements, request for proposal 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.*
>
> *(e)(7) A schedule identifying generation contracts of greater than 2 years in effect between a DSP, when it is the incumbent EDC, and retail customers in that service territory. The schedule should identify the load size and end date of the contracts. The schedule shall only be provided to the Commission and will be treated as confidential.*

[4] The DES Policy Statement at 52 Pa. Code § 69.1804 suggests using a DSP term of two to three years, unless otherwise approved by the Commission.

16. Section 54.186 states what DSPs must accomplish and the standards they must follow. More specifically, DSPs must acquire generation supply at the least cost to customers over time (similar to the requirements of 66 Pa. C.S. § 2807(e)(3.3)(ii)). According to 52 Pa. Code § 54.186 (b)(1)(i)-(iii), DSPs also must include procurement plans, which acquire a prudent mix of resources, including spot market purchases, short-term contracts, and long-term contracts (similar to the requirements set forth in 66 Pa. C.S. § 2807(e)(3.2)(i)-(iii)). As specified in 52 Pa. Code § 54.186(b)(5), DSPs must obtain electric generation supplies (described above) through competitive bid solicitation processes (similar to the requirements set forth in 66 Pa. C.S. § 2807(e)(3.1)). The specific competitive bid processes that default service providers must adhere to are detailed in 52 Pa. Code § 54.186(c).

17. Additionally, Section 54.187 specifies the means by which EDCs may recover costs for engaging in the default service function. According to 52 Pa. Code § 54.187(b), costs incurred in providing default service shall be recovered on a full and current basis through a Section 1307 reconcilable adjustment clause, including costs for complying with the AEPS Act (as stated in 52 Pa. Code § 54.187(f)). These regulations are similar to the statutory requirements set forth in 66 Pa. C.S. § 2807(e)(3.9).

The Commission's DES Policy Statement

18. The Commission's DES Policy Statement (at 52 Pa. Code §§ 69.1801 – 69.1817) became effective on September 15, 2007. As specified in Section 69.1802, the goal of the Commission's default service regulations is the provision of adequate and reliable service to default service customers at the least cost over time. The DES Policy

Statement's guidelines provide the flexibility needed for default service providers to achieve this goal through their DSPs.

19. According to 52 Pa. Code § 69.1805, default service providers have the flexibility to seek a prudent mix of supply-side and demand-side resources (such as long-term, short-term, staggered-term and spot market purchases) to minimize contracting for supply at times of peak prices. Additionally, DSPs should be tailored to acquire default supplies for specific customer groupings with maximum registered peak loads of: 1) less than 25 kW for residential and non-residential customers; 2) between 25 kW and 500 kW for non-residential customers; and 3) greater than 500 kW for certain non-residential customers (i.e., commercial and industrial customers).

20. Regarding competitive bid solicitations for default service supplies, Section 69.1807 states that bids should be solicited from wholesale suppliers for tranches of supply in accordance with the three customer load groupings described above (in Section 69.1805). However, DSPs may solicit separate bids for residential, commercial and industrial segments when there are too few customers to organize tranches by these groupings. Independent evaluators are to be used to monitor the competitive bid solicitation process.

21. Regarding the cost of default service, Section 69.1808 states that the EDC's price to compare ("PTC") should recover all generation and transmission costs including: wholesale energy, capacity, ancillary, Retail Transmission Organization ("RTO") administrative and transmission costs, congestion costs, supply management costs, administrative costs, applicable taxes and AEPS compliance costs.

22. Per Section 69.1809, default service rates and the PTC may not be adjusted more frequently than quarterly to reflect changes in wholesale energy and related costs and to reconcile over- and under- collections. Default service costs and revenues should be reconciled as part of the PTC adjustment process.

23. In addition, Section 69.1815 requests the inclusion of customer referral programs[5] in DSPs.

The Commission's Electric RMI Orders

24. Beginning with its Order in the Investigation of Pennsylvania's Retail Electricity Market at Docket No. I-2011-2237952, which entered on April 29, 2011, the Commission initiated an Electric RMI proceeding to address and resolve retail market issues identified by the Commission. In the Electric RMI proceeding, the Commission issued a number of Orders that, impacted DSPs.[6]

A. Energy Contract Durations

25. In its December 16, 2011 Electric RMI Order, the Commission confirmed that EDCs should: 1) limit or eliminate short-term contracts that extend beyond the end of the DSP period; and 2) limit the proportion of long-term contracts and consider using already-existing ones. (December 16, 2011 RMI Order at 19). The Commission also reiterated that it will not prescribe specific contract durations for default service procurements. (Id. at 19-20). The December 16, 2011 RMI Order further permitted

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[5] Infra at pp. 11-12.

[6] See *Investigation of Pennsylvania's Retail Electricity Market: Recommendations Regarding Upcoming Default Service Plans*, Docket No. I-2011-2237952 (Final Order entered December 16, 2011) ("December 16, 2011 RMI Order"); *Investigation of Pennsylvania's Retail Electricity Market: Intermediate Work Plan,* Docket No. I-2011-2237952 (Final Order entered March 2, 2012) ("March 2, 2012 RMI Order"); and *Investigation of Pennsylvania's Retail Market: End State Default Service*, Docket No. I-2011-2237952 (Order entered February 15, 2013) ("February 15, 2013 RMI Order") (collectively "Electric RMI Orders").

EDCs to use a laddering approach such that supply purchases occur at different times and with overlapping delivery periods. (Id. at 20-21). Here, the Commission further clarified that EDCs do not need long-term contracts for AEPS credit solicitations.

B. ***Timing of Procurement Auctions for: 1) Medium and Large Commercial Customers; and 2) Residential and Small Commercial Customers***

26. The Commission entered a Tentative Order in Docket No. I-2011-2237952 on November 8, 2012 ("November 8, 2012 Tentative Order).[7] It requested that EDCs offer hourly Locational Marginal Pricing ("LMP") to medium and large commercial and industrial customers (with demands of 100 kW or greater). (November 8, 2012 Tentative Order at 16-17). For residential and small commercial customers, the Commission proposed fixed, quarterly, PTCs. The Commission envisioned the enactment of quarterly auctions to procure all default service load for these residential customers through tranches of full requirements, load-following contracts. (Id.) Similarly, the auctions would occur one to two months before the beginning of the delivery date for the upcoming quarter. (Id.).

C. ***Customer Referral Programs (New/Moving Customer and Standard Offer)***

27. In its March 2, 2012 RMI Order, the Commission determined that DSPs should include two types of Customer Referral Programs: New/Moving Customer and Standard Offer. (March 2, 2012 RMI Order at 13-33). New/Moving Customer Referral Programs provide residential and small commercial customers with basic information on shopping during calls to initiate service and calls to move service to a new address. (Id. at 17-18). Standard Offer programs shall include the following provisions:

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[7] See *Investigation of Pennsylvania's Retail Electricity Market: End State of Default Service,* Docket No. I-2011-2237952 (Tentative Order entered November 8, 2012).

- The Standard Offer Customer Referral Program should be voluntary for customers, i.e., “opt-in”, as well as for participating EGSs.

- The standard offer will target/market residential default service customers; however, residential shopping customers will not be excluded if they specifically request to participate. At this time, CAP customers should be excluded from the Standard Offer Customer Referral Program and have deferred the details of addressing the provision of universal service within default service to the RMI’s Universal Service subgroup.

- The standard offer should be comprised of a 7% reduction from the EDC’s effective DS PTC. The 7% reduction is a constant price established against the PTC effective on the date the standard offer is made.

- The standard offer should be provided for a minimum of four months, but should not exceed 1 year. The standard offer and its term should be uniform within an EDC’s service territory.

- Customers may choose to be assigned to an EGS of their choice or may choose a random assignment. The process by which an EGS is assigned either randomly or by customer choice, at the customer’s discretion, will be specifically detailed in each EDC’s plan proposal to ensure fairness and impartiality.

- The terms and conditions of the standard offer must be presented to customers before they decide to enter the program.

- The Standard Offer Customer Referral Program should be presented during customer contacts to the EDC call centers, other than calls for emergencies, terminations and the like. We would, however, permit that a customer be presented the standard offer during customer contacts to the EDC call center for high bill issues, only and explicitly after the customer’s concerns were satisfied.

- Once a customer enrolls in the Standard Offer Customer Referral Program, the enrollment will be forwarded to the EGS for EDI processing.

- At the time of the first contact between the EGS and the customer, the customer will be reminded of the terms and conditions of the standard offer, including the date by which the customer must take action to exercise his or her options at the end of the term.

- There will be no termination penalty or fee imposed at any time during the effective period of the standard offer.

- All existing customer notification requirements apply, including notices and the timing of those notices relating to proposed changes in the terms and conditions of the EGS-customer relationship.

- At the conclusion of the standard offer period, absent affirmative customer action to enter into a new contract with the EGS, the customer's enrollment with a different EGS or the customer's return to default service, the customer will remain with the EGS on a month-to-month basis, and shall not be subject to any termination penalty or fee. However, this should not deter an EGS from offering longer, fixed-term prices.

(Id. at 31-32).

D. Reconciliation Periods

28. In its December 16, 2011 RMI Order, the Commission stated that it would consider DSPs with quarterly, semi-annual or annual reconciliation periods. (December 16, 2011 RMI Order at 54). The Commission also instructed EDCs to include clear descriptions of how quarterly changes in supply charges would be calculated, adjusted, reconciled and allocated among default service rate classes. (Id.).

29. As explained herein, UGI Electric's Petition and proposed DSP IV are designed in accordance with the Commission's DES regulations, DES Policy Statement, and Electric RMI Orders.

E. January 2020 Secretarial Letter

30. On January 23, 2020, the Commission issued a Secretarial Letter in Docket No. M-2019-3007101, titled *Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms* ("Secretarial Letter"). Through the Secretarial Letter, the Commission proposed specific default service topics to be addressed in upcoming DSP proceedings on a case-by-case basis based upon the evidence presented in each case. UGI Electric's DSP IV addresses the topics from the Commission's Secretarial Letter related to: 1) Electric Vehicle ("EV") time-of-

use (“TOU”) rates; 2) long-term contracts that comply with prudent-mix requirement in Section 2807(e); and 3) Customer Assistance Program (“CAP”) shopping. The other subjects in the Secretarial Letter do not apply to UGI Electric because it is not considered a large EDC.

II. <u>UGI ELECTRIC’S PROPOSED PLAN – DSP IV</u>

31. The Company developed its proposed DSP IV plan to be largely identical to its DSP III plan with limited changes to a few sections of the DSP III plan. The parts of DSP IV related to *Procurement Strategy* (Section II.A below), *Rate Design* (Section II.C below), *Generation Contracts Greater than 2 Years* (Section II.G below), and *Retail Enhancement Programs* (Section II.H below) are identical to DSP III. For purposes of comparison, a summary of the Company’s DSP III plan is provided as Appendix A to this Petition. The following parts of DSP IV have minor variations from DSP III. While four sections in DSP IV will be revised, in actuality, there are only two proposed changes to the plan (as described in the following table).

<table>
<tr><th>DSP IV Plan Section Titles</th><th>DSP IV Plan Section Numbers</th><th>Proposed Change</th></tr>
<tr><td>Procurement Schedules and Technical Bid Requirements</td><td>II.B of the Petition</td><td rowspan="3">The Company is revising its Edison Electric Institute (“EEI”) Master Service Agreement and RFP instructions to require that bidders provide documentation during the RFP process demonstrating its good standing with PJM and its requirements.</td></tr>
<tr><td>Compliance with RTO's Legal and Technical Requirements</td><td>II.D of the Petition</td></tr>
<tr><td>Agreements and Forms Used to Procure Electric Supply</td><td>II.F of the Petition</td></tr>
<tr><td>Contingency Plans</td><td>II.E of the Petition</td><td>If default supplies cannot be secured for 50% of the Company’s GSR-1 load-following service, UGI Electric will use block procurements if time permits. However, if time does not permit, the Company will address the load-following shortfall by making purchases in the spot market.*</td></tr>
</table>

*DSP III planned to address this situation by using block procurements. Additionally, within a commercially reasonable period, UGI Electric would initiate an interim bid process seeking full-requirement supplies to address the shortfall. The interim bids would account for contingent block purchases secured under the contingency plan.

32. In this proceeding, the Company seeks to implement its DSP IV plan during the four-year period between June 1, 2021 and May 31, 2025. The Commission's DES Policy Statement (at 52 Pa. Code § 69.1804) suggests using a DSP term of two to three years, unless otherwise approved by the Commission. The Commission approved a four-year term for the Company's DSP III plan, which is scheduled to end on May 31, 2021. In addition, the Commission has approved four-year default service plans for other default service suppliers including PPL Electric Utilities Corporation, Duquesne Light Company, the FirstEnergy Companies and PECO Energy Company. UGI Electric seeks the same allowance to implement its DSP IV over a four-year term.

A. PROCUREMENT STRATEGY FOR DSP IV

33. In accordance with 52 Pa. Code § 54.185(e)(1), the Company's DSP IV includes a procurement plan, which identifies a supply acquisition strategy for use during the proposed plan period (June 1, 2021 through May 31, 2025). The DSP IV plan also identifies the means by which the Company will satisfy the minimum portfolio requirements set forth in the AEPS Act.

34. The Company's default supply acquisition strategy for DSP IV will apply to the same GSR-1 and GSR-2 customer groupings that were utilized in DSP III (i.e., based on rate classifications and registered peak electric demand).

1) GSR-1 Load Procurements for DSP IV

35. As was done in DSP III, GSR-1 will continue applying to Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and

LED-CO. It also will apply to Rate Schedules GS-4 and LP where the customer's annual peak load is less than 100 kW. To meet the GSR-1 load requirements in DSP IV, the Company will utilize the procurement methodology described below.

36. As was done in DSP III, the Company will procure its estimated annual supply for GSR-1 customers through two procurement methodologies: 1) GSR-1 Full Requirements Load-Following Service Bids; and 2) GSR-1 Block Purchase Bids.[8]

a) ***GSR-1 Full Requirements Load-Following Service Bids for DSP IV***

37. For this method, the Company will procure 50% of the total estimated annual supply (needed to satisfy half of the total GSR-1 load requirement) through two tranches in the same manner as was done in DSP III. In each bid round (one in the Spring and Fall of each Plan year), the Company will seek load-following supplies in an amount of 25% (of total GSR-1 load during each month of the 12-month period) on a full requirements basis (consistent with the procurement strategy process used in DSP III). Being on a full requirements basis, the selected bidder will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

b) ***GSR-1 Block Purchase Bids for DSP IV***

38. In DSP III, the Company procured the remaining 50% of total GSR-1 load through block purchases. For DSP IV, the Company will adopt the same methodology and procure 50% of the total estimated annual supply (needed to satisfy the other half of

[8] While Rates RWT, RTU, CWH, TE, GLP, and IH were included in DSP III, they were cancelled in accordance with Commission's Order dated October 25, 2018 at Docket No. R-2017-2640058 (in UGI Electric's last Base Rate Case).

the total GSR-1 load requirement) through two bid rounds or tranches. Each bid round (one in Spring and Fall of each Plan year) will seek block supplies to be delivered over 6-month periods in an amount of 50% (of total GSR-1 load needed during each month of the 6-month period). The Company will issue RFPs seeking 5x16 energy blocks (covering 5-day periods at peak hours) and 7x24 energy blocks (covering 7 day periods around the clock). For these procurements, the Company will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

c) __GSR-1 Spot Market Purchases for DSP IV__

39. For DSP IV, the Company proposes to reconcile variances between actual load consumption and scheduled electric deliveries (for the GSR-1 customer load) by way of spot market purchases using the same method adopted for DSP III. These spot market purchases will occur in the real-time market administered by PJM on an hourly basis when actual loads differ from the summation of the Company's load following and block purchase projections (that were previously scheduled in the PJM marketplace). The Company will be invoiced for these spot transactions on its monthly PJM bills.

40. If the Company's actual hourly load is greater than its projected hourly load, then, the overage will be satisfied through spot market purchases (for that hour). The total spot market purchase will be split with 50% to the load-following supplier (at the load-following supplier's price) and the other 50% to the Company (at the LMP). This process is identical to the one adopted in DSP III.

41. If the Company's actual hourly load is less than its projected hourly load, then, the shortage will be sold in the PJM market at the current hourly LMP price (also consistent with DSP III). Similarly, the responsibility of these sales will be split 50% to the load-following supplier and 50% to the Company (at the LMP). The resulting charge or credit amounts will be flowed to customers through the C Factor.

2) GSR-2 (LMP) Load Procurements for DSP IV

42. UGI Electric currently has 80 GSR-2 default service customers served under rate schedules GS-4, LP and HTP. These customers have a combined peak load of 13 MW. For DSP IV, the GSR-2 group will consist of customers being served under Rate Schedules GS-4, LP and HTP (as was done in DSP III).

43. GSR-2 will apply to these Rate Schedules where the customer's annual peak load is greater than or equal to 100 kW. Consistent with DSP III, the Company proposes establishing one procurement methodology for GSR-2 customers. Accordingly, through DSP IV, the Company will acquire default service supplies for these customers through PJM's real-time hourly market (consistent with DSP III).

44. For these procurements, the Company will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

3) Additional Default Service Procurements

a) <u>AEPS Credits for GSR-1 and GSR-2 in DSP IV</u>

45. Consistent with DSP III, in DSP IV, the Company will procure AEPS credits (in accordance with Section 75.61(b)(15)) for each plan year as specified below:

> For the June 1, 2020 through May 31, 2021 reporting period (and each successive 12 months thereafter), the Tier I requirement is 8% of all retail sales, of which at least 0.5% of all retail sales are to come from solar generation and the remainder from non-solar Tier I resources. The Tier II requirement is 10% of all retail sales.

46. For GSR-1 load-following supplies, the load-following suppliers will be responsible to obtain AEPS credits in an amount that corresponds to the amount of retail sales for the relevant load-following delivery period. In addition, UGI Electric will procure AEPS credits for its remaining GSR-1 default service procurements (i.e., block sales) and all of its GSR-2 default service procurements through an RFP process identical to DSP III.[9] The Company proposes using the same AEPS agreement that was approved by the Commission's January 22, 2009 Order (approving a *Joint Petition for Settlement of UGI Electric's AEPS Plan* at Docket Nos. P-2008-2063006 and G-2008-2063688). This AEPS agreement form was used in the Company's DSP III plan.

47. Under the AEPS Act, the Company's compliance obligations are measured on a Reporting Period basis (as defined in 52 Pa. Code § 75.1). This consists of the 12-month period from June 1 through May 31 (i.e., the PJM year). The Company has until September 1 to true-up its AEPS compliance obligations (based on actual retail sales during each Plan year). According to the definition in Section 75.1, the *true-up period* is the period each year from the end of the reporting year until September 1.

48. The Company's AEPS solicitations for DSP IV will be developed using estimated retail sales for GSR-1 block service and GSR-2 default service. As such, the Company may exceed or miss its AEPS credit requirements during a plan year (based on actual retail sales for each Plan year). To the extent that occurs, the Company will either

[9] The Company will issue an RFP to procure these AEPS credits based on sales estimates, which will be reconciled to actual sales by September 1 of each Plan year.

purchase additional AEPS credits during the true-up period or bank any overage for use in the subsequent reporting period (in accordance with 73 P.S. §§ 1648.3(e)(6)) or sell the AEPS credits back into the market. In addition, the Company will carry forward any overage from DSP III for use in DSP IV.

49. After the true-up period expires, in the unlikely scenario that the Company is still unable to meet its AEPS credit targets in Section 52 Pa. Code § 75.61, the Company would pay the applicable alternative compliance payment(s) specified in 52 Pa. Code § 75.65(b). In such an instance, the Company requests approval to recover these costs through its default service rates. This is the same methodology that the Company utilized in DSP III.

50. In accordance with 52 Pa. Code § 75.67, UGI Electric will recover the costs associated with the procurement of AEPS credits (during DSP IV) from its default service customers through a Section 1307 automatic adjustment clause rate design (as was done in DSP III).

b) <u>NYPA/Allegheny and Net Metering Purchases for DSP IV</u>

51. A small portion of the Company's default service load for DSP IV will continue to be acquired through the long-term arrangement between UGI Electric and the Allegheny Electric Cooperative, Inc. ("Allegheny")[10] as was done in DSP III. The history of this arrangement can be found in Section I.A.(3)(b) of Appendix A. In short, Allegheny purchases generation from the Power Authority of the State of New York ("NYPA") in bulk and resells it to various Pennsylvania counterparties (one of which is

[10] Allegheny has been reselling power procured from New York to UGI Electric pursuant to the *Agreement of Electric Service* ("Agreement"), which has been in place since January 5, 2004.

UGI Electric).[11] During each year of DSP IV, Allegheny will provide UGI Electric with an allocated share of hydroelectric power that was generated in New York and that was obtained from NYPA. UGI Electric's allocated share is currently set at 2.6409% of the total amount that Allegheny purchases from NYPA and distributes to the various Pennsylvania counterparties under the Agreement. NYPA will likely revise this percentage during the term of DSP IV. Historically, these updates/revisions have been limited in nature. Pursuant to the terms of the Agreement between UGI Electric and Allegheny, the Company will abide by the revised percentages set by NYPA. These procurements will continue to be included as a generation supply source in the Company's DSP IV and will be recovered through the Company's GSR-1 rate (Rider B - Generation Supply Service Surcharge) in the same manner as occurred in DSP III.

52. Additionally, during the term of DSP IV, the Company will continue purchasing generation from customer-owned generation resources in its service territory (as was done in DSP III). The Company will pay for excess generation left over at the end of the PJM year under its net metering tariff rules at the currently effective PTC (which equals the GSR-1 rate). As such, these procurement costs will be recovered through the GSR-1 rate (as was done in DSP III).

B. PROCUREMENT SCHEDULE & TECHNICAL BID REQUIREMENTS FOR DSP IV

1) GSR-1 Procurement Schedules for DSP IV

53. In accordance with 52 Pa. Code § 54.185(e)(2), UGI Electric's DSP IV includes supply procurement schedules for its full requirement, block and spot market

[11] Allegheny purchases this electric generation from New York through the currently effective *Agreement for the Sale of Saint Lawrence-FDR Project Power and Energy to Allegheny Electric Cooperative, Inc*. (between NYPA and Allegheny).

purchases. It also includes technical requirements associated with competitive bid solicitations (consistent with 52 Pa. Code § 54.186). The procurement schedules and technical requirements discussed below are consistent with those utilized in DSP III.

54. Regarding GSR-1 procurement schedules, the Company plans to use the following timetables for its load-following and block supply needs.

a) ***GSR-1 Full Requirements Load-Following Service Bid Schedule for DSP IV***

55. The Company will conduct GSR-1 RFPs (seeking load-following and block supplies) with wholesale suppliers in the Spring (March or April) and Fall (September or October) of each Plan year (as specified in the tables below). The Spring procurements for load-following supplies will be delivered over 12-month periods (between June and May of each Plan year) in an amount of 25% (of total GSR-1 load for each month). However, the initial Spring 2021 load-following tranche will seek supplies to be delivered over a 6-month period (between June 2021 and November 2021). This will ensure that there is no supply gap between the end of DSP III and the beginning of DSP IV. The Fall procurements for load-following supplies will be delivered over 12 month periods (between December and November of the subsequent Plan year) in an amount of 25% (of total GSR-1 load for each month).

56. The Spring procurements for block supplies will be delivered over 6-month periods (between June and November of each Plan year) in an amount of 50% (of total GSR-1 load for each month). The Fall procurements for block supplies will be delivered over 6-month periods (between December and May of each Plan year) in an amount of 50% (of total GSR-1 load for each month).

57. To ensure that there are no supply gaps between the end of DSP IV and the beginning of the Company's fifth DSP, the Company proposes issuing a 12-month tranche (for load-following supplies) in Fall 2024. The delivery period for this tranche would be between December 2024 and November 2025.

58. By staggering the load-following deliveries and aligning them with the block deliveries, the Company ensures that it can meet its GSR-1 load requirements during each month of the DSP IV term. The following tables detail all of the monthly load-following and block supply deliveries to occur during each year of DSP IV.

Load-Following Procurements (DSP IV - Year 1)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
DSP IV (Spring) RFP 1 (6-Month)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring) RFP 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 1)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 2)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
DSP IV (Fall 2021 Continuation)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 2)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 3)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
DSP IV (Fall 2022 Continuation)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 3)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 4)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
DSP IV (Fall 2023 Continuation)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 4)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

59. The RFPs noted above will issue to wholesale suppliers that either have Edison Electric Institute ("EEI") agreements in place with UGI Electric or express interest in participating in the bid rounds (as was done in DSP III). In DSP III, the Company used Pace Global Energy Services, LLC ("Pace") as its independent market monitor. Pace also managed the Company's default service bidding process. UGI Electric plans to continue using Pace as its market monitor and as its bidding process manager during the term of DSP IV. Accordingly, UGI Electric requests that the Commission approve the Company's use of Pace as its market monitor and bidding process manager during DSP IV.

60. For DSP IV, Pace will conduct the RFPs in the same manner as was done in DSP III. Pace will advertise notice of the RFPs in industry publications. The Company will post the RFPs on its Energy Management website. The website will include the hourly loads of GSR-1 Group customers from October 1, 2010 through the last full month prior to the issuance of the RFP, as well as hourly temperatures for the same period so that potential bidders can calculate anticipated weather normalized hourly loads. UGI Electric will post questions (with answers) raised by potential suppliers on the Energy Management website. The Company also will conduct a conference call open to all potential suppliers where questions about the RFPs can be addressed. Pace will participate in the conference call and oversee the RFP process. Potential suppliers are

required to submit bids within three to four weeks of the RFP issuance date. The results of the RFP selection process are subject to final Commission approval.

61. In addition, UGI Electric's affiliate should be permitted to participate in the RFPs for DSP IV. Neither UGI Electric nor its affiliate, UGI Energy Services, have withheld from the market any generation supply in a manner that violates Federal law. As such, UGI Electric's affiliate may participate in the bids and will not be granted any preference or gain preferential access to any non-public information. Accordingly, UGI Electric requests that the Commission approve potential affiliated interest transactions associated with DSP IV pursuant to Section 2102 of the Public Utility Code. The RFP process will also be overseen by Pace, and the results will be subject to final Commission approval.

2) GSR-2 Procurement Schedule for DSP IV

62. For DSP IV, the Company will satisfy its GSR-2 default service requirements by making hourly purchases of energy in the PJM spot market (as was done in DSP III). When GSR-2 customers use power supplies each hour, PJM will sell the Company a corresponding amount of electric supply through the Real Time hourly market.

3) AEPS Procurement Schedule for DSP IV

63. The Company will issue RFPs in the Spring of each Plan year seeking AEPS credits for half of its GSR-1 default service supplies (i.e., block procurements) and all of its GSR-2 default service customers based on sales estimates, which will later be trued-up (in accordance with actual sales).

4) Technical Requirements for DSP IV Bids

64. As previously stated, the Company will issue RFPs to wholesale suppliers to satisfy its load-following, block supply and AEPS needs during the term of DSP IV. The technical bid requirements for DSP IV will be similar to the ones used in DSP III. Additionally, the load-following and block supply RFP documents will be similar to the ones used in DSP III. As explained in Section II.D below, for DSP IV, the Company is revising its EEI Master Service Agreement and RFP instructions to require that bidders provide documentation demonstrating their good standing and compliance with PJM's tariff, operating agreement, reliability agreement, and business practices.

65. As was done in DSP III, the load-following RFPs for DSP IV will seek a fixed bid price for each tranche. The block RFPs will seek separately priced bids for each block. The RFPs will include a cover letter, a summary with bid instructions, and a bid form to be completed by interested wholesale suppliers. The instructions will refer interested suppliers to the Company's Energy Management website where they can find relevant documents, including, but not limited to, a copy of the EEI form agreement, historical hourly loads and temperatures, number of customers, a sample confirmation agreement and other relevant information. Different from DSP III, the RFP instructions in DSP IV will explain that bidders must provide documentation demonstrating their good standing and compliance with PJM's tariff, operating agreement, reliability agreement, and business practices. See Appendix B for a copy of the Company's EEI Agreement and RFP instructions to be used in DSP IV.

66. The Company will provide the load-following and block bid results to the Commission within one business day after the bid responses become due. Thereafter, the Commission will have one business day to review the bid responses and approve or

disapprove the Company moving forward to accept the winning responses. If the Commission approves of the winning bid responses, the Company will execute transaction confirmations with the winning suppliers.

C. RATE DESIGN PLAN FOR DSP IV

67. In accordance with 52 Pa. Code § 54.185(e)(3), UGI Electric's DSP IV utilizes a rate design plan that recovers all reasonable costs for providing default service. DSP IV's rate design plan mirrors the one used in DSP III. The rate design for DSP IV appears in Appendix D to this Petition. It is an updated copy of *Rider B - Generation Supply Service Surcharge* ("Rider B") to the Company's Electric Service Tariff. Rider B sets forth the schedule of rates, rules and conditions for recovering default service costs. Most of the changes to Rider B simply bring the dates in the rider current to align with DSP IV term.[12]

68. Additionally, as explained in the direct testimony of Stephen F. Anzaldo (Appendix G to this Petition), some clarifying language was added to Rider B explaining that the existing adjustment language for GSR-2 customers applies to situations in which these customers migrate from the GSR-1 customer grouping to the GSR-2 customer grouping during the term of DSP IV. This is how the adjustment applied in DSP III; the Company is simply bringing further clarification to the process.

69. The rate design plan for DSP IV mirrors the rate design plan adopted in DSP III and recovers these costs on a full and current basis through a Section 1307 reconcilable adjustment clause (including costs for complying with the AEPS Act).

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[12] Appendix D also contains a revised copy of Rule 5.6(b) of the Company's Electric Generation Supplier Coordination Tariff (regarding monthly charges for the Standard Offer program and how they are to be allocated to suppliers on a per capita basis).

70. Consistent with DSP III, the Company's DSP IV will include a rate design that recovers costs associated with procurements for the GSR-1 and GSR-2 groupings, including AEPS credits.

71. The GSR-1 rate will be the sum of the following components:

- Energy Costs (EC) – Projected direct and indirect purchase power costs (for load following and block procurements) in the upcoming 3-month period, including all PJM bill line items, administrative costs, AEPS credits, etc. The EC is divided by Sales for the Projected Quarter (SEC). The SEC includes projected sales for all default service customers in GSR-1 for the upcoming 3-month period.

- Energy Cost Adjustment (ECA) – The ECA (i.e., E or C Factor) is the net over or under collection related to the EC, which is collected/refunded for the quarter based on EC revenues received and actual EC costs incurred for the 3 month period ending 2 months before the GSR effective date. If the ECA would result in more than a 5% change in the system average total bill for default service, adjustments may be reconciled over more than a 3 month period, but no longer than 12 months. The ECA is divided by the Sales Used to Calculate the ECA (SECA). The SECA includes projected sales for all default service customers in GSR-1 for the adjustment period (i.e., 12 months beginning December 1).

- Interest (Int) – Interest associated with over and under collections during the quarter. The interest is computed at the prime rate for commercial banking, not to exceed the legal rate of interest as reported in the Wall Street Journal. The Int is divided by the Sales Interest (Sint). The Sint includes the projected sales for default service customers in GSR-1 for 12-months beginning December 1.

- Taxes (T) –Taxes (i.e., Pennsylvania Gross Receipts Tax) are applied to the sum of the above-components.

72. The rate design for costs associated with procurements for the GSR-2 grouping will be calculated for each default service customer in the group and will be based on actual costs incurred to serve the customer. The GSR-2 rate will be the sum of the following components:

- Energy Costs - incurred by the Company to procure electric supply are multiplied by the customer's LMP for each hour of the billing month.

- Other Power Costs - incurred in the procurement of electric supply, which are allocated according to metered sales. These costs include AEPS credits, PJM bill line items (excluding costs for capacity services, transmission services, network transmission service credits and firm point-to-point transmission expenses/credits), administrative costs, legal costs, taxes and any other applicable costs. Actual costs are reduced by actual transmission revenues collected.

- Costs for Capacity and Transmission - (included on the PJM bill line item) are allocated differently to GSR-2 customers (than how Other Power Costs are allocated). Capacity costs include locational reliability, capacity transfer rights, RPM auction and capacity resource deficiency costs. These costs are allocated based on each customer's peak load contribution ("PLC"). Transmission costs include network integration service charges, transmission enhancement service charges/credits and non-firm point-to-point transmission service charges/credits. These costs are allocated based on each customer's network service peak load value ("NSPL").

- Adjustments - over/under collections plus interest will be refunded/recovered over 12 billing periods to customers who migrate from GSR-1 to GSR-2 during the DSP term.

- Taxes – Pennsylvania Gross Receipts Tax is applied to the sum of the above costs.

D. COMPLIANCE WITH RTO'S LEGAL AND TECHNICAL REQUIREMENTS

73. In accordance with 52 Pa. Code § 54.185(e)(4), DSPs must include documentation that the plan is consistent with the requirements pertaining to the generation, sale and transmission of electricity of the RTO in the default service provider's territory (i.e., PJM). To comport with this requirement, the Company is making one change between its DSP III and DSP IV plans. As previously stated, for DSP IV, the Company is revising its EEI Master Service Agreement and RFP instructions to require that bidders provide documentation demonstrating their good standing and compliance with PJM's tariff, operating agreement, reliability agreement, and business practices.

74. The Company's RFP instructions also will be revised to require specific bidder certifications demonstrating they are: 1) qualified market buyers and sellers of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates.

E. CONTINGENCY PLAN FOR DSP IV

75. In accordance with 52 Pa. Code § 54.185(e)(5), the Company's DSP IV incorporates contingency plans in the event that the Company cannot secure wholesale generation supplies required to meet the default service obligation. The contingency plan for DSP IV has minor revisions from the one used in DSP III.[13] Similar to DSP III, DSP IV's contingency plan will address situations where the Company either cannot secure bids from wholesale suppliers or cannot receive default supplies (under existing contracts) to satisfy the GSR-1 load-following service requirement. Different from DSP III, DSP IV's contingency plan will use block procurements and subsequent full requirement bids (in consultation with Pace) only if time permits. If time does not permit, the Company would address the load following shortfall by making purchases in the spot market.

76. Regarding block supplies, the Company historically has not developed contingency plans because the risk of failing to secure block supplies is very low. More specifically, the Company largely develops its GSR-1 load requirements based on

[13] For DSP III, if the Company could not secure its needed load-following supplies, it planned to use block procurements (in consultation with Pace). Additionally, within a commercially reasonable period, UGI Electric would initiate an interim bid process seeking full requirement supplies to address the shortfall. The interim bids would account for contingent block purchases secured under the contingency plan.

estimates because it does not have smart meters.[14] As such, it is likely that estimated/scheduled supplies will not match actual consumption for GSR-1 customers (during any particular hour). When this occurs, the difference will be reconciled by purchases or sales in the PJM hourly market. As previously stated, half of these spot market sales or purchases go to the load-following supplier. For these spot purchases/sales, the Company has price certainty, because the resulting sale or credit to UGI Electric will always be locked in at the load-following supplier's awarded RFP price. However, the load-following supplier bears the risk that the spot market price for these variances will differ significantly from the amount assigned to UGI Electric in the tranches.

77. This risk does not exist for block suppliers because the specific amount of energy and the price is set in each RFP. The block supplier bears no risk if the overall scheduled delivery amounts do not match actual usage. As such, the block market is more liquid than the load-following market, which has risk premiums built into the price to account for load variability.

78. While it is unlikely to occur, in the event that the Company is unsuccessful in procuring block supplies, it would review all available options (e.g., additional load-following RFPs, different block products, spot market options, etc.) and develop an appropriate procurement strategy in consultation with Pace and the Commission.

79. These changes improve the Company's contingency plan by accounting for timing constraints that may hinder reliance on blocks and subsequent full requirement bids and potential difficulty in procuring block supplies.

[14] According to 66 Pa.C.S. § 2807(f)(6), EDCs with 100,000 or fewer customers are not required to install smart meters or adopt a smart meter plan.

F. AGREEMENTS AND FORMS USED TO PROCURE ELECTRIC SUPPLY FOR DSP IV

80. In accordance with 52 Pa. Code § 54.185(e)(6), the Company is providing copies of its agreements and forms used in the procurement of electric supply for default service customers. These documents include the Company's master supply agreement (i.e., EEI agreement), RFP documents, and credit and confidentiality agreements. (Appendix C).

81. UGI Electric plans to acquire default service supplies for DSP IV through the same EEI Agreement form that was used in DSP III, but for one change to the agreement (to demonstrate a wholesale supplier's good standing with PJM through appropriate certifications as described in Section II.D above). UGI Electric will use the revised EEI agreement and RFP instructions for its load-following and block purchases in DSP IV.

G. GENERATION CONTRACTS GREATER THAN 2 YEARS

82. In accordance with 52 Pa. Code § 54.185(e)(7), the Company is identifying generation contracts of greater than 2 years in effect that will be used to provide default service. The only contract that UGI Electric plans to use during the term of DSP IV, with a term that is greater than 2 years, is the Allegheny Agreement (described in Section II.A.(3)(b) above). A Confidential copy of the Allegheny Agreement is provided as Appendix E to the Petition. The Company made procurements under this long-term agreement in DSP III and plans to continue doing so in DSP IV.

83. As previously explained, a small portion of the Company's default supply for DSP IV will be acquired through a long-term arrangement between UGI Electric and Allegheny. Allegheny will provide UGI Electric with a 2.6409% percentage share of

hydroelectric power that is generated in New York each year pursuant to the agreement between NYPA and Allegheny. Currently, UGI Electric is allocated 299 KW of this generation and estimates an annual energy supply of 2,402 MWH for the current Plan year. However, this percentage share and amount are subject to revisions/updates by NYPA during the term of DSP IV, which historically have been limited in nature.

84. The Agreement (between UGI Electric and Allegheny) is effective until April 30, 2032, the date by which the currently-effective *Agreement for the Sale of Saint Lawrence-FDR Project Power and Energy to Allegheny Electric Cooperative, Inc.* (between NYPA and Allegheny) will expire.

H. RETAIL ENHANCEMENT PROGRAMS FOR DSP IV

85. Consistent with DSP III, DSP IV will include two retail enhancement programs: 1) the New/Moving Customer Referral Program; and 2) the Standard Offer Customer Referral Program.

1) New/Moving Customer Referral Program for DSP IV

86. Through the Company's New/Moving Customer Referral Program in DSP IV, customers new to or moving within the service territory will be informed about retail choice during specific service calls to UGI Electric (in the same manner as was done in DSP III). During these calls, UGI Electric will refer its customers to the Commission's PA Power Switch website. The Company also will explain how the Company's PTC can be used in considering EGS price offers and how the PTC changes over time. Further, the Company will explain the difference between fixed and variable generation supply contract options.

2) Standard Offer Program for DSP IV

87. There are no retail EGSs that are currently participating in UGI Electric's Standard Offer program. Regardless, the Company stands ready to implement the program, if retail EGSs express interest in participating (during the term of DSP IV).

I. JANUARY 2020 SECRETARIAL LETTER

88. On January 23, 2020, the Commission issued a Secretarial Letter in Docket No. M-2019-3007101, titled *Investigation into Default Service and PJM Interconnection, LLC. Settlement Reforms*. Through the Secretarial Letter, the Commission proposed specific default service topics to be addressed in upcoming DSP proceedings on a case-by-case basis based upon the evidence presented in each case. UGI Electric's DSP IV addresses the following topics from the Commission's Secretarial Letter.

Electric Vehicle TOU Rate Offerings for Consumers

89. In the Secretarial Letter, the Commission urged parties in their upcoming DSP proceedings to consider how EV-specific TOU rate offerings could be made available to consumers. Because the Company has fewer than 100,000 customers, it is not required to install smart meters or implement TOU rates (pursuant to 66 Pa.C.S. § 2807(f)(6)). Accordingly, at this time, the Company is not planning to develop an EV-specific TOU rate.

Long-Term Contracts and the Prudent-Mix requirement in Section 2807(e)

90. As previously stated, the Company's DSP IV supply portfolio consists of a prudent mix of short-term contracts (for load-following and block supplies), a long-term arrangement with Allegheny (for supply generated in New York) and spot market purchases (to resolve hourly differences between scheduled and actual load).

CAP Shopping Proposals

91. In the Secretarial Letter, the Commission suggested that EDCs with CAP programs, consider the issues and concerns raised by the Commission in prior proceedings when developing CAP-shopping proposals in the upcoming DSP filings. By way of background, on February 28, 2019, the Commission issued a Proposed Policy Statement Order at Docket No. M-2018-3006578. It proposed guidelines for EDCs that would allow CAP participants to shop for retail electric supply with adequate consumer protections (i.e., ensuring CAP customers did not pay for supply in excess of the PTC). The Proposed Policy Statement Order directed EDCs to include the following consumer protections for CAP customers in their next DSPs (following adoption of the proposed policy statement):

1) A requirement that the CAP shopping product have a rate that is at or below the EDC's PTC at all time periods of the contract between the EGS and the customer;

2) A provision that the contract between the EGS and the CAP customer contains no early termination or cancellation fees; and

3) A provision that, at the end of the contract, the CAP customer may reenroll with the EGS at a product that meets the same requirements as outlined in numbers one and two above, switch to another EGS offering a product that meets those requirements or be returned to default service.

92. Interested Parties submitted comments and reply comments (in the M-2018-3006578 docket) in July and August 2019, respectively. However, the Commission has not yet adopted a policy statement related to CAP shopping. The Secretarial Letter acknowledged that the proposed policy statement in Docket No. M-2018-3006578 was unlikely to be final and effective in time for some of the upcoming DSP proceedings. As

such, the Commission requested that EDCs address the above provisions in their upcoming DSP filings.

93. As of April 2020, UGI Electric had 55,436 residential customers, of which 455 were shopping (i.e., 0.82%). UGI Electric also has 3,187 CAP customers. If the Company developed a shopping program for electric CAP customers, it is unlikely that all of them would shop. The more reliable estimation method would be to apply the known percentage of electric shopping customers (i.e., 0.82%) to the number of electric CAP customers (i.e., 3,187). Doing so results in a probability that approximately 26 electric CAP customers would be interested in shopping.

94. It is within this context that the Company had to determine the costs and benefits associated with developing a CAP shopping program; one that ensures EGSs never charge a supply price that exceeds the PTC. UGI Electric's billing system currently cannot be used to implement a CAP shopping program, especially one that prohibits suppliers from charging CAP customers in excess of the PTC. Extensive and costly programming changes would be required so the billing system could: 1) obtain supplier rates for each participating CAP customer (to the extent that EGSs would be interested in providing that information); 2) calculate the applicable percentage of income and minimum bills amounts (with supplier charges); and 3) develop ways to address Pre-Program Arrearage forgiveness, CAP shortfall amounts, unpaid supplier charges, etc.

95. In addition, no EGSs have participated in UGI Electric's Standard Offer program, which is designed to provide customers with a guaranteed discount on the PTC (i.e. a rate ready percentage off the PTC).

96. Due to the high implementation costs, programming complexities involved and general lack of interest in UGI Electric's Standard Offer program, the Company has decided against implementing a CAP shopping program in its DSP IV, which would potentially only benefit approximately 26 customers.

III. LEGAL STANDARDS

A. THE COMPANY'S PROCUREMENT PLANS MEET ACT 129'S LEGAL STANDARDS

97. The procurement methodologies under DSP IV meet the requirements of Act 129 that a procurement plan shall be designed to be "the least cost to consumers over time" and shall include a "prudent mix" of contracts. The hourly price service for GSR-2 Group customers, and the competitive solicitations for full requirements contracts serving GSR-1 Group customers, represent a "prudent mix" of procurement contracts for UGI's default service customers and will provide default service customers with access to an adequate and reliable supply of generation at least cost over time. *See* 66 Pa.C.S. § 2807(e).

98. Specifically, Act 129 requires that power "shall be procured through competitive procurement processes" (including auctions, requests for proposals and/or competitively procured bilateral agreements procured at no greater than the cost of obtaining generation under comparable terms in the wholesale market), and such procurement must be a "prudent mix" of spot market purchases, short-term contracts and long-term purchase contracts spanning from four to 20 years in length. *Id*. at 2807(e)(3.1)-(3.2).

99. UGI Electric's DSP IV is identical to DSP III, which was determined to serve the public interest and comply with the legal requirements of a "prudent mix" of

contracts "designed to ensure adequate and reliable service at the least cost to customers over time. DSP IV, like DSP III, meets the procurement requirements of Act 129 by utilizing competitive procurement processes.

100. The procurement process is explained in detail in the direct testimony of Ms. Angelina M. Borelli, Director of Supply, UGI Electric Statement. No. 1 (Appendix F).

101. For all of the reasons set forth above, this default service plan meets the standards set forth in Act 129, and enables the Commission to make the necessary findings per Section 2807(e)(3.7) as follows:

- UGI Electric's Plan includes prudent steps necessary to negotiate favorable generation supply contracts;
- UGI Electric's Plan includes prudent steps necessary to obtain least cost generation supply contracts on a long-term, short-term and spot market basis;

  Neither UGI Electric nor its affiliated interests have withheld from the market any generation supply in a manner that violates Federal law.

B. WAIVERS

102. UGI Electric recognizes the Commission's default service regulations and policy statement intend that DSPs be tailored to acquire default supplies for specific customer groupings with maximum registered peak loads of: 1) less than 25 kW for residential and non-residential customers; 2) between 25 kW and 500 kW for non-residential customers; and 3) greater than 500 kW for certain non-residential customers (i.e., commercial and industrial customers). 52 Pa. Code §§ 54.187(i)-(k) and 69.1805.

103. However, the regulations and policy statement also provide that DSPs may propose alternative divisions of customers by registered peak load to preserve existing customer classes.

104. As noted above, UGI Electric proposes in this Petition to continue to acquire default service supplies for two groups – all customers with peak loads of less than 100 kW, and customers with peak loads of 100 kW or greater, and requests a waiver from the customer groupings recommended in 52 Pa. Code §§ 54.187 and 69.1805 to permit this procurement strategy to continue.

105. Such a waiver is appropriate given the small size of default service loads on UGI Electric's system.

C. THE PROPOSED RETAIL PROGRAMS ARE IN THE PUBLIC INTEREST

106. The Commission has encouraged EDCs to offer retail markets program, including new and moving customer referral programs and Standard Offer programs to residential and small commercial and industrial customers. *See, e.g.* March 2, 2012 RMI Order.

107. UGI Electric proposes to continue to offer the New/Moving Customer Referral program to its customers (during the term of DSP IV).

108. Likewise, UGI Electric stands ready to offer a Standard Offer program to refer customers to EGSs should an EGS(s) decide to participate in the Company's Standard Offer program (during the term of DSP IV).

109. These customer referral programs are in the public interest because they may encourage retail choice and assist customers in saving money on their electric bills.

IV. <u>CUSTOMER NOTICE</u>

110. UGI Electric will publish notices containing similar information in all of the major newspapers serving its service territory. Finally, all notices will refer to UGI

Electric's website, (http://gasmngmt.ugi.com), where a copy of the entire filing will be maintained.

111. In addition to the above notices, UGI Electric also is serving copies of this filing on the Office of Consumer Advocate, the Office of Small Business Advocate, the Commission's Bureau of Investigation and Enforcement, all EGSs registered in UGI Electric's service territory and PJM Interconnection, LLC (See Certificate of Service).

V. <u>CONCLUSION</u>

WHEREFORE, UGI Electric respectfully requests that the Commission, no later than the last public meeting date in December 2020: (1) approve the default service program set forth in this petition, (2) grant affiliated interest approval for transactions with a UGI Electric affiliate(s) in the event such an affiliate(s) submits a winning bid under the default service program's proposed RFP processes, (3) grant any waivers required to implement the default service program set forth in this petition, including a waiver of the Commission's regulation at 52 Pa. Code § 54.187 to allow UGI Electric to acquire default supplies for the GSR-1 and GSR-2 customer groups as defined herein, (4) authorize UGI Electric to file tariff sheets substantially in the form of the *pro forma* tariff sheets set forth in Appendix D to this petition on or before May 2, 2021 to be effective June 1, 2021, (5) authorize UGI Electric to file tariff sheets no later than thirty (30) days in advance of each quarter beginning June 1, 2021 specifying the applicable GSR-1 Group default service rates for the prospective quarter, (6) re-approve UGI Electric's retail choice market enhancement programs and grant, to the extent required, any affiliated interest approvals necessary for UGI Electric affiliates to participate in such programs, (7) approve UGI Electric's use of Pace Global Energy Services, LLC as its independent third party evaluator, and (8) grant such other relief as the Commission deems appropriate.

Respectfully submitted,

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Date: May 26, 2020

Attorneys for UGI Utilities, Inc. – Electric Division

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric Division For Approval of a Default Service Plan (DSP IV) for the Period of June 1, 2021 through May 31, 2025	:	Docket Nos. P -2020 G-2020

VERIFICATION

Christopher R. Brown, deposes and says that he is Vice President and General Manager – Rates and Supply for UGI Utilities, Inc., that he is duly authorized to and does make this verification on its behalf; that the facts set forth in the foregoing petition are true and correct to the best of his knowledge information and belief; and that this verification is made subject to the penalties of 18 Pa.C.S. § 4904 (relating to unsworn falsification to authorities).

Dated: 5/26/20

Christopher R. Brown

Christopher R. Brown

APPENDIX A

(DSP III Summary)

I. UGI ELECTRIC'S CURRENT PLAN – DSP III

1. On April 22, 2016, UGI Electric filed its *Petition of UGI Utilities, Inc. – Electric Division for Approval of a Default Service Plan for the Period of June 1, 2017 through May 31, 2021, and Associated Potential Affiliated Interest Transactions* at Docket Nos. P-2016-2543523 and G-2016-2543527 (i.e., DSP III). The Commission approved UGI Electric's DSP III plan by Order entered on November 9, 2016 as modified by settlement.[1] DSP III spans the four–year period between June 1, 2017 and May 31, 2021.

a. PROCUREMENT STATEGY FOR DSP III

2. Through DSP III, the Company procured default supplies for two Generation Supply Rate ("GSR")[2] customer groupings (i.e., GSR-1 and GSR-2) based on registered peak electric demand. These groupings did not specifically align with the groupings established in 52 Pa. Code § 69.1805[3]. However, Section 69.1805 permits DSPs to propose alternative divisions of customer groupings by registered peak load to preserve existing customer classes. As explained in its DSP II Petition[4], the Company had difficulty attracting wholesale supplier interest in prior default service RFPs. For bids that were issued between 2012 and 2014, wholesale suppliers only expressed interest in bidding on tranches consisting of 50% of the

[1] On September 1, 2016, a Joint Petition for Settlement ("Settlement") was filed in Docket Nos. P-2016-2543523 and G-2016-2543527. On October 3, 2016, a Recommended Decision Approving the Joint Petition for Settlement without modification issued.

[2] The Company's GSR Rate is charged to default service customers. The rate is applied to each kilowatt hour of energy used by the customer.

[3] Section 69.1805 established customer groupings with maximum registered peak loads of: 1) less than 25 kW for residential and non-residential customers; 2) between 25 kW and 500 kW for non-residential customers; and 3) greater than 500 kW for certain non-residential customers (i.e., commercial and industrial customers).

[4] See *Petition of UGI Utilities, Inc. – Electric Division for Approval of a Default Service Plan and Retail Market Enhancement Programs for the Period of June 1, 2014 through May 31, 2017 and Potential Associated Affiliate Interest Transactions*, Docket Nos. P-2013-2357013 and G-2013-2357003 (filed on April 5, 2013).

needed supply (for load-following service). As a result, the Company had to acquire the remaining 50% from its contingency plan (e.g., block purchases).

3. To preserve the Company's ability to serve its default service function and minimize the risk of over-reliance on any particular energy product(s) at a particular point in time, the Company aligned its DSP III plan into the following customer procurement groupings for which the Company was able to elicit adequate wholesale supplier interest.

1) GSR-1 Load Procurements for DSP III

4. GSR-1 applied to Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and LED-CO. It also applied to Rate Schedules GS-4 and LP where the customer's annual peak load was less than 100 kW. To meet the GSR-1 load requirements during DSP III, the Company utilized two different procurement methodologies: 1) GSR-1 Full Requirements Load-Following Service Bids; and 2) GSR-1 Block Purchase Bids.

a) GSR-1 Full Requirements Load-Following Service Bids for DSP III

5. For this method, the Company procured 50% of the estimated annual GSR-1 supply through two bid rounds or "tranches." More specifically, the Spring procurements for load-following supplies were secured for delivery over 12-month periods (between June and May of each Plan year) in an amount of 25% (of total GSR-1 load for each month). The Fall procurements for load-following supplies were secured for delivery over 12 month periods (between December and November of the subsequent Plan year) in an amount of 25% (of total GSR-1 load for each month).

6. Being on a full requirements basis, the selected bidder was responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services,

transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

b) GSR-1 Block Purchase Bids for DSP III

7. For this method, the Company similarly procured 50% of the estimated annual GSR-1 supply through two bid rounds or tranches.

8. The Spring procurements for block supplies were secured for delivery over 6-month periods (between June and November of each Plan year) in an amount of 50% (of total GSR-1 load for each month). The Fall procurements for block supplies were secured for delivery over 6-month periods (between December and May of each Plan year) in an amount of 50% (of total GSR-1 load for each month).

9. The Company issued RFPs seeking 5x16 energy blocks (covering 5 day periods at peak hours) and 7x24 energy blocks (covering 7 day periods around the clock). For these procurements, the Company was responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

c) Spot Market Purchases for DSP III

10. PJM coordinates, controls, and monitors the multi-state electric grid. In doing so, it balances scheduled electric deliveries with actual electric consumption on an hourly basis. For load-following and block supplies during DSP III, the Company, in unison with its suppliers, scheduled its purchases in the PJM scheduling module. When actual usage varied from these scheduled amounts (i.e., when actual hourly loads differed from the summation of the Company's scheduled load-following and block supply amounts), PJM reconciled the

differences through the Real Time hourly market (i.e., spot market purchases) in order to balance the multi-state grid.

11. PJM performed this balancing on an hourly basis and invoiced the Company for these spot transactions on UGI Electric's monthly PJM bill.

12. If the Company's actual hourly load was greater than its projected hourly load, then, the overage was satisfied through spot market purchases (for that hour). The total spot market purchases were split with 50% to the load-following supplier (at the load-following supplier's price) and the other 50% to the Company (at the LMP price). If the Company's actual hourly load was less than its projected hourly load, then, the shortage was sold in the PJM market. Similarly, the responsibility of these sales was split 50% to the load-following supplier (at the load-following supplier's price) and 50% to the Company (at the LMP price). The resulting charge or credit amounts were flowed to customers through the C Factor.

2) GSR-2 (LMP) Load Procurements for DSP III

13. In DSP III, UGI Electric had 79 GSR-2 default service customers served under rate schedules GS-4, LP and HTP. These customers had a combined peak load of 12 MW.

14. GSR-2 applied to these Rate Schedules where the customer's annual peak load was greater than or equal to 100 kW. For GSR-2, the Company established one procurement methodology. Here, the Company acquired default service supplies on an hourly basis from PJM's real-time hourly market. The Company did this in accordance with the Commission's November 8, 2012 Tentative Order in Docket No. I-2011-2237952, which requested that EDCs offer hourly LMP to medium and large commercial and industrial customers (with demands of 100 kW or greater).

15. For these procurements, the Company was responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

3) Additional Default Service Procurements

a) <u>AEPS Credits for GSR-1 and GSR-2 in DSP III</u>

16. According to 66 Pa. C.S. § 2807(e)(3.3), "[e]xcept as set forth in paragraph (5)(ii), the provisions of this section shall apply to any type of energy purchased by a default service provider to provide electric generation supply service, including energy or alternative energy portfolio standards credits required to be purchased under the act of November 30, 2004 (P.L. 1672, No. 213),[5] known as the Alternative Energy Portfolio Standards Act." Part D of the AEPS Act requires a certain percentage of all electric energy sold to retail customers be derived from qualifying alternative energy sources such as solar, wind, hydropower, biomass, biologically derived methane gas and demand-side management resources. Specifically 52 Pa. Code § 75.61(a) states:

> EDCs and EGSs shall comply with the act through the acquisition of certified alternative energy credits, each of which shall represent one MWh of qualified alternative electric generation or conservation, whether self-generated, purchased along with electric commodity or separately through a tradable instrument.

17. Section 75.61(b) specifies the amount of AEPS credits that must be acquired for each reporting period (as a defined percentage of total retail sales of electricity to customers). The percentage increased for each plan year during DSP III as specified below:

- For the June 1, 2016 through May 31, 2017 reporting period, the Tier I requirement was 6% of all retail sales, of which 0.2933% come from solar

[5] 73 P.S. § 1648.1 et seq.

resources and the remainder from non-solar Tier I resources. The Tier II requirement was 8.2% of all retail sales.

- For the June 1, 2017 through May 31, 2018 reporting period, the Tier I requirement was 6.5% of all retail sales, of which 0.3400% come from solar resources and the remainder from non-solar Tier I resources. The Tier II requirement was 8.2% of all retail sales.

- For the June 1, 2018 through May 31, 2019 reporting period, the Tier I requirement was 7% of all retail sales, of which 0.3900% come from solar resources and the remainder from non-solar Tier I resources. The Tier II requirement was 8.2% of all retail sales.

- For the June 1, 2019 through May 31, 2020 reporting period, the Tier I requirement was 7.5% of all retail sales, of which 0.4433% come from solar resources and the remainder from non-solar Tier I resources. The Tier II requirement was 8.2% of all retail sales.

18. Throughout the term of DSP III, load-following suppliers procured AEPS credits in an amount the corresponded to the amount of supply they had to deliver in each tranche. UGI Electric procured AEPS credits for its remaining GSR-1 default service block sales and all GSR-2 default service sales through an RFP process using the same AEPS agreement that was approved by the Commission's January 22, 2009 Order (approving a Joint Petition for Settlement of UGI Electric's AEPS Plan at Docket Nos. P-2009-2063006 and G-2008-206388).

19. In accordance with 52 Pa. Code § 75.67, UGI Electric recovered costs associated with the procurement of AEPS credits (including the costs of any compliance payments under 52 Pa. Code § 75.65) from its default service customers through a Section 1307 automatic adjustment clause rate design.

b) ***NYPA/Allegheny and Net Metering Customer Purchases for DSP III***

20. A small portion of the Company's default service supply for DSP III was acquired through a long-term arrangement between UGI Electric and Allegheny Electric Cooperative, Inc.

("Allegheny"). Allegheny provides UGI Electric with a percentage share of hydroelectric power that is generated in New York each year. During the term of DSP III, the percentage share resulted in approximately 2,833 MW per year.

21. By way of background, Allegheny is a non-profit member cooperative formed under the Electric Cooperative Corporation Act of the Commonwealth of Pennsylvania (15 P.L. 124, *et seq.)* to obtain the lowest possible wholesale cost for electric power for its members. Allegheny is owned and controlled by fourteen member distribution cooperatives, which operate electric distribution systems in rural areas. Moreover, Allegheny is the bargaining agent for Pennsylvania for all activities associated with allocations of hydroelectric power and energy obtained from the Power Authority of the State of New York ("NYPA").

22. NYPA is a corporate municipal instrumentality created by the laws of the State of New York and is a public body with governmental and public powers. NYPA has major hydroelectric projects/facilities on the St. Lawrence and Niagara Rivers. It sells power from these generating facilities in bulk to Allegheny pursuant to the terms of the *Agreement for the Sale of Saint Lawrence-FDR Project Power and Energy to Allegheny Electric Cooperative, Inc*.[6] Allegheny, in turn, resells this hydroelectric-sourced power to counterparties in Pennsylvania according to a percentage share.

23. During DSP III, UGI Electric received an allocated 2.6409% share of this power. Allegheny has been reselling power procured from NYPA to UGI Electric pursuant to the *Agreement of Electric Service* ("Agreement").

24. The Agreement (between UGI Electric and Allegheny) is effective until April 30, 2023, the date by which the *Agreement for the Sale of Saint Lawrence-FDR Project Power and Energy to Allegheny Electric Cooperative, Inc.* (between NYPA and Allegheny) will expire.

[6] The effective date of this agreement between NYPA and Allegheny is May 1, 2017.

25. While the NYPA generation supply was not included in the Company's load-following or block bids, it served default service customers. Therefore, it was included as a generation supply source in the Company's DSP III and recovered through the Company's GSR rider.

26. During the term of DSP III, the Company also paid for generation from customer-owned renewable resources in its service territory. The Company paid for excess generation left over at the end of the PJM year under its net metering tariff rules at the PTC (which equals the GSR-1 rate). As such, these procurement costs were recovered through the GSR-1 rate.

27. During the last DSP III plan year (June 1, 2018 – May 31, 2019), the Company had 90 net metering customers (84 of which were customers with photovoltaic systems). UGI Electric purchased approximately 109 MW of excess generation (left over at the end of the PJM year) from these customers at the PTC.

b. IMPLEMENTATION PLAN SCHEDULES FOR DSP III

28. For DSP III, the Company utilized separate procurement schedules to satisfy GSR-1's procurement needs.

1) GSR-1 Procurement Schedule for DSP III

a) GSR-1 Full Requirements Load-Following Service Bid Schedule for DSP III

29. The Company conducted load-following RFPs with wholesale suppliers in the Spring (March or April) and Fall (September or October) of each Plan year (as specified in the following table).

Load Following Procurement Schedule for DSP III

Procurement Date	50% of Load Following Supplies Acquired For	50% of Load Following Supplies Acquired For

Spring 2017	June 2017 – Nov. 2017	June 2017 – May 2018
Fall 2017	Dec. 2017 – Nov. 2018	N/A
Spring 2018	N/A	June 2018 - May 2019
Fall 2018	Dec. 2018 – Nov. 2019	N/A
Spring 2019	N/A	June 2019 - May 2020
Fall 2019	Dec. 2019 – Nov 2020	N/A
Spring 2020	N/A	June 2020 – May 2021
Fall 2020	Dec 2020 – May 2021	

30. The RFPs noted above were issued to wholesale suppliers that either had EEI agreements in place with UGI Electric or expressed interest in participating in the bid round. The Company's market monitor, Pace Global Energy Service, LLC ("Pace"), managed the default service bidding process during DSP III.

b) <u>GSR-1 Block Purchase Bid Schedule for DSP III</u>

31. For the block purchases, the Company similarly conducted RFPs with wholesale suppliers in the Spring (March or April) and Fall (September or October) of each Plan year (as specified in the following table).

<u>Block Procurement Schedule for DSP III</u>

Procurement Date	Supplies Acquired For
Spring 2017	June 2017 - Nov. 2017
Fall 2017	Dec. 2017 - May 2018
Spring 2018	June 2018 - Nov. 2018
Fall 2018	Dec. 2018 - May 2019
Spring 2019	June 2019 - Nov. 2019

Fall 2019	Dec. 2019 – May 2020
Spring 2020	June 2020 – Nov 2020
Fall 2020	Dec 2020 – May 2021

32. Similar to the full requirement bids, the Company's block RFPs issued to wholesale suppliers that either had EEI agreements in place with UGI Electric or expressed interest in participating. Pace also managed the default service bidding process for these RFPs.

2) GSR-2 Procurement Schedule for DSP III

33. As previously stated, for DSP III, the Company satisfied its GSR-2 default service requirements by making real-time hourly purchases of energy in the Real-Time market administered by PJM. The Real-Time Market is a spot market, meaning electricity is procured for immediate delivery. When GSR-2 customers use power on an hourly basis, PJM sells a corresponding amount of supply to the Company at the Real-Time LMP price.

34. UGI Electric's affiliate was permitted to participate in the Company's GSR-1 and GSR-2 tranches during DSP III. Neither UGI Electric nor its affiliate, UGI Energy Services, withheld from the market any generation supply in a manner that violated Federal law during DSP III. Additionally, UGI Electric's affiliate was not granted any preference nor did it gain any preferential access to non-public information during the term of DSP III.

35. In addition, the Company issued RFPs in the Spring of each Plan year seeking AEPS credits for half of its GSR-1 default service supplies (i.e., block procurements) and all of its GSR-2 default service customers.

C. RATE DESIGN FOR DSP III

36. Section 54.185(e)(3) states that DSPs must include a rate design plan recovering all reasonable costs of default service, including a schedule of rates, rules and conditions of

default service in the form of proposed revisions to its tariff. Section 54.187 specifies the means by which EDCs may recover costs for engaging in the default service function. Specifically, Section 54.187(b) states that costs incurred in providing default service shall be recovered on a full and current basis through a Section 1307 reconcilable adjustment clause, including costs for complying with the AEPS Act (as stated in 52 Pa. Code § 54.187(f)).

37. The Company's DSP III included a rate design that recovered costs associated with procurements for the GSR-1 grouping, including AEPS credits.

38. The GSR-1 rate was the sum of the following components:

- Energy Costs (EC) – Projected direct and indirect purchase power costs (for load-following and block procurements) in the upcoming 3-month period, including all PJM bill line items, administrative costs, AEPS credits, etc. The EC is divided by Sales for the Projected Quarter (SEC). The SEC includes projected sales for all default service customers in GSR-1 for the upcoming 3-month period.

- Energy Cost Adjustment (ECA) – The ECA (i.e., E or C Factor) is the net over or under collection related to the EC, which is collected/refunded for the quarter based on EC revenues received and actual EC costs incurred for the 3 month period ending 2 months before the GSR effective date. If the ECA would result in more than a 5% change in the system average total bill for default service, adjustments may be reconciled over more than a 3 month period, but no longer than 12 months. The ECA is divided by the Sales Used to Calculate the ECA (SECA). The SECA includes projected sales for all default service customers in GSR-1 for the adjustment period (i.e., 12 months beginning December 1).

- Interest (Int) – Interest associated with over and under collections during the quarter. The interest is computed at the prime rate for commercial banking, not to exceed the legal rate of interest as reported in the Wall Street Journal. The Int is divided by the Sales Interest (Sint). The Sint includes the projected sales for default service customers in GSR-1 for 12-months beginning December 1.

- Taxes (T) –Taxes (i.e., Pennsylvania Gross Receipts Tax) are applied to the sum of the above-components.

39. During DSP III, the rate design for costs associated with procurements for the GSR-2 grouping was calculated for each default service customer in the group and was based on

actual costs incurred to serve the customer. The GSR-2 rate was the sum of the following components:

- Energy Costs incurred by the Company to procure electric supply are multiplied by the customer's LMP for each hour of the billing month.

- Other Power Costs incurred in the procurement of electric supply, which are allocated according to metered sales. These costs include AEPS credits, PJM bill line items (excluding costs for capacity services, transmission services, network transmission service credits and firm point-to-point transmission expenses/credits), administrative costs, legal costs, taxes and any other applicable costs. Actual costs are reduced by actual transmission revenues collected.

- Costs for Capacity and Transmission (included on the PJM bill line item) are allocated differently to GSR-2 customers (than Other Power Costs). Capacity costs include locational reliability, capacity transfer rights, RPM auction and capacity resource deficiency costs. These costs are allocated based on each customer's peak load contribution ("PLC"). Transmission costs include network integration service charges, transmission enhancement service charges/credits and non firm point-to-point transmission service charges/credits. These costs are allocated based on each customer's network service peak load value ("NSPL").

- Adjustments – over/under collections plus interest are refunded/recovered over 12 billing periods.

- Taxes – Pennsylvania Gross Receipts Tax is applied to the sum of the above costs.

D. CONTINGENCY PLAN FOR DSP III

40. DSP III incorporated contingency plans in the event that the Company could not secure wholesale generation supplies required to meet the default service obligation. The contingency plan addressed situations where the Company either could not secure bids from wholesale suppliers or receive default supplies (under existing contracts) for the 50% of GSR-1 load following service. In such cases, UGI Electric planned to use block procurements (in consultation with Pace). Additionally, within a commercially reasonable period, UGI Electric

would initiate an interim bid process seeking full requirement supplies to address the shortfall. The interim bids would account for contingent block purchases secured under the contingency plan.

E. RETAIL ENHANCEMENT PROGRAMS FOR DSP III

41. DSP III included two retail enhancement programs: 1) the New/Moving Customer Referral Program; and 2) the Standard Offer Customer Referral Program in accordance with 52 Pa. Code § 69.1815 (which requests the inclusion of customer referral programs in DSPs) and the March 2, 2012 Electric RMI Final Order (in which the Commission determined that DSPs should include New/Moving Customer and Standard Offer programs).

1. New/Moving Customer Referral Program for DSP III

42. Through the Company's New/Moving Customer Referral Program, customers new to or moving within the service territory were informed about retail choice during service calls to UGI Electric (during DSP III). During these calls, UGI Electric referred its customers to the Commission's PA Power Switch website. The Company also explained how the Company's PTC could be used in considering EGS price offers and how the PTC changes over time. Further, the Company explained the difference between fixed and variable generation supply contract options.

2. Standard Offer Program for DSP III

43. In its DSP III proceeding, the Company explained that it had designed a Standard Offer Program that incorporated the elements detailed in the Commission's March 2, 2012 Electric RMI Final Order. However, no EGSs in the Company's service territory participated in UGI Electric's Standard Offer program (during the term of DSP III). Regardless, the Company

stood ready to implement the program, if EGSs began making residential service offerings and expressed interest in participating.

<u>APPENDIX B</u>

(*Pro Forma* EEI Agreement & RFP Instructions)

Master Power Purchase & Sale Agreement

Version 2.1 (modified 4/25/00)

MASTER POWER PURCHASE AND SALES AGREEMENT

TABLE OF CONTENTS

MASTER POWER PURCHASE AND SALE AGREEMENT

COVER SHEET

This *Master Power Purchase and Sale Agreement* ("*Master Agreement*") is made as of the following date: _________________ ("Effective Date"). The *Master Agreement*, together with the exhibits, schedules and any written supplements hereto, the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any confirmations accepted in accordance with Section 2.3 hereto) shall be referred to as the "Agreement." The Parties to this *Master Agreement* are the following:

Name ("__________________" or "Party A")	Name ("Counterparty" or "Party B")
All Notices:	All Notices:
Street: ______________________________	Street: ______________________________
City: _________________ Zip: ________	City: _________________ Zip: ________
Attn: Contract Administration Phone: ______________________________ Facsimile: ______________________________ Duns: ______________________________ Federal Tax ID Number: __________________	Attn: Contract Administration Phone: ______________________________ Facsimile: ______________________________ Duns: ______________________________ Federal Tax ID Number: __________________
Invoices: Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________	**Invoices:** Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________
Scheduling: Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________	**Scheduling:** Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________
Payments: Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________	**Payments:** Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________
Wire Transfer: BNK: ______________________________ ABA: ______________________________ ACCT: ______________________________	**Wire Transfer:** BNK: ______________________________ ABA: ______________________________ ACCT: ______________________________
Credit and Collections: Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________	**Credit and Collections:** Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________
With additional Notices of an Event of Default or Potential Event of Default to: Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________	With additional Notices of an Event of Default or Potential Event of Default to: Attn: ______________________________ Phone: ______________________________ Facsimile: ______________________________

The Parties hereby agree that the General Terms and Conditions are incorporated herein, and to the following provisions as provided for in the General Terms and Conditions:

Party A Tariff	Tariff ________________	Dated ________________	Docket Number ______________
Party B Tariff	Tariff ________________	Dated ________________	Docket Number ______________

<u>Article Two</u>

Transaction Terms and Conditions — [] Optional provision in Section 2.4. If not checked, inapplicable.

<u>Article Four</u>

Remedies for Failure to Deliver or Receive — [] Accelerated Payment of Damages. If not checked, inapplicable.

<u>Article Five</u>

Events of Default; Remedies

[] Cross Default for Party A:

[] Party A:__________________ Cross Default Amount $_________

[] Other Entity:______________ Cross Default Amount $_________

[] Cross Default for Party B:

[] Party B:__________________ Cross Default Amount $_________

[] Other Entity:______________ Cross Default Amount $_________

5.6 Closeout Setoff

[] Option A (Applicable if no other selection is made.)

[] Option B - Affiliates shall have the meaning set forth in the Agreement unless otherwise specified as follows:______________
____

[] Option C (No Setoff)

<u>Article 8</u>

Credit and Collateral Requirements

8.1 <u>Party A Credit Protection</u>:

(a) Financial Information:

[] Option A
[] Option B Specify: ________________
[] Option C Specify: ________________

(b) Credit Assurances:

[] Not Applicable
[] Applicable

(c) Collateral Threshold:

[] Not Applicable
[] Applicable

If applicable, complete the following:

Party B Collateral Threshold: $ __________; provided, however, that Party B's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party B has occurred and is continuing.

Party B Independent Amount: $_____________

Party B Rounding Amount: $_______________

(d) Downgrade Event:

[] Not Applicable
[] Applicable

If applicable, complete the following:

[] It shall be a Downgrade Event for Party B if Party B's Credit Rating falls below __________ from S&P or __________ from Moody's or if Party B is not rated by either S&P or Moody's

[] Other:
Specify:____

(e) Guarantor for Party B:____

Guarantee Amount:_______________________________________

8.2 Party B Credit Protection:

(a) Financial Information:

[] Option A
[] Option B Specify: _________________
[] Option C Specify: _________________

(b) Credit Assurances:

[] Not Applicable
[] Applicable

(c) Collateral Threshold:

[] Not Applicable
[] Applicable

If applicable, complete the following:

Party A Collateral Threshold: $ __________; provided, however, that Party A's Collateral Threshold shall be zero if an Event of Default or Potential Event of Default with respect to Party A has occurred and is continuing.

Party A Independent Amount: $_____________

Party A Rounding Amount: $_______________

(d) Downgrade Event:

[] Not Applicable
[] Applicable

If applicable, complete the following:

[] It shall be a Downgrade Event for Party A if Party A's Credit Rating falls below __________ from S&P or __________ from Moody's or if Party A is not rated by either S&P or Moody's

[] Other:
Specify:____

(e) Guarantor for Party A:_______________________________________

Guarantee Amount:____________________________________

Article 10

Confidentiality — [] Confidentiality Applicable — If not checked, inapplicable.

Schedule M

[] Party A is a Governmental Entity or Public Power System
[] Party B is a Governmental Entity or Public Power System
[] Add Section 3.6. If not checked, inapplicable
[] Add Section 8.6. If not checked, inapplicable

Other Changes — Specify, if any: ____

IN WITNESS WHEREOF, the Parties have caused this Master Agreement to be duly executed as of the date first above written.

Party A Name	Party B Name
By: ______________________	By: ______________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________

DISCLAIMER: This Master Power Purchase and Sale Agreement was prepared by a committee of representatives of Edison Electric Institute ("EEI") and National Energy Marketers Association ("NEM") member companies to facilitate orderly trading in and development of wholesale power markets. Neither EEI nor NEM nor any member company nor any of their agents, representatives or attorneys shall be responsible for its use, or any damages resulting therefrom. By providing this Agreement EEI and NEM do not offer legal advice and all users are urged to consult their own legal counsel to ensure that their commercial objectives will be achieved and their legal interests are adequately protected.

GENERAL TERMS AND CONDITIONS

ARTICLE ONE: GENERAL DEFINITIONS

1.1 "Affiliate" means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person. 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.

1.2 "Agreement" has the meaning set forth in the Cover Sheet.

1.3 "Bankrupt" means with respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) is generally unable to pay its debts as they fall due.

1.4 "Business Day" means any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

1.5 "Buyer" means the Party to a Transaction that is obligated to purchase and receive, or cause to be received, the Product, as specified in the Transaction.

1.6 "Call Option" means an Option entitling, but not obligating, the Option Buyer to purchase and receive the Product from the Option Seller at a price equal to the Strike Price for the Delivery Period for which the Option may be exercised, all as specified in the Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to sell and deliver the Product for the Delivery Period for which the Option has been exercised.

1.7 "Claiming Party" has the meaning set forth in Section 3.3.

1.8 "Claims" means all third party claims or actions, threatened or filed and, whether groundless, false, fraudulent or otherwise, that directly or indirectly relate to the subject matter of an indemnity, and the resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement.

1.9 "Confirmation" has the meaning set forth in Section 2.3.

1.10 “Contract Price” means the price in $U.S. (unless otherwise provided for) to be paid by Buyer to Seller for the purchase of the Product, as specified in the Transaction.

1.11 “Costs” means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace a Terminated Transaction; and all reasonable attorneys’ fees and expenses incurred by the Non-Defaulting Party in connection with the termination of a Transaction.

1.12 “Credit Rating” means, with respect to any entity, the rating then assigned to such entity’s unsecured, senior long-term debt obligations (not supported by third party credit enhancements) or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issues rating by S&P, Moody’s or any other rating agency agreed by the Parties as set forth in the Cover Sheet.

1.13 “Cross Default Amount” means the cross default amount, if any, set forth in the Cover Sheet for a Party.

1.14 “Defaulting Party” has the meaning set forth in Section 5.1.

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

1.16 “Delivery Point” means the point at which the Product will be delivered and received, as specified in the Transaction.

1.17 “Downgrade Event” has the meaning set forth on the Cover Sheet.

1.18 “Early Termination Date” has the meaning set forth in Section 5.2.

1.19 “Effective Date” has the meaning set forth on the Cover Sheet.

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

1.21 “Event of Default” has the meaning set forth in Section 5.1.

1.22 “FERC” means the Federal Energy Regulatory Commission or any successor government agency.

1.23 “Force Majeure” means an event or circumstance which prevents one Party from performing its obligations under one or more Transactions, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Claiming Party, and which, by the exercise of due diligence, the Claiming Party is unable to overcome or avoid or cause to be avoided. Force Majeure shall not be based on (i) the loss of Buyer’s markets; (ii) Buyer’s inability economically to use or resell the Product purchased hereunder; (iii) the loss or failure of Seller's supply; or (iv) Seller's ability to sell the Product at a price greater than the Contract Price. Neither Party may raise a claim of Force Majeure based in whole or in part on curtailment by a Transmission Provider unless (i) such Party has contracted for firm transmission with a Transmission Provider for the Product to be delivered to or received at the Delivery Point and (ii) such curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the Transmission Provider's tariff; provided, however, that existence of the foregoing factors shall not be sufficient to conclusively or presumptively prove the existence of a Force Majeure absent a showing of other facts and circumstances which in the aggregate with such factors establish that a Force Majeure as defined in the first sentence hereof has occurred. The applicability of Force Majeure to the Transaction is governed by the terms of the Products and Related Definitions contained in Schedule P.

1.24 "Gains" means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of a Terminated Transaction, determined in a commercially reasonable manner.

1.25 "Guarantor" means, with respect to a Party, the guarantor, if any, specified for such Party on the Cover Sheet.

1.26 "Interest Rate" means, for any date, 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%) and (b) the maximum rate permitted by applicable law.

1.27 "Letter(s) of Credit" means one or more irrevocable, transferable standby letters of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least A- from S&P or A3 from Moody's, in a form acceptable to the Party in whose favor the letter of credit is issued. Costs of a Letter of Credit shall be borne by the applicant for such Letter of Credit.

1.28 "Losses" means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from termination of a Terminated Transaction, determined in a commercially reasonable manner.

1.29 "Master Agreement" has the meaning set forth on the Cover Sheet.

1.30 "Moody's" means Moody's Investor Services, Inc. or its successor.

1.31 "NERC Business Day" means any day except a Saturday, Sunday or a holiday as defined by the North American Electric Reliability Council or any successor organization thereto. A NERC Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party from whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

1.32 "Non-Defaulting Party" has the meaning set forth in Section 5.2.

1.33 "Offsetting Transactions" mean any two or more outstanding Transactions, having the same or overlapping Delivery Period(s), Delivery Point and payment date, where under one or more of such Transactions, one Party is the Seller, and under the other such Transaction(s), the same Party is the Buyer.

1.34 "Option" means the right but not the obligation to purchase or sell a Product as specified in a Transaction.

1.35 "Option Buyer" means the Party specified in a Transaction as the purchaser of an option, as defined in Schedule P.

1.36 "Option Seller" means the Party specified in a Transaction as the seller of an option, as defined in Schedule P.

1.37 "Party A Collateral Threshold" means the collateral threshold, if any, set forth in the Cover Sheet for Party A.

1.38 "Party B Collateral Threshold" means the collateral threshold, if any, set forth in the Cover Sheet for Party B.

1.39 "Party A Independent Amount" means the amount, if any, set forth in the Cover Sheet for Party A.

1.40 "Party B Independent Amount" means the amount, if any, set forth in the Cover Sheet for Party B.

1.41 "Party A Rounding Amount" means the amount, if any, set forth in the Cover Sheet for Party A.

1.42 "Party B Rounding Amount" means the amount, if any, set forth in the Cover Sheet for Party B.

1.43 "Party A Tariff" means the tariff, if any, specified in the Cover Sheet for Party A.

1.44 "Party B Tariff" means the tariff, if any, specified in the Cover Sheet for Party B.

1.45 "Performance Assurance" means collateral in the form of either cash, Letter(s) of Credit, or other security acceptable to the Requesting Party.

1.46 "Potential Event of Default" means an event which, with notice or passage of time or both, would constitute an Event of Default.

1.47 "Product" means electric capacity, energy or other product(s) related thereto as specified in a Transaction by reference to a Product listed in Schedule P hereto or as otherwise specified by the Parties in the Transaction.

1.48 “Put Option” means an Option entitling, but not obligating, the Option Buyer to sell and deliver the Product to the Option Seller at a price equal to the Strike Price for the Delivery Period for which the option may be exercised, all as specified in a Transaction. Upon proper exercise of the Option by the Option Buyer, the Option Seller will be obligated to purchase and receive the Product.

1.49 “Quantity” means that quantity of the Product that Seller agrees to make available or sell and deliver, or cause to be delivered, to Buyer, and that Buyer agrees to purchase and receive, or cause to be received, from Seller as specified in the Transaction.

1.50 “Recording” has the meaning set forth in Section 2.4.

1.51 “Replacement Price” means the price at which Buyer, acting in a commercially reasonable manner, purchases at the Delivery Point a replacement for any Product specified in a Transaction but not delivered by Seller, plus (i) costs reasonably incurred by Buyer in purchasing such substitute Product and (ii) additional transmission charges, if any, reasonably incurred by Buyer to the Delivery Point, or at Buyer’s option, the market price at the Delivery Point for such Product not delivered as determined by Buyer in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Buyer be required to utilize or change its utilization of its owned or controlled assets or market positions to minimize Seller’s liability. For the purposes of this definition, Buyer shall be considered to have purchased replacement Product to the extent Buyer shall have entered into one or more arrangements in a commercially reasonable manner whereby Buyer repurchases its obligation to sell and deliver the Product to another party at the Delivery Point.

1.52 “S&P” means the Standard & Poor’s Rating Group (a division of McGraw-Hill, Inc.) or its successor.

1.53 “Sales Price” means the price at which Seller, acting in a commercially reasonable manner, resells at the Delivery Point any Product not received by Buyer, deducting from such proceeds any (i) costs reasonably incurred by Seller in reselling such Product and (ii) additional transmission charges, if any, reasonably incurred by Seller in delivering such Product to the third party purchasers, or at Seller’s option, the market price at the Delivery Point for such Product not received as determined by Seller in a commercially reasonable manner; provided, however, in no event shall such price include any penalties, ratcheted demand or similar charges, nor shall Seller be required to utilize or change its utilization of its owned or controlled assets, including contractual assets, or market positions to minimize Buyer’s liability. For purposes of this definition, Seller shall be considered to have resold such Product to the extent Seller shall have entered into one or more arrangements in a commercially reasonable manner whereby Seller repurchases its obligation to purchase and receive the Product from another party at the Delivery Point.

1.54 “Schedule” or “Scheduling” means the actions of Seller, Buyer and/or their designated representatives, including each Party’s Transmission Providers, if applicable, of notifying, requesting and confirming to each other the quantity and type of Product to be delivered on any given day or days during the Delivery Period at a specified Delivery Point.

1.55 "Seller" means the Party to a Transaction that is obligated to sell and deliver, or cause to be delivered, the Product, as specified in the Transaction.

1.56 "Settlement Amount" means, with respect to a Transaction and the Non-Defaulting Party, the Losses or Gains, and Costs, expressed in U.S. Dollars, which such party incurs as a result of the liquidation of a Terminated Transaction pursuant to Section 5.2.

1.57 "Strike Price" means the price to be paid for the purchase of the Product pursuant to an Option.

1.58 "Terminated Transaction" has the meaning set forth in Section 5.2.

1.59 "Termination Payment" has the meaning set forth in Section 5.3.

1.60 "Transaction" means a particular transaction agreed to by the Parties relating to the sale and purchase of a Product pursuant to this Master Agreement.

1.61 "Transmission Provider" means any entity or entities transmitting or transporting the Product on behalf of Seller or Buyer to or from the Delivery Point in a particular Transaction.

ARTICLE TWO: TRANSACTION TERMS AND CONDITIONS

2.1 Transactions. A Transaction shall be entered into upon agreement of the Parties orally or, if expressly required by either Party with respect to a particular Transaction, in writing, including an electronic means of communication. Each Party agrees not to contest, or assert any defense to, the validity or enforceability of the Transaction entered into in accordance with this Master Agreement (i) based on any law requiring agreements to be in writing or to be signed by the parties, or (ii) based on any lack of authority of the Party or any lack of authority of any employee of the Party to enter into a Transaction.

2.2 Governing Terms. Unless otherwise specifically agreed, each Transaction between the Parties shall be governed by this Master Agreement. This Master Agreement (including all exhibits, schedules and any written supplements hereto), , the Party A Tariff, if any, and the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any Confirmations accepted in accordance with Section 2.3) shall form a single integrated agreement between the Parties. Any inconsistency between any terms of this Master Agreement and any terms of the Transaction shall be resolved in favor of the terms of such Transaction.

2.3 Confirmation. Seller may confirm a Transaction by forwarding to Buyer by facsimile within three (3) Business Days after the Transaction is entered into a confirmation ("Confirmation") substantially in the form of Exhibit A. If Buyer objects to any term(s) of such Confirmation, Buyer shall notify Seller in writing of such objections within two (2) Business Days of Buyer's receipt thereof, failing which Buyer shall be deemed to have accepted the terms as sent. If Seller fails to send a Confirmation within three (3) Business Days after the Transaction is entered into, a Confirmation substantially in the form of Exhibit A, may be forwarded by Buyer to Seller. If Seller objects to any term(s) of such Confirmation, Seller shall notify Buyer of such objections within two (2) Business Days of Seller's receipt thereof, failing which Seller shall be deemed to have accepted the terms as sent. If Seller and Buyer each send a Confirmation and neither Party objects to the other Party's Confirmation within two (2) Business Days of receipt, Seller's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation, unless (i) Seller's Confirmation was sent more than three (3) Business Days after the Transaction was entered into and (ii) Buyer's Confirmation was sent prior to Seller's Confirmation, in which case Buyer's Confirmation shall be deemed to be accepted and shall be the controlling Confirmation. Failure by either Party to send or either Party to return an executed Confirmation or any objection by either Party shall not invalidate the Transaction agreed to by the Parties.

2.4 Additional Confirmation Terms. If the Parties have elected on the Cover Sheet to make this Section 2.4 applicable to this Master Agreement, when a Confirmation contains provisions, other than those provisions relating to the commercial terms of the Transaction (e.g., price or special transmission conditions), which modify or supplement the general terms and conditions of this Master Agreement (e.g., arbitration provisions or additional representations and warranties), such provisions shall not be deemed to be accepted pursuant to Section 2.3 unless agreed to either orally or in writing by the Parties; provided that the foregoing shall not invalidate any Transaction agreed to by the Parties.

2.5 Recording. Unless a Party expressly objects to a Recording (defined below) at the beginning of a telephone conversation, each Party consents to the creation of a tape or electronic recording ("Recording") of all telephone conversations between the Parties to this Master Agreement, and that any such Recordings will be retained in confidence, secured from improper access, and may be submitted in evidence in any proceeding or action relating to this Agreement. Each Party waives any further notice of such monitoring or recording, and agrees to notify its officers and employees of such monitoring or recording and to obtain any necessary consent of such officers and employees. The Recording, and the terms and conditions described therein, if admissible, shall be the controlling evidence for the Parties' agreement with respect to a particular Transaction in the event a Confirmation is not fully executed (or deemed accepted) by both Parties. Upon full execution (or deemed acceptance) of a Confirmation, such Confirmation shall control in the event of any conflict with the terms of a Recording, or in the event of any conflict with the terms of this Master Agreement.

ARTICLE THREE: OBLIGATIONS AND DELIVERIES

3.1 Seller's and Buyer's Obligations. With respect to each Transaction, Seller shall sell and deliver, or cause to be delivered, and Buyer shall purchase and receive, or cause to be received, the Quantity of the Product at the Delivery Point, and Buyer shall pay Seller the Contract Price; provided, however, with respect to Options, the obligations set forth in the preceding sentence shall only arise if the Option Buyer exercises its Option in accordance with its terms. Seller shall be responsible for any costs or charges imposed on or associated with the Product or its delivery of the Product up to the Delivery Point. Buyer shall be responsible for any costs or charges imposed on or associated with the Product or its receipt at and from the Delivery Point.

3.2 Transmission and Scheduling. Seller shall arrange and be responsible for transmission service to the Delivery Point and shall Schedule or arrange for Scheduling services with its Transmission Providers, as specified by the Parties in the Transaction, or in the absence thereof, in accordance with the practice of the Transmission Providers, to deliver the Product to the Delivery Point. Buyer shall arrange and be responsible for transmission service at and from the Delivery Point and shall Schedule or arrange for Scheduling services with its Transmission Providers to receive the Product at the Delivery Point.

3.3 Force Majeure. To the extent either Party is prevented by Force Majeure from carrying out, in whole or part, its obligations under the Transaction and such Party (the "Claiming Party") gives notice and details of the Force Majeure to the other Party as soon as practicable, then, unless the terms of the Product specify otherwise, the Claiming Party shall be excused from the performance of its obligations with respect to such Transaction (other than the obligation to make payments then due or becoming due with respect to performance prior to the Force Majeure). The Claiming Party shall remedy the Force Majeure with all reasonable dispatch. The non-Claiming Party shall not be required to perform or resume performance of its obligations to the Claiming Party corresponding to the obligations of the Claiming Party excused by Force Majeure.

ARTICLE FOUR: REMEDIES FOR FAILURE TO DELIVER/RECEIVE

4.1 Seller Failure. If Seller fails to schedule and/or deliver all or part of the Product pursuant to a Transaction, and such failure is not excused under the terms of the Product or by Buyer's failure to perform, then Seller shall pay Buyer, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Contract Price from the Replacement Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

4.2 Buyer Failure. If Buyer fails to schedule and/or receive all or part of the Product pursuant to a Transaction and such failure is not excused under the terms of the Product or by Seller's failure to perform, then Buyer shall pay Seller, on the date payment would otherwise be due in respect of the month in which the failure occurred or, if "Accelerated Payment of Damages" is specified on the Cover Sheet, within five (5) Business Days of invoice receipt, an amount for such deficiency equal to the positive difference, if any, obtained by subtracting the Sales Price from the Contract Price. The invoice for such amount shall include a written statement explaining in reasonable detail the calculation of such amount.

ARTICLE FIVE: EVENTS OF DEFAULT; REMEDIES

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

(a) the failure to make, when due, any payment required pursuant to this Agreement if such failure is not remedied within three (3) Business Days after written notice;

(b) any representation or warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;

(c) the failure to perform any material covenant or obligation set forth in this Agreement (except to the extent constituting a separate Event of Default, and except for such Party's obligations to deliver or receive the Product, the exclusive remedy for which is provided in Article Four) if such failure is not remedied within three (3) Business Days after written notice;

(d) such Party becomes Bankrupt;

(e) the failure of such Party to satisfy the creditworthiness/collateral requirements agreed to pursuant to Article Eight hereof;

(f) such Party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all of its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer, the resulting, surviving or transferee entity fails to assume all the obligations of such Party under this Agreement to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other Party;

(g) if the applicable cross default section in the Cover Sheet is indicated for such Party, the occurrence and continuation of (i) a default, event of default or other similar condition or event in respect of such Party or any other party specified in the Cover Sheet for such Party under one or more agreements or instruments, individually or collectively, relating to indebtedness for borrowed money in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet), which results in such indebtedness becoming, or becoming capable at such time of being declared, immediately due and payable or (ii) a default by such Party or any other party specified in the Cover Sheet for such Party in making on the due date therefor one or more payments, individually or collectively, in an aggregate amount of not less than the applicable Cross Default Amount (as specified in the Cover Sheet);

(h) with respect to such Party's Guarantor, if any:

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

   (ii) the failure of a Guarantor to make 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;

(iii) a Guarantor becomes Bankrupt;

(iv) the failure of a Guarantor's guaranty to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under each Transaction to which such guaranty shall relate without the written consent of the other Party; or

(v) a Guarantor shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any guaranty.

5.2 Declaration of an Early Termination Date and Calculation of Settlement Amounts. If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than 20 days after such notice is effective, as an early termination date ("Early Termination Date") to accelerate all amounts owing between the Parties and to liquidate and terminate all, but not less than all, Transactions (each referred to as a "Terminated Transaction") between the Parties, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Non-Defaulting Party shall calculate, in a commercially reasonable manner, a Settlement Amount for each such Terminated Transaction as of the Early Termination Date (or, to the extent that in the reasonable opinion of the Non-Defaulting Party certain of such Terminated Transactions are commercially impracticable to liquidate and terminate or may not be liquidated and terminated under applicable law on the Early Termination Date, as soon thereafter as is reasonably practicable).

5.3 Net Out of Settlement Amounts. The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Article Eight, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single liquidated amount (the "Termination Payment") payable by one Party to the other. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

5.4 Notice of Payment of Termination Payment. As soon as practicable after a liquidation, 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. The Termination Payment shall be made by the Party that owes it within two (2) Business Days after such notice is effective.

5.5 Disputes With Respect to Termination Payment. If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within two (2) 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 Performance Assurance to the Non-Defaulting Party in an amount equal to the Termination Payment.

5.6 Closeout Setoffs.

Option A: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party to the Non-Defaulting Party under any other agreements, instruments or undertakings between the Defaulting Party and the Non-Defaulting Party and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Option B: After calculation of a Termination Payment in accordance with Section 5.3, if the Defaulting Party would be owed the Termination Payment, the Non-Defaulting Party shall be entitled, at its option and in its discretion, to (i) set off against such Termination Payment any amounts due and owing by the Defaulting Party or any of its Affiliates to the Non-Defaulting Party or any of its Affiliates under any other agreements, instruments or undertakings between the Defaulting Party or any of its Affiliates and the Non-Defaulting Party or any of its Affiliates and/or (ii) to the extent the Transactions are not yet liquidated in accordance with Section 5.2, withhold payment of the Termination Payment to the Defaulting Party. The remedy provided for in this Section shall be without prejudice and in addition to any right of setoff, combination of accounts, lien or other right to which any Party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

Option C: Neither Option A nor B shall apply.

5.7 Suspension of Performance. Notwithstanding any other provision of this Master Agreement, if (a) an Event of Default or (b) a Potential Event of Default shall have occurred and be continuing, the Non-Defaulting Party, upon written notice to the Defaulting Party, shall have the right (i) to suspend performance under any or all Transactions; provided, however, in no event shall any such suspension continue for longer than ten (10) NERC Business Days with respect to any single Transaction unless an early Termination Date shall have been declared and notice thereof pursuant to Section 5.2 given, and (ii) to the extent an Event of Default shall have occurred and be continuing to exercise any remedy available at law or in equity.

ARTICLE SIX: PAYMENT AND NETTING

6.1 Billing Period. Unless otherwise specifically agreed upon by the Parties in a Transaction, the calendar month shall be the standard period for all payments under this Agreement (other than Termination Payments and, if "Accelerated Payment of Damages" is specified by the Parties in the Cover Sheet, payments pursuant to Section 4.1 or 4.2 and Option premium payments pursuant to Section 6.7). As soon as practicable after the end of each month, each Party will render to the other Party an invoice for the payment obligations, if any, incurred hereunder during the preceding month.

6.2 Timeliness of Payment. Unless otherwise agreed by the Parties in a Transaction, all invoices under this Master Agreement shall be due and payable in accordance with each Party's invoice instructions on or before the later of the twentieth (20th) day of each month, or tenth (10th) day after receipt of the invoice or, if such day is not a Business Day, then on the next Business Day. Each Party will make payments by electronic funds transfer, or by other mutually agreeable method(s), to the account designated by the other Party. Any amounts not paid by the due date will be deemed delinquent and will accrue interest at the Interest Rate, such interest to be calculated from and including the due date to but excluding the date the delinquent amount is paid in full.

6.3 Disputes and Adjustments of Invoices. A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice, rendered under this Agreement or adjust any invoice for any arithmetic or computational error within twelve (12) months of the date the invoice, or adjustment to an invoice, was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Any invoice dispute or invoice adjustment shall be in writing and shall state the basis for the dispute or adjustment. Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Interest Rate from and including the due date to but excluding the date paid. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Interest Rate from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 6.3 within twelve (12) months after the invoice is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within twelve (12) months after the close of the month during which performance of a Transaction occurred, the right to payment for such performance is waived.

6.4 Netting of Payments. The Parties hereby agree that they shall discharge mutual debts and payment obligations due and owing to each other on the same date pursuant to all Transactions through netting, in which case all amounts owed by each Party to the other Party for the purchase and sale of Products during the monthly billing period under this Master Agreement, including any related damages calculated pursuant to Article Four (unless one of the Parties elects to accelerate payment of such amounts as permitted by Article Four), interest, and payments or credits, shall be netted so that only the excess amount remaining due shall be paid by the Party who owes it.

6.5 Payment Obligation Absent Netting. If no mutual debts or payment obligations exist and only one Party owes a debt or obligation to the other during the monthly billing period, including, but not limited to, any related damage amounts calculated pursuant to Article Four, interest, and payments or credits, that Party shall pay such sum in full when due.

6.6 Security. Unless the Party benefiting from Performance Assurance or a guaranty notifies the other Party in writing, and except in connection with a liquidation and termination in accordance with Article Five, all amounts netted pursuant to this Article Six shall not take into account or include any Performance Assurance or guaranty which may be in effect to secure a Party's performance under this Agreement.

6.7 Payment for Options. The premium amount for the purchase of an Option shall be paid within two (2) Business Days of receipt of an invoice from the Option Seller. Upon exercise of an Option, payment for the Product underlying such Option shall be due in accordance with Section 6.1.

6.8 Transaction Netting. If the Parties enter into one or more Transactions, which in conjunction with one or more other outstanding Transactions, constitute Offsetting Transactions, then all such Offsetting Transactions may by agreement of the Parties, be netted into a single Transaction under which:

(a) the Party obligated to deliver the greater amount of Energy will deliver the difference between the total amount it is obligated to deliver and the total amount to be delivered to it under the Offsetting Transactions, and

(b) the Party owing the greater aggregate payment will pay the net difference owed between the Parties.

Each single Transaction resulting under this Section shall be deemed part of the single, indivisible contractual arrangement between the parties, and once such resulting Transaction occurs, outstanding obligations under the Offsetting Transactions which are satisfied by such offset shall terminate.

ARTICLE SEVEN: LIMITATIONS

7.1 Limitation of Remedies, Liability and Damages. EXCEPT AS SET FORTH HEREIN, 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 OR IN A TRANSACTION, THE OBLIGOR'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY, SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY AND ALL OTHER REMEDIES OR DAMAGES AT LAW OR IN EQUITY ARE WAIVED. UNLESS EXPRESSLY HEREIN PROVIDED, NEITHER PARTY SHALL BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY OR INDIRECT DAMAGES, LOST PROFITS OR

OTHER BUSINESS INTERRUPTION DAMAGES, BY STATUTE, IN TORT OR CONTRACT, UNDER ANY INDEMNITY PROVISION OR OTHERWISE. IT IS THE INTENT OF THE PARTIES THAT THE LIMITATIONS HEREIN IMPOSED ON REMEDIES AND THE MEASURE OF DAMAGES BE WITHOUT REGARD TO THE CAUSE OR CAUSES RELATED THERETO, INCLUDING THE NEGLIGENCE OF ANY PARTY, WHETHER SUCH NEGLIGENCE BE SOLE, JOINT OR CONCURRENT, OR ACTIVE OR PASSIVE. TO THE EXTENT ANY DAMAGES REQUIRED TO BE PAID HEREUNDER ARE LIQUIDATED, THE PARTIES ACKNOWLEDGE THAT THE DAMAGES ARE DIFFICULT OR IMPOSSIBLE TO DETERMINE, OR OTHERWISE OBTAINING AN ADEQUATE REMEDY IS INCONVENIENT AND THE DAMAGES CALCULATED HEREUNDER CONSTITUTE A REASONABLE APPROXIMATION OF THE HARM OR LOSS.

ARTICLE EIGHT: CREDIT AND COLLATERAL REQUIREMENTS

8.1 Party A Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet. If no option in Section 8.1(a) is specified on the Cover Sheet, Section 8.l(a) Option C shall apply exclusively. If none of Sections 8.1(b), 8.1(c) or 8.1(d) are specified on the Cover Sheet, Section 8.1(b) shall apply exclusively.

(a) Financial Information. Option A: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party B's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of Party B's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as Party B diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party A, Party B shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party A may request from Party B the information specified in the Cover Sheet.

(b) Credit Assurances. If Party A has reasonable grounds to believe that Party B's creditworthiness or performance under this Agreement has become unsatisfactory, Party A will provide Party B with written notice requesting Performance Assurance in an amount determined by Party A in a commercially reasonable manner. Upon receipt of such notice Party B shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party A. In the event that Party B fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party A plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold, then Party A, on any Business Day, may request that Party B provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party B's Independent Amount, if any, exceeds the Party B Collateral Threshold (rounding upwards for any fractional amount to the next Party B Rounding Amount) ("Party B Performance Assurance"), less any Party B Performance Assurance already posted with Party A. Such Party B Performance Assurance shall be delivered to Party A within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party B, at its sole cost, may request that such Party B Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party B's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party B Rounding Amount). In the event that Party B fails to provide Party B Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.1(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party A as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party B to Party A, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party B, then Party A may require Party B to provide Performance Assurance in an amount determined by Party A in a commercially reasonable manner. In the event Party B shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party A within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party A will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party B shall deliver to Party A, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party A.

8.2 Party B Credit Protection. The applicable credit and collateral requirements shall be as specified on the Cover Sheet. If no option in Section 8.2(a) is specified on the Cover Sheet, Section 8.2(a) Option C shall apply exclusively. If none of Sections 8.2(b), 8.2(c) or 8.2(d) are specified on the Cover Sheet, Section 8.2(b) shall apply exclusively.

(a) Financial Information. Option A: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of Party A's annual report containing audited consolidated financial statements for such fiscal year and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of such Party's quarterly report containing unaudited consolidated financial statements for such fiscal quarter. In all cases the statements shall be for the most recent accounting period and prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as such Party diligently pursues the preparation, certification and delivery of the statements.

Option B: If requested by Party B, Party A shall deliver (i) within 120 days following the end of each fiscal year, a copy of the annual report containing audited consolidated financial statements for such fiscal year for the party(s) specified on the Cover Sheet and (ii) within 60 days after the end of each of its first three fiscal quarters of each fiscal year, a copy of quarterly report containing unaudited consolidated financial statements for such fiscal quarter for the party(s) specified on the Cover Sheet. In all cases the statements shall be for the most recent accounting period and shall be prepared in accordance with generally accepted accounting principles; provided, however, that should any such statements not be available on a timely basis due to a delay in preparation or certification, such delay shall not be an Event of Default so long as the relevant entity diligently pursues the preparation, certification and delivery of the statements.

Option C: Party B may request from Party A the information specified in the Cover Sheet.

(b) Credit Assurances. If Party B has reasonable grounds to believe that Party A's creditworthiness or performance under this Agreement has become unsatisfactory, Party B will provide Party A with written notice requesting Performance Assurance in an amount determined by Party B in a commercially reasonable manner. Upon receipt of such notice Party A shall have three (3) Business Days to remedy the situation by providing such Performance Assurance to Party B. In the event that Party A fails to provide such Performance Assurance, or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default under Article Five will be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(c) Collateral Threshold. If at any time and from time to time during the term of this Agreement (and notwithstanding whether an Event of Default has occurred), the Termination Payment that would be owed to Party B plus Party A's Independent Amount, if any, exceeds the Party A Collateral Threshold, then Party B, on any Business Day, may request that Party A provide Performance Assurance in an amount equal to the amount by which the Termination Payment plus Party A's Independent Amount, if any, exceeds the Party A Collateral

Threshold (rounding upwards for any fractional amount to the next Party A Rounding Amount) ("Party A Performance Assurance"), less any Party A Performance Assurance already posted with Party B. Such Party A Performance Assurance shall be delivered to Party B within three (3) Business Days of the date of such request. On any Business Day (but no more frequently than weekly with respect to Letters of Credit and daily with respect to cash), Party A, at its sole cost, may request that such Party A Performance Assurance be reduced correspondingly to the amount of such excess Termination Payment plus Party A's Independent Amount, if any, (rounding upwards for any fractional amount to the next Party A Rounding Amount). In the event that Party A fails to provide Party A Performance Assurance pursuant to the terms of this Article Eight within three (3) Business Days, then an Event of Default under Article Five shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

For purposes of this Section 8.2(c), the calculation of the Termination Payment shall be calculated pursuant to Section 5.3 by Party B as if all outstanding Transactions had been liquidated, and in addition thereto, shall include all amounts owed but not yet paid by Party A to Party B, whether or not such amounts are due, for performance already provided pursuant to any and all Transactions.

(d) Downgrade Event. If at any time there shall occur a Downgrade Event in respect of Party A, then Party B may require Party A to provide Performance Assurance in an amount determined by Party B in a commercially reasonable manner. In the event Party A shall fail to provide such Performance Assurance or a guaranty or other credit assurance acceptable to Party B within three (3) Business Days of receipt of notice, then an Event of Default shall be deemed to have occurred and Party B will be entitled to the remedies set forth in Article Five of this Master Agreement.

(e) If specified on the Cover Sheet, Party A shall deliver to Party B, prior to or concurrently with the execution and delivery of this Master Agreement a guarantee in an amount not less than the Guarantee Amount specified on the Cover Sheet and in a form reasonably acceptable to Party B.

8.3 Grant of Security Interest/Remedies. To secure its obligations under this Agreement and to the extent either or both Parties deliver Performance Assurance hereunder, each Party (a "Pledgor") hereby grants to the other Party (the "Secured Party") 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, such Secured Party, and each Party agrees to take such action as the other Party reasonably requires in order 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 Non-Defaulting Party may do any one or more of the following: (i) exercise any of the rights and remedies of a Secured Party with respect to all Performance Assurance, including any such rights and remedies under law then in effect; (ii) exercise its rights of setoff against any and all property of the Defaulting Party in the possession of the Non-Defaulting Party or its agent; (iii) draw on any outstanding

Letter of Credit issued for its benefit; and (iv) liquidate all Performance Assurance then held by or for the benefit of the Secured Party free from any claim or right of any nature whatsoever of the Defaulting Party, including any equity or right of purchase or redemption by the Defaulting Party. The Secured Party shall apply the proceeds of the collateral realized upon the exercise of any such rights or remedies to reduce the Pledgor's obligations under the Agreement (the Pledgor remaining liable for any amounts owing to the Secured Party after such application), subject to the Secured Party's obligation to return any surplus proceeds remaining after such obligations are satisfied in full.

ARTICLE NINE: GOVERNMENTAL CHARGES

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

9.2 Governmental Charges. Seller shall pay or cause to be paid all taxes imposed by any government authority ("Governmental Charges") on or with respect to the Product or a Transaction arising prior to the Delivery Point. Buyer shall pay or cause to be paid all Governmental Charges on or with respect to the Product or a Transaction at and from the Delivery Point (other than ad valorem, franchise or income taxes which are related to the sale of the Product and are, therefore, the responsibility of the Seller). In the event Seller is required by law or regulation to remit or pay Governmental Charges which are Buyer's responsibility hereunder, Buyer shall promptly reimburse Seller for such Governmental Charges. If Buyer is required by law or regulation to remit or pay Governmental Charges which are Seller's responsibility hereunder, Buyer may deduct the amount of any such Governmental Charges from the sums due to Seller under Article 6 of this Agreement. Nothing shall obligate or cause a Party to pay or be liable to pay any Governmental Charges for which it is exempt under the law.

ARTICLE TEN: MISCELLANEOUS

10.1 Term of Master Agreement. The term of this Master Agreement shall commence on the Effective Date and shall remain in effect until terminated by either Party upon (thirty) 30 days' prior written notice; provided, however, that such termination shall not affect or excuse the performance of either Party under any provision of this Master Agreement that by its terms survives any such termination and, provided further, that this Master Agreement and any other documents executed and delivered hereunder shall remain in effect with respect to the Transaction(s) entered into prior to the effective date of such termination until both Parties have fulfilled all of their obligations with respect to such Transaction(s), or such Transaction(s) that have been terminated under Section 5.2 of this Agreement.

10.2 Representations and Warranties. On the Effective Date and the date of entering into each Transaction, each Party represents and warrants to the other Party that:

(i) it is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation;

(ii) it has all regulatory authorizations necessary for it to legally perform its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(iii) the execution, delivery and performance of this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or the like applicable to it;

(iv) this Master Agreement, each Transaction (including any Confirmation accepted in accordance with Section 2.3), and each other document executed and delivered in accordance with this Master Agreement constitutes its legally valid and binding obligation enforceable against it in accordance with its terms; subject to any Equitable Defenses.

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

(vi) there is not pending or, to its knowledge, threatened against it or any of its Affiliates any legal proceedings that could materially adversely affect its ability to perform its obligations under this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(vii) no Event of Default or Potential 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 Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(viii) it is acting for its own account, has made its own independent decision to enter into this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) and as to whether this Master Agreement and each such Transaction (including any Confirmation accepted in accordance with Section 2.3) 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 Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3);

(ix) it is a "forward contract merchant" within the meaning of the United States Bankruptcy Code;

(x) it has entered into this Master Agreement and each Transaction (including any Confirmation accepted in accordance with Section 2.3) 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 Transaction to which it is a Party;

(xi) with respect to each Transaction (including any Confirmation accepted in accordance with Section 2.3) involving the purchase or sale of a Product or an Option, it is a producer, processor, commercial user or merchant handling the Product, and it is entering into such Transaction for purposes related to its business as such; and

(xii) the material economic terms of each Transaction are subject to individual negotiation by the Parties.

10.3 Title and Risk of Loss. Title to and risk of loss related to the Product shall transfer from Seller to Buyer at the Delivery Point. Seller warrants that it will deliver to Buyer the Quantity of the Product free and clear of all liens, security interests, claims and encumbrances or any interest therein or thereto by any person arising prior to the Delivery Point.

10.4 Indemnity. Each Party shall indemnify, defend and hold harmless the other Party from and against any Claims arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Product is vested in such Party as provided in Section 10.3. Each Party shall indemnify, defend and hold harmless the other Party against any Governmental Charges for which such Party is responsible under Article Nine.

10.5 Assignment. Neither Party shall assign this Agreement or its rights hereunder without the prior written consent of the other Party, which consent may be withheld in the exercise of its sole discretion; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements, (ii) transfer or assign this Agreement to an affiliate of such Party which affiliate's creditworthiness is equal to or higher than that of such Party, or (iii) transfer or assign this Agreement to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of such Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request.

10.6 Governing Law. THIS AGREEMENT AND THE RIGHTS AND DUTIES OF THE PARTIES HEREUNDER SHALL BE GOVERNED BY AND CONSTRUED, ENFORCED AND PERFORMED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW. EACH PARTY WAIVES ITS RESPECTIVE RIGHT TO ANY JURY TRIAL WITH RESPECT TO ANY LITIGATION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT.

10.7 Notices. All notices, requests, statements or payments shall be made as specified in the Cover Sheet. Notices (other than scheduling requests) shall, unless otherwise specified herein, be in writing and may be delivered by hand delivery, United States mail, overnight courier service or facsimile. Notice by facsimile or hand delivery shall be effective at the close of business on the day actually received, if received during business hours on a Business Day, and otherwise shall be effective at the close of business on the next Business Day. Notice by overnight United States mail or courier shall be effective on the next Business Day after it was sent. A Party may change its addresses by providing notice of same in accordance herewith.

10.8 General. This Master Agreement (including the exhibits, schedules and any written supplements hereto), the Party A Tariff, if any, the Party B Tariff, if any, any designated collateral, credit support or margin agreement or similar arrangement between the Parties and all Transactions (including any Confirmation accepted in accordance with Section 2.3) constitute the entire agreement between the Parties relating to the subject matter. Notwithstanding the foregoing, any collateral, credit support or margin agreement or similar arrangement between the Parties shall, upon designation by the Parties, be deemed part of this Agreement and shall be incorporated herein by reference. 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. Except to the extent herein provided for, no amendment or modification to this Master Agreement shall be enforceable unless reduced to writing and executed by both Parties. Each Party agrees if it seeks to amend any applicable wholesale power sales tariff during the term of this Agreement, such amendment will not in any way affect outstanding Transactions under this Agreement without the prior written consent of the other Party. Each Party further agrees that it will not assert, or defend itself, on the basis that any applicable tariff is inconsistent with this Agreement. This Agreement shall not impart any rights enforceable by any third party (other than a permitted successor or assignee bound to this Agreement). Waiver by a Party of any default by the other Party shall not be construed as a waiver of any other default. Any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change (individually or collectively, such events referred to as “Regulatory Event”) will not otherwise affect the remaining lawful obligations that arise under this Agreement; and provided, further, that if a Regulatory Event occurs, the Parties shall use their best efforts to reform this Agreement in order to give effect to the original intention of the Parties. The term “including” when used in this Agreement shall be by way of example only and shall not be considered in any way to be in limitation. The headings used herein are for convenience and reference purposes only. All indemnity and audit rights shall survive the termination of this Agreement for twelve (12) months. This Agreement shall be binding on each Party’s successors and permitted assigns.

10.9 Audit. Each Party has the right, 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 Master Agreement. If requested, a Party shall provide to the other Party statements evidencing the Quantity delivered at the Delivery Point. If any such examination reveals any inaccuracy in any statement, the necessary adjustments in such statement and the payments thereof will be made promptly and shall bear interest calculated at the Interest Rate from the date the overpayment or underpayment was made until paid; provided, however, that no adjustment for any statement or payment will be made unless objection to the accuracy thereof was made prior to the lapse of twelve (12) months from the rendition thereof, and thereafter any objection shall be deemed waived.

10.10 Forward Contract. The Parties acknowledge and agree that all Transactions constitute "forward contracts" within the meaning of the United States Bankruptcy Code.

10.11 Confidentiality. If the Parties have elected on the Cover Sheet to make this Section 10.11 applicable to this Master Agreement, neither Party shall disclose the terms or conditions of a Transaction under this Master Agreement to a third party (other than the Party's employees, lenders, counsel, accountants or advisors who have a need to know such information and have agreed to keep such terms confidential) except in order to comply with any applicable law, regulation, or any exchange, control area or independent system operator rule or in connection with any court or regulatory proceeding; provided, however, each Party shall, to the extent practicable, use reasonable efforts to prevent or limit the disclosure. The Parties shall be entitled to all remedies available at law or in equity to enforce, or seek relief in connection with, this confidentiality obligation.

SCHEDULE M

(THIS SCHEDULE IS INCLUDED IF THE APPROPRIATE BOX ON THE COVER SHEET IS MARKED INDICATING A PARTY IS A GOVERNMENTAL ENTITY OR PUBLIC POWER SYSTEM)

A. The Parties agree to add the following definitions in Article One.

"Act" means ______________________________.[1]

"Governmental Entity or Public Power System" means a municipality, county, governmental board, public power authority, public utility district, joint action agency, or other similar political subdivision or public entity of the United States, one or more States or territories or any combination thereof.

"Special Fund" means a fund or account of the Governmental Entity or Public Power System set aside and or pledged to satisfy the Public Power System's obligations hereunder out of which amounts shall be paid to satisfy all of the Public Power System's obligations under this Master Agreement for the entire Delivery Period.

B. The following sentence shall be added to the end of the definition of "Force Majeure" in Article One.

If the Claiming Party is a Governmental Entity or Public Power System, Force Majeure does not include any action taken by the Governmental Entity or Public Power System in its governmental capacity.

C. The Parties agree to add the following representations and warranties to Section 10.2:

Further and with respect to a Party that is a Governmental Entity or Public Power System, such Governmental Entity or Public Power System represents and warrants to the other Party continuing throughout the term of this Master Agreement, with respect to this Master Agreement and each Transaction, as follows: (i) all acts necessary to the valid execution, delivery and performance of this Master Agreement, including without limitation, competitive bidding, public notice, election, referendum, prior appropriation or other required procedures has or will be taken and performed as required under the Act and the Public Power System's ordinances, bylaws or other regulations, (ii) all persons making up the governing body of Governmental Entity or Public Power System are the duly elected or appointed incumbents in their positions and hold such

[1] Cite the state enabling and other relevant statutes applicable to Governmental Entity or Public Power System.

positions in good standing in accordance with the Act and other applicable law, (iii) entry into and performance of this Master Agreement by Governmental Entity or Public Power System are for a proper public purpose within the meaning of the Act and all other relevant constitutional, organic or other governing documents and applicable law, (iv) the term of this Master Agreement does not extend beyond any applicable limitation imposed by the Act or other relevant constitutional, organic or other governing documents and applicable law, (v) the Public Power System's obligations to make payments hereunder are unsubordinated obligations and such payments are (a) operating and maintenance costs (or similar designation) which enjoy first priority of payment at all times under any and all bond ordinances or indentures to which it is a party, the Act and all other relevant constitutional, organic or other governing documents and applicable law or (b) otherwise not subject to any prior claim under any and all bond ordinances or indentures to which it is a party, the Act and all other relevant constitutional, organic or other governing documents and applicable law and are available without limitation or deduction to satisfy all Governmental Entity or Public Power System' obligations hereunder and under each Transaction or (c) are to be made solely from a Special Fund, (vi) entry into and performance of this Master Agreement and each Transaction by the Governmental Entity or Public Power System will not adversely affect the exclusion from gross income for federal income tax purposes of interest on any obligation of Governmental Entity or Public Power System otherwise entitled to such exclusion, and (vii) obligations to make payments hereunder do not constitute any kind of indebtedness of Governmental Entity or Public Power System or create any kind of lien on, or security interest in, any property or revenues of Governmental Entity or Public Power System which, in either case, is proscribed by any provision of the Act or any other relevant constitutional, organic or other governing documents and applicable law, any order or judgment of any court or other agency of government applicable to it or its assets, or any contractual restriction binding on or affecting it or any of its assets.

D. The Parties agree to add the following sections to Article Three:

Section 3.4 Public Power System's Deliveries. On the Effective Date and as a condition to the obligations of the other Party under this Agreement, Governmental Entity or Public Power System shall provide the other Party hereto (i) certified copies of all ordinances, resolutions, public notices and other documents evidencing the necessary authorizations with respect to the execution, delivery and performance by Governmental Entity or Public Power System of this Master Agreement and (ii) an opinion of counsel for Governmental Entity or Public Power System, in form and substance reasonably satisfactory to the Other Party, regarding the validity, binding effect and enforceability of this Master Agreement against Governmental Entity or Public Power System in respect of the Act and all other relevant constitutional organic or other governing documents and applicable law.

Section 3.5 No Immunity Claim. Governmental Entity or Public Power System warrants and covenants that with respect to its contractual obligations hereunder and performance thereof, it will not claim immunity on the grounds of sovereignty or similar grounds with respect to itself or its revenues or assets from (a) suit, (b) jurisdiction of court (including a court located outside the jurisdiction of its organization), (c) relief by way of injunction, order for specific performance or recovery of property, (d) attachment of assets, or (e) execution or enforcement of any judgment.

E. If the appropriate box is checked on the Cover Sheet, as an alternative to selecting one of the options under Section 8.3, the Parties agree to add the following section to Article Three:

Section 3.6 Governmental Entity or Public Power System Security. With respect to each Transaction, Governmental Entity or Public Power System shall either (i) have created and set aside a Special Fund or (ii) upon execution of this Master Agreement and prior to the commencement of each subsequent fiscal year of Governmental Entity or Public Power System during any Delivery Period, have obtained all necessary budgetary approvals and certifications for payment of all of its obligations under this Master Agreement for such fiscal year; any breach of this provision shall be deemed to have arisen during a fiscal period of Governmental Entity or Public Power System for which budgetary approval or certification of its obligations under this Master Agreement is in effect and, notwithstanding anything to the contrary in Article Four, an Early Termination Date shall automatically and without further notice occur hereunder as of such date wherein Governmental Entity or Public Power System shall be treated as the Defaulting Party. Governmental Entity or Public Power System shall have allocated to the Special Fund or its general funds a revenue base that is adequate to cover Public Power System's payment obligations hereunder throughout the entire Delivery Period.

F. If the appropriate box is checked on the Cover Sheet, the Parties agree to add the following section to Article Eight:

Section 8.4 Governmental Security. As security for payment and performance of Public Power System's obligations hereunder, Public Power System hereby pledges, sets over, assigns and grants to the other Party a security interest in all of Public Power System's right, title and interest in and to [specify collateral].

G. The Parties agree to add the following sentence at the end of Section 10.6 - Governing Law:

> NOTWITHSTANDING THE FOREGOING, IN RESPECT OF THE APPLICABILITY OF THE ACT AS HEREIN PROVIDED, THE LAWS OF THE STATE OF _____________[2] SHALL APPLY.

---

[2] Insert relevant state for Governmental Entity or Public Power System.

SCHEDULE P: PRODUCTS AND RELATED DEFINITIONS

"Ancillary Services" means any of the services identified by a Transmission Provider in its transmission tariff as "ancillary services" including, but not limited to, regulation and frequency response, energy imbalance, operating reserve-spinning and operating reserve-supplemental, as may be specified in the Transaction.

"Capacity" has the meaning specified in the Transaction.

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

"Firm (LD)" means, with respect to a Transaction, that either Party shall be relieved of its obligations to sell and deliver or purchase and receive without liability only to the extent that, and for the period during which, such performance is prevented by Force Majeure. In the absence of Force Majeure, the Party to which performance is owed shall be entitled to receive from the Party which failed to deliver/receive an amount determined pursuant to Article Four.

"Firm Transmission Contingent - Contract Path" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is interrupted or curtailed and (i) such Party has provided for firm transmission with the transmission provider(s) for the Product in the case of the Seller from the generation source to the Delivery Point or in the case of the Buyer from the Delivery Point to the ultimate sink, and (ii) such interruption or curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the applicable transmission provider's tariff. This contingency shall excuse performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of "Force Majeure" in Section 1.23 to the contrary.

"Firm Transmission Contingent - Delivery Point" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission to the Delivery Point (in the case of Seller) or from the Delivery Point (in the case of Buyer) for such Transaction is interrupted or curtailed and (i) such Party has provided for firm transmission with the transmission provider(s) for the Product, in the case of the Seller, to be delivered to the Delivery Point or, in the case of Buyer, to be received at the Delivery Point and (ii) such interruption or curtailment is due to "force majeure" or "uncontrollable force" or a similar term as defined under the applicable transmission provider's tariff. This transmission contingency excuses performance for the duration of the interruption or curtailment, notwithstanding the provisions of the definition of "Force Majeure" in Section 1.23 to the contrary. Interruptions or curtailments of transmission other than the transmission either immediately to or from the Delivery Point shall not excuse performance

"Firm (No Force Majeure)" means, with respect to a Transaction, that if either Party fails to perform its obligation to sell and deliver or purchase and receive the Product, the Party to which performance is owed shall be entitled to receive from the Party which failed to perform an amount determined pursuant to Article Four. Force Majeure shall not excuse performance of a Firm (No Force Majeure) Transaction.

"Into ______________ (the "Receiving Transmission Provider"), Seller's Daily Choice" means that, in accordance with the provisions set forth below, (1) the Product shall be scheduled and delivered to an interconnection or interface ("Interface") either (a) on the Receiving Transmission Provider's transmission system border or (b) within the control area of the Receiving Transmission Provider if the Product is from a source of generation in that control area, which Interface, in either case, the Receiving Transmission Provider identifies as available for delivery of the Product in or into its control area; and (2) Seller has the right on a daily prescheduled basis to designate the Interface where the Product shall be delivered. An "Into" Product shall be subject to the following provisions:

1. Prescheduling and Notification. Subject to the provisions of Section 6, not later than the prescheduling deadline of 11:00 a.m. CPT on the Business Day before the next delivery day or as otherwise agreed to by Buyer and Seller, Seller shall notify Buyer ("Seller's Notification") of Seller's immediate upstream counterparty and the Interface (the "Designated Interface") where Seller shall deliver the Product for the next delivery day, and Buyer shall notify Seller of Buyer's immediate downstream counterparty.

2. Availability of "Firm Transmission" to Buyer at Designated Interface; "Timely Request for Transmission," "ADI" and "Available Transmission." In determining availability to Buyer of next-day firm transmission ("Firm Transmission") from the Designated Interface, a "Timely Request for Transmission" shall mean a properly completed request for Firm Transmission made by Buyer in accordance with the controlling tariff procedures, which request shall be submitted to the Receiving Transmission Provider no later than 30 minutes after delivery of Seller's Notification, provided, however, if the Receiving Transmission Provider is not accepting requests for Firm Transmission at the time of Seller's Notification, then such request by Buyer shall be made within 30 minutes of the time when the Receiving Transmission Provider first opens thereafter for purposes of accepting requests for Firm Transmission.

Pursuant to the terms hereof, delivery of the Product may under certain circumstances be redesignated to occur at an Interface other than the Designated Interface (any such alternate designated interface, an "ADI") either (a) on the Receiving Transmission Provider's transmission system border or (b) within the control area of the Receiving Transmission Provider if the Product is from a source of generation in that control area, which ADI, in either case, the Receiving Transmission Provider identifies as available for delivery of the Product in or into its control area using either firm or non-firm transmission, as available on a day-ahead or hourly basis (individually or collectively referred to as "Available Transmission") within the Receiving Transmission Provider's transmission system.

3. Rights of Buyer and Seller Depending Upon Availability of/Timely Request for Firm Transmission.

A. Timely Request for Firm Transmission made by Buyer, Accepted by the Receiving Transmission Provider and Purchased by Buyer. If a Timely Request for Firm Transmission is made by Buyer and is accepted by the Receiving Transmission Provider and Buyer purchases such Firm Transmission, then Seller shall deliver and Buyer shall receive the Product at the Designated Interface.

i. If the Firm Transmission purchased by Buyer within the Receiving Transmission Provider's transmission system from the Designated Interface ceases to be available to Buyer for any reason, or if Seller is unable to deliver the Product at the Designated Interface for any reason except Buyer's non-performance, then at Seller's choice from among the following, Seller shall: (a) to the extent Firm Transmission is available to Buyer from an ADI on a day-ahead basis, require Buyer to purchase such Firm Transmission from such ADI, and schedule and deliver the affected portion of the Product to such ADI on the basis of Buyer's purchase of Firm Transmission, or (b) require Buyer to purchase non-firm transmission, and schedule and deliver the affected portion of the Product on the basis of Buyer's purchase of non-firm transmission from the Designated Interface or an ADI designated by Seller, or (c) to the extent firm transmission is available on an hourly basis, require Buyer to purchase firm transmission, and schedule and deliver the affected portion of the Product on the basis of Buyer's purchase of such hourly firm transmission from the Designated Interface or an ADI designated by Seller.

ii. If the Available Transmission utilized by Buyer as required by Seller pursuant to Section 3A(i) ceases to be available to Buyer for any reason, then Seller shall again have those alternatives stated in Section 3A(i) in order to satisfy its obligations.

iii. Seller's obligation to schedule and deliver the Product at an ADI is subject to Buyer's obligation referenced in Section 4B to cooperate reasonably therewith. If Buyer and Seller cannot complete the scheduling and/or delivery at an ADI, then Buyer shall be deemed to have satisfied its receipt obligations to Seller and Seller shall be deemed to have failed its delivery obligations to Buyer, and Seller shall be liable to Buyer for amounts determined pursuant to Article Four.

iv. In each instance in which Buyer and Seller must make alternative scheduling arrangements for delivery at the Designated Interface or an ADI pursuant to Sections 3A(i) or (ii), and Firm Transmission had been purchased by both Seller and Buyer into and within the Receiving Transmission Provider's transmission system as to the scheduled delivery which could not be completed as a result of the interruption or curtailment of such Firm Transmission, Buyer and Seller shall bear their respective transmission expenses and/or associated congestion charges incurred in connection with efforts to complete delivery by such alternative scheduling and delivery arrangements. In any instance except as set forth in the immediately preceding sentence, Buyer and Seller must make alternative scheduling arrangements for delivery at the Designated Interface or an ADI under Sections 3A(i) or (ii), Seller shall be responsible for any additional transmission purchases and/or associated congestion charges incurred by Buyer in connection with such alternative scheduling arrangements.

B. Timely Request for Firm Transmission Made by Buyer but Rejected by the Receiving Transmission Provider. If Buyer's Timely Request for Firm Transmission is rejected by the Receiving Transmission Provider because of unavailability of Firm Transmission from the Designated Interface, then Buyer shall notify Seller within 15 minutes after receipt of the Receiving Transmission Provider's notice of rejection ("Buyer's Rejection Notice"). If Buyer timely notifies Seller of such unavailability of Firm Transmission from the Designated Interface, then Seller shall be obligated either (1) to the extent Firm Transmission is available to Buyer from an ADI on a day-ahead basis, to require Buyer to purchase (at Buyer's own expense) such Firm Transmission from such ADI and schedule and deliver the Product to such ADI on the basis of Buyer's purchase of Firm Transmission, and thereafter the provisions in Section 3A shall apply, or (2) to require Buyer to purchase (at Buyer's own expense) non-firm transmission, and schedule and deliver the Product on the basis of Buyer's purchase of non-firm transmission from the Designated Interface or an ADI designated by the Seller, in which case Seller shall bear the risk of interruption or curtailment of the non-firm transmission; provided, however, that if the non-firm transmission is interrupted or curtailed or if Seller is unable to deliver the Product for any reason, Seller shall have the right to schedule and deliver the Product to another ADI in order to satisfy its delivery obligations, in which case Seller shall be responsible for any additional transmission purchases and/or associated congestion charges incurred by Buyer in connection with Seller's inability to deliver the Product as originally prescheduled. If Buyer fails to timely notify Seller of the unavailability of Firm Transmission, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface, and the provisions of Section 3D shall apply.

C. Timely Request for Firm Transmission Made by Buyer, Accepted by the Receiving Transmission Provider and not Purchased by Buyer. If Buyer's Timely Request for Firm Transmission is accepted by the Receiving Transmission Provider but Buyer elects to purchase non-firm transmission rather than Firm Transmission to take delivery of the Product, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface. In such circumstances, if Seller's delivery is interrupted as a result of transmission relied upon by Buyer from the Designated Interface, then Seller shall be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for amounts determined pursuant to Article Four.

D. No Timely Request for Firm Transmission Made by Buyer, or Buyer Fails to Timely Send Buyer's Rejection Notice. If Buyer fails to make a Timely Request for Firm Transmission or Buyer fails to timely deliver Buyer's Rejection Notice, then Buyer shall bear the risk of interruption or curtailment of transmission from the Designated Interface. In such circumstances, if Seller's delivery is interrupted as a result of transmission relied upon by Buyer from the Designated Interface, then Seller shall be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for amounts determined pursuant to Article Four.

4. Transmission.

A. Seller's Responsibilities. Seller shall be responsible for transmission required to deliver the Product to the Designated Interface or ADI, as the case may be. It is expressly agreed that Seller is not required to utilize Firm Transmission for its delivery obligations hereunder, and Seller shall bear the risk of utilizing non-firm transmission. If Seller's scheduled delivery to Buyer is interrupted as a result of Buyer's attempted transmission of the Product beyond the Receiving Transmission Provider's system border, then Seller will be deemed to have satisfied its delivery obligations to Buyer, Buyer shall be deemed to have failed to receive the Product and Buyer shall be liable to Seller for damages pursuant to Article Four.

B. Buyer's Responsibilities. Buyer shall be responsible for transmission required to receive and transmit the Product at and from the Designated Interface or ADI, as the case may be, and except as specifically provided in Section 3A and 3B, shall be responsible for any costs associated with transmission therefrom. If Seller is attempting to complete the designation of an ADI as a result of Seller's rights and obligations hereunder, Buyer shall co-operate reasonably with Seller in order to effect such alternate designation.

5. Force Majeure. An "Into" Product shall be subject to the "Force Majeure" provisions in Section 1.23.

6. Multiple Parties in Delivery Chain Involving a Designated Interface. Seller and Buyer recognize that there may be multiple parties involved in the delivery and receipt of the Product at the Designated Interface or ADI to the extent that (1) Seller may be purchasing the Product from a succession of other sellers ("Other Sellers"), the first of which Other Sellers shall be causing the Product to be generated from a source ("Source Seller") and/or (2) Buyer may be selling the Product to a succession of other buyers ("Other Buyers"), the last of which Other Buyers shall be using the Product to serve its energy needs ("Sink Buyer"). Seller and Buyer further recognize that in certain Transactions neither Seller nor Buyer may originate the decision as to either (a) the original identification of the Designated Interface or ADI (which designation may be made by the Source Seller) or (b) the Timely Request for Firm Transmission or the purchase of other Available Transmission (which request may be made by the Sink Buyer). Accordingly, Seller and Buyer agree as follows:

A. If Seller is not the Source Seller, then Seller shall notify Buyer of the Designated Interface promptly after Seller is notified thereof by the Other Seller with whom Seller has a contractual relationship, but in no event may such designation of the Designated Interface be later than the prescheduling deadline pertaining to the Transaction between Buyer and Seller pursuant to Section 1.

B. If Buyer is not the Sink Buyer, then Buyer shall notify the Other Buyer with whom Buyer has a contractual relationship of the Designated Interface promptly after Seller notifies Buyer thereof, with the intent being that the party bearing actual responsibility to secure transmission shall have up to 30 minutes after receipt of the Designated Interface to submit its Timely Request for Firm Transmission.

C. Seller and Buyer each agree that any other communications or actions required to be given or made in connection with this "Into Product" (including without limitation, information relating to an ADI) shall be made or taken promptly after receipt of the relevant information from the Other Sellers and Other Buyers, as the case may be.

D. Seller and Buyer each agree that in certain Transactions time is of the essence and it may be desirable to provide necessary information to Other Sellers and Other Buyers in order to complete the scheduling and delivery of the Product. Accordingly, Seller and Buyer agree that each has the right, but not the obligation, to provide information at its own risk to Other Sellers and Other Buyers, as the case may be, in order to effect the prescheduling, scheduling and delivery of the Product

"Native Load" means the demand imposed on an electric utility or an entity by the requirements of retail customers located within a franchised service territory that the electric utility or entity has statutory obligation to serve.

"Non-Firm" means, with respect to a Transaction, that delivery or receipt of the Product may be interrupted for any reason or for no reason, without liability on the part of either Party.

"System Firm" means that the Product will be supplied from the owned or controlled generation or pre-existing purchased power assets of the system specified in the Transaction (the "System") with non-firm transmission to and from the Delivery Point, unless a different Transmission Contingency is specified in a Transaction. Seller's failure to deliver shall be excused: (i) by an event or circumstance which prevents Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, which is not within the reasonable control of, or the result of the negligence of, the Seller; (ii) by Buyer's failure to perform; (iii) to the extent necessary to preserve the integrity of, or prevent or limit any instability on, the System; (iv) to the extent the System or the control area or reliability council within which the System operates declares an emergency condition, as determined in the system's, or the control area's, or reliability council's reasonable judgment; or (v) by the interruption or curtailment of transmission to the Delivery Point or by the occurrence of any Transmission Contingency specified in a Transaction as excusing Seller's performance. Buyer's failure to receive shall be excused (i) by Force Majeure; (ii) by Seller's failure to perform, or (iii) by the interruption or curtailment of transmission from the Delivery Point or by the occurrence of any Transmission Contingency specified in a Transaction as excusing Buyer's performance. In any of such events, neither party shall be liable to the other for any damages, including any amounts determined pursuant to Article Four.

"Transmission Contingent" means, with respect to a Transaction, that the performance of either Seller or Buyer (as specified in the Transaction) shall be excused, and no damages shall be payable including any amounts determined pursuant to Article Four, if the transmission for such Transaction is unavailable or interrupted or curtailed for any reason, at any time, anywhere from the Seller's proposed generating source to the Buyer's proposed ultimate sink, regardless of whether transmission, if any, that such Party is attempting to secure and/or has purchased for the Product is firm or non-firm. If the transmission (whether firm or non-firm) that Seller or Buyer is attempting to secure is from source to sink is unavailable, this contingency excuses performance for the entire Transaction. If the transmission (whether firm or non-firm) that Seller or Buyer has secured from source to sink is interrupted or curtailed for any reason, this contingency excuses performance for the duration of the interruption or curtailment notwithstanding the provisions of the definition of “Force Majeure” in Article 1.23 to the contrary.

“Unit Firm” means, with respect to a Transaction, that the Product subject to the Transaction is intended to be supplied from a generation asset or assets specified in the Transaction. Seller’s failure to deliver under a “Unit Firm” Transaction shall be excused: (i) if the specified generation asset(s) are unavailable as a result of a Forced Outage (as defined in the NERC Generating Unit Availability Data System (GADS) Forced Outage reporting guidelines) or (ii) by an event or circumstance that affects the specified generation asset(s) so as to prevent Seller from performing its obligations, which event or circumstance was not anticipated as of the date the Transaction was agreed to, and which is not within the reasonable control of, or the result of the negligence of, the Seller or (iii) by Buyer’s failure to perform. In any of such events, Seller shall not be liable to Buyer for any damages, including any amounts determined pursuant to Article Four.

EXHIBIT A

MASTER POWER PURCHASE AND SALE AGREEMENT
CONFIRMATION LETTER

This confirmation letter shall confirm the Transaction agreed to on ___________, ___ between __________________________ ("Party A") and _____________________ ("Party B") regarding the sale/purchase of the Product under the terms and conditions as follows:

Seller: ____

Buyer: ____

Product:

[] Into _________________, Seller's Daily Choice

[] Firm (LD)

[] Firm (No Force Majeure)

[] System Firm

(Specify System: ______________________________________)

[] Unit Firm

(Specify Unit(s): ______________________________________)

[] Other ____

[] Transmission Contingency (If not marked, no transmission contingency)

[]	FT-Contract Path Contingency	[]	Seller	[]	Buyer
[]	FT-Delivery Point Contingency	[]	Seller	[]	Buyer
[]	Transmission Contingent	[]	Seller	[]	Buyer
[]	Other transmission contingency				

(Specify: ____)

Contract Quantity: ______________________________________

Delivery Point: ____

Contract Price:

Energy Price: ____

Other Charges: ____

Delivery Period: ____

Special Conditions: ____

Scheduling: ____

Option Buyer: ____

Option Seller: ____

Type of Option: ______________________________________

Strike Price: ____

Premium: ____

Exercise Period: ______________________________________

This confirmation letter is being provided pursuant to and in accordance with the Master Power Purchase and Sale Agreement dated ______________ (the "Master Agreement") between Party A and Party B, and constitutes part of and is subject to the terms and provisions of such Master Agreement. Terms used but not defined herein shall have the meanings ascribed to them in the Master Agreement.

[Party A]	[Party B]
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Phone No: ___________________	Phone No: ___________________
Fax: _______________________	Fax: _______________________

EXHIBIT B

CERTIFICATION OF PJM STATUS

I, ______________________, am an authorized signatory ("Agent") for ____________________ ("Counterparty") and hereby certify that Counterparty as a qualified member of PJM Interconnection, LLC ("PJM") is: 1) a qualified market buyer and seller of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates. Further, as a qualified market buyer or seller of electricity in PJM, Counterparty is able to obtain and deliver electricity in compliance with all applicable PJM requirements (including, but not limited to, PJM's tariff, operating agreement, reliability agreement, and business practices). Accordingly, Counterparty is able to fulfil its delivery obligations in the underlying EEI Master Supply Agreement in a manner that complies with all applicable PJM and FERC requirements.

COUNTERPARTY

Name: ______________________________

Title: ______________________________

Phone No: ___________________________

Fax: _______________________________

UGI Utilities, Inc. – Electric Division
Twelve Month Load Following Request for Proposal
March __, 20__

1. UGI is seeking quotes for a load following service for the period June 1, 20__ through May 31, 20__ which will follow 25% of the actual hourly requirements for its customers with peak loads of less than 100kW ("GSR-1 Group"). This group consists of both residential and smaller commercial and industrial customers. Pricing for this load will be a fixed bid price delivered to the UGI Residual Aggregate. Bids must conform to the standards approved by the Pennsylvania Public Utility Commission ("PUC") in UGI's Default Service Supply filing (Dockets No. P-2016-2543523 and G-2016-2543527).

2. All bids must remain open until the end of the first business day following the RFP due date to allow the PUC time to review and approve the winning bids.

3. All bids must be submitted by e-mail to ugirfp@ugi.com by **April __, 20__ at 11:00 a.m. E.T. Bids received that have a time stamp later than 11:00 a.m. will not be considered.**

4. The EEI Contract between UGI and the counter party will control all transactions completed under this RFP. A draft copy of the base UGI contract is posted on UGI's website at

   http://gasmngmt.ugi.com/ELEC/reqproposals.shtml

5. The winning bid will be determined by price, except as provided in section 10 below. UGI's intent is to award this service to one bidder. In the event two or more bids are received that contain identical prices, the ties will be broken by selecting the bid of the counter party that is otherwise providing the least amount of power to the customer group during the supply period in question. If this method does not break the tie, the winning bidder will be chosen at random by Pace Global, a Siemens business.

6. All bids must be accompanied with a certification that the bidder is: 1) a qualified market buyer and seller of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates.

7. All bids must be submitted in U.S. dollars per mega watt hour (MWh) of energy consumed, for delivery to the UGI Residual Aggregate. The winning bidder will deliver the energy to the UGI Residual Aggregate and be responsible for all costs associated with that delivery, as well as compliance with Pennsylvania's Alternative Energy Portfolio Standards (AEPS). In addition to the energy costs, bidder's quote shall include the following costs:
    - PJM Capacity
    - PJM Transmission
    - PJM Ancillary
    - Pa. AEPS

8. Historical hourly loads depicting energy requirements at UGI beginning October 1, 2010, historical hourly temperatures for the area and estimated loads for the twelve months covered by this RFP have been posted on UGI's website.

    Other information posted includes historical temperatures, PLC, NSPL and UCAP data, number of customers and a sample confirmation agreement.

9. In advance of each month, UGI will prepare a schedule showing the hourly volumes that need to be scheduled for the upcoming month. These volumes will be scheduled with PJM using InSchedule. The non-scheduling party will confirm the volumes with PJM. After the month is over, UGI will reconcile actual energy usage to the schedule using actual hourly usages. UGI and the Supplier shall work with PJM to establish any PJM accounts necessary for the Supplier to provide this load following service. UGI shall establish PJM contract(s) for the entire duration of the load following service and Supplier shall confirm and comply with all PJM contract(s) for the entire duration of the transaction.

    Invoicing will be done through PJM where applicable. If PJM is unable to invoice charges or credits, UGI shall rectify such PJM invoice discrepancy in an invoice sent to the Supplier.

10. A Bid Response Form is attached and parties should submit bids in the form of a dollar amount per MWh of energy consumed. Bids must be submitted on a form similar to the attached to be considered by UGI.

11. In addition to the standard RFP for the GSR-1 Group of customers, UGI is also seeking alternative individual bids for the GSR-1 volumes broken into two portions as outlined in attachment titled "Load Following Requirement Estimate Option B". It should be noted that these bids are optional, and the bidder's preference to not provide individual bids for the two sub-groups will not disqualify the bidder from the original RFP for the entire GSR-1 group, however an explanation would be required. UGI reserves the right to not select any alternative bids, even if lower in price.

UGI Utilities, Inc. – Electric Division
Request for Proposal Response Form
April __, 20__

This bid is submitted in response to UGI's Request for Proposal dated March __, 20__.

Supplier Name ____________________________________

Contact Person and Phone ____________________________________

Supply Type Load Following Service

Term	Price ($/MWH)
June 1, 20__ – May 31, 20__	

Option B Pricing:

Term	Price ($/MWH) R Volumes	Price ($/MWH) C Volumes
June 1, 20__ – May 31, 20__		

All bids must be submitted by e-mail to ugirfp@ugi.com by **April __, 20__ at 11:00 a.m. E.T.**

Bids must remain open until the close of the April __, 20__ business day. Bidders must have an EEI or ISDA contract in place with UGI for bids to be awarded. Winning bidders have two business days to complete the confirmation agreement.

March __, 20__

Dear Sir or Madam:

RE: Request for Proposal (RFP) to Purchase Electric Default Service Supplies

UGI Utilities – Electric Division ("UGI") is seeking electric supplies to serve a portion of its Default Service requirements. The Request for Proposal ("RFP") and bidding details are attached hereto.

The Pennsylvania Public Utility Commission ("PUC") approved UGI's petition for a Default Service Program in Dockets No. P-2016-2543523 and G-2016-2543527. This plan established the mechanism by which UGI would acquire supplies for its customers that are not being served by an alternate generation supplier. UGI's plan approved by the PUC utilizes a competitive solicitation process to secure these supplies. Therefore, UGI is issuing this RFP requesting bids on certain quantities of energy as specified in the RFP. All acquisitions made through RFP's will be monitored by a third party, Pace Global, a Siemens business ("Pace"), to ensure a fair and unbiased process.

RFP Schedule

March __, 20__	Notice of RFP sent to potential suppliers
April __, 20__ (2:30 p.m. E.T.)	RFP Conference Call with all interested parties Call-in Number – (800) 827-3104 Code – 6589938111
April __, 20__ (3:00 p.m. E.T.)	Last day to submit questions via email to ugirfp@ugi.com
April __, 20__ (11:00 a.m. E.T.)	RFP responses due to UGI/Pace
April __, 20__ (12:00 p.m. E.T.)	Winning bidders selected by UGI, verified by Pace and verbally notified by UGI of bid status
April __, 20__ (1:30 p.m. E.T.)	Results of solicitation sent to Pennsylvania PUC
April __, 20__	Pennsylvania PUC provides a decision of the results of the RFP
April __, 20__ Close of Business	UGI verbally notifies winning bidders

Responses to this RFP will be submitted through e-mail to ugirfp@ugi.com. Questions pertaining to this RFP can also be sent to the email address up to 3:00 p.m. on April __, 20__. Questions and Responses will be posted on UGI's website which can be found at http://gasmngmt.ugi.com/ELEC/reqproposals.shtml

Responses to this RFP will be accompanied by a certification that the bidder is: 1) a qualified market buyer and seller of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates.

Through the e-mail address to which RFP responses are sent, both UGI and Pace will receive your bid and will independently evaluate the responses and determine the winning bidder. Once the winning bidder is determined, the results will be forwarded to the PUC, which will either accept or reject the winning bids. UGI will also notify the winning bidder of their tentative selection as a winning bidder. Therefore, all bids must remain open until the end of the business day following submission. UGI's approved Default Service plan specifies the PUC will issue its decision within one business day. While UGI cannot direct the PUC to adhere to the expected timeline, it is hoped the PUC will approve the results of the RFP by the close of business on the day following the due date of the bids. Immediately following the PUC's decision, UGI will contact the winning bidder by telephone to confirm the transaction. A confirmation agreement will be exchanged to finalize the transaction.

In order for a bid to be awarded, there must be a fully executed EEI contract in place with UGI. The basic framework of the contract was set forth in UGI's filing and will be provided upon request. The contract is also posted on UGI's website at

http://gasmngmt.ugi.com/ELEC/reqproposals.shtml

The criterion for selecting a winning bid is price. It is UGI's intent to award this service to a single bidder. If more than one bid is received at identical prices, the tie will be broken by awarding the bid to the supplier that is providing the least amount of energy during the applicable supply period, consistent with the Pennsylvania PUC orders. If this method does not break the tie, Pace will randomly select the winning bid.

Thank you,

Zachary Shirk

UGI Utilities, Inc. – Electric Division
Request for Proposal
March __, 20__

1. UGI is seeking quotes for supplying the following packages of energy for its Default Service customers (residential and smaller commercial and industrial) with peak loads of less than 100kW ("GSR-1 Group"). Bids must conform to the standards approved by the Pennsylvania Public Utility Commission (PUC) in UGI's Default Service Supply filing (P-2016-2543523 and G-2016-2543527).

2. All bids must remain open until the end of the business day following submission to UGI to allow the Pennsylvania PUC time to review and approve the winning bids.

3. All bids must be submitted by e-mail to ugirfp@ugi.com no later than **April __, 20__ at 12:00 p.m. ET. Bids received that have a time stamp later than 12:00 p.m. will not be considered.**

4. Bidders are free to submit bids for as many months as desired. The individual blocks should be priced separately. For determining the winning bidder, each block for each month will be evaluated and awarded individually.

5. All bids must be accompanied with a certification that the bidder is: 1) a qualified market buyer and seller of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates.

6. Supplies will be physical firm energy delivered at PJM Western Hub.

7. The EEI Contract between UGI and the counterparty will control all transactions completed under this RFP.

8. Winning bids will be determined by price. In the event two or more bids are received that contain identical prices, the ties will be broken by selecting the bid of the counterparty that is otherwise providing the least amount of power to the customer group during the supply period in question. If this method does not break the tie, the winning bidder will be chosen at random by Pace Global, a Siemens business.

9. All bids must be submitted in U.S. dollars.

10. **<u>Energy Requested</u>**

Delivery Point	PJM Western Hub	
Supply Type	**7x24 (Around the Clock) physical firm**	
Term of Delivery and Quantity		
	June 20__	__ Mw
	July 20__	__ Mw
	August 20__	__ Mw
	September 20__	__ Mw
	October 20__	__ Mw
	November 20__	__ Mw
Supply Type	**5x16 (On Peak) physical firm**	
Term of Delivery and Quantity		
	June 20__	__ Mw
	July 20__	__ Mw
	August 20__	__ Mw
	September 20__	__ Mw
	October 20__	__ Mw
	November 20__	__ Mw

11. A Bid Response Form is attached. Bids must be submitted on a form similar to the attached to be considered by UGI.

UGI Utilities, Inc. – Electric Division
Request for Proposal Response Form
March __, 20__

This bid is submitted in response to UGI's Request for Proposal as issued March __, 20__.

Supplier Name ____

Term of Delivery	Supply Type	Delivery Point	Quantity (Mw)	Price ($/Mwh)
June 20__	7x24	PJM Western Hub	__ Mw	
July 20__	7x24	PJM Western Hub	__ Mw	
August 20__	7x24	PJM Western Hub	__ Mw	
September 20__	7x24	PJM Western Hub	__ Mw	
October 20__	7x24	PJM Western Hub	__ Mw	
November 20__	7x24	PJM Western Hub	__ Mw	
June 20__	5x16	PJM Western Hub	__ Mw	
July 20__	5x16	PJM Western Hub	__ Mw	
August 20__	5x16	PJM Western Hub	__ Mw	
September 20__	5x16	PJM Western Hub	__ Mw	
October 20__	5x16	PJM Western Hub	__ Mw	
November 20__	5x16	PJM Western Hub	__ Mw	

All bids must be submitted by e-mail to ugirfp@ugi.com by **April __, 20__ no later than 12:00 p.m. E.T. Bids received that have a time stamp later than 12:00 p.m. will not be considered.**

Bids must remain open until the close of the April __, 20__ business day. Bidders must have an EEI contract in place with UGI for bids to be awarded. Winning bidders have two business days to complete the confirmation agreement.

March __, 20__

Dear Sir or Madam:

RE: Request for Proposal (RFP) to Purchase Electric Default Service Supplies

UGI Utilities – Electric Division ("UGI") is seeking electric supplies to serve a portion of its Default Service requirements. The Request for Proposals ("RFP") and bidding details are attached hereto.

The Pennsylvania Public Utility Commission ("PUC") approved UGI's petition for a Default Service Supply Plan in Docket No. P-2016-2543523 and G-2016-2543527. This plan established the mechanism by which UGI would acquire supplies for its customers that are not being served by an alternate generation supplier. UGI's plan approved by the PUC utilizes a competitive solicitation process to secure these supplies. Therefore, UGI is issuing this RFP requesting bids on certain quantities of energy as specified in the RFP. All acquisitions made through RFPs will be monitored by a third party, Pace Global, a Siemens business ("Pace"), to ensure a fair and unbiased process.

RFP Schedule

March __, 20__	Notice of RFP sent to potential suppliers
April __, 20__ (2:30 p.m. E.T.)	RFP Conference Call with all interested parties Call-in Number – (800) 827-3104 Code – 6589938111
April __, 20__ (3:00 p.m. E.T.)	Last day to submit questions via email to ugirfp@ugi.com
April __, 20__ (12:00 p.m. E.T.)	RFP response due to UGI/Pace
April __, 20__ (1:00 p.m. E.T.)	Winning bidders selected by UGI, verified by Pace and verbally notified by UGI of bid status
April __, 20__ (1:30 p.m. E.T.)	Results of solicitation sent to Pennsylvania PUC
April __, 20__	Pennsylvania PUC provides a decision of the results of the RFP
April __, 20__ Close of Business	UGI verbally notifies winning bidders

Responses to this RFP will be submitted through e-mail to ugirfp@ugi.com. Questions pertaining to this RFP can also be sent to the email address up to 3:00 p.m. on April __, 20__. Questions and Responses will be posted on UGI's website which can be found at

http://gasmngmt.ugi.com/ELEC/reqproposals.shtml

Responses to this RFP will be accompanied by a certification that the bidder is: 1) a qualified market buyer and seller of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable

PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates.

Through this e-mail address, both UGI and Pace will receive your bid and will independently evaluate the responses and determine the winning bidder(s). Once UGI can determine the winning bidder(s), the results must be forwarded to the PUC, which will either accept or reject the winning bid(s). UGI will also notify winning bidder(s) of their tentative selection as a winning bidder. Therefore, all bids must remain open until the end of the business day following submission. While UGI cannot dictate a timeline to the PUC, it is hoped the PUC will approve the results of the RFP within 24 hours of the bid deadline. UGI's Default Service Supply Plan requests the PUC to issue its decision within one business day. Immediately following the PUC's decision, UGI will then contact the winning bidder(s) by telephone to confirm the transaction. A confirmation agreement will be exchanged to finalize the transaction.

In order for a bid to be awarded, there must be a fully executed EEI contract in place with UGI. The basic framework of the contract was set forth in UGI's filing and will be provided upon request. The information is also posted on UGI's website at

http://gasmngmt.ugi.com/ELEC/reqproposals.shtml

The criterion for selecting a winning bid is price. It is UGI's intent to award each energy block to a single bidder. If more than one bid is received at identical prices, the tie will be broken by awarding the bid to the supplier that is providing the least amount of energy during the applicable supply period. If this method does not break the tie, Pace will randomly select the winning bid.

Thank you,

Zachary Shirk

APPENDIX C

(form of Corporate Guarantee & Confidentiality Agreement)

GUARANTY

This Guaranty (the "Guaranty") is made by__________("Guarantor"), a ________________, in favor of_____________("Creditor"), a ________________ corporation.

WHEREAS, _________________ ("Debtor"), a Pennsylvania limited liability company and Creditor are parties to various agreements for the purchase and sale of electric power (whether one or more, the "Agreement"); and

WHEREAS, the execution and delivery of this Guaranty is a condition to Creditor's further performance of its obligations under the terms of the Agreement and Guarantor has agreed to provide assurance for the performance of Debtor's obligations in connection with the Agreement.

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the adequacy, receipt and sufficiency of which are hereby acknowledged, Guarantor hereby agrees as follows:

1. **Guaranty**. Guarantor hereby unconditionally and absolutely guarantees the punctual payment when due of Debtor's payment obligations arising under the Agreement, as may be amended or modified from time to time, together with any interest thereon (collectively, the "Guaranteed Obligations"); provided, however, that the total liability of Guarantor hereunder, regardless of any amendment or modification to the Agreement, is limited to the lesser of (a) all amounts owed by Debtor to Creditor under the Agreement or_________Dollars ($________). Guarantor's obligations and liability under this Guaranty shall be limited to payment obligations and Guarantor shall have no obligation to sell, deliver, supply or transport gas and/or electricity.

2. **Waiver**. This is a guaranty of payment and not of collection. Guarantor hereby waives:

    (a) notice of acceptance of this Guaranty, of the creation or existence of any of the Guaranteed Obligations and of any action by Creditor in reliance hereon or in connection herewith; and

    (b) any requirement that suit be brought against, or any other action by Creditor be taken against, or any notice of default or other notice be given to, or any demand be made on, Debtor or any other person, or that any other action be taken or not taken as a condition to Guarantor's liability for the Guaranteed Obligations or as a condition to the enforcement of this Guaranty against Guarantor, except as expressly defined herein.

3. **Term; Termination**. This Guaranty shall continue in full force and effect for a term commencing on the Effective Date and continuing until_________. Notwithstanding the foregoing, this Guaranty may be terminated at any time by the Guarantor by

providing at least thirty (30) days' prior written notice to Creditor; provided, however, upon termination hereof, Guarantor agrees that the obligations and liabilities hereunder shall continue in full force and effect with respect to any obligations incurred prior to the termination date.

This Guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of any of the Guaranteed Obligations are annulled, set aside, or invalidated upon the insolvency, bankruptcy, dissolution, liquidation or reorganization of Debtor or any other guarantor, or upon or as a result of the appointment of a receiver, intervenor or conservator of, or trustee or similar officer for, Debtor or any other guarantor or any substantial part of its property or otherwise, all as though such payment or payments had not been made.

4. **Demand**. Prior to commencing any legal proceeding to enforce this Guaranty, the Creditor shall provide the Guarantor with written demand ("Demand") setting forth Debtors obligation and providing the Guarantor or the Debtor three (3) business days in which to satisfy the obligation and thereby avoid enforcement of the Guaranty. Any Demand by Creditor hereunder shall be in writing, signed by a duly authorized officer of Creditor and delivered to the Guarantor and shall (a) reference this Guaranty, (b) specifically identify the Debtor, the Guaranteed Obligations to be paid and the amount of such Guaranteed Obligations and (c) set forth payment instructions. Guarantor shall pay, or cause to be paid, such Guaranteed Obligations within five (5) business days of receipt of such Demand.

   There are no other conditions precedent to the enforcement of this Guaranty, except as set forth above. It shall not be necessary for Creditor, in order to enforce payment by Guarantor under this Guaranty, to show any proof of Debtor's default, to exhaust its remedies against Debtor, any other guarantor, or any other person liable for the payment or performance of the Guaranteed Obligations. Creditor shall not be required to mitigate damages or take any other action to reduce, collect, or enforce the Guaranteed Obligations.

5. **Subrogation**. Guarantor shall be subrogated to all rights of Creditor against Debtor in respect of any amounts paid by Guarantor pursuant to the Guaranty, provided that Guarantor waives any rights it may acquire by way of subrogation under this Guaranty, by any payment made hereunder or otherwise, until all of the Guaranteed Obligations shall have been irrevocably paid to Creditor in full. If any amount shall be paid to the Guarantor on account of such subrogation rights at any time when all the Guaranteed Obligations shall not have been paid in full, such amount shall be held in trust for the benefit of Creditor and shall forthwith be paid to Creditor to be applied to the Guaranteed Obligations.

6. **Setoffs and Counterclaims.** Guarantor reserves to itself all rights, counterclaims and other defenses which Debtor is or may be entitled to arising from or out of the Agreement, except for defenses arising out of the bankruptcy, insolvency, dissolution or liquidation of Debtor.

7. **Notices**. All demands, notices and other communications provided for hereunder shall, unless otherwise specifically provided herein, (a) be in writing addressed to the party receiving the notice at the address set forth below or at such other address as may be designated by written notice, from time to time, to the other party, and (b) be effective upon delivery, when mailed by U.S. mail, registered or certified, return receipt requested, postage prepaid, or personally delivered. Notices shall be sent to the following addresses:

   If to Creditor:

   If to Guarantor:

7. **No Waiver; Remedies**. Except as to applicable statutes of limitation, no failure on the part of Creditor to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

8. **Assignment; Successors and Assigns**. Creditor may, upon notice to Guarantor, assign its rights hereunder without the consent of Guarantor. Guarantor may assign its rights hereunder with the prior written consent of Creditor, which consent shall not be unreasonably withheld. Subject to the foregoing, this Guaranty shall be binding upon and inure to the benefit of the parties hereto and their respective successors, permitted assigns, and legal representatives.

9. GOVERNING LAW; SUBMISSION TO JURISDICTION. THIS GUARANTY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF PENNSYLVANIA AND APPLICABLE FEDERAL LAW.

IN WITNESS WHEREOF, this Guaranty is duly executed and delivered as of this _______day of_______________(“Effective Date”).

____

Name:_______________________________

Title:_______________________________

CONFIDENTIALITY AGREEMENT

This Confidentiality Agreement (the "Agreement") is entered into this _____ day of ___ 2001 (the "Effective Date") by and between UGI Utilities, Inc. ("UGI"), and ________________ ("Supplier").

BACKGROUND

WHEREAS, UGI is an electric distribution company which has an obligation to procure wholesale electric power supplies to enable it to provide electric generation service to its customers that do not procure such electric generation service from alternate providers; and

WHEREAS, to attract bids to provide such wholesale electric power supplies UGI may need to disclose certain customer load or related information ("Customer Proprietary Information"); and

WHEREAS, Suppler wishes to receive such Customer Proprietary Information for the purposes of determining if it wishes to submit bids for wholesale electric power or for the pricing of such bids.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein, and intending to be legally bound hereby, UGI and Supplier agree as follows:

1. Disclosure – Following the execution of this Agreement and Supplier's compliance with any other requirements applicable to a UGI solicitation for bids to supply wholesale electric power supplies, UGI shall disclose to Supplier the Customer Proprietary Information it deems necessary for the solicitation.

2. Disclosure and Use of Proprietary Information. Supplier keep such Customer Proprietary Information confidential and shall only use it for the limited purposes of evaluating UGI wholesale electric power solicitations and submitting bids in response to such solicitations, and for no other purpose. Supplier further agrees to limit the disclosure of Customer Proprietary Information to only those officers and employees necessary for the evaluation of UGI solicitations or responses thereto; provided, however, that Supplier may disclose the Customer Proprietary Information to such agents (including attorneys, accountants and consultants) and affiliates necessary for evaluating or responding to UGI wholesale electric power solicitations, but only after such third parties provided to UGI a signed acknowledgment, in the form shown in Appendix A hereto, agreeing to be bound by the provisions of this Agreement.

3. Limitation on Obligations. The obligations set forth in Section 2 above shall not apply to any Proprietary Information with respect to which a Supplier or Supplier agent or affiliate (collectively a "Supplier Party") can demonstrate:

   a. was in possession of the Supplier Party prior to the time of disclosure by

UGI;

b. was in the public domain at the time of disclosure, or subsequently became part of the public domain through no fault of the Supplier Party;

c. was legally received from a third-party who represents directly or indirectly that it was not subject to a confidentiality agreement regarding the information; or

d. was legally received from a third party who fails to disclose that the information was Customer Proprietary Information, and the Supplier Party discloses such information in good faith and without knowledge that the information is Customer Proprietary Information.

In the event that a Supplier Party is requested or required (by law or regulation, oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose Proprietary Information, it is agreed the Supplier Party shall provide prompt notice to UGI of such request prior to complying therewith so that UGI may seek an appropriate protective order and/or waive compliance with this Agreement. If, in the absence of a protective order or the receipt of a waiver hereunder, the Supplier Party is nonetheless legally compelled to disclose such information, it may disclose such information without liability hereunder.

4. Return or Destruction of Documents. At the written request of UGI, a Supplier Party shall return or destroy all Customer Proprietary Information in its possession, together with all copies thereof. In the event a Supplier Party elects to destroy Customer Proprietary Information in its possession, it shall provide UGI with a written certification of such destruction.

5. Survival of Obligations. The obligations of the Supplier under this Agreement shall survive the completion of the UGI wholesale electric power solicitation, or the termination of this Agreement for any reason, for a period ending two years.

6. Applicable Law. The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws and regulations of the Commonwealth of Pennsylvania.

7. Amendments. No alterations, amendments, changes or additions to this Agreement will be binding upon either party unless reduced to writing and signed by both UGI and Supplier. No waiver of any right arising under this Agreement made by either UGI or Supplier will be valid unless given in an appropriate writing signed by that party.

8. Entire Agreement. This Agreement constitutes the entire understanding between the UGI and Supplier, and supersedes all prior oral or written communications, proposals, representations, warranties, covenants, understandings or agreements between UGI and Supplier relating to the subject matter of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement effective as of the date first mentioned above.

UGI UTILITIES, INC.	**SUPPLIER**
By: ______________________________	By: ______________________________
Title: ______________________________	Title: ______________________________
Date: ______________________________	Date: ______________________________

Appendix A

TO WHOM IT MAY CONCERN:

The undersigned is an employee, agent or contractor for the ____________ ("Supplier") participating in the UGI Utilities, Inc.("UGI") electric wholesale power solicitation. The undersigned has read and understands the Confidentiality Agreement dated ____, 2013 by and between UGI and Supplier, which Confidentiality Agreement deals with the treatment of Customer Proprietary Information, and agrees, intending to be legally bound hereby, to comply with the terms and conditions of the Confidentiality Agreement.

____

Printed name:

Title:

APPENDIX D

(*Pro Forma* Default Service Tariff pages)

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC SERVICE TARIFF

RULES AND RATES
FOR ELECTRIC DISTRIBUTION SERVICE AND
CHOICE AGGREGATION SERVICE

in the following service territory:

LUZERNE COUNTY

City of Nanticoke, and Boroughs of Courtdale, Dallas, Edwardsville, Forty-Fort, Harvey's Lake, Kingston, Larksville, Luzerne, New Columbus, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Wyoming and Wyoming.

First Class Townships of Hanover and Newport, and Second Class Townships, of Conyngham, Dallas, Fairmount, Franklin, Hunlock, Huntington, Jackson, Kingston, Lake, Lehman, Plymouth, Ross and Union.

WYOMING COUNTY

Townships of Monroe and Noxen

Issued: Effective:

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

THIS TARIFF MAKES CHANGES TO THE COMPANY'S RATES (PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

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Rider B – Generation Supply Service, Pages 39-41.

- Dates have been revised to reflect the Default Service rules beginning June 1, 2021.

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RIDER B

GENERATION SUPPLY SERVICE SURCHARGE

Company will supply Default Generation Supply Service (GSS) to customers in the Company's service territory not receiving service from an EGS. The rules and rates contained herein apply to service provided on
(C) and after June 1, 2021.

For customers served through the Company's GSS, a Generation Supply Rate (GSR) shall be applied to each kilowatt hour of energy used by the customer. Separate GSRs shall be calculated and apply to the rate schedules listed below.

GSR-1 shall apply to Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and LED-CO.

GSR-1 shall also apply to Rate Schedules GS-4 and LP where the customer's annual peak load is less than 100 kW.

GSR-2 shall apply to Rate Schedules GS-4, LP, and HTP where the customer's annual peak load is greater than or equal to 100 kW.

(C) Customer's highest billing demand in the twelve-month period ending September 30 shall be the annual peak load determinant for purposes of applying the GSR. For new customers without a twelve-month billing history, the billing demand shall be based on the Company's estimate using factors such as, but not limited to, similarly equipped buildings, similarly utilized buildings and square footage.

(C) The GSR-1 rate shall be calculated every three months beginning June 1, 2021. The GSR-1 rate shall be filed with the Commission with at least thirty days' notice prior to each three-month period and shall be posted on the Company's website. If the GSR-1 calculation results in a change in rate that is less than 2%, the Company, in its sole discretion, may file with the Commission a GSR-1 rate that is unchanged from the prior period.

$$\text{GSR-1} = \left[\frac{\text{EC}}{\text{SEC}} + \frac{\text{ECA}}{\text{SECA}} + \frac{\text{Int}}{\text{Sint}} \right] \times \frac{1}{(1-\text{T})} \quad \text{where}$$

EC = Projected direct and indirect purchased power costs incurred by the Company to acquire electric supply for the GSR-1 group for the next three-month period including, a load following service, wholesale energy costs, alternative energy credits, capacity costs, transmission costs, and all other PJM bill line item expenses/credits excluding network transmission service credits and firm point-to-point transmission service credits/expenses. EC also includes administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-1 group. The estimated EC shall be reduced by the estimated transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-1 group.

(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

ECA = Net over or under collection of the EC defined above to be refunded/recovered. The ECA will be reconciled quarterly based on actual EC revenues received and actual EC costs incurred for the three-month period ending two months prior to the filed GSR effective date. Any over/under
(C) collection plus related interest, existing as of May 31, 2021, applicable to GSR-1 customers shall be
(C) included in the ECA component of the GSR-1 beginning June 1, 2021. The over/under collection
(C) existing as of May 31, 2021 shall be allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of the over/under collection attributed to those
(C) customers classified as GSR-1 and GSR-2 as of June 1, 2021. In the event the ECA would result in more than a five percent (5%) change in the system average total bill for default service, the Company may refund / recover the balance over more than a three-month period, but no longer than twelve months.

Int = When revenues exceed costs, the over collections shall be refunded to customers with interest. When costs exceed revenues, the under collections shall be collected from customers with interest. Interest on over collections and under collections shall be computed at the prime rate of interest for commercial banking, not to exceed the legal rate of interest, in effect on the last day of the month the over collection or under collection occurs, as reported in the Wall Street Journal. Interest shall be computed monthly from the month the over collection or under collection occurs to the effective month that the over collection is refunded or the under collection is collected.

T = The Pennsylvania Gross Receipts Tax Rate reflected in the Company's base rates, expressed in decimal form.

SEC = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the next three-month period, in kilowatt hours.

SECA = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the refund/recover period, in kilowatt hours.

Sint = The Company's projected sales for all default service customers on rate schedules included in the GSR-1 group for the twelve-month period beginning December 1, in kilowatt hours.

The current GSR-1 rate is:

6.042 ¢/kWh

GSR-2 shall be calculated for each default service customer in this group. Company shall bill each customer on a calendar month based upon actual costs incurred to serve the customer. The costs will be allocated as follows:

Energy costs incurred by the Company to acquire electric supply shall be calculated for each GSR-2 customer by multiplying the customer's actual hourly energy use, adjusted for losses, by the Company real-time Locational Marginal Price (LMP) during each hour of the billing month.

(C) Indicates Change

RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

Other power costs incurred by the Company to acquire electric supply for the GSR-2 group for the month shall be allocated to each GSR-2 customer based on metered sales. Other power costs include alternative energy credits and all PJM bill line item expenses/credits excluding the following: costs for capacity services, transmission services, network transmission service credits and firm point-to-point transmission service credits/expenses. Other costs included are administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-2 group. The actual costs shall be reduced by the actual transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-2 group.

Cost for capacity and transmission services based on the PJM bill line item expenses/credits applicable to these services shall be allocated to each customer in the GSR-2 group. The capacity costs shall include the PJM bill line items for locational reliability, capacity transfer rights, RPM auction, and capacity resource deficiency. The capacity costs shall be allocated to each customer based on each customer's peak load contribution (PLC). The transmission costs shall include the PJM bill line items for network integration transmission service charges, transmission enhancement service charges/credits, and non-firm point-to-point transmission service charges/credits. The transmission costs shall be allocated to each customer based on each customer's network service peak load value (NSPL). Any expense/credit line items added by PJM related to these services shall be allocated based on the Customer's applicable PLC and NSPL.

(C) Any over/under collection plus related interest, existing as of May 31, 2021, applicable to GSR-2
customers that migrate from rate GSR-1 shall be refunded/recovered from those customers directly over 12
(C) billing periods beginning September 1, 2021. The over/under collection existing as of May 31, 2021 shall be
allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the
period of the over/under collection attributed to those customers classified as GSR-1 and GSR-2 as of
(C) June 1, 2021.

All costs for GSR-2 customers shall include the Pennsylvania Gross Receipts Tax Rate reflected in the Company's base rates.

Price to Compare: The Price-To-Compare ("PTC") for GSR-1 shall include the Energy Charge ("EC"), the Energy Cost Adjustment ("ECA"), the Alternative Energy Cost Charge ("AECC") and the applicable base transmission rate contained in UGI's tariff. The Price-To-Compare shall also include the State Tax Surcharge in Rider A. PTC is not applicable to GSR-2.

Annual Reconciliation Statement: On June 30 of each year, Company will file with the Commission, its Annual Reconciliation Statement for the GSR-1 rate for the preceding 12 months ending May 31.

(C) Indicates Change

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued: Effective: .

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

THIS TARIFF MAKES CHANGES TO THE COMPANY'S RATES (PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

Pursuant to the Final Order entered ____________________ approving the Default Service Program at Docket No. __________________, the following changes have been made to incorporate default service rules beginning June 1, 2021 along with calculated default generation supply service rates effective June 1, 2021:

Rule 5.6, Standard Offer Customer Referral Program ("SO Program"), Page 18.

- The cost that participating EGSs shall reimburse the Company to operate the program has increased.

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RULES AND REGULATIONS (continued)

5. DIRECT ACCESS PROCEDURES

5.5 Provisions Relating to an EGS's Customers

(a) Arrangements with EGS Customers - EGSs shall be solely responsible for having appropriate contractual or other arrangements with their Customers necessary to implement Direct Access consistent with all applicable laws, Commission requirements, and this Tariff. The Company shall not be responsible for monitoring, reviewing or enforcing such contracts or arrangements.

(b) Transfer of Cost Obligations Between EGSs and Customers - Nothing in this Tariff is intended to prevent an EGS and a Customer from agreeing to reallocate between them any charges that this Tariff imposes on the EGS, provided that any such agreement shall not change in any way the EGS's obligation to pay such charges to the Company, and that any such agreement shall not confer upon the Company any right to seek recourse directly from the EGS's Customer for any charges owed to the Company by the EGS.

5.6 Standard Offer Customer Referral Program ("SO Program")

(a) Under the Company's SO Program, participating EGSs agree to offer residential or small commercial customers a 7% discount off of the then current PTC for a twelve (12) month period.

(b) The Company shall transfer customers who express an interest in the SO Program to each participating EGS in a fair and impartial manner. Each participating EGS is responsible for enrolling customers who wish to participate in the SO Program. Participating EGSs shall reimburse the Company for the costs to operate the program of $12,000 per month. This charge shall be divided equally based on the number of participating EGSs each month. **(C)**

(C) Indicates Change

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC SERVICE TARIFF

RULES AND RATES
FOR ELECTRIC DISTRIBUTION SERVICE AND
CHOICE AGGREGATION SERVICE

in the following service territory:

LUZERNE COUNTY

City of Nanticoke, and Boroughs of Courtdale, Dallas, Edwardsville, Forty-Fort, Harvey's Lake, Kingston, Larksville, Luzerne, New Columbus, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Wyoming and Wyoming.

First Class Townships of Hanover and Newport, and Second Class Townships, of Conyngham, Dallas, Fairmount, Franklin, Hunlock, Huntington, Jackson, Kingston, Lake, Lehman, Plymouth, Ross and Union.

WYOMING COUNTY

Townships of Monroe and Noxen

Issued: Effective:

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

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>
> GSR-1 shall also apply to Rate Schedules GS-4 and LP where the customer's annual peak load is less than 100 kW.
>
> GSR-2 shall apply to Rate Schedules GS-4, LP, and HTP where the customer's annual peak load is greater than or equal to 100 kW.

(C) Customer's highest billing demand in the twelve-month period ending September 30 ~~2016~~ shall be the annual peak load determinant for purposes of applying the GSR. For new customers without a twelve-month billing history, the billing demand shall be based on the Company's estimate using factors such as, but not limited to, similarly equipped buildings, similarly utilized buildings and square footage.

(C) The GSR-1 rate shall be calculated every three months beginning June 1, ~~2017~~ 2021. The GSR-1 rate shall be filed with the Commission with at least thirty days' notice prior to each three-month period and shall be posted on the Company's website. If the GSR-1 calculation results in a change in rate that is less than 2%, the Company, in its sole discretion, may file with the Commission a GSR-1 rate that is unchanged from the prior period.

$$GSR\text{-}1 = \left[\frac{EC}{SEC} + \frac{ECA}{SECA} + \frac{Int}{Sint} \right] \times \frac{1}{(1-T)} \quad \text{where}$$

EC = Projected direct and indirect purchased power costs incurred by the Company to acquire electric supply for the GSR-1 group for the next three-month period including, a load following service, wholesale energy costs, alternative energy credits, capacity costs, transmission costs, and all other PJM bill line item expenses/credits excluding network transmission service credits and firm point-to-point transmission service credits/expenses. EC also includes administrative costs, legal costs, taxes, and any other applicable costs of providing default service for the GSR-1 group. The estimated EC shall be reduced by the estimated transmission revenues to be collected in accordance with the applicable rate schedules included in the GSR-1 group.

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RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

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(C) customers classified as GSR-1 and GSR-2 as of June 1, ~~2017~~ 2021. In the event the ECA would result in more than a five percent (5%) change in the system average total bill for default service, the Company may refund / recover the balance over more than a three-month period, but no longer than twelve months.

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RIDER B

GENERATION SUPPLY SERVICE SURCHARGE (continued)

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Annual Reconciliation Statement: On June 30 of each year, Company will file with the Commission, its Annual Reconciliation Statement for the GSR-1 rate for the preceding 12 months ending May 31.

(C) Indicates Change

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC GENERATION SUPPLIER COORDINATION TARIFF

Issued: Effective: .

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

NOTICE

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5.6 Standard Offer Customer Referral Program ("SO Program")

(a) Under the Company's SO Program, participating EGSs agree to offer residential or small commercial customers a 7% discount off of the then current PTC for a twelve (12) month period.

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(C) Indicates Change

APPENDIX E

(Confidential Copy of Allegheny Agreement)

APPENDIX F

(UGI Electric Statement No. 1 – Direct Testimony of Angelina M. Borelli)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. –	:	
Electric Division For Approval of a	:	Docket Nos. P-2020
Default Service Plan (DSP IV) for	:	G-2020
the Period of June 1, 2021 through	:	
May 31, 2025	:	

DIRECT TESTIMONY
OF
ANGELINA M. BORELLI

UGI STATEMENT NO. 1

Dated: May 26, 2020

Q. Please state your name and business address.

A. My name is Angelina M. Borelli. My business address is 1 UGI Drive, Denver, PA 17517.

Q. By whom are you employed, and in what capacity?

A. I am employed by UGI Utilities, Inc. ("UGI") as Director – Energy Supply and Planning. UGI is a wholly-owned subsidiary of UGI Corporation ("UGI Corp."). UGI has two operating divisions, the Electric Division ("UGI Electric" or the "Company") and the Gas Division ("UGI Gas"), each of which is a public utility regulated by the Pennsylvania Public Utility Commission ("Commission" or "PUC").

Q. Please briefly describe your responsibilities in your current capacity.

A. As Director – Energy Supply and Planning, I am responsible for natural gas and electric supply planning, procurement, and scheduling for UGI Electric and UGI Gas. Furthermore, I am responsible for overseeing the implementation of UGI Electric's Default Service Plans ("DSPs").

Q. Please describe your educational background and work experience.

A. Please see my resume that is attached as UGI Electric Exhibit AMB-1.

Q. Have you previously testified as a witness before the Pennsylvania Public Utility Commission?

A. Yes. I previously provided testimony for UGI Gas Base Rate Cases, 1307(f) Purchased Gas Cost proceedings, and for UGI Electric's last DSP proceeding. Please see UGI Electric Exhibit AMB-1 for the specific Docket numbers of these proceedings.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to demonstrate that UGI Electric's proposed DSP IV will acquire electric generation supplies: 1) at the least cost to customers over time (in accordance with 66 Pa. C.S. § 2807(e)(3.3)(ii) and 52 Pa. Code § 54.185(d)); 2) by way of a prudent mix of resources, including spot market purchases, short-term contracts, and a long-term arrangement (in accordance with 66 Pa. C.S. § 2807(e)(3.2)(i)-(iii) and 52 Pa. Code § 54.186 (b)(1)(i)-(iii)); and 3) through a competitive bid solicitation process (in accordance with 66 Pa. C.S. § 2807(e)(3.1) and 52 Pa. Code § 54.186(b)(5)).

My testimony begins by providing a brief status of the Company's existing DSP III, which is set to expire on May 31, 2021. Thereafter, my testimony is divided into seven sections, which align with the sections of the proposed DSP IV plan[1]: 1) Procurement Strategy for DSP IV; 2) Procurement Schedule and Technical Bid Requirements for DSP IV; 3) Compliance with the Regional Transmission Organization's ("RTO's") Legal and Technical Requirements; 4) Contingency Plan for DSP IV; 5) Agreements and Forms Used to Procure Electric Supply for DSP IV; 6) Generation Contracts Greater than 2 Years; and 7) Retail Enhancement Programs for DSP IV. In addition, my testimony will focus on the January 2020 Secretarial Letter regarding the

[1] One section of the DSP IV plan, Rate Design for DSP IV, will be addressed in the direct testimony of Stephen F. Anzaldo (UGI Electric Statement No. 2).

Commission's investigation into DSPs (at Docket No. M-2019-3007101) and the Company's compliance with its settlement commitments from the DSP III proceeding.

Q. What is the effective period for the Company's DSP III plan?

A. On April 22, 2016, UGI Electric filed its *Petition of UGI Utilities, Inc. – Electric Division for Approval of a Default Service Plan for the Period of June 1, 2017 through May 31, 2021, and Associated Potential Affiliated Interest Transactions* at Docket Nos. P-2016-2543523 and G-2016-2543527 (i.e., DSP III). The Commission approved UGI Electric's DSP III plan by Order entered on November 9, 2016 as modified by settlement. DSP III spans the four–year period between June 1, 2017 and May 31, 2021.

Q. Was the Company successful in procuring supply during DSP III?

A. Yes. The Company received offers from suppliers for each of its solicitations. Please see UGI Electric Confidential Exhibits AMB-2(a) and (b) for a copy of the Company's load-following and block Request for Proposal ("RFP") results, respectively (during DSP III).

Q. What is the proposed period for the Company's upcoming DSP IV plan?

A. In this proceeding, the Company seeks to implement its DSP IV plan during the four-year period between June 1, 2021 and May 31, 2025. The Commission's Default Electric Service ("DES") Policy Statement (at 52 Pa. Code § 69.1804) suggests using a DSP term of two to three years, unless otherwise approved by the Commission. The Commission approved a four-year term for the Company's DSP III plan, which is scheduled to end on May 31, 2021. In addition, the Commission has approved four-year default service plans for other default service suppliers including PPL Electric Utilities Corporation, Duquesne Light Company, the FirstEnergy Companies and PECO Energy Company. UGI Electric seeks the same allowance to implement its DSP IV over a four-year term.

Q. Why does the Company propose to maintain a four-year term for DSP IV?

A. The Company proposes to maintain the same customer groups and procure the same products used in DSP III. The Company successfully secured supplies during each of its DSP III solicitations and expects to continue doing so in DSP IV. As will be discussed later in my testimony, the Company has contingency plans in place in the event of a supplier default or failed solicitation. Additionally, by maintaining a four-year term, the Company will experience lower administrative and legal expenses. This will result in cost savings for Customers.

Q. Are you proposing any changes to the DSP III plan in this proceeding?

A. Yes. The Company developed its proposed DSP IV plan to be largely identical to its DSP III plan with limited changes to a few sections of the DSP III plan. The parts of DSP IV related to *Procurement Strategy*, *Rate Design*, *Generation Contracts Greater than 2 Years*, and *Retail Enhancement Programs* are identical to DSP III. While the following parts of DSP IV have minor variations from DSP III, the Company is only making two changes overall in its DSP IV plan. Please see the table below for a summary of the proposed changes.

DSP IV Plan Section Titles	DSP IV Plan Section Numbers	Proposed Change
Procurement Schedules and Technical Bid Requirements Compliance with RTO's Legal and Technical Requirements Agreements and Forms Used to Procure Electric Supply	II.B of the Petition II.D of the Petition II.F of the Petition	The Company is revising its Edison Electric Institute ("EEI") Master Service Agreement and RFP instructions to require that bidders provide documentation during the RFP process demonstrating its good standing with PJM and its requirements.
Contingency Plans	II.E of the Petition	If default supplies cannot be secured for 50% of the Company's GSR-1 load-following service, UGI Electric will use block procurements if time permits. However, if time does not permit, the Company will address the load-following shortfall by making purchases in the spot market.*

*DSP III planned to address this situation by using block procurements. Additionally, within a commercially reasonable period, UGI Electric would initiate an interim bid process seeking full-requirement supplies to address the shortfall. The interim bids would account for contingent block purchases secured under the contingency plan.

I. PROCUREMENT STRATEGY FOR DSP IV

Q. How is the Company organizing the DSP IV supply procurements for the different classes of default service customers that UGI Electric serves?

A. The Company is organizing its DSP IV supply procurements in the same manner as was done in DSP III. Through DSP IV, the Company will procure default supplies for two Generation Supply Rate ("GSR") customer groupings (i.e., GSR-1 and GSR-2) based on rate classifications and registered peak electric demand.

A. *GSR-1 Procurement Strategy*

Q. What will the supply procurement strategy be for GSR-1 customers during DSP IV?

A. Consistent with DSP III, GSR-1 will apply to Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and LED-CO (during the term of

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DSP IV).[2] Also consistent with DSP III, GSR-1 will apply to Rate Schedules GS-4 and LP where the customer's annual peak load is less than 100 kW (during the term of DSP IV). To meet the GSR-1 supply requirements during DSP IV, the Company will utilize two different procurement methodologies: 1) GSR-1 Full Requirements Load-Following Service Bids; and 2) GSR-1 Block Purchase Bids. These procurement methodologies were also utilized in DSP III.

Q. Please describe the procurement methodology to be used for GSR-1 load-following supplies during the term of DSP IV.

A. For DSP IV, the Company is incorporating the same procurement methodology that was used in DSP III for GSR-1 load-following supplies. For the GSR-1 Full Requirements Load-Following Bids, each year, the Company will procure 50% of the total estimated annual supply (needed to satisfy half of the total GSR-1 load requirement) through two bid rounds or "tranches." Each bid round (one in the Spring and Fall of each Plan year) will seek load-following supplies to be delivered over staggered 12-month periods in an amount of 25% (of total GSR-1 load during each month of the 12-month period). Being on a full requirements basis, the selected bidder will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

[2] While Rates RWT, RTU, CWH, TE, GLP, and IH were included in DSP III, they were cancelled in accordance with Commission's Order dated October 25, 2018 at Docket No. R-2017-2640058 (in UGI Electric's last Base Rate Case).

Q. Please describe the procurement methodology to be used for the GSR-1 block supplies during the term of DSP IV.

A. For DSP IV, the Company is incorporating the same procurement methodology that was used in DSP III for GSR-1 block supplies. For the GSR-1 Block Purchase Bids, each year, the Company will procure 50% of the total estimated annual supply (needed to satisfy the other half of the total GSR-1 load requirement) through two bid rounds or tranches. Each bid round (one in Spring and Fall of each Plan year) will seek block supplies to be delivered over 6-month periods in an amount of 50% (of total GSR-1 load needed during each month of the 6-month period). The Company will issue RFPs seeking 5x16 energy blocks (covering 5-day periods at peak hours) and 7x24 energy blocks (covering 7-day periods around the clock). For these procurements, the Company will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

Q. What other procurements are included in the GSR-1 procurement strategy?

A. In addition to the procurements already discussed, there are transactions related to spot market purchases. More specifically, the Company proposes to reconcile variances between actual load consumption and scheduled electric deliveries (in DSP IV) by way of spot market purchases using the same method adopted for DSP III. These spot market purchases will occur in the real-time market administered by PJM on an hourly basis when actual loads differ from the summation of the Company's load-following and block purchase projections (that were previously scheduled in the PJM marketplace). The

Company will be invoiced for these spot transactions on its monthly PJM bills. If the Company's actual hourly load is greater than its projected hourly load, then, the overage will be satisfied through spot market purchases (for that hour). The total spot market purchase will be split with 50% to the load-following supplier (at the load-following supplier's price) and the other 50% to the Company (at the Locational Marginal Price ("LMP")). This process is identical to the one adopted in DSP III. If the Company's actual hourly load is less than its projected hourly load, then, the shortage will be sold in the PJM market. Similarly, the responsibility of these sales will be split 50% to the load-following supplier (at the load-following supplier's price) and 50% to the Company (at the LMP price). The resulting charge or credit amounts will be flowed to customers through the C Factor.

Q. Is the Company's proposed procurement methodology for GSR-1 customers designed to acquire default supplies at least cost over time?

A. Yes. The Company's RFP process (detailed below in Section II of my testimony) is designed to obtain competitive pricing offers from wholesale suppliers for its portfolio of load-following and block supplies. The Company will choose the bid responses that have the lowest cost for generation. Accordingly, these purchases will provide the GSR-1 Group customers with a reliable supply source that is the least cost over time.

B. *GSR-2 Procurement Strategy*

Q. What is the strategy for procuring default service supplies for GSR-2 customers during DSP IV?

A. For DSP IV, the GSR-2 group will consist of customers being served under Rate Schedules GS-4, LP and HTP where the customer's annual peak load is greater than or equal to 100 kW (as was done in DSP III). UGI Electric currently has 80 GSR-2 default service customers served under Rate Schedules GS-4, LP and HTP. These customers have a combined peak load of 13 MW. To meet the GSR-2 load requirements during DSP IV, the Company will use the same procurement methodology that was used in DSP III for GSR-2 customers. Accordingly, through DSP IV, the Company will acquire default service supplies for these customers through PJM's real-time hourly market (consistent with DSP III). For these procurements, the Company will be responsible for acquiring any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service to the Company.

C. *Additional Default Service Procurements*

Q. Please discuss the procurements related to AEPS credits for GSR-1 and GSR-2.

A. Consistent with DSP III, in DSP IV, AEPS credits will be procured in accordance with Section 75.61(b)(15) for each Plan year as specified below:

> For the June 1, 2020 through May 31, 2021 reporting period (and each successive 12 months thereafter), the Tier I requirement is 8% of all retail sales, of which at least 0.5% of all retail sales are to come from solar generation and the remainder from non-solar Tier I resources. The Tier II requirement is 10% of all retail sales.

For GSR-1 load-following supplies, the load-following suppliers will be responsible to obtain AEPS credits in an amount that corresponds to the amount of retail sales for the relevant load-following delivery period. In addition, UGI Electric will procure AEPS credits for its remaining GSR-1 default service procurements (i.e., block sales) and all of its GSR-2 default service procurements through an RFP process identical to DSP III.[3] The Company proposes using the same AEPS agreement that was approved by the Commission's January 22, 2009 Order (approving a *Joint Petition for Settlement of UGI Electric's AEPS Plan* at Docket Nos. P-2008-2063006 and G-2008-2063688). This AEPS agreement form was used in the Company's DSP III plan. A copy of the AEPS agreement is provided as UGI Electric Exhibit AMB-3.

Q. Are there procurement-related costs that could result if the Company does not meet the above-stated compliance target for AEPS credits?

A. Yes. The Company's AEPS solicitations for DSP IV will be developed using estimated retail sales for GSR-1 block service and GSR-2 default service. As such, the Company may exceed or miss its AEPS credit requirements during a plan year (based on actual retail sales for each Plan year). To the extent that occurs, the Company will either purchase additional AEPS credits during the true-up period or bank any overage for use in the subsequent reporting period (in accordance with 73 P.S. §§ 1648.3(e)(6)) or sell the AEPS credits back into the market. After the true-up period expires, in the unlikely scenario that the Company is still unable to meet its AEPS credit targets in Section 52 Pa. Code § 75.61, the Company would pay the applicable alternative compliance payment(s) specified in 52 Pa. Code § 75.65(b). These payments are discussed in the direct testimony of Stephen F. Anzaldo (UGI Electric Statement No. 2).

Q. Are there any additional default service procurements related to DSP IV?

[3] The Company will issue an RFP to procure these AEPS credits based on sales estimates, which will be reconciled to actual sales by September 1 of each Plan year.

A. Yes. A small portion of the Company's default service supplies for DSP IV will continue to be acquired through the long-term arrangement between UGI Electric and the Allegheny Electric Cooperative, Inc. ("Allegheny") as was done in DSP III. In short, Allegheny purchases generation from the Power Authority of the State of New York ("NYPA") in bulk and resells it to various Pennsylvania counterparties (one of which is UGI Electric). During each year of DSP IV, Allegheny will provide UGI Electric with an allocated share of hydroelectric power that was generated in New York and that was obtained from NYPA. UGI Electric's allocated share is currently set at 2.6409% of the total amount that Allegheny purchases from NYPA and distributes to the various Pennsylvania counterparties under the Agreement. Currently, UGI Electric estimates that it will purchase 2,402 MWH of this generation for this Plan year. NYPA will likely revise this percentage during the term of DSP IV. Pursuant to the terms of the Agreement between UGI Electric and Allegheny, the Company will abide by revised percentages set by NYPA. Historically, these updates/revisions have been limited in nature. The following table shows the Allegheny purchases that UGI Electric made during the first three years of DSP III.

DSP III	MWH	Rate	Cost
Year 1	3,000	$ 25.88	$ 77,627.53
Year 2	2,772	$ 26.01	$ 72,089.54
Year 3	2,402	$ 23.93	$ 57,477.60
TOTAL	8,173	$ 25.35	$207,194.67

These procurements will continue to be included as a generation supply source in the Company's DSP IV and will be recovered through the Company's GSR-1 rate (Rider B - Generation Supply Service Surcharge) in the same manner as occurred in DSP III.

Additionally, during the term of DSP IV, the Company will continue purchasing generation from customer-owned generation resources in its service territory (as was done in DSP III). The Company will pay for excess generation left over at the end of the PJM year under its net metering tariff rules at the currently effective PTC (which equals the GSR-1 rate). As such, these procurement costs will be recovered through the GSR-1 rate (as was done in DSP III).

II. <u>PROCUREMENT SCHEDULE & TECHNICAL BID REQUIREMENTS FOR DSP IV</u>

Q. What procurement schedules will the Company implement for GSR-1 load-following and block supplies during DSP IV?

A. The Company will conduct GSR-1 RFPs (seeking load-following and block supplies) with wholesale suppliers in the Spring (March or April) and Fall (September or October) of each Plan year (as specified in the tables below). For the Spring and Fall load-following procurements, the supply delivery periods will occur on a staggered basis (in conjunction with the delivery periods for the block procurements).

More specifically, the Spring procurements for load-following supplies will be delivered over 12 month periods (between June and May of each Plan year) in an amount of 25% (of total GSR-1 load for each month). However, the initial Spring 2021 load-following tranche will seek supplies to be delivered over a 6-month period (between June 2021 and November 2021). This will ensure that there is no supply gap between the end of DSP III and the beginning of DSP IV. The Fall procurements for load-following supplies will be delivered over 12-month periods (between December and November of the subsequent Plan year) in an amount of 25% (of total GSR-1 load for each month).

The Spring procurements for block supplies will be delivered over 6-month periods (between June and November of each Plan year) in an amount of 50% (of total GSR-1 load for each month). The Fall procurements for block supplies will be delivered over 6-month periods (between December and May of each Plan year) in an amount of 50% (of total GSR-1 load for each month). To ensure that there are no supply gaps between the end of DSP IV and the beginning of the Company's fifth DSP, the Company proposes issuing a 12-month tranche (for load-following supplies) in Fall 2024. The delivery period for this tranche would be between December 2024 and November 2025. By staggering the load-following deliveries and aligning them with the block deliveries, the Company ensures that it can meet its GSR-1 load requirements during each month of the DSP IV term. The following tables detail all of the monthly load-following and block supply deliveries to occur during each year of DSP IV.

Load-Following Procurements (DSP IV - Year 1)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
DSP IV (Spring) RFP 1 (6-Month)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring) RFP 2	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 1)	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 2)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
DSP IV (Fall 2021 Continuation)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 2)	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 3)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
DSP IV (Fall 2022 Continuation)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 3)	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24	Mar-24	Apr-24	May-24
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Load-Following Procurements (DSP IV - Year 4)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
DSP IV (Fall 2023 Continuation)	25%	25%	25%	25%	25%	25%						
DSP IV (Spring)	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%	25%
DSP IV (Fall)							25%	25%	25%	25%	25%	25%
Block Procurements (DSP IV - Year 4)	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
DSP IV (Spring)	50%	50%	50%	50%	50%	50%						
DSP IV (Fall)							50%	50%	50%	50%	50%	50%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Q. Who will conduct these RFPs and to whom will they issue?

A. The RFPs noted above will issue to wholesale suppliers that either have Edison Electric Institute ("EEI") agreements in place with UGI Electric or express interest in participating in the bid rounds (as was done in DSP III). In DSP III, the Company used Pace Global Energy Services, LLC ("Pace") as its independent market monitor. Pace also managed the Company's default service bidding process. UGI Electric plans to continue using Pace as its market monitor and bidding process manager during the term of DSP IV. Accordingly, UGI Electric requests that the Commission approve the Company's use of Pace as its market monitor and bidding process manager during DSP IV.

Q. For the load-following and block tranches, how will Pace conduct the RFPs?

A. For DSP IV, Pace will conduct the RFPs in the same manner as was done in DSP III. Pace will advertise notice of the RFPs in industry publications. The Company will post the RFPs on its Energy Management website. The website will include the hourly loads of GSR-1 customers from October 1, 2010 through the last full month prior to the issuance of the RFP, as well as hourly temperatures for the same period so that potential bidders can calculate anticipated weather normalized hourly loads. UGI Electric will post questions (with answers) raised by potential suppliers on the Energy Management website. The Company also will conduct a conference call open to all potential suppliers where questions about the RFPs can be addressed. Pace will participate in the conference call and oversee the RFP process. Potential suppliers are required to submit bids within three to four weeks of the RFP issuance date. The results of the RFP selection process are subject to final Commission approval.

Q. Will affiliates of UGI Electric be permitted to participate in the RFP process?

A. Yes. However, UGI Electric's affiliate will not be granted any preference or gain preferential access to any non-public information. Neither UGI Electric nor its affiliate, UGI Energy Services, have withheld from the market any generation supply in a manner that violates Federal law. As such, UGI Electric's affiliate should be permitted to participate in the bids and will not be granted any preference or gain preferential access to any non-public information. Accordingly, UGI Electric requests that the Commission approve potential affiliated interest transactions associated with DSP IV pursuant to Section 2102 of the Public Utility Code. The RFP process will also be overseen by Pace, and the results will be subject to final Commission approval.

Q. What procurement schedule will the Company implement for GSR-2 supplies during DSP IV?

A. For DSP IV, the Company will satisfy its GSR-2 default service requirements by making hourly purchases of energy in the PJM spot market (as was done in DSP III). When GSR-2 customers use power supplies each hour, PJM will sell the Company a corresponding amount of electric supply through the Real Time hourly market.

Q. When will the Company procure its AEPS credits?

A. The Company will issue RFPs in the Spring of each Plan year seeking AEPS credits for half of its GSR-1 default service supplies (i.e., block supplies) and all of its GSR-2 default service customers, based on sales estimates, which will later be trued-up (in accordance with actual sales).

Q. What technical requirements will UGI Electric adopt for its DSP IV bids?

A. As previously stated, the Company will issue RFPs to wholesale suppliers to satisfy its load-following, block supply and AEPS needs during the term of DSP IV. The technical bid requirements for DSP IV will be similar to the ones used in DSP III. Additionally, the load-following and block supply RFP documents will be similar to the ones used in DSP III. As explained further below, for DSP IV, the Company is revising its EEI Master Service Agreement and RFP instructions to require that bidders provide documentation demonstrating their good standing and compliance with PJM's tariff, operating agreement, reliability agreement, and business practices.

Q. What will the RFPs for the load-following and block tranches consist of?

A. As was done in DSP III, the load-following RFPs for DSP IV will seek a fixed bid price for each tranche. The block RFPs will seek separately priced bids for each block. The RFPs will include a cover letter, a summary with bid instructions, and a bid form to be completed by interested wholesale suppliers. The instructions will refer interested suppliers to the Company's Energy Management website where they can find relevant documents, including, but not limited to, a copy of the EEI form agreement, historical hourly loads and temperatures, number of customers, a sample confirmation agreement and other relevant information. Different from DSP III, the RFP instructions in DSP IV will explain that bidders must provide documentation demonstrating their good standing and compliance with PJM's tariff, operating agreement, reliability agreement, and business practices. Copies of the EEI Agreement and RFP Instructions to be used in DSP IV are found in Appendix B to the underlying Petition.

Q. How will the Company notify the Commission about the bid results?

A. The Company will provide the bid results to the Commission within one business day after the bid responses become due. Thereafter, the Commission will have one business day to review the bid responses and approve or disapprove the Company moving forward to accept the winning responses. If the Commission approves of the winning bid responses, the Company will execute transaction confirmations with the winning suppliers.

III. RATE DESIGN PLAN FOR DSP IV

Q. What are the Company's rate design plans for DSP IV?

A. The Company is adopting a rate design plan that mirrors the one used in DSP III. The rate design will be addressed in the direct testimony of Stephen F. Anzaldo (UGI Electric Statement No. 2).

IV. COMPLIANCE WITH RTO'S LEGAL AND TECHNICAL REQUIREMENTS

Q. How will the Company memorialize that DSP IV is consistent with PJM's requirements?

A. To ensure that the DSP IV plan is consistent with the requirements pertaining to the generation, sale and transmission of electricity of PJM (the RTO in UGI Electric's territory), the Company is making one change between its DSP III and DSP IV plans. As previously stated, for DSP IV, the Company is revising its EEI Master Service Agreement and RFP instructions to require that bidders provide documentation demonstrating their good standing and compliance with PJM's tariff, operating agreement, reliability agreement, and business practices. The Company's RFP instructions also will be revised to require specific bidder certifications demonstrating they are: 1) qualified market buyers and sellers of electricity in good standing with PJM; 2) positioned to obtain and deliver electric generation supplies in PJM; 3) compliant with all applicable PJM requirements; and 4) authorized by FERC to sell and procure energy, capacity and ancillary services at market-based rates.

V. <u>CONTINGENCY PLAN FOR DSP IV</u>

Q. Please describe the Company's contingency plans for DSP IV.

A. DSP IV incorporates contingency plans in the event that the Company cannot secure wholesale generation supplies required to meet the default service obligation. Similar to DSP III, DSP IV's contingency plan will address situations where the Company either cannot secure bids from wholesale suppliers or cannot receive default supplies (under existing contracts) to satisfy its load requirements. The contingency plan for DSP IV has minor revisions from the one used in DSP III.

Q. How do the contingency plans for DSP IV differ from the contingency plans for DSP III?

A. For DSP III, if the Company could not secure its needed load-following supplies, it planned to use block procurements (in consultation with Pace). Additionally, within a commercially reasonable period, UGI Electric would initiate an interim bid process seeking full requirement supplies to help address the shortfall. To the extent that the interim load-following bids were successful, they would account for any of the contingent block purchases that were secured under the contingency plan. Different from DSP III, DSP IV's contingency plan will use block procurements and subsequent full requirement bids (in consultation with Pace) only if time permits. If time does not permit, the Company would address the load following shortfall by making purchases in the spot market.

Q. Does the Company have any contingency plans for an inability to secure block procurements?

A. Historically speaking, the Company has not developed contingency plans because the risk of failing to secure block supplies is very low. More specifically, the Company largely develops its GSR-1 load requirements based on estimates, using load research meters from a sample of its customers, because it does not have smart meters[4] or hourly interval meters for all of its customers. As such, it is likely that estimated/scheduled supplies will not match actual consumption for GSR-1 customers (for any particular hour). When this

[4] According to 66 Pa.C.S. § 2807(f)(6), EDCs with 100,000 or fewer customers are not required to install smart meters or adopt a smart meter plan.

occurs, the difference will be reconciled by purchases or sales in the PJM hourly market. As previously stated, half of these spot market sales or purchases go to the load-following supplier. The Company has price certainty for these spot purchases/sales, because the resulting sale or credit to UGI Electric will always be locked in during the load-following RFPs. However, the load-following supplier bears the risk that the market price for these variances will differ significantly from the amount assigned to UGI Electric in the tranches.

This risk does not exist for block suppliers because the specific amount of energy and the price is set in each RFP. The block supplier bears no risk if the overall scheduled delivery amounts do not match actual usage. As such, the block market is more liquid than the load-following market, which has risk premiums built into the price to account for load variability.

While it is unlikely to occur, in the event that the Company is unsuccessful in procuring block supplies, it would review all available options (e.g., additional load-following RFPs, different block products, spot market options, etc.) and develop an appropriate procurement strategy in consultation with Pace and the Commission. These changes improve the Company's contingency plan by accounting for timing constraints that may hinder reliance on block and subsequent full requirement bids and potential difficulty in procuring block supplies.

VI. AGREEMENTS AND FORMS USED TO PROCURE ELECTRIC SUPPLY FOR DSP IV

Q. What agreements and forms will be used to secure default supplies in DSP IV?

A. For DSP IV, the Company will use a master supply agreement (i.e., EEI agreement), RFP documents, and credit and confidentiality agreements. The credit and confidentiality agreements are found in Appendix C to the Petition. Moreover, UGI Electric plans to acquire default service supplies for DSP IV through the same EEI Agreement form that was used in DSP III, with one change to the agreement (to demonstrate a wholesale supplier's good standing with PJM through appropriate certifications as described earlier). UGI Electric will use the revised EEI agreement and similarly revised RFP instructions for its load-following and block purchases in DSP IV.

VII. <u>GENERATION CONTRACTS GREATER THAN 2 YEARS</u>

Q. Is the Company using any contracts with a term that is greater than 2 years?

A. Yes. The only contract that UGI Electric plans to use during the term of DSP IV, with a term that is greater than 2 years, is the Allegheny Agreement (described above). A Confidential copy of the Allegheny Agreement is provided as Appendix E to the Petition. The Company made procurements under this long-term agreement in DSP III and plans to continue doing so in DSP IV. As previously explained, a small portion of the Company's default supply for DSP IV will be acquired through a long-term arrangement between UGI Electric and Allegheny. Allegheny will provide UGI Electric with a 2.6409% percentage share of hydroelectric power that is generated in New York each year pursuant to the Agreement between NYPA and Allegheny. Currently, UGI Electric is allocated 299 KW of this generation and estimates an annual energy supply of 2,402 MWH for the current Plan year. However, this amount is subject to revisions/updates by NYPA during the term of DSP IV, which historically have been limited in nature. The Agreement (between UGI Electric and Allegheny) is effective until April 30, 2032, the date by which the currently-effective *Agreement for the Sale of Saint Lawrence-FDR Project Power and Energy to Allegheny Electric Cooperative, Inc.* (between NYPA and Allegheny) will expire.

VIII. RETAIL ENHANCEMENT PROGRAMS FOR DSP IV

Q. What retail enhancement programs will the Company implement during DSP IV?

A. Consistent with DSP III, DSP IV will include two retail enhancement programs: 1) the New/Moving Customer Referral Program; and 2) the Standard Offer Customer Referral Program.

Q. Please describe the New/Moving Customer Referral Program that will be used in DSP IV.

A. Through the Company's New/Moving Customer Referral Program in DSP IV, customers new to or moving within the service territory will be informed about retail choice during service calls to UGI Electric (in the same manner as was done in DSP III). During these calls, UGI Electric will refer its customers to the Commission's PA Power Switch website. The Company also will explain how the Company's PTC can be used in considering EGS price offers and how the PTC changes over time. Further, the Company will explain the difference between fixed and variable generation supply contract options.

Q. Is the Company currently implementing a Standard Offer Program?

A. No. There are no retail EGSs that are currently participating in UGI Electric's Standard Offer program. Regardless, the Company stands ready to implement the program, if retail EGSs express interest in participating (during the term of DSP IV).

Q. Please describe the Standard Offer Program that the Company stands ready to implement during the term of DSP IV.

A. If a retail EGS participates in the Company's Standard Offer Program (during the term of DSP IV), it would offer residential and/or small commercial customers a 12-month fixed price service with a 7% discount to UGI Electric's PTC. Participating retail suppliers would need to notify UGI Electric of their customer drop requests within ten business days prior to the beginning of the month, if they want the customers enlisted in the Standard Offer Program for that month. If an EGS does not notify UGI Electric within that 10-day period, then, the customer will not be enlisted in the Standard Offer Program until the following month. UGI Electric estimates that it will cost approximately $12,000 per month to implement the Standard Offer Program due to estimated increased call time at the Company's call center. If the Standard Offer Program becomes active during DSP IV, this monthly $12,000 charge will be allocated to participating suppliers on a per capita basis (as specified in Appendix D to the Petition, which includes a revised copy of Rule 5.6(b) of the Company's Electric Generation Supplier Coordination Tariff).

Q. What procedural steps would UGI Electric take if a supplier had a customer that wanted to enlist in the Company's Standard Offer Program?

A. If a customer wanted to enlist in the Standard Offer Program, the customer would be transferred to a participating retail EGS in a fair and impartial manner. UGI Electric's representative would remain on the telephone until the EGS's telephone system picked up the call, either through an EGS representative or a recorded menu. Upon receiving the transferred call, the EGS would present the customer with the terms and conditions of the standard offer. If the customer decided to enroll in the Standard Offer Program, then the participating EGS would enroll the customer.

Q. What types of customer calls would be informed of the availability of the Standard Offer Program?

A. Under the Standard Offer Program, UGI Electric would inform the following non-customer assistance program ("CAP") customers of the availability of standard offers and direct them to the Commission's Standard Offer website (at the PA Power Switch site):

(a) New residential or small commercial applicants for service from UGI Electric who would otherwise be placed on default service;

(b) Existing residential or small commercial default service customers moving their accounts within UGI Electric's service territory;

(c) Residential or small commercial default service customers contacting UGI Electric for high bill complaints once the high bill complaint is fully satisfied; and

(d) Residential or small commercial default service customers inquiring about customer choice.

IX. SETTLEMENT COMMITMENTS FROM THE DSP III PROCEEDING

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Q. Please describe the Company's obligations in the Settlement at Docket Nos. P-2016-2543523 and G-2016-2543527.

A. In the Settlement for DSP III,[5] the Company agreed to provide load research data for June 1, 2017 through December 31, 2019 in its DSP IV filing to facilitate the evaluation of continuing to use a combined grouping of residential and commercial customers with peak loads less than 100 kW (i.e., the GSR-1 customer grouping). Additionally, the Company agreed to have its market monitor, Pace, provide an annual cost estimate for load-following supply service for commercial and industrial customers with peak loads less than 100 kW for years 1 through 3 of DSP III. Any additional cost for preparing this estimate by Pace could be recovered as an administrative expense in DSP III.

Q. Did the Company comply with these obligations?

A. Yes. The following table includes Pace's cost estimates for residential supply, commercial supply and a combined product (i.e., residential and commercial supply) during each tranche of DSP III (for Plan years 2017-2020). Pace provided annual cost estimate ranges (per MW) for these load-following supplies (for customers with peak loads less than 100 kW).

PACE study	Residential	Small Commercial	Combined
Spring 2017	$69.43-$84.63	$49.87-$69.02	$60.13-$70.84
Fall 2017	$67.91-$84.79	$45.62-$61.30	$58.04-$70.20
Spring 2018	$69.49-$88.45	$49.75-$64.71	$60.83-$73.74
Fall 2018	$66.79-$84.82	$47.62-$63.83	$59.59-$72.59
Spring 2019	$63.72-$80.16	$44.49-$61.24	$54.75-$67.13
Fall 2019	$68.73-$84.36	$44.00-$61.49	$56-97-$68.49
Spring 2020	$63.98-$74.90	$40.16-$55.32	$53.71-$62.42

[5] The Joint Petition for Settlement in Docket Nos. P-2016-2543523 and G-2016-2543527 was filed on September 1, 2016.

Q. How did the cost estimate data inform your evaluation of continuing to use a combined GSR-1 grouping of residential and commercial customers with peak loads less than 100 kW (i.e., the GSR-1 grouping)?

A. The Company applied Pace's cost estimates (from the table above) to the volumes of supply that UGI Electric included in each tranche during Plan years 2017-2020. Wholesale suppliers who provided bid responses relied upon these volumes in forming their bids. The following table displays the total costs of supply for each of Pace's estimated product ranges (for each bid round of DSP III) and incorporates the total supply volumes involved in each bid round.

	Separate Procurement - Low Range	Separate Procurements High Range	Combined Procurement - Low Range	Combined Procurement- High Range
Spring 2017	$ 11,421,169	$ 14,296,863	$ 10,713,285	$ 12,612,627
Fall 2017	$ 11,142,809	$ 14,112,279	$ 10,437,718	$ 12,616,648
Spring 2018	$ 11,430,236	$ 14,621,141	$ 10,913,394	$ 13,229,824
Fall 2018	$ 10,989,601	$ 14,128,967	$ 10,685,423	$ 13,016,527
Spring 2019	$ 10,580,661	$ 13,552,013	$ 9,848,173	$ 12,075,029
Fall 2019	$ 11,187,392	$ 14,399,378	$ 10,219,011	$ 12,283,621
Spring 2020	$ 10,298,476	$ 12,790,284	$ 9,663,321	$ 11,214,510
Total	$ 77,050,345	$ 97,900,926	$ 72,480,324	$ 87,048,785

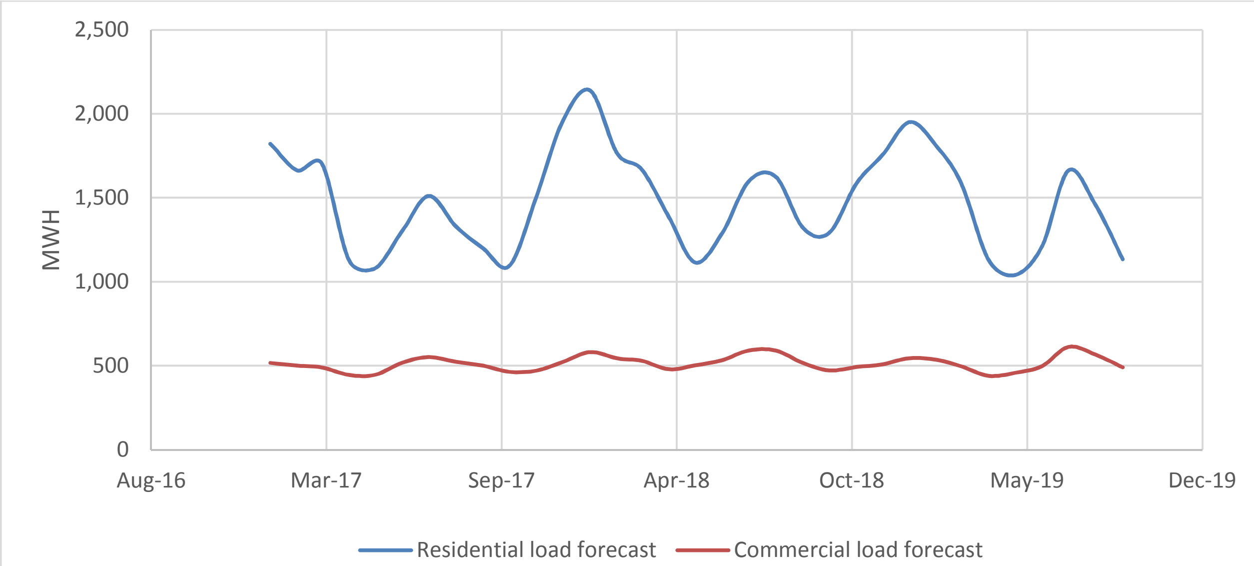
For each bid round, Pace estimated the overall cost of load-following supply to be lower for a combined procurement. Over the entire period, Pace's estimate for the combined procurement ranged from $72 million to $87 million. The separate procurement estimates ranged from $77 million to $97 million (much higher than the combined product). Additionally, the actual results for each bid round of DSP III (included in the table below), using actual consumed volumes of energy, demonstrate that the Company secured load-following supplies at prices that were consistent with Pace's low estimated prices for combined supply.

Actual	
RFP Results Based on Actual Consumption	
Spring 2017 RFP	$ 10,963,338
Fall 2017 RFP	$ 11,084,588
Spring 2018 RFP	$ 11,142,886
Fall 2018 RFP	$ 11,252,060
Spring 2019 RFP	$ 10,733,159
Fall 2019 RFP	$ 10,507,805
Spring 2020 RFP	$ 9,893,061
Total	$ 75,576,897

Accordingly, the Company proposes to maintain its current practice of obtaining load-following supply (for GSR-1 customers) on a combined basis because doing so achieves the least cost for customers over time.

Q. What were the results of the load research data that the Company obtaining?

A. The table below displays the residential and commercial load forecasts that were developed from the Company's Load Research Data. The results of the load forecasts indicate that the residential load is larger and more weather sensitive as compared to the commercial load. Because there is a significant amount of data associated with hourly meter reads over the period, the Company will provide parties additional detail upon request.



Q. Based on the results of the cost estimate and the load research data, what does the Company recommend regarding the continued use of a combined GSR-1 customer grouping that includes residential and commercial customers with peak loads less than 100 kW?

A. The Company proposes to maintain its existing practice of procuring supply for residential and commercial customers in GSR-1 on a combined basis based on: 1) Pace's estimate that a combined procurement achieves the lowest cost for load-following supplies; and 2) the actual results of the Company's load-following procurement. As a result, the prudent approach would be to maintain the existing load grouping for GSR-1.

X. <u>JANUARY 2020 SECRETARIAL LETTER</u>

Q. Are you familiar with the Commission's recent investigation into DSPs?

A. Yes. On January 23, 2020, the Commission issued a Secretarial Letter in Docket No. M-2019-3007101, titled *Investigation into Default Service and PJM Interconnection, LLC.*

Settlement Reforms ("Secretarial Letter"). Through the Secretarial Letter, the Commission proposed specific default service topics to be addressed in upcoming DSP proceedings on a case-by-case basis based upon the evidence presented in each case.

Q. Which default service topics (from the Secretarial Letter) will you address in your testimony?

A. I will discuss the Commission's requests that DSPs include: 1) time-of-use ("TOU") rates for Electric Vehicles ("EVs"); 2) long-term contracts that satisfy the prudent mix requirement in Section 2807(e); and 3) protections for CAP shopping customers that want to shop for retail supply.

Q. Is the Company proposing a TOU rate for EVs in this proceeding?

No. In its Secretarial Letter, the Commission urged parties in their upcoming DSP proceedings to consider how EV-specific TOU rate offerings could be made available to consumers. Because the Company has fewer than 100,000 customers, it is not required to install smart meters or implement TOU rates (pursuant to 66 Pa.C.S. § 2807(f)(6)). Accordingly, at this time, the Company is not planning to develop an EV-specific TOU rate.

Q. Does the Company's DSP IV have any long-term contracts, which meet the prudent mix requirement set forth in Section 2807(e)?

A. Yes. As previously stated, the Company's DSP IV supply portfolio consists of a prudent mix of short-term contracts (for load-following and block supplies), a long-term arrangement with Allegheny (for supply generated in New York) and spot market purchases (to resolve hourly differences between scheduled and actual load).

Q. Is the Company proposing a CAP shopping program in this proceeding?

A. No, it is not. In the Secretarial Letter, the Commission suggested that EDCs with CAP programs, consider the issues and concerns raised by the Commission in prior proceedings when developing CAP-shopping proposals in the upcoming DSP filings. By way of background, on February 28, 2019, the Commission issued a Proposed Policy Statement Order at Docket No. M-2018-3006578. It proposed guidelines for EDCs that would allow CAP participants to shop for retail electric supply with adequate consumer protections (i.e., ensuring CAP customers did not pay for supply in excess of the PTC). The Proposed Policy Statement Order directed EDCs to include the following consumer protections for CAP customers in their next DSPs (following adoption of the proposed policy statement):

1) A requirement that the CAP shopping product have a rate that is at or below the EDC's PTC at all time periods of the contract between the EGS and the customer;

2) A provision that the contract between the EGS and the CAP customer contains no early termination or cancellation fees; and

3) A provision that, at the end of the contract, the CAP customer may reenroll with the EGS at a product that meets the same requirements as outlined in numbers one and two above, switch to another EGS offering a product that meets those requirements or be returned to default service.

Q. Has the Commission finalized its CAP Shopping policy statement?

A. No. The Commission has not yet adopted a policy statement related to CAP shopping. The Secretarial Letter acknowledged that the proposed policy statement in Docket No.

M-2018-3006578 was unlikely to be final and effective in time for some of the upcoming DSP proceedings. As such, the Commission requested that EDCs address the above provisions in their upcoming DSP filings.

Q. Why is the Company not implementing a CAP shopping program in its DSP IV proceeding?

A. As of April 2020, UGI Electric had 55,436 residential customers, of which 455 were shopping (i.e., 0.82%). UGI Electric also has 3,187 CAP customers. If the Company developed a shopping program for electric CAP customers, it is unlikely that all of them would shop. The more reliable estimation method would be to apply the known percentage of electric shopping customers (i.e., 0.82%) to the number of electric CAP customers (i.e., 3,187). Doing so results in a probability that approximately 26 electric CAP customers would be interested in shopping.

It is within this context that the Company had to determine the costs and benefits associated with developing a CAP shopping program; one that ensures EGSs never charge a supply price that exceeds the PTC. UGI Electric's billing system currently cannot be used to implement a CAP shopping program, especially one that prohibits suppliers from charging CAP customers in excess of the PTC. Extensive and costly programming changes would be required so the billing system could: 1) obtain supplier rates for each participating CAP customer (to the extent that EGSs would be interested in providing that information); 2) calculate the applicable percentage of income and minimum bills amounts (with supplier charges); and 3) develop ways to address Pre-Program Arrearage forgiveness, CAP shortfall amounts, unpaid supplier charges, etc.

In addition, no EGSs have participated in UGI Electric's Standard Offer program, which is designed to provide customers with a guaranteed discount on the PTC (i.e. a rate ready percentage off the PTC). Due to the high implementation costs, programming complexities involved and general lack of interest in UGI Electric's Standard Offer program, the Company has decided against implementing a CAP shopping program in its DSP IV, which would potentially only benefit 26 customers.

Q. Does this conclude your testimony?

A. Yes.

UGI Electric Exhibit AMB-1

Angelina M. Borelli
Director – Gas and Electric Supply

Work Experience

2015 – current	Director – Energy Supply & Planning UGI Utilities, Inc., Reading, PA
2014 – 2015	Director – Gas Supply UGI Energy Services, LLC. Wyomissing, PA
2009 – 2014	Manager – Gas Supply and Transportation UGI Energy Services, LLC. Wyomissing, PA
2006 – 2009	Administrator – Assets & Wholesale Services UGI Energy Services, LLC. Wyomissing, PA
2000 – 2006	Analyst – Gas Supply UGI Utilities, Inc., Reading, PA

Previous Testimony

Default Service Plan:	Docket Nos. P-2016-2543523, G-2016-2543527
Base Rate Case:	Docket Nos R-2015-2518438, R-2016-2580030, R-2018-3006814
2016 PGCs:	Docket Nos. R-2016-2543311 (UGI CPG); R-2016-2543309 (UGI Gas) and R-2016-2543314 (UGI PNG)
2017 PGCs:	Docket Nos. R-2017-2602627 (UGI CPG); R-2017-2602633 (UGI PNG); R-2017- 2017-2602638 (UGI Gas)
2018 PGCs:	Docket Nos. R-2018-3001631 (UGI CPG); R-2018-3001632 (UGI PNG); R-2018- 2018-3001633 (UGI Gas)
2019 PGC:	Docket No. R-2019-3009647

Education

M.S Finance from Penn State University, 2008
B.S. in Business Administration from Albright College, 2006
A.A.S in Law Enforcement Administration from RACC, 2000

UGI Electric Exhibit AMB-2(a)

CONFIDENTIAL

UGI Electric Exhibit AMB-2(b)

CONFIDENTIAL

UGI Electric Exhibit AMB-3

Transaction Confirmation

Date: _____________

Re: Alternative Energy Credits

This Transaction Confirmation, together with the attached General Terms and Conditions, constitute the Purchase and Sale Contract ("**Contract**") between ________________, as Seller, and UGI Utilities, Inc., as Buyer (together, the "**Parties**") based on the terms set forth herein.

Seller: _______________.

Buyer: UGI Utilities, Inc.

Product: Alternative energy credits ("**AECs**") as defined as of the date first set forth above in Title 73, Chapter 18F, Alternative Energy Portfolio Standards Act, Sections 1648.1 though 1648.8 of the Pennsylvania Statutes (the "**AEPS Act**"). The AEC's will be administered and transferred, under the terms and conditions hereof, by the Environmental Information Services of PJM Interconnection, LLC ("**PJM-EIS**") Generation Attribute Tracking System ("**GATS**") in connection with its obligations hereunder at such time as Seller transfers to Buyer, through GATS, the Quantity of AECs recognized as meeting Pennsylvania AEPS Act requirements.

Facilities: PA certified Tier 1

Transaction Type: ______________________

Price: $______ per _______ AEC for Vintage_________, totaling $_______

Delivery and Payment: The Product will be delivered and paid for under the following terms:

(i) AECs to be delivered by ______________.

(ii) Within ten (10) Business Days of Buyer's receipt of the Product, Buyer will pay to Seller an amount equal to the product of (i) the Quantity, and (ii) the Price.

Delivery will be effectuated through PJM-EIS using GATS. Title to the Product and risk of loss will transfer at such time as PJM-EIS recognizes the transfer of the Product to Buyer through GATS.

Payment: Payment by Buyer to Seller shall be made to the following account:

Wire Instructions:

____
ABA #____________
Acct. # __________

Term: This Contract will terminate after the Quantity of the Product has been delivered and paid for under the terms hereof. Sections 1, 4, 7 and 8 of the General Terms and Conditions will survive termination to the extent necessary for the Parties to enforce their rights hereunder.

Special Conditions:

1. If a fee is assessed by the Pennsylvania Public Utility Commission (or any other governmental entity) in connection with the transfer of certification of the AECS, as between the Parties Buyer will be responsible for such amounts. Buyer will indemnify, defend and hold harmless Seller from and against any such fees for which Buyer is responsible.

2. The General Terms and Conditions attached hereto are included herein for all purposes and are an integral part of this Contract. Provided, that, to the extent there is any conflict between a provision in the General Terms and Conditions and this Transaction Confirmation, the terms of the Transaction Confirmation shall control. This Contract sets forth the entire agreement between the Parties with respect to the AEC purchase identified in this document superseding any and all contemporaneous or prior conversations, memoranda, agreements (oral or written) or other communication with respect to its subject matter between the Parties or any of their respective agents. There are no third party beneficiaries to this Contract. This Contract may not be terminated (other than as provided in this Contract) or changed except by a writing signed by both Parties. No right, obligation or provision of this Contract shall be deemed waived unless such waiver is evidenced by a writing signed by the Party charged with the waiver and any such waiver shall be strictly limited to the express terms of such writing. No representations or warranties have been given other than those expressly stated in this Contract to induce either Party to enter into this Contract.

IN WITNESS WHEREOF, and intending to be legally bound, the Parties have executed this Contract by the undersigned duly authorized representatives as of the date of this Contract.

________________________.		**UGI Utilities, Inc.**	
Signature:	______________________	Signature:	______________________
Name:	______________________	Name:	______________________
Title:	______________________	Title:	______________________
Date:	______________________	Date:	______________________

GENERAL TERMS AND CONDITIONS

1. Events of Default and Remedies:

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

(a) the failure to make, when due, any payment required pursuant to this Contract if such failure is not remedied within three (3) business days after written notice;

(b) the failure by Seller to deliver to Buyer, when required pursuant to this Contract, the AECs if such failure is not remedied within three (3) business days after written notice;

(c) any representation of warranty made by such Party herein is false or misleading in any material respect when made or when deemed made or repeated;

(d) a material breach of a covenant or obligation (other than as separately provided for in this Section 1.1) set forth in this Contract not cured within five (5) days following written noticed thereof;

(e) such Party:

(i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it and not discharged within thirty (30) days,

(ii) makes an assignment or any general arrangement for the benefit of creditors,

(iii) otherwise becomes bankrupt or insolvent (however evidenced),

(iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or

(v) is generally unable to pay its debts as they fall due.

1.2 If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party shall have the right to (i) suspend performance, (ii) withhold any payments due to the Defaulting Party under this Contract, and (iii) terminate this Contract on two (2) business days prior notice to accelerate all amounts owing between the Parties and to liquidate and recover its damages or enforce specific performance resulting from such Event of Default.

2. No Waiver. No waiver at any time by any Party hereto of its rights with respect to the other Party or with respect to any matter arising in connection with the Contract shall be considered a waiver with respect to any subsequent default or matter.

3. Assignment. Neither Party shall assign this Contract without the prior written consent of the other Party, which consent may not be unreasonably withheld; provided, however, either Party may, without the consent of the other Party (and without relieving itself from liability hereunder), (i) transfer or assign this Contract to an affiliate of such Party which affiliate's creditworthiness is equal to or higher than that of such Party, or (ii) transfer or assign this Contract to any person or entity succeeding to all or substantially all of the assets whose creditworthiness is equal to or higher than that of such Party; provided, however, that in each such case, any such assignee shall agree in writing to be bound by the terms and conditions hereof and so long as the transferring Party delivers such tax and enforceability assurance as the non-transferring Party may reasonably request, and further provided that with respect to (ii) above, the assigning Party ("Assignor") shall be relieved of liability hereunder so long as the benefits of any Guaranty provided by the Assignor extends to the obligations of the Assignee pursuant to documentation or amendment reasonably satisfactory to the other Party.

4. Taxes and Indemnity. Seller will be responsible for any taxes imposed by any government authority on the creation, ownership, or transfer of the Product under this contract up to and including the time and place at which title transfers. Buyer will be responsible for any taxes imposed by any government authority on the receipt of ownership of the Product after the time and place at which title transfers. For avoidance of doubt, the foregoing two sentences will not apply, however, to the assessment of any fee as contemplated by Section 2 of the Special Conditions in the Transaction Confirmation. Each Party will indemnify, defend and hold harmless the other Party from and against any claims or demands made by others arising from or out of any event, circumstance, act or incident first occurring or existing during the period when title to the Product is vested in such Party as provided herein, except to the extent arising from such Party's own gross negligence or willful misconduct. Each Party will indemnify, defend and hold harmless the other Party against any taxes for which such Party is responsible as provided herein.

5. Representations.

5.1 From the date of entering into this Contract and throughout the Term of this Contract, the Parties each warrant and covenant as follows:

(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 Contract;

(c) it has the requisite authority to enter into and perform its respective obligations under the contract;

(d) the obligations hereunder are binding on it;

(e) it is not the subject of any bankruptcy proceeding or involved in litigation that would materially affect its ability to perform hereunder, except as provided for in any SEC Filing by it or any of its affiliates;

(f) the contract has been negotiated in the ordinary course of business, in good faith, for fair consideration on an arms length basis between Parties of equal sophistication and represents a bargained for exchange; and

(g) it has entered into this Contract in connection with the conduct of its business and it has the capacity and ability to perform its obligations hereunder.

6 Notices. All notices to ______________________ shall be given to:

Attn:

With additional Notices of an Event of Default or Potential Event of Default to:

All notices to UGI Utilities, Inc. under the contract shall be given to:

Director – Energy Supply & Planning
Email: aborelli@ugi.com Phone: 610-796-3431 Fax: 610-796-3595

With additional Notices of an Event of Default or Potential Event of Default to:

Manager – Director – Energy Supply & Planning
Email: aborelli@ugi.com Phone: 610-796-3431 Fax: 610-796-3595

Except as otherwise expressly provided herein, all notices to the other Party under the Contract shall be in writing and shall be deemed effective upon receipt if received prior to 5:00 p.m., local time, on a business day, or on the next succeeding business day if otherwise.

7. Choice of Law. This contract will be governed by the laws of the Commonwealth of Pennsylvania.

8. Waiver of Jury Trial. Each Party waives its respective right to any jury trial with respect to any litigation arising under, or in connection with this Contract.

9. Limitation on Warranties. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, SELLER EXPRESSLY DISCLAIMS ANY OTHER REPRESENTATIONS OR WARRANTIES, WHETHER WRITTEN OR ORAL, AND WHETHER EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY WITH RESPECT TO CONFORMITY TO MODELS OR SAMPLES, MERCHANTABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE. WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, SELLER MAKES NO REPRESENTATION OR WARRANTY HEREUNDER REGARDING ANY ACTION OR FAILURE TO ACT, OR APPROVAL OR FAILURE TO APPROVE, OF ANY AGENCY OR GOVERNMENTAL ENTITY.

10. Force Majeure. If either Party is rendered unable, wholly or in part, by Force Majeure to carry out its obligations with respect to this Agreement, that upon such Party's giving notice and full particulars of such Force Majeure as soon as reasonably possible after the occurrence of the cause relied upon, such notice to be confirmed in writing to the other Party, the obligations of the claiming Party will, to the extent they are affected by such Force Majeure, be suspended during the continuance of said inability, but for no longer period, and the claiming Party will not be liable to the other Party for, or on account of, any loss, damage, injury or expense resulting from, or arising out of such event of Force Majeure. The Party receiving such notice of Force Majeure will have until the end of the Business Day following such receipt to notify the claiming Party that it objects to or disputes the existence of an event of Force Majeure.

11. Change in Law**.** If, prior to the Effective Date, 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 Applicable Standard, the Parties hereto agree to negotiate in good faith to amend this Agreement to conform with such new statutes, regulations, or rules in order to maintain the original intent of the Parties under this Agreement.

12. Adequate Assurance. If either Party ("**X**") has reasonable grounds for insecurity regarding the creditworthiness of the other Party ("**Y**") (including, without limitation, the occurrence of a material change in the creditworthiness of Y), then X shall provide Y with written demand requesting Adequate Assurance. Upon receipt of such notice, Y shall provide Adequate Assurance within two (2) Business Days of receipt of such notice. In the event that Y fails to provide Adequate Assurance with two (2) Business Days following receipt of notice, then an Event of Default shall be deemed to have occurred.

13. Dodd-Frank Requirements**.** If this Agreement or a Transaction undertaken under this Agreement qualifies as a "swap" under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Act**"), the Parties agree as follows: (i) ____ shall be the Reporting Party for all Transactions between the Parties that must be reported to a Swap Data Repository (SDR); (ii) that Buyer agrees to timely provide ____ with all necessary information as may be reasonably requested by ____ to comply with the Act or an SDR; (iii) both Parties waive any right of confidentiality that would otherwise bar such disclosure to the Commodity Futures Trading Commission (CFTC) or an SDR, notwithstanding any confidentiality agreement or similar requirement in place between the Parties. Furthermore, each Party represents to the other Party that it is not a Swap Dealer, Major Swap Participant or a Financial Entity and that each Party is a U.S. Person under the Act. All terms not otherwise defined in this Paragraph shall be defined in the Act.

Please note, however, that with respect to Transactions between the Parties that are trade options, each Party will report everything that is allowed to be reported by it under CFTC Regulation Part 32 and any applicable CFTC no-action letter (including without limitation CFTC Letter No. 13-08 dated April 5, 2013).

APPENDIX G

(UGI Electric Statement No. 2 – Direct Testimony of Stephen F. Anzaldo)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. –	:	
Electric Division For Approval of a	:	Docket Nos. P-2020
Default Service Plan (DSP IV) for	:	G-2020
the Period of June 1, 2021 through	:	
May 31, 2025	:	

DIRECT TESTIMONY
OF
STEPHEN F. ANZALDO

UGI ELECTRIC STATEMENT NO. 2

Dated: May 26, 2020

I. INTRODUCTION

Q. Please state your name and business address.

A. My name is Stephen F. Anzaldo. My business address is 1 UGI Drive, Denver, Pennsylvania 17517.

Q. By whom are you employed and in what capacity?

A. I am employed by UGI Utilities, Inc. ("UGI") as Director, Rates and Regulatory Planning. UGI is a wholly-owned subsidiary of UGI Corporation ("UGI Corp."). UGI has two operating divisions, the Electric Division ("UGI Electric" or the "Company") and the Gas Division ("UGI Gas"), each of which is a public utility regulated by the Pennsylvania Public Utility Commission ("Commission" or "PUC").

Q. Please provide your educational background.

A. I received an undergraduate degree in Accounting from St. Joseph's University and a Master's Degree in Business Administration from St. Joseph's University. I am also a Certified Public Accountant in the Commonwealth of Pennsylvania.

Q. Please provide your professional experience.

A. Please see my resume, UGI Electric Exhibit SFA-1, which is attached to my testimony.

Q. What are your responsibilities as Director, Rates and Regulatory Planning?

A. My current responsibilities include all utility business unit rate and regulatory filings before federal and state regulatory commissions as well as the central coordination of regulatory planning for all UGI utility operating companies. In this capacity, I report directly to the Vice President and General Manager of Rates and Supply of UGI. On behalf of the Rates Department, I am responsible for budgeting/financial planning for UGI, which is a joint effort with the Rates Department (preparing the revenue and margin budgets) and the Financial Planning and Analysis Department (preparing the operating and capital budgets).

Q. Have you previously testified as a witness before any Public Utility Commission?

A. Yes. UGI Electric Exhibit SFA-1 contains a list of those proceedings. Additional exhibits that I am sponsoring are described below.

II. PURPOSE OF TESTIMONY

Q. Please describe the purpose of your testimony.

A. I am providing testimony on behalf of UGI Electric in support of its proposed Default Service Plan IV ("DSP IV" or the "Plan"). Specifically, I will address the rate design and Section 1307(e) cost recovery mechanisms that are currently used to recover the costs of UGI Electric's existing DSP III and that will continue to be used during DSP IV for the term of June 1, 2021 through May 31, 2025.

Q. Are you providing any supporting documents with your testimony?

A. Yes. In addition to UGI Electric Exhibit SFA-1, I am providing UGI Electric Exhibit SFA-2, which includes detail on the administrative costs in DSP IV that will be recovered through the Company's Generation Supply Rate ("GSR") applicable to the GSR-1 and GSR-2 customer groupings in DSP IV.

III. DEFAULT SERVICE PROCUREMENT COSTS

A. Generation Supply Costs

Q. What generation supply costs will be incurred under the proposed procurement strategy for DSP IV?

A. Consistent with DSP III, through DSP IV, the Company will incur costs related to the procurement of default supplies for its GSR-1 and GSR-2 customer groupings based on registered peak demand. For GSR-1, the Company will incur supply costs to serve default service customers on Rate Schedules R, GS-1, GS-5, FCP, BLR, OL, SOL, MHOL, LED-OL, SL, SSL, MHSL, LED-SL and LED-CO. The Company also will incur costs to supply GSR-1 default service customers on Rate Schedules GS-4 and LP, where the customer's annual peak load is less than 100 kW. Similarly, the Company will incur costs to serve GSR-2 customers on Rate Schedules GS-4, LP and HTP, where the customer's annual peak load is greater than or equal to 100 kW.

Q. How will the GSR-1 default service supply costs be established during DSP IV?

A. Consistent with DSP III, for DSP IV, the GSR-1 generation supply prices will be established in separate tranches for load-serving and block supplies. The tranches and Request For Proposal ("RFP") process is discussed in the direct testimony of Angelina M. Borelli (UGI Electric Statement No. 1). For load-following supplies, the procurement costs will include any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service supply to the Company. The selected load-following bidder will pass these costs to UGI Electric who then will recover them through the GSR-1 rate. For the GSR-1 Block Purchase Bids procurements, the Company will acquire any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service supply to the Company. These costs similarly will be recovered through the GSR-1 rate.

Q. How will costs be established for variances between scheduled amounts of energy in PJM for GSR-1 customers and actual amounts of load consumed by these customers?

A. If scheduled load amounts for all GSR-1 customers (load-following and block supplies) in PJM vary with actual consumption amounts in a particular hour, PJM will reconcile the differences through the Real Time hourly market (i.e., spot market purchases). Total spot market purchases for any overage will be split with 50% of the overage attributed to the load-following supplier (at the load-following supplier's price) and the other 50% being incurred by the Company (at the Locational Marginal Price ("LMP"). Shortages will be sold in the PJM market at the then-current hourly LMP price. Similarly, the responsibility of these sales will be split with 50% to the load following supplier and 50% to the Company. Resulting credit amounts will be flowed back to default customers through the Company's C-Factor adjustment process.

Q. How will the GSR-2 default service supply costs be established in DSP IV?

A. Consistent with DSP III, for GSR-2, the generation supply prices will be established by PJM's real-time hourly market (during the term of DSP IV). For these procurements, the Company will pay for any necessary capacity, transmission to UGI Electric's system, ancillary services, transmission, congestion management services, AEPS credits and such other services or products as necessary to provide default service supply to the Company. For these customers, PJM will bill UGI Electric for the hourly usage (and related costs) each month. These costs will be recovered through the GSR-2 rate.

B. NYPA/Allegheny and Net Metering Procurements

Q. What procurements will UGI Electric make during DSP IV related to the NYPA/Allegheny arrangement and net metering customers?

A. A small portion of the Company's default service load for DSP IV will continue to be acquired through the long-term arrangement between UGI Electric and the Allegheny Electric Cooperative, Inc. ("Allegheny") as was done in DSP III. This arrangement is discussed in the testimony of Angelina M. Borelli. The generation procured from New York (under the Allegheny Agreement) will continue to be included as a generation supply source in the Company's DSP IV and will be recovered through the Company's Rider B – Generation Supply Service Surcharge in the same manner as occurred in DSP III. Additionally, during the term of DSP IV, the Company will continue purchasing generation from customer-owned renewable resources in its service territory (as was done in DSP III). The Company will pay for excess generation left over at the end of the PJM year under its net metering tariff rules at the PTC (which equals the GSR-1 rate). As such, these procurement costs will be recovered through the GSR-1 rate (as was done in DSP III).

C. AEPS Credit Costs

Q. How will the costs be established for AEPS credits in DSP IV?

A. During DSP IV, the Company will procure AEPS credits (in accordance with Section 75.61(b)(15)) for each plan year as specified below:

> For the June 1, 2020 through May 31, 2021 reporting period (and each successive 12 months thereafter), the Tier I requirement is 8% of all retail sales, of which at least 0.5% of all retail sales are to come from solar generation and the remainder from non-solar Tier I resources. The Tier II requirement is 10% of all retail sales.

These costs will be recovered through the GSR-1 and GSR-2 rates. For GSR-1 load-following supplies, the load-following suppliers will be responsible to obtain AEPS credits in an amount that corresponds to the amount of retail sales for the relevant load-following delivery period. For GSR-1 blocks and GSR-2, the

Company will procure its AEPS credits through an RFP in the Spring of each plan year based on estimates. The estimates will be reconciled to actual retail sales by September 1 of each Plan year.

Q. Are there procurement-related costs that could result if the Company does not meet the above-stated compliance target for AEPS credits?

A. Yes. Under the AEPS Act, the Company's compliance obligations (for purchasing AEPS credits) are measured on a Reporting Period basis (as defined in 52 Pa. Code § 75.1). This consists of the 12-month period from June 1 through May 31 (i.e., the PJM year). The Company has until September 1 to true-up its AEPS compliance obligations (based on actual retail sales during each Plan year). According to the definition in Section 75.1, the true-up period is the period each year from the end of the reporting year until September 1.

AEPS solicitations for DSP IV will be developed, in part, using estimated retail sales for GSR-1 block purchases and GSR-2 default service customers. Being that these procurements will be based on sales estimates, the Company may exceed or miss its AEPS credit requirements during a plan year (based on actual retail sales for each Plan year). To the extent that occurs, the Company will either purchase additional AEPS credits during the true-up period or bank any overage for use in the subsequent reporting period (in accordance with 73 P.S. §§ 1648.3(e)(6)) or, if necessary, sell the AEPS credits back into the market. In addition, the Company will carry forward any overage from DSP III for use in DSP IV.

After the true-up period expires, in the unlikely scenario that the Company is still unable to meet its AEPS credit targets in Section 52 Pa. Code § 75.61, the Company would pay the applicable alternative compliance payment(s) specified in 52 Pa. Code § 75.65(b). This methodology was adopted in DSP III. The Company proposes to recover all AEPS credit procurement costs, including compliance costs, through its default service rates.

D. <u>Administrative Expenses</u>

Q. Is UGI Electric proposing to recover administrative costs incurred in procuring Default Service supply?

A. Yes, UGI Electric is proposing to recover Administrative and General ("A&G") expenses associated with the procurement of default service for the GSR-1 and GSR-2 customer groupings (in a manner that is consistent with DSP III).

Q. What costs are included in UGI Electric's A&G expense category?

A. These costs are for market monitoring, load forecasting, developing the DSP IV filing, labor and benefits, legal representation, metering, billing, as well as, the annual $2,500 PJM membership fee (which are all related to procurement functions). These costs were similarly applicable during the Company's DSP III plan. Costs recovered through GSR-1 shall include direct and indirect purchased power costs including applicable administrative costs as identified in Exhibit SFA-2.

Q. Please describe the A&G procurement costs related to market monitoring and load forecasting?

A. In DSP IV, Pace will charge UGI Electric for its roles as market monitor and RFP manager. Additionally, the Company will use an external forecasting service, Enverus Trading and Risk, to develop daily and hourly load forecasts that will be provided to PJM. The Company estimates that these activities will cost $65,650 during each year of DSP IV (as shown on Exhibit SFA-2). The actual costs for these services will be recovered through the Company's GSR-1 and GSR-2 rates as applicable (based upon the invoiced amounts for these services).

Q. Please describe the legal costs that will be included as A&G procurement expenses in DSP IV.

A. Legal expenses stem from the preparation and prosecution of the Company's DSP IV Petition before the Commission. These costs are developed using internal labor and benefits costs for Company counsel as well as any billed outside counsel costs used for DSP IV. Because these costs are associated with the development and prosecution of the DSP IV filing, they are not ongoing costs. As such, they will be amortized over the four-year term being proposed for DSP IV at a total cost of $3,000 as shown in detail on Exhibit No. SFA-2.

Q. Please describe the costs related to developing the DSP IV filing that will be included as A&G procurement expenses.

A. These are costs involved with preparing the Company's DSP IV filing (as performed by internal Company employees). The costs are developed using internal labor and benefit rates. Eight Company employees participated in the preparation of this filing on a part-time basis. In determining the cost of this work, the Company first established the appropriate salary level for the eight employees (salary grades P2 through M5 on UGI Electric's wage scale, along with one executive level and one legal counsel level). Then, the Company calculated salary amounts for each employee using the midpoint of each employee's grade range for the UGI Electric current 2020 fiscal year. These costs that are involved with developing the DSP IV filing would be included in the GSR rates effective June 1, 2021. These salaries were then grossed up by 35% for benefits to derive the estimated total labor and benefits cost. The Company applied the corresponding labor and benefit figure to the estimated number of hours that each employee spent on the development of the filing. The current cost estimate of the one-time labor and benefits cost associated with these employees is $33,529. Because these costs are associated with the development of the DSP IV filing, they are not ongoing costs. As such, these costs will be amortized over the four-year term being proposed for DSP IV at an annual rate of $8,382 as shown in detail on Exhibit No. SFA-2.

Q. Please describe the costs associated with the Company's actual default supply procurement activities that will occur during each year of DSP IV.

A. These are costs involved with the actual procurement of generation supply for default service customers during DSP IV (as performed by internal Company employees). The costs are developed using internal labor and benefit rates. UGI Electric anticipates using four employees on a part-time basis to procure default service supplies. In determining the cost, the Company first established the appropriate salary levels for the four employees (salary grades P1 through M5 on UGI Electric's wage scale). Then, the Company calculated salary amounts for each employee using the midpoint of each employee's grade range for UGI Electric's current 2020 fiscal year. The salaries were escalated by the corporate salary increase percentage to estimate the 2021 salaries of those involved with DSP procurements that would be included in the GSR-1 rate effective June 1, 2021. Next, these salaries were grossed up by 35% for benefits to derive the total estimated labor and benefits cost. The Company applied the corresponding labor and benefit figure to the estimated number of hours that each employee will spend on these activities. The estimated annual labor and benefits cost associated with these employees is $5,881, as shown in detail on Exhibit No. SFA-2.

Q. Please describe the default service procurement costs associated with meter reading and maintenance of load research meters for the Company's GSR-1 customers.

A. These are costs involved with reading and maintaining load research data meters for GSR-1 customers during DSP IV (as performed by internal Company employees). The costs are developed using internal labor and benefit rates. The

Company currently uses a portion of five employees (on a part-time basis) in order to maintain and read these meters for the GSR-1 customers. In determining the costs for these activities, the Company first established the appropriate salary levels for the five employees (3 first class meter testers, one third class meter tester and one salary grade M2 supervisor on UGI Electric's wage scale). Then, the Company calculated salary amounts for each employee using the mid-point of each employee's grade range for UGI Electric's current 2020 fiscal year. Then, the salaries for the appropriate grade levels were escalated by the corporate salary increase percentage to arrive at an estimate of the salaries in 2021 (when these activities will start to occur). These salaries were then grossed up by 35% for benefits to derive the total estimated labor and benefits cost associated with these activities. The Company applied the corresponding labor and benefit figure to the estimated number of hours that each employee will spend on these activities. Along with the labor and benefits cost, there is also a cost associated with truck maintenance for meter reading. The estimated annual cost for all of these activities is $106,382, as shown in detail on Exhibit No. SFA-2.

Q. Please describe the default service procurement costs associated with meter reading and maintenance of hourly meters for the Company's GSR-2 customers?

A. These are costs involved with reading and maintaining hourly data meters for GSR-2 customers during DSP IV (as performed by internal Company employees). The costs are developed using internal labor and benefit rates. The Company currently uses two employees on a part-time basis to read the meters and transfer the information to the database holding the hourly usages. In determining the cost, the Company first established the appropriate salary levels for the two employees (first and third-class meter testers on UGI Electric's wage scale). Then, the Company calculated salary amounts for each employee using the mid-point of each employee's grade range for UGI Electric's current 2020 fiscal year. Then, the salaries for the appropriate grade levels were escalated by the corporate salary increase percentage to arrive at an estimate of the salaries in 2021 (when these activities will start to occur). Next, these salaries were grossed up by 35% for benefits to derive the total estimated labor and benefits cost associated with these activities. The Company applied the corresponding labor and benefit figure to the estimated number of hours that each employee will spend on these metering activities. The estimated annual labor and benefits cost associated with these employees is $25,001 as shown in detail on Exhibit No. SFA-2.

Q. Please describe the default service procurement costs associated with monthly billing activities for GSR-2 customers.

A. For these costs, associated with the monthly billing process (for GSR-2 customers), the Company uses internal labor and benefit rates. The Company currently uses four different employees on a part-time basis to prepare the bills for the GSR-2 Group customers. In determining the cost of these employees, the Company established the appropriate salary levels for the four employees (salary grades B3, P2, M2 and M4) on UGI Electric's wage scale. Salaries were calculated as of the most current fiscal year, with specific salary levels determined by using the Company's current salary mid-points for the appropriate grade levels and escalating them by the corporate salary increase percentage to arrive at an estimate of the salaries for 2021 (when these activities will begin). These salaries were then grossed up by 35% to account for an estimate for employee benefits. The Company applied the corresponding labor and benefit figure to the estimated number of hours that each employee will spend on the hourly billing process for GSR-2 customers. Exhibit No. SFA-2 shows a total annual cost of $37,100 related to the preparation of monthly billing for GSR-2 customers.

Q. Please describe the default service costs associated with the GSR's quarterly filings and annual reconciliation?

A. For these costs, associated with preparing the quarterly Generation Supply Cost filings and the annual reconciliation, the Company uses internal labor and benefit rates. The Company currently uses two different employees on a part-time basis to prepare these filings. In determining the cost of these employees, the Company established the appropriate salary level for these two employees (salary grades P3 and M5) on UGI Electric's wage scale. Salaries were calculated as of the most current fiscal year, with specific salary levels determined by using the Company's current salary mid-points for the appropriate grade levels and increasing them by the corporate salary increase percentage to arrive at an estimate of the 2021 salaries of those involved with preparing these filings during the term of the DSP IV. These salaries were then escalated by 35% for benefits. The Company applied the corresponding labor and benefit figures to the estimated number of hours that each employee will spend on these filings. The estimated total annual cost is $3,733 (as described in Exhibit SFA-2).

IV. RECOVERY OF DEFAULT SERVICE PROCUREMENT COSTS

Q. How does the Company plan to recover all of the above default service costs through it tariff?

A. The rate design plan for DSP IV (to recover the Company's default service procurement costs) mirrors the rate design plan adopted in DSP III and recovers these costs on a full and current basis through a Section 1307 reconcilable adjustment clause (including costs for complying with the AEPS Act). Consistent with DSP III, the Company's DSP IV will include a rate design that recovers costs associated with procurements for the GSR-1 and GSR-2 groupings, including AEPS credits. The GSR-1 tariff rate appears in UGI Electric Appendix D (a copy of the Company's updated pro forma tariff pages for Rider B – Generation Supply Service) and will be the sum of the following components:

- Energy Costs (EC) – Projected direct and indirect purchase power costs (for load following and block procurements) in the upcoming 3-month period, including all PJM bill line items, administrative costs, AEPS credits, etc. The EC is divided by Sales for the Projected Quarter (SEC). The SEC includes projected sales for all default service customers in GSR-1 for the upcoming 3-month period.

- Energy Cost Adjustment (ECA) – The ECA (i.e., E or C Factor) is the net over or under collection related to the EC, which is collected/refunded for the quarter based on EC revenues received and actual EC costs incurred for the 3-month period ending 2 months before the GSR effective date. If the ECA would result in more than a 5% change in the system average total bill for default service, adjustments may be reconciled over more than a 3-month period, but no longer than 12 months. The ECA is divided by the Sales Used to Calculate the ECA (SECA). The SECA includes projected sales for all default service customers in GSR-1 for the adjustment period (i.e., 12 months beginning December 1).

- Interest (Int) – Interest associated with over and under collections during the quarter. The interest is computed at the prime rate for commercial banking, not to exceed the legal rate of interest as reported in the Wall Street Journal. The Int is divided by the Sales Interest (Sint). The Sint includes the projected sales for default service customers in GSR-1 for 12-months beginning December 1.

- Taxes (T) –Taxes (i.e., Pennsylvania Gross Receipts Tax) are applied to the sum of the above-components.

The rate design for costs associated with procurements for the GSR-2 grouping (appears in UGI Electric Appendix D, the updated pro forma tariff pages for Rider B – Generation Supply Service) and will be calculated for each default service customer in the group and will be based on actual costs incurred to serve the customer. The GSR-2 rate will be the sum of the following components:

- Energy Costs incurred by the Company to procure electric supply are multiplied by the customer's LMP for each hour of the billing month.

- Other Power Costs incurred in the procurement of electric supply, which are allocated according to metered sales. These costs include AEPS credits, PJM bill line items (excluding costs for capacity services, transmission services, network transmission service credits and firm point-to-point transmission expenses/credits), administrative costs, legal costs, taxes and any other applicable costs. Actual costs are reduced by actual transmission revenues collected.

- Costs for Capacity and Transmission (included on the PJM bill line item) are allocated differently to GSR-2 customers (than how Other Power Costs are allocated). Capacity costs include locational reliability, capacity transfer rights, RPM auction and capacity resource deficiency costs. These costs are allocated based on each customer's peak load contribution ("PLC"). Transmission costs include network integration service charges, transmission enhancement service charges/credits and non-firm point-to-point transmission service charges/credits. These costs are allocated based on each customer's network service peak load value ("NSPL").

- Adjustments – over/under collections plus interest will be refunded/recovered over 12 billing periods to customers who migrate from GSR-1 to GSR-2 during the DSP term.

- Taxes – Pennsylvania Gross Receipts Tax is applied to the sum of the above costs.

Q. How will the over/under collection existing as of May 31, 2021 be allocated for those customers who migrate from GSR-1 to GSR-2?

A. The over/under collection existing as of May 31, 2021 shall be allocated to GSR-1 and GSR-2 customers based on the percentage of the actual sales during the period of the over/under collection attributed to those customers classified as GSR-1 and GSR-2 as of June 1, 2021. In addition, these migrated customers will be billed over 12 billing periods effective with the September rate change.

Q. Is the Company proposing a change to the frequency of rate changes for the GSR-1 customers?

A. No, the GSR-1 rate shall continue to be calculated quarterly, beginning each June 1st. Default Service revenues and costs, including administrative costs, will be reconciled each quarter for actual results. The related Price to Compare ("PTC") will continue to be posted on PAPower Switch and the Company's website and will be provided to the Office of Consumer Advocate prior to its effective date. Tariff filings with supporting documentation shall be submitted to the

Commission on 30-days' notice. As described in the pro forma tariff, the Company reserves the right to not submit a tariff filing if the rate change, as a percentage of the total GSR rate, is less than a 2% change. This approach models the current 2% range for UGI Gas, with regard to Purchased Gas Cost quarterly rate changes. Pro forma tariff pages setting forth the proposed GSR-1 are provided in Appendix D to the Company's Petition.

Q. What is the proposed reconciliation period for the GSR-1 rate?

A. On or before June 30th of each year, the Company will file an annual reconciliation statement for the GSR-1 rate for the preceding 12-months ending May 31.

Q. How will these customer's generation supply costs be billed?

A. An individual GSR-2 bill shall be calculated for each default service customer in this group based upon actual costs plus allocated administrative costs as described in Exhibit SFA-2. Pro forma tariff pages setting forth the proposed GSR-2 are provided in Appendix D to the Company's Petition.

Q Does this conclude your testimony?

A. Yes.

UGI Electric Exhibit SFA-1

Stephen F. Anzaldo
Director – Rates and Regulatory Planning

Work Experience

2015 – current	Director – Rates and Regulatory Planning UGI Utilities, Inc., Denver, PA
2011 – 2013	Director – FP&A, Mid-Atlantic Region American Water Works Company, Inc., Hershey, PA
2009 – 2011	Vice President - Finance Pennsylvania American Water Inc., Hershey, PA
2006 – 2009	Treasurer Aqua America Inc., Bryn Mawr, PA
2004 – 2006	Assistant Treasurer Aqua America Inc., Bryn Mawr, PA
1996 – 2003	Accounting Manager Trigen-Philadelphia Energy Corp., Philadelphia., PA
1991 – 1996	Financial Planning Manager Trigen-Philadelphia Energy Corp., Philadelphia., PA
1985 – 1991	Corporate Accountant General Waterworks Corporation, King of Prussia, PA
1983 – 1985	Certified Public Accountant Cogen, Sklar, Levick & Company, Bala Cynwyd, PA
1981 - 1983	Certified Public Accountant Morris J. Cohen & Company, Philadelphia, PA

Previous Testimony

Default Service Plan:	Docket Nos. P-2016-2543523, G-2016-2543527
UGI Electric Base Rate Case:	Docket No. R-2017-2640058
UGI Gas Base Rate Case:	Docket No. R-2018-3006814
UGI Electric DSIC Petition:	Docket No. P-2017-2619834
UGI Gas Base Rate Case	Docket No. R-2019-3015162

Education

MBA - Finance from St. Joseph's University, 1998
B.S. in Accounting from St. Joseph's University, 1981
Certified Public Accountant - Commonwealth of Pennsylvania

UGI Utilities, Inc. - Electric Division
Default Service Filing: Effective June 1, 2021 - May 31, 2025
Annual Administrative Expense Allocation

Administrative Expenses Description	Rate Groups		
	GSR-1	GSR-2	Total
Non-Labor Costs			
PJM Membership Fee	$ 2,258	$ 242	$ 2,500
Outside Legal Expenses	$ 2,709	$ 291	$ 3,000
RFP Monitoring Service	$ 44,000	$ -	$ 44,000
Enverus (PRT Inc.) Load and Weather Forecasting Services	$ 19,552	$ 2,098	$ 21,650
Labor and Benefits			
Filing Costs - Salaries	$ 7,570	$ 812	$ 8,382
Supply Procurement	$ 5,881	$ -	$ 5,881
Load Research Meter Reading	$ 106,382	$ -	$ 106,382
Allocation of Supply Costs to Groups	$ 3,371	$ 362	$ 3,733
Hourly Billing - GSR-2 (Meter Reading)	$ -	$ 25,001	$ 25,001
Hourly Billing - GSR-2 (Large Customer Bill Preparation)	$ -	$ 37,100	$ 37,100
Total Annual Costs	$ 191,724	$ 65,907	$ 257,630
Total Annual Costs with GRT	$ 203,745	$ 70,039	$ 273,784