

LARGE FILING SEPARATOR SHEET

CASE NUMBER: 14-1277-EL-CSS

FILE DATE: 6/28/2017

SECTION: 1 OF 5

FILED BY: Armstrong & Okey, Inc.

FILED ON BEHALF OF: Duke Energy

NUMBER OF PAGES: 201

DESCRIPTION OF DOCUMENT: Exhibits

FILE

PUCO EXHIBIT FILING

Date of Hearing: 6/13/2017

Case No. 14-1277-EL-CSS

PUCO Case Caption: _____

Direct Energy Business

v.

Duke Energy Ohio

2017 JUN 28 PM 2:12
PUCO

List of exhibits being filed:

Duke Energy Ohio Exhibits: 2, 3, 4, 5, 6, 13, 14, 15, 16, 17, 18

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Reporter's Signature: Carolyn M. Burke

Date Submitted: 6/26/2017

BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

- - -

Direct Energy Business,	:	
LLC,	:	
	:	
Complainant,	:	
	:	
vs.	:	Case No. 14-1277-EL-CSS
	:	
Duke Energy Ohio, Inc.,	:	
	:	
Respondent.	:	

- - -

PROCEEDINGS

before Mr. Nicholas Walstra, Attorney Examiner, at the Public Utilities Commission of Ohio, 180 East Broad Street, Room 11-C, Columbus, Ohio, called at 10:15 a.m. on Tuesday, June 13, 2017.

- - -

ARMSTRONG & OKEY, INC.
222 East Town Street, 2nd Floor
Columbus, Ohio 43215-5201
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- - -

Duke Energy Ohio
Case No. 14-1277-EL-CSS
Direct Energy Third Set Production of Documents
Date Received: April 17, 2015

DIRECT-POD-03-005

REQUEST:

Referencing page 8, lines 15-22 of the Direct Testimony of Timothy Abbott, please provide all documents whereby Direct Energy “confirmed its agreement” to “buyer unilateral” confirmation.

RESPONSE:

Objection. This Document Request seeks information accessible by Direct Energy, which has access to PJM’s electronic tools and which is a party to the confirmation. Without waiving said objection, to the extent discoverable, and in the spirit of discovery, see Attachment DIRECT-POD-03-005.

PERSON RESPONSIBLE: Legal

48312 Direct Energy

[Back to Dashboard](#) > [Contract 48312](#)

Contract	Comments	Schedules	History
Name	Direct Energy Business E	Contract ID	48312
Start Date	01/01/2012	Stop Confirmed	05/31/2015
Pricing	Real Time	Stop Pending	
Seller	DERECO confirmed Laura Peter 12/21/2011 16:50	Buyer	DERECO confirmed Scott Scheidler 12/20/2011 12:11
Confirmation	BUYER LINE LATERAL	Service	RTL ED RESP
Source	DECK ZONE	Sink	DECK ZONE

DUKE ENERGY OHIO

Certified Supplier Tariff

Company Office Location

139 East Fourth Street

Cincinnati, OH 45202

Issued: December 19, 2011

Effective: January 1, 2012

**Issued by
Julie Janson - President
Duke Energy Ohio
139 East Fourth Street
Cincinnati, OH 45202**

CERTIFIED SUPPLIER TARIFF TABLE OF CONTENTS

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Filed pursuant to an Entry dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public
Utilities Commission of Ohio.

Issued: December 19, 2011

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Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 20
Sheet No. 10.2
Cancels and Supersedes
Sheet No. 10.1
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Tariff
Sheet No.

CHARGES:

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS

"Ancillary Services" means those services that are necessary to support the transmission of energy from generation resources to End-use Customer loads while maintaining reliable operation of the transmission provider's transmission system in accordance with Good Utility Practice. As used herein, "Ancillary Services" include, but are not limited to, Ancillary Services as defined by Order No. 890 issued by FERC on February 16, 2007, as amended.

"Arrears" means previous charges that are unpaid at the time the current bill is generated.

"Authorized Payment Agency" means a third-party agent (bank, savings & loan, etc.) that has been authorized to collect payments on behalf of the Company.

"Backcast" means an after-the-fact calculation of a Certified Supplier's estimated hourly load obligation based upon actual weather and system load.

"Balancing Authority Area" means an electric power system or combination of electric power systems to which a common automatic generation control scheme is applied in order to:

- a) match, at all times, the power output of the generators within the electric power system(s) and capacity and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- b) maintain scheduled interchange with other Balancing Authority Areas, within the limits of Good Utility Practice;
- c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice; and
- d) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

"Bill-Ready" means a Consolidated Billing option available to a Certified Supplier where the Certified Supplier submits its charges and associated descriptions to the Company, as described in Section 10.9 herein, for presentment to the End-use Customer on the Company's invoice.

"Billing Cycle" means the time frame between two regularly scheduled Meter Read Dates. End-use Customer meter readings are obtained on a regular schedule, which is managed by the Company.

"Bulk Electric System" has the same meaning as that used by ReliabilityFirst, as such definition may be updated from time to time by FERC.

"Certified Broker/Aggregator" means any person, corporation, or other entity, other than the Company, that is authorized by the Commission to certified by the Commission to provide brokerage or aggregation (governmental or otherwise) services in the Company's service territory.

"Certified Supplier" means any person, corporation, or other entity, other than the Company, that is authorized by the Commission to sell electricity to End-use Customers, utilizing the jurisdictional distribution facilities of the Company and registered in the Company's Customer Choice Program.

"Certified Supplier Service Agreement" means an agreement that must be signed by both the Certified Supplier and the Company in order for the Certified Supplier to participate in the Company's Customer Choice Program, stating the rights and obligations of each party in the Company's Customer Choice Program.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

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"Certified Supplier Services" means those services that provide the interface and coordination between the Certified Supplier and the Company in order to effect the delivery of Competitive Retail Electric Service to serve End-use Customers located within the Company's service territory.

DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (Contd.)

"Certified Supplier Service Charges" means all Charges stated in the Certified Supplier Tariff and attached rate schedules for those services rendered by the Company or its agent for Certified Supplier Services performed hereunder.

"Certified Supplier Tariff" means the Company's P.U.C.O. Electric No. 20.

"Charge" means any fee or charge that is billable by the Company or its agent to a Certified Supplier or TSA, under this Certified Supplier Tariff, including any Certified Supplier Service Charge or fees subject to the OATT or to the Duke Energy Business Services Ancillary Services Tariff.

"Commission" means the Public Utilities Commission of Ohio.

"Commodity" means the unbundled generation service of electric energy which End-use Customers may purchase from a Certified Supplier in the Customer Choice Program.

"Company" means Duke Energy Ohio, Inc.

"Competitive Retail Electric Service" means any service involved in supplying or arranging for the supply of electric energy to End-use Customers that has been declared competitive pursuant to the Ohio Revised Code or an order of the Commission.

"Consolidated Billing" means a billing service where the Company bills for both the Regulated Utility Charges and the Certified Supplier's charges, unless otherwise provided in the Company's tariff.

"Customer Choice Program" means the program offered in the state of Ohio, under which an End-use Customer may select a Certified Supplier.

"DASR" means Direct Access Service Request, an electronic form of communication that is exchanged between the Company and a Certified Supplier in certain circumstances.

"Distribution Losses" means energy losses that occur on the Company's distribution system in the process of delivering electric energy to End-use Customers. These losses are usually expressed as a percent of the total energy consumed.

"Duke Energy Business Services" means Duke Energy Business Services LLC, a service-company subsidiary of Duke Energy Corporation and an affiliate of the Company.

"Duke Energy Business Services Ancillary Services Tariff" means either the Ancillary Services tariff that is filed with and accepted by FERC and under which certain Ancillary Services Charges are billed in the Company's service territory or that portion of the Transmission Provider's OATT under which those certain Ancillary Services Charges are billed.

"Duke Energy Ohio Transmission System" means the portion of the transmission system that is owned by the Company.

"EDI" means Electronic Data Interchange, a standard format for the exchange of electronic information.

"End-use Customer" means the final user of generation and regulated delivery services.

"Energy Imbalance" means the difference between the energy scheduled by a Certified Supplier or its designated TSA and the End-use Customer's metered consumption adjusted for unaccounted energy.

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"FERC" means the Federal Energy Regulatory Commission, the agency that has primary jurisdiction over energy regulation at the federal level.

DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (Contd.)

"Federal Reserve Lending Rate" means the interest rate at which the Federal Reserve lends money, as published daily on Bloomberg's money market rate page.

"Flat Rate" means a rate by which a Certified Supplier's total charge to its End-use Customers is based on one price per quantity of electric generation consumed, regardless of the total volume used or time of use.

"Generation Resource Mix" means the source of the physical resource required to generate electricity (e.g. green power, coal, or nuclear).

"Good Utility Practice" means any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods, and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost, consistent with good business practices, reliability, safety, and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather to be acceptable practices, methods, or acts generally accepted in the region.

"Interconnected Operations Services" means services, in addition to Ancillary Services, to facilitate the delivery of power to the End-use Customer (e.g., transmission services, real power transmission losses).

"Interval Meter" means an electric meter that records an End-use Customer's electric usage for a defined interval, allowing the possibility for consumption during different time periods to be billed at different rates and providing a means for an End-use Customer's load pattern to be analyzed.

"kW" means kilowatt. One kilowatt equals 1,000 watts.

"kWh" means kilowatt-hour. One kWh is defined as one kilowatt of power supplied to or taken from an electrical circuit steadily for one hour. One kilowatt-hour equals 1,000 watt-hours.

"Load Forecast" means an hourly projection of load prepared by a Transmission Customer for its load in the Company's service territory, consisting of, but not limited to, the aggregated load of customers using Monthly and Interval Meters, as adjusted for Transmission and Distribution Losses.

"Load Profile," as applied to an End-use Customer, a group of End-use Customers, a class, or a system, means a "curve" (as graphically plotted point-to-point, after midnight to midnight) that shows the power (as actual consumption or "normalized" as a percentage of maximum demand) supplied during a specific period of time, plotted by time of occurrence.

"Load Research Meters" means Interval Meters installed by the Company throughout its service territory that monitor hourly energy consumption of selected End-use Customers, in order to provide data for developing Load Profiles for various customer classes.

"Mercantile Customer" means an End-use Customer that uses electricity for nonresidential purposes and consumes greater than or equal to 700,000 kWh of electricity per year or is part of a national account involving multiple facilities in one or more states.

"Meter Data Management Agent" means the party designated by the TSA to provide hourly metered load data to the RTO.

"Meter Read Date" means the date on which the Company schedules a meter to be read for purposes of producing an End-use Customer bill in accordance with the Company's regularly scheduled Billing Cycles.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (Contd.)

"Monthly Meter" means a meter that records total energy (kWh) and peak demand (kW), where applicable, for the Billing Cycle but does not have the capability to record the dates and times the energy was consumed.

"Multi-tiered Rate" means a rate where each group (tier) of units of consumption (kWh) are priced at a certain rate while other groups of units of consumption are priced at a different rate or rates.

"MW" means megawatt. One megawatt equals one million watts or 1,000 kilowatts.

"MWH" means megawatt-hour. One megawatt-hour equals one million watt-hours or 1,000 kilowatt-hours.

"NERC" means North American Electric Reliability Corporation, the electric reliability organization, under the jurisdiction of FERC, that is responsible for creating and enforcing standards associated with the reliability of the Bulk Electric System.

"Nonmercantile customer" means an End-use Customer that uses electricity for nonresidential purposes and consumes less than 700,000 kWh of electricity per year and is not part of a national account involving multiple facilities in one or more states.

"Non-volumetric Rate" means a fixed monthly charge to the End-use Customer, regardless of the amount of consumption.

"OASIS" means Open Access Same Time Information Systems, which are electronic systems established pursuant to FERC Final Order No. 889 to share information about Transmission Providers' available transfer capability.

"OATT" means PJM's Open Access Transmission Tariff, which is the open access transmission tariff on file with FERC and which sets forth the rates, terms, and conditions of transmission service over transmission facilities located in the Transmission Provider's Balancing Authority Area, which includes the Duke Energy Ohio Transmission System.

"PAR" means Purchase of Accounts Receivable, a payment remittance option available to Certified Suppliers utilizing the Company's Consolidated Billing Option, under which the Company pays the Certified Supplier a discounted amount on a monthly basis, in exchange for the assignment and purchase, without recourse, of the Certified Supplier's accounts receivable, represented by the current Certified Supplier charges presented on the Company's invoice, during a period of time when a Purchase of Accounts Receivable agreement is in effect between the Company and the Certified Supplier.

"Percentage-off Rate Option" means a rate option under which a Certified Supplier may charge a rate to its End-use Customers that is calculated as a stated percentage less than the Company's SSO.

"PIPP" means Percentage of Income Payment Plan, a statewide utility program in Ohio that sets guidelines for low-income End-use Customer payments to utilities.

"Rate-Ready" means a Certified Supplier billing option under which the Company will perform consumption calculations and apply the Certified Supplier's rates to create charges for the End-use Customer for presentment on the End-use Customer's bill issued by the Company.

"Record Layouts" means a predefined format for which data is organized for electronic transmission.

"RTO" means Regional Transmission Organization, an organization responsible for the functional control of the Bulk Electric System within its boundaries.

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DEFINITION OF TERMS AND EXPLANATION OF ABBREVIATIONS (Contd.)

"Regulated Utility Charges" means utility charges for noncompetitive services including, but not limited to, tariffed distribution services that are under the jurisdiction of the Commission. May also include utility charges for noncompetitive gas services.

"ReliabilityFirst" means the regional reliability organization certified by NERC as its delegate for the purposes of proposing reliability standards and monitoring compliance with those standards within the region that includes the Company's service territory.

"Residential End-use Customer" means an End-use Customer who uses electricity for residential purposes.

"Retail Tariff" means a Company tariff filed with the Commission as P.U.C.O. Tariff No. 19 and containing the Company's service regulations, tariff rate schedules, and tariff rider schedules for End-use Customers.

"Service Regulations" means the Certified Supplier Service Regulations found in the Company's Certified Supplier Tariff.

"Special Meter Reads" means meter reads requested by Certified Suppliers on dates other than the scheduled, monthly Meter Read Date.

"SSO" means Standard Service Offer, which is an offer by the Company, as approved by the Commission, to End-use Customers in its service territory, for all competitive retail electric services necessary to maintain essential electric service, including a firm supply of electric generation service.

"Tariff Rate Schedules" means documents filed with the Commission that specify the Charges for various Certified Supplier Services.

"Time of Use Rate" means a rate where the amount charged per unit (kWh or kW) varies according to the time of day it was consumed, reflecting the difference in on-peak and off-peak demands and the costs to provide service at those times.

"Transmission Customer" means an entity authorized to schedule power into, out of, or through the Transmission Provider's Balancing Authority Area, as described in the OATT.

"Transmission Provider" means the entity administering the OATT and providing transmission service to transmission customers under applicable transmission service agreements.

"Transmission Provider's Balancing Authority Area" means the Balancing Authority Area within which the Company's service territory exists.

"TSA" means Transmission Scheduling Agent, an entity that is an eligible Transmission Customer under the OATT, obtaining transmission service and performing transmission scheduling and other bulk power services to deliver electric energy into the Company's service territory for the Customer Choice Program. A Certified Supplier may act as a TSA if the Certified Supplier is an eligible Transmission Customer or may hire another entity that is an eligible Transmission Customer to perform these functions.

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Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SERVICE REGULATIONS

SECTION I THE CERTIFIED SUPPLIER TARIFF

1.1. Filing and Posting

A copy of the Certified Supplier Tariff, which contains these Service Regulations and the associated Tariff Rate Schedules under which the Company will provide Certified Supplier Services to Certified Suppliers, is on file with the Commission and is posted and open to inspection at the offices of the Company during regular business hours.

1.2. Revisions

The Certified Supplier Tariff may be revised, amended, supplemented, or otherwise changed from time to time in accordance with the Commission Regulations, and such changes, when effective, shall supersede the present Certified Supplier Tariff.

1.3. Application

The Certified Supplier Tariff provisions apply to all Certified Suppliers providing Competitive Retail Electric Service to End-use Customers located in the Company's service territory, including an affiliate or division of the Company that provides Competitive Retail Electric Service, and with whom the Company has executed a Certified Supplier Service Agreement. In addition, the Charges in the attached rate schedules shall apply to anyone receiving service unlawfully or to any unauthorized or fraudulent receipt of any Competitive Retail Electric Service.

1.4. Service Regulations

These Service Regulations, filed as part of the Certified Supplier Tariff, are part of every Certified Supplier Service Agreement entered into by the Company pursuant to the Certified Supplier Tariff and govern all Certified Supplier Services, unless specifically modified by a Tariff Rate Schedule. The obligations imposed on Certified Suppliers in these Service Regulations apply as well to anyone receiving service unlawfully or to any unauthorized or fraudulent receipt of any Competitive Retail Electric Service.

1.5. Statement by Agents

No Company representative has authority to modify a Certified Supplier Tariff rule or provision, or to bind the Company by any promise or representation contrary thereto.

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**SECTION II
SCOPE AND PURPOSE OF TARIFF**

2.1. Applicability of Terms to Certified Suppliers

The Certified Supplier Tariff sets forth the basic requirements for interactions and coordination between the Company, as the provider of distribution services, and the Certified Supplier necessary for ensuring the delivery of Competitive Retail Electric Service from Certified Suppliers to their End-use Customers.

2.2. Joint Undertakings

Except as expressly provided in the Certified Supplier Tariff, the covenants, obligations, and liabilities of the Company, Certified Supplier, and TSA are intended to be several and not joint or collective and nothing contained in this Certified Supplier Tariff shall ever be construed to create an association, joint venture, trust, or partnership, or to impose a trust or partnership covenant, obligation, or liability on or with regard to the other such entities. Each such entity shall be individually responsible for its own covenants, obligations, and liabilities, as provided in this Certified Supplier Tariff. No such entity shall be under the control of or shall be deemed to control any of the other such entities. No such entity shall be the agent of or have a right or power to bind the other such entities without such other entities' express written consent.

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SECTION III
RELATIONSHIPS AMONG CUSTOMER CHOICE PROGRAM PARTICIPANTS

3.1. End-use Customer to Company

The End-use Customer purchases delivery services from the Company under P.U.C.O. Electric No. 19 or other applicable tariffs of the Company.

3.2. Certified Supplier to End-use Customer

Certified Suppliers sell electric energy to the End-use Customer pursuant to contractual arrangements that are not part of the Company's tariffs. The Company is not a party to such sale of electric power and energy to the End-use Customer taking service from a Certified Supplier and shall not be bound by any term, condition, or provision of any agreement for such sale.

3.3. Certified Supplier and its Designated TSA to the Company

Certified Suppliers and their designated TSAs are not agents of the Company and shall have no authority to enter into any agreement on behalf of the Company or to amend, modify, or alter any of the Company's tariffs, contracts, or procedures, or to bind the Company through any promises, representations, acts, or omissions.

3.4. Certified Supplier or its Designated TSA to Duke Energy Business Services

Duke Energy Business Services shall bill the entity acting as the TSA for the appropriate Ancillary Services, and the TSA shall pay such amounts in accordance with the terms of the Duke Energy Business Services Ancillary Services Tariff.

**SECTION IV
COMPANY AND CERTIFIED SUPPLIER OBLIGATIONS (GENERAL TERMS)**

4.1. Availability of Certified Supplier Services

The Company or its agent shall make available, at a tariffed rate, Certified Supplier Services, as defined in the attached rate schedules.

4.2. Timeliness and Due Diligence

Certified Suppliers shall exercise due diligence in meeting their obligations and deadlines under the Certified Supplier Tariff so as to facilitate the Customer Choice Program.

4.3. Duty of Cooperation

The Company and each Certified Supplier or its designated TSA will cooperate in order to ensure delivery of Competitive Retail Electric Service to End-use Customers as provided for by the Certified Supplier Tariff, Retail Tariff Rate Schedules, the OATT, the Ohio Revised Code, and orders of the Commission.

4.4. State Certification

A Certified Supplier must have and maintain certification from the Commission as an authorized Certified Supplier in order to be eligible to participate in the Company's Customer Choice Program.

4.5. Registration and Participation Requirements

Each Certified Supplier desiring to register in the Company's Customer Choice Program must meet the registration and participation requirements described in Section V of these Service Regulations.

4.6. Energy Procurement

A Certified Supplier or its designated TSA shall make all necessary arrangements for obtaining Competitive Retail Electric Service in a quantity sufficient to serve its End-use Customers.

4.7. Certified Supplier Wholesale Power Responsibilities

A Certified Supplier or its designated TSA is responsible for procuring those Ancillary and Interconnected Operations Services that are necessary for the delivery of Competitive Retail Electric Service to its End-use Customers.

4.8. Multiple Certified Suppliers

Only one Certified Supplier shall provide Competitive Retail Electric Service to a specific End-use Customer's account during any given Billing Cycle.

4.9. Partial Competitive Retail Electric Service

An End-use Customer is not permitted to have partial Competitive Retail Electric Service. The Certified Supplier shall be responsible for providing the total energy consumed by the End-use Customer's account during any given Billing Cycle.

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**SECTION IV
COMPANY AND CERTIFIED SUPPLIER OBLIGATIONS (GENERAL TERMS) (Contd.)**

4.10. Distribution Losses

In addition to supplying the energy to serve End-use Customer load, a Certified Supplier or its designated TSA will be responsible for scheduling and supplying the associated Distribution Losses.

4.11. Scheduling

A Certified Supplier or its designated TSA must make all necessary arrangements for scheduling the delivery of energy, including, but not limited to, providing for necessary real power losses, into the Company's service territory pursuant to the OATT.

4.12. Reliability Requirements

A Certified Supplier or its designated TSA shall satisfy all reliability requirements imposed by the Commission, FERC, NERC, ReliabilityFirst, or any successor organizations or any other governing reliability councils with authority over the Certified Supplier or its designated TSA. Any penalties or sanctions issued by such organizations' governing reliability councils to the registered entity for the Duke Energy Ohio Transmission System will be apportioned by the Company to any Certified Supplier or its designated TSA whose actions contributed to the violation in reasonable proportion to the degree in which the actions contributed to the violation.

4.13. Supply of Data

A Certified Supplier, TSA, and the Company shall supply to each other all data, materials or other information specified in this Certified Supplier Tariff, or otherwise reasonably required by the Certified Supplier, TSA or Company in connection with the provision of Certified Supplier Services, in a thorough and timely manner and according to the inspection procedures and within the time period reasonably designed to protect the confidentiality of the information requested to be reviewed.

4.14. Record Retention

A Certified Supplier, its designated TSA, and the Company shall comply with all applicable laws and with Commission and FERC rules and regulations for record retention. In addition, a Certified Supplier and its designated TSA shall comply with the record retention requirements set forth in these Service Regulations.

4.15. Payment Obligation

The Company shall not be required to provide Certified Supplier Services to a Certified Supplier unless the Certified Supplier is current in its payment of all Charges owed under this Certified Supplier Tariff.

4.16. Certified Supplier Marketing and Solicitation

Each Certified Supplier participating in the Company's Customer Choice Program shall follow the Commission rules for Competitive Retail Electric Service providers.

4.17. Company Standards of Conduct with Respect to Marketing Affiliates

The Company shall follow the Commission established Standards of Conduct with respect to marketing affiliates.

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SECTION IV
COMPANY AND CERTIFIED SUPPLIER OBLIGATIONS (GENERAL TERMS) (Contd.)

4.18. Emergency Operation

If the Transmission Provider or Duke Energy Corporation determines that an emergency exists, the Certified Supplier or its designated TSA shall comply with any reliability directives issued by the Transmission Provider or Duke Energy Corporation, as required by NERC reliability standards.

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SECTION V
CERTIFIED SUPPLIER REGISTRATION AND PARTICIPATION REQUIREMENTS

5.1. Registration and Participation Requirements

Each Certified Supplier desiring to register with the Company for participation in the Company's Customer Choice Program must meet the following registration and participation requirements:

- a) Provide proof of Commission certification to the Company.
- b) Meet the Company's credit requirements as described in Section VI - Credit Requirements.
- c) Attend the Company-sponsored Certified Supplier Training Program.
- d) Submit a satisfactorily completed Certified Supplier Registration & Credit Application to the Company.
- e) Satisfactorily demonstrate that the proper electronic communications capabilities are operational.
- f) Execute the Company's EDI Trading Partner Agreement.
- g) Execute the Company's Certified Supplier Service Agreement.
- h) Pay the registration fee, as set forth in the attached rate schedule.
- i) Satisfactorily complete EDI testing for applicable transaction sets necessary to commence service.

5.2. Registration Process

The Company shall approve or disapprove the supplier's registration within thirty calendar days of receipt of complete registration information from the supplier. The thirty-day time period may be extended for up to thirty days for good cause shown, or until such other time as is mutually agreed to by the supplier and the Company.

The Company will notify the supplier of incomplete registration information within ten calendar days of receipt. The notice shall include a description of the missing or incomplete information.

5.3. Registration Notification

Upon satisfactorily meeting the Company's registration and participation requirements and posting any necessary credit enhancement, the Certified Supplier will be eligible to participate in the Company's Customer Choice Program. The Certified Supplier will be promptly notified once its registration is complete, and the Certified Supplier's name will be posted on the Company's web page of eligible participants.

5.4. Changes in Registration Information

The enrolled Certified Supplier will notify the Company, in writing, on an on-going basis, of any change to the information it was required to provide to the Company or Commission during the registration process. If the Company receives information from any source that suggests that the Certified Supplier's registration information has changed, the Company may require the Certified Supplier to supply current information regarding continued eligibility for registration. The Certified Supplier is required to respond to such requests in writing within five business days.

SECTION V
CERTIFIED SUPPLIER REGISTRATION AND PARTICIPATION REQUIREMENTS (Contd.)

5.5. Transmission and Ancillary Services

The Certified Supplier is also responsible for obtaining transmission and Ancillary Services associated with the transmission and distribution of electric energy, including transmission and Distribution Losses, to its End-use Customers. The Certified Supplier may contract with a TSA to obtain these services. If a Certified Supplier acts as its own TSA or contracts with a different entity to act as TSA for these services, the Certified Supplier shall notify the Company in the form of the designation described in Section 15.2 herein.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION VI CREDIT REQUIREMENTS

6.1. Credit Application

All Certified Suppliers must complete and sign the Company's Certified Supplier Registration & Credit Application to be considered for participation in the Company's Customer Choice Program.

6.2. Determination of Creditworthiness

The Company will apply, on a non-discriminatory and consistent basis, reasonable financial standards to assess and examine a Certified Supplier's creditworthiness and, based on that examination, shall determine the amount of unsecured credit, if any, to be granted to the Certified Supplier. These standards will take into consideration the scope of operations of each Certified Supplier and the level of risk to the Company. This determination will be aided by the appropriate data concerning the Certified Supplier, including tangible net worth and load data, or a reasonable estimate thereof, where applicable.

Notwithstanding the foregoing, a Certified Supplier that has, and maintains, investment grade senior unsecured debt ratings from both Standard & Poors and Moody's Investors' Services, as defined in the following table, shall be presumed to be creditworthy; provided, however, that the Company may limit the amount of unsecured credit to be granted to such Certified Supplier if the Company reasonably determines that such limitation is necessary to protect the Company from an unacceptable level of risk.

Agency	Senior Securities Rating (Bonds)
Standard & Poors	BBB- or higher
Moody's Investors' Services	Baa3 or higher

The Certified Supplier will provide the Company with its or its parent's most recent independently-audited financial statements, if applicable, and it or its parent's most recent Form 10-K and Form 10-Q, if applicable.

The Company shall make reasonable alternative credit arrangements with a Certified Supplier that is unable to meet the aforementioned criteria and with those Certified Suppliers whose credit requirements exceed their allowed unsecured credit limit. The Certified Supplier may choose from any of the following credit arrangements in a format acceptable to the Company: a parental guarantee of payment; an irrevocable letter of credit; a cash deposit; or other mutually agreeable security or arrangement. The alternate credit agreements may be provided by a party other than the Certified Supplier, including one or more ultimate customers. The fact that a guarantee of payment, irrevocable letter of credit or cash deposit is provided by a party other than the Certified Supplier shall not be a factor in the determination of the reasonableness of any alternative credit arrangement, as long as such party and the related credit arrangements meet the Company's standard credit requirements. The amount of the security required must be and remain commensurate with the financial risks placed on the Company by that Certified Supplier, including recognition of that Certified Supplier's performance.

The Company will calculate the amount of the Certified Supplier's collateral requirement by multiplying thirty days of the Company's estimate of the Certified Supplier's summer usage times a price set at the next July forward index price, as established by a generally accepted industry price index for wholesale power delivered to the Company's load zone within the RTO, and subtracting therefrom the amount of the Certified Supplier's allowed unsecured credit limit.

If the Certified Supplier has voluntarily entered into an agreement whereby the Company purchases the Certified Supplier's receivables, then the Company will reduce the collateral it requires from the Certified Supplier by an amount equal to thirty days of the Company's estimate of the summer kilowatt-hours used by the Certified Supplier's customers, divided by two, multiplied by the Certified Supplier's specific price per kilowatt hour, and multiplied by the difference between one and the portion of one representing the Company's current experience with uncollectible accounts.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION VI
CREDIT REQUIREMENTS (Contd.)**

6.3. Interest on Cash Deposits

The Company will allow simple interest on cash deposits calculated at the lower of the average of the Federal Reserve Lending Rate over the time period the cash is on deposit or 4.5% annually. In cases of discontinuance or termination of services, cash deposits will be returned with accrued interest upon payment of all Charges, guarantees and with deduction of unpaid accounts.

6.4. On-going Credit Evaluation

The Company reserves the right to review each Certified Supplier's creditworthiness at any time. The Certified Supplier must provide current financial and credit information. In addition, the Certified Supplier may request re-evaluation at any time. It is anticipated that demand, unanticipated market movements and economic reasons will result in exposures nearing or exceeding the prescribed credit limits or collateral originally in place. It is also noted that additional collateral may be required due to a degradation of credit rating or repayment ability of a Certified Supplier. Any subsequent review or re-evaluation of a Certified Supplier's creditworthiness may result in the Certified Supplier being required to post collateral not previously requested. The new, additional or change in collateral requirement will be necessary to enhance, restore or maintain the Company's credit protection. In the alternative, the Company may limit a Certified Supplier's level of participation or remove the Certified Supplier from further participation in the Company's Customer Choice Program.

6.5. Financial Obligation – Dispute Resolution

If the Certified Supplier disputes the calculation of the amount due, as calculated by the Company, the Certified Supplier shall notify the Company not later than the close of business on the business day following the due date. The parties will consult each other in good faith in an attempt to resolve the dispute. If the parties fail to resolve the dispute by the close of business on the business day following the notification of the dispute by the Certified Supplier, the Certified Supplier shall comply with the Company's request for payment. The Certified Supplier may appeal the Company's determination of credit requirements to the Commission or seek Staff mediation as to any dispute.

If it is determined that the payment shall be less than the amount requested by the Company, the Company shall refund the excess payment plus interest calculated at the lower of the average of the Federal Reserve Lending Rate over the time period the cash is on deposit or 4.5% annually to the Certified Supplier by the close of business on the business day following receipt of the Commission's or Staff's determination.

**SECTION VII
END-USE CUSTOMER ENROLLMENT PROCESS**

7.1. Certified Supplier Authorization to Enroll

In order to be authorized to enroll End-use Customers in the Company's Customer Choice Program, a Certified Supplier must meet the requirements contained in Section V - Certified Supplier Registration and Participation Requirements, must have submitted a TSA Designation form to the Company, must meet all Transmission Provider requirements to deliver power to its End-use Customers located on the Duke Energy Ohio Transmission System and must, where applicable, have the appropriate rates in production within the Company's billing system, as described in Section X - Billing Services and Obligations. No enrollment requests will be accepted until all of such requirements have been met. Aggregators or governmental aggregators must either become a Certified Supplier as described above or must act through a Certified Supplier.

7.2. Percentage of Income Payment Plan (PIPP) Customers

PIPP customers are not individually eligible to select a Certified Supplier.

7.3. Pre-Enrollment End-use Customer Information List

- a) Upon request, the Company will electronically provide to any Certified Supplier or Certified Broker/Aggregator the most recent End-use Customer information list. The Certified Supplier or Certified Broker/Aggregator will pay the Company \$150.00 for providing the list to the supplier or broker/aggregator.
- b) The End-use Customer information list will be updated quarterly. Once the list has been updated, a Certified Supplier or Certified Broker/Aggregator may not use an End-use Customer information list from a prior quarter to contact End-use Customers, but Certified Suppliers and Certified Broker/Aggregators shall not be required to purchase subsequent lists.
- c) The Company will provide each End-use Customer the option to have all the End-use Customer's information listed in the section below removed from the End-use Customer information list. At the same time, the Company will also provide each End-use Customer the option to have all End-use Customer's information listed below reinstated on the End-use Customer information list. Each End-use Customer will be provided written notice of his or her options on a quarterly basis.
- d) The following information will be provided on the End-use Customer information list for each End-use Customer that has not requested that its information be removed from this list:
 - i) End-use Customer name
 - ii) Service address
 - iii) Service city
 - iv) Service state and zip code
 - v) Billing address
 - vi) Billing city
 - vii) Billing state and zip code
 - viii) Rate schedule under which service is rendered, including class and sub-class (if applicable)
 - ix) Rider (if applicable)
 - x) Load profile reference category

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Issued: December 19, 2011

Effective: January 1, 2012

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**SECTION VII
END-USE CUSTOMER ENROLLMENT PROCESS (Contd.)**

- xi) Meter type (will provide information that is readily available)
 - xii) Interval Meter data indicator (will provide information that is readily available)
 - xiii) Budget bill/PIPP indicator
 - xiv) Meter Read Cycle
 - xv) Most recent twelve months of historical consumption data (actual energy usage plus demand, if available)
 - xvi) Meter number
 - xvii) Customer classification
 - xviii) Special rate indicator
- e) The Company will provide the End-use Customer information list on either a compact disc or a designated website. The information will be prepared and distributed in a uniform and useable format that allows for data sorting. End-use Customers participating in the PIPP program will be served exclusively through the PIPP program administered by the Ohio Department of Development.
- f) The Company shall make available, upon request, a quarterly updated sync list to CRES providers on a confidential basis showing the accounts that are enrolled with the CRES provider.
- 7.4. Certified Supplier Requests for End-use Customer Information
- a) Certified Suppliers may request historical Interval Meter data through a DASR after receiving the appropriate End-use Customer authorization. The Interval Meter data will be transferred in a standardized electronic transaction. The Certified Supplier will be responsible for the incremental costs incurred to prepare and send such data. The charges for these services are listed in this tariff.
 - b) Generic End-use Customer information will be readily available on a designated web site.
 - c) For End-use Customer specific information and to decrease the possibility of End-use Customer "slamming", the Certified Suppliers must obtain, and maintain in their files, End-use Customer authorizations, as dictated by Commission rules, which authorize the release of the End-use Customer's historical usage data. These authorizations must be made available to the Company, upon request, within three business days and must be retained by the Certified Supplier for a period not less than two calendar years after the calendar year in which received or such longer period as may be required by law or Commission rules.
 - d) Specific End-use Customer information will include twelve months of historical data (if available) including monthly kWh usage, Meter Read Dates, and associated monthly maximum demand history, if applicable.
- 7.5. Direct Access Service Requests (DASRs)
- a) Enrollment of individual End-use Customers, including individual End-use Customers participating in an aggregation or governmental aggregation program, is done through a DASR for each service account, which may be submitted only by Certified Suppliers.
 - b) An enrollment DASR will be effective on the next Meter Read Date, provided that it is received by the Company at least twelve calendar days before the next Meter Read Date.
 - c) Enrollment DASRs will be effective according to the following schedule:

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

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END-USE CUSTOMER ENROLLMENT PROCESS (Contd.)**

- i) If an enrollment DADR is received twelve or more days prior to the next regularly scheduled Meter Read Date and no other enrollment DADR is currently pending, the enrollment DADR will be effective on the next regularly scheduled Meter Read Date.
 - ii) If an enrollment DADR is received less than twelve days prior to the next regularly scheduled Meter Read Date and no other enrollment DADR is currently pending, the enrollment DADR will be effective on the second regularly scheduled Meter Read Date after the enrollment DADR is received.
 - iii) If an enrollment DADR is currently pending, and another enrollment DADR is received, the first enrollment DADR will be effective and the second enrollment DADR will be rejected. There cannot be two pending enrollment DADRs for the same account at the same time.
- d) The Company will process all valid DADRs within one business day and send the End-use Customer confirmation within two business days. The Company will electronically advise the Certified Supplier of acceptance. Notice of rejection of the DADR to the Certified Supplier shall also be sent in one business day, if possible, but in no event later than four calendar days, and shall include the reasons for the rejection.
- e) The Company shall provide a rescission period as required by the Commission's rules. If the End-use Customer rescinds, the Company shall send a drop notice to the Certified Supplier. In the event of End-use Customer rescission, the previous Certified Supplier will continue to serve the End-use Customer under the same terms and conditions.
- f) Enrollments will be processed on a "first in" priority basis based on the received date, using contract date as the tiebreaker. If the contract date is the same, enrollments will be processed "first in" based on when the enrollment was electronically received by the Company.
- g) To participate in the Customer Choice Program, an End-use Customer must have an established electric service account with the Company. Accounts are established upon the assignment of an account number. Account numbers are assigned by the Company when a new party requests electric service for an existing location and upon meter installation for new construction. A Certified supplier may submit a DADR as described herein after the electric service account number is established.
- h)
- i) A separate DADR must be submitted for each service account.
- j) If a Certified Supplier has reached its participation limit as described in Section VI - Credit Requirements, additional enrollment DADRs from the Certified Supplier will be rejected and returned to the Certified Supplier until the Company approves additional credit enhancements.
- k) The Certified Supplier will be responsible for paying any Charge for a successfully processed enrollment DADR.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION VII
END-USE CUSTOMER ENROLLMENT PROCESS (Contd.)**

7.6. Communications from the Company to the End-use Customer

- a) Upon confirmation of a valid enrollment DASR from a Certified Supplier, the Company will mail the End-use Customer a confirmation notice within one business day after confirmation.
- b) Upon confirmation of a valid drop DASR from a Certified Supplier, the Company will mail the End-use Customer a confirmation notice within one business day after confirmation.
- c) Within one business day after receiving an End-use Customer's request to rescind an enrollment, the Company will initiate the rescission and mail the End-use Customer confirmation that such action has been taken.

7.7. End-use Customer Return to ESP-SSO Service

If an End-use Customer returns to the Standard Service Offer Rate, whether as a result of End-use Customer choice, Certified Supplier default, termination of a Certified Supplier contract, opt out or termination of a governmental aggregation program, Certified Supplier withdrawal, or any other reason, the rate to be charged by the Company to the End-use Customer will be governed by the Retail Tariff (P.U.C.O. Tariff No. 19).

7.8. Dispute Resolution

Any disputes concerning an End-use Customer's selection of a Certified Supplier that cannot be resolved among the End-use Customer and the affected Certified Suppliers may be directed to the Public Interest Center of the Commission by any of the parties involved.

SECTION VIII
END-USE CUSTOMER INQUIRIES AND REQUESTS FOR INFORMATION

8.1. End-use Customer Requests for Program Information and/or Usage Data

- a) The Company will send an information package containing a summary of customers' rights and obligations, including a current list of Certified Suppliers, to the End-use Customer's service or mailing address, under the following circumstances:
 - i) To all new End-use Customers, including any End-use Customer who opens a new account and has not received such a customer rights summary within the preceding year.
 - ii) To any End-use Customer upon request.
- b) The Company will maintain a list of Certified Suppliers, which list will identify all Certified Suppliers currently registered to enroll End-use Customers in the Company's service territory. The list of Certified Suppliers will also designate, if available, which customer classes Certified Suppliers will be serving. This list will be updated at least quarterly and will be available to End-use Customers as follows:
 - i) The list will be posted on a designated website.
 - ii) The list, together with an information package containing a summary of the program, will be supplied to any End-use Customer, upon request, and to any new End-use Customer, as set forth in Section 8.1(a).
- c) End-use Customers may contact the Company and request their twelve-month usage data, which will be sent to the End-use Customer's service or mailing address.

8.2. End-use Customer Inquiries Concerning Billing-Related Issues

- a) End-use Customer inquiries concerning the Company's charges or services should be directed to the Company.
- b) End-use Customer inquiries concerning a Certified Supplier's charges or services should be directed to the Certified Supplier.

8.3. End-use Customer Inquiries Related to Emergency Situations and Outages

- a) The Company will be responsible for responding to all inquiries related to distribution service, emergency system conditions, outages and safety situations. End-use Customers contacting the Certified Supplier with such inquiries should be referred directly to the Company.
- b) It may be necessary for the Company to curtail or shed End-use Customer load at the request of the Transmission Provider, or as otherwise provided by Commission-approved tariffs or required by NERC Reliability Standards. In such cases, the Company will follow the provisions of the Commission's rules and orders, NERC reliability standards, the Company's own Bulk Power Emergency Plan, or Energy Emergency Rules contained in the Company's Retail Tariff.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION IX
METERING SERVICES AND OBLIGATIONS**

9.1. Equipment Standards

Statewide rules for metering as adopted by the Commission will apply to all equipment standards within the Company's service territory and may be supplemented by the Company's metering standards.

9.2. Meter Ownership and Maintenance

The Company will own, furnish, install, program, calibrate, test, and maintain all meters and all associated equipment used for retail billing and settlement purposes in the Company's service area.

9.3. Meter Requirements

- a) Interval Meters will be required for End-use Customers that select a Certified Supplier and have a maximum annual peak demand greater than or equal to 200 kW for the most recent twelve-month period.
- b) The End-use Customer or Certified Supplier may request an Interval Meter for use at any account below the interval meter threshold.
- c) The Company may require Interval Metering, at the Company's expense, for any other End-use Customer based on a review of the End-use Customer's rate schedule, billing history, and class Load Profile information. If installed, the Interval Meter will be used for retail billing and settlement purposes.

9.4. Interval Meter Charges and Installation Process

a) Charges

The End-use Customer shall be responsible for the incremental costs of upgrading the present meter plus all incremental costs associated with the installation of required or requested interval metering. The charges for an Interval Meter will be at the tarified rate, which may be paid over a period not to exceed twenty-four months. Title to the interval meter shall remain with the Company.

If an Interval Meter is required, the End-use Customer must approve a work order for an Interval Meter installation before the Company will accept an enrollment DASR. For End-use Customers that will have an Interval Meter installed for the requested service, service may begin, assuming the Company has an approved work order for the Interval Meter installation. A Company load profile will be used for settlement. Consumption meter reads will continue to be used for billing. This will be the approach during the period between the End-use Customer's request for an Interval Meter and the Company's installation of such a meter.

If the Company cannot gain access to the meter installation, the Company may charge the End-use Customer for any additional trips to the meter site.

9.5. Meter Reading

a) Regularly Cycled Meter Reads

The Company will continue to read all meters in its service territory in accordance with the regularly scheduled Billing Cycles and off-schedule when the Company deems a read necessary. End-use Customers must provide access to the meters for the Company to obtain meter readings.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION IX
METERING SERVICES AND OBLIGATIONS (Contd.)**

b) Estimated Reads

The Company will estimate the usage, if metered data is lost due to failure of, or damage to, the metering equipment. Reads may also be estimated in the case of inclement weather, inaccessibility, etc.

c) Special Meter Reads

The Company will provide special meter reads as requested by Certified Suppliers. The Charges for these meter reads are specified in the Certified Supplier Meter Service Charges.

d) Meter Testing

The Company will provide meter testing as requested by Certified Suppliers. The Charges for meter testing are specified in the Certified Supplier Meter Service Charges.

e) End-use Customer Meter Reads

Residential End-use Customers may read the Company's meters and forward the meter reading information to the Company by telephone, mail, facsimile transmission, or electronically through the Company's website. While Residential End-use Customer reads are acceptable, End-use Customers must grant the Company access to the meters as specified by the Ohio Administrative Code.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION X BILLING SERVICES AND OBLIGATIONS

10.1. Billing Options

A Certified Supplier must select a billing option for each of its End-use Customer accounts. The billing options are limited to the following: (1) separate billing by the Company and the Certified Supplier, (2) Company Consolidated and Rate-Ready Billing, or (3) Company Consolidated and Bill-Ready Billing. Company Consolidated and Rate-Ready Billing will be provided by the Company only if the price plans offered by the Certified Supplier are ones that are considered standard rates, as set forth in Section 10.6 hereof. Nothing in this Certified Supplier Tariff shall require the Company to bill customers manually. Thus, if the Certified Supplier is offering price plans that are not considered by the Company as standard rates, the Company will provide the Certified Supplier with sufficient meter data on a timely basis so that the Certified Supplier can bill the Customer directly under the separate billing method or can opt for Company Consolidated and Bill-Ready Billing. The billing option must be selected when the enrollment DSR is submitted to the Company. If the Company inaccurately applies the usage information to the rates approved by the Certified Supplier for Company Consolidated and Rate-Ready Billing, the Certified Supplier shall notify the Company immediately and the Company shall make a correction in a succeeding billing period. The Certified Supplier is responsible for receiving and resolving all End-use Customer rate disputes involving charges for services received from the Certified Supplier.

10.2. Billing Cycle

Current Company practice is to render bills regularly at monthly intervals, but bills may be rendered more or less frequently at the Company's option. Rate values stated for direct application to regular monthly billing periods will be adjusted when the time elapsed between billings is substantially greater or less than a month.

10.3. Generation Resource Mix

Certified Suppliers are responsible for providing a Generation Resource Mix statement to their own End-use Customers in accordance with Commission requirements.

10.4. Transmitting of Meter Reading Information

The Company will transmit meter reading information electronically to each Certified Supplier for each of its End-use Customer accounts. Regardless of whether charges are being calculated by the Company or the Certified Supplier, the same meter reading information will be used to bill End-use Customers for the Regulated Utility Charges and the unregulated Commodity charges.

10.5. Setting Up Certified Suppliers' Rates

Certified Suppliers using the Consolidated and Rate-Ready Billing option must furnish specific rate information to the Company via methods defined by the Company. The Certified Supplier will receive the test results after the rate is entered into the billing system and tested. The Certified Supplier will then be required to authorize the Company to begin billing, using the new rate, before enrolling any End-use Customers on that rate.

- a) The Company will provide all Commission certified and Company enrolled Certified Suppliers with system requirements and Record Layouts needed to perform this function.
- b) The Certified Supplier will be responsible for creating and verifying the rate information that the Company will use to calculate and bill the Certified Suppliers' charges.
- c) The approved rate information must be in production within the Company's billing system before any End-use Customers may be enrolled under that rate. In production means installed in the Company's billing system, tested by the Company, test results approved by the Certified Supplier and three business days have elapsed since approval of results.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION X
BILLING SERVICES AND OBLIGATIONS (Contd.)**

10.6. Timetable for Setting up Certified Suppliers' Rates

- a) The Company defines standard rates as falling into one of five rate types:
 - 1) a Nonvolumetric Rate
 - 2) a Flat Rate
 - 3) a Multi-tiered Rate
 - 4) a Time-of-Use Rate
 - 5) a Percentage-off Rate
- b) The Company will have five calendar days to set up and system test any standard rates other than those under the Percentage-off Rate option and fifteen days to set up and system test standard rates under the Percentage-off Rate option, before sending the tested rates back to the Certified Supplier for approval.
- c) For End-use Customers that have a maximum annual peak demand greater than or equal to 200 kW for the most recent twelve-month period, the required interval metering will be used to support the Certified Suppliers' billing options. If an End-use Customer has a maximum annual peak demand less than 200 kW and the Company must install special metering to support a Certified Supplier's billing option, the End-use Customer will be responsible for the incremental costs of upgrading the present meter plus all costs associated with the installation of that metering equipment.
- d) Within three business days after the Company receives the approval of rates from the Certified Supplier, the rates will be placed in production in the Company's billing system and will be available for billing.
- e) When the rates are in the Company's billing system and are available for billing, the Certified Supplier may send an enrollment DASR for accounts it wants to be billed on the new rate.
- f) All DASRs received before the rate is in production will be rejected.

10.7. Electronic Transmission of End-use Customer Billing Data

- a) If the Certified Supplier chooses to have the Company bill for the End-use Customer's electric commodity usage under the Company Consolidated and Rate-Ready Billing option, the Company will provide usage and charges in standard electronic format.
- b) If the Certified Supplier chooses the Company Consolidated and Bill-Ready Billing option, the Company will provide usage in a standard electronic format and the Certified Supplier will provide the Company with the Certified Supplier's charges in a standard electronic format.

10.8. Incremental Processing Fees

If the Certified Supplier chooses the Consolidated and Rate-Ready Billing option, the Company will charge hourly for administrative and technical support to institute program modifications associated with the implementation of consolidated billing on non-standard rates requested by the Certified Supplier and reviewed and approved by the Company. The Charge for this service is described in Certified Supplier Charges.

10.9 Company Consolidated and Bill-Ready Billing

The following business rules will apply to the Company's Consolidated and Bill-Ready Billing Option:

- a) Within three business days of receiving usage information for an account in a standard electronic format from the Company, the Certified Supplier will provide the Company with the Certified Supplier's charges for the account in a standard electronic format for presentation on the Company's current invoice to the End-use Customer.

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SECTION X
BILLING SERVICES AND OBLIGATIONS (Contd.)

- b) The charges received from the Certified Supplier by the Company in standard electronic format for each account will contain no more than five charge amounts with five associated charge descriptions.
- c) Charge descriptions will be no longer than thirty-five characters each (including punctuation and spaces), and charge amounts will not exceed fourteen characters each (including spaces, dollar sign, decimal, and, if applicable, negative sign).
- d) If a Certified Supplier submits a charge description(s) longer than thirty-five characters and there are fewer than five charge amounts in the submission for the account, the Company will wrap the charge description(s) to the next thirty-five character line on its invoice and will continue this process up to the point where all charge descriptions submitted for the account do not exceed a total of five lines of thirty-five characters on the Company's invoice. The corresponding charge amounts will appear in a column to the right of where each charge description ends.
- e) If wrapping causes charge descriptions to exceed five lines of thirty-five characters, each charge description will be truncated at thirty-five characters and will be printed on the Company's current invoice with the corresponding charge amount appearing in a column to the right of each charge description.
- f) If a Certified Supplier submits more than five charge amounts for an account, the Company will reject the entire submission for the account via a standard electronic format.
- g) The Company will allow up to eight lines on its invoice to display the details of the Certified Supplier's charges as follows:
 - i) ~~The Company will display the Certified Supplier's name on line 1.~~
 - ii) The Company will display the date range for the billing period on line 2.
 - iii) The charge descriptions and charge amounts submitted by the Certified Supplier will be displayed on lines 3 through 7 (provided that all 5 of the lines are necessary).
 - iv) The Company will sum the charge amounts submitted by the Certified Supplier and display the total on line 8 or on the line following the last charge description submitted by the Certified Supplier.
 - v) In situations where the Certified Supplier receives revised usage information for an account from the Company in a standard electronic format, the Company will provide an additional line on its invoice for the total amount of each month of cancelled charges it receives from the Certified Supplier in a standard electronic format. The Company will display the date range and the dollar amount of the cancelled charges, provided that the fourteen character charge amount limit is not exceeded, on an additional line for each month of cancelled charges. The Certified Supplier's corrected charges, submitted to the Company in a standard electronic format, will be displayed on the Company's invoice as described in parts i) through iv) above for each month of corrected charges. Certified Suppliers will not include cancelled charges within the same standard electronic transaction where corrected charges are submitted to the Company.
- i) End-use Customer payments for Certified Supplier charges will be remitted by the Company to the appropriate Certified Supplier as described in Section 11.2 herein.
- j) The Certified Supplier will reimburse the Company for the Company's incremental cost associated with each Company Consolidated and Bill-Ready bill that the Company generates on behalf of the Certified Supplier. The Charges billable to the Certified Supplier for this service are listed on Sheet No. 52 herein.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION X
BILLING SERVICES AND OBLIGATIONS (Contd.)

10.10. Budget Billing

The Consolidated Billing options offered by the Company will include budget billing as an End-use Customer elected option.

10.11. Special Messages

Rule 4901:1-24-11 of the Ohio Administrative Code mandates that a Certified Supplier must provide notice of abandonment on each billing statement rendered to its End-use Customers beginning at least ninety days prior to the effective date of the abandonment and continue to provide notice on all subsequent billing statements until the service is abandoned. Where the Company is performing billing services for a Certified Supplier, the Company must provide this notice on the billing statement and the Charge for this service is described in the Certified Supplier Charges. The Company is not offering bill message services for Certified Suppliers in any other instance.

The Company is not required to send bill inserts or add special attachments to the bill format for Certified Suppliers to communicate to End-use Customers. Any other special messages either required by the Commission or elected are the responsibility of the Certified Supplier.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XI
END-USE CUSTOMER PAYMENT PROCESSING AND COLLECTIONS FOR CONSOLIDATED BILLING

11.1. Payments

- a) Bills are due on the date indicated thereon as being the last day for payment of the net amount, and the due date shall not be less than twenty-one calendar days after the mailing of the bill or pursuant to such amended Company practice as may be approved by the Commission.
- b) Payment may be made at any commercial office of the Company or at any Company Authorized Payment Agency.
- c) The Company may require that an End-use Customer that is not creditworthy tender payment by means of a certified or cashier's check, electronic funds transfer, cash or other immediately available funds.

11.2. Payment Processing

- a) The End-use Customer is responsible for payment in full to the Company for all the Company and Certified Supplier charges when the Company performs Consolidated Billing.
- b) The Company will remit all received payments for Certified Supplier charges on the Company's Consolidated Bill to the appropriate Certified Supplier after processing, on a daily basis. The Company will remit payments to Certified Suppliers involved in the Company's Purchase of Accounts Receivable Program as specified by the Account Receivables Purchase Agreement described in Section 11.5 herein.
- c) All End-use Customer charges are grouped into categories and a payment priority is established for each. If a partial payment is received, the Company will apply the following payment priorities classification. Payments will be applied first to prior gas and electric Regulated Utility Charges, second to current gas and electric Regulated Utility Charges, third to prior electric Certified Supplier charges and gas supplier charges (if applicable), fourth to current electric Certified Supplier charges and gas supplier charges (if applicable), and then on a pro-rata basis for non-regulated products and services. When the priority classification is equal, payments will be applied to the oldest receivables first.

11.3. End-use Customers in Arrears

- a) End-use Customer in Arrears for the Company's Regulated Gas and Electric Utility Charges Only

End-use Customers that fail to pay gas and electric Regulated Utility Charges to the Company will be subject to the Company's late payment charge policy and the rules and regulations governing the current credit, collection and disconnection procedures in accordance with Chapters 4901:1-10, 4901:1-17, and 4901:1-18 of the Ohio Administrative Code.

- b) End-use Customers in Arrears to their Certified Supplier

Unless the Certified Supplier has entered into an agreement with the Company for Purchase of Accounts Receivable, the Certified Supplier is ultimately responsible for the collection of such unpaid non-regulated charges regardless of the billing option selected for the End-use Customer. However, in the course of following its collection procedures for Regulated Utility Charges, the Company may inform End-use Customers of such arrearages.

- c) End-use Customer in Arrears for the Company's Non-Regulated Products/Services

End-use Customers that fail to pay for the Company's non-regulated products and services will be subject to the Company's current collection procedure which can include a series of letters, retrieval of the product, and discontinuance of the service that is being provided to the End-use Customer.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XI
END-USE CUSTOMER PAYMENT PROCESSING AND COLLECTIONS FOR CONSOLIDATED BILLING (Contd.)

- d) Certified Suppliers shall determine their own credit/collection policy.

11.4. Disconnection of Service

- a) The Company may disconnect service to an End-use Customer for non-payment of Regulated Utility Charges only in accordance with Chapters 4901:1-10 and 4901:1-18 of the Ohio Administrative Code, and for non-payment of CRES charges where the Company is purchasing the Certified Supplier's receivables under the PAR program.
- b) Pursuant to Chapters 4901:1-10 and 4901:1-18 of the Ohio Administrative Code, the Company is not permitted to disconnect service to the End-use Customer for nonpayment of Certified Supplier charges, except in the situation where the Company is purchasing the Certified Supplier's receivables under the PAR program. Certified Suppliers are not permitted to physically disconnect electric service for non-payment of the Certified Supplier charges.
- c) If the Company disconnects service to an End-use Customer, the End-use Customer's Certified Supplier will be notified within five business days of processing the disconnect order, if the End-use customer's service has not been restored by such date.
- d) If the Company restores the End-use Customer's service under the same account number within the five-business day period, no notification to that End-use Customer's Certified Supplier will be given.

11.5 Transfer of End-use Customer Deposit

If the Certified Supplier participates in the Company's Purchase of Accounts Receivable program and if the Certified Supplier holds a deposit from the End-use Customer, the Certified Supplier shall retain the deposit until required to refund such deposit to the End-use Customer, except where the Company has notified the Certified Supplier that the End-use Customer is sixty days or more in arrears for Certified Supplier charges that the Company has acquired under the Purchase of Accounts Receivable program. In that case, the Certified Supplier shall transfer the End-use Customer's deposit to the Company within three business days of receipt of such notice, unless the Company's Purchase of Accounts Receivable agreement with the Certified Supplier provides otherwise.

11.6 Purchase of Accounts Receivable (PAR)

In order to participate in the Company's PAR program, a Certified Supplier must first sign an Account Receivables Purchase Agreement with the Company, which may include, but will not be limited to, the following provisions:

- a) Purchase price, procedures, and fees
- b) Obligations of the parties
- c) Representations and warranties
- d) Covenants of Seller
- e) Conditions Precedent
- f) Administration and Collection
- g) Termination
- h) Indemnification

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XII
CERTIFIED SUPPLIER BILLING TERMS AND CONDITIONS

12.1. Billing and Payments

By the tenth day of each month, the Company shall submit an invoice to the Certified Supplier for all services rendered during the preceding calendar month, as well as any unpaid Charges from prior invoices, including late payment Charges. The invoice shall be paid within ten calendar days of receipt. All payments shall be made in immediately available funds, payable to the Company, or via electronic funds transfer.

12.2. Late Payment Charges

Interest on delinquent amounts shall be an amount equal to one and one-half percent of the unpaid balance at the due date calculated monthly.

12.3. Netting of End-use Customer Payments and Certified Supplier Charges Billed by the Company

If the Certified Supplier defaults and the Company is performing Consolidated Billing of End-use Customers for the Certified Supplier, the Company reserves the right to retain the payments collected on behalf of the Certified Supplier and apply the payments to the Company's Charges.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION XIII
LOAD PROFILING AND FORECASTING**

13.1. Generic Load Profiles

The Company shall prepare, in advance of the calendar year, and post on the Company's Certified Supplier web site typical or generic Load Profiles that are representative of each profile class. The profiles will be average hourly demands by day type (weekday and weekend) for each month of the calendar year.

13.2. Load Profile Updates

The typical Load Profiles shall be periodically reviewed by the Company for accuracy to ensure they are statistically representative of the profile class and updated as more recent data is collected, processed and analyzed. The Load Profiles will be updated at a minimum on an annual basis.

13.3. Certified Supplier Daily Forecasting Process

The Certified Supplier or its designated TSA is responsible for preparing its own hourly Load Forecast.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

Duke Energy Ohio
139 East Fourth Street
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THIS SHEET IS HEREBY CANCELLED AND WITHDRAWN

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION XIV
METER DATA MANAGEMENT**

14.1. Meter Data Collection

The Company, acting as the designated Meter Data Management Agent for the Certified Supplier, will supply hourly load data to Transmission Provider, for the Certified Supplier. The Company will provide this data in accordance with the OATT, including estimates when necessary. The Company will be held harmless for any actions taken while performing Meter Data Management Agent responsibilities. Meter data collected by the Company shall be used to calculate the quantity of energy actually consumed by a Certified Supplier's End-use Customers for a particular period. Such collection shall occur at the time of an End-use Customer's monthly meter read. Thus, in order to measure the energy consumed by all End-use Customers on a particular day, at least one month is required for data collection. Typically, the Company is able to calculate and provide hourly usage data for a Certified Supplier's load, for a calendar month, forty-five to sixty days after the end of that calendar month. It is the responsibility of the Certified Supplier to understand this process.

14.2. Monthly-Metered End-use Customers

Data from Monthly-Metered End-use Customers is collected in subsets corresponding to End-use Customer Billing Cycles, which close on different days of the month. The Company shall convert such meter data, including estimates, for End-use Customers to the equivalent hourly usage. Metered usage will be applied to customer segment load curves to derive an estimate for the hour-by-hour usage.

14.3. Interval-Metered End-use Customers

Data from Interval Metered End-use Customers will also be collected monthly by the Company on a Billing Cycle basis.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION XV
TRANSMISSION SCHEDULING AGENTS**

15.1. Participation through a Transmission Scheduling Agent

If a Certified Supplier is not eligible to be a Transmission Customer or chooses not to interact directly with the Transmission Provider for scheduling purposes, the Certified Supplier shall enter into a business arrangement with another party that will act as a Transmission Scheduling Agent for that Certified Supplier. All actions of the TSA that relate to a Certified Supplier are binding on, and attributable to, said Certified Supplier.

15.2. Designation or Change of a Transmission Scheduling Agent

To designate or change a TSA, a Certified Supplier must provide the Company a completed TSA Designation Agreement, fully executed by the Certified Supplier, the TSA, and the Company. The Company will process TSA Designation Agreements as quickly as practicable but in no event in less than five business days. A Certified Supplier may only designate one TSA at a time. Nothing in this Tariff shall prohibit the TSA from transacting with multiple generation sources.

15.3. Scheduling and Settlement through a Transmission Scheduling Agent

The TSA shall be the sole point of contact with Duke Energy Business Services for any transmission-related charges levied under the Duke Energy Business Services Ancillary Services Tariff.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION XVI
CONFIDENTIALITY OF INFORMATION**

16.1 Generally

All confidential or proprietary information made available by one party to the other in connection with the registration of a Certified Supplier with the Company shall be used only for purposes of registration with the Company and/or providing Competitive Retail Electric Service to Customers in the Company's service territory. Other than disclosures to representatives of the Company or Certified Supplier for the purposes of enabling that party to fulfill its obligations under this Tariff or for a Certified Supplier to provide Competitive Retail Electric Service to Customers in the Company's service territory, a party may not disclose confidential or proprietary information without the prior authorization and/or consent of the other party.

16.2 Disclosure of Confidential Information

The Certified Supplier shall keep all information that is specific to an End-use Customer and supplied by the Company confidential unless the Certified Supplier has the End-use Customer's written authorization to do otherwise and such written authorization complies with any and all relevant requirements of the Commission.

16.3 Use of Confidential Information

Nothing contained herein shall preclude any disclosure required by any state or federal administrative, judicial, legislative, or regulatory entity; provided, however, that the disclosing party will immediately advise the other party that the disclosing party has been asked to make the required disclosure, in order to allow the other party to file a timely objection; and provided further, however, that the disclosing party shall not be required to delay disclosure while the other party objects, if such delay would subject the disclosing party to sanctions.

16.4 Exclusive Property

All Information shall be and remain the exclusive property of the Company and none shall be kept by the Certified Supplier. The Certified Supplier agrees promptly to deliver such information to the Company upon (i) the completion of its activities associated with the End-use Customer or (ii) the request of the Company, whichever occurs first. All copies of such information, all written data, , notes, memoranda, records, and reports of any kind relating to the information or the subject matter of this Section XVI, based on and derived therefrom, shall be destroyed by the Certified Supplier, and such destruction shall be certified to by an officer of such entity.

16.5 Breach of Confidentiality

If either the Certified Supplier or the Company shall breach this Section XVI, or, in the event that such breach is shown to be an imminent possibility, the non-breaching party shall be entitled to seek all legal and equitable remedies afforded to it by law.

16.6 Rights of the Parties

No license to any patents or other intellectual property of either party is granted by the Company by providing any confidential or proprietary information to the Certified Supplier.

16.7 Applicability

This confidentiality provision shall be binding upon the Certified Supplier, its designated TSA, and the their legal representatives, successors, and assigns.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XVII
VOLUNTARY WITHDRAWAL BY A CERTIFIED SUPPLIER
FROM THE CUSTOMER CHOICE PROGRAM

17.1. Notice of Voluntary Withdrawal to the Company

A Certified Supplier shall provide electronic notice to the Company, in a form specified by the Company, of withdrawal by the Certified Supplier from retail service in a manner consistent with the Commission's rules. Written notice of a Certified Supplier's intent to withdrawal must be provided by the Certified Supplier to the Company ninety days prior to such withdrawal.

17.2. Notice to End-use Customers

A Certified Supplier shall provide notice to its End-use Customers of its withdrawal from retail service in accordance with the Commission's rules. A Certified Supplier must provide written notice of its intent to abandon service to its End-use Customers on each billing statement rendered to its End-use Customers beginning at least ninety days prior to such abandonment and on all subsequent billing statements until the service is abandoned.

17.3. Costs for Noncompliance

A Certified Supplier that voluntarily withdraws from the Customer Choice Program and fails to provide at least ninety calendar days written notice to the Company of said withdrawal shall be in default as described in Section XIX herein.

17.4. Breach of Contract

The Certified Supplier, and not the Company, is solely responsible to its End-use Customers for any breach caused by the Certified Supplier's default or voluntary withdrawal from the Customer Choice Program.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XVIII LIABILITY

18.1. General Limitation on Liability

The Company shall have no duty or liability with respect to Competitive Retail Electric Service before it is delivered by a Certified Supplier toward an interconnection point with the Transmission Provider's Balancing Authority Area. After its receipt of Competitive Retail Electric Service at the point of delivery, the Company shall have the same duty and liability for transmission and distribution service to the End-use Customers receiving Competitive Retail Electric Service as to those receiving electric energy and capacity from the Company.

18.2. Limitation on Liability for Service Interruptions and Variations

The Company does not guarantee continuous, regular, and uninterrupted supply of service. The Company may, without liability, interrupt or limit the supply of service for the purpose of making repairs, changes, or improvements to any part of its system for the general good of the service or the safety of the public or for the purpose of preventing or limiting any actual or threatened instability or disturbance of the system. The Company is also not liable for any damages due to accident, strike, storm, riot, fire, flood, legal process, state or municipal interference, or any other cause beyond the Company's control.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XIX
DEFAULT, SUSPENSION, AND TERMINATION OF A CERTIFIED SUPPLIER

19.1 Default

A Certified Supplier is in default of its obligations under the Company's Customer Choice Program if any one or more of the following occurs:

- a) Notice is received that the Certified Supplier/TSA relationship is terminated and either (1) the Certified Supplier fails to designate a new TSA within five business days or (2) the new entity acting as TSA fails to begin scheduling power within ten business days of its designation as such.
- b) The Certified Supplier fails to fully pay an invoice from the Company within three business days following the due date of the invoice.
- c) The Certified Supplier's credit exposure exceeds the unsecured credit limit or the Company's current collateral enhancement requirement by 5% or more and the Certified Supplier has failed to comply with the Company's request for adequate security or adequate assurance of payment within three business days of the Company's request.
- d) The Commission has decertified the Certified Supplier or otherwise declared it ineligible to participate in the Ohio Customer Choice Program or the Company's Customer Choice Program.
- e) The Certified Supplier's action or inaction has or will jeopardize the operational integrity, safety, or reliability of the Company's transmission or distribution system.
- f) The Certified Supplier or the performing services on behalf of the Certified Supplier, through actions or inactions, becomes in default of any agreement with or requirement of MISO.
- g) The Certified Supplier misuses the Company Consolidated and Bill-Ready Billing option by incorrectly using the name of the Company or the name of one of the Company's affiliates in a charge description or otherwise using this billing option in a misleading or defamatory manner.
- h) The Certified Supplier voluntarily withdraws from the Company's Customer Choice Program without providing at least ninety calendar days notice to the Company.
- i) The Certified Supplier files a voluntary petition in bankruptcy; has an involuntary petition in bankruptcy filed against it; is insolvent; has a receiver, liquidator or trustee appointed to take charge of its affairs; has liabilities that exceed its assets; or is otherwise unable to pay its debts as they become due.

19.2 Notice of Suspension or Termination

Notwithstanding any other provision of this tariff or the Certified Supplier Service Agreement, in the event of default, the Company shall serve a written notice of such default, providing reasonable detail and a proposed remedy, on the Certified Supplier, with a copy contemporaneously provided to the Commission. On, or after, the date the default notice has been served, the Company may file with the Commission a written request for authorization to terminate or suspend the Certified Supplier Service Agreement. Except for default due to failure by the Certified Supplier to deliver Competitive Retail Electric Service, if the Commission does not act within ten business days after receipt of the request, the Company's request to terminate or suspend shall be deemed authorized on the eleventh business day after receipt of the request by the Commission. If the default is due to failure by the Certified Supplier to deliver Competitive Retail Electric Service and the Commission does not act within five business days after receipt of the request, the Company's request to terminate or suspend shall be deemed authorized on the sixth business day after receipt of the request by the Commission. Terminations or suspensions shall require authorization from the Commission.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION XX
DEFAULT, SUSPENSION, AND TERMINATION OF A CERTIFIED SUPPLIER (Contd.)**

The Company shall send notices pursuant to this section by email, facsimile transmission, overnight mail, or hand delivery to the Commission and staff at the Commission's offices. The Company shall notify all Commissioners, the Chief of Staff, the Director of the Consumer Services Department, the Director of the Utilities Department, the Director of the Energy & Environment Department, the Director of the Legal Department, and the Chief of the Attorney General's Public Utilities Section. The Company shall send the notice to the address and facsimile number provided by the Certified Supplier in its Certified Supplier Service Agreement.

19.3. Suspension

In addition to the possible reasons for suspension stated in Sections 20.1, a Certified Supplier may be suspended from participation in the Company's Customer Choice Program for either of the following reasons:

- a) The Certified Supplier's credit exposure exceeds its credit limit or collateral enhancement by less than 5%, and the Certified Supplier has failed to comply with the Company's request for adequate security or adequate assurance of payment within three business days of the Company's request.
- b) The Certified Supplier's parent corporation files a voluntary petition in bankruptcy; has an involuntary petition in bankruptcy filed against it; is insolvent; has a receiver, liquidator, or trustee appointed to take charge of its affairs; has liabilities that exceed its assets; or is otherwise unable to pay its debts as they become due.

19.4. Effect of Suspension

In the event of suspension, the Certified Supplier shall not be permitted to enroll any new End-use Customers in the Company's Customer Choice Program. During the period of suspension, the Certified Supplier shall continue to serve its existing End-use customers.

19.5. Effect of Termination on Certified Supplier's End-use Customers

In the event of termination, the Certified Supplier's End-use Customers shall be returned to the Company's Standard Offer Rate effective on each End-use Customer's next Meter Read Date after the date of termination.

19.6. Effect of Termination on Certified Supplier

- a) The Certified Supplier shall not be permitted to enroll any new End-use Customers in the Company's Customer Choice Program unless it re-registers in the Company's Customer Choice Program.
- b) During the period of time between the Certified Supplier's termination and the next Meter Read Dates for each of its End-use Customers, the Company shall serve the Certified Supplier's End-use Customers and shall charge the Certified Supplier for the Company's out-of-pocket costs paid for electric energy during that period, including transmission, distribution and all other applicable charges. End-use Customers will continue to be billed for charges from their Certified Supplier until the next Meter Read Dates. Beginning with the next Meter Read Dates for each of the Certified Supplier's End-use Customers on the Company's Standard Offer Rate, the Company shall serve the End-use Customers and shall bill the Certified Supplier for the Company's incremental cost for serving the load during the first June 1 through August 31 period after the Certified Supplier default. Incremental cost is defined as Company's out-of-pocket costs paid for electric energy during that period, including transmission, distribution and all other applicable charges.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

SECTION XX
DEFAULT, SUSPENSION, AND TERMINATION OF A CERTIFIED SUPPLIER (Contd.)

- c) The Company may charge the Certified Supplier for additional costs associated with the default such as:
- 1) Mailings by the Company to the Certified Supplier's End-use Customers to inform them of the withdrawal and their options;
 - 2) Non-standard/manual bill calculations and production performed by the Company;
 - 3) Certified Supplier data transfer responsibilities that must be performed by the Company; and
 - 4) Charges or penalties imposed on the Company, its agents, or other third parties resulting from the Certified Supplier's termination.
- d) The Company may apply all of the Certified Supplier's credit, collateral, and charges collected by the Company from End-use Customers against the Company's Charges to the Certified Supplier.
- 19.7. Survival of Obligations

Default, suspension, or termination of a Certified Supplier for any reason shall not relieve the Company or the Certified Supplier from performing any other obligations under this Certified Supplier Tariff or the Certified Supplier Service Agreement.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

Duke Energy Ohio
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SECTION XX
ALTERNATIVE DISPUTE RESOLUTION

20.1. Alternative Dispute Resolution Procedure

Alternative Dispute Resolution shall be offered to both Certified Suppliers and the Company as a means to address disputes and differences between Certified Suppliers and the Company. Alternative Dispute Resolution shall be conducted in accordance with all governing Commission rules.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**SECTION XXI
MISCELLANEOUS**

21.1. Notices

Unless otherwise stated herein, any notice contemplated by the Certified Supplier Tariff shall be in writing and shall be given to the other party at the addresses stated in the notice section of the Certified Supplier Service Agreement. If given by electronic transmission (including facsimile or email), notice shall be deemed given on the date sent and shall be confirmed by a written copy sent by first class mail. If sent in writing by first class mail, notice shall be deemed given on the fifth business day following deposit in the United States mail (as noted by the postmark), properly addressed, with postage prepaid. If sent by same-day or overnight delivery service, notice shall be deemed given on the day of delivery. The Company and a Certified Supplier may change their representatives for receiving notices contemplated by the Certified Supplier Service Agreement by delivering written notice of their new representatives to the other party.

21.2. No Prejudice of Rights

The failure by either the Company or the Certified Supplier to enforce any of the terms of the Certified Supplier Tariff or of the Certified Supplier Service Agreement signed by any Certified Supplier shall not be deemed a waiver of the right of either to do so.

21.3. Assignment

- a) A Certified Supplier Service Agreement hereunder may not be assigned by the Certified Supplier without (i) any necessary regulatory approval and (ii) the consent of the Company, which consent shall not be unreasonably withheld.
- b) Any assignment occurring hereunder shall be binding upon, and oblige and inure to the benefit of, the successors and assigns of the parties to the Certified Supplier Service Agreement.

21.4. Governing Law

- a) To the extent not subject to the exclusive jurisdiction of FERC, the formation, validity, interpretation, execution, amendment and termination of the Certified Supplier Tariff or any Certified Supplier Service Agreement shall be governed by the laws of the State of Ohio.
- b) The Certified Supplier Tariff and any Certified Supplier Service Agreement, and the performance of the parties' obligations thereunder, are subject to and contingent upon (i) present and future local, state, and federal laws, and (ii) present and future regulations or orders of any local, state, or federal regulating authority having jurisdiction over the matter set forth herein.

21.5. Effect of Future Orders

If at any time during the term of any Certified Supplier Service Agreement, FERC, the Commission or a court of competent jurisdiction issues an order under which a party hereto believes that its rights, interests and/or expectations under the Certified Supplier Service Agreement are materially affected by said order, the party so affected shall within thirty calendar days of said final order provide the other party with notice setting forth in reasonable detail how said order has materially affected its rights, interests and/or expectations in the Certified Supplier Service Agreement. Within thirty calendar days from the receiving party's receipt of said notice, the parties shall attempt through good faith negotiations to resolve the issue. If the parties are unable to resolve the issue within thirty (30) calendar days from the commencement of negotiations, either party may, at the close of said thirty-calendar-day period, terminate the Certified Supplier Service Agreement, subject to any applicable regulatory requirements, following an additional thirty calendar days' prior written notice to the other party, without any liability or responsibility whatsoever except for obligations arising under this tariff.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**RATE CS
CERTIFIED SUPPLIER CHARGES**

APPLICABILITY

These Charges apply to Certified Suppliers registered to provide Competitive Retail Electric Service to End-use Customers located in the Company's service territory.

TYPES OF CHARGES

General Certified Supplier Fees

Certified Supplier Registration Fee	\$145.00
End-use Customer Enrollment/Switching Fee (Excludes Governmental Aggregation enrollments/switches)	\$ 5.00/Switch
Pre-Enrollment End-use Customer Information List Fee (Issued quarterly)	\$150.00/List
Fee for Submitting Required Market Monitoring Reports for Certified Suppliers	\$155.00/Submission

Customer Usage Request Charges

One month of electronic Interval Meter data	\$ 24.00
Twelve months of electronic Interval Meter Data	\$ 32.00

Bill Preparation and Request Charges

Consolidated Bill Preparation

Hourly charge for administrative and technical support to institute program modifications associated with the implementation of consolidated billing on non-standard rates requested by the Certified Supplier \$75.00/Hour

Other Bill Preparation Requests

Request by Certified Supplier for a one page Duplicate Bill	\$0.26/Bill
Fee for Providing Commission-Mandated Abandonment Notices as Bill Messages	\$0.22/Bill
Fee for Providing a Company Consolidated and Bill-Ready Residential Bill	\$0.056/Bill
Fee for Providing a Company Consolidated and Bill-Ready Commercial Bill	\$0.268/Bill
Fee for Providing a Company Consolidated and Bill-Ready Industrial Bill	\$3.266/Bill
Fee for Providing a Company Consolidated and Bill-Ready Bill to Other Public Authorities	\$0.649/Bill

BILLING TERMS AND CONDITIONS

The billing terms and conditions for the above stated charges shall be in conformance with those specified in Section XII - Certified Supplier Billing Terms and Conditions, of the Certified Supplier Service Regulations.

The supplying and billing for service, and all conditions applying thereto, are subject to the jurisdiction of the Public Utilities Commission of Ohio, and to Company's Service Regulations currently in effect, as filed with the Public Utilities Commission of Ohio.

Filed pursuant to an Order dated November 22, 2011 in Case No. 11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

**RATE CSMS
CERTIFIED SUPPLIER METER SERVICE CHARGES**

APPLICABILITY

These Charges apply to requests by a Certified Supplier to the Company to install Interval Meter equipment and to provide certain meter services that are either requested or required in the Certified Supplier Tariff.

TYPE OF SERVICE

Meter Testing Charges

To the extent a request is made by a Certified Supplier to test an End-use Customer's meter, the following charges will be billed:

Field Test Single Phase Meter	\$48.00/Meter
Field Test Three Phase Meter	\$58.00/Meter
Shop Test Single Phase Meter	\$43.00/Meter
Shop Test Three Phase Meter	\$48.00/Meter

Special Meter Reading Requests

To the extent a request is made by a Certified Supplier to read an End-use Customer's meter, the following Charges will be billed:

Manually obtaining off cycle meter data	\$25.00/Meter
Manually obtaining off cycle Interval Meter data	\$31.00/Meter
Obtaining off cycle Interval Meter data by modem	\$7.00/Meter

BILLING TERMS AND CONDITIONS

The billing terms and conditions for the above stated Charges shall be in conformance with those specified in Section XII - Certified Supplier Billing Terms and Conditions, of the Certified Supplier Service Regulations

The supplying and billing for service and all conditions applying thereto, are subject to the jurisdiction of the Public Utilities Commission of Ohio, and to the Company's Service Regulations currently in effect, as filed with the Public Utilities Commission of Ohio.

Filed pursuant to an Entry dated November 22, 2011 in Case No.11-3549-EL-SSO before the Public Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

Duke Energy Ohio
139 East Fourth Street
Cincinnati, Ohio 45202

P.U.C.O. Electric No. 20
Sheet No. 54.2
Cancels and Supersedes
Sheet No. 54.1
Page 1 of 1

THIS SHEET IS HEREBY CANCELLED AND WITHDRAWN

Filed pursuant to an Order dated November 22, 2011 in Case No.11-3549-EL-SSO before the Public
Utilities Commission of Ohio.

Issued: December 19, 2011

Effective: January 1, 2012

Issued by Julie Janson, President

Intra-PJM Tariffs -> OPEN ACCESS TRANSMISSION TARIFF

**PJM OPEN ACCESS
TRANSMISSION TARIFF**

www.pjm.com/directory/merged-tariffs/oatt.

PJM Interconnection, L.L.C.
Rate Schedule FERC No. 24

**AMENDED AND RESTATED
OPERATING AGREEMENT
OF
PJM INTERCONNECTION, L.L.C.**

**AMENDED AND RESTATED
OPERATING AGREEMENT
OF
PJM INTERCONNECTION, L.L.C.**

This Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., dated as of this 2nd day of June, 1997, amends and restates as of the Effective Date the Operating Agreement of PJM Interconnection, L.L.C. filed with the FERC on April 2, 1997, as amended.

WHEREAS, certain of the Members have previously entered into an agreement, originally dated September 26, 1956, as amended and supplemented up to and including December 31, 1996, stating "their respective rights and obligations with respect to the coordinated operation of their electric supply systems and the interchange of electric capacity and energy among their systems" (such agreement as amended and supplemented being referred to as the "Original PJM Agreement"), and which coordinated operations and interchange came to be known as the PJM Interconnection; and

WHEREAS, pursuant to a resolution of June 16, 1993, an unincorporated association comprised of the parties to the Original PJM Agreement was formed for the purpose of implementation of the Original PJM Agreement as it then existed and as it subsequently has been amended and supplemented, such association being known as the "PJM Interconnection Association"; and

WHEREAS, because of changes in federal law and policy, the Original PJM Agreement, together with other documents and agreements, was amended, restated and submitted to FERC on December 31, 1996 to restructure fundamental aspects of the operation of the Interconnection; and

WHEREAS, so that the provisions of the Original PJM Agreement could be placed into effect consistent with a February 28, 1997 order of FERC, including those provisions related to the governance of the Interconnection, the parties to the Original PJM Agreement, along with the other interested parties, approved the conversion of the PJM Interconnection Association into the LLC pursuant to the provisions of the Delaware Limited Liability Company Act, as amended (the "Delaware LLC Act"), pursuant to a Certificate of Formation (the "Certificate of Formation") and a Certificate of Conversion (the "Certificate of Conversion"), each filed with the Delaware Secretary of State (the "Recording Office") on March 31, 1997; and

WHEREAS, the Members wish to amend and restate the Operating Agreement of PJM Interconnection, L.L.C. adopted in connection with the formation of the LLC and as in effect immediately prior to the Effective Date in the form set forth below; and

WHEREAS, the Members intend to form an Independent System Operator in accordance with the regulations of the Federal Energy Regulatory Commission; and

WHEREAS, the Members wish to amend and restate the Operating Agreement to provide for expansion of the operations of PJM Interconnection, L.L.C. into additional Control Areas.

Now, therefore, in consideration of the foregoing, and of the covenants and agreements hereinafter set forth, the Members hereby agree as follows:

OPERATING AGREEMENT

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1. DEFINITIONS

Unless the context otherwise specifies or requires, capitalized terms used in this Agreement shall have the respective meanings assigned herein or in the Schedules hereto for all purposes of this Agreement (such definitions to be equally applicable to both the singular and the plural forms of the terms defined). Unless otherwise specified, all references herein to Sections, Schedules, Exhibits or Appendices are to Sections, Schedules, Exhibits or Appendices of this Agreement. As used in this Agreement:

Definitions A - B

Acceleration Request:

“Acceleration Request” shall mean a request pursuant to Operating Agreement, Schedule 1, section 1.9.4A and the parallel provisions of Tariff, Attachment K-Appendix, to accelerate or reschedule a transmission outage scheduled pursuant to Operating Agreement, Schedule 1, sections 1.9.2 or 1.9.4 and the parallel provisions of Tariff, Attachment K-Appendix.

Act:

“Act” shall mean the Delaware Limited Liability Company Act, Title 6, §§ 18-101 to 18-1109 of the Delaware Code.

Active and Significant Business Interest:

“Active and Significant Business Interest” is a term that shall be used to assess the scope of a Member’s PJM membership and shall be based on a Member’s activity in the PJM RTO and/or Interchange Energy Markets. A Member’s Active and Significant Business Interest shall: 1) be determined relative to the scope of the Member’s PJM membership and activity in the PJM RTO and/or Interchange Energy Markets considering, among other things, the Member’s public statements and/or regulatory filings regarding its PJM activities; and 2) reflect a substantial contributor to the Member’s recent market activity, revenues, costs, investment, and/or earnings when considering the Member and its corporate affiliates’ interests within the PJM footprint.

Additional Day-ahead Scheduling Reserves Requirement:

“Additional Day-ahead Scheduling Reserves Requirement” shall mean the portion of the Day-ahead Scheduling Reserves Requirement that is required in addition to the Base Day-ahead Scheduling Reserves Requirement to ensure adequate resources are procured to meet real-time load and operational needs, as specified in the PJM Manuals.

Affected Member:

“Affected Member” shall mean a Member of PJM which as a result of its participation in PJM’s markets or its membership in PJM provided confidential information to PJM, which confidential information is requested by, or is disclosed to an Authorized Person under a Non-Disclosure Agreement.

Affiliate:

“Affiliate” shall mean any two or more entities, one of which controls the other or that are under common control. “Control” shall mean the possession, directly or indirectly, of the power to direct the management or policies of an entity. Ownership of publicly-traded equity securities of another entity shall not result in control or affiliation for purposes of the Tariff or Operating Agreement if the securities are held as an investment, the holder owns (in its name or via

intermediaries) less than 10 percent of the outstanding securities of the entity, the holder does not have representation on the entity's board of directors (or equivalent managing entity) or vice versa, and the holder does not in fact exercise influence over day-to-day management decisions. Unless the contrary is demonstrated to the satisfaction of the Members Committee, control shall be presumed to arise from the ownership of or the power to vote, directly or indirectly, ten percent or more of the voting securities of such entity.

Agreement or Operating Agreement:

“Agreement” or “Operating Agreement” shall mean this Amended and Restated Operating Agreement of PJM Interconnection, L.L.C., including all Schedules, Exhibits, Appendices, addenda or supplements hereto, as amended from time to time.

Annual Meeting of the Members:

“Annual Meeting of the Members” shall mean the meeting specified in Operating Agreement, section 8.3.1.

Applicable Regional Entity:

“Applicable Regional Entity” shall mean the Regional Entity for the region in which a Network Customer, Transmission Customer, New Service Customer, or Transmission Owner operates.

Associate Member:

“Associate Member” shall mean an entity that satisfies the requirements of Operating Agreement, section 11.7.

Auction Revenue Rights:

“Auction Revenue Rights” or “ARRs” shall mean the right to receive the revenue from the Financial Transmission Right auction, as further described in Operating Agreement, Schedule 1, section 7.4 and the parallel provisions of Tariff, Attachment K-Appendix.

Auction Revenue Rights Credits:

“Auction Revenue Rights Credits” shall mean the allocated share of total FTR auction revenues or costs credited to each holder of Auction Revenue Rights, calculated and allocated as specified in Operating Agreement, Schedule 1, section 7.4.3, and the parallel provisions of Tariff, Attachment K-Appendix.

Authorized Commission:

“Authorized Commission” shall mean (i) a State public utility commission that regulates the distribution or supply of electricity to retail customers and is legally charged with monitoring the operation of wholesale or retail markets serving retail suppliers or customers within its State or

(ii) an association or organization comprised exclusively of State public utility commissions described in the immediately preceding clause (i).

Authorized Person:

“Authorized Person” shall have the meaning set forth in Operating Agreement, section 18.17.44.

Base Day-ahead Scheduling Reserves Requirement:

“Base Day-ahead Scheduling Reserves Requirement” shall mean the thirty-minute reserve requirement for the PJM Region established consistent with the Applicable Standards, plus any additional thirty-minute reserves scheduled in response to an RTO-wide Hot or Cold Weather Alert or other reasons for conservative operations.

Batch Load Demand Resource:

“Batch Load Demand Resource” shall mean a Demand Resource that has a cyclical production process such that at most times during the process it is consuming energy, but at consistent regular intervals, ordinarily for periods of less than ten minutes, it reduces its consumption of energy for its production processes to minimal or zero megawatts.

Behind The Meter Generation:

“Behind The Meter Generation” refers to a generating unit that delivers energy to load without using the Transmission System or any distribution facilities (unless the entity that owns or leases the distribution facilities has consented to such use of the distribution facilities and such consent has been demonstrated to the satisfaction of the Office of the Interconnection); provided, however, that Behind The Meter Generation does not include (i) at any time, any portion of such generating unit’s capacity that is designated as a Generation Capacity Resource, or (ii) in any hour, any portion of the output of such generating unit[s] that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

Board Member:

“Board Member” shall mean a member of the PJM Board.

Definitions C - D

Capacity Resource:

“Capacity Resource” shall have the meaning provided in the Reliability Assurance Agreement.

Catastrophic Force Majeure:

“Catastrophic Force Majeure” shall not include any act of God, labor disturbance, act of the public enemy, war, insurrection, riot, fire, storm or flood, explosion, or Curtailment, order, regulation or restriction imposed by governmental, military or lawfully established civilian authorities, unless as a consequence of any such action, event, or combination of events, either (i) all, or substantially all, of the Transmission System is unavailable, or (ii) all, or substantially all, of the interstate natural gas pipeline network, interstate rail, interstate highway or federal waterway transportation network serving the PJM Region is unavailable. The Office of the Interconnection shall determine whether an event of Catastrophic Force Majeure has occurred for purposes of this Agreement, the PJM Tariff, and the Reliability Assurance Agreement, based on an examination of available evidence. The Office of the Interconnection’s determination is subject to review by the Commission.

Cold Weather Alert:

“Cold Weather Alert” shall mean the notice that PJM provides to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for expected extreme cold weather conditions.

Compliance Monitoring and Enforcement Program:

“Compliance Monitoring and Enforcement Program” shall mean the program to be used by the NERC and the Regional Entities to monitor, assess and enforce compliance with the NERC Reliability Standards. As part of a Compliance Monitoring and Enforcement Program, NERC and the Regional Entities may, among other things, conduct investigations, determine fault and assess monetary penalties.

Congestion Price:

“Congestion Price” shall mean the congestion component of the Locational Marginal Price, which is the effect on transmission congestion costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource, based on the effect of increased generation from or consumption by the resource on transmission line loadings, calculated as specified in Operating Agreement, Schedule 1, section 2, and the parallel provisions of Tariff, Attachment K-Appendix.

Consolidated Transmission Owners Agreement:

“Consolidated Transmission Owners Agreement” shall mean the agreement dated as of December 15, 2005, by and among the Transmission Owners and by and between the Transmission Owners and PJM Interconnection, L.L.C.

Control Area:

“Control Area” shall mean an electric power system or combination of electric power systems bounded by interconnection metering and telemetry to which a common automatic generation control scheme is applied in order to:

- (a) match the power output of the generators within the electric power system(s) and energy purchased from entities outside the electric power system(s), with the load within the electric power system(s);
- (b) maintain scheduled interchange with other Control Areas, within the limits of Good Utility Practice;
- (c) maintain the frequency of the electric power system(s) within reasonable limits in accordance with Good Utility Practice and the criteria of NERC and each Applicable Regional Entity;
- (d) maintain power flows on transmission facilities within appropriate limits to preserve reliability; and
- (e) provide sufficient generating capacity to maintain operating reserves in accordance with Good Utility Practice.

Control Zone:

“Control Zone” shall mean one Zone or multiple contiguous Zones, as designated in the PJM Manuals.

Coordinated External Transaction:

“Coordinated External Transaction” shall mean a transaction to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Operating Agreement, Schedule 1, section 1.13 and the parallel provisions of Tariff, Attachment K-Appendix.

Coordinated Transaction Scheduling:

“Coordinated Transaction Scheduling” or “CTS” shall mean the scheduling of Coordinated External Transactions at a CTS Enabled Interface in accordance with the procedures of Operating Agreement, Schedule 1, section 1.13, and the parallel provisions of Tariff, Attachment K-Appendix.

Counterparty:

“Counterparty” shall mean PJMSettlement as the contracting party, in its name and own right and not as an agent, to an agreement or transaction with Market Participants or other entities, including the agreements and transactions with customers regarding transmission service and other transactions under the PJM Tariff and this Operating Agreement. PJMSettlement shall not be a counterparty to (i) any bilateral transactions between Members, or (ii) any Member’s self-supply of energy to serve its load, or (iii) any Member’s self-schedule of energy reported to the extent that energy serves that Member’s own load.

Credit Breach:

“Credit Breach” is the status of a Participant that does not currently meet the requirements of Tariff, Attachment Q or other provisions of the Agreements.

CTS Enabled Interface:

“CTS Enabled Interface” shall mean an interface between the PJM Control Area and an adjacent Control Area at which the Office of the Interconnection has authorized the use of Coordinated Transaction Scheduling (“CTS”), designated in Schedule A to the Joint Operating Agreement Among and Between New York Independent System Operator Inc. and PJM Interconnection, L.L.C. (PJM Rate Schedule FERC No. 45).

CTS Interface Bid:

“CTS Interface Bid” shall mean a unified real-time bid to simultaneously purchase and sell energy on either side of a CTS Enabled Interface in accordance with the procedures of Operating Agreement, Schedule 1, section 1.13, and the parallel provisions of Tariff, Attachment K-Appendix.

Curtailed Service Provider:

“Curtailed Service Provider” or “CSP” shall mean a Member or a Special Member, which action on behalf of itself or one or more other Members or non-Members, participates in the PJM Interchange Energy Market, Ancillary Services markets, and/or Reliability Pricing Model by causing a reduction in demand.

Day-ahead Congestion Price:

“Day-ahead Congestion Price” shall mean the Congestion Price resulting from the Day-ahead Energy Market.

Day-ahead Energy Market:

“Day-ahead Energy Market” shall mean the schedule of commitments for the purchase or sale of energy and payment of Transmission Congestion Charges developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with

Operating Agreement, Schedule 1, section 1.10, and the parallel provisions of Tariff, Attachment K-Appendix.

Day-ahead Loss Price:

“Day-ahead Loss Price” shall mean the Loss Price resulting from the Day-ahead Energy Market.

Day-ahead Prices:

“Day-ahead Prices” shall mean the Locational Marginal Prices resulting from the Day-ahead Energy Market.

Day-ahead Scheduling Reserves:

“Day-ahead Scheduling Reserves” shall mean thirty-minute reserves as defined by the Reliability *First* Corporation and SERC.

Day-ahead Scheduling Reserves Market:

“Day-ahead Scheduling Reserves Market” shall mean the schedule of commitments for the purchase or sale of Day-ahead Scheduling Reserves developed by the Office of the Interconnection as a result of the offers and specifications submitted in accordance with Operating Agreement, Schedule 1, section 1.10, and the parallel provisions of Tariff, Attachment K-Appendix.

Day-ahead Scheduling Reserves Requirement:

“Day-ahead Scheduling Reserves Requirement” shall mean the sum of Base Day-ahead Scheduling Reserves Requirement and Additional Day-ahead Scheduling Reserves Requirement.

Day-ahead Scheduling Reserves Resources:

“Day-ahead Scheduling Reserves Resources” shall mean synchronized and non-synchronized generation resources and Demand Resources electrically located within the PJM Region that are capable of providing Day-ahead Scheduling Reserves.

Day-ahead System Energy Price:

“Day-ahead System Energy Price” shall mean the System Energy Price resulting from the Day-ahead Energy Market.

Decrement Bid:

“Decrement Bid” shall mean a type of Virtual Transaction that is a bid to purchase energy at a specified location in the Day-ahead Energy Market. A cleared Decrement Bid results in scheduled load at the specified location in the Day-ahead Energy Market.

Default Allocation Assessment:

“Default Allocation Assessment” shall mean the assessment determined pursuant to Operating Agreement, section 15.2.2.

Demand Bid:

“Demand Bid” shall mean a bid, submitted by a Load Serving Entity in the Day-ahead Energy Market, to purchase energy at its contracted load location, for a specified timeframe and megawatt quantity, that if cleared will result in energy being scheduled at the specified location in the Day-ahead Energy Market and in the physical transfer of energy during the relevant Operating Day.

Demand Bid Limit:

“Demand Bid Limit” shall mean the largest MW volume of Demand Bids that may be submitted by a Load Serving Entity for any hour of an Operating Day, as determined pursuant to Operating Agreement, Schedule 1, section 1.10.1B, and the parallel provisions of Tariff, Attachment K-Appendix.

Demand Bid Screening:

“Demand Bid Screening” shall mean the process by which Demand Bids are reviewed against the applicable Demand Bid Limit, and rejected if they would exceed that limit, as determined pursuant to Operating Agreement, Schedule 1, section 1.10.1B, and the parallel provisions of Tariff, Attachment K-Appendix.

Demand Resource:

“Demand Resource” shall have the meaning provided in the Reliability Assurance Agreement.

Designated Entity:

“Designated Entity” shall mean an entity, including an existing Transmission Owner or Nonincumbent Developer, designated by the Office of the Interconnection with the responsibility to construct, own, operate, maintain, and finance Immediate-need Reliability Projects, Short-term Projects, Long-lead Projects, or Economic-based Enhancements or Expansions pursuant to Operating Agreement, Schedule 6, section 1.5.8.

Direct Load Control:

“Direct Load Control” shall mean load reduction that is controlled directly by the Curtailment Service Provider’s market operations center or its agent, in response to PJM instructions.

Dispatch Rate:

“Dispatch Rate” shall mean the control signal, expressed in dollars per megawatt-hour, calculated and transmitted continuously and dynamically to direct the output level of all generation resources dispatched by the Office of the Interconnection in accordance with the Offer Data.

Dynamic Schedule:

“Dynamic Schedule” shall have the same meaning set forth in the NERC Glossary of Terms Used in NERC Reliability Standards.

Dynamic Transfer:

“Dynamic Transfer” shall mean a Pseudo-Tie or Dynamic Schedule.

Definitions E - F

Economic-based Enhancement or Expansion:

“Economic-based Enhancement or Expansion” means an enhancement or expansion described in Section 1.5.7(b) (i) – (iii) of Schedule 6 of the Operating Agreement that is designed to relieve transmission constraints that have an economic impact.

Economic Load Response Participant:

“Economic Load Response Participant” shall mean a Member or Special Member that qualifies under Section 1.5A of this Schedule to participate in the PJM Interchange Energy Market and/or Ancillary Services markets through reductions in demand.

Economic Maximum:

“Economic Maximum” shall mean the highest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.

Economic Minimum:

“Economic Minimum” shall mean the lowest incremental MW output level, submitted to PJM market systems by a Market Participant, that a unit can achieve while following economic dispatch.

Effective Date:

“Effective Date” shall mean August 1, 1997, or such later date that FERC permits this Agreement to go into effect.

Effective FTR Holder.

“Effective FTR Holder” shall mean:

- (i) For an FTR Holder that is either a (a) privately held company, or (b) a municipality or electric cooperative, as defined in the Federal Power Act, such FTR Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other entity that is under common ownership, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or
- (ii) For an FTR Holder that is a publicly traded company including a wholly owned subsidiary of a publicly traded company, such FTR Holder, together with any Affiliate, subsidiary or parent of the FTR Holder, any other PJM Member has over 10% common ownership with the FTR Holder, wholly or partly, directly or indirectly, or has the ability to influence, directly or indirectly, the management or policies of the FTR Holder; or

(iii) an FTR Holder together with any other PJM Member, including also any Affiliate, subsidiary or parent of such other PJM Member, with which it shares common ownership, wholly or partly, directly or indirectly, in any third entity which is a PJM Member (e.g., a joint venture).

Electric Distributor:

“Electric Distributor” shall mean a Member that: 1) owns or leases with rights equivalent to ownership electric distribution facilities that are used to provide electric distribution service to electric load within the PJM Region; or 2) is a generation and transmission cooperative or a joint municipal agency that has a member that owns electric distribution facilities used to provide electric distribution service to electric load within the PJM Region.

Emergency:

“Emergency” shall mean: (i) an abnormal system condition requiring manual or automatic action to maintain system frequency, or to prevent loss of firm load, equipment damage, or tripping of system elements that could adversely affect the reliability of an electric system or the safety of persons or property; or (ii) a fuel shortage requiring departure from normal operating procedures in order to minimize the use of such scarce fuel; or (iii) a condition that requires implementation of emergency procedures as defined in the PJM Manuals.

Emergency Load Response Program:

The Emergency Load Response Program is the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K-Appendix of the Tariff.

End-Use Customer:

“End-Use Customer” shall mean a Member that is a retail end-user of electricity within the PJM Region. A Member that is a retail end-user that owns generation may qualify as an End-Use customer if: (1) the average physical unforced capacity owned by the Member and its affiliates in the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average PJM capacity obligation for the Member and its affiliates over the same time period; or (2) the average energy produced by the Member and its affiliates within the PJM region over the five Planning Periods immediately preceding the relevant Planning Period does not exceed the average energy consumed by that Member and its affiliates within the PJM region over the same time period. The foregoing notwithstanding, taking retail service may not be sufficient to qualify a Member as an End-Use Customer.

Energy Market Opportunity Cost:

“Energy Market Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of available run hours

due to limitations imposed on the unit by Applicable Laws and Regulations (as defined in PJM Tariff), and (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Energy Market Opportunity Cost therefore is the value associated with a specific generating unit's lost opportunity to produce energy during a higher valued period of time occurring within the same compliance period, which compliance period is determined by the applicable regulatory authority and is reflected in the rules set forth in PJM Manual 15. Energy Market Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

Energy Storage Resource:

"Energy Storage Resource" shall mean flywheel or battery storage facility solely used for short term storage and injection of energy at a later time to participate in the PJM energy and/or Ancillary Services markets as a Market Seller.

Equivalent Load:

"Equivalent Load" shall mean the sum of a Market Participant's net system requirements to serve its customer load in the PJM Region, if any, plus its net bilateral transactions.

Extended Primary Reserve Requirement:

"Extended Primary Reserve Requirement" shall equal the Primary Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Primary Reserve Requirement is calculated in accordance with the PJM Manuals.

Extended Synchronized Reserve Requirement:

"Extended Synchronized Reserve Requirement" shall equal the Synchronized Reserve Requirement in a Reserve Zone or Reserve Sub-zone, plus additional reserves scheduled under emergency conditions necessary to address operational uncertainty. The Extended Synchronized Reserve Requirement is calculated in accordance with the PJM Manuals.

External Market Buyer:

"External Market Buyer" shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for consumption by end-users outside the PJM Region, or for load in the PJM Region that is not served by Network Transmission Service.

External Resource:

"External Resource" shall mean a generation resource located outside the metered boundaries of the PJM Region.

FERC:

“FERC” shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department exercising jurisdiction over this Agreement.

Final Offer:

“Final Offer” shall mean the offer on which a resource was dispatched by the Office of the Interconnection for a particular clock hour for an Operating Day.

Finance Committee:

“Finance Committee” shall mean the body formed pursuant to Section 7.5.1 of this Agreement.

Financial Transmission Right:

“Financial Transmission Right” or “FTR” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2 of this Schedule.

Financial Transmission Right Obligation:

“Financial Transmission Right Obligation” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(b) of this Schedule.

Financial Transmission Right Option:

“Financial Transmission Right Option” shall mean a right to receive Transmission Congestion Credits as specified in Section 5.2.2(c) of this Schedule.

Flexible Resource:

“Flexible Resource” shall mean a generating resource that must have a combined Start-up Time and Notification Time of less than or equal to two hours; and a Minimum Run Time of less than or equal to two hours.

Form 715 Planning Criteria:

“Form 715 Planning Criteria” shall mean individual Transmission Owner FERC-filed planning criteria as described in Schedule 6, Section 1.2(e) and filed with FERC Form No. 715 and posted on the PJM website.

FTR Holder.

“FTR Holder” shall mean the PJM Member that has acquired and possesses an FTR.

Fuel Cost Policy:

“Fuel Cost Policy” shall mean the document provided by a Market Seller to PJM and the Market Monitoring Unit in accordance with PJM Manual 15 and Operating Agreement, Schedule 2, which documents the Market Seller’s method used to price fuel for calculation of the Market Seller’s cost-based offer(s) for a generation resource.

Definitions G - H

Generating Market Buyer:

“Generating Market Buyer” shall mean an Internal Market Buyer that is a Load Serving Entity that owns or has contractual rights to the output of generation resources capable of serving the Market Buyer’s load in the PJM Region, or of selling energy or related services in the PJM Interchange Energy Market or elsewhere.

Generation Capacity Resource:

“Generation Capacity Resource” shall have the meaning provided in the Reliability Assurance Agreement.

Generation Owner:

“Generation Owner” shall mean a Member that owns or leases, with right equivalent to ownership, a Capacity Resource or an Energy Resource within the PJM footprint. The foregoing notwithstanding, for a planned generation resource to qualify a Member as a Generation Owner, such resource shall have cleared an RPM auction, and for Energy Resources, the resource shall have a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM.

A Member that is primarily a retail end-user of electricity that owns generation may qualify as a Generation Owner if: (1) the generation resource is the subject of a FERC-jurisdictional interconnection agreement or wholesale market participation agreement within PJM; (2) the average physical unforced capacity owned by the Member and its affiliates over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average PJM capacity obligation of the Member and its affiliates over the same time period; and (3) the average energy produced by the Member and its affiliates within PJM over the five Planning Periods immediately preceding the relevant Planning Period exceeds the average energy consumed by the Member and its affiliates within PJM over the same time period.

Generator Forced Outage:

“Generator Forced Outage” shall mean an immediate reduction in output or capacity or removal from service, in whole or in part, of a generating unit by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the facility, as specified in the relevant portions of the PJM Manuals. A reduction in output or removal from service of a generating unit in response to changes in market conditions shall not constitute a Generator Forced Outage.

Generator Maintenance Outage:

“Generator Maintenance Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit in order to perform necessary repairs on specific components of the

facility, if removal of the facility meets the guidelines specified in the PJM Manuals.

Generator Planned Outage:

“Generator Planned Outage” shall mean the scheduled removal from service, in whole or in part, of a generating unit for inspection, maintenance or repair with the approval of the Office of the Interconnection in accordance with the PJM Manuals.

Good Utility Practice:

“Good Utility Practice” shall mean any of the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry during the relevant time period, or any of the practices, methods and acts which, in the exercise of reasonable judgment in light of the facts known at the time the decision was made, could have been expected to accomplish the desired result at a reasonable cost consistent with good business practices, reliability, safety and expedition. Good Utility Practice is not intended to be limited to the optimum practice, method, or act to the exclusion of all others, but rather is intended to include acceptable practices, methods, or acts generally accepted in the region; including those practices required by Federal Power Act Section 215(a)(4).

Hot Weather Alert:

“Hot Weather Alert” shall mean the notice provided by PJM to PJM Members, Transmission Owners, resource owners and operators, customers, and regulators to prepare personnel and facilities for extreme hot and/or humid weather conditions which may cause capacity requirements and/or unit unavailability to be substantially higher than forecast are expected to persist for an extended period.

Definitions I - L

Immediate-need Reliability Project:

A reliability-based transmission enhancement or expansion with an in-service date of three years or less from the year the Office of the Interconnection identified the existing or projected limitations on the Transmission System that gave rise to the need for such enhancement or expansion pursuant to the study process described in section 1.5.3 of this Schedule 6.

Inadvertent Interchange:

“Inadvertent Interchange” shall mean the difference between net actual energy flow and net scheduled energy flow into or out of the individual Control Areas operated by PJM.

Incremental Multi-Driver Project:

“Incremental Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in Schedule 6, section 1.5.10(h) of this Agreement.

Increment Offer:

“Increment Offer” shall mean a type of Virtual Transaction that is an offer to sell energy at a specified location in the Day-ahead Energy Market. A cleared Increment Offer results in scheduled generation at the specified location in the Day-ahead Energy Market.

Independent Market Monitor, IMM, Market Monitoring Unit or MMU.

“Independent Market Monitor,” “IMM,” “Market Monitoring Unit” or “MMU” shall mean the independent Market Monitoring Unit established under the PJM Market Monitoring Plan (Attachment M) to the PJM Tariff.

Information Request:

“Information Request” shall mean a written request, in accordance with the terms of this Agreement for disclosure of Confidential Information pursuant to Section 18.17.4 of this Agreement.

Interface Pricing Point:

“Interface Pricing Point” shall have the meaning specified in section 2.6A.

Internal Market Buyer:

“Internal Market Buyer” shall mean a Market Buyer making purchases of energy from the PJM Interchange Energy Market for ultimate consumption by end-users inside the PJM Region that are served by Network Transmission Service

Interregional Transmission Project:

Interregional Transmission Project shall mean transmission facilities that would be located within two or more neighboring transmission planning regions and are determined by each of those regions to be a more efficient or cost effective solution to regional transmission needs.

LLC:

“LLC” shall mean PJM Interconnection, L.L.C., a Delaware limited liability company.

Load Serving Entity:

“Load Serving Entity” shall mean any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer, (1) serving end-users within the PJM Region, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Region. Load Serving Entity shall include any end-use customer, or an affiliated entity, that qualifies under state rules or a utility retail tariff to manage directly its own supply of electric power and energy and use of transmission and ancillary services.

Load Management:

“Load Management” shall mean a Demand Resource (“DR”) as defined in the Reliability Assurance Agreement.

Load Management Event:

“Load Management Event” shall mean a) a single temporally contiguous dispatch of Demand Resources in a Compliance Aggregation Area during an Operating Day, or b) multiple dispatches of Demand Resources in a Compliance Aggregation Area during an Operating Day that are temporally contiguous.

Load Reduction Event:

“Load Reduction Event” shall mean a reduction in demand by a Member or Special Member for the purpose of participating in the PJM Interchange Energy Market.

Local Plan:

“Local Plan” shall include Supplemental Projects as identified by the Transmission Owners within their zone and Subregional RTEP projects developed to comply with all applicable reliability criteria, including Transmission Owners’ planning criteria or based on market efficiency analysis and in consideration of Public Policy Requirements.

Location:

“Location” as used in the Economic Load Response rules shall mean an end-use customer site as defined by the relevant electric distribution company account number.

Locational Marginal Price:

“Locational Marginal Price” or “LMP” shall mean the hourly integrated market clearing marginal price for energy at the location the energy is delivered or received, calculated as specified in Section 2 of Schedule 1 of this Agreement.

Long-lead Project:

A transmission enhancement or expansion with an in-service date more than five years from the year in which, pursuant to section 1.5.8(c) of this Schedule 6, the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Loss Price:

“Loss Price” shall mean the loss component of the Locational Marginal Price, which is the effect on transmission loss costs (whether positive or negative) associated with increasing the output of a generation resource or decreasing the consumption by a Demand Resource based on the effect of increased generation from or consumption by the resource on transmission losses, calculated as specified in Section 2 of Schedule 1 of this Agreement.

Definitions M - N

Maintenance Adder:

“Maintenance Adder” shall mean an adder that may be included to account for variable operation and maintenance expenses in a Market Seller’s Fuel Cost Policy. The Maintenance Adder is calculated in accordance with the applicable provisions of PJM Manual 15, and may only include expenses incurred as a result of electric production.

Market Buyer:

“Market Buyer” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make purchases in the PJM Interchange Energy Market.

Market Operations Center:

“Market Operations Center” shall mean the equipment, facilities and personnel used by or on behalf of a Market Participant to communicate and coordinate with the Office of the Interconnection in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

Market Participant:

“Market Participant” shall mean a Market Buyer, a Market Seller, an Economic Load Response Participant, or all three, except when such term is used in Attachment M of the Tariff, in which case Market Participant shall mean an entity that generates, transmits, distributes, purchases, or sells electricity, ancillary services, or any other products or service provided under the PJM Tariff or Operating Agreements within, into, out of, or through the PJM Region, but it shall not include an Authorized Government Agency that consumes energy for its own use but does not purchase or sell energy at wholesale.

Market Seller:

“Market Seller” shall mean a Member that has met reasonable creditworthiness standards established by the Office of the Interconnection and that is otherwise able to make sales in the PJM Interchange Energy Market.

Maximum Emergency:

“Maximum Emergency” shall mean the designation of all or part of the output of a generating unit for which the designated output levels may require extraordinary procedures and therefore are available to the Office of the Interconnection only when the Office of the Interconnection declares a Maximum Generation Emergency and requests generation designated as Maximum Emergency to run. The Office of the Interconnection shall post on the PJM website the aggregate amount of megawatts that are classified as Maximum Emergency.

Maximum Generation Emergency:

“Maximum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection to address either a generation or transmission emergency in which the Office of the Interconnection anticipates requesting one or more Generation Capacity Resources, or Non-Retail Behind The Meter Generation resources to operate at its maximum net or gross electrical power output, subject to the equipment stress limits for such Generation Capacity Resource or Non-Retail Behind The Meter resource in order to manage, alleviate, or end the Emergency.

Maximum Generation Emergency Alert:

“Maximum Generation Emergency Alert” shall mean an alert issued by the Office of the Interconnection to notify PJM Members, Transmission Owners, resource owners and operators, customers, and regulators that a Maximum Generation Emergency may be declared, for any Operating Day in either, as applicable, the Day-ahead Energy Market or the Real-time Energy Market, for all or any part of such Operating Day.

Member:

“Member” shall mean an entity that satisfies the requirements of Section 11.6 of this Agreement and that (i) is a member of the LLC immediately prior to the Effective Date, or (ii) has executed an Additional Member Agreement in the form set forth in Schedule 4 hereof.

Members Committee:

“Members Committee” shall mean the committee specified in Section 8 of this Agreement composed of representatives of all the Members.

Minimum Generation Emergency:

“Minimum Generation Emergency” shall mean an Emergency declared by the Office of the Interconnection in which the Office of the Interconnection anticipates requesting one or more generating resources to operate at or below Normal Minimum Generation, in order to manage, alleviate, or end the Emergency.

MISO:

Midcontinent Independent System Operator, Inc. or any successor thereto.

Multi-Driver Project:

“Multi-Driver Project” shall mean a transmission enhancement or expansion that addresses more than one of the following: reliability violations, economic constraints or State Agreement Approach initiatives.

NERC:

“NERC” shall mean the North American Electric Reliability Corporation, or any successor thereto.

NERC Functional Model:

Defines the set of functions that must be performed to ensure the reliability of the electric bulk power system. The NERC Reliability Standards establish the requirements of the responsible entities that perform the functions defined in the Functional Model.

NERC Interchange Distribution Calculator:

“NERC Interchange Distribution Calculator” shall mean the NERC mechanism that is in effect and being used to calculate the distribution of energy, over specific transmission interfaces, from energy transactions.

NERC Reliability Standards:

Those standards that have been developed by NERC and approved by FERC to ensure the reliability of the electric bulk power system.

NERC Rules of Procedure:

The rules and procedures developed by NERC and approved by the FERC. These rules include the process by which a responsible entity, who is to perform a set of functions to ensure the reliability of the electric bulk power system, must register as the Registered Entity.

Net Benefits Test:

“Net Benefits Test” shall mean a calculation to determine whether the benefits of a reduction in price resulting from the dispatch of Economic Load Response exceeds the cost to other loads resulting from the billing unit effects of the load reduction, as specified in Section 3.3A.4 of this Schedule.

Network Resource:

“Network Resource” shall have the meaning specified in the PJM Tariff.

Network Service User:

“Network Service User” shall mean an entity using Network Transmission Service.

Network Transmission Service:

“Network Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is also a Transmission Owner.

New York ISO or NYISO:

New York Independent System Operator, Inc. or any successor thereto.

No-load Cost:

“No-load Cost” shall mean the hourly cost required to create the starting point of a monotonically increasing incremental offer curve for a generating unit.

Non-Disclosure Agreement:

“Non-Disclosure Agreement” shall mean an agreement between an Authorized Person and the Office of the Interconnection, pursuant to Section 18 of this Agreement, the form of which is appended to this Agreement as Schedule 10, wherein the Authorized Person is given access to otherwise restricted confidential information, for the benefit of their respective Authorized Commission.

Nonincumbent Developer:

“Nonincumbent Developer” shall mean: (1) a transmission developer that does not have an existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff; or (2) a Transmission Owner that proposes a transmission project outside of its existing Zone in the PJM Region as set forth in Attachment J of the PJM Tariff.

Non-Regulatory Opportunity Cost:

“Non-Regulatory Opportunity Cost” shall mean the difference between (a) the forecasted cost to operate a specific generating unit when the unit only has a limited number of starts or available run hours resulting from (i) the physical equipment limitations of the unit, for up to one year, due to original equipment manufacturer recommendations or insurance carrier restrictions, (ii) a fuel supply limitation, for up to one year, resulting from an event of Catastrophic Force Majeure; and, (b) the forecasted future hourly Locational Marginal Price at which the generating unit could run while not violating such limitations. Non-Regulatory Opportunity Cost therefore is the value associated with a specific generating unit’s lost opportunity to produce energy during a higher valued period of time occurring within the same period of time in which the unit is bound by the referenced restrictions, and is reflected in the rules set forth in PJM Manual 15. Non-Regulatory Opportunity Costs shall be limited to those resources which are specifically delineated in Schedule 2 of the Operating Agreement.

Non-Retail Behind The Meter Generation:

“Non-Retail Behind The Meter Generation” shall mean Behind the Meter Generation that is used by municipal electric systems, electric cooperatives, and electric distribution companies to serve load.

Non-Synchronized Reserve:

“Non-Synchronized Reserve” shall mean the reserve capability of non-emergency generation resources that can be converted fully into energy within ten minutes of a request from the Office of the Interconnection dispatcher, and is provided by equipment that is not electrically synchronized to the Transmission System.

Non-Synchronized Reserve Event:

“Non-Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources able and assigned to provide Non-Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes to increase the energy output by the amount of assigned Non-Synchronized Reserve capability.

Non-Variable Loads:

“Non-Variable Loads” shall have the meaning specified in section 1.5A.6 of this Schedule.

Normal Maximum Generation:

“Normal Maximum Generation” shall mean the highest output level of a generating resource under normal operating conditions.

Normal Minimum Generation:

“Normal Minimum Generation” shall mean the lowest output level of a generating resource under normal operating conditions.

Definitions O - P

Offer Data:

“Offer Data” shall mean the scheduling, operations planning, dispatch, new resource, and other data and information necessary to schedule and dispatch generation resources and Demand Resource(s) for the provision of energy and other services and the maintenance of the reliability and security of the Transmission System in the PJM Region, and specified for submission to the PJM Interchange Energy Market for such purposes by the Office of the Interconnection.

Office of the Interconnection:

“Office of the Interconnection” shall mean the employees and agents of PJM Interconnection, L.L.C. subject to the supervision and oversight of the PJM Board, acting pursuant to the Operating Agreement.

Office of the Interconnection Control Center:

“Office of the Interconnection Control Center” shall mean the equipment, facilities and personnel used by the Office of the Interconnection to coordinate and direct the operation of the PJM Region and to administer the PJM Interchange Energy Market, including facilities and equipment used to communicate and coordinate with the Market Participants in connection with transactions in the PJM Interchange Energy Market or the operation of the PJM Region.

On-Site Generators:

“On-Site Generators” shall mean generation facilities (including Behind The Meter Generation) that (i) are not Capacity Resources, (ii) are not injecting into the grid, (iii) are either synchronized or non-synchronized to the Transmission System, and (iv) can be used to reduce demand for the purpose of participating in the PJM Interchange Energy Market.

Operating Day:

“Operating Day” shall mean the daily 24 hour period beginning at midnight for which transactions on the PJM Interchange Energy Market are scheduled.

Operating Margin:

“Operating Margin” shall mean the incremental adjustments, measured in megawatts, required in PJM Region operations in order to accommodate, on a first contingency basis, an operating contingency in the PJM Region resulting from operations in an interconnected Control Area. Such adjustments may result in constraints causing Transmission Congestion Charges, or may result in Ancillary Services charges pursuant to the PJM Tariff.

Operating Margin Customer:

“Operating Margin Customer” shall mean a Control Area purchasing Operating Margin pursuant to an agreement between such other Control Area and the LLC.

Operating Reserve:

“Operating Reserve” shall mean the amount of generating capacity scheduled to be available for a specified period of an Operating Day to ensure the reliable operation of the PJM Region, as specified in the PJM Manuals.

Original PJM Agreement:

“Original PJM Agreement” shall mean that certain agreement between certain of the Members, originally dated September 26, 1956, and as amended and supplemented up to and including December 31, 1996, relating to the coordinated operation of their electric supply systems and the interchange of electric capacity and energy among their systems.

Other Supplier:

“Other Supplier” shall mean a Member that: (i) is engaged in buying, selling or transmitting electric energy, capacity, ancillary services, financial transmission rights or other services available under PJM’s governing documents in or through the Interconnection or has a good faith intent to do so, and; (ii) does not qualify for the Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer sectors.

PJM Board:

“PJM Board” shall mean the Board of Managers of the LLC, acting pursuant to *the Operating Agreement*, except when such term is being used in *Tariff*, Attachment M, in which case PJM Board shall mean the Board of Managers of PJM or its designated representative, exclusive of any members of PJM Management.

PJM Control Area:

“PJM Control Area” shall mean the Control Area recognized by NERC as the PJM Control Area.

PJM Dispute Resolution Procedures:

“PJM Dispute Resolution Procedures” shall mean the procedures for the resolution of disputes set forth in *Operating Agreement*, Schedule 5.

PJM Governing Agreements:

“*PJM Governing Agreements*” shall mean the PJM Open Access Transmission Tariff, the Operating Agreement, the Consolidated Transmission Owners Agreement, the Reliability Assurance Agreement, or any other applicable agreement approved by the FERC and intended to govern the relationship by and among PJM and any of its Members.

PJM Interchange:

“PJM Interchange” shall mean the following, as determined in accordance with the Schedules to *the Operating Agreement*: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds, or is exceeded by, the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller; or (e) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (f) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Interchange Energy Market:

“PJM Interchange Energy Market” shall mean the regional competitive market administered by the Office of the Interconnection for the purchase and sale of spot electric energy at wholesale in interstate commerce and related services established pursuant to *Operating Agreement*, Schedule 1, and the parallel provisions of *Tariff, Attachment K-Appendix*.

PJM Interchange Export:

“PJM Interchange Export” shall mean the following, as determined in accordance with the Schedules to *the Operating Agreement*: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load is exceeded by the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup sales; or (c) the hourly scheduled deliveries of Spot Market Energy by a Market Seller from an External Resource; or (d) the hourly net metered output of any other Market Seller.

PJM Interchange Import:

“PJM Interchange Import” shall mean the following, as determined in accordance with the Schedules to *the Operating Agreement*: (a) for a Market Participant that is a Network Service User, the amount by which its hourly Equivalent Load exceeds the sum of the hourly outputs of its operating generating resources; or (b) for a Market Participant that is not a Network Service User, the amount of its Spot Market Backup purchases; or (c) the hourly scheduled deliveries of Spot Market Energy to an External Market Buyer; or (d) the hourly scheduled deliveries to an Internal Market Buyer that is not a Network Service User.

PJM Manuals:

“PJM Manuals” shall mean the instructions, rules, procedures and guidelines established by the Office of the Interconnection for the operation, planning, and accounting requirements of the PJM Region and the PJM Interchange Energy Market.

PJM Market Monitor:

“PJM Market Monitor” shall mean the Market Monitoring Unit established under Attachment M to the PJM Tariff.

PJM Mid-Atlantic Region:

“PJM Mid-Atlantic Region” shall mean the aggregate of the Transmission Facilities of Atlantic City Electric Company, Baltimore Gas and Electric Company, Delmarva Power and Light Company, Jersey Central Power and Light Company, Mid-Atlantic Interstate Transmission, LLC, PECO Energy Company, PPL Electric Utilities Corporation, Potomac Electric Power Company, Public Service Electric and Gas Company, and Rockland Electric Company.

PJM Open Access Same-time Information System:

“PJM Open Access Same-time Information System” shall mean the electronic communication system for the collection and dissemination of information about transmission services in the PJM Region, established and operated by the Office of the Interconnection in accordance with FERC standards and requirements.

PJM Region:

“PJM Region” shall mean the aggregate of the Zones within PJM as set forth in Attachment J to the PJM Tariff.

PJMSettlement:

“PJMSettlement” or “PJM Settlement, Inc.” shall mean PJM Settlement, Inc. (or its successor), established by PJM as set forth in Section 3.3 *of the Operating Agreement*.

PJM South Region:

“PJM South Region” shall mean the Transmission Facilities of Virginia Electric and Power Company.

PJM Tariff:

“PJM Tariff” or “Tariff” shall mean that certain “PJM Open Access Transmission Tariff”, including any schedules, appendices, or exhibits attached thereto, on file with FERC and as amended from time to time thereafter.

PJM West Region:

“PJM West Region” shall mean the Zones of Allegheny Power; Commonwealth Edison Company (including Commonwealth Edison Co. of Indiana); AEP East Operating Companies; The Dayton Power and Light Company; the Duquesne Light Company; American Transmission Systems, Incorporated; Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.

Planning Period:

“Planning Period” shall initially mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period established under the procedures of, as applicable, the Reliability Assurance Agreement.

Planning Period Balance:

“Planning Period Balance” shall mean the entire period of time remaining in the Planning Period following the month that a monthly auction is conducted.

Planning Period Quarter:

“Planning Period Quarter” shall mean any of the following three month periods in the Planning Period: June, July and August; September, October and November; December, January and February; or March, April and May.

Point-to-Point Transmission Service:

“Point-to-Point Transmission Service” shall mean transmission service provided pursuant to the rates, terms and conditions set forth in *Tariff*, Part II.

PRD Curve:

“PRD Curve” shall have the meaning provided in the Reliability Assurance Agreement.

PRD Provider:

“PRD Provider” shall have the meaning provided in the Reliability Assurance Agreement.

PRD Reservation Price:

“PRD Reservation Price” shall have the meaning provided in the Reliability Assurance Agreement.

PRD Substation:

“PRD Substation” shall have the meaning provided in the Reliability Assurance Agreement.

Pre-Emergency Load Response Program:

“Pre-Emergency Load Response Program” *shall be* the program by which Curtailment Service Providers may be compensated by PJM for Demand Resources that will reduce load when dispatched by PJM during pre-emergency conditions, and is described in Section 8 of Schedule 1 of the Operating Agreement and the parallel provisions of Section 8 of Attachment K-Appendix of the Tariff.

President:

“President” shall have the meaning specified in *Operating Agreement*, section 9.2.

Price Responsive Demand:

“Price Responsive Demand” shall have the meaning provided in the Reliability Assurance Agreement.

Primary Reserve:

“Primary Reserve” shall mean the total reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes of a request from the Office of the Interconnection dispatcher, and is comprised of both Synchronized Reserve and Non-Synchronized Reserve.

Primary Reserve Requirement:

“Primary Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Primary Reserve, absent any increase to account for additional reserves scheduled to address operational uncertainty. The Primary Reserve Requirement is calculated in accordance with the PJM Manuals.

Prohibited Securities:

“Prohibited Securities” shall mean the Securities of a Member, Eligible Customer, or Nonincumbent Developer, or their Affiliates, if:

- (1) the primary business purpose of the Member or Eligible Customer, or their Affiliates, is to buy, sell or schedule energy, power, capacity, ancillary services or transmission services as indicated by an industry code within the “Electric Power Generation, Transmission, and Distribution” industry group under the North American Industry Classification System (“NAICS”) or otherwise determined by the Office of the Interconnection;
- (2) the Nonincumbent Developer has been pre-qualified as eligible to be a Designated Entity pursuant to *Operating Agreement*, Schedule 6;
- (3) the total (gross) financial settlements regarding the use of transmission capacity of the Transmission System and/or transactions in the centralized markets that the Office of the Interconnection administers under the Tariff and the Operating Agreement for all Members or Eligible Customers affiliated with the publicly traded company during its most recently completed fiscal year is equal to or greater than 0.5% of its gross revenues for the same time period; or

(4) the total (gross) financial settlements regarding the use of transmission capacity of the Transmission System and/or transactions in the centralized markets that the Office of the Interconnection administers under the Tariff and the Operating Agreement for all Members or Eligible Customers affiliated with the publicly traded company during the prior calendar year is equal to or greater than 3% of the total transactions for which PJMSettlements is a Counterparty pursuant to *Operating Agreement*, section 3.3 for the same time period.

The Office of the Interconnection shall compile and maintain a list of the Prohibited Securities publicly traded and post this list for all employees and distribute the list to the Board Members.

Proportional Multi-Driver Project:

“Proportional Multi-Driver Project” shall mean a Multi-Driver Project that is planned as described in *Operating Agreement*, Schedule 6, section 1.5.10(h).

Pseudo-Tie:

“Pseudo-Tie shall have the same meaning set forth in the NERC Glossary of Terms Used in NERC Reliability Standards.

Public Policy Objectives:

“Public Policy Objectives” shall refer to Public Policy Requirements, as well as public policy initiatives of state or federal entities that have not been codified into law or regulation but which nonetheless may have important impacts on long term planning considerations.

Public Policy Requirements:

“Public Policy Requirements” shall refer to policies pursued by: (a) state or federal entities, where such policies are reflected in duly enacted statutes or regulations, including but not limited to, state renewable portfolio standards and requirements under Environmental Protection Agency regulations; and (b) local governmental entities such as a municipal or county government, where such policies are reflected in duly enacted laws or regulations passed by the local governmental entity.

Definitions Q - R

Ramping Capability:

“Ramping Capability” shall mean the sustained rate of change of generator output, in megawatts per minute.

Real-time Congestion Price:

“Real-time Congestion Price” shall mean the Congestion Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Loss Price:

“Real-time Loss Price” shall mean the Loss Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Prices:

“Real-time Prices” shall mean the Locational Marginal Prices resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Real-time Energy Market:

“Real-time Energy Market” shall mean the purchase or sale of energy and payment of Transmission Congestion Charges for quantity deviations from the Day-ahead Energy Market in the Operating Day.

Real-time System Energy Price:

“Real-time System Energy Price” shall mean the System Energy Price resulting from the Office of the Interconnection’s dispatch of the PJM Interchange Energy Market in the Operating Day.

Regional Entity:

“Regional Entity” shall mean an organization that NERC has delegated the authority to propose and enforce reliability standards pursuant to the Federal Power Act.

Regional RTEP Project:

“Regional RTEP Project” shall mean a transmission expansion or enhancement rated at 230 kV or above which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

Registered Entity:

“Registered Entity” shall mean the entity registered under the NERC Functional Model and NERC Rules of Procedures for the purpose of compliance with NERC Reliability Standards and responsible for carrying out the tasks within a NERC function without regard to whether a task or tasks are performed by another entity pursuant to the terms of the PJM Governing Agreements.

Regulation:

“Regulation” shall mean the capability of a specific generation resource or Demand Resource with appropriate telecommunications, control and response capability to separately increase and decrease its output or adjust load in response to a regulating control signal, in accordance with the specifications in the PJM Manuals.

Regulation Zone:

“Regulation Zone” shall mean any of those one or more geographic areas, each consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, regulation service.

Related Parties:

“Related Parties” shall mean, solely for purposes of the governance provisions of the Operating Agreement: (i) any generation and transmission cooperative and one of its distribution cooperative members; and (ii) any joint municipal agency and one of its members. For purposes of the Operating Agreement, representatives of state or federal government agencies shall not be deemed Related Parties with respect to each other, and a public body's regulatory authority, if any, over a Member shall not be deemed to make it a Related Party with respect to that Member.

Relevant Electric Retail Regulatory Authority:

“Relevant Electric Retail Regulatory Authority” shall mean an entity that has jurisdiction over and establishes prices and policies for competition for providers of retail electric service to end-customers, such as the city council for a municipal utility, the governing board of a cooperative utility, the state public utility commission or any other such entity.

Reliability Assurance Agreement:

“Reliability Assurance Agreement” shall mean that certain Reliability Assurance Agreement Among Load-Serving Entities in the PJM Region, on file with FERC as PJM Interconnection, L.L.C. Rate Schedule FERC. No .44, and as amended from time to time thereafter.

Reserve Penalty Factor:

“Reserve Penalty Factor” shall mean the cost, in \$/MWh, associated with being unable to meet a specific reserve requirement in a Reserve Zone or Reserve Sub-zone. A Reserve Penalty Factor will be defined for each reserve requirement in a Reserve Zone or Reserve Sub-zone.

Reserve Sub-zone:

“Reserve Sub-zone” shall mean any of those geographic areas wholly contained within a Reserve Zone, consisting of a combination of a portion of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Reserve Zone:

“Reserve Zone” shall mean any of those geographic areas consisting of a combination of one or more Control Zone(s) as designated by the Office of the Interconnection in the PJM Manuals, relevant to provision of, and requirements for, reserve service.

Residual Auction Revenue Rights:

“Residual Auction Revenue Rights” shall mean incremental stage 1 Auction Revenue Rights created within a Planning Period by an increase in transmission system capability, including the return to service of existing transmission capability, that was not modeled pursuant to Operating Agreement, Schedule 1, section 7.5, and the parallel provisions of Tariff, Attachment K-Appendix in compliance with Operating Agreement, Schedule 1, section 7.4.2(h), and the parallel provisions of Tariff, Attachment K-Appendix, and, if modeled, would have increased the amount of stage 1 Auction Revenue Rights allocated pursuant to Operating Agreement, Schedule 1, section 7.4.2; and the parallel provisions of Attachment K-Appendix; provided that, the foregoing notwithstanding, Residual Auction Revenue Rights shall exclude: 1) Incremental Auction Revenue Rights allocated pursuant to Tariff, Part VI; and 2) Auction Revenue Rights allocated to entities that are assigned cost responsibility pursuant to Operating Agreement, Schedule 6 for transmission upgrades that create such rights.

Residual Metered Load:

“Residual Metered Load” shall mean all load remaining in an electric distribution company’s fully metered franchise area(s) or service territory(ies) after all nodally priced load of entities serving load in such area(s) or territory(ies) has been carved out.

Definitions S – T

Sector Votes:

“Sector Votes” shall mean the affirmative and negative votes of each sector of a Senior Standing Committee, as specified in *Operating Agreement*, section 8.4.

Securities:

“Securities” shall mean negotiable or non-negotiable investment or financing instruments that can be sold and bought. Securities include bonds, stocks, debentures, notes and options.

Senior Standing Committees:

“Senior Standing Committees” shall mean the Members Committee, and the Markets, and Reliability Committee, as established in *Operating Agreement*, sections 8.1 and 8.6.

SERC:

“SERC” or “Southeastern Electric Reliability Council” shall mean the reliability council under section 202 of the Federal Power Act established pursuant to the SERC Agreement dated January 14, 1970, or any successor thereto.

Short-term Project:

“*Short-term Project*” shall mean a transmission enhancement or expansion with an in-service date of more than three years but no more than five years from the year in which, pursuant to *Operating Agreement*, Schedule 6 section 1.5.8(c), the Office of the Interconnection posts the violations, system conditions, or Public Policy Requirements to be addressed by the enhancement or expansion.

Special Member:

“Special Member” shall mean an entity that satisfies the requirements of *Operating Agreement*, Schedule 1, section 1.5A.02, and the parallel provisions of *Tariff*, Attachment K-Appendix, or the special membership provisions established under the Emergency Load Response and Pre-Emergency Load Response Programs.

Spot Market Backup:

“Spot Market Backup” shall mean the purchase of energy from, or the delivery of energy to, the PJM Interchange Energy Market in quantities sufficient to complete the delivery or receipt obligations of a bilateral contract that has been curtailed or interrupted for any reason.

Spot Market Energy:

“Spot Market Energy” shall mean energy bought or sold by Market Participants through the PJM Interchange Energy Market at System Energy Prices determined as specified in *Operating Agreement, Schedule 1, section 2, and the parallel provisions of Tariff, Attachment K-Appendix*.

Standing Committees:

“Standing Committees” shall mean the Members Committee, the committees established and maintained under *Operating Agreement, section 8.6*, and such other committees as the Members Committee may establish and maintain from time to time.

State:

“State” shall mean the District of Columbia and any State or Commonwealth of the United States.

State Certification:

“State Certification” shall mean the Certification of an Authorized Commission, pursuant to *Operating Agreement, section 18*, the form of which is appended to *the Operating Agreement as Schedule 10A*, wherein the Authorized Commission identifies all Authorized Persons employed or retained by such Authorized Commission, a copy of which shall be filed with FERC.

State Consumer Advocate:

“State Consumer Advocate” shall mean a legislatively created office from any State, all or any part of the territory of which is within the PJM Region, and the District of Columbia established, inter alia, for the purpose of representing the interests of energy consumers before the utility regulatory commissions of such states and the District of Columbia and the FERC.

State Estimator:

“State Estimator” shall mean the computer model of power flows specified in *Operating Agreement, Schedule 1, section 2.3, and the parallel provisions of Tariff, Attachment K-Appendix*.

Station Power:

“Station Power” shall mean energy used for operating the electric equipment on the site of a generation facility located in the PJM Region or for the heating, lighting, air-conditioning and office equipment needs of buildings on the site of such a generation facility that are used in the operation, maintenance, or repair of the facility. Station Power does not include any energy (i) used to power synchronous condensers; (ii) used for pumping at a pumped storage facility; (iii) used for compressors at a compressed air energy storage facility; (iv) used for charging an Energy Storage Resource or a Capacity Storage Resource; or (v) used in association with restoration or black start service.

Sub-meter:

“Sub-meter” shall mean a metering point for electricity consumption that does not include all electricity consumption for the end-use customer as defined by the electric distribution company account number. PJM shall only accept sub-meter load data from end-use customers for measurement and verification of Regulation service as set forth in the Economic Load Response rules and PJM Manuals.

Subregional RTEP Project:

“Subregional RTEP Project” shall mean a transmission expansion or enhancement rated below 230 kV which is required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection.

Supplemental Project:

“Supplemental Project” shall mean a transmission expansion or enhancement that is not required for compliance with the following PJM criteria: system reliability, operational performance or economic criteria, pursuant to a determination by the Office of the Interconnection and is not a state public policy project pursuant to *Operating Agreement, Schedule 6*, section 1.5.9(a)(ii). Any system upgrades required to maintain the reliability of the system that are driven by a Supplemental Project are considered part of that Supplemental Project and are the responsibility of the entity sponsoring that Supplemental Project.

Synchronized Reserve:

“Synchronized Reserve” shall mean the reserve capability of generation resources that can be converted fully into energy or Demand Resources whose demand can be reduced within ten minutes from the request of the Office of the Interconnection dispatcher, and is provided by equipment that is electrically synchronized to the Transmission System.

Synchronized Reserve Event:

“Synchronized Reserve Event” shall mean a request from the Office of the Interconnection to generation resources and/or Demand Resources able, assigned or self-scheduled to provide Synchronized Reserve in one or more specified Reserve Zones or Reserve Sub-zones, within ten minutes, to increase the energy output or reduce load by the amount of assigned or self-scheduled Synchronized Reserve capability.

Synchronized Reserve Requirement:

“Synchronized Reserve Requirement” shall mean the megawatts required to be maintained in a Reserve Zone or Reserve Sub-zone as Synchronized Reserve, absent any increase to account for

additional reserves scheduled to address operational uncertainty. The Synchronized Reserve Requirement is calculated in accordance *with the* PJM Manuals.

System:

“System” shall mean the interconnected electric supply system of a Member and its interconnected subsidiaries exclusive of facilities which it may own or control outside of the PJM Region. Each Member may include in its system the electric supply systems of any party or parties other than Members which are within the PJM Region, provided its interconnection agreements with such other party or parties do not conflict with such inclusion.

System Energy Price:

“System Energy Price” shall mean the energy component of the Locational Marginal Price, which is the price at which the Market Seller has offered to supply an additional increment of energy from a resource, calculated as specified in *Operating Agreement, Schedule 1, section 2, and the parallel provisions of Tariff, Attachment K-Appendix*.

Target Allocation:

“Target Allocation” shall mean the allocation of Transmission Congestion Credits as set forth in *Operating Agreement, Schedule 1, section 5.2.3, and the parallel provisions of Tariff, Attachment K-Appendix* or the allocation of Auction Revenue Rights Credits as set forth in *Operating Agreement, Schedule 1, section 7.4.3, and the parallel provisions of Tariff, Attachment K-Appendix*.

Third Party Request:

“Third Party Request” shall mean any request or demand by any entity upon an Authorized Person or an Authorized Commission for release or disclosure of confidential information provided to the Authorized Person or Authorized Commission by the Office of the Interconnection or PJM Market Monitor. A Third Party Request shall include, but shall not be limited to, any subpoena, discovery request, or other request for confidential information made by any: (i) federal, state, or local governmental subdivision, department, official, agency or court, or (ii) arbitration panel, business, company, entity or individual.

Tie Line:

“Tie Line” shall have the same meaning provided in the Open Access Transmission Tariff.

Transmission Congestion Charge:

“Transmission Congestion Charge” shall mean a charge attributable to the increased cost of energy delivered at a given load bus when the transmission system serving that load bus is operating under constrained conditions, or as necessary to provide energy for third-party

transmission losses, which shall be calculated and allocated as specified in *Operating Agreement, Schedule 1, section 5.1, and the parallel provisions of Tariff, Attachment K-Appendix.*

Transmission Congestion Credit:

“Transmission Congestion Credit” shall mean the allocated share of total Transmission Congestion Charges credited to each FTR Holder, calculated and allocated as specified in Section 5.2.

Transmission Customer:

“Transmission Customer” shall have the meaning set forth in the PJM Tariff.

Transmission Facilities:

“Transmission Facilities” shall mean facilities that: (i) are within the PJM Region; (ii) meet the definition of transmission facilities pursuant to FERC’s Uniform System of Accounts or have been classified as transmission facilities in a ruling by FERC addressing such facilities; and (iii) have been demonstrated to the satisfaction of the Office of the Interconnection to be integrated with the PJM Region transmission system and integrated into the planning and operation of the PJM Region to serve all of the power and transmission customers within the PJM Region.

Transmission Forced Outage:

“Transmission Forced Outage” shall mean an immediate removal from service of a transmission facility by reason of an Emergency or threatened Emergency, unanticipated failure, or other cause beyond the control of the owner or operator of the transmission facility, as specified in the relevant portions of the PJM Manuals. A removal from service of a transmission facility at the request of the Office of the Interconnection to improve transmission capability shall not constitute a Forced Transmission Outage.

Transmission Loading Relief:

“Transmission Loading Relief” shall mean NERC’s procedures for preventing operating security limit violations, as implemented by PJM as the security coordinator responsible for maintaining transmission security for the PJM Region.

Transmission Loading Relief Customer:

“Transmission Loading Relief Customer” shall mean an entity that, in accordance with Section 1.10.6A, has elected to pay Transmission Congestion Charges during Transmission Loading Relief in order to continue energy schedules over contract paths outside the PJM Region that are increasing the cost of energy in the PJM Region.

Transmission Loss Charge:

“Transmission Loss Charge” shall mean the charges to each Market Participant, Network Customer, or Transmission Customer for the cost of energy lost in the transmission of electricity from a generation resource to load as specified in *Operating Agreement, Schedule 1, section 5, and the parallel provisions of Tariff, Attachment K-Appendix*.

Transmission Owner:

“Transmission Owner” shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities and is a signatory to the PJM Transmission Owners Agreement. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

Transmission Owner Upgrade:

“Transmission Owner Upgrade” shall mean an upgrade to a Transmission Owner’s own transmission facilities, which is an improvement to, addition to, or replacement of a part of, an existing facility and is not an entirely new transmission facility.

Transmission Planned Outage:

“Transmission Planned Outage” shall mean any transmission outage scheduled in advance for a pre-determined duration and which meets the notification requirements for such outages specified in *Operating Agreement, Schedule 1, and the parallel provisions of Tariff, Attachment K-Appendix*, or the PJM Manuals.

Definitions U - Z

Up-to Congestion Transaction:

“Up-to Congestion Transaction” shall have the meaning specified in Operating Agreement, Schedule 1, section 1.10.1A, and the parallel provisions of Tariff, Attachment K-Appendix.

User Group:

“User Group” shall mean a group formed pursuant to Operating Agreement, section 8.7.

VACAR:

“VACAR” shall mean the group of five companies, consisting of Duke Energy Carolinas, LLC; Duke Energy Progress, Inc.; South Carolina Public Service Authority; South Carolina Electric and Gas Company; and Virginia Electric and Power Company.

Variable Loads:

“Variable Loads” shall have the meaning specified in Operating Agreement, Schedule 1, section 1.5A.6, and the parallel provisions of Tariff, Attachment K-Appendix.

Virtual Transaction:

“Virtual Transaction” shall mean a Decrement Bid, Increment Offer and/or Up-to Congestion Transaction.

Voting Member:

“Voting Member” shall mean (i) a Member as to which no other Member is an Affiliate or Related Party, or (ii) a Member together with any other Members as to which it is an Affiliate or Related Party.

Weighted Interest:

“Weighted Interest” shall be equal to $(0.1(1/N) + 0.5(B/C) + 0.2(D/E) + 0.2(F/G))$, where:

- N = the total number of Members excluding ex officio Members and State Consumer Advocates (which, for purposes of Operating Agreement, section 15.2 shall be calculated as of five o'clock p.m. Eastern Time on the date PJM declares a Member in default)
- B = the Member's internal peak demand for the previous calendar year (which, for Load Serving Entities under the Reliability Assurance Agreement, shall be that used to calculate Accounted For Obligation as determined by the Office of the Interconnection pursuant to Schedule 7 of the Reliability Assurance Agreement averaged over the previous calendar year)

C = the sum of factor B for all Members

D = the Member's generating capability from Generation Capacity Resources located in the PJM Region as of January 1 of the current calendar year, determined by the Office of the Interconnection pursuant to Schedule 9 of the Reliability Assurance Agreement

E = the sum of factor D for all Members

F = the sum of the Member's circuit miles of transmission facilities multiplied by the respective operating voltage for facilities 100 kV and above as of January 1 of the current calendar year

G = the sum of factor F for all Members

Zonal Base Load:

“Zonal Base Load” shall mean the lowest daily zonal peak load from the twelve month period ending October 21 of the calendar year immediately preceding the calendar year in which an annual Auction Revenue Right allocation is conducted, increased by the projected load growth rate for the relevant Zone, when non-extraordinary conditions exist for the applicable twelve month period, as determined by PJM. If the lowest daily zonal peak load from the applicable twelve month period is abnormally low due to extraordinary conditions, as determined by PJM, Zonal Base Load shall mean the next lowest daily zonal peak load that was not affected by extraordinary conditions during the applicable twelve month period, increased by the projected load growth rate for the relevant Zone. For the purposes of this definition, extraordinary conditions shall mean a significant event, or combination of events, that affect the operation of the bulk power system in an atypical manner and results in an abnormal reduction in the consumption of energy within a Zone.

Zone:

“Zone” shall mean an area within the PJM Region, as set forth in Tariff, Attachment J.

2. FORMATION, NAME; PLACE OF BUSINESS

2.1 Formation of LLC; Certificate of Formation.

The Members of the LLC hereby:

- (a) acknowledge the conversion of the PJM Interconnection Association into the LLC, a limited liability company pursuant to the Act, by virtue of the filing of both the Certificate of Formation and the Certificate of Conversion with the Recording Office, effective as of March 31, 1997;
- (b) confirm and agree to their status as Members of the LLC;
- (c) enter into this Agreement for the purpose of amending and restating the rights, duties, and relationship of the Members; and
- (d) agree that if the laws of any jurisdiction in which the LLC transacts business so require, the PJM Board also shall file, with the appropriate office in that jurisdiction, any documents necessary for the LLC to qualify to transact business under such laws; and (ii) agree and obligate themselves to execute, acknowledge, and cause to be filed for record, in the place or places and manner prescribed by law, any amendments to the Certificate of Formation as may be required, either by the Act, by the laws of any jurisdiction in which the LLC transacts business, or by this Agreement, to reflect changes in the information contained therein or otherwise to comply with the requirements of law for the continuation, preservation, and operation of the LLC as a limited liability company under the Act.

2.2 Name of LLC.

The name under which the LLC shall conduct its business is “PJM Interconnection, L.L.C.”

2.3 Place of Business.

The location of the principal place of business of the LLC shall be 2750 Monroe Blvd., Audubon, Pennsylvania 19403. The LLC may also have offices at such other places both within and without the State of Delaware as the PJM Board may from time to time determine or the business of the LLC may require.

2.4 Registered Office and Registered Agent.

The street address of the initial registered office of the LLC shall be 1209 Orange Street, Wilmington, Delaware 19801, and the LLC's registered agent at such address shall be The Corporation Trust Company. The registered office and registered agent may be changed by resolution of the PJM Board.

3. PURPOSES AND POWERS OF LLC

3.1 Purposes.

The purposes of the LLC shall be:

- (a) to operate in accordance with FERC requirements as an Independent System Operator, comprised of the PJM Board, the Office of the Interconnection, and the Members Committee, with the authorities and responsibilities set forth in this Agreement;
- (b) as necessary for the operation of the PJM Region as specified above: (i) to acquire and obtain licenses, permits and approvals, (ii) to own or lease property, equipment and facilities, and (iii) to contract with third parties to obtain goods and services, provided that, the LLC may procure goods and services from a Member only after open and competitive bidding; however, open and competitive bidding shall not be required to the LLC's procurement of goods and services from any Member which does not meet the definition of Prohibited Securities in this Agreement whether or not such Member issues Securities; and
- (c) to engage in any lawful business permitted by the Act or the laws of any jurisdiction in which the LLC may do business and to enter into any lawful transaction and engage in any lawful activities in furtherance of the foregoing purposes and as may be necessary, incidental or convenient to carry out the business of the LLC as contemplated by this Agreement.

3.2 Powers.

The LLC shall have the power to do any and all acts and things necessary, appropriate, advisable, or convenient for the furtherance and accomplishment of the purposes of the LLC, including, without limitation, to engage in any kind of activity and to enter into and perform obligations of any kind necessary to or in connection with, or incidental to, the accomplishment of the purposes of the LLC, so long as said activities and obligations may be lawfully engaged in or performed by a limited liability company under the Act.

3.3 Counterparty.

(a) In accordance with Section 10.1 of this Agreement, the Office of the Interconnection shall implement this Agreement and administer the PJM Tariff. Under the Tariff and this Agreement, the LLC administers the provision of transmission service and associated ancillary services to customers and operates and administers various centralized electric power and energy markets. In obtaining transmission service and in these centralized markets, customers conduct transactions with PJMSettlement as a counterparty. Market participants also may conduct bilateral transactions with other market participants and they may self-supply power and energy to the electric loads they serve. Such bilateral and self-supply arrangements are not transactions with PJMSettlement.

(b) For purposes of contracting with customers and conducting financial settlements regarding the use of the transmission capacity of the Transmission System, the LLC has established PJMSettlement. The LLC also has established PJMSettlement as the entity that is the Counterparty with respect to the agreements and transactions in the centralized markets that the LLC administers under the Tariff and the Operating Agreement (i.e., the agreements and transactions that are not bilateral arrangements between market participants or self-supply). PJMSettlement will serve as the Counterparty to Financial Transmission Rights and Auction Revenue Rights instruments held by a Market Participant. Any subsequent bilateral transfer of these instruments by the Market Participant to another Market Participant shall require the consent of PJMSettlement, but shall not implicate PJMSettlement as a contracting party with respect to such subsequent bilateral transfer.

(c) As specified in Section 11 and Schedule 4, Members agree that PJMSettlement is the Counterparty to certain transactions as specified in this Agreement and the PJM Tariff.

(d) As a party to the Consolidated Transmission Owners Agreement, the LLC has acquired the right to use the transmission capacity of the transmission system that is required to provide service under the PJM Tariff and the authorization to resell transmission service using such capacity on the transmission system. Under the Consolidated Transmission Owners Agreement, the LLC compensates the Transmission Owners for the use of their transmission capacity by distributing certain revenues to the Transmission Owners as set forth in the PJM Tariff and the Consolidated Transmission Owners Agreement. The LLC has assigned its right to use the transmission capacity of the Transmission System to PJMSettlement. Accordingly, PJMSettlement shall compensate the Transmission Owners for the use of the transmission capacity required to provide service under the PJM Tariff and this Agreement.

(e) Unless otherwise expressly stated in the PJM Tariff or this Agreement, PJMSettlement shall be the Counterparty to the customers purchasing Transmission Service and Network Integration Transmission Service, and to the other transactions with customers and other entities under the PJM Tariff and this Agreement.

(f) PJMSettlement shall not be a contracting party to other non-transmission transactions that are (i) bilateral transactions between market participants, or (ii) self-supplied or self-scheduled transactions reported to the LLC.

(g) Notwithstanding the foregoing, PJMSettlement shall not be the Counterparty with respect to agreements and transactions regarding the LLC's administration of Parts IV and VI, Schedules 1, 9 (excluding Schedule 9-PJMSettlement), 10-NERC, 10-RFC, 14, 16, 16-A, and 17 of the PJM Tariff.

(h) Confidentiality. PJMSettlement shall be bound by the same confidentiality requirements as the LLC.

(i) PJMSettlement Costs. All costs of the services provided by PJMSettlement for the benefit of Market Participants and Transmission Customers shall be included in the charges for Administrative Services set forth in Schedule 9-PJMSettlement of the PJM Tariff.

(j) Amendment of Previously Effective Arrangements.

(i) Transmission Service Agreements. Transmission Service Agreements in effect at the time this Section 3.3 becomes effective shall be deemed to be revised to include PJMSettlement as a Counterparty to the Transmission Service Agreement in the same manner and to the same extent as agreements entered after the effective date of this Section 3.3.

(ii) Reliability Pricing Model. PJMSettlement shall be the Counterparty to the transactions arising from the cleared Base Residual Auctions and Incremental Auctions that occurred prior to the effective date of this Section 3.3 and for which delivery will occur after the effective date of this Section 3.3 in the same manner and to the same extent as transactions arising from auctions cleared after the effective date of this Section 3.3.

(iii) Auction Revenue Rights and Financial Transmission Rights. PJMSettlement shall be the Counterparty with respect to the rights and obligations arising from Auction Revenue Rights and Financial Transmission Rights acquired in an auction or assigned by PJM prior to the effective date of this Section 3.3 to the same extent as with respect to rights and obligations arising from auctions or assignments of Auction Revenue Rights and Financial Transmission Rights after the effective date of this Section 3.3.

4. EFFECTIVE DATE AND TERMINATION

4.1 Effective Date and Termination.

- (a) The existence of the LLC commenced on March 31, 1997, as provided in the Certificate of Formation and Certificate of Conversion which were filed with the Recording Office on March 31, 1997. This Agreement shall amend and restate the Operating Agreement of PJM Interconnection, LLC as of the Effective Date.
- (b) The LLC shall continue in existence until terminated in accordance with the terms of this Agreement. The withdrawal or termination of any Member is subject to the provisions of Section 18.18 of this Agreement.
- (c) Any termination of this Agreement or withdrawal of any Member from the Agreement shall be filed with the FERC pursuant to Section 205 of the Federal Power Act and shall become effective only upon the FERC's approval, acceptance without suspension, or, if suspended, the expiration of the suspension period before the FERC has issued an order on the merits of the filing.

4.2 Governing Law.

This Agreement and all questions with respect to the rights and obligations of the Members, the construction, enforcement and interpretation hereof, and the formation, administration and termination of the LLC shall be governed by the provisions of the Act and other applicable laws of the State of Delaware, and the Federal Power Act.

5. WORKING CAPITAL AND CAPITAL CONTRIBUTIONS

5.1 Funding of Working Capital and Capital Contributions.

(a) The Office of the Interconnection shall attempt to obtain financing of up to twenty-five percent (25%) of the approved annual operating budget of the LLC adopted by the PJM Board pursuant to Section 7.5.2 of this Agreement to meet the working capital needs of the LLC, which shall be limited to such working capital needs that arise from timing in cash flows from interchange accounting, tariff administration and payment of the operating costs of the Office of the Interconnection. Such financing, which shall be non-recourse to the Members of the LLC and which shall be for a stated term without penalty for prepayment, may be obtained by borrowing the amount required at market-based interest rates, negotiated on an arm's length basis, (i) from a Member or Members or (ii) from a commercial lender, supported, if necessary, by credit enhancements provided by a Member or Members; provided, however, no Member shall be obligated to provide such financing or credit enhancements. The LLC shall make such filings and seek such approvals as necessary in order for the principal, interest and fees related to any such borrowing to be repaid through charges under the PJM Tariff as appropriate under Schedule 3 of this Agreement.

(b) In the event financing of the working capital needs of the Office of the Interconnection is unavailable on commercially reasonable terms, the PJM Board may require the Members to contribute capital in the aggregate up to five million two hundred thousand dollars (\$5,200,000) for the working capital needs that could not be financed; provided that in such event each Member's obligation to contribute additional capital shall be in proportion to its Weighted Interest, multiplied by the amount so requested by the PJM Board. Each Member that contributes such capital shall be entitled to earn a return on the contribution to the extent such contribution has not been repaid, which return shall be at a fair market rate as determined by the PJM Board but in no event less than the current interest rate established pursuant to 18 C.F.R. § 35.19a(a)(2)(iii); provided further, that any Member not wanting to contribute the requested capital contribution may withdraw from the LLC upon 90 days written notice as provided in Section 18.18.2 of this Agreement.

(c) Authority to borrow capital for LLC Operations. Nothing in Section 5.1(a) and (b) shall be construed to restrict the authority of the PJM Board to authorize the LLC to borrow or raise capital in excess of twenty-five percent of the approved annual operating budget of the LLC, for working capital or otherwise, as the PJM Board deems appropriate to fund the operations of the LLC, in accordance with the general powers of the LLC under Section 3.2 to enter into obligations of any kind to accomplish the purposes of the LLC. Nor shall anything in Section 5.1(a) and (b) in any way restrict the authority of the PJM Board to authorize the LLC to grant to lenders such security interests or other rights in assets or revenues received under the PJM Tariff with respect to the costs of operating the LLC and the Office of the Interconnection and to take such other actions as it deems necessary and appropriate to obtain such financing in accordance with such general powers of the LLC under Section 3.2.

5.2 Contributions to Association.

All contributions prior to the Effective Date of the original Operating Agreement of PJM Interconnection, L.L.C. of cash or other assets to the PJM Interconnection Association by persons who are now or in the future may become Members of the LLC shall be deemed contributions by such Members to the LLC.

6. TAX STATUS AND DISTRIBUTIONS

6.1 Tax Status.

The LLC shall make all necessary filings under the applicable Treasury Regulations to have the LLC taxed as a corporation.

6.2 Return of Capital Contributions.

(a) In the event Members are required to contribute capital to the LLC in accordance with Section 5.1 herein, the LLC shall request the Transmission Owners to recover such working capital through charges under the PJM Tariff as provided in Schedule 3 of this Agreement. In the event all or a portion of the working capital is recovered pursuant to the PJM Tariff, such amount(s) shall be returned to the Members in accordance with their actual contributions.

(b) Except for return of capital contributions and liquidating distributions as provided in the foregoing section and Section 6.3 herein, respectively, the LLC does not intend to make any distributions of cash or other assets to its Members.

6.3 Liquidating Distribution.

Upon termination or liquidation of the LLC, the cash or other assets of the LLC shall be distributed as follows:

- (a) first, in the event the LLC has any liabilities at the time of its termination or dissolution, the LLC shall liquidate such of its assets as is necessary to satisfy such liabilities;
- (b) second, any capital contribution in cash or in kind by any Member of the PJM Interconnection Association prior to the Effective Date shall be distributed by the LLC back to such Member in the form received by the PJM Interconnection Association; and
- (c) third, any remaining assets of the LLC shall be distributed to the Members in proportion to their Weighted Interests.

7. PJM BOARD

7.1 Composition.

There shall be an LLC Board of Managers, referred to herein as the "PJM Board," composed of nine voting members, with the President as a non-voting member. The nine voting Board Members shall be elected by the Members Committee. A Nominating Committee, consisting of one representative elected annually from each sector of the Members Committee established under Section 8.1 and three voting Board Members (provided that one such Board Member shall serve only as a non-voting member of the Nominating Committee), shall retain an independent consultant, which shall be directed to prepare a list of persons qualified and willing to serve on the PJM Board. Not later than 30 days prior to each Annual Meeting of the Members, the Nominating Committee shall distribute to the representatives on the Members Committee one nominee from among the list proposed by the independent consultant for each vacancy or expiring term on the PJM Board, along with information on the background and experience of the nominees appropriate to evaluating their fitness for service on the PJM Board; provided, however, that the Nominating Committee in its discretion may nominate, without retaining an independent consultant, a Board member whose term is expiring and who desires to serve an additional term. Elections for the PJM Board shall be held at each Annual Meeting of the Members, for the purpose of selecting the initial PJM Board in accordance with the provisions of Section 7.3(a), or selecting a person to fill the seat of a Board Member whose term is expiring. Should the Members Committee fail to elect a full PJM Board from the nominees proposed by the Nominating Committee, then the Nominating Committee shall propose a further nominee from the list prepared by the independent consultant (or a replacement consultant) for each remaining vacancy on the PJM Board for consideration by the Members at the next regular meeting of the Members Committee.

7.2 Qualifications.

A Board Member shall not be, and shall not have been at any time within two years of election to the PJM Board, a director, officer or employee of a Member or of an Affiliate or Related Party of a Member. Except as provided in the LLC's Standards of Conduct filed with the FERC, at any time while serving on the PJM Board, a Board Member shall have no direct business relationship or other affiliation with any Member or its Affiliates or Related Parties. Of the nine Board Members, four shall have expertise and experience in the areas of corporate leadership at the senior management or board of directors level, or in the professional disciplines of finance or accounting, engineering, or utility laws and regulation, one shall have expertise and experience in the operation or concerns of transmission dependent utilities, one shall have expertise and experience in the operation or planning of transmission systems, and one shall have expertise and experience in the area of commercial markets and trading and associated risk management.

7.3 Term of Office.

- (a) The persons serving as the Board of Managers of the LLC immediately prior to the Effective Date shall continue in office until the first Annual Meeting of the Members. At the first Annual Meeting of the Members, the then current members of the PJM Board who desire to continue in office shall be elected by the Members to serve until the second Annual Meeting of the Members or until their successors are elected, along with such additional persons as necessary to meet the composition requirements of Section 7.1 and the qualification requirements of Section 7.2.
- (b) A Board Member shall serve for a term of three years commencing with the Annual Meeting of the Members at which the Board Member was elected; provided, however, that two of the Board Members elected at the first Annual Meeting of the Members following the Effective Date shall be chosen by lot to serve a term of one year, three of such Board Members shall be chosen by lot to serve a term of two years and the final two such Board Members shall serve a term of three years; provided further, however, that the initial term of one of the two Board Members elected to fill one of the two new Board seats added in 2003 shall be chosen by lot to serve a term of four years and the initial term of the other Board Member elected to fill the other new Board seat added in 2003 shall serve a term of five years.
- (c) Vacancies on the PJM Board occurring between Annual Meetings of the Members shall be filled by vote of the then remaining Board Members; a Board Member so selected shall serve until the next Annual Meeting at which time a person shall be elected to serve the balance of the term of the vacant Board Seat. Removal of a Board Member shall require the approval of the Members Committee.

7.4 Quorum.

The presence in person or by telephone or other authorized electronic means of a majority of the voting Board Members shall constitute a quorum at all meetings of the PJM Board for the transaction of business except as otherwise provided by statute. If a quorum shall not be present, the Board Members then present shall have the power to adjourn the meeting from time to time, until a quorum shall be present. Provided a quorum is present at a meeting, the PJM Board shall act by majority vote of the Board Members present.

7.5 Operating and Capital Budgets; Sources and Uses of Funds.

7.5.1 Finance Committee.

(a) Not later than December 1 of each year, the entities specified below shall select the members of a Finance Committee. The Finance Committee shall be composed of two representatives elected from each sector of the Members Committee as defined in section 8.1, one representative of the Office of the Interconnection selected by the President, and two Board Members selected by the PJM Board. The Office of the Interconnection representative shall be the Chair of the Finance Committee. The Chair of the Finance Committee and the two PJM Board Members on the Finance Committee shall not vote on the recommendations of the Finance Committee to the PJM Board and Members Committee. Each Member Representative of the PJM Finance Committee shall be entitled to vote on final recommendations to the PJM Board and the PJM Members Committee. The Member Representatives shall represent the interests of their respective sectors. In accordance with sections 7.7 and 11.1 of the Operating Agreement, the Members Representatives shall avoid undue influence by any Member or group of Members on the operations of PJM and Member management of the business of PJM.

(b) The purpose of the PJM Finance Committee is to review PJM's consolidated financial statements, budgeted and actual capital costs, operating budgets and expenses, and cost management initiatives and in an advisory capacity to submit to the PJM Board its analysis of and recommendations on PJM's annual budgets and on other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds consistent with PJM's duties and responsibilities as specified in Section 7.7 of this Agreement. The Finance Committee shall also review and comment upon any additional or amended budgets prepared by the Office of the Interconnection at the request of the PJM Board or the Members Committee. Copies of the Finance Committee's submissions to the PJM Board shall be provided to the Members Committee.

(c) The Office of the Interconnection shall prepare annual operating and capital budgets and multi-year projections of expenses and capital in accordance with processes and procedures established by the PJM Board, and shall timely submit its budgets to the Finance Committee for review. The Office of the Interconnection shall also provide the Finance Committee with such additional financial information regarding other matters pertaining to the appropriate level of PJM's rates, proposed major new investments and allocation and disposition of funds as may be reasonably requested by the Finance Committee to assist it with its review. PJM shall provide complete and transparent financial data and reporting to all Members through the PJM Finance Committee, such data and reporting to include but not necessarily be limited to: unaudited quarterly PJM financial statements; audited annual PJM financial statements; quarterly PJM FERC Form 3-Q; annual PJM FERC Form 1; and PJM budget and forecast data and Results.

7.5.2 Adoption of Budgets.

The PJM Board shall adopt, upon consideration of the advice and recommendations of the Finance Committee, operating and capital budgets for the LLC, and shall distribute to the Members for their information final annual budgets for the following fiscal year not later than 60

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days prior to the beginning of each fiscal year of the LLC.

7.6 By-laws.

To the extent not inconsistent with any provision of this Agreement, the PJM Board shall adopt such by-laws establishing procedures for the implementation of this Agreement as it may deem appropriate, including but not limited to by-laws governing the scheduling, noticing and conduct of meetings of the PJM Board, selection of a Chair and Vice Chair of the PJM Board, action by the PJM Board without a meeting, and the organization and responsibilities of standing and special committees of the PJM Board. Such by-laws shall not modify or be inconsistent with any of the rights or obligations established by this Agreement.

7.7 Duties and Responsibilities of the PJM Board.

In accordance with this Agreement, the PJM Board shall supervise and oversee all matters pertaining to the PJM Region and the LLC, and carry out such other duties as are herein specified, including but not limited to the following duties and responsibilities:

- i) As its primary responsibility, ensure that the President, the other officers of the LLC, and Office of the Interconnection perform the duties and responsibilities set forth in this Agreement, including but not limited to those set forth in Sections 9.2 through 9.4 and Section 10.4 in a manner consistent with (A) the safe and reliable operation of the PJM Region, (B) the creation and operation of a robust, competitive, and non-discriminatory electric power market in the PJM Region, and (C) the principle that a Member or group of Members shall not have undue influence over the operation of the PJM Region;
- ii) Select the Officers of the LLC;
- iii) Adopt budgets for the LLC;
- iv) Approve the Regional Transmission Expansion Plan in accordance with the provisions of the Regional Transmission Expansion Planning Protocol set forth in Schedule 6 of this Agreement;
- v) On its own initiative or at the request of a User Group as specified herein, submit to the Members Committee such proposed amendments to this Agreement or any Schedule hereto, or a proposed new Schedule, as it may deem appropriate;
- vi) Petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the PJM Board believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any Member or the Members to intervene in any resulting proceedings;
- vii) Review for consistency with the creation and operation of a robust, competitive and non-discriminatory electric power market in the PJM Region any change to rate design or to non-rate terms and conditions proposed by Transmission Owners for filing under section 205 of the Federal Power Act;
- viii) If and to the extent it shall deem appropriate, intervene in any proceeding at FERC initiated by the Members in accordance with Section 11.5(b), and participate in other state and federal regulatory proceedings relating to the interests of the LLC;
- ix) Review, in accordance with Section 15.1.3, determinations of the Office of the Interconnection with respect to events of default;
- x) Assess against the other Members in proportion to their Default Allocation Assessment an amount equal to any payment to PJMSettlement and the Office of the Interconnection, including interest thereon, as to which a Member is in default;

- xi) Establish reasonable sanctions for failure of a Member to comply with its obligations under this Agreement;
- xii) Direct the Office of the Interconnection on behalf of the LLC and PJMSettlement to take appropriate legal or regulatory action against a Member (A) to recover any unpaid amounts due from the Member to the Office of the Interconnection under this Agreement and to make whole any Members subject to an assessment as a result of such unpaid amount, or (B) as may otherwise be necessary to enforce the obligations of this Agreement;
- xiii) [Reserved.]
- xiv) [Reserved.]
- xv) Solicit the views of Members on, and commission from time to time as it shall deem appropriate independent reviews of, (a) the performance of the PJM Interchange Energy Market, (b) compliance by Market Participants with the rules and requirements of the PJM Interchange Energy Market, and (c) the performance of the Office of the Interconnection under performance criteria proposed by the Members Committee and approved by the PJM Board; and
- xvi) Terminate a Member as may be appropriate under the terms of this Agreement.

8. MEMBERS COMMITTEE

8.1 Sectors.

8.1.1 Designation.

Voting on the Senior Standing Committees shall be by sectors. The Senior Standing Committee shall be composed of five sectors, one for Generation Owners, one for Other Suppliers, one for Transmission Owners, one for Electric Distributors, and one for End-Use Customers, provided that there are at least five Members in each Sector. Except as specified in Section 8.1.2, each Voting Member shall have one vote. Each Voting Member shall, within thirty (30) days after the Effective Date or, if later, thirty (30) days after becoming a Member, and thereafter not later than 10 days prior to the Annual Meeting of the Members for each annual period beginning with the Annual Meeting of the Members, submit to the President a sealed notice of the sector in which it is qualified to vote or, if qualified to participate in more than one sector, its rank order preference of the sectors in which it wishes to vote, and shall be assigned to its highest-ranked sector that has the minimum number of Members specified above. If a Member is assigned to a sector other than its highest-ranked sector in accordance with the preceding sentence, its higher sector preference or preferences shall be honored as soon as a higher-ranked sector has five or more Members. A Voting Member may designate as its voting sector any sector for which it or its Affiliate or Related Party Members is qualified. The sector designations of the Voting Members shall be announced by the Office of the Interconnection at the Annual Meeting and shall apply to all Senior Standing Committees.

8.1.2 Related Parties.

The Members in a group of Related Parties shall each be entitled to a vote, provided that all the Members in a group of Related Parties that chooses to exercise such rights shall be assigned to the Electric Distributor sector.

8.1.3 Sector Challenge.

- (a) Any Member ("Challenging Member") may request that PJM review the qualification of another Member ("Challenged Member") in the Challenging Member's sector to participate in that sector. Any five Members may request that PJM review the qualification of another Member to participate in the sector in which that Member is presently assigned.
- (b) A request pursuant to section 8.1.3(a) of this Agreement ("Challenge") shall be submitted in writing and shall describe the basis for the Challenge, which shall include, but not limited to, the reasons why the Challenged Member may not have any Active and Significant Business Interests in its present sector. Except for new Members, a Challenge must be submitted within 30 days after the Annual Meeting of the Members. For new Members, a Challenge must be submitted within 30 days after the meeting in which they are introduced.
- (c) PJM shall review the Challenge and inform the Challenged Member of the Challenge by providing a copy of the Challenge to the Challenged Member as soon as practicable, and in no case later than 10 working days after PJM receives the Challenge.

(d) The Challenged Member shall submit to PJM a list of the sectors in which it is qualified to vote and its rank order preference of those sectors. PJM may also request information from the Challenged Member to assist in determining the Active and Significant Business Interests of Challenged Member. The Challenged Member shall respond to any such request within 60 days from the date of the request, which shall be the date the request was issued by PJM.

(e) Considering the sector definitions and Active and Significant Business Interests, PJM, in its sole discretion, shall determine if the Challenged Member meets the requirements to participate in its present sector. PJM shall make this determination within the later of 30 days after receiving the information provided pursuant to section 8.1.3(d) of this Agreement, or 10 days after the next scheduled meeting of the Members Committee.

(f) If the Challenged Member does not meet the requirements for its present sector, PJM shall assign the Challenged Member to the next highest preferred sector for which it is qualified in accordance with the rank order preference established by the Challenged Member pursuant to section 8.1.3(d) of this Agreement.

(g) PJM shall notify the Challenged Member and Challenging Member as soon as practicable after making a determination pursuant to section 8.1.3(e) of this Agreement, and shall announce the outcome of any such determination at the Members Committee meeting following PJM's decision. PJM shall disclose the identity of the Challenging Party and the Challenged Party when making the announcement.

(h) If a sector is required pursuant to Section 8.1.3(e) it shall become effective on the date of the Members Committee meeting following PJM's decision.

(i) Until PJM rules on a Challenge, the Challenged Member shall remain in its present sector and shall be permitted to vote in that sector.

8.2 Representatives.

8.2.1 Appointment.

Each Member may appoint one representative to serve on each of the Standing Committees, potentially a different person for each committee, with authority to act for that Member with respect to actions or decisions thereof. Each Member may appoint up to three alternate representatives to each such committee to act for that Member at meetings thereof in the absence of the representative. A Member participating in the PJM Interchange Energy Market through an agent may be represented on the Standing Committee by that agent. A Member shall appoint its representatives and alternates by giving written notice thereof to the Office of the Interconnection. Members that are Affiliates or Related Parties may each appoint a representative and alternate representatives to each of the Standing Committees, but shall vote on Senior Standing Committees as specified in Section 8.1.

8.2.2 Regulatory Authorities.

FERC and any other federal agency with regulatory authority over a Member and each State electric utility regulatory commission with regulatory jurisdiction within the PJM Region, may nominate one representative to serve as an ex officio non-voting member on each of the Standing Committees.

8.2.3 State Offices of Consumer Advocate.

(a) Each State Consumer Advocate may nominate one representative to serve as an ex officio member on each of the Standing Committees. Upon a written request by a State Consumer Advocate to the Office of the Interconnection, and upon the payment of the fee prescribed by section (b) of Schedule 3 to this Agreement, a State Consumer Advocate may designate a representative to each of the Standing Committees who, subject to subparagraph b, shall be entitled to cast one (1) non-divisible vote in the End-Use Customer Sector in Senior Standing Committees. As an ex officio member, a State Consumer Advocate shall have no liability under this Agreement, other than the annual fee required by Schedule 3. The State Consumer Advocates shall not be entitled to indemnification by the other Members under any provisions of this Agreement. Additionally, the State Consumer Advocates shall not be eligible to participate in any markets managed by PJM under the terms contained in this Agreement.

(b) Each State Consumer Advocate shall be entitled to cast only one (1) vote in the Senior Standing Committees per State or the District of Columbia. If more than one representative from a given state has been nominated to be a voting member of the Senior Standing Committees, all State Offices of Consumer Advocate from such state that have nominated representatives to vote at the Senior Standing Committees shall designate to the Office of the Interconnection one (1) representative who shall be entitled to vote on all of their behalf's, prior to being permitted to vote at any meetings of the Senior Standing Committees.

8.2.4 Initial Representatives.

Initial representatives to the Members Committee shall be appointed no later than 30 days after the Effective Date; provided, however, that each representative to the Management Committee under the Operating Agreement of PJM Interconnection, L.L.C. as in effect immediately prior to the Effective Date shall automatically become a representative to the Members Committee on the Effective Date unless replaced as specified in Section 8.2.5. An entity becoming a Member shall appoint a representative to each Standing Committee no later than 30 days after becoming a Member.

8.2.5 Change of or Substitution for a Representative.

Any Member may change its representative or alternate on the Standing Committees at any time by providing written notice to the Office of the Interconnection identifying its replacement representative or alternate. Any representative to the Standing Committees may, by written notice to the applicable Chair, designate a substitute representative from that Member to act for him or her with respect to any matter specified in such notice.

8.3 Meetings.

8.3.1 Regular and Special Meetings.

The Standing Committees shall hold regular meetings, no less frequently than once each calendar quarter at such time and at such place as shall be fixed by the Chair thereof. The Members Committee may adopt bylaws, including rules of procedure, governing its meetings and activities and the meetings and activities of the other Standing Committees, and other committees, subcommittees, task forces, working groups and other bodies under its auspices. The Members Committee shall hold an Annual Meeting of the Members each calendar year at such time and place as shall be specified by the Chair. At the Annual Meeting of the Members, Board Members as necessary shall be elected. The Standing Committees may hold special meetings for one or more designated purposes within the scope of the authority of the applicable committee when called by the Chair on the Chair's own initiative, or at the request of five or more representatives on the applicable committee. The notice of a regular or special meeting shall be distributed to the representatives as specified in Section 18.14 of this Agreement not later than seven days prior to the meeting, shall state the time and place of the meeting, and shall include an agenda sufficient to notify the representatives of the substance of matters to be considered at the meeting; provided, however, that meetings may be called on shorter notice at the discretion of the Chair as the Chair shall deem necessary to deal with an emergency or to meet a deadline for action.

8.3.2 Attendance.

Regular and special meetings may be conducted in person or by telephone, or other electronic means as authorized by the Members Committee. The attendance in person or by telephone or other electronic means of a representative or a duly designated substitute shall be required in order to vote.

8.3.3 Quorum.

The attendance as specified in Section 8.3.2 of a majority of the Voting Members from each of at least three sectors that each have at least five Members shall constitute a quorum at any meeting of the Members Committee; however, a quorum shall only require ten Voting Members from any sector that has more than 20 Voting Members. At the beginning of any meeting of the Members Committee, a determination shall be made if a quorum is present. Once the determination is made that a quorum is present at the beginning of the meeting, a quorum will be deemed to continue during the entire scheduled time of the meeting, as specified in the notice of the meeting that is published and distributed as specified in Section 8.3.1 of this Agreement. Actions taken during this scheduled time will be deemed to have been taken with a quorum present, and quorum calls are not permitted during this scheduled time. Other than actions taken during the scheduled time for meeting of the Members Committee in accordance with this rule, no action may be taken by the Members Committee at a meeting unless a quorum is present. However, if a meeting of the Members Committee extends beyond its scheduled time, any Voting Members then present shall have the right to request a quorum call. The Voting Members then present shall have the power to adjourn the meeting from time to time until a

quorum shall be present. At the discretion of the Chair, administrative or reporting items may be accomplished if a quorum is not deemed to be present. A quorum shall not be required to conduct a meeting of any Committee other than the Members Committee; however, the Chair of any committee other than the Members Committee, in his discretion, may declare adjourned any meeting which fewer than ten Members attend.

8.4 Manner of Acting.

- (a) The procedures for the conduct of meetings of the Standing Committees may be stated in bylaws adopted by the Members Committee.
- (b) In a Senior Standing Committee, each Sector shall be entitled to cast one and zero one-hundredths (1.00) Sector Votes. Each Voting Member shall be entitled to cast one (1) non-divisible vote in its sector. In the case of a Voting Member comprised of Affiliates or Related Parties, any representative, alternate or substitute of any of the Affiliated or Related Parties may cast the vote of the Voting Member. The Sector Vote of each sector shall be split into an affirmative component based on votes for the pending motion, and a negative component based on votes against the pending motion, in direct proportion to the votes cast within the sector for and against the pending motion, rounded to two decimal places.
- (c) The sum of affirmative Sector Votes necessary to pass a pending motion in a Senior Standing Committee shall be greater than (but not merely equal to) the product of .667 multiplied by the number of sectors that have at least five Members and that participated in the vote; provided, however, that the sum of the affirmative Sector Votes necessary to pass a motion to elect a Board Member or to elect the Chair or Vice Chair of the Members Committee shall be greater than (but not merely equal to) the product of .5 multiplied by the number of sectors that have at least five Members and that participated in the vote.
- (d) Voting Members not in attendance at the meeting as specified in Section 8.3.2 of this Agreement or abstaining shall not be counted as affirmative or negative votes.

8.5 Chair and Vice Chair of the Members Committee.

8.5.1 Selection and Term.

The representatives or their alternates or substitutes on the Members Committee shall elect from among the representatives a Chair and a Vice Chair. The offices of Chair and Vice Chair shall be held for a term of one year. The terms shall commence at the last regular meeting of the Members Committee each calendar year and end at the last regular meeting of the Members Committee of the following calendar year or until succession to the office occurs as specified herein. Except as specified below, at the last regular meeting of the Members Committee each calendar year, the Vice Chair shall succeed to the office of Chair, and a new Vice Chair shall be elected. If the office of Chair becomes vacant, or the Chair leaves the employment of the Member for whom the Chair is the representative, or the Chair is no longer the representative of such Member, the Vice Chair shall succeed to the office of Chair, and a new Vice Chair shall be elected at the next regular or special meeting of the Members Committee, both such officers to serve until the last regular meeting of the Members Committee of the calendar year following such succession or election to a vacant office. If the office of Vice Chair becomes vacant, or the Vice Chair leaves the employment of the Member for whom the Vice Chair is the representative, or the Vice Chair is no longer the representative of such Member, a new Vice Chair shall be elected at the next regular or special meeting of the Members Committee.

Notwithstanding the foregoing, the Chair and Vice Chair whose terms commenced on May 1, 2003, shall hold their offices until the last regular meeting of the Members Committee in 2004, and there shall not be an election of a new Vice Chair at the last regular meeting of the Members Committee in 2003.

8.5.2 Duties.

The Chair shall call and preside at meetings of the Members Committee, and shall carry out such other responsibilities as the Members Committee shall assign. The Chair shall cause minutes of each meeting of the Members Committee to be taken and maintained, and shall cause notices of meetings of the Members Committee to be distributed. The Vice Chair shall preside at meetings of the Members Committee in the absence of the Chair, and shall otherwise act for the Chair at the Chair's request.

8.6 Senior, Standing, and Other Committees.

The Members Committee shall establish and maintain the Markets and Reliability Committee as a Senior Standing Committee. The Members Committee also shall establish and maintain the Market Implementation Committee (under the Markets and Reliability Committee), and Planning Committee and Operating Committee (both under the Markets and Reliability Committee) as Standing Committees. The Members Committee may establish or dissolve other Standing Committees from time to time. The President shall appoint the Chair and Vice Chair of each Senior Standing Committee and Standing Committee and, after consultation with the Chair of a Standing Committee, the President shall appoint the Chair and Vice Chair of any other committees.

8.6.1 Markets and Reliability Committee.

The Markets and Reliability Committee shall be established by and report to the Members Committee.

The Markets and Reliability Committee shall provide advice and recommendations concerning the reliable and secure operation of the PJM Interchange Energy Market and Ancillary Services markets, mechanisms to provide an efficient marketplace for products needed for resource adequacy and operating security, and otherwise as directed by the Members Committee. The Markets and Reliability Committee also addresses matters related to the reliable and secure operation of the PJM system and planning strategies to assure the continued ability of the Members to operate reliably and economically, consistent with reliability principles and standards.

Voting on the Markets and Reliability Committee shall be by sectors in accordance with Sections 8.1 and 8.4 of this Agreement. Neither the Markets and Reliability Committee nor the Members Committee shall have authority to control or direct the actions of the PJM Board or the Office of the Interconnection with regard to the short-term reliability of grid operations within the PJM Region. The responsibilities of the Markets and Reliability Committee shall, more specifically, include, but not be limited to, the following:

- (a) The Markets and Reliability Committee shall develop and approve a Markets and Reliability Committee Annual Plan including prioritization of planned activities and initiation of activities supporting the approved plan.
- (b) The Markets and Reliability Committee shall provide advice and recommendations concerning issues pertaining to the operation and administration of the PJM markets, including but not limited to amendments to PJM's Operating Agreement, the PJM Tariff, or market rules and procedures as necessary or appropriate to foster competition and assure the fair, reliable and efficient operation and administration of the PJM markets, as well as the reliable operation of the grid.
- (c) The Markets and Reliability Committee shall provide advice and recommendations as are necessary or appropriate to assure a high level of economy of service in the operation of the PJM

Interchange Energy Market and other markets, in accordance with established market operation principles, practices and procedures, recognizing individual participant requirements for services, contractual obligations and other pertinent factors.

(d) The Markets and Reliability Committee shall provide advice and recommendations concerning studies and analyses relating to the overall efficacy of the PJM Interchange Energy Market and in carrying out actions as may be initiated as a result thereof.

(e) The Markets and Reliability Committee shall provide advice and recommendations concerning revisions to the Operating Agreement, the Reliability Assurance Agreement, and the PJM Tariff that pertain to its areas of responsibility.

(f) The Markets and Reliability Committee shall make annual and timely recommendations concerning the generating capacity reserve requirement and related demand-side valuation factors for consideration by the Members Committee, in order to assist the Members Committee in making recommendations to the PJM Board of Managers.

(g) The Markets and Reliability Committee shall provide direction to the Market Implementation Committee, which committee shall report to the Markets and Reliability Committee. The Market Implementation Committee shall provide advice and recommendations to the Markets and Reliability Committee directed to the advancement and promotion of competitive wholesale electricity markets in the PJM Region, and perform such other functions as the Markets and Reliability Committee may direct from time to time.

(h) The Markets and Reliability Committee shall provide direction to the Operating Committee and Planning Committee, which committees shall report to the Markets and Reliability Committee. The Operating Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to the reliable and secure operation of the PJM Region and the PJM Interchange Energy Market, as appropriate, and other matters as the Markets and Reliability Committee may request. The Planning Committee shall advise the Markets and Reliability Committee and PJM on matters pertaining to system reliability, security, economy of service, and planning strategies and policies and other matters as the Markets and Reliability Committee may request. The Markets and Reliability Committee shall review technical recommendations and changes initiated by the Operating Committee and Planning Committees and provide comments as needed.

(i) The Markets and Reliability Committee shall perform such other functions, directly or through delegation to a Standing Committee, subcommittee, working group or task force reporting to the Markets and Reliability Committee, as the Members Committee may direct.

(j) The Markets and Reliability Committee shall create subcommittees, working groups or task forces when needed to assist in carrying out the duties and responsibilities of the Markets and Reliability Committee.

8.6.2 [Reserved.]

8.6.3 Other Committees and Bodies.

The Standing Committees may form, select the membership, and oversee the activities, of such other committees, subcommittees, task forces, working groups or other bodies as it shall deem appropriate, to provide advice and recommendations to the Standing Committees or Office of the Interconnection. Each such group shall terminate automatically upon completion of its assigned tasks and, if not terminated, shall terminate two years after formation unless reauthorized by the Standing Committee that directed its formation.

8.7 User Groups.

- (a) Any five or more Members sharing a common interest may form a User Group, and may invite such other Members to join the User Group as the User Group shall deem appropriate. Notification of the formation of a User Group shall be provided to all members of the Members Committee.
- (b) The Members Committee shall create a User Group composed of representatives of bona fide public interest and environmental organizations that are interested in the activities of the LLC and are willing and able to participate in such a User Group.
- (c) Meetings of User Groups shall be open to all Members and the Office of the Interconnection. Notices and agendas of meetings of a User Group shall be provided to all Members that ask to receive them.
- (d) Any recommendation or proposal for action adopted by affirmative vote of three-fourths or more of the members of a User Group shall be submitted to the Chair of the Members Committee. The Chairman shall refer the matter for consideration by the applicable Standing Committee as appropriate for consideration at that Committee's next regular meeting, occurring not earlier than 30 days after the referral, for a recommendation to the Members Committee for consideration at its next regular meeting.
- (e) If the Members Committee does not adopt a recommendation or proposal submitted by a User Group, upon vote of nine-tenths or more of the members of the User Group the recommendation or proposal may be submitted to the PJM Board for its consideration in accordance with Section 7.7(v).

8.8 Powers of the Members Committee.

The Members Committee, acting by adoption of a motion as specified in Section 8.4, shall have the power to take the actions specified in this Agreement, including:

- i) Elect the members of the PJM Board;
- ii) In accordance with the provisions of Section 18.6 of this Agreement, amend any portion of this Agreement, including the Schedules hereto, or create new Schedules, and file any such amendments or new Schedules with FERC or other regulatory body of competent jurisdiction;
- iii) Adopt bylaws that are consistent with this Agreement, as amended or restated from time to time;
- iv) Terminate this Agreement; and
- v) Provide advice and recommendations to the PJM Board and the Office of the Interconnection.

9. OFFICERS

9.1 Election and Term.

The officers of the LLC shall consist of a President, a Secretary and a Treasurer. The PJM Board may elect such other officers as it deems necessary to carry out the business of the LLC. All officers shall be elected by the PJM Board and shall hold office until the next annual meeting of the PJM Board and until their successors are elected. Any number of offices may be held by the same person, except that the offices of the President and Treasurer may not be held by the same person.

9.2 President.

The PJM Board shall appoint a President and Chief Executive Officer of the LLC (the "President"). The President shall direct and supervise the day-to-day operation of the LLC, and shall report to the PJM Board. The President shall be responsible for directing and supervising the Office of the Interconnection in the performance of the duties and responsibilities specified in Section 10.4. The President shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the LLC, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board to some other officer or agent of the LLC. In the absence of the President or in the event of his or her inability or refusal to act, and if a vice president has been appointed by the PJM Board, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated by the PJM Board in its Minutes) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice President shall perform such other duties and have such other powers as the PJM Board may from time to time prescribe.

9.3 Secretary.

The Secretary shall attend all meetings of the PJM Board and record all the proceedings of the meetings of the PJM Board in a minute book to be kept for that purpose and shall perform like duties for the standing committees or special committees when required. He or she shall give, or cause to be given, notice of all special meetings of the PJM Board, and shall perform such other duties as may be prescribed by the PJM Board or President, under whose supervision he or she shall be. He or she shall have custody of the corporate seal of the LLC, and he or she, or an assistant secretary, shall have authority to affix the same to any instrument requiring it and, when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The PJM Board may give general authority to any other officer to affix the seal of the LLC and to attest the affixing by his or her signature.

9.4 Treasurer.

The Treasurer shall have or arrange for the custody of the LLC's funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the LLC and shall deposit all moneys and other valuable effects in the name and to the credit of the LLC in such depositories as may be designated by the PJM Board. The Treasurer shall disburse the funds of the LLC as may be ordered by the PJM Board, taking proper vouchers for such disbursements, and shall render to the President and PJM Board at its regular meetings, or when the PJM Board so requires, an account of his or her transactions as Treasurer and of the financial condition of the LLC. If required by the Board, the Treasurer shall give the LLC a bond (which shall be renewed periodically) in such sum and with such surety or sureties as shall be satisfactory to the PJM Board for the faithful performance of the duties of his office and of the restoration to the LLC, in case of his or her death, resignation, retirement or removal from office, of all books, papers, vouchers, money and other property of whatever kind in his or her possession or under his or her control belonging to the LLC.

9.5 Renewal of Officers; Vacancies.

Any officer elected or appointed by the PJM Board may be removed at any time by the affirmative vote of a majority of the PJM Board eligible to vote. Any vacancy occurring in any office of the LLC shall be filled by the PJM Board.

9.6 Compensation.

The salaries of all officers and agents of the LLC, and the reasonable compensation of the PJM Board, shall be fixed by the PJM Board.

10. OFFICE OF THE INTERCONNECTION

10.1 Establishment.

The Office of the Interconnection shall implement this Agreement, administer the PJM Tariff, and undertake such other responsibilities as set forth herein. All personnel of the Office of the Interconnection shall be employees of the LLC or under contract thereto. The cost of the Office of the Interconnection and expenses associated therewith, including salaries and expenses of said personnel, space and any necessary facilities or other capital expenditures, shall be recovered in accordance with Schedule 3. The Office of the Interconnection shall adopt, publish and comply with standards of conduct that satisfy the regulations of FERC.

10.2 Processes and Organization.

In order to carry out the responsibilities of the Office of the Interconnection for the safe and reliable operation of the PJM Region, the President may establish processes and organization for operating personnel and facilities as the President shall deem appropriate, and shall request such Members as the President shall deem appropriate to participate in such processes and organization. All such processes and organization shall be carried out in accordance with all applicable code of conduct or other functional separation requirements of FERC.

10.2.1 Financial Interests:

No Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, shall own, control or hold with power to vote Prohibited Securities subject to the following:

1. Each Office of the Interconnection Board Member, officer, or employee or spouse or dependent children thereof, shall divest of those Prohibited Securities within six (6) months of: (i) the time of his affiliation or employment with the Office of the Interconnection, (ii) the time a new Member is added to this Agreement, a new Eligible Customer begins taking service under the Tariff or a Nonincumbent Developer is pre-qualified as eligible to be a Designated Entity pursuant to schedule 6 of this Agreement, where the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof owns such Prohibited Securities; or (iii) the time of receipt of such Prohibited Securities (*e.g.* marriage, bequest, gift, etc.).

2. Nothing in this Section 10.2.1 shall be interpreted to preclude a Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, from indirectly owning publicly traded Prohibited Securities through a mutual fund or similar arrangement (other than a fund or arrangement specifically targeted towards, or principally comprised of, entities in the electric industry or the electric utility industry, or any segments thereof) under which the Board Member, officer or employee of the Office of the Interconnection, or spouse or dependent children thereof, does not control the purchase or sale of such Prohibited Securities. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

3. Ownership of Prohibited Securities as part of a pension plan or fund of a Member, Eligible Customer or Nonincumbent Developer shall be permitted. Any such ownership, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

4. Ownership of Prohibited Securities by a spouse of a Board Member, officer or employee of the Office of the Interconnection who is employed by a Member, Eligible Customer or Nonincumbent Developer and is required to purchase and maintain ownership of Securities of such Member, Eligible Customer or Nonincumbent Developer as a part of his or her employment shall be permitted. Any such ownership by a spouse, including the nature and conditions of the interest, must be disclosed to the Office of the Interconnection's director, regulatory oversight and compliance who will report it to the PJM Board.

5. A Board Member shall disclose to the PJM Board if the Board Member is aware that he or she, or an immediate family member, has a financial interest in a Member, Eligible Customer or Nonincumbent Developer, or their Affiliates that is subject to a matter before the PJM Board. The chair of the PJM Board Governance Committee and the Office of the

Interconnection legal counsel shall consult with the Board Member to determine whether the PJM Board Member should be recused from the PJM Board deliberations and decision making regarding the matter before the PJM Board.

10.3 Confidential Information.

The Office of the Interconnection shall comply with the requirements of Section 18.17 with respect to any proprietary or confidential information received from or about any Member.

10.4 Duties and Responsibilities.

The Office of the Interconnection, under the direction of the President as supervised and overseen by the PJM Board, shall carry out the following duties and responsibilities, in accordance with the provisions of this Agreement:

- i) Administer and implement this Agreement;
- ii) Perform such functions in furtherance of this Agreement as the PJM Board, acting within the scope of its duties and responsibilities under this Agreement, may direct;
- iii) Prepare, maintain, update and disseminate the PJM Manuals;
- iv) Comply with NERC, and Applicable Regional Entity operation and planning standards, principles and guidelines;
- v) Maintain an appropriately trained workforce, and such equipment and facilities, including computer hardware and software and backup power supplies, as necessary or appropriate to implement or administer this Agreement;
- vi) Direct the operation and coordinate the maintenance of the facilities of the PJM Region used for both load and reactive supply, so as to maintain reliability of service and obtain the benefits of pooling and interchange consistent with this Agreement, and the Reliability Assurance Agreement;
- vii) Direct the operation and coordinate the maintenance of the bulk power supply facilities of the PJM Region with such facilities and systems of others not party to this Agreement in accordance with agreements between the LLC and such other systems to secure reliability and continuity of service and other advantages of pooling on a regional basis;
- viii) Perform interchange accounting and maintain records pertaining to the operation of the PJM Interchange Energy Market and the PJM Region;
- ix) Notify the Members of the receipt of any application to become a Member, and of the action of the Office of the Interconnection on such application, including but not limited to the completion of integration of a new Member's system into the PJM Region, as specified in Section 11.6(f);
- x) Calculate the Weighted Interest and Default Allocation Assessment of each Member;
- xi) Maintain accurate records of the sectors in which each Voting Member is entitled to vote, and calculate the results of any vote taken in the Members Committee;
- xii) Furnish appropriate information and reports as are required to keep the Members regularly informed of the outlook for, the functioning of, and results achieved by the PJM Region;

- xiii) File with FERC on behalf of the Members any amendments to this Agreement or the Schedules hereto, any new Schedules hereto, and make any other regulatory filings on behalf of the Members or the LLC necessary to implement this Agreement;
- xiv) At the direction of the PJM Board, submit comments to regulatory authorities on matters pertinent to the PJM Region;
- xv) Consult with the standing or other committees established pursuant to Section 8.6(a) on matters within the responsibility of the committee;
- xvi) Perform operating studies of the bulk power supply facilities of the PJM Region and make such recommendations and initiate such actions as may be necessary to maintain reliable operation of the PJM Region;
- xvii) Accept, on behalf of the Members, notices served under this Agreement;
- xviii) Perform those functions and undertake those responsibilities transferred to it under the Consolidated Transmission Owners Agreement including (A) directing the operation of the transmission facilities of the parties to the Consolidated Transmission Owners Agreement (B) administering the PJM Tariff, and (C) administering the Regional Transmission Expansion Planning Protocol set forth as Schedule 6 to this Agreement;
- xix) Perform those functions and undertake those responsibilities transferred to it under the Reliability Assurance Agreement, as specified in Schedule 8 of this Agreement;
- xx) Monitor the operation of the PJM Region, ensure that appropriate Emergency plans are in place and appropriate Emergency drills are conducted, declare the existence of an Emergency, and direct the operations of the Members as necessary to manage, alleviate or end an Emergency;
- xxi) Incorporate the grid reliability requirements applicable to nuclear generating units in the PJM Region planning and operating principles and practices;
- xxii) Initiate such legal or regulatory proceedings as directed by the PJM Board to enforce the obligations of this Agreement; and
- xxiii) Select an individual to serve as the Alternate Dispute Resolution Coordinator as specified in the PJM Dispute Resolution Procedures.

11. MEMBERS

11.1 Management Rights.

The Members or any of them shall not take part in the management of the business of, and shall not transact any business for, the LLC in their capacity as Members, nor shall they have power to sign for or to bind the LLC.

11.2 Other Activities.

Except as otherwise expressly provided herein, any Member may engage in or possess any interest in another business or venture of any nature and description, independently or with others, even if such activities compete directly with the business of the LLC, and neither the LLC nor any Member hereof shall have any rights in or to any such independent ventures or the income or profits derived therefrom.

11.3 Member Responsibilities.

11.3.1 General.

To facilitate and provide for the work of the Office of the Interconnection and of the several committees appointed by the Members Committee, each Member shall, to the extent applicable;

(a) Maintain complete and accurate records, if any, required to meet the purposes of this section and, subject to the provisions of this Agreement for the protection of the confidentiality of proprietary or commercially sensitive information, provide, as reasonably requested, data (excluding transactional data), documents, or records, to the Office of the Interconnection required for the following purposes: (i) maintenance of correct and updated Member and Affiliate Information, including appropriate personnel contacts, PJM committee representatives, organizational structure and other information as reasonably requested by the Office of the Interconnection to ensure the accuracy and completeness of Member records, (ii) maintenance of correct and updated Member and Affiliate Information on unit ownership, unit offer determination, unit offer submissions and unit operation, (iii) coordination of operations, (iv) accounting for all interchange transactions, (v) preparation of required reports, (vi) coordination of planning, including those data required for capacity accounting under the Reliability Assurance Agreement; (vii) preparation of maintenance schedules, (viii) analysis of system disturbances, and (ix) such other purposes, including those set forth in Schedule 2, as will contribute to the reliable and economic operation of the PJM Region and the administration by the Office of the Interconnection of the Agreement, the PJM Tariff and PJM Manuals – For the purposes of this subsection, Member and Affiliate Information means information regarding Members and either: (1) their direct and/or indirect subsidiaries subject to the jurisdiction of the FERC, or (2) their Related Parties;

(b) Provide such recording, telemetering, revenue quality metering, communication and control facilities as are required for the coordination of its operations with the Office of the Interconnection and those of the other Members and to enable the Office of the Interconnection to operate the PJM Region and otherwise implement and administer this Agreement, including equipment required in normal and Emergency operations and for the recording and analysis of system disturbances;

(c) Provide adequate and properly trained personnel to (i) permit participation in the coordinated operation of the PJM Region (ii) meet its obligation on a timely basis for supply of records and data, (iii) serve on committees and participate in their investigations, and (iv) share in the representation of the Interconnection in inter-regional and national reliability activities. Minimum training for Members that operate Market Operations Centers and local control centers shall include compliance with the applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;

(d) Share in the costs of committee activities and investigations (including costs of consultants, computer time and other appropriate items), communication facilities used by all the Members (in addition to those provided in the Office of the Interconnection), and such other

expenses as are approved for payment by the PJM Board, such costs to be recovered as provided in Schedule 3;

(e) Comply with the requirements of the PJM Manuals and all directives of the Office of the Interconnection to take any action for the purpose of managing, alleviating or ending an Emergency, and authorize the Office of the Interconnection to direct the transfer or interruption of the delivery of energy on their behalf to meet an Emergency and to implement agreements with other Control Areas interconnected with the PJM Region for the mutual provision of service to meet an Emergency, and be subject to the emergency procedure charges specified in Schedule 9 of this Agreement for any failure to follow the Emergency instructions of the Office of the Interconnection. In addressing any Emergency, the Office of the Interconnection shall comply with the terms of any reserve sharing agreements in effect for any part of the PJM Region.

11.3.2 Facilities Planning and Operation.

Consistent with and subject to the requirements of this Agreement, the PJM Tariff, the governing agreements of each Applicable Regional Entity, the Reliability Assurance Agreement, the Consolidated Transmission Owners Agreement, and the PJM Manuals, each Member shall cooperate with the other Members in the coordinated planning and operation of the facilities of its System within the PJM Region so as to obtain the greatest practicable degree of reliability, compatible economy and other advantages from such coordinated planning and operation. In furtherance of such cooperation each Member shall, as applicable:

(a) Consult with the other Members and the Office of the Interconnection, and coordinate the installation of its electric generation and Transmission Facilities with those of such other Members so as to maintain reliable service in the PJM Region;

(b) Coordinate with the other Members, the Office of the Interconnection and with others in the planning and operation of the regional facilities to secure a high level of reliability and continuity of service and other advantages;

(c) Cooperate with the other Members and the Office of the Interconnection in the implementation of all policies and procedures established pursuant to this Agreement for dealing with Emergencies, including but not limited to policies and procedures for maintaining or arranging for a portion of a Member's Generation Capacity Resources, at least equal to the applicable levels established from time to time by the Office of the Interconnection, to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;

(d) Cooperate with the members of each Applicable Regional Entity to augment the reliability of the bulk power supply facilities of the region and comply with Applicable Regional Entities and NERC operating and planning standards, principles and guidelines and the PJM Manuals implementing such standards, principles and guidelines;

(e) Obtain or arrange for transmission service as appropriate to carry out this Agreement;

- (f) Cooperate with the Office of the Interconnection's coordination of the operating and maintenance schedules of the Member's generating and Transmission Facilities with the facilities of other Members to maintain reliable service to its own customers and those of the other Members and to obtain economic efficiencies consistent therewith;
- (g) Cooperate with the other Members and the Office of the Interconnection in the analysis, formulation and implementation of plans to prevent or eliminate conditions that impair the reliability of the PJM Region; and
- (h) Adopt and apply standards adopted pursuant to this Agreement and conforming to NERC, and Applicable Regional Entity standards, principles and guidelines and the PJM Manuals, for system design, equipment ratings, operating practices and maintenance practices.

11.3.3 Electric Distributors.

In addition to any of the foregoing responsibilities that may be applicable, each Member that is an Electric Distributor, whether or not that Member votes in the Members Committee in the Electric Distributor sector or meets the eligibility requirements for any other sector of the Members Committee, shall:

- (a) Accept, comply with or be compatible with all standards applicable within the PJM Region with respect to system design, equipment ratings, operating practices and maintenance practices as set forth in the PJM Manuals, or be subject to an interconnected Member's requirements relating to the foregoing, so that sufficient electrical equipment, control capability, information and communication are available to the Office of the Interconnection for planning and operation of the PJM Region;
- (b) Assure the continued compatibility of its local system energy management system monitoring and telecommunications systems to satisfy the technical requirements of interacting automatically or manually with the Office of the Interconnection as it directs the operation of the PJM Region;
- (c) Maintain or arrange for a portion of its connected load to be subject to control by automatic underfrequency, under-voltage, or other load-shedding devices at least equal to the levels established pursuant to the Reliability Assurance Agreement, or be subject to another Member's control for these purposes;
- (d) Provide or arrange for sufficient reactive capability and voltage control facilities to conform to Good Utility Practice and (i) to meet the reactive requirements of its system and customers and (ii) to maintain adequate voltage levels and the stability required by the bulk power supply facilities of the PJM Region;
- (e) Shed connected load, share Generation Capacity Resources and take such other coordination actions as may be necessary in accordance with the directions of the Office of the Interconnection in Emergencies;

- (f) Maintain or arrange for a portion of its Generation Capacity Resources at least equal to the level established pursuant to the Reliability Assurance Agreement to have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system;
- (g) Provide or arrange through another Member for the services of a 24-hour local control center to coordinate with the Office of the Interconnection, each such control center to be furnished with appropriate telemetry equipment as specified in the PJM Manuals, and to be staffed by system operators trained and delegated sufficient authority to take any action necessary to assure that the system for which the operator is responsible is operated in a stable and reliable manner. In addition to meeting any training standards and requirements specified in this Agreement, local control center staff shall be required to meet applicable training standards and requirements in PJM Manual 40, Control Center Requirements, including the PJM System Operator Training Requirements in Attachment C;
- (h) Provide to the Office of the Interconnection all System, accounting, customer tracking, load forecasting (including all load to be served from its System) and other data necessary or appropriate to implement or administer this Agreement, and the Reliability Assurance Agreement; and
- (i) Comply with the underfrequency relay obligations and charges specified in Schedule 7 of this Agreement.

11.3.4 Reports to the Office of the Interconnection.

Each Member shall report as promptly as possible to the Office of the Interconnection any changes in its operating practices and procedures relating to the reliability of the bulk power supply facilities of the PJM Region. The Office of the Interconnection shall review such reports, and if any change in an operating practice or procedure of the Member is not in accord with the established operating principles, practices and procedures for the PJM Region and such change adversely affects such region and regional reliability, it shall so inform such Member, and the other Members through their representative on the Operating Committee, and shall direct that such change be modified to conform to the established operating principles, practices and procedures.

11.4 Regional Transmission Expansion Planning Protocol.

The Members shall participate in regional transmission expansion planning in accordance with the Regional Transmission Expansion Planning Protocol set forth in Schedule 6 to this Agreement.

11.5 Member Right to Petition.

- (a) Nothing herein shall deprive any Member of the right to petition FERC to modify any provision of this Agreement or any Schedule or practice hereunder that the petitioning Member believes to be unjust, unreasonable, or unduly discriminatory under section 206 of the Federal Power Act, subject to the right of any other Member (a) to oppose said proposal, or (b) to withdraw from the LLC pursuant to Section 4.1.

- (b) Nothing herein shall be construed as affecting in any way the right of the Members, acting pursuant to a vote of the Members Committee as specified in Section 8.4, unilaterally to make an application to FERC for a change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, under section 205 of the Federal Power Act and pursuant to the rules and regulations promulgated by FERC thereunder, subject to the right of any Member that voted against such change in any rate, charge, classification, tariff or service, or any rule or regulation related thereto, to intervene in opposition to any such application.

11.6 Membership Requirements.

- (a) To qualify as a Member, an entity shall:
 - i) Be a Transmission Owner a Generation Owner, an Other Supplier, an Electric Distributor, or an End-Use Customer; and
 - ii) Accept the obligations set forth in this Agreement.
- (b) Certain Members that are Load Serving Entities are parties to the Reliability Assurance Agreement. Upon becoming a Member, any entity that is a Load Serving Entity in the PJM Region and that wishes to become a Market Buyer shall also simultaneously execute the Reliability Assurance Agreement
- (c) An entity that wishes to become a party to this Agreement shall apply, in writing, to the President setting forth its request, its qualifications for membership, its agreement to supply data as specified in this Agreement, its agreement to pay all costs and expenses in accordance with Schedule 3, and providing all information specified pursuant to the Schedules to this Agreement for entities that wish to become Market Participants. Any such application that meets all applicable requirements shall be approved by the President within sixty (60) days.
- (d) Nothing in this Section 11 is intended to remove, in any respect, the choice of participation by other utility companies or organizations in the operation of the PJM Region through inclusion in the System of a Member.
- (e) An entity whose application is accepted by the President pursuant to Section 11.6(c) shall execute a supplement to this Agreement in substantially the form prescribed in Schedule 4, which supplement shall be countersigned by the President. The entity shall become a Member effective on the date the supplement is countersigned by the President.
- (f) Entities whose applications contemplate expansion or rearrangement of the PJM Region may become Members promptly as described in Sections 11.6(c) and 11.6(e) above, but the integration of the applicant's system into all of the operation and accounting provisions of this Agreement and the Reliability Assurance Agreement, shall occur only after completion of all required installations and modifications of metering, communications, computer programming, and other necessary and appropriate facilities and procedures, as determined by the Office of the Interconnection. The Office of the Interconnection shall notify the other Members when such integration has occurred.
- (g) Entities that become Members will be listed in Schedule 12 of this Agreement.
- (h) In accordance with this Agreement, Members agree that PJMSettlement shall be the Counterparty with respect to certain transactions under the PJM Tariff and this Agreement.

11.7 Associate Membership Requirements.

- (a) If any of the following conditions apply, an entity may qualify as an Associate Member:
 - (i) The entity is not a member of the End-Use Customer sector and has not been a Market Participant over the past six months, and has no verifiable plans to become a Market Participant over the next six months;
 - (ii) The entity does not meet the requirements of Section 11.6 of this Agreement;
- (b) The following rights and obligations shall apply to Associate Members:
 - (i) Associate Members shall pay the one half of the annual membership fee, and the application fee is waived;
 - (ii) Associate Members may participate in all stakeholder process activities;
 - (iii) Associate Members shall not vote in any stakeholder activities, working groups or committees;
 - (iv) Associate Members shall not participate in any of PJM's markets;
 - (v) Associate Members may become Members if they meet the requirements of Section 1.24 of this Agreement;
 - (vi) Associate Members may participate in training offered by PJM at no cost;
 - (vii) Associate Members shall not be subject to default assessments pursuant to this Agreement.

12. TRANSFERS OF MEMBERSHIP INTEREST

The rights and obligations created by this Agreement shall inure to and bind the successors and assigns of such Member; provided, however, that the rights and obligations of any Member hereunder shall not be assigned without the approval of the Members Committee except as to a successor in operation of a Member's electric operating properties by reason of a merger, consolidation, reorganization, sale, spin-off, or foreclosure, as a result of which substantially all such electric operating properties are acquired by such a successor, and such successor becomes a Member.

13. INTERCHANGE

13.1 Interchange Arrangements with Non-Members.

Any Member may enter into interchange arrangements with others that are not Members with respect to the delivery or receipt of capacity and energy to fulfill its obligations hereunder or for any other purpose, subject to the standards and requirements established in or pursuant to this Agreement.

13.2 Energy Market.

The Office of the Interconnection shall administer an efficient energy market within the PJM Region, to be known as the PJM Interchange Energy Market, in which Members may buy and sell energy. The Office of the Interconnection will schedule in advance and dispatch generation on the basis of least-cost, security-constrained dispatch and the prices and operating characteristics offered by sellers within and into the PJM Region, continuing until sufficient generation is dispatched to serve the energy purchase requirements of such region and buyers out of such region, as well as the requirements of the PJM Region for ancillary services provided by such generation. Scheduling and dispatch shall be conducted in accordance with applicable schedules to the PJM Tariff and the Schedules to this Agreement.

14. METERING

14.1 Installation, Maintenance and Reading of Meters.

The quantities of electric energy involved in determination of the amounts of the billing rendered hereunder shall be ascertained by means of meters installed, maintained and read either at the expense of the party on whose premises the meters are located or as otherwise provided for by agreement between the parties concerned.

14.2 Metering Procedures.

Procedures with respect to maintenance, testing, calibrating, correction and registration records, and precision tolerance of all metering equipment shall be in accordance with Good Utility Practice. The expense of testing any meter shall be borne by the party owning such meter, except that when a meter tested upon request of another party is found to register within the established tolerance the party making the request shall bear the expense of such test.

14.3 Integrated Megawatt-Hours.

All metering of energy required herein shall be the integration of megawatt hours in the clock hour, and the quantities thus obtained shall constitute the megawatt load for such clock hour; provided, however, that adjustment shall be made for other contractual obligations of any Member as may be required to determine the quantity to be accounted for hereunder, and for transmission losses.

14.4 Meter Locations.

The meter locations to be used by the Members in determining their energy transactions on the PJM Region shall be as reasonably determined from time to time by the Member or the Office of the Interconnection.

14.5 Metering of Behind The Meter Generation.

Generating units, designated as Behind The Meter Generation, individually rated at ten megawatts or greater or that otherwise have been identified by the Office of the Interconnection as requiring metering for operational security reasons must have both revenue quality metering and telemetry equipment for operational security purposes. Multiple generating units, designated as Behind The Meter Generation, that are individually rated less than ten megawatts but together total more than ten megawatts and are identified by the Office of the Interconnection as requiring revenue quality metering and telemetry equipment may meet these metering requirements by being metered as a single unit.

14A. TRANSMISSION LOSSES

14A.1 Description of Transmission Losses.

Transmission losses refer to the loss of energy in the transmission of electricity from generation resources to load, which is dissipated as heat through transformers, transmission lines and other transmission facilities.

14A.2 Inclusion of Transmission Losses.

Whenever in this Agreement, transmission losses are included in the determination of a charge, credit, load (including deviations), or demand reduction, it is explicitly so stated and such included losses shall be those losses incurred on all Transmission Facilities (to facilitate such calculation, Transmission Owners shall ensure that all such facilities are included in the PJM network model) and those losses incurred on generator step-up transformers that a Market Seller has not elected to remove from the loss calculation. Absent such explicit statement, such losses are not included in the determination.

14A.3 Other Losses.

Losses incurred on facilities other than those addressed in the preceding section may be included in the determination of charges, credits, load (including real-time deviations), or demand reductions as determined by electric distribution companies, unless this Agreement explicitly excludes such losses.

14B BILLING AND PAYMENT

14B.1 Billing Procedure:

PJMSettlement shall issue bills and billing statements pursuant to the provisions in this section 14B on behalf of itself and as agent for the Office of the Interconnection, as applicable. Payment of bills pursuant to this section 14B shall be made for the benefit of PJMSettlement and the Office of the Interconnection, as applicable.

(a) Monthly Bills. By the fifth business day of each month, PJM Settlement, in its own name and as agent for the Office of the Interconnection, as applicable, shall issue a bill to Members and other entities for monthly activity and detailing the charges and credits for all services furnished under this Agreement, the PJM Tariff and any service or rate schedule during the preceding month ("billing month"), excluding amounts billed pursuant to weekly bills for activity during the preceding month.

(b) Weekly Bills. By 5:00 p.m. Eastern Prevailing Time each Tuesday (or Wednesday in the event that a Tuesday is a holiday), PJMSettlement, in its own name and as agent for the Office of the Interconnection, as applicable, will issue a weekly bill to Members and other entities for all activity for certain services furnished under this Agreement, the PJM Tariff and any service or rate schedule for the days of the billing month during the week ending the prior Wednesday. The services for which such weekly bills shall be issued are set forth in PJM Manual 29.

(c) Billing Statement. PJMSettlement, in its own name and as agent for the Office of the Interconnection, as applicable, shall provide Members and other entities with billing statements at the time of issuance of the monthly and weekly bills, reflecting, in the form and manner set forth in PJM Manuals, the Member's or other entity's activity during the billing month and amounts due, net of activity previously billed.

14B.2 Payments:

(a) **Monthly Bills.** Net amounts due to PJMSettlement, in its own name or as agent for the LLC, as applicable, pursuant to a monthly bill shall be due and payable by the Member or other entity no later than noon Eastern Prevailing Time on the due date of the first weekly bill issued for activity in the month that the monthly bill is issued. It is possible, due to the timing of holidays, that the billing and payment cycle for monthly bills stated here would call for payment of a monthly bill on a Friday that occurs less than three business days after the issuance of the bill by PJM. Where this occurs, the payment period of the monthly bill will be extended such that payment will be due when payment for the second weekly bill is due.

(b) **Weekly Bills.** Net amounts due to PJMSettlement, in its own name or as agent for the LLC, as applicable, pursuant to a weekly bill shall be due and payable by the Member or other entity no later than noon Eastern Prevailing Time on the third business day following the issuance of the weekly bill. Weekly bills issued after 5:00 p.m. Eastern Prevailing Time shall be considered to be issued the following business day.

(i) Municipal Electric Systems.

Recognizing that municipal electric systems may, at times, face unique circumstances that could temporarily prevent their ability to make payments on a weekly bill issued pursuant to Section 14B.1 when due, the LLC may allow a municipal electric system to make arrangements with PJM whereby PJM would extend trade credit to the municipal electric system sufficient to enable it to make payment on a weekly bill provided that the following conditions are met:

(a) the LLC determines, in its sole discretion, that it has sufficient excess working capital available to complete financial settlement with other market participants;

(b) the municipal electric system reimburses PJM for the actual cost of such working capital;

(c) the municipal electric system provides PJM with a binding representation that it has all legal right and authority to enter into the arrangement with PJM;

(d) PJMSettlement will continue to issue weekly bills to the municipal electric system in accordance with Section 14B.1 above and the municipal electric system will make payment as due under the weekly bills using the proceeds it obtains under its arrangement with PJM. Reimbursement of these amounts, including PJM's actual costs of working capital, shall be due from the municipal electric system at the time payment is due for the invoice issued under Section 14B.2(a);

(e) the aggregate of all financed amounts and accrued obligations shall not exceed the Working Credit Limit available to the municipal electric system;

(f) the municipal electric system provides the LLC with at least one week of notice (though PJM may waive this provision), and;

(g) the accumulated duration of such postponed payments shall not exceed three months in a rolling twelve-month period.

PJM may terminate this payment option at any time it determines its excess working capital is no longer sufficient to allow further or continued extension financing. In such cases, PJM shall attempt to give five business days, but not less than three business days notice to the affected municipal electric system, and may call for immediate reimbursement of any outstanding amounts owed by the municipal electric system.

(c) Form of Payments. All payments tendered in satisfaction of a Member's or other entity's obligations to PJMSettlement or the LLC shall be made in the form of immediately available funds payable to PJMSettlement, or by wire transfer to a bank named by PJMSettlement.

(d) Payments by PJMSettlement. Unless delayed by unforeseen events, payments made by PJMSettlement, in its own name or as agent for the LLC, for amounts due to Members and other entities shall be paid no later than 5:00 p.m. Eastern Prevailing Time on the business day following the payment due date for net amounts owed to PJMSettlement, in its own name or as agent for the LLC, as specified above.

(e) Payment Calendar. A comprehensive billing and settlement calendar will be posted on the LLC's website prior to March 31 for the upcoming June – May annual period to communicate the schedule of holidays for settlement and billing purposes.

(f) Late Payments. In the event that a Member, or other entity, is delinquent in paying the amount set forth in its weekly or monthly bill two or more times within any rolling twelve (12) month period, PJMSettlement, in its own name or as agent for the LLC, may assess, in addition to the interest on each late payment as provided for in Section 7.2 of this Tariff, a late payment charge for a second and any subsequent failure to pay on time during such twelve (12) month period (a "Late Payment Charge"). The applicable Late Payment Charge will be assessed in an amount equal to the greater of: (i) two percent (2%) of the total amount set forth in the monthly or weekly bill that the Transmission Customer or other entity has been late in paying, or (ii) \$1,000; up to a maximum of \$100,000 per late bill payment. For the sole purpose of application of this Section 7.1A(f), weekly and monthly bills that are due on the same date shall be considered to be one bill; moreover, the term "on time" shall mean payment received on the date due; and "delinquent" shall mean any payment received on a day subsequent to the date due.

Late Payment Charges that are collected pursuant to this Section 7.1A(f) shall be credited to PJMSettlement administrative costs and will be included in any applicable stated rate refund calculations as contemplated under Schedule 9 of this Tariff.

14B.3 Interest on Unpaid Balances:

Interest on any unpaid amounts shall be calculated in accordance with the methodology specified for interest on refunds in the Commission's regulations at 18 C.F.R. § 35.19a(a)(2)(iii). Interest on delinquent amounts shall be calculated from the due date of the bill to the date of payment. When payments are made by mail, bills shall be considered as having been paid on the date of receipt by PJMSettlement.

14B.4 Additional Billing and Payment Provisions With Respect to the Counterparty

(a) Each Member shall receive from PJMSettlement (and not from any other party), and shall pay to PJMSettlement (and not to any other party), the amounts specified in the PJM Tariff and this Agreement for services and transactions for which PJMSettlement is the Counterparty, and PJMSettlement shall be correspondingly obliged and entitled.

(b) **Payment netting.** If, during the settlement period, amounts in respect of obligations associated with transactions for which PJMSettlement are owed, and would otherwise be paid, by both a Member and PJMSettlement to each other, then the respective obligations to pay such amounts will automatically be cancelled and replaced by a single obligation upon the Member or PJMSettlement (as the case may be) that would have had to pay the larger aggregate amount to pay the net amount (if any) to the other.

(c) **Conditions for payment by the Counterparty.**

(i) A Member shall be entitled to payment from PJMSettlement during the settlement period if, and only if, during the settlement period there is no amount in default due and payable by that Member to PJMSettlement with respect to transactions for which PJMSettlement is a Counterparty and not paid or recovered and so long as an amount in default, or any part of it, remains owing to PJMSettlement, that Member will not request, demand or claim to be entitled to payment by PJMSettlement.

(ii) Subject to section 15, a defaulting Member shall be entitled to payment from PJMSettlement with respect to transactions for which PJMSettlement is the Counterparty, if, and only if, all amounts, liabilities and other obligations due, owing, incurred or payable by that defaulting Member to PJMSettlement or the LLC, whether those liabilities or obligations are actual or contingent, present or future, joint or several (including, without limitation, all interest (after as well as before judgment) and expenses) have been paid or recovered and until that time the defaulting Member will not request, demand or claim to be entitled to payment by PJMSettlement or the LLC.

(d) **Set-off.**

(i) If during the settlement period an amount is due and, but for section 14B.4(c), would have been payable from PJMSettlement to a Member, but before that settlement period there was due from that Member an amount in default (as defined in section 15) that has not been paid or recovered, then notwithstanding section 14B.4(c), the amount owing by PJMSettlement shall be automatically and unconditionally set off against the amount(s) in default.

- (ii) If in respect of any non-paying Member there is more than one amount in default, then any amount due and payable from PJMSettlement shall be set off against the amounts in default in the order in which they originally became due and payable.

(e) **Liability of PJMSettlement.**

- (i) The liability of PJMSettlement to make payments during the settlement period shall be limited so that the aggregate of such payments does not exceed the aggregate amount of payments that has been paid to or recovered by PJMSettlement, from Members (including by way of realization of financial security) in respect of that settlement period.
- (ii) Where in relation to any settlement period, the aggregate amount that PJMSettlement pays to Members with respect to transactions for which PJMSettlement is the Counterparty is less than the amount to which those Members, but for the operation of section 14B(e)(i), would have been entitled: if and to the extent that, after the required time during the settlement period, PJMSettlement or the LLC is paid and recovers (including collection of such amount through Default Allocation Assessments) amounts from any Member, PJMSettlement shall to the extent of such receipts make payments (to certain Members) in accordance with the provisions of section 15.2.1.

15. ENFORCEMENT OF OBLIGATIONS

15.1 Failure to Meet Obligations.

15.1.1 Termination of Market Buyer Rights.

The Office of the Interconnection shall terminate a Market Buyer's right to make purchases from the PJM Interchange Energy Market, the PJM Capacity Credit Market or any other market operated by PJM if it determines that the Market Buyer does not continue to meet the obligations set forth in this Agreement, including but not limited to the obligation to be in compliance with PJM's creditworthiness requirements and the obligation to make timely payment, provided that the Office of the Interconnection has notified the Market Buyer of any such deficiency and afforded the Market Buyer a reasonable opportunity to cure pursuant to Section 15.1.3. The Office of the Interconnection shall reinstate a Market Buyer's right to make purchases from the PJM Interchange Energy Market and PJM Capacity Credit Market upon demonstration by the Market Buyer that it has come into compliance with the obligations set forth in this Agreement.

15.1.2 Termination of Market Seller Rights.

The Office of the Interconnection shall not accept offers from a Market Seller that has not complied with the prices, terms, or operating characteristics of any of its prior scheduled transactions in the PJM Interchange Energy Market, unless such Market Seller has taken appropriate measures to the satisfaction of the Office of the Interconnection to ensure future compliance.

15.1.2A Close Out and Liquidation of Member Financial Transmission Rights

The Office of the Interconnection shall close out and liquidate all of a Member's current and forward Financial Transmission Rights positions if it determines the Member (i) no longer meets PJM's creditworthiness requirements, or (ii) fails to make timely payment when due under the PJM Operating Agreement or PJM Tariff, in each case following any opportunity given to cure the deficiency. Financial Transmission Rights shall be closed out and liquidated pursuant to Schedule 1, Section 7.3.9 of the PJM Operating Agreement and the Appendix to Attachment K, Section 7.3.9 of the PJM Tariff.

15.1.2A(1): Allocation of Costs and Proceeds Resulting from Liquidation

The liquidation of the defaulting Member's Financial Transmission Rights portfolio shall result in a final liquidated settlement amount. The final liquidated settlement amount may be aggregated with any other amounts owed by the defaulting Member to the Office of the Interconnection and may be set off by the Office of the Interconnection against any amounts owed by the Office of the Interconnection to the defaulting Member for purposes of determining the proper Default Allocation Assessment pursuant to the provisions of Section 15.2.2. Any payments made to a party purchasing some or all of a liquidated portfolio shall be net of that party's charge resulting from a Default Allocation Assessment.

15.1.3 Payment of Bills.

A Member shall make full and timely payment, in accordance with the terms specified by the Office of the Interconnection, of all bills rendered in connection with or arising under or from this Agreement, any service or rate schedule, any tariff, or any services performed by the Office of the Interconnection or transactions with PJMSettlement, notwithstanding any disputed amount, but any such payment shall not be deemed a waiver of any right with respect to such dispute. Any Member that fails to make full and timely payment to PJMSettlement (of amounts owed either directly to PJMSettlement or PJMSettlement as agent for the LLC) or otherwise fails to meet its financial or other obligations to a Member, PJMSettlement, or the LLC under this Agreement, shall, in addition to any requirement set forth in Section 15.1 and upon expiration of the 2-day period specified below be in default.

15.1.4 Breach Notification and Remedy

If the Office of the Interconnection concludes, upon its own initiative or the recommendation of or complaint by the Members Committee or any Member, that a Member is in breach of any obligation under this Agreement, including, but not limited to, the obligation to make timely payment and the obligation to meet PJM's creditworthiness standards and to otherwise comply with PJM's credit policies, the Office of the Interconnection shall so notify such Member. The notified Member may remedy such asserted breach by: (i) paying all amounts assertedly due, along with interest on such amounts calculated in accordance with the methodology specified for interest on refunds in FERC's regulations at 18 C.F.R. § 35.19a(a)(2)(iii); and (ii) demonstration to the satisfaction of the Office of the Interconnection that the Member has taken appropriate measures to meet any other obligation of which it was deemed to be in breach; provided, however, that any such payment or demonstration may be subject to a reservation of rights, if any, to subject such matter to the PJM Dispute Resolution Procedures; and provided, further, that any such determination by the Office of the Interconnection may be subject to review by the PJM Board upon request of the Member involved or the Office of the Interconnection.

15.1.5 Default Notification and Remedy

If a Member has not remedied a breach by the 2nd business day following receipt of the Office of the Interconnection's notice, or receipt of the PJM Board's decision on review, if applicable, then the Member shall be in default and, in addition to such other remedies as may be available to the LLC or PJMSettlement:

- i) A defaulting Market Participant shall be precluded from buying or selling in the PJM Interchange Energy Market, the PJM Capacity Credit Market, or any other market operated by PJM until the default is remedied as set forth above;
- ii) A defaulting Member shall not be entitled to participate in the activities of any committee or other body established by the Members Committee or the Office of the Interconnection; and
- iii) A defaulting Member shall not be entitled to vote on the Members Committee or any other committee or other body established pursuant to this Agreement.