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Case No. 10-2929-EL-UNC

PUCO

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In the Matter of the Commission Review of the
Capacity Charges of Ohio Power Company and
Columbus Southern Power Company

List of exhibits being filed:

AE P&103-C
IEU Ex. 109
IEU Ex. 110
FES Ex. 109
FES Ex. 110A
FES Ex. 110B
FES Ex. 110-C
FES Ex. 110-D
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FES Ex. 111-D

PUCO

Reporter's Signature: Kaer Gibson

Date Submitted: 4-20-12

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RECEIVED-BOOKETING DIV

1 BEFORE THE PUBLIC UTILITIES COMMISSION OF OHIO

2 - - -

3 In the Matter of the :
4 Commission Review of the :
5 Capacity Charges of Ohio : Case No. 10-2929-EL-UNC
6 Power Company and Columbus:
7 Southern Power Company. :

8 - - -

9 PROCEEDINGS

10 before Ms. Greta See and Ms. Sarah Parrot, Attorney
11 Examiners, and Commissioner Andre Porter, at the
12 Public Utilities Commission of Ohio, 180 East Broad
13 Street, Room 11-A, Columbus, Ohio, called at 8:30
14 a.m. on Wednesday, April 18, 2012.

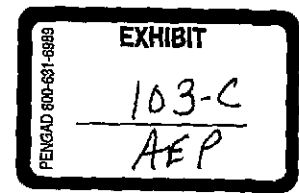
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16 VOLUME II

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UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

American Electric Power Service Corporation) Docket No. ER11-2183-001*
)

American Electric Power Service Corporation) Docket No. EL11-32-000*
)

v.)
PJM Interconnection, L.L.C.) * Not consolidated

**RESPONSE OF
PJM INTERCONNECTION, L.L.C.
TO AEP MOTION FOR EXPEDITED RULINGS**

PJM Interconnection, L.L.C. ("PJM") hereby responds to the Motion of American Electric Power Service Corporation for Expedited Rulings ("Motion") filed with the Federal Energy Regulatory Commission ("Commission") on February 29, 2012 in these dockets by on behalf of Ohio Power Company (collectively "AEP"). As AEP explained in its Motion, these dockets pertain to the application of Schedule 8.1, Section D.8 of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region ("RAA") which implements PJM's Fixed Resource Requirement ("FRR") provisions. AEP contends that expedited rulings are necessary because the Public Utilities Commission of Ohio ("PUCO") has implemented the FRR provisions in a manner that, according to AEP, is causing Ohio Power to suffer substantial harm.

The matters underlying AEP's Motion have been at issue since December 2010, when the PUCO adopted an interim state compensation mechanism to set the FRR capacity charges for alternative load serving entities (CRES Providers in Ohio). This Commission addressed the PUCO's ruling in an order issued on

January 20, 2011, and those two rulings caused AEP to seek revisions to the RAA in a complaint proceeding that was initiated on April 4, 2011 in Docket No. EL11-32-000.

The Ohio interim state compensation mechanism has now been in place for nearly fifteen months, as the PUCO still has not adopted a final state compensation mechanism. On March 7, 2012, the PUCO adopted another interim state compensation mechanism that will be in place until May 31, 2012, and adopted a procedural schedule under which a hearing will commence on April 17, 2012.

PJM has no reason to doubt that the PUCO ultimately will adopt a final state compensation mechanism that, consistent with the intent of Section D.8,¹ will compensate AEP for the cost to satisfy its FRR capacity obligations associated with load reflected in AEP's FRR Capacity Plan that has instead chosen to be served by CRES Providers. But there remains significant uncertainty as to when the PUCO will issue a final order to establish the appropriate FRR capacity price applicable to CRES Providers. In addition, in the context of the underlying proceedings, PJM believes the Commission should consider the question of whether the action taken to date by the PUCO in fact meets the requirement of Section D.8 of Schedule 8.1 of the RAA as a state compensation mechanism. Under the circumstances, therefore, Commission

¹ RAA, Schedule 8.1, Section D.8 provides that: "In the case of load reflected in the FRR Capacity Plan that switches to an alternative retail LSE, where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations, such state compensation mechanism will prevail." (emphasis added)

action in the pending dockets could provide important guidance to the PUCO and to the parties in the Ohio proceeding, which could help expedite the establishment of a just and reasonable charge, and thereby bring finality to issues that have been pending for well over a year.

PJM is generally concerned about the impact that prolonged regulatory uncertainty may have on PJM's markets. Uncertainty as to capacity prices potentially could, for example, chill investment in new generating facilities or cause current owners to consider accelerating their plans to retire existing generators, either of which can adversely affect reliability. Likewise, uncertainty as to jurisdictional boundaries can result in prolonged and contentious proceedings that can further disrupt markets. PJM believes that guidance from the Commission could alleviate these concerns and thereby benefit market participants in Ohio and throughout PJM by resolving important matters that have been in dispute for over a year. PJM thus respectfully requests that the Commission expeditiously issue an order that will provide such needed guidance.

Respectfully submitted,

/s/ Jacquelyn B. Hugue

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Dated: March 15, 2012

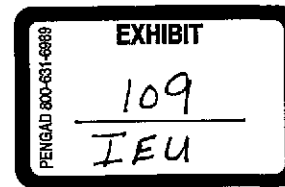
CERTIFICATE OF SERVICE

I hereby certify that I this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in this proceeding.

Dated at Norristown, PA this 15th day of March, 2012.

/s/ Jacquelynn B. Hugee

Jacquelynn B. Hugee
Assistant General Counsel - Markets



Submission Description: (doc-less) Motion to Intervene of Monitoring Analytics, LLC under ER11-2183-000.

Submission Date: 12/9/2010 11:10:16 AM

Filed Date: 12/9/2010 11:10:16 AM

Dockets

ER11-2183-000 PJM Interconnection, L.L.C. submits tariff filing per 35.13(a)(2)(iii): AEP submits Rate Schedules for CSPCo and OPCo under PJM RAA Sched 8.1 Appendix submitted on 11/24/2010 12:21:07 PM

Filing Party/Contacts:

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Monitoring Analytics, LLC		Suzette.Krausen@monitoringanalytics.com

Basis for Intervening:

Monitoring Analytics, LLC, acting in its capacity as the Independent Market Monitor for PJM ("Market Monitor"), submits this motion to intervene in the above captioned proceeding. The Open Access Transmission Tariff (OATT) of PJM Interconnection, L.L.C., requires that the Market Monitor, among other things, monitor "Compliance with the PJM Market Rules," "Actual or potential design flaws in the PJM Market Rules" and "Structural problems in the PJM Market that may inhibit a robust and competitive market." OATT Attachment M Sections II and IV.B.1 - 3. As this proceeding involves the filing of formula rate templates under which each of the AEP Ohio Companies will calculate their respective capacity costs under Section D.8 of Schedule 8.1 of the PJM Reliability Assurance Agreement, it implicates matters within the Market Monitor's purview. Consequently, it is in the public interest that the Commission grant this motion. Rule 214 provides that the Commission may grant interventions where "[t]he movan'ts participation is in the public interest." 18 CFR Section 385.214(b)(2)(iii). The Market Monitor has the exclusive duty to perform the market monitoring function for PJM, and no other party can adequately represent it in this proceeding. Accordingly, the Market Monitor moves that the Commission grant it leave to intervene and afford to it full rights as a party to this proceeding.



**UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION**

American Electric Power Service Corp.)	
)	
v.)	Docket No. EL11-32-000
)	
PJM Interconnection, L.L.C.)	

**ANSWER OF
PJM INTERCONNECTION, L.L.C.
TO COMPLAINT**

PJM Interconnection, L.L.C. (“PJM”), pursuant to Rule 206 of the Commission’s rules, 18 C.F.R. § 385.206, hereby answers the April 4, 2011 complaint of American Electric Power Service Corporation (“AEP”) under section 206 of the Federal Power Act (“FPA”)¹ in this proceeding (“Complaint”) seeking revisions to the Fixed Resource Requirement (“FRR”) alternative in the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region (“RAA”). For the reasons provided below, the Commission should deny the Complaint.

BACKGROUND

PJM’s Reliability Pricing Model (“RPM”) is the means by which capacity is secured for the PJM region, using three-year forward auctions that are cleared by an administratively determined demand curve. That demand curve employs a “Variable Resource Requirement,” i.e., the RPM auction can clear more or less capacity than indicated by the installed reserve margin approved by the PJM Board of Managers. During the proceedings to establish RPM, some parties objected that RPM was better

¹ 16 U.S.C. § 824e.

suited to states that allow retail customer-switching, and that an alternative approach was needed for load-serving entities in traditionally regulated states.² The parties developed such an alternative, i.e., the Fixed Resource Requirement, in the settlement process. The FRR alternative allows a load serving entity (“LSE”) to avoid the quantity and price uncertainties of the RPM auctions by demonstrating through a capacity plan that it has in place sufficient capacity to meet its peak loads plus a fixed reserve margin. Notably, LSEs electing the FRR alternative are required to show that the LSE is responsible for serving all of the loads (and expected load growth) in a defined “FRR Service Area.”³ This approach ensures that the LSE electing the FRR alternative, and insulating itself from the uncertainties of the variable resource requirement in the RPM auctions, does not unfairly benefit from the capacity that is secured in the RPM auctions for service to the loads of other LSEs, which have not elected the FRR alternative.

As the settlement process moved forward, some parties argued that the FRR option should also be available to LSEs in retail choice states. The parties worked diligently to resolve this potential obstacle to a final settlement. Ultimately, they preserved the general principle that an FRR Entity must be responsible for securing capacity for all load in a defined FRR Service Area, notwithstanding that some end-users

² See, e.g., *PJM Interconnection, L.L.C.*, 115 FERC ¶ 61,079, at P 100 (2006) (initial order on original RPM filing notes AEP’s argument that the RPM auction and demand curve are not appropriate for “vertically-integrated utilities whose state regulators have traditionally established capacity requirements for utilities within their states;” and the Kentucky Public Service Commission’s similar argument that the RPM auction proposal must be revised to better meet “the needs of fully regulated states with vertically integrated utilities to take into account state-imposed obligations.”

³ An FRR Service Area is a distinct service territory (identified, for example, in a franchise or state regulatory rule or order) bounded by metering that permits PJM to track all load located in that area. See RAA section 1.31.

in that service area exercise their option under state law to select an alternative power supplier.⁴ They agreed that competitive suppliers could rely on the capacity secured by the FRR Entity on behalf of all loads (and expected load growth) in the FRR Service Area, so long as those suppliers compensate the FRR Entity for that capacity.⁵

In the final RPM settlement, the parties agreed that, “where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations,” then the state compensation mechanism “will prevail.”⁶ The settlement tariff provision adds that “[i]n the absence of a state compensation mechanism,” the competitive supplier will pay for the FRR Entity’s capacity at the price set by the RPM auctions for the unconstrained portion of the PJM region, “provided that,” the FRR Entity may make an FPA section 205 filing with the Commission “to change the basis for compensation to a method based on the FRR Entity’s cost or such other basis shown to be just and reasonable.”⁷ PJM notes that, when an FRR Entity is located in the unconstrained portion of the PJM region (as are AEP’s Ohio utilities), the RPM auction clearing price generally indicates the value of capacity that can be substituted for capacity located anywhere else in that unconstrained region.

⁴ See RAA, Schedule 8.1, section D.8 (“[i]n a state regulatory jurisdiction that has implemented retail choice, the FRR Entity must include in its FRR Capacity Plan all load, including expected load growth, in the FRR Service Area, notwithstanding the loss of any such load to or among alternative retail LSEs”).

⁵ *Id.* The parties also agreed that competitive suppliers could agree to take direct responsibility for providing the capacity needed for service to their loads, and incorporate that capacity in the FRR Entity’s capacity plan. *Id.* at section D.9.

⁶ *Id.* at section D.8.

⁷ *Id.*

AEP elected the FRR alternative at the initiation of RPM and has since remained under that alternative. Most of the jurisdictions served by AEP do not provide for retail choice; the Public Utilities Commission of Ohio (“Ohio Commission”), however, does allow retail customers to choose among competing alternative suppliers. To date, AEP has accepted the RPM unconstrained region price as the compensation rate for the AEP capacity on which alternative suppliers in Ohio rely.

On November 24, 2010, AEP filed with the Commission in Docket No. ER11-2183-000 a proposed formula rate to be paid by alternative electric power suppliers in Ohio for reliance on AEP’s capacity, based on the cost of AEP’s generating capacity as shown on its FERC Form 1. On January 20, 2011, the Commission rejected AEP’s filing, finding that the Ohio Commission has a retail choice program and in connection with that program has adopted a capacity compensation mechanism.⁸ The Commission therefore found that under the plain terms of the RAA, “‘a state compensation mechanism will prevail’ in allocating capacity costs to retail LSEs.”⁹ The Commission also found that AEP has no right to file a different capacity rate under FPA section 205 because the RAA conditions that right on the absence of a state compensation mechanism, adding that AEP signed the RAA and voluntarily accepted that limitation on its filing rights.¹⁰

AEP sought rehearing of the January 20 Order, arguing that the Commission interpreted the RAA incorrectly and relied inappropriately on the Ohio Commission order addressing capacity compensation.

⁸ *American Elec. Power Serv. Corp.*, 134 FERC ¶ 61,039, at P 9 (2011) (“January 20 Order”).

⁹ *Id.* at P 8, *quoting* RAA, Schedule 8.1, section D.8.

¹⁰ *Id.* at P 12.

On April 4, 2011, AEP filed its complaint in this proceeding. AEP reiterates its belief that the Commission has misinterpreted the RAA, but argues that if the RAA is interpreted to accept the Ohio Commission-determined capacity compensation level, then it is unjust and unreasonable, and must be amended through this complaint proceeding.¹¹ AEP argues that, as a party that negotiated and supported the RPM settlement, it never intended to allow a state commission to determine the level of capacity compensation an alternative supplier would pay to AEP, which AEP notes is a wholesale transaction that is beyond the state's jurisdiction.¹² AEP also argues that it never intended to relinquish or limit its rights as a public utility to file with the Commission a rate to compensate AEP for the use of its capacity in wholesale transactions.¹³ AEP therefore proposes a significant restructuring of this portion of the RAA to: (1) narrow the circumstances in which the compensation level set in a state retail-choice program would apply; (2) give a priority to the compensation level filed unilaterally by the FRR Entity under section 205; and (3) default to the capacity value set by the RPM auctions for the unconstrained region only if neither of the first two options is in effect.¹⁴

¹¹ Complaint at 4.

¹² *Id.* at 10-12, 13-15.

¹³ *Id.* at 12-13, 15-16.

¹⁴ *Id.* at Attachment 2 ("Clean and Redlined Tariff Sheets").

ANSWER

A. AEP Has Not Shown a Sufficient Basis to Upset the FRR Rules that Were Accepted in the RPM Settlement.

A complainant under FPA section 206 has the burden to show that the existing tariff provision it seeks to change is unjust and unreasonable.¹⁵ Here, AEP has not shown that a change to the RAA is needed. The RAA correctly reflects the intent of the parties to the RPM settlement that in retail choice states, the FRR Entities will accept as appropriate capacity compensation the level of capacity compensation determined by the state in its retail choice program. Nothing precludes the parties to a wholesale tariff from agreeing to structure their compensation in that way, or bars the Commission from accepting such a structure.

Parties to a Commission-jurisdictional contract can agree to set rates in any form, subject only to the requirement that the resulting rate is just and reasonable. Thus, parties can agree to a stated rate; they can agree to a rate determined by a formula specified in their contract; or they can agree to accept for their transaction a rate fixed under an extrinsic method for related or similar transactions, such as a published price index or, as in this case, a capacity compensation level determined by a state commission as part of its program that allows alternative suppliers to compete to serve the host utility's loads. That the extrinsic method selected involves a state commission determination does not make reliance on that method unlawful, nor does that mere fact render the method unjust and unreasonable. To the contrary, the Commission accepted that method, which by its

¹⁵ See *Williston Basin Interstate Pipeline Co. v. FERC*, 475 F.3d 330, 333 (D.C. Cir. 2006); *Sea Robin Pipeline Co. v. FERC*, 795 F.2d 182, 183-84 (D.C. Cir. 1986) (both construing comparable provisions of Natural Gas Act).

plain terms preferentially relies on a capacity compensation level determined by the state where available, as just and reasonable.

AEP offers the affidavit of one of its employees that participated in the RPM settlement discussions in an effort to show that AEP's intent and (AEP claims) the intent of the other settling parties, differs from the plain meaning of the terms used in the RAA on this topic. But AEP's effort violates a fundamental principle of contract interpretation, i.e., that "[i]f a contract is not ambiguous, extrinsic evidence cannot be used as an aid to interpretation."¹⁶

AEP does not allege that the RAA is ambiguous. Rather, AEP seems to suggest that there was a communal mistake by the settling parties in setting down the terms of their settlement, and therefore the RAA must now be revised to remedy that mistake. Thus, while the settlement RAA language refers to capacity compensation to the FRR Entity from either the switching retail customer or the alternative LSE, AEP maintains that the parties could not have intended to refer to the LSE and so that reference must be stricken. Similarly, while the settlement RAA language permits a section 205 filing by the FRR Entity only when the state has not established a capacity compensation mechanism, AEP maintains that the settling parties could not have intended to limit the section 205 rights in this fashion, and thus that pre-condition to the exercise of section 205 rights must be removed.

¹⁶ *Iberdrola Renewables, Inc. v. FERC*, 597 F.3d 1299, 1304 (D.C. Cir. 2010), quoting *Consol. Gas Transmission Corp. v. FERC*, 771 F.2d 1536, 1544 (D.C. Cir. 1985). See also *Appalachian Power Co. v. FERC*, 101 F.3d 1432, 1435 (D.C. Cir. 1996).

The better reading, however, consistent with basic canons of contract interpretation that rely on the plain meaning of the words used,¹⁷ is that the words in the RAA were chosen to reflect the settling parties' intent.

Moreover, AEP was not the only party involved in the settlement of this issue. The relevant state commissions themselves were directly involved in the drafting of this provision. That the resulting provision on acceptance of state-determined capacity compensation in retail choice programs is broadly worded (for example, referring to both LSEs and switching customers) therefore should not be viewed as an accident.

Notably, although this provision is more broadly worded than AEP would like, the RAA does not, indeed cannot, enlarge or contract a state commission's jurisdiction. While AEP contends that the Ohio Commission is improperly regulating wholesale transactions by setting a rate for AEP capacity in connection with retail load-switching, whether a state has exceeded its jurisdiction is not a matter that can be decided by reference to the RAA. Similarly, whether the Ohio Commission may establish the compensation to AEP in the state's retail choice program is not a matter for this Commission to decide here. The RAA simply presumes that a state action is within that state's authority and, if the state has acted, establishes a wholesale rate by reference to the state's action. Here, *this* Commission has established the wholesale rate—a rate that by reference adopts the state's mandated compensation. If AEP is concerned that the Ohio Commission somehow improperly took action beyond its jurisdiction, it should seek

¹⁷ See, e.g., *Colo. Interstate Gas Co. v. FERC*, 599 F.3d 698, 703 (D.C. Cir. 2010) (“construing terms in light of their commonly understood meaning is a hallmark of reasonable interpretation”).

appropriate relief in the state or federal courts. The Commission has no power to reverse a state action.

B. The RAA Correctly Reflects that an Individual LSE Is Afforded Section 205 Rights Only in Narrow Circumstances.

AEP argues that it never intended to limit its FPA section 205 rights to file for capacity compensation, and therefore the preconditions in the current RAA on the exercise of those filing rights must be eliminated.¹⁸ But AEP ignores the plain language and context of the RAA, which generally affords no filing rights to individual LSEs or capacity owners, and thus understandably makes only a very limited exception for FRR Entities.

The RAA, with its roots in PJM's prior existence as a power pool, is an agreement among load serving entities to share a common capacity obligation across a broad region, and through that sharing to reduce the capacity burden that each would face on its own.¹⁹

¹⁸ Complaint at 15.

¹⁹ See, e.g., *Pennsylvania-New Jersey-Maryland Interconnection*, 81 FERC ¶ 61,257, at 62,275 (1997), *reh'g denied*, 92 FERC ¶ 61,282 (2000). As described by the Commission, before PJM became an independent system operator ("ISO"), the PJM power pool developed procedures that:

(1) determin[e] the pool-wide generation requirement needed to meet pool-wide loads, including reserves; (2) determin[e] each member's individual obligation to contribute to the pool-wide generation requirement; (3) measur[e] each member's compliance with its obligation; and (4) develop[] charges that apply whenever a member fails to meet its individual obligation (referred to as a capacity deficiency).

These arrangements have "generated significant reliability and cost savings benefits for the PJM members over the years." *Id.* at 62,275. See also *PJM Interconnection, L.L.C.*, 96 FERC ¶ 61,060, at 61,213-14 (2001) (generally approving filing "designed to make reliability rules for [new zone being integrated into PJM] compatible with the rest of PJM; thus precluding one area from unfairly 'leaning' on the other").

That essential purpose has remained at the heart of the RAA throughout PJM's restructuring as an ISO and regional transmission organization, and throughout the capacity market reforms effected by RPM.

PJM's restructuring, however, crystallized the principle that capacity would be shared to a common purpose by making clear that *only* the PJM Board of Managers, which is expressly charged with furthering the reliability and competitiveness of the region as a whole,²⁰ may amend the RAA.²¹

Consequently, an LSE signatory to the RAA that owns generation facilities used to provide PJM capacity does not retain under the RAA an FPA section 205 right to file at the Commission to amend the RPM auction rate as applied to its facilities if it feels that rate is not compensatory. By the same token, an FRR Entity does not enjoy an unfettered section 205 right to modify the RAA's FRR provisions. Rather, it has only the section 205 rights granted it by the agreement to which it is a party. Here, the RAA—executed by AEP's operating utilities in the Midwest and Mid-Atlantic three years *after* the Commission made clear that the agreement could be amended only by the PJM Board—was modified in the RPM settlement to extend only a very limited section 205 right to FRR Entities. Specifically, it grants them the right to file at the Commission a rate for alternative LSE use of FRR Entity capacity only if the state that has authorized retail compensation has not specified a capacity compensation mechanism.

²⁰ See Amended and Restated Operating Agreement of PJM Interconnection, L.L.C. at section 7.7(i).

²¹ See RAA section 16.4 (“[t]his Agreement may be amended only by action of the PJM Board”). See also *PJM Interconnection, L.L.C.*, 96 FERC ¶ 61,061, at 61,229-30 (2001) (expressly finding that LSEs *should not* have section 205 authority to set the capacity charges and mandating that the PJM Board instead be given exclusive authority to so amend the RAA).

Such voluntary agreements to limit section 205 filing rights are common. As the *Atlantic City* case cited by AEP²² recognizes, “utilities may, by contract, voluntarily give up some of their Section 205 rights” through, for example, “a fixed-rate contract with a provision relinquishing their right to file for a unilateral change in rates.”²³ Thus, contrary to AEP, it is not implausible that the RPM settlement would grant only a narrow section 205 right to FRR Entities, particularly in the context of the RAA which otherwise grants no rights to LSEs to change capacity charges unilaterally.

C. AEP Offers No Explanation for Neglecting the PJM Stakeholder Process Through Which Tariff and RAA Changes Customarily Are Developed and Reviewed.

Lastly, PJM notes that AEP has made no effort to seek any change to the RAA on this issue through the PJM stakeholder process. PJM has a very active stakeholder process and changes to the RAA customarily are vetted through that process. Although the Commission’s rules require a complainant to specify all efforts at informal dispute resolution,²⁴ here there was no engagement with PJM or its stakeholders at all, let alone any effort by AEP to address or resolve its concern before filing the complaint. In response to the requirement in the Commission’s rules, AEP states merely that such procedures “were not used,” and that AEP simply informed PJM and the Ohio Commission that it would be filing the complaint.²⁵

²² Complaint at 12, citing *Atlantic City Elec. Co. v. FERC*, 295 F.3d 1 (D.C. Cir. 2002).

²³ *Atlantic City*, 295 F.3d at 11.

²⁴ See 18 C.F.R. § 385.206(b)(9).

²⁵ Complaint at 21.

AEP's neglect of the stakeholder process in this instance is unfortunate. Although the RAA language at issue here arose from the RPM settlement, that does not mean it is cast in stone. If AEP believes that the language should be revised to better reflect the manner in which relevant state retail-choice programs are in fact being implemented, it could have brought that concern to the stakeholder process and might have achieved a consensual change that accommodated both AEP's concerns and concerns of other interested parties. AEP might thereby have avoided the need to file a complaint.

CORRESPONDENCE

As the named respondent, PJM is already a party to this proceeding. While no intervention is necessary, PJM hereby designates the following individuals for inclusion on the official service list in this proceeding and for receipt of any communications regarding this filing:

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CONCLUSION

For the foregoing reasons, PJM asks that the Commission deny the Complaint in this proceeding.

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April 25, 2011

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon each person designated on the official service list compiled by the Secretary in these proceedings.

Dated at Washington, D.C., this 25th day of April, 2011.

/s/ Paul M. Flynn

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THIS FILING IS

Item 1: ☒ An Initial (Original) Submission OR ☐ Resubmission No. _____

EXHIBIT

PENGAD 800-831-6989

109

FES

Form 1 Approved
OMB No. 1902-0029
(Expires 12/31/2011)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 1/31/2012)



FERC FINANCIAL REPORT

FERC FORM No. 1: Annual Report of Major Electric Utilities, Licensees and Others and Supplemental Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(a), 304 and 309, and 18 CFR 141.1 and 141.400. Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature

Exact Legal Name of Respondent (Company)

Columbus Southern Power Company

Year/Period of Report

End of 2010/Q4

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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PURCHASED POWER (Account 555) (Continued)
(including power exchanges)

- AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.
4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges (\$) (j)	Energy Charges (\$) (k)	Other Charges (\$) (l)	Total (j+k+l) of Settlement (\$) (m)	
1,547,862			60,734,136	53,066,404		113,800,540	1
11,749				458,157		458,157	2
10,732,648			19,380,410	275,458,228		294,838,638	3
			50,798	64,527		115,325	4
			1,466	1,779		3,245	5
5,122				166,620		166,620	6
				1,617		1,617	7
				-5,230		-5,230	8
642				23,548		23,548	9
				4,916		4,916	10
16				370,433		370,433	11
403				11,853		11,853	12
				-676		-676	13
			39,383			39,383	14
15,631,380			104,443,543	485,544,169		589,987,712	

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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**PURCHASED POWER (Account 555)
(Including power exchanges)**

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.

2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.

3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Constellation Engy Commodities	OS				
2	Cook Inlet Energy Supply LP	OS				
3	DTE Energy Trading Inc.	OS				
4	Duke Energy Carolinas, LLC	OS				
5	Duke Power Company	OS				
6	Dynegy Power Marketing Inc.	OS				
7	EDF Trading North America LLC	OS				
8	Edison Mission Mktg & Trading	OS				
9	Endure Energy, LLC	OS				
10	Entergy Power Serv	OS				
11	Exelon Generation - Power Team	OS				
12	FirstEnergy Trading Services	OS				
13	Fowler Ridge II Wind Farm LLC	OS				
14	Hoosier Power Market	OS				
Total						

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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PURCHASED POWER(Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

- In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
- For requirements RQ purchases and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
- Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
- Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
- The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
- Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges (\$) (j)	Energy Charges (\$) (k)	Other Charges (\$) (l)	Total (j+k+l) of Settlement (\$) (m)	
38,224			2,185,950	2,043,719		4,229,669	1
				1,922		1,922	2
1,640				115,248		115,248	3
73				3,980		3,980	4
85				4,770		4,770	5
			92,201	-2		92,199	6
			92,063	604		92,667	7
3,376				83,835		83,835	8
				8,709		8,709	9
2,846				106,856		106,856	10
51,877			42,596	1,919,699		1,962,295	11
				2,270		2,270	12
131,780				10,080,727		10,080,727	13
				6		6	14
15,631,380			104,443,543	485,544,169		589,987,712	

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) 11	Year/Period of Report End of 2010/Q4
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PURCHASED POWER (Account 555)
(including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Integrus Energy Services, Inc	OS				
2	J ARON & Company	OS				
3	JP Morgan Ventures Energy Corp	OS				
4	Kansas City Power & Light Co	OS				
5	LG&E Utilities Power Sales	OS				
6	Madison Gas and Electric Co	OS				
7	Midwest ISO	OS				
8	Mizuho Securities USA Inc	OS				
9	National Power Cooperative Inc	OS				
10	NC Electric Membership Corp.	OS				
11	NextEra Energy Power Mktg LLC	OS				
12	No Carolina Muni Pwr Agency #1	OS				
13	NRG Power Marketing Inc.	OS				
14	Ohio Economic Development Rider	OS				
	Total					

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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PURCHASED POWER(Account 555), (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

- In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
- For requirements RQ purchases and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
- Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
- Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
- The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
- Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges (\$) (j)	Energy Charges (\$) (k)	Other Charges (\$) (l)	Total (j+k+l) of Settlement (\$) (m)	
1,864				93,380		93,380	1
43,517				1,829,618		1,829,618	2
3,325			5,588	227,867		233,455	3
2,323				69,697		69,697	4
7,791				323,940		323,940	5
			19,940			19,940	6
415,571			303	16,925,378		16,925,681	7
				210,576		210,576	8
10,007			47,586	799,615		847,201	9
83				2,198		2,198	10
			42,208	111		42,319	11
121				6,697		6,697	12
41				1,593		1,593	13
				7,485,164		7,485,164	14
15,631,380			104,443,543	485,544,169		589,987,712	

Name of Respondent	This Report Is:	Date of Report (Mo, Da, Yr)	Year/Period of Report
Columbus Southern Power Company	(1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	11 / 11	End of 2010/Q4

PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

RQ - for requirements service. Requirements service is service which the supplier plans to provide on an ongoing basis (i.e., the supplier includes projects load for this service in its system resource planning). In addition, the reliability of requirement service must be the same as, or second only to, the supplier's service to its own ultimate consumers.

LF - for long-term firm service. "Long-term" means five years or longer and "firm" means that service cannot be interrupted for economic reasons and is intended to remain reliable even under adverse conditions (e.g., the supplier must attempt to buy emergency energy from third parties to maintain deliveries of LF service). This category should not be used for long-term firm service firm service which meets the definition of RQ service. For all transaction identified as LF, provide in a footnote the termination date of the contract defined as the earliest date that either buyer or seller can unilaterally get out of the contract.

IF - for intermediate-term firm service. The same as LF service except that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service except that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Old Dominion Elec.	OS				
2	OVEC Power Scheduling	OS				
3	PJM Interconnection	OS				
4	PP&L Energy Plus Co.	OS				
5	PSEG Energy Resources & Trade	OS				
6	Sempra Energy Solutions, LLC	OS				
7	Sempra Energy Trading	OS				
8	South Carolina Electric & Gas	OS				
9	Southeastern Pub Serv Auth -VA	OS				
10	Southern Maryland Elec Coop Inc	OS				
11	Southern Company	OS				
12	Southern Illinois Power Co-Op	OS				
13	The Energy Authority	OS				
14	Titlon Energy, LLC	OS				
	Total					

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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PURCHASED POWER(Account 555) (Continued)
(including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

- In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
- For requirements RQ purchases and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
- Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
- Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
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- Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges (\$) (j)	Energy Charges (\$) (k)	Other Charges (\$) (l)	Total (j+k+l) of Settlement (\$) (m)	
14,425				572,209		572,209	1
757,709			13,228,114	20,296,195		33,524,309	2
1,172,916			7,907,198	59,548,107		67,455,305	3
179,117				8,898,619		8,898,619	4
471,367				23,990,770		23,990,770	5
				3,397		3,397	6
360				13,448		13,448	7
240				14,975		14,975	8
7,724				262,643		262,643	9
							10
235				12,594		12,594	11
				1		1	12
3,271				163,045		163,045	13
			19,659			19,659	14
15,631,380			104,443,543	485,544,169		589,987,712	

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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PURCHASED POWER (Account 555)
(Including power exchanges)

1. Report all power purchases made during the year. Also report exchanges of electricity (i.e., transactions involving a balancing of debits and credits for energy, capacity, etc.) and any settlements for imbalanced exchanges.
2. Enter the name of the seller or other party in an exchange transaction in column (a). Do not abbreviate or truncate the name or use acronyms. Explain in a footnote any ownership interest or affiliation the respondent has with the seller.
3. In column (b), enter a Statistical Classification Code based on the original contractual terms and conditions of the service as follows:

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IF - for intermediate-term firm service. The same as LF service expect that "intermediate-term" means longer than one year but less than five years.

SF - for short-term service. Use this category for all firm services, where the duration of each period of commitment for service is one year or less.

LU - for long-term service from a designated generating unit. "Long-term" means five years or longer. The availability and reliability of service, aside from transmission constraints, must match the availability and reliability of the designated unit.

IU - for intermediate-term service from a designated generating unit. The same as LU service expect that "intermediate-term" means longer than one year but less than five years.

EX - For exchanges of electricity. Use this category for transactions involving a balancing of debits and credits for energy, capacity, etc. and any settlements for imbalanced exchanges.

OS - for other service. Use this category only for those services which cannot be placed in the above-defined categories, such as all non-firm service regardless of the Length of the contract and service from designated units of Less than one year. Describe the nature of the service in a footnote for each adjustment.

Line No.	Name of Company or Public Authority (Footnote Affiliations) (a)	Statistical Classification (b)	FERC Rate Schedule or Tariff Number (c)	Average Monthly Billing Demand (MW) (d)	Actual Demand (MW)	
					Average Monthly NCP Demand (e)	Average Monthly CP Demand (f)
1	Town of Front Royal	OS				
2	TVA Bulk Power Trading	OS				
3	UBS Securities LLC	OS				
4	Union Electric Company	OS				
5	Wabash Valley Power Assn Inc.	OS				
6	Westar Energy Inc.	OS				
7	Wisconsin Electric Power Co	OS				
8	Wyandot Solar LLC	OS				
9	Adjustment	OS				
10						
11						
12						
13						
14						
Total						

Name of Respondent Columbus Southern Power Company	This Report Is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report End of 2010/Q4
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PURCHASED POWER (Account 555) (Continued)
(Including power exchanges)

AD - for out-of-period adjustment. Use this code for any accounting adjustments or "true-ups" for service provided in prior reporting years. Provide an explanation in a footnote for each adjustment.

4. In column (c), identify the FERC Rate Schedule Number or Tariff, or, for non-FERC jurisdictional sellers, include an appropriate designation for the contract. On separate lines, list all FERC rate schedules, tariffs or contract designations under which service, as identified in column (b), is provided.
5. For requirements RQ purchases and any type of service involving demand charges imposed on a monthly (or longer) basis, enter the monthly average billing demand in column (d), the average monthly non-coincident peak (NCP) demand in column (e), and the average monthly coincident peak (CP) demand in column (f). For all other types of service, enter NA in columns (d), (e) and (f). Monthly NCP demand is the maximum metered hourly (60-minute integration) demand in a month. Monthly CP demand is the metered demand during the hour (60-minute integration) in which the supplier's system reaches its monthly peak. Demand reported in columns (e) and (f) must be in megawatts. Footnote any demand not stated on a megawatt basis and explain.
6. Report in column (g) the megawatthours shown on bills rendered to the respondent. Report in columns (h) and (i) the megawatthours of power exchanges received and delivered, used as the basis for settlement. Do not report net exchange.
7. Report demand charges in column (j), energy charges in column (k), and the total of any other types of charges, including out-of-period adjustments, in column (l). Explain in a footnote all components of the amount shown in column (l). Report in column (m) the total charge shown on bills received as settlement by the respondent. For power exchanges, report in column (m) the settlement amount for the net receipt of energy. If more energy was delivered than received, enter a negative amount. If the settlement amount (l) include credits or charges other than incremental generation expenses, or (2) excludes certain credits or charges covered by the agreement, provide an explanatory footnote.
8. The data in column (g) through (m) must be totalled on the last line of the schedule. The total amount in column (g) must be reported as Purchases on Page 401, line 10. The total amount in column (h) must be reported as Exchange Received on Page 401, line 12. The total amount in column (i) must be reported as Exchange Delivered on Page 401, line 13.
9. Footnote entries as required and provide explanations following all required data.

MegaWatt Hours Purchased (g)	POWER EXCHANGES		COST/SETTLEMENT OF POWER				Line No.
	MegaWatt Hours Received (h)	MegaWatt Hours Delivered (i)	Demand Charges (\$) (j)	Energy Charges (\$) (k)	Other Charges (\$) (l)	Total (j+k+l) of Settlement (\$) (m)	
			224,581			224,581	1
6,220				283,959		283,959	2
				2,248,483		2,248,483	3
			19,559	6,975		26,534	4
			211,508	-1,186		210,322	5
				7,272		7,272	6
			98,296			98,296	7
4,810				440,479		440,479	8
				-3,188,169		-3,188,169	9
							10
							11
							12
							13
							14
15,631,380			104,443,543	485,544,169		589,987,712	

Name of Respondent Columbus Southern Power Company	This Report is: (1) <input checked="" type="checkbox"/> An Original (2) <input type="checkbox"/> A Resubmission	Date of Report (Mo, Da, Yr) / /	Year/Period of Report 2010/Q4
FOOTNOTE DATA			

Schedule Page: 326 Line No.: 1 Column: a

Associated Company.

Schedule Page: 326 Line No.: 2 Column: a

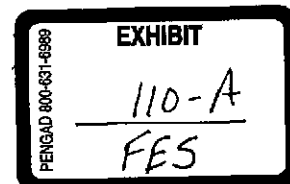
Affiliated Company - transactions related to the System Integration Agreement. See pages 122-123 (Notes to Financial Statements) Related Party Transactions - System Integration Agreement for additional information.

Schedule Page: 326 Line No.: 3 Column: a

Appalachian Power Company, Columbus Southern Power Company, Indiana Michigan Power Company, Kentucky Power Company and Ohio Power Company are associated companies and members of the American Electric Power System Power Pool, whose electric facilities are interconnected at a number of points and are operated in a fully coordinated manner on a system pool basis. Power transactions between the members of the AEP System Pool are governed by the terms of the interconnection agreement dated July 6, 1951, as amended, and are processed by American Electric Power Service Corporation.

Schedule Page: 326.4 Line No.: 9 Column: a

Reclass between 447 and 555 accounts to incorporate certain trading/marketing activity. The amounts represented on Page 310-11 and 326-27 are equal and off-setting.



PJM Interconnection, L.L.C.
Rate Schedule FERC No. 44

RELIABILITY ASSURANCE AGREEMENT

Among

LOAD SERVING ENTITIES

in the

PJM REGION

Effective Date: 3/26/2012

PJM RELIABILITY ASSURANCE AGREEMENT

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Effective Date: 9/17/2010 - Docket #: ER10-2710-006

RELIABILITY ASSURANCE AGREEMENT

RELIABILITY ASSURANCE AGREEMENT, dated as of this 1st day of June, 2007 by and among the entities set forth in Schedule 17 hereto, hereinafter referred to collectively as the "Parties" and individually as a "Party."

WITNESSETH:

WHEREAS, each Party to this Agreement is a Load Serving Entity within the PJM Region;

WHEREAS, each Party is committing to share its Capacity Resources with the other Parties to reduce the overall reserve requirements for the Parties while maintaining reliable service; and

WHEREAS, each Party is committing to provide mutual assistance to the other Parties during Emergencies;

WHEREAS, each Party is committing to coordinate its planning of Capacity Resources to satisfy the Reliability Principles and Standards;

WHEREAS, the Parties previously have entered into similar commitments related to sub-regions of the PJM Region through the East RAA, the West RAA, or the South RAA;

WHEREAS, the Parties desire, on a phased basis, to replace the East RAA, West RAA, and South RAA with a single reliability assurance agreement among all Load-Serving Entities in the PJM Region; and

NOW THEREFORE, for and in consideration of the covenants and mutual agreements set forth herein and intending to be legally bound hereby, the Parties agree as follows:

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 1 -- DEFINITIONS

Unless the context otherwise specifies or requires, capitalized terms used herein 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 Articles, Sections or Schedules, are to Articles, Sections or Schedules of this Agreement. As used in this Agreement:

1.1 Agreement

Agreement shall mean this Reliability Assurance Agreement, together with all Schedules hereto, as amended from time to time.

1.1A Annual Demand Resource

Annual Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection during the Delivery Year, and will be available for an unlimited number of interruptions during such Delivery Year by the Office of the Interconnection, and will be capable of maintaining each such interruption for at least a 10-hour duration between the hours of 10:00AM to 10:00PM Eastern Prevailing Time for the months of June through October and the following May, and 6:00AM through 9:00PM Eastern Prevailing Time for the months of November through April unless there is an Office of the Interconnection approved maintenance outage during October through April. The Annual Demand Resource must be available in the corresponding Delivery year to be offered for sale or Self-Supplied in an RPM Auction, or included as an Annual Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.2 Applicable Regional Reliability Council

Applicable Regional Reliability Council shall have the same meaning as in the PJM Tariff.

1.3 Base Residual Auction

Base Residual Auction shall have the same meaning as in Attachment DD to the PJM Tariff.

1.4 Behind The Meter Generation

Behind The Meter Generation shall mean 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 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 Capacity Resource or (ii) in any hour, any portion of the output of such generating unit that is sold to another entity for consumption at another electrical location or into the PJM Interchange Energy Market.

1.5 Black Start Capability

Black Start Capability shall mean the ability of a generating unit or station to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

1.6 Capacity Emergency Transfer Objective ("CETO")

Capacity Emergency Transfer Objective ("CETO") shall mean the amount of electric energy that a given area must be able to import in order to remain within a loss of load expectation of one event in 25 years when the area is experiencing a localized capacity emergency, as determined in accordance with the PJM Manuals. Without limiting the foregoing, CETO shall be calculated based in part on EFORD determined in accordance with Paragraph C of Schedule 5.

1.7 Capacity Emergency Transmission Limit ("CETL")

Capacity Emergency Transmission Limit ("CETL") shall mean the capability of the transmission system to support deliveries of electric energy to a given area experiencing a localized capacity emergency as determined in accordance with the PJM Manuals.

1.8 Capacity Resources

Capacity Resources shall mean megawatts of (i) net capacity from existing or Planned Generation Capacity Resources meeting the requirements of Schedules 9 and 10 that are or will be owned by or contracted to a Party and that are or will be committed to satisfy that Party's obligations under this Agreement, or to satisfy the reliability requirements of the PJM Region, for a Delivery Year; (ii) net capacity from existing or Planned Generation Capacity Resources within the PJM Region not owned or contracted for by a Party which are accredited to the PJM Region pursuant to the procedures set forth in Schedules 9 and 10; and (iii) load reduction capability provided by Demand Resources, Energy Efficiency Resources, or ILR that are accredited to the PJM Region pursuant to the procedures set forth in Schedule 6.

1.9 Capacity Transfer Right

Capacity Transfer Right shall have the meaning specified in Attachment DD to the PJM Tariff.

1.10 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 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 Applicable Regional Reliability Councils;

(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.

1.11 Daily Unforced Capacity Obligation

Daily Unforced Capacity Obligation shall have the meaning set forth in Schedule 8 or, as to an FRR Entity, in Schedule 8.1.

1.12 Delivery Year

Delivery Year shall mean a Planning Period for which a Capacity Resource is committed pursuant to the auction procedures specified in Attachment DD to the Tariff or pursuant to an FRR Capacity Plan.

1.13 Demand Resource

Demand Resource or "DR" shall mean a Limited Demand Resource, Extended Summer Demand Resource, or Annual Demand Resource with a demonstrated capability to provide a reduction in demand or otherwise control load in accordance with the requirements of Schedule 6 that offers and that clears load reduction capability in a Base Residual Auction or Incremental Auction or that is committed through an FRR Capacity Plan. As set forth in Schedule 6, a Limited Demand Resource, Extended Summer Demand Resource or Annual Demand Resource may be an existing demand response resource or a Planned Demand Resource.

1.14 Demand Resource Provider

Demand Resource Provider shall have the meaning specified in Attachment DD to the PJM Tariff.

1.15 DR Factor

DR Factor shall mean that factor approved from time to time by the PJM Board used to determine the unforced capacity value of a Demand Resource or ILR in accordance with Schedule 6.

1.16 East RAA

East RAA shall mean that certain Reliability Assurance Agreement among Load-Serving Entities in the PJM Region, PJM Rate Schedule FERC No. 27.

1.17 Electric Cooperative

Electric Cooperative shall mean an entity owned in cooperative form by its customers that is engaged in the generation, transmission, and/or distribution of electric energy.

1.18 Electric Distributor

Electric Distributor shall mean an entity that owns or leases with rights equivalent to ownership electric distribution facilities that are providing electric distribution service to electric load within the PJM Region.

1.19 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.

1.20 End-Use Customer

End-Use Customer shall mean a Member that is a retail end-user of electricity within the PJM Region.

1.20A Energy Efficiency Resource

Energy Efficiency Resource shall mean a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, meeting the requirements of Schedule 6 of this Agreement and exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described in Schedule 6 and the PJM Manuals) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.

1.20B Existing Generation Capacity Resource

Existing Generation Capacity Resource shall mean, for purposes of the must-offer requirement and mitigation of offers for any RPM Auction for a Delivery Year, a Generation Capacity Resource that, as of the date on which bidding commences for such auction: (a) is in service; or (b) is not yet in service, but has cleared any RPM Auction for any prior Delivery Year. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource. A Generation Capacity Resource shall be deemed to be in service if interconnection service has ever commenced (for resources located in the PJM Region), or if it is physically and electrically interconnected to an external Control Area and is in full commercial operation (for resources not located in the PJM Region). The additional megawatts of a Generation Capacity Resource that is being, or has been, modified to increase the number of megawatts of available installed capacity thereof shall not be deemed to be an Existing Generation Capacity Resource until such time as those megawatts (a) are in service; or (b) are not yet in service, but have cleared any RPM Auction for any prior Delivery Year.

1.20C Extended Summer Demand Resource

Extended Summer Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection and that will be available June through October and the following May, and will be available for an unlimited number of interruptions during such months by the Office of the Interconnection, and will be capable of maintaining each such interruption for at least a 10-hour duration between the hours of 10:00AM to 10:00PM Eastern Prevailing Time. The Extended Summer Demand Resource must be available June through October and the following May in the corresponding Delivery Year to be offered for sale or Self-Supplied in an RPM Auction, or included as an Extended Summer Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.21 Facilities Study Agreement

Facilities Study Agreement shall have the same meaning as in the PJM Tariff

1.22 FERC

FERC shall mean the Federal Energy Regulatory Commission or any successor federal agency, commission or department.

1.23 Firm Point-To-Point Transmission Service

Firm Point-To-Point Transmission Service shall mean Firm Transmission Service provided pursuant to the rates, terms and conditions set forth in Part II of the PJM Tariff.

1.24 Firm Transmission Service

Firm Transmission Service shall mean transmission service that is intended to be available at all times to the maximum extent practicable, subject to an Emergency, an unanticipated failure of a facility, or other event beyond the control of the owner or operator of the facility or the Office of the Interconnection.

1.25 Fixed Resource Requirement Alternative or FRR Alternative

Fixed Resource Requirement Alternative or FRR Alternative shall mean an alternative method for a Party to satisfy its obligation to provide Unforced Capacity hereunder, as set forth in Schedule 8.1 to this Agreement.

1.26 Forecast Pool Requirement

Forecast Pool Requirement shall mean the amount equal to one plus the unforced reserve margin (stated as a decimal number) for the PJM Region required pursuant to this Agreement, as approved by the PJM Board pursuant to Schedule 4.1.

1.27 Forecast RTO ILR Obligation

Forecast RTO ILR Obligation shall have the same meaning as in the PJM Tariff.

1.28 Forecast Zonal ILR Obligation

Forecast Zonal ILR Obligation shall have the same meaning as in the PJM Tariff.

1.29 FRR Capacity Plan

FRR Capacity Plan shall mean a long-term plan for the commitment of Capacity Resources to satisfy the capacity obligations of a Party that has elected the FRR Alternative, as more fully set forth in Schedule 8.1 to this Agreement.

1.30 FRR Entity

FRR Entity shall mean, for the duration of such election, a Party that has elected the FRR Alternative hereunder.

1.31 FRR Service Area

FRR Service Area shall mean (a) the service territory of an IOU as recognized by state law, rule or order; (b) the service area of a Public Power Entity or Electric Cooperative as recognized by franchise or other state law, rule, or order; or (c) a separately identifiable geographic area that is: (i) bounded by wholesale metering, or similar appropriate multi-site aggregate metering, that is visible to, and regularly reported to, the Office of the Interconnection, or that is visible to, and regularly reported to an Electric Distributor and such Electric Distributor agrees to aggregate the load data from such meters for such FRR Service Area and regularly report such aggregated information, by FRR Service Area, to the Office of the Interconnection; and (ii) for which the FRR Entity has or assumes the obligation to provide capacity for all load

(including load growth) within such area . In the event that the service obligations of an Electric Cooperative or Public Power Entity are not defined by geographic boundaries but by physical connections to a defined set of customers, the FRR Service Area in such circumstances shall be defined as all customers physically connected to transmission or distribution facilities of such Electric Cooperative or Public Power Entity within an area bounded by appropriate wholesale aggregate metering as described above.

1.32 Full Requirements Service

Full Requirements Service shall mean wholesale service to supply all of the power needs of a Load Serving Entity to serve end-users within the PJM Region that are not satisfied by its own generating facilities.

1.33 Generation Capacity Resource

Generation Capacity Resource shall mean a generation unit, or the right to capacity from a specified generation unit, that meets the requirements of Schedules 9 and 10 of this Agreement. A Generation Capacity Resource may be an Existing Generation Capacity Resource or a Planned Generation Capacity Resource.

1.34 Generation Owner

Generation Owner shall mean a Member that owns or leases with rights equivalent to ownership facilities for the generation of electric energy that are located within the PJM Region. Purchasing all or a portion of the output of a generation facility shall not be sufficient to qualify a Member as a Generation Owner.

1.35 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.

1.36 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 repairs on specific components of the facility, if removal of the facility qualifies as a maintenance outage pursuant to the PJM Manuals.

1.37 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.

1.38 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.

1.39 ILR Provider

ILR Provider shall have the meaning specified in Attachment DD to the PJM Tariff.

1.40 Incremental Auction

Incremental Auction shall mean the First Incremental Auction, the Second Incremental Auction, the Third Incremental Auction, or the Conditional Incremental Auction, each as defined in Attachment DD to the PJM Tariff.

1.41 Interconnection Agreement

Interconnection Agreement shall have the same meaning as in the PJM Tariff.

1.42 Interruptible Load for Reliability, or ILR

Interruptible Load for Reliability, or ILR, shall mean a resource with a demonstrated capability to provide a reduction in demand or otherwise control load in accordance with the requirements of Schedule 6 that is certified by PJM no later than three months prior to a Delivery Year. At a minimum, ILR shall be available for interruption for at least 10 times during the summer period of June through September in the Delivery Year, and will be capable of maintaining each such interruption for at least a 6-hour duration. At a minimum, the ILR shall be available for such interruptions on weekdays, other than NERC holidays, from 12:00PM (noon) to 8:00PM Eastern Prevailing Time in the corresponding Delivery Year.

1.43 IOU

IOU shall mean an investor-owned utility with substantial business interest in owning and/or operating electric facilities in any two or more of the following three asset categories: generation, transmission, distribution.

1.43A Limited Demand Resource

Limited Demand Resource shall mean a resource that is placed under the direction of the Office of the Interconnection and that will, at a minimum, be available for interruption for at

least 10 times during the summer period of June through September in the Delivery Year, and will be capable of maintaining each such interruption for at least a 6-hour duration. At a minimum, the Limited Demand Resource shall be available for such interruptions on weekdays, other than NERC holidays, from 12:00PM (noon) to 8:00PM Eastern Prevailing Time. The Limited Demand Resource must be available during the summer period of June through September in the corresponding Delivery Year to be offered for sale or Self-Supplied in an RPM Auction, or included as a Limited Demand Resource in an FRR Capacity Plan for the corresponding Delivery Year.

1.44 Load Serving Entity or LSE

Load Serving Entity or LSE shall mean any entity (or the duly designated agent of such an entity), including a load aggregator or power marketer, (i) serving end-users within the PJM Region, and (ii) 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 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.

1.45 Locational Reliability Charge

Locational Reliability Charge shall mean the charge determined pursuant to Schedule 8.

1.46 Markets and Reliability Committee

Markets and Reliability Committee shall mean the committee established pursuant to the Operating Agreement as a Standing Committee of the Members Committee.

1.47 Member

Member shall mean an entity that satisfies the requirements of Sections 1.24 and 11.6 of the PJM Operating Agreement. In accordance with Article 4 of this Agreement, each Party to this Agreement also is a Member.

1.48 Members Committee

Members Committee shall mean the committee specified in Section 8 of the PJM Operating Agreement composed of the representatives of all the Members.

1.49 NERC

NERC shall mean the North American Electric Reliability Council or any successor thereto.

1.50 Network Resources

Network Resources shall have the meaning set forth in the PJM Tariff.

1.51 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 (as that term is defined in the PJM Tariff).

1.52 Nominated Demand Resource Value

Nominated Demand Resource Value shall have the meaning specified in Attachment DD to the PJM Tariff.

1.53 Nominated ILR Value

Nominated ILR Value shall have the meaning specified in Attachment DD to the PJM Tariff.

1.54 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.

1.55 Obligation Peak Load

Obligation Peak Load shall have the meaning specified in Schedule 8 of this Agreement.

1.56 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.

1.57 Operating Agreement of PJM Interconnection, L.L.C. or Operating Agreement

Operating Agreement of PJM Interconnection, L.L.C. or Operating Agreement shall mean that certain agreement, dated April 1, 1997 and as amended and restated June 2, 1997 and as amended from time to time thereafter, among the members of the PJM Interconnection, L.L.C.

1.58 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.

1.59 Other Supplier

Other Supplier shall mean a Member that is (i) a seller, buyer or transmitter of electric capacity or energy in, from or through the PJM Region, and (ii) is not a Generation Owner, Electric Distributor, Transmission Owner or End-Use Customer.

1.60 Partial Requirements Service

Partial Requirements Service shall mean wholesale service to supply a specified portion, but not all, of the power needs of a Load Serving Entity to serve end-users within the PJM Region that are not satisfied by its own generating facilities.

1.61 Percentage Internal Resources Required

Percentage Internal Resources Required shall mean, for purposes of an FRR Capacity Plan, the percentage of the LDA Reliability Requirement for an LDA that must be satisfied with Capacity Resources located in such LDA.

1.62 Party

Party shall mean an entity bound by the terms of this Agreement.

1.63 PJM

PJM shall mean the PJM Board and the Office of the Interconnection.

1.64 PJM Board

PJM Board shall mean the Board of Managers of the PJM Interconnection, L.L.C., acting pursuant to the Operating Agreement.

1.65 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.

1.66 PJM Open Access Transmission Tariff or PJM Tariff

PJM Open Access Transmission Tariff or PJM Tariff shall mean the tariff for transmission service within the PJM Region, as in effect from time to time, including any schedules, appendices, or exhibits attached thereto.

1.67 PJM Region

PJM Region shall have the same meaning as provided in the Operating Agreement.

1.68 PJM Region Installed Reserve Margin

PJM Region Installed Reserve Margin shall mean the percent installed reserve margin for the PJM Region required pursuant to this Agreement, as approved by the PJM Board pursuant to Schedule 4.1.

1.69 Planned Demand Resource

Planned Demand Resource shall mean a Demand Resource that does not currently have the capability to provide a reduction in demand or to otherwise control load, but that is scheduled to be capable of providing such reduction or control on or before the start of the Delivery Year for which such resource is to be committed, as determined in accordance with the requirements of Schedule 6.

1.69A Planned External Generation Capacity Resource

Planned External Generation Capacity Resource shall mean a proposed Generation Capacity Resource, or a proposed increase in the capability of a Generation Capacity Resource, that (a) is to be located outside the PJM Region, (b) participates in the generation interconnection process of a Control Area external to PJM, (c) is scheduled to be physically and electrically interconnected to the transmission facilities of such Control Area on or before the first day of the Delivery Year for which such resource is to be committed to satisfy the reliability requirements of the PJM Region, and (d) is in full commercial operation prior to the first day of such Delivery Year, such that it is sufficient to provide the Installed Capacity set forth in the Sell Offer forming the basis of such resource's commitment to the PJM Region. Prior to participation in any Reliability Pricing Model Auction for such Delivery Year, the Capacity Market Seller must demonstrate that it has executed an interconnection agreement (functionally equivalent to a System Impact Study Agreement under the PJM Tariff for Base Residual Auction and an Interconnection Service Agreement under the PJM Tariff for Incremental Auction) with the transmission owner to whose transmission facilities or distribution facilities the resource is being directly connected, and if applicable the transmission provider. A Planned External Generation Capacity Resource must provide evidence to PJM that it has been studied as a Network Resource, or such other similar interconnection product in such external Control Area, must provide contractual evidence that it has applied for or purchased transmission service to be deliverable to the PJM border, and must provide contractual evidence that it has applied for transmission service to be deliverable to the bus at which energy is to be delivered, the agreements for which must have been executed prior to participation in any Reliability Pricing Model Auction for such Delivery Year. An External Generation Capacity Resource shall cease to be considered a Planned External Generation Capacity Resource as of the earlier of (i) the date that interconnection service commences as to such resource; or (ii) the resource has cleared an RPM Auction, in which case it shall become an Existing Generation Capacity Resource for purposes of the mitigation of offers for any RPM Auction for all subsequent Delivery Years.

1.70 Planned Generation Capacity Resource

Planned Generation Capacity Resource shall mean a Generation Capacity Resource participating in the generation interconnection process under Part IV, Subpart A of the PJM

Tariff, for which: (i) Interconnection Service is scheduled to commence on or before the first day of the Delivery Year for which such resource is to be committed to RPM or to an FRR Plan; (ii) a System Impact Study Agreement has been executed prior to the Base Residual Auction for such Delivery Year; (iii) an Interconnection Service Agreement has been executed prior to any Incremental Auction for such Delivery Year in which such resource plans to participate; and (iv) no megawatts of capacity have cleared an RPM Auction for any prior Delivery Year. For purposes of the must-offer requirement and mitigation of offers for any RPM Auction for a Delivery Year, a Generation Capacity Resource shall cease to be considered a Planned Generation Capacity Resource as of the earlier of (i) the date that Interconnection Service commences as to such resource; or (ii) the resource has cleared an RPM Auction for any Delivery Year, in which case it shall become an Existing Generation Capacity Resource for any RPM Auction for all subsequent Delivery Years. Notwithstanding the foregoing, a Generation Capacity Resource for which construction has not commenced and which would otherwise have been treated as a Planned Generation Capacity Resource but for the fact that it was bid into RPM Auctions for at least two consecutive Delivery Years, and cleared the last such auction only because it was considered existing and its mitigated offer cap was accepted when its price offer would not have otherwise been accepted, shall be deemed to be a Planned Generation Capacity Resource.

1.71 Planning Period

Planning Period shall mean the 12 months beginning June 1 and extending through May 31 of the following year, or such other period approved by the Members Committee.

1.72 Public Power Entity

Public Power Entity shall mean any agency, authority, or instrumentality of a state or of a political subdivision of a state, or any corporation wholly owned by any one or more of the foregoing, that is engaged in the generation, transmission, and/or distribution of electric energy.

1.73 Qualifying Transmission Upgrades

Qualifying Transmission Upgrades shall have the meaning specified in Attachment DD to the PJM Tariff.

1.74 [Reserved for Future Use]

1.75 Reliability Principles and Standards

Reliability Principles and Standards shall mean the principles and standards established by NERC or an Applicable Regional Reliability Council to define, among other things, an acceptable probability of loss of load due to inadequate generation or transmission capability, as amended from time to time.

1.76 Required Approvals

Required Approvals shall mean all of the approvals required for this Agreement to be modified or to be terminated, in whole or in part, including the acceptance for filing by FERC and every other regulatory authority with jurisdiction over all or any part of this Agreement.

1.77 Self-Supply

Self Supply shall have the meaning provided in Attachment DD to the PJM Tariff.

1.78 [Reserved for Future Use]

1.79 South RAA

South RAA shall mean that certain Reliability Assurance Agreement among Load-Serving Entities in the PJM South Region, on file with FERC as PJM Rate Schedule FERC No. 40.

1.80 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.

1.81 State Regulatory Structural Change

State Regulatory Structural Change shall mean as to any Party, a state law, rule, or order that, after September 30, 2006, initiates a program that allows retail electric consumers served by such Party to choose from among alternative suppliers on a competitive basis, terminates such a program, expands such a program to include classes of customers or localities served by such Party that were not previously permitted to participate in such a program, or that modifies retail electric market structure or market design rules in a manner that materially increases the likelihood that a substantial proportion of the customers of such Party that are eligible for retail choice under such a program (a) that have not exercised such choice will exercise such choice; or (b) that have exercised such choice will no longer exercise such choice, including for example, without limitation, mandating divestiture of utility-owned generation or structural changes to such Party's default service rules that materially affect whether retail choice is economically viable.

1.82 Threshold Quantity

Threshold Quantity shall mean, as to any FRR Entity for any Delivery Year, the sum of (a) the Unforced Capacity equivalent (determined using the Pool-Wide Average EFORD) of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak

Load for which such FRR Entity is responsible under its FRR Capacity Plan for such Delivery Year, plus (b) the lesser of (i) 3% of the Unforced Capacity amount determined in (a) above or (ii) 450 MW. If the FRR Entity is not responsible for all load within a Zone, the Preliminary Forecast Peak Load for such entity shall be the FRR Entity's Obligation Peak Load last determined prior to the Base Residual Auction for such Delivery Year, times the Base FRR Scaling Factor (as determined in accordance with Schedule 8.1).

1.83 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.

1.84 Transmission Owner

Transmission Owner shall mean a Member that owns or leases with rights equivalent to ownership Transmission Facilities. Taking transmission service shall not be sufficient to qualify a Member as a Transmission Owner.

1.85 Transmission Owners Agreement

Transmission Owners Agreement shall mean that certain Consolidated Transmission Owners Agreement, dated as of December 15, 2005 and as amended from time to time, among transmission owners within the PJM Region.

1.86 Unforced Capacity

Unforced Capacity shall mean installed capacity rated at summer conditions that is not on average experiencing a forced outage or forced derating, calculated for each Capacity Resource on the 12-month period from October to September without regard to the ownership of or the contractual rights to the capacity of the unit.

1.87 West RAA

West RAA shall mean the "PJM West Reliability Assurance Agreement among the Load Serving Entities in the PJM West Region," on file with FERC as PJM Rate Schedule FERC No. 32.

1.88 Zonal Capacity Price

Zonal Capacity Price shall mean the price of Unforced Capacity in a Zone that an LSE that has not elected the FRR Alternative is obligated to pay for a Delivery Year as determined pursuant to Attachment DD to the PJM Tariff.

1.89 Zone

Zone shall mean an area within the PJM Region, as set forth in Schedule 15, or as such areas may be (i) combined as a result of mergers or acquisitions or (ii) added as a result of the expansion of the boundaries of the PJM Region. A Zone shall include any Non-Zone Network Load (as defined in the PJM Tariff) located outside the PJM Region that is served from such Zone under Schedule H-A of the PJM Tariff.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

ARTICLE 2 -- PURPOSE

This Agreement is intended to ensure that adequate Capacity Resources, including planned and Existing Generation Capacity Resources, planned and existing Demand Resources, Energy Efficiency Resources, and ILR will be planned and made available to provide reliable service to loads within the PJM Region, to assist other Parties during Emergencies and to coordinate planning of such resources consistent with the Reliability Principles and Standards. Further, it is the intention and objective of the Parties to implement this Agreement in a manner consistent with the development of a robust competitive marketplace. To accomplish these objectives, this Agreement is among all of the Load Serving Entities within the PJM Region. Unless this Agreement is terminated as provided in Section 3.3, every entity which is or will become a Load Serving Entity within the PJM Region is to become and remain a Party to this Agreement or to an agreement (such as a requirements supply agreement) with a Party pursuant to which that Party has agreed to act as the agent for the Load Serving Entity for purposes of satisfying the obligations under this Agreement related to the load within the PJM Region of that Load Serving Entity. Nothing herein is intended to abridge, alter or otherwise affect the emergency powers the Office of the Interconnection may exercise under the Operating Agreement and PJM Tariff.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

ARTICLE 3 – TERM AND TERMINATION OF THE AGREEMENT

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

3.1 Term.

This Agreement shall become effective as of June 1, 2007 and shall govern Unforced Capacity Obligations for the Planning Period beginning as of that date ("Initial Delivery Year"), and for each Planning Period thereafter, unless and until terminated in accordance with the terms hereof.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

3.2 Transition Provisions.

The East RAA, West RAA, and South RAA shall govern, in accordance with their terms now in effect or as hereafter validly amended, capacity requirements for each Planning Period through the end of the Planning Period ending May 31, 2007. Subject to the termination provisions in each such agreement, the East RAA, West RAA, and South RAA shall terminate effective 11:59:59 p.m. on May 31, 2007.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

3.3 Termination.

3.3.1 Rights to Terminate.

This Agreement may be terminated by a vote in the Members Committee to terminate the Agreement by an affirmative Sector Vote as specified in the Operating Agreement and upon the receipt of all Required Approvals related to the termination of this Agreement. Any such termination must be approved by the PJM Board and filed with the FERC and shall become effective only upon the FERC's approval.

3.3.2 Obligations upon Termination.

Any provision of this Agreement that expressly or by implication comes into or remains in force following the termination of this Agreement shall survive such termination. The surviving provisions shall include, but shall not be limited to: (a) final settlement of the obligations of each Party under Articles 8 and 12 of this Agreement, including the accounting for the period ending with the last day of the month for which the Agreement is effective, (b) the provisions of this Agreement necessary to conduct final billings, collections and accounting with respect to all matters arising hereunder and (c) the indemnification provisions as applicable to periods prior to such termination.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 4 -- ADDITION OF NEW PARTIES

Each Party agrees that any entity that (i) is or will become a Load Serving Entity, (ii) complies with the process and data requirements set forth in Schedule 1, and (iii) meets the standards for interconnection set forth in Schedule 2 shall become a Party to this Agreement and shall be listed on Schedule 16 of this Agreement upon becoming a party to the Operating Agreement, and execution of a counterpart of this Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 5 – WITHDRAWAL OR REMOVAL OF A PARTY

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

5.1 Withdrawal of a Party.

5.1.1 Notice.

Upon written notice to the Office of the Interconnection, any Party may withdraw from this Agreement, effective upon the completion of its obligations hereunder and the documentation by such Party, to the satisfaction of the Office of the Interconnection, that such Party is no longer a Load Serving Entity.

5.1.2 Determination of Obligations.

A Party's obligations hereunder shall be completed as of the end of the last month for which such Party's obligations have been set at the time said notice is received, except as provided in Article 13, or unless the Members Committee determines that the remaining Parties will be able to adjust their obligations and commitments related to the performance of this Agreement consistent with such earlier withdrawal date as may be requested by the withdrawing Party, without undue hardship or cost, while maintaining the reliability of the PJM Region.

5.1.3 Survival of Obligations upon Withdrawal.

(a) The obligations of a Party upon its withdrawal from this Agreement and any obligations of that Party under this Agreement at the time of its withdrawal shall survive the withdrawal of the Party from this Agreement. Upon the withdrawal of a Party from this Agreement, final settlement of the obligations of such Party under Articles 7 and 11 of this Agreement shall include the accounting through the date established pursuant to Sections 5.1.1 and 5.1.2.

(b) Any Party that withdraws from this Agreement shall pay all costs and expenses associated with additions, deletions and modifications to communication, computer, and other affected facilities and procedures, including any filing fees, to effect the withdrawal of the Party from the Agreement.

(c) Prior to withdrawal, a withdrawing Party desiring to remain interconnected with the PJM Region shall enter into a control area to control area interconnection agreement with the Office of the Interconnection and the transmission owner or Electric Distributor within the PJM Region with which its facilities are interconnected.

5.1.4 Regulatory Review.

Any withdrawal from this Agreement shall be filed with FERC and shall become effective only upon FERC's approval.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

5.2 Breach by a Party.

The provisions of Section 15.1 of the Operating Agreement shall apply to a Party's (a) failure to pay any amount due under this Agreement when due or (b) breach of any material obligation under this Agreement. In addition to the remedies available to the Office of the Interconnection set forth in Section 15.1 of the Operating Agreement, if the Party fails to cure such non-payment or breach, the Office of the Interconnection and the remaining Parties may, without an election of remedies, exercise all remedies available at law or in equity or other appropriate proceedings. Such proceedings may include (a) the commencement of a proceeding before the appropriate state regulatory commission(s) to request suspension or revocation of the breaching Party's license or authorization to serve retail load within the state(s) and/or (b) bringing any civil action or actions or recovery of damages that may include, but not be limited to, all amounts due and unpaid by the breaching Party, and all costs and expenses reasonably incurred in the exercise of its remedies hereunder (including, but not limited to, reasonable attorneys' fees).

Effective Date: 2/18/2012 - Docket #: ER12-636-000

ARTICLE 6 -- MANAGEMENT ADMINISTRATION

Except as otherwise provided herein, this Agreement shall be managed and administered by the Parties, Members, and State Consumer Advocates through the Members Committee and the Markets and Reliability Committee as a Standing Committee thereof, except as delegated to the Office of the Interconnection and except that only the PJM Board shall have the authority to approve and authorize the filing of amendments to this Agreement with the FERC.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 7 – RESERVE REQUIREMENTS AND OBLIGATIONS

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

7.1 Forecast Pool Requirement and Unforced Capacity Obligations.

(a) The Forecast Pool Requirement shall be established to ensure a sufficient amount of capacity to meet the forecast load plus reserves adequate to provide for the unavailability of Generation Capacity Resources, load forecasting uncertainty, and planned and maintenance outages. Schedule 4 sets forth guidelines with respect to the Forecast Pool Requirement.

(b) Unless the Party and its customer that is also a Load Serving Entity agree that such customer is to bear direct responsibility for the obligations set forth in this Agreement, (i) any Party that supplies Full Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for all of that Load Serving Entity's capacity obligations under this Agreement for the period of such Full Requirements Service and (ii) any Party that supplies Partial Requirements Service to a Load Serving Entity within the PJM Region shall be responsible for such portion of the capacity obligations of that Load Serving Entity as agreed by the Party and the Load Serving Entity so long as the Load Serving Entity's full capacity obligation under this Agreement is allocated between or among Parties to this Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

7.2 Responsibility to Pay Locational Reliability Charge.

Except to the extent its capacity obligations are satisfied through the FRR Alternative, each Party shall pay, as to the loads it serves in each Zone during a Delivery Year, a Locational Reliability Charge for each such Zone during such Delivery Year. The Locational Reliability Charge shall equal such Party's Daily Unforced Capacity Obligation in a Zone, as determined pursuant to Schedule 8 of this Agreement, times the Final Zonal Capacity Price for such Zone, as determined pursuant to Attachment DD of the PJM Tariff.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

7.3 LSE Option to Provide Capacity Resources.

A Party obligated to pay a Locational Reliability Charge for a Delivery Year may partially or wholly offset amounts it must pay for such charge by offering Capacity Resources for sale in the Base Residual Auction or an Incremental Auction applicable to such Delivery Year; provided such resources clear such auctions. Resources offered for sale in any such auction must satisfy the requirements specified in this Agreement and the PJM Manuals. Such a Party may choose to nominate a resource in the Base Residual Auction as Self-Supply, may choose to designate a price offer for such resource into any such auction, or may indicate in its offer that it wishes to commit such resource regardless of the clearing price, in which case the Party shall receive the marginal value of system capacity and the price adders for any applicable binding locational constraint in accordance with Attachment DD of the PJM Tariff. Each such Party acknowledges that the clearing price it receives for a resource offered for sale and cleared, or Self-Supplied, in an auction may differ from the Final Zonal Capacity Price determined for the applicable Zone for the applicable Delivery Year, and that the Party shall remain responsible for the Locational Reliability Charge notwithstanding any such difference between the Capacity Resource Clearing Price and the Final Zonal Capacity Price. In addition, such Parties recognize that they may receive an allocation of Capacity Transfer Rights which may offset a portion of the Locational Reliability Charge, and that they may offset a portion of the Locational Reliability Charge by nominating ILR, or by offering and clearing Qualifying Transmission Upgrades in the Base Residual Auction.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

7.4 Fixed Resource Requirement Alternative.

A Party that is eligible for the Fixed Resource Requirement Alternative may satisfy its obligations hereunder to provide Unforced Capacity by submitting and adhering to an FRR Capacity Plan and meeting all other terms and conditions of such alternative, as set forth in this Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

7.5 Capacity Plans and Deliverability.

Each Party electing to provide Capacity Resources to meet its obligations hereunder shall submit to the Office of the Interconnection its plans (or revisions to previously submitted plans), as prescribed by Schedule 7, or, in the case of a Party electing the FRR Alternative, as prescribed by Schedule 8.1, to install or contract for Capacity Resources. As set forth in Schedule 10, each Party must designate its Capacity Resources as Network Resources or Points of Receipt under the PJM Tariff to allow firm delivery of the output of its Capacity Resources to the Party's load within the PJM Region and each Party must obtain any necessary Firm Transmission Service in an amount sufficient to deliver Capacity Resources from outside the PJM Region to the border of the PJM Region to reliably serve the Party's load within the PJM Region.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

7.6 Nature of Resources.

Each Party electing to Self-Supply resources, or electing the FRR Alternative, shall provide or arrange for specific, firm Capacity Resources that are capable of supplying the energy requirements of its own load on a firm basis without interruption for economic conditions and with such other characteristics that are necessary to support the reliable operation of the PJM Region, as set forth in more detail in Schedules 6, 9 and 10.

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7.7 Compliance Audit of Parties.

(a) For the 36 months following the end of each Planning Period, each Party shall make available the records and supporting information related to the performance of this Agreement from such Planning Period for audit.

(b) The Office of the Interconnection shall evaluate and determine the need for an audit of a Party and shall, upon a decision of the Members Committee to require such an audit, provide the Party or Parties to be audited with notice at least 90 days in advance of the audit.

(c) Any audit of a Party conducted pursuant to this Agreement shall be performed by an independent consultant to be selected by the Office of the Interconnection. Such audit shall include a review of the Party's compliance with the procedures and standards adopted pursuant to this Agreement.

(d) Prior to the completion of its audit, the independent consultant shall review its preliminary findings with the Party being audited and, upon the completion of its audit, the independent consultant shall issue a final audit report detailing the results of the audit, which final report shall be issued to the Party being audited, the Office of the Interconnection and the Markets and Reliability Committee; provided, however, no confidential data of any Party shall be disclosed through such audit reports.

(e) If, based on a final audit report, an adjustment is required to any amounts due to or from the Parties pursuant to Schedules 8, 12, or 13, such adjustment shall be accounted for in determining the amounts due to or from the Parties pursuant to Schedules 8, 12, or 13 for the month in which the adjustment is identified.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 8 -- DEFICIENCY, DATA SUBMISSION, AND EMERGENCY CHARGES

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

8.1 Nature of Charges.

Upon the advice and recommendations of the Members Committee, the PJM Board shall, subject to any Required Approvals, approve certain charges to be imposed on a Party for its failure to satisfy its obligations under this Agreement, as set forth in this Agreement.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

8.2 Determination of Charge Amounts.

No later than April 1 of each year, the Members Committee shall recommend to the PJM Board such charges to be applicable under this Agreement during the following Planning Period , which, upon approval by the PJM Board, shall be modified accordingly, subject to the receipt of all Required Approvals. The Markets and Reliability Committee may establish projected charges for estimating purposes only.

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8.3 Distribution of Charge Receipts.

All of the monies received as a result of any charges imposed pursuant to this Agreement shall be disbursed as provided in this Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 9 -- COORDINATED PLANNING AND OPERATION

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

9.1 Overall Coordination.

Each Party shall cooperate with the other Parties in the coordinated planning and operation of their owned or contracted for Capacity Resources to obtain a degree of reliability consistent with the Reliability Principles and Standards. In furtherance of such cooperation each Party shall:

(a)

cooperate with the members and associate members of such Party's Applicable Regional Reliability Council to ensure the reliability of the region;

(b) make available its Capacity Resources to the other Parties through the Office of the Interconnection for coordinated operation and to supply the needs of the PJM Region for Operating Reserves;

(c) provide or arrange for Network Transmission Service or Firm Point-to-Point Transmission Service for service to the projected load of the Party and include all Capacity Resources as Network Resources designated pursuant to the PJM Tariff or Points of Receipt for Firm Point-to-Point Transmission Service;

(d) provide or arrange for sufficient reactive capability and voltage control facilities to meet Good Utility Practice and to be consistent with the Reliability Principles and Standards;

(e) implement emergency procedures and take such other coordination actions as may be necessary in accordance with the directions of the Office of the Interconnection in times of Emergencies; and

(f) maintain or arrange for Black Start Capability for a portion of its Capacity Resources at least equal to that established from time-to-time by the Office of the Interconnection.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

9.2 Generator Planned Outage Scheduling.

Each Party shall develop, or cause to be developed, its schedules of planned outages of its Capacity Resources. Such schedules of planned outages shall be submitted to the Office of the Interconnection for coordination with the schedules of planned outages of other Parties and anticipated transmission planned outages.

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9.3 Data Submissions.

Each Party shall submit to the Office of the Interconnection the data and other information necessary for the performance of this Agreement as may be more fully described, in Schedule 11 hereof.

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9.4 Charges for Failures to Comply.

(a) An emergency procedure charge, as set forth in Attachment DD to the PJM Tariff, shall be imposed on any Party that fails to comply with the directions of the Office of the Interconnection in times of Emergencies.

(b) A data submission charge, as set forth in Schedule 12, shall be imposed on any Party that fails to submit the data, plans or other information required by this Agreement in a timely or accurate manner as provided in Schedule 11.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

9.5 Metering.

Each Party shall comply with the metering standards for the PJM Region, as set forth in the PJM Manuals.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 10 -- SHARED COSTS

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

10.1 Recording and Audit of Costs.

(a) Any costs related to the performance of this Agreement, including the costs of the Office of the Interconnection and such other costs that the Members Committee determines are to be shared by the Parties, shall be documented and recorded in a manner acceptable to the Parties.

(b) The Members Committee may require an audit of such costs; provided, however, the cost records shall be available for audit by any Member or State Consumer Advocate, at the sole expense of such Member or State Consumer Advocate, for 36 months following the end of the Planning Period in which the costs were incurred.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

10.2 Cost Responsibility.

The costs determined under Section 10.1(a) shall be allocated to and recovered from the Parties to this Agreement and other entities pursuant to Schedule 9-5 of the PJM Tariff.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 11 -- BILLING AND PAYMENT

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

11.1 Periodic Billing.

Each Party shall receive a statement periodically setting forth (i) any amounts due from or to that Party as a result of any charges imposed pursuant to this Agreement and (ii) that Party's share of any costs allocated to that Party pursuant to Article 10. To the extent practical, such statements are to be coordinated with any billings or statements required pursuant to the Operating Agreement or PJM Tariff.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

11.2 Payment.

The payment terms and conditions shall be as set forth in the billing statement and shall, to the extent practicable, be the same as those then in effect under the PJM Tariff.

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11.3 Failure to Pay.

If any Party fails to pay its share of the costs allocated pursuant to Article 10, those unpaid costs shall be allocated to and paid by the other Parties hereto in proportion to the sum of the Daily Unforced Capacity Obligations of each such Party for the billing month. The Office of the Interconnection shall enforce collection of a Party's share of the costs.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 12 – INDEMNIFICATION AND LIMITATION OF LIABILITIES

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

12.1 Indemnification.

(a) Each Party agrees to indemnify and hold harmless each of the other Parties, its officers, directors, employees or agents (other than PJM Interconnection, L.L.C., its board or the Office of the Interconnection) for all actions, claims, demands, costs, damages and liabilities asserted by third parties against the Party seeking indemnification and arising out of or relating to acts or omissions in connection with this Agreement of the Party from which indemnification is sought, except (i) to the extent that such liabilities result from the willful misconduct of the Party seeking indemnification and (ii) that each Party shall be responsible for all claims of its own employees, agents and servants growing out of any workmen's compensation law. Nothing herein shall limit a Party's indemnity obligations under Article 16 of the Operating Agreement.

(b) The amount of any indemnity payment under this Section 12.1 shall be reduced (including, without limitation, retroactively) by any insurance proceeds or other amounts actually recovered by the Party seeking indemnification in respect of the indemnified actions, claims, demands, costs, damages or liabilities. If any Party shall have received an indemnity payment in respect of an indemnified action, claim, demand, cost, damage, or liability and shall subsequently actually receive insurance proceeds or other amounts in respect of such action, claim, demand, cost, damage, or liability, then such Party shall pay to the Party that made such indemnity payment the lesser of the amount of such insurance proceeds or other amounts actually received and retained or the net amount of the indemnity payments actually received previously.

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12.2 Limitations on Liability.

No Party will be liable to another Party for any claim for indirect, incidental, special or consequential damage or loss of the other Party including, but not limited to, loss of profits or revenues, cost of capital or financing, loss of goodwill and cost of replacement power arising from such Party's carrying out, or failure to carry out, any obligations contemplated by this Agreement; provided, however, nothing herein shall be deemed to reduce or limit the obligation of any Party with respect to the claims of persons or entities not a party to this Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

12.3 Insurance.

Each Party shall obtain and maintain in force such insurance as is required of Load Serving Entities by the states in which it is doing business within the PJM Region.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 13 -- SUCCESSORS AND ASSIGNS

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

13.1 Binding Rights and Obligations.

The rights and obligations created by this Agreement and all Schedules and supplements thereto shall inure to and bind the successors and assigns of the Parties; provided, however, no Party may assign its rights or obligations under this Agreement without the written consent of the Members Committee unless the assignee concurrently becomes the Load Serving Entity with regard to the end-users previously served by the assignor.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

13.2 Consequences of Assignment.

Upon the assignment of all of its rights and obligations hereunder to a successor consistent with the provisions of Section 13.1, the assignor shall be deemed to have withdrawn from this Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 14 -- NOTICE

Except as otherwise expressly provided herein, any notice required hereunder shall be in writing and shall be sent: overnight courier, hand delivery, telecopy or other reliable electronic means to the representative on the Members Committee of such Party at the address for such Party previously provided by such Party to the other Parties. Any notice shall be deemed to have been given (i) upon delivery if given by overnight courier, hand delivery or certified mail or (ii) upon confirmation if given by facsimile or other reliable electronic means.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 15 -- REPRESENTATIONS AND WARRANTIES

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

15.1 Initial Representations and Warranties.

Each Party represents and warrants to the other Parties that, as of the date it becomes a Party:

(a) the Party is duly organized, validly existing and in good standing under the laws of the jurisdiction where organized;

(b) the execution and delivery by the Party of this Agreement and the performance of its obligations hereunder have been duly and validly authorized by all requisite action on the part of the Party and do not conflict with any applicable law or with any other agreement binding upon the Party. The Agreement has been duly executed and delivered by the Party, and this Agreement constitutes the legal, valid and binding obligation of the Party enforceable against it in accordance with its terms except insofar as the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar laws affecting the enforcement of creditor's rights generally and by general principles of equity regardless of whether such principles are considered in a proceeding at law or in equity; and

(c) there are no actions at law, suits in equity, proceedings or claims pending or, to the knowledge of the Party, threatened against the Party before or by any federal, state, foreign or local court, tribunal or governmental agency or authority that might materially delay, prevent or hinder the performance by the Party of its obligations hereunder.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

15.2 Continuing Representations and Warranties.

Each Party represents and warrants to the other Parties that throughout the term of this Agreement:

- (a) the Party is a Load Serving Entity;
- (b) the Party satisfies the requirements of Schedule 2;
- (c) the Party is in compliance with the Reliability Principles and Standards;
- (d) the Party is a signatory, or its principals are signatories, to the agreements set forth in Schedule 3;
- (e) the Party is in good standing in the jurisdiction where incorporated; and
- (f) the Party will endeavor in good faith to obtain any corporate or regulatory authority necessary to allow the Party to fulfill its obligations hereunder.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

ARTICLE 16 -- OTHER MATTERS

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

16.1 Relationship of the Parties.

This Agreement shall not be interpreted or construed to create any association, joint venture, or partnership between or among the Parties or to impose any partnership obligation or partnership liability upon any Party.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

16.2 Governing Law.

This Agreement shall be interpreted, construed and governed by the laws of the State of Delaware.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

16.3 Severability.

Each provision of this Agreement shall be considered severable and if for any reason any provision is determined by a court or regulatory authority of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions of this Agreement shall continue in full force and effect and shall in no way be affected, impaired or invalidated, and such invalid, void or unenforceable provision shall be replaced with valid and enforceable provision or provisions which otherwise give effect to the original intent of the invalid, void or unenforceable provision.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

16.4 Amendment.

This Agreement may be amended only by action of the PJM Board. Notwithstanding the foregoing, an Applicant eligible to become a Party in accordance with the procedures set forth in Article 4 shall become a Party by executing a counterpart of this Agreement without the need for execution of such counterpart by any other Party. The PJM Office of the Interconnection shall file with FERC any amendment to this Agreement approved by the PJM Board.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

16.5 Headings.

The article and section headings used in this Agreement are for convenience only and shall not affect the construction or interpretation of any of the provisions of this Agreement.

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16.6 Confidentiality.

(a) No Party shall have a right hereunder to receive or review any documents, data or other information of another Party, including documents, data or other information provided to the Office of the Interconnection, to the extent such documents, data or information have been designated as confidential pursuant to the procedures adopted by the Office of the Interconnection or to the extent that they have been designated as confidential by another Party; provided, however, a Party may receive and review any composite documents, data and other information that may be developed based on such confidential documents, data or information if the composite document does not disclose any individual Party's confidential data or information.

(b) Notwithstanding anything in this Section to the contrary, if a Party is required by applicable laws, or in the course of administrative or judicial proceedings, to disclose information that is otherwise required to be maintained in confidence pursuant to this Section, that Party may make disclosure of such information; provided, however, that as soon as the Party learns of the disclosure requirement and prior to making disclosure, that Party shall notify the affected Party or Parties of the requirement and the terms thereof and the affected Party or Parties may direct, at their sole discretion and cost, any challenge to or defense against the disclosure requirement and the Party shall cooperate with such affected Parties to the maximum extent practicable to minimize the disclosure of the information consistent with applicable law. Each Party shall cooperate with the affected Parties to obtain proprietary or confidential treatment of such information by the person to whom such information is disclosed prior to any such disclosure.

(c) Any contract with a contractor retained to provide technical support or to otherwise assist with the administration of this Agreement shall impose on that contractor a contractual duty of confidentiality that is consistent with this Section.

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16.7 Counterparts.

This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together will constitute one instrument, binding upon all parties hereto, notwithstanding that all of such parties may not have executed the same counterpart.

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16.8 No Implied Waivers.

The failure of a Party to insist upon or enforce strict performance of any of the provisions of this Agreement shall not be construed as a waiver or relinquishment to any extent of such Party's right to assert or rely upon any such provisions, rights and remedies in that or any other instance; rather, the same shall be and remain in full force and effect.

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16.9 No Third Party Beneficiaries.

This Agreement is intended to be solely for the benefit of the Parties and their respective successors and permitted assigns and is not intended to and shall not confer any rights or benefits on any third party not a signatory hereto.

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16.10 Dispute Resolution.

Except as otherwise specifically provided in the Operating Agreement, disputes arising under this Agreement shall be subject to the dispute resolution provisions of the Operating Agreement.

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

[Signatures]

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 1

PROCEDURES TO BECOME A PARTY

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

A. Notice

Any entity that is or will become a Load Serving Entity within the PJM Region and thus a Party to the Reliability Assurance Agreement shall submit a notice to the Office of the Interconnection together with (i) its representation that it has satisfied or will (prior to the date the Reliability Assurance Agreement is to become effective as to that entity) satisfy the requirements to become a Party, (ii) all data required to coordinate planning and operations within the PJM Region as applicable, in a format defined in the PJM Manuals, and (iii) a deposit in an amount to be specified that will be applied toward the costs of the required analysis.

The required notice, representations, data and deposit must be submitted in sufficient time to conduct an analysis of the data submitted and to adjust the obligations of the Parties for the month in which the entity desires to become a Party:

- If the then existing boundaries of the PJM Region would be expanded by an entity becoming a Party, that entity shall submit the required notice, representation, data and deposit no later than when the entity applies for transmission service under the PJM Tariff.
- If an entity will serve load within the then existing boundaries of the PJM Region, that entity shall submit the required notice, representations, data and deposit as soon as possible prior to the month (i) in which it is to begin serving loads within the PJM Region or (ii) in which any agency relationship through which the entity's obligations under this Agreement had been satisfied is terminated; provided, however, that such submission shall not be required sooner than any request for transmission service or any change in the designation of Network Resources or points of receipt and loads under the PJM Tariff associated with providing service to those loads.

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B. Analysis of Data

The notice, representations and data submitted to the Office of the Interconnection are to be analyzed in accordance with procedures consistent with this Agreement and the encouragement of reliable operation of the PJM Region.

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C. Response

Upon completion of the analysis, the Office of the Interconnection will inform the entity of (a) the estimated costs and expenses associated with modifications to communication, computer and other facilities and procedures, including any filing fees, needed to include the entity as a Party, (b) the entity's share of any costs pursuant to Article 10, and (c) the earliest date upon which the entity could become a Party. In addition, a counterpart of the Agreement shall be forwarded for execution.

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D. Agreement by New Party

After receipt of the response from the Office of the Interconnection, the entity shall identify its representative to the Members Committee and Markets and Reliability Committee and execute the counterpart of the Agreement, indicating the desired effective date; provided, however, such effective date shall be the first day of a month, may be no earlier than the date indicated in the response from the Office of the Interconnection and shall be no later than (i) the date on which the entity begins serving loads within the PJM Region or (ii) the termination date of any agency relationship through which its obligations under this Agreement had been satisfied. The executed counterpart of the Agreement, together with payment of its share of any costs then due, shall be returned as directed by the Office of the Interconnection.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 2

STANDARDS FOR INTEGRATING AN ENTITY INTO THE PJM REGION

- A. The following standards will be applied by the Office of the Interconnection to determine the eligibility of an entity to become a part of the PJM Region. For an entity to be integrated into the PJM Region it must possess generation and transmission attributes that would enable the entity to share its reserves with other entities in the PJM Region. Appropriate transmission and reliability studies are to be performed to determine the adequate transmission capability necessary to integrate the entity into the PJM Region consistent with Good Utility Practice.
- B. In addition, the entity shall meet the following requirements to be included in the PJM Region:
1. All load, generation and transmission operating as part of the PJM Region's interconnected system must be included within the metered boundaries of the PJM Region.
 2. The entity will accept and comply with the PJM Region's standards with respect to system design, equipment ratings, operating practices and maintenance practices as set forth in the PJM Manuals 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.
 3. The load, generation and transmission facilities of each entity shall be included in the telemetry to the Office of the Interconnection from a 24-hour control center. Each system operator in these control centers must be 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.
 4. Each entity must have compatible operational communication mechanisms, maintained at its expense, to interact with the Office of the Interconnection and for internal requirements.
 5. Each entity must assure the continued compatibility of its local system energy management system monitoring and telecommunications systems to satisfy the technical requirements of interacting with the Office of the Interconnection as it directs the operation of the PJM Region.

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SCHEDULE 3

OTHER AGREEMENTS TO BE EXECUTED BY THE PARTIES

- Any agreement for Network Transmission Service or Firm Point-To-Point Service that is required under the PJM Tariff for service consistent with the requirements of Section 9.1(d); and
- The Operating Agreement.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 4

GUIDELINES FOR DETERMINING THE FORECAST POOL REQUIREMENT

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

A. Objective Of The Forecast Pool Requirement

The Forecast Pool Requirement shall be determined for the specified Planning Periods to establish the level of Capacity Resources that will provide an acceptable level of reliability consistent with the Reliability Principles and Standards.

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B. Forecast Pool Requirement and PJM Region Installed Reserve Margin To Be Determined Annually

No later than three months in advance of each Base Residual Auction for a Delivery Year, based on the projections described in section C of this Schedule, and after consideration of the recommendation of the Members Committee, the PJM Board shall establish the Forecast Pool Requirement, including the PJM Region Installed Reserve Margin for all Parties, including FRR Entities, for such Delivery Year. Unless otherwise agreed by the PJM Board, the Forecast Pool Requirement and PJM Region Installed Reserve Margin for such Planning Period shall be considered firm and not subject to re-determination thereafter.

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C. Methodology

Each year, the Forecast Pool Requirement for at least each of the next five Planning Periods shall be projected by applying suitable probability methods to the data and forecasts provided by the Parties and obtained from Electric Distributors, as described in Schedule 11, the Operating Agreement and in the PJM Manuals. The projection of the Forecast Pool Requirement shall consider the following data and forecasts as necessary:

1. Seasonal peak load forecasts for each Planning Period as calculated by PJM in accordance with the PJM Manuals reflecting (a) load forecasts with a 50 percent probability of being too high or too low and (b) summer peak diversities determined by the Office of the Interconnection from recent experience.
2. Forecasts of aggregate seasonal load shape of the Parties which are consistent with forecast averages of 52 weekly peak loads prepared by the Parties and obtained from Electric Distributors for their respective systems.
3. Variability of loads within each week, due to weather and other recurring and random factors, as determined by the Office of the Interconnection.
4. Generating unit capability and types for every existing and proposed unit.
5. Generator Forced Outage rates for existing mature generating units, as determined by the Office of the Interconnection, based on data submitted by the Parties for their respective systems, from recent experience, and for immature and proposed units based upon forecast rates related to unit types, capabilities and other pertinent characteristics.
6. Generator Maintenance Outage factors and planned outage schedules as determined by the Office of the Interconnection based on forecasts and historical data submitted by the Parties for their respective systems.
7. Miscellaneous adjustments to capacity due to all causes, as determined by the Office of the Interconnection, based on forecasts submitted by the Parties for their respective systems.
8. The emergency capacity assistance available as a function of interconnections of the PJM Region with other Control Areas, as limited by the capacity benefit margin considered in the determination of available transfer capability and the probable availability of generation in excess of load requirements in such areas.

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D. Capacity Benefit Margin

The capacity benefit margin initially shall be 3,500 megawatts. Periodically, in consultation with the Members Committee, the Office of the Interconnection shall review and modify, if necessary, the capacity benefit margin to balance external emergency capacity assistance and internal installed capacity reserves so as to minimize the total cost of the capacity reserves of the Parties, consistent with the Reliability Principles and Standards. The Office of the Interconnection will reflect such modification prospectively in its development of the Forecast Pool Requirement for future Planning Periods.

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SCHEDULE 4.1

DETERMINATION OF THE FORECAST POOL REQUIREMENT

A. Based on the guidelines set forth in Schedule 4, the Forecast Pool Requirement shall be determined as set forth in this Schedule 4.1 on an unforced capacity basis.

$$FPR = (1 + IRM/100) * (1 - \text{Pool-wide average } EFOR_D/100)$$

where

average $EFOR_D$ = the average equivalent demand forced outage rate for the PJM Region, stated in percent and determined in accordance with Section B hereof

IRM = the PJM Region Installed Reserve Margin approved by the PJM Board for that Planning Period, stated in percent. Studies by the Office of the Interconnection to determine IRM shall not exclude outages that are deemed to be outside plant management control under NERC guidelines.

B. The PJM Region equivalent demand forced outage rate ("average $EFOR_D$ ") shall be determined as the capacity weighted $EFOR_D$ for all units expected to serve loads within the PJM Region during the Delivery Year, as determined pursuant to Schedule 5.

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SCHEDULE 5

FORCED OUTAGE RATE CALCULATION

- A. The equivalent demand forced outage rate ("EFOR_D") shall be calculated as follows:

$$\text{EFOR}_D (\%) = \{(f_f * \text{FOH} + f_p * \text{EFPOH}) / (\text{SH} + f_f * \text{FOH})\} * 100$$

where

f_f = full outage factor

f_p = partial outage factor

FOH = full forced outage hours

EFPOH = equivalent forced partial outage hours

SH = service hours

- B. Calculation of EFOR_D for individual Generation Capacity Resources.

For each Delivery Year, EFOR_D shall be calculated at least one month prior to the start of the Third Incremental Auction for: (i) each Generation Capacity Resource for which a sell offer will be submitted in such Third Incremental Auction; and (ii) each Generation Capacity Resource previously committed to serve load in such Delivery Year pursuant to an FRR Capacity Plan or prior auctions for such Delivery Year. Such calculation shall be based upon such resource's service history in the twelve (12) consecutive months ending September 30 last preceding such auction. Historical data shall be based on official reports of the Parties under rules and practices set forth in the PJM Manuals. Such rate shall also include (i) an adjustment, if any, for capacity unavailable due to energy limitations determined in accordance with definitions and criteria set forth in the PJM Manuals and (ii) any other adjustments approved by the Members Committee to adjust the parameters of a designated unit. For purposes of the calculations under this Paragraph B, outages deemed to be outside plant management control in accordance with NERC guidelines shall not be considered.

1. The EFOR_D of a unit in service twelve or more full calendar months prior to the calculation month shall be the average rate experienced by such unit during the twelve-month period specified above. Historical data shall be based on official reports of the Parties under rules and practices set forth in the PJM Manuals.
2. The EFOR_D of a unit in service at least one full calendar month but less than the twelve-month period specified above shall be the average of the EFOR_D experienced by the unit weighted by full months of service, and the class average rate for units with that capability and of that type weighted by a factor of [(twelve) minus (the number of months the unit was in service)]. Historical data shall be based on official reports of the Parties under rules and practices set forth in the PJM Manuals.

- C. Calculation of average EFOR_D for the PJM Region

The forecast average EFOR_D for the PJM Region in a Delivery Year shall be the average of the forced outage rates, weighted for unit capability and expected time in service, attributable to all of the Generation Capacity Resources within the PJM Region, that are planned to be in service during the Delivery Year, including Generation Capacity Resources purchased from specified units and excluding Generation Capacity Resources sold outside the PJM Region from specified units. Such rate shall also include (i) an adjustment, if any, for capacity unavailable due to energy limitations determined in accordance with definitions and criteria set forth in the PJM Manuals and (ii) any other adjustments developed by the Office of Interconnection and maintained in the PJM Manuals to adjust the parameters of a designated unit when such parameters are or will be used to determine a future PJM Region reserve requirement and such adjustment is required to more accurately predict the future performance of such unit in light of extraordinary circumstances. For the purposes of this Schedule, the average EFOR_D shall be the average of the capacity-weighted EFOR_Ds of all units committed to serve load in the PJM Region; and for purposes of the EFOR_D calculations under this Paragraph C for any Delivery Year beginning after May 31, 2010, outages deemed to be outside plant management control in accordance with NERC guidelines shall not be considered. All rates shall be in percent.

1. The EFOR_D of a unit not yet in service or which has been in service less than one full calendar year at the time of forecast shall be the class average rate for units with that capability and of that type, as estimated and used in the calculation of the Forecast Pool Requirement.
2. The EFOR_D of a unit in service five or more full calendar years at the time of forecast shall be the average rate experienced by such unit during the five most recent calendar years. Historical data shall be based on official reports of the Parties under rules and practices developed by the Office of Interconnection and maintained in the PJM Manuals.
3. The EFOR_D of a unit in service at least one full calendar year but less than five full calendar years at the time of the forecast shall be determined as follows:

Full Calendar
Years of Service

- | | |
|---|--|
| 1 | One-fifth the rate experienced during the calendar year, plus four-fifths the class average rate. |
| 2 | Two-fifths the average rate experienced during the two calendar years, plus three-fifths the class average rate. |
| 3 | Three-fifths the average rate experienced during the three calendar years, plus two-fifths the class average rate. |
| 4 | Four-fifths the average rate experienced during the four calendar years, plus one-fifth the class average rate. |

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SCHEDULE 6

PROCEDURES FOR DEMAND RESOURCES, ILR, AND ENERGY EFFICIENCY

- A. Parties can partially or wholly offset the amounts payable for the Locational Reliability Charge with Demand Resources or ILR that are operated under the direction of the Office of the Interconnection. FRR Entities may reduce their capacity obligations with Demand Resources that are operated under the direction of the Office of the Interconnection and detailed in such entity's FRR Capacity Plan. Demand Resources qualifying under the criteria set forth below may be offered for sale or designated as Self-Supply in the Base Residual Auction, included in an FRR Capacity Plan, or offered for sale in any Incremental Auction, for any Delivery Year for which such resource qualifies. In addition, for Delivery Years through May 31, 2012, resources qualifying under the criteria set forth below may be certified as ILR on behalf of a Party that has not elected the FRR Alternative for a Delivery Year no later than three months prior to the first day of such Delivery Year; provided, however, that for the 2011-2012 Delivery Year only, the ILR certification deadline shall be no later than two months prior to the first day of such Delivery Year. Qualified Demand Resources and ILR generally fall in one of three categories, i.e., Guaranteed Load Drop, Firm Service Level, or Direct Load Control, as further specified in section H and the PJM Manuals. Qualified Demand Resources and ILR may be provided by a Demand Resource Provider or ILR Provider (hereinafter, "Provider"), notwithstanding that such Provider is not a Party to this Agreement. Such Providers must satisfy the requirements in section I and the PJM Manuals.
1. A Party must formally notify, in accordance with the requirements of the PJM Manuals and paragraph G of this schedule as applicable, the Office of the Interconnection of the Demand Resource or ILR that it is placing under the direction of the Office of the Interconnection. A Party must further notify the Office of the Interconnection whether the resource is an ILR resource, a Limited Demand Resource, an Extended Summer Demand Resource or an Annual Demand Resource.
 2. A period of no more than 2 hours prior notification must apply to interruptible customers.
 3. The initiation of load interruption, upon the request of the Office of the Interconnection, must be within the authority of the dispatchers of the Party. No additional approvals should be required.
 4. The initiation of load reduction upon the request of the Office of the Interconnection is considered an emergency action and must be implementable prior to a voltage reduction.

5. An entity offering for sale, designating for self-supply, or including in any FRR Capacity Plan any Planned Demand Resource must demonstrate, in accordance with standards and procedures set forth in the PJM Manuals, that such resource shall have the capability to provide a reduction in demand, or otherwise control load, on or before the start of the Delivery Year for which such resource is committed. Providers of Planned Demand Resources must provide a timeline including the milestones, which demonstrates to PJM's satisfaction that the Planned Demand Resources will be available for the start of the Delivery Year, 15 business days prior to a Base Residual Auction or Incremental Auction. PJM may verify the Provider's adherence to the timetable at any time.
6. Selection of a Demand Resource in an RPM Auction results in commitment of capacity to the PJM Region. Demand Resources that are so committed must be registered to participate in the Full Program Option or as a Capacity Only resource of the Emergency Load Response program and thus available for dispatch during PJM-declared emergency events.

B. The Unforced Capacity value of a Demand Resource and ILR will be determined as:

the product of the Nominated Value of the Demand Resource, or the Nominated Value of the ILR, times the DR Factor, times the Forecast Pool Requirement. Nominated Values shall be determined and reviewed in accordance with sections J and K, respectively, and the PJM Manuals. The DR Factor is a factor established by the PJM Board with the advice of the Members Committee to reflect the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR. Peak load carrying capability is defined to be the peak load that the PJM Region is able to serve at the loss of load expectation defined in the Reliability Principles and Standards. The DR Factor is the increase in the peak load carrying capability in the PJM Region due to Demand Resources and ILR, divided by the total Nominated Value of Demand Resources and ILR in the PJM Region. The DR Factor will be determined using an analytical program that uses a probabilistic approach to determine reliability. The determination of the DR Factor will consider the reliability of Demand Resources and ILR, the number of interruptions, and the total amount of load reduction.

- C. Demand Resources offered and cleared in a Base Residual or Incremental Auction shall receive the corresponding Capacity Resource Clearing Price as determined in such auction, in accordance with Attachment DD of the PJM Tariff. For Delivery Years beginning with the Delivery Year that commences on June 1, 2013, any Demand Resources located in a Zone with multiple LDAs shall receive the Capacity Resource Clearing Price applicable to the location of such resource within such Zone, as identified in such resource's offer. Further, the Demand Resource Provider shall register its resource in the same location within the Zone as specified in its cleared sell offer, and shall be subject to deficiency charges under Attachment DD of this Tariff to the extent it fails to provide the resource in such location consistent with its cleared offer. For either of the Delivery Year commencing on June 1, 2010 or commencing on June 1, 2012, if the

location of a Demand Resource is not specified by a Seller in the Sell Offer on an individual LDA basis in a Zone with multiple LDAs, then Demand Resources cleared by such Seller will be paid a DR Weighted Zonal Resource Clearing Price, determined as follows: (i) for a Zone that includes non-overlapping LDAs, calculated as the weighted average of the Resource Clearing Prices for such LDAs, weighted by the cleared Demand Resources registered by such Seller in each such LDA; or (ii) for a Zone that contains a smaller LDA within a larger LDA, calculated treating the smaller LDA and the remaining portion of the larger LDA as if they were separate LDAs, and weight-averaging in the same manner as (i) above.

- D. Certified ILR resources shall receive the Final Zonal ILR Price.
- E. The Party, Electric Distributor, Demand Resource Provider, or ILR Provider that establishes a contractual relationship (by contract or tariff rate) with a customer for load reductions is entitled to receive the compensation specified in sections C and D for a committed Demand Resource or certified ILR, notwithstanding that such provider is not the customer's energy supplier.
- F. Any Party hereto shall demonstrate that its Demand Resources or ILR performed during periods when load management procedures were invoked by the Office of the Interconnection. The Office of the Interconnection shall adopt and maintain rules and procedures for verifying the performance of such resources, as set forth in section L and the PJM Manuals. In addition, committed Demand Resources and certified ILR that do not comply with the directions of the Office of the Interconnection to reduce load during an emergency shall be subject to the penalty charge set forth in Attachment DD to the PJM Tariff.
- G. Parties may elect to place Demand Resources associated with Behind The Meter Generation under the direction of the Office of the Interconnection for a Delivery Year by submitting a Sell Offer for such resource (as Self Supply, or with an offer price) in the Base Residual Auction for such Delivery Year. This election shall remain in effect for the entirety of such Delivery Year. In the event such an election is made, such Behind The Meter Generation will not be netted from load for the purposes of calculating the Daily Unforced Capacity Obligations under this Agreement.
- H. PJM recognizes three types of Demand Resource and ILR:

Direct Load Control (DLC) – Load management that is initiated directly by the Provider's market operations center or its agent, employing a communication signal to cycle equipment (typically water heaters or central air conditioners). DLC programs are qualified based on load research and customer subscription data. Providers may rely on the results of load research studies identified in the PJM Manuals to set the per-participant load reduction for DLC programs. Each Provider relying on DLC load management must periodically update its DLC switch operability rates, in accordance with the PJM Manuals.

Firm Service Level (FSL) – Load management achieved by a customer reducing its load to a pre-determined level (the Firm Service Level), upon notification from the Provider's market operations center or its agent.

Guaranteed Load Drop (GLD) – Load management achieved by a customer reducing its load by a pre-determined amount (the Guaranteed Load Drop), upon notification from the Provider's market operations center or its agent. Typically, the load reduction is achieved through running customer-owned backup generators, or by shutting down process equipment.

For each type of Demand Resource and ILR above, there can be two notification periods:

Step 1 (Short Lead Time) – Demand Resource or ILR which must be fully implemented in one hour or less from the time the PJM dispatcher notifies the market operations center of a curtailment event.

Step 2 (Long Lead Time) – Demand Resource or ILR which requires more than one hour but no more than two hours, from the time the PJM dispatcher notifies the market operations center of a curtailment event, to be fully implemented.

- I. Each Provider must satisfy (or contract with another LSE, Provider, or EDC to provide) the following requirements:
 - A point of contact with appropriate backup to ensure single call notification from PJM and timely execution of the notification process;
 - supplemental status reports, detailing Demand Resources and ILR available, as requested by PJM;
 - Entry of customer-specific Demand Resource and ILR credit information, for planning and verification purposes, into the designated PJM electronic system.
 - Customer-specific compliance and verification information for each PJM-initiated Demand Resource or ILR event, as well as aggregated Provider load drop data for Provider-initiated events, in accordance with established reporting guidelines.
 - Load drop estimates for all Demand Resource or ILR events, prepared in accordance with the PJM Manuals.
- J. The Nominated Value of each Demand Resource or ILR shall be determined consistent with the process for determination of the capacity obligation for the customer.

The Nominated Value for a Firm Service Level customer will be based on the peak load contribution for the customer, as determined by the SCP methodology utilized to determine other ICAP obligation values. The maximum Demand Resource or ILR load

reduction value for a Firm Service Level customer will be equal to Peak Load Contribution – Firm Contract Level adjusted for system losses.

The Nominated Value for a Guaranteed Load Drop customer will be the guaranteed load drop amount, adjusted for system losses, as established by the customer's contract with the Provider. The maximum credit nominated shall not exceed the customer's Peak Load Contribution.

The Nominated Value for a Direct Load Control program will be based on load research and customer subscription. The maximum value of the program is equal to the approved per-participant load reduction multiplied by the number of active participants, adjusted for system losses. The per-participant impact is to be estimated at long-term average local weather conditions at the time of the summer peak.

Customer-specific Demand Resource or ILR information (EDC account number, peak load, notification period, etc.) will be entered into the designated PJM electronic system to establish credit values. Additional data may be required, as defined in sections K and L.

- K. Nominated Values shall be reviewed based on documentation of customer-specific data and Demand Resource or ILR information, to verify the amount of load management available, and to set a maximum allowable Nominated Value. Data is provided by both the zone EDC and the Provider on templates supplied by PJM, and must include the EDC meter number or other unique customer identifier, Peak Load Contribution (SCP), contract firm service level or guaranteed load drop values, applicable loss factor, zone/area location of the load drop, LSE contact information, number of active participants, etc. Such data must be uploaded and approved prior to the first day of the Delivery Year for such resource as a Demand Resource, or certification of such resource as ILR. Providers must provide this information concurrently to host EDCs.

For Firm Service Level and Guaranteed Load Drop customers, the SCP values, for the zone and affected customers, will be adjusted to reflect an "unrestricted" peak for a zone, based on information provided by the Provider. Load drop levels shall be estimated in accordance with guidelines in the PJM Manuals.

For Direct Load Control programs, the Provider must provide information detailing the number of active participants in each program. Other information on approved DLC programs will be provided by PJM.

- L. Compliance is the process utilized to review Provider performance during PJM-initiated Demand Resource and ILR events. Compliance will be established for each Provider on an event specific basis for the Provider's Demand Resources or ILR dispatched by the Office of the Interconnection during such event. PJM will establish and communicate reasonable deadlines for the timely submittal of event data to expedite compliance reviews. Compliance reviews will be completed as soon after the event as possible, with the expectation that reviews of a single event will be completed within two months of the

end of the month in which the event took place. Providers are responsible for the submittal of compliance information to PJM for each PJM-initiated event during the compliance period.

Compliance for Direct Load Control programs will consider only the transmission of the control signal. Providers are required to report the time period (during the Demand Resource and ILR event) that the control signal was actually sent.

Compliance is checked on an individual customer basis for FSL, by comparing actual load during the event to the firm service level. Providers must submit actual customer load levels (for the event period) for the compliance report. Compliance for FSL will be based on:

End use customer's current Delivery Year peak load contribution ("PLC") minus the metered load ("Load") multiplied by the loss factor ("LF"). The calculation is represented by:

$$(PLC) - (Load * LF)$$

Compliance is checked on an individual customer basis for GLD, and will be based on:

- (i) the lesser of (a) comparison load used to best represent what the load would have been if PJM did not declare a Load Management event or the CSP did not initiate a test as outlined in the PJM Manuals, minus the Load and then multiplied by the LF, or (b) the PLC minus the Load multiplied by the LF. A load reduction will only be recognized for capacity compliance if the Load multiplied by the LF is less than the PLC.
- (iii) Providers must submit actual loads and comparison loads for all hours during the day of the Load Management event or the Load Management performance test, and for all hours during any other days as required by the Office of the Interconnection to calculate the load reduction. Comparison loads must be developed from the guidelines in the PJM Manuals, and note which method was employed.

Compliance is averaged over the full hours of a load management event, for each customer or DLC program dispatched by the Office of the Interconnection. Demand Resource or ILR resources may not reduce their load below zero (i.e., export energy into the system). No compliance credit will be given for an incremental load drop below zero. Compliance will be totaled over all FSL and GLD customers and DLC programs to determine a net compliance position for the event for each Provider by Zone, for all Demand Resources committed and ILR Certified by such Provider and dispatched by the Office of the Interconnection in the zone. Deficiencies shall be as further determined in accordance with section 11 of Schedule DD to the PJM Tariff.

M. Energy Efficiency Resources

1. An Energy Efficiency Resource is a project, including installation of more efficient devices or equipment or implementation of more efficient processes or systems, exceeding then-current building codes, appliance standards, or other relevant standards, designed to achieve a continuous (during peak periods as described herein) reduction in electric energy consumption that is not reflected in the peak load forecast prepared for the Delivery Year for which the Energy Efficiency Resource is proposed, and that is fully implemented at all times during such Delivery Year, without any requirement of notice, dispatch, or operator intervention.
2. An Energy Efficiency Resource may be offered as a Capacity Resource in the Base Residual or Incremental Auctions for any Delivery Year beginning on or after June 1, 2011. No later than 30 days prior to the auction in which the resource is to be offered, the Capacity Market Seller shall submit to the Office of the Interconnection a notice of intent to offer the resource into such auction and a measurement and verification plan. The notice of intent shall include all pertinent project design data, including but not limited to the peak-load contribution of affected customers, a full description of the equipment, device, system or process intended to achieve the load reduction, the load reduction pattern, the project location, the project development timeline, and any other relevant data. Such notice also shall state the seller's proposed Nominated Energy Efficiency Value, which shall be the expected average load reduction between the hour ending 15:00 EPT and the hour ending 18:00 EPT during all days from June 1 through August 31, inclusive, of such Delivery Year that is not a weekend or federal holiday. The measurement and verification plan shall describe the methods and procedures, consistent with the PJM Manuals, for determining the amount of the load reduction and confirming that such reduction is achieved. The Office of the Interconnection shall determine, upon review of such notice, the Nominated Energy Efficiency Value that may be offered in the Reliability Pricing Model Auction.
3. An Energy Efficiency Resource may be offered with a price offer or as Self-Supply. If an Energy Efficiency Resource clears the auction, it shall receive the applicable Capacity Resource Clearing Price, subject to section 5 below. A Capacity Market Seller offering an Energy Efficiency Resource must comply with all applicable credit requirements as set forth in Attachment Q to the PJM Tariff. The Unforced Capacity value of an Energy Efficiency Resource offered into an RPM Auction shall be the Nominated Energy Efficiency value times the DR Factor and the Forecast Pool Requirement.
4. An Energy Efficiency Resource that clears an auction for a Delivery Year may be offered in auctions for up to three additional consecutive Delivery Years, but shall not be assured of clearing in any such auction; provided, however, an Energy Efficiency Resource may not be offered for any Delivery Year in which any part of the peak season is beyond the expected life of the equipment, device, system, or process providing the expected load reduction; and provided further that a

Capacity Market Seller that offers and clears an Energy Efficiency Resource in a BRA may elect a New Entry Price Adjustment on the same terms as set forth in section 5.14(c) of this Attachment DD.

5. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than 30 days prior to each Auction an updated project status and measurement and verification plan subject to the criteria set forth in the PJM Manuals.
6. For every Energy Efficiency Resource clearing an RPM Auction for a Delivery Year, the Capacity Market Seller shall submit to the Office of the Interconnection, by no later than the start of such Delivery Year, an updated project status and detailed measurement and verification data meeting the standards for precision and accuracy set forth in the PJM Manuals. The final value of the Energy Efficiency Resource during such Delivery Year shall be as determined by the Office of the Interconnection based on the submitted data.
7. The Office of the Interconnection may audit, at the Capacity Market Seller's expense, any Energy Efficiency Resource committed to the PJM Region. The audit may be conducted any time including the Performance Hours of the Delivery Year.

Effective Date: 11/7/2011 - Docket #: ER11-3322-001

SCHEDULE 7

PLANS TO MEET OBLIGATIONS

- A. Each Party that elects to meet its estimated obligations for a Delivery Year by Self-Supply of Capacity Resources shall notify the Office of the Interconnection via the Internet site designated by the Office of the Interconnection, prior to the start of the Base Residual Auction for such Delivery Year.
- B. A Party that Self-Supplies Capacity Resources to satisfy its obligations for a Delivery Year must submit a Sell Offer as to such resource in the Base Residual Auction for such Delivery Year, in accordance with Attachment DD to the PJM Tariff.
- C. If, at any time after the close of the Third Incremental Auction for a Delivery Year, including at any time during such Delivery Year, a Capacity Resource that a Party has committed as a Self-Supplied Capacity Resource becomes physically incapable of delivering capacity or reducing load, the Party may submit a replacement Capacity Resource to the Office of the Interconnection. Such replacement Capacity Resource (1) may not be previously committed for such Delivery Year, (2) shall be capable of providing the same quantity of megawatts of capacity or load reduction as the originally committed Capacity Resource, and (3) shall meet the same locational requirements, if applicable, as the originally committed resource. In accordance with Attachment DD to the PJM Tariff, the Office of the Interconnection shall determine the acceptability of the replacement Capacity Resource.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

SCHEDULE 8

DETERMINATION OF UNFORCED CAPACITY OBLIGATIONS

- A. For each billing month during a Delivery Year, the Daily Unforced Capacity Obligation of a Party that has not elected the FRR Alternative for such Delivery Year shall be determined on a daily basis for each Zone as follows:

Daily Unforced Capacity Obligation = OPL x Final Zonal RPM Scaling Factor x FPR

Where:

OPL =Obligation Peak Load, defined as the daily summation of the weather-adjusted coincident summer peak, last preceding the Delivery Year, of the end-users in such Zone (net of operating Behind The Meter Generation, but not to be less than zero) for which such Party was responsible on that billing day, as determined in accordance with the procedures set forth in the PJM Manuals

Final Zonal RPM Scaling Factor = the factor determined as set forth in sections B and C of this Schedule

FPR = the Forecast Pool Requirement

Netting of Behind the Meter Generation for a Party with regard to Non-Retail Behind the Meter Generation shall be subject to the following limitation:

For the 2006/2007 Planning Period, 100 percent of the operating Non-Retail Behind the Meter Generation shall be netted, provided that the total amount of Non-Retail Behind the Meter Generation in the PJM Region does not exceed 1500 megawatts ("Non-Retail Threshold"). For each Planning Period/Delivery Year thereafter, the Non-Retail threshold shall be proportionately increased based on load growth in the PJM Region but shall not be greater than 3000 megawatts. Load growth shall be determined by the Office of the Interconnection based on the most recent forecasted weather-adjusted coincident summer peak for the PJM Region divided by the weather-adjusted coincident peak for the previous summer for the same area. After the load growth factor is applied, the Non-Retail Threshold will be rounded up or down to the nearest whole megawatt and the rounded number shall be the Non-Retail Threshold for the current Planning Period and the base amount for calculating the Non-Retail Threshold for the succeeding planning period. If the Non-Retail Threshold is exceeded, the amount of operating Non-Retail Behind the Meter Generation that a Party may net shall be adjusted according to the following formula:

Party Netting Credit = (NRT/ PJM NRBTMG) * Party Operating NRBTMG

Where: NRBTMG is Non-Retail Behind the Meter Generation

NRT is the Non-Retail Threshold

PJM NRBTMG is the total amount of Non-Retail Behind the Meter Generation in the PJM Region

The total amount of Non-Retail Behind the Meter Generation that is eligible for netting in the PJM Region is 3000 megawatts. Once this 3000 megawatt limit is reached, any additional Non-Retail Behind the Meter Generation which operates in the PJM Region will be ineligible for netting under this section.

In addition, the Party NRBTMG Netting Credit shall be adjusted pursuant to Schedule 16 of this Agreement, if applicable.

A Party shall be required to report to PJM such information as is required to facilitate the determination of its NRBTMG Netting Credit in accordance with the procedures set forth in the PJM Manuals.

B. Following the Base Residual Auction for a Delivery Year, the Office of the Interconnection shall determine the Base Zonal RPM Scaling Factor and the Base Zonal Unforced Capacity Obligation for each Zone for such Delivery Year as follows:

Base Zonal Unforced Capacity Obligation = (ZWNSP * Base Zonal RPM Scaling Factor * FPR) + Forecast Zonal ILR Obligation (for Delivery Years through May 31, 2012) or Zonal Short-Term Resource Procurement Target (for Delivery Years thereafter)

and

Base Zonal RPM Scaling Factor = $ZPLDY / ZWNSP \times [RUCO / (RPLDY \times FPR)]$

Where:

ZPLDY = Preliminary Zonal Peak Load Forecast for such Delivery Year

ZWNSP = Zonal Weather-Normalized Summer Peak for the summer season concluding four years prior to the commencement of such Delivery Year

RUCO = the RTO Unforced Capacity Obligation satisfied in the Base Residual Auction for such Delivery Year.

RPLDY = RTO Preliminary Peak Load Forecast for such Delivery Year.

For purposes of such determination, PJM shall determine the Preliminary RTO Peak Load Forecast, and the Preliminary Zonal Peak Load Forecasts for each Zone, in accordance with the PJM Manuals for each Delivery Year no later than one month prior to the Base Residual Auction for such Delivery Year. PJM shall determine the Updated RTO and Zonal Peak Load Forecasts in accordance with the PJM Manuals for each Delivery Year no later than one month prior to each of the First, Second, and Third Incremental Auctions for such Delivery Year. PJM shall determine the most recent Weather Normalized Summer Peak for each Zone no later than seven months prior to the start of the Delivery Year, and shall calculate the RTO Weather Normalized Summer Peak as the sum of the Weather Normalized Summer Peaks for all Zones.

- C. The Final RTO Unforced Capacity Obligation for a Delivery Year shall be equal to the sum of the unforced capacity obligations satisfied through the Base Residual Auction and the First, Second, Third, and any Conditional Incremental Auctions for such Delivery Year. The unforced capacity obligation satisfied in an Incremental Auction may be negative if capacity is decommitted in such auction. The Final Zonal Unforced Capacity Obligation for a Zone shall be equal to such Zone's pro rata share of the Final RTO Unforced Capacity Obligation for the Delivery Year based on the Final Zonal Peak Load Forecast made one month prior to the Third Incremental Auction. The Final Zonal RPM Scaling Factor shall be equal to the Final Zonal Unforced Capacity Obligation divided by (FPR times the Zonal Weather Normalized Summer Peak for the summer concluding prior to the commencement of such Delivery Year).
- D.
 - 1. No later than five months prior to the start of each Delivery Year, the Electric Distributor for a Zone shall allocate the most recent Weather Normalized Summer Peak for such Zone to determine the Obligation Peak Load for each end-use customer within such Zone.
 - 2. During the Delivery Year, no later than 36 hours prior to the start of each operating day, the Electric Distributor shall provide to PJM for each Party to this Agreement serving load in such Electric Distributor's Zone the Obligation Peak Load for all end-use customers served by such Party in such Zone. The daily Unforced Capacity Obligation of a Party for such Operating Day shall not be subject to change thereafter.
 - 3. For purposes of such allocations, the daily sum of the Obligation Peak Loads of all Parties serving load in a Zone must equal the Zonal Obligation Peak Load for such Zone.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 8.1

FIXED RESOURCE REQUIREMENT ALTERNATIVE

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

The Fixed Resource Requirement ("FRR") Alternative

A. The Fixed Resource Requirement ("FRR") Alternative provides an alternative means, under the terms and conditions of this Schedule, for an eligible Load-Serving Entity to satisfy its obligation hereunder to commit Unforced Capacity to ensure reliable service to loads in the PJM Region.

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

B. Eligibility

1. A Party is eligible to select the FRR Alternative if it (a) is an IOU, Electric Cooperative, or Public Power Entity; and (b) demonstrates the capability to satisfy the Unforced Capacity obligation for all load in an FRR Service Area, including all expected load growth in such area, for the term of such Party's participation in the FRR Alternative.
2. A Party eligible under B.1 above may select the FRR Alternative only as to all of its load in the PJM Region; provided however, that a Party may select the FRR Alternative for only part of its load in the PJM Region if (a) the Party elects the FRR Alternative for all load (including all expected load growth) in one or more FRR Service Areas; (b) the Party complies with the rules and procedures of the Office of the Interconnection and all relevant Electric Distributors related to the metering and reporting of load data and settlement of accounts for separate FRR Service Areas; and (c) the Party separately allocates its Capacity Resources to and among FRR Service Areas in accordance with rules specified in the PJM Manuals.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

C. Election, and Termination of Election, of FRR Alternative

1. No less than two months before the conduct of the Base Residual Auction for the first Delivery Year for which such election is to be effective, any Party seeking to elect the FRR Alternative shall notify the Office of the Interconnection in writing of such election. Such election shall be for a minimum term of five consecutive Delivery Years. No later than one month before such Base Residual Auction, such Party shall submit its FRR Capacity Plan demonstrating its commitment of Capacity Resources for the term of such election sufficient to meet such Party's Daily Unforced Capacity Obligation (and all other applicable obligations under this Schedule) for the load identified in such plan.

2. An FRR Entity may terminate its election of the FRR Alternative effective with the commencement of any Delivery Year following the minimum five Delivery Year commitment by providing written notice of such termination to the Office of the Interconnection no later than two months prior to the Base Residual Auction for such Delivery Year. An FRR Entity that has terminated its election of the FRR Alternative shall not be eligible to re-elect the FRR Alternative for a period of five consecutive Delivery Years following the effective date of such termination.

3. Notwithstanding subsections C.1 and C.2 of this Schedule, in the event of a State Regulatory Structural Change, a Party may elect, or terminate its election of, the FRR Alternative effective as to any Delivery Year by providing written notice of such election or termination to the Office of the Interconnection in good faith as soon as the Party becomes aware of such State Regulatory Structural Change but in any event no later than two months prior to the Base Residual Auction for such Delivery Year.

4. To facilitate the elections and notices required by this Schedule, the Office of the Interconnection shall post, in addition to the information required by Section 5.11(a) of Attachment DD to the PJM Tariff, the percentage of Capacity Resources required to be located in each Locational Deliverability Area by no later than one month prior to the deadline for a Party to provide such elections and notices.

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

D. FRR Capacity Plans

1. Each FRR Entity shall submit its initial FRR Capacity Plan as required by subsection C.1 of this Schedule, and shall annually extend and update such plan by no later than one month prior to the Base Residual Auction for each succeeding Delivery Year in such plan. Each FRR Capacity Plan shall indicate the nature and current status of each resource, including the status of each Planned Generation Capacity Resource or Planned Demand Resource, the planned deactivation or retirement of any Generation Capacity Resource or Demand Resource, and the status of commitments for each sale or purchase of capacity included in such plan.

2. The FRR Capacity Plan of each FRR Entity that commits that it will not sell surplus Capacity Resources as a Capacity Market Seller in any auction conducted under Attachment DD of the PJM Tariff, or to any direct or indirect purchaser that uses such resource as the basis of any Sell Offer in such auction, shall designate Capacity Resources in a megawatt quantity no less than the Forecast Pool Requirement for each applicable Delivery Year times the FRR Entity's allocated share of the Preliminary Zonal Peak Load Forecast for such Delivery Year, as determined in accordance with procedures set forth in the PJM Manuals. The set of Capacity Resources designated in the FRR Capacity Plan must meet the Minimum Annual Resource Requirement and the Minimum Extended Summer Resource Requirement associated with the FRR Entity's capacity obligation. If the FRR Entity is not responsible for all load within a Zone, the Preliminary Forecast Peak Load for such entity shall be the FRR Entity's Obligation Peak Load last determined prior to the Base Residual Auction for such Delivery Year, times the Base Zonal FRR Scaling Factor. The FRR Capacity Plan of each FRR Entity that does not commit that it will not sell surplus Capacity Resources as set forth above shall designate Capacity Resources at least equal to the Threshold Quantity. To the extent the FRR Entity's allocated share of the Final Zonal Peak Load Forecast exceeds the FRR Entity's allocated share of the Preliminary Zonal Peak Load Forecast, such FRR Entity's FRR Capacity Plan shall be updated to designate additional Capacity Resources in an amount no less than the Forecast Pool Requirement times such increase; provided, however, any excess megawatts of Capacity Resources included in such FRR Entity's previously designated Threshold Quantity, if any, may be used to satisfy the capacity obligation for such increased load. To the extent the FRR Entity's allocated share of the Final Zonal Peak Load Forecast is less than the FRR Entity's allocated share of the Preliminary Zonal Peak Load Forecast, such FRR Entity's FRR Capacity Plan may be updated to release previously designated Capacity Resources in an amount no greater than the Forecast Pool Requirement times such decrease.

3. As to any FRR Entity, the Base Zonal FRR Scaling Factor for each Zone in which it serves load for a Delivery Year shall equal $ZPLDY/ZWNSP$, where:

$ZPLDY$ = Preliminary Zonal Peak Load Forecast for such Zone for such Delivery Year; and

$ZWNSP$ = Zonal Weather-Normalized Summer Peak Load for such Zone for the summer concluding four years prior to the commencement of such Delivery Year.

4. Capacity Resources identified and committed in an FRR Capacity Plan shall meet all requirements under this Agreement and the PJM Operating Agreement applicable to Capacity

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Resources, including, as applicable, requirements and milestones for Planned Generation Capacity Resources and Planned Demand Resources. A Capacity Resource submitted in an FRR Capacity Plan must be on a unit-specific basis, and may not include "slice of system" or similar agreements that are not unit specific. An FRR Capacity Plan may include bilateral transactions that commit capacity for less than a full Delivery Year only if the resources included in such plan in the aggregate satisfy all obligations for all Delivery Years. All demand response, load management, energy efficiency, or similar programs on which such FRR Entity intends to rely for a Delivery Year must be included in the FRR Capacity Plan submitted three years in advance of such Delivery Year and must satisfy all requirements applicable to Demand Resources or Energy Efficiency Resources, as applicable, including, without limitation, those set forth in Schedule 6 to this Agreement and the PJM Manuals; provided, however, that previously uncommitted Unforced Capacity from such programs may be used to satisfy any increased capacity obligation for such FRR Entity resulting from a Final Zonal Peak Load Forecast applicable to such FRR Entity.

5. For each LDA for which the Office of the Interconnection has established a separate Variable Resource Requirement Curve for any Delivery Year addressed by such FRR Capacity Plan, the plan must include a minimum percentage of Capacity Resources for such Delivery Year located within such LDA. Such minimum percentage ("Percentage Internal Resources Required") will be calculated as the LDA Reliability Requirement less the CETL for the Delivery Year, as determined by the RTEP process as set forth in the PJM Manuals. Such requirement shall be expressed as a percentage of the Unforced Capacity Obligation based on the Preliminary Zonal Peak Load Forecast multiplied by the Forecast Pool Requirement.

6. An FRR Entity may reduce such minimum percentage as to any LDA to the extent the FRR Entity commits to a transmission upgrade that increases the capacity emergency transfer limit for such LDA. Any such transmission upgrade shall adhere to all requirements for a Qualified Transmission Upgrade as set forth in Attachment DD to the PJM Tariff. The increase in CETL used in the FRR Capacity Plan shall be that approved by PJM prior to inclusion of any such upgrade in an FRR Capacity Plan. The FRR Entity shall designate specific additional Capacity Resources located in the LDA from which the CETL was increased, to the extent of such increase.

7. The Office of the Interconnection will review the adequacy of all submittals hereunder both as to timing and content. A Party that seeks to elect the FRR Alternative that submits an FRR Capacity Plan which, upon review by the Office of the Interconnection, is determined not to satisfy such Party's capacity obligations hereunder, shall not be permitted to elect the FRR Alternative. If a previously approved FRR Entity submits an FRR Capacity Plan that, upon review by the Office of the Interconnection, is determined not to satisfy such Party's capacity obligations hereunder, the Office of the Interconnection shall notify the FRR Entity, in writing, of the insufficiency within five (5) business days of the submittal of the FRR Capacity Plan. If the FRR Entity does not cure such insufficiency within five (5) business days after receiving such notice of insufficiency, then such FRR Entity shall be assessed an FRR Commitment Insufficiency Charge, in an amount equal to two times the Cost of New Entry for the relevant location, in \$/MW-day, times the shortfall of Capacity Resources below the FRR Entity's

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capacity obligation (including any Threshold Quantity requirement) in such FRR Capacity Plan, for the remaining term of such plan.

8. In a state regulatory jurisdiction that has implemented retail choice, the FRR Entity must include in its FRR Capacity Plan all load, including expected load growth, in the FRR Service Area, notwithstanding the loss of any such load to or among alternative retail LSEs. In the case of load reflected in the FRR Capacity Plan that switches to an alternative retail LSE, where the state regulatory jurisdiction requires switching customers or the LSE to compensate the FRR Entity for its FRR capacity obligations, such state compensation mechanism will prevail. In the absence of a state compensation mechanism, the applicable alternative retail LSE shall compensate the FRR Entity at the capacity price in the unconstrained portions of the PJM Region, as determined in accordance with Attachment DD to the PJM Tariff, provided that the FRR Entity may, at any time, make a filing with FERC under Sections 205 of the Federal Power Act proposing to change the basis for compensation to a method based on the FRR Entity's cost or such other basis shown to be just and reasonable, and a retail LSE may at any time exercise its rights under Section 206 of the FPA.

9. Notwithstanding the foregoing, in lieu of providing the compensation described above, such alternative retail LSE may, for any Delivery Year subsequent to those addressed in the FRR Entity's then-current FRR Capacity Plan, provide to the FRR Entity Capacity Resources sufficient to meet the capacity obligation described in paragraph D.2 for the switched load. Such Capacity Resources shall meet all requirements applicable to Capacity Resources pursuant to this Agreement and the PJM Operating Agreement, all requirements applicable to resources committed to an FRR Capacity Plan under this Agreement, and shall be committed to service to the switched load under the FRR Capacity Plan of such FRR Entity. The alternative retail LSE shall provide the FRR Entity all information needed to fulfill these requirements and permit the resource to be included in the FRR Capacity Plan. The alternative retail LSE, rather than the FRR Entity, shall be responsible for any performance charges or compliance penalties related to the performance of the resources committed by such LSE to the switched load. For any Delivery Year, or portion thereof, the foregoing obligations apply to the alternative retail LSE serving the load during such time period. PJM shall manage the transfer accounting associated with such compensation and shall administer the collection and payment of amounts pursuant to the compensation mechanism.

Such load shall remain under the FRR Capacity Plan until the effective date of any termination of the FRR Alternative and, for such period, shall not be subject to Locational Reliability Charges under Section 7.2 of this Agreement.

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

E. Conditions on Purchases and Sales of Capacity Resources by FRR Entities

1. An FRR Entity may not include in its FRR Capacity Plan for any Delivery Year any Capacity Resource that has cleared in any auction under Attachment DD of the PJM Tariff for such Delivery Year. Nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan any Capacity Resource that has not cleared such an auction for such Delivery Year. Furthermore, nothing herein shall preclude an FRR Entity from including in its FRR Capacity Plan a Capacity Resource obtained from a different FRR Entity, provided, however, that each FRR Entity shall be individually responsible for meeting its capacity obligations hereunder, and provided further that the same megawatts of Unforced Capacity shall not be committed to more than one FRR Capacity Plan for any given Delivery Year.
2. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may offer to sell Capacity Resources in excess of that needed for the Threshold Quantity in any auction conducted under Attachment DD of the PJM Tariff for such Delivery Year, but may not offer to sell Capacity Resources in the auctions for any such Delivery Year in excess of an amount equal to the lesser of (a) 25% times the Unforced Capacity equivalent of the Installed Reserve Margin for such Delivery Year multiplied by the Preliminary Forecast Peak Load for which such FRR Entity is responsible under its FRR Capacity Plan(s) for such Delivery Year, or (b) 1300 MW.
3. An FRR Entity that designates Capacity Resources in its FRR Capacity Plan(s) for a Delivery Year based on the Threshold Quantity may not offer to sell such resources in any Reliability Pricing Model auction, but may use such resources to meet any increased capacity obligation resulting from unanticipated growth of the loads in its FRR Capacity Plan(s), or may sell such resources to serve loads located outside the PJM Region, or to another FRR Entity, subject to subsection E.1 above.
4. A Party that has selected the FRR Alternative for only part of its load in the PJM Region pursuant to Section B.2 of this Schedule that designates Capacity Resources as Self-Supply in a Reliability Pricing Model Auction to meet such Party's expected Daily Unforced Capacity Obligation under Schedule 8 shall not be required, solely as a result of such designation, to identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity; provided, however, that such Party may not so designate Capacity Resources in an amount in excess of the lesser of (a) 25% times such Party's total expected Unforced Capacity obligation (under both Schedule 8 and Schedule 8.1), or (b) 200 MW. A Party that wishes to avoid the foregoing limitation must identify Capacity Resources in its FRR Capacity Plan(s) based on the Threshold Quantity.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

F. FRR Daily Unforced Capacity Obligations and Deficiency Charges

1. For each billing month during a Delivery Year, the Daily Unforced Capacity Obligation of an FRR Entity shall be determined on a daily basis for each Zone as follows:

$$\text{Daily Unforced Capacity Obligation} = \text{OPL} * \text{Final Zonal FRR Scaling Factor} * \text{FPR}$$

where:

OPL =Obligation Peak Load, defined as the daily summation of the weather-adjusted coincident summer peak, last preceding the Delivery Year, of the end-users in such Zone (net of operating Behind The Meter Generation, but not to be less than zero) for which such Party was responsible on that billing day, as determined in accordance with the procedures set forth in the PJM Manuals

$$\text{Final Zonal FRR Scaling Factor} = \text{FZPLDY}/\text{FZWNSP};$$

FZPLDY = Final Zonal Peak Load Forecast for such Delivery Year; and

FZWNSP = Zonal Weather-Normalized Peak Load for the summer concluding prior to the commencement of such Delivery Year.

2. An FRR Entity shall be assessed an FRR Capacity Deficiency Charge in each Zone addressed in such entity's FRR Capacity Plan for each day during a Delivery Year that it fails to satisfy its Daily Unforced Capacity Obligation in each Zone. Such FRR Capacity Deficiency Charge shall be in an amount equal to the deficiency below such FRR Entity's Daily Unforced Capacity Obligation for such Zone times (1.20 times the Capacity Resource Clearing Price resulting from all RPM Auctions for such Delivery Year for the LDA encompassing such Zone, weight-averaged for the Delivery Year based on the prices established and quantities cleared in such auctions).

3. If an FRR Entity acquires load that is not included in the Preliminary Zonal Peak Load Forecast such acquired load shall be treated in the same manner as provided in Sections H.1 and H.2 of this Schedule.

4. The shortages in meeting the minimum requirement within the constrained zones and the shortage in meeting the total obligation are first calculated. The shortage in the unconstrained area is calculated as the total shortage less shortages in constrained zones and excesses in constrained zones (the shortage is zero if this is a negative number). The Capacity Deficiency Charge is charged to the shortage in each zone and in the unconstrained area separately. This procedure is used to allow the use of capacity excesses from constrained zones to reduce shortage in the unconstrained area and to disallow the use of capacity excess from unconstrained area to reduce shortage in constrained zones.

5. The shortages in meeting the Minimum Annual Resource Requirement and the Minimum Extended Summer Resource Requirement associated with the FRR Entity's capacity obligation

Intra-PJM Tariffs

are calculated separately. The applicable penalty rate is calculated for Annual Resources, Extended Summer Demand Resources, and Limited Resources as (1.20 times the Capacity Resource Clearing Price resulting from all RPM Auctions for such Delivery Year for the LDA encompassing such Zone, weight-averaged for the Delivery Year based on the prices established and quantities cleared in such auctions).

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

G. Capacity Resource Performance

Any Capacity Resource committed by an FRR Entity in an FRR Capacity Plan for a Delivery Year shall be subject during such Delivery Year to the charges set forth in sections 7, 9, 10, 11, and 13 of Attachment DD to the PJM Tariff; provided, however, the Daily Deficiency Rate under sections 7, 9, and 13 thereof shall be 1.20 times the Capacity Resource Clearing Price resulting from all RPM Auctions for such Delivery Year for the LDA encompassing the Zone of the FRR Entity, weight-averaged for the Delivery Year based on the prices established and quantities cleared in such auctions), and the charge rates under section 10 thereof, shall be the Capacity Resource Clearing Price resulting from the RPM Auctions for the Delivery Year for the LDA encompassing the Zone of the FRR Entity, weight-averaged as described above. An FRR Entity shall have the same opportunities to cure deficiencies and avoid or reduce associated charges during the Delivery Year that a Market Seller has under Sections 7, 9, and 10 of Attachment DD to the PJM Tariff. An FRR Entity may cure deficiencies and avoid or reduce associated charges prior to the Delivery Year by procuring replacement Unforced Capacity outside of any RPM Auction and committing such capacity in its FRR Capacity Plan.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

H. Annexation of service territory by Public Power Entity

1. In the event a Public Power Entity that is an FRR Entity annexes service territory to include new customers on sites where no load had previously existed, then the incremental load on such a site shall be treated as unanticipated load growth, and such FRR Entity shall be required to commit sufficient resources to cover such obligation in the relevant Delivery Year.
2. In the event a Public Power Entity that is an FRR Entity annexes service territory to include load from a Party that has not elected the FRR Alternative, then:
 - a. For any Delivery Year for which a Base Residual Auction already has been conducted, such acquiring FRR Entity shall meet its obligations for the incremental load by paying PJM for incremental obligations (including any additional demand curve obligation) at the Capacity Resource Clearing Price for the relevant location. Any such revenues shall be used to pay Capacity Resources that cleared in the BRA for that LDA.
 - b. For any Delivery Year for which a Base Residual Auction has not been conducted, such acquiring FRR Entity shall include such incremental load in its FRR Capacity Plan.
3. Annexation whereby a Party that has not elected the FRR Alternative acquires load from an FRR entity:
 - a. For any Delivery Year for which a Base Residual Auction already has been conducted, PJM would consider shifted load as unanticipated load growth for purposes of determining whether to hold a Second Incremental Auction. If a Second Incremental Auction is held, FRR entity would have a must offer requirement for sufficient capacity to meet the load obligation of such shifted load. If no Second Incremental Auction is conducted, the FRR Entity may sell the associated quantity of capacity into an RPM Auction or bilaterally.
 - b. For any Delivery Year for which a Base Residual Auction has not been conducted, the FRR Entity that lost such load would no longer include such load in its FRR Capacity Plan, and PJM would include such shifted load in future BRAs.

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

I. Savings Clause for State-Wide FRR Program

Nothing herein shall obligate or preclude a state, acting either by law or through a regulatory body acting within its authority, from designating the Load Serving Entity or Load Serving Entities that shall be responsible for the capacity obligation for all load in one or more FRR Service Areas within such state according to the terms and conditions of that certain Settlement Agreement dated September 29, 2006 in FERC Docket Nos. ER05-1410 and E105-148, the PJM Tariff and this Agreement. Each LSE subject to such state action shall become a Party to this Agreement and shall be deemed to have elected the FRR Alternative.

Effective Date: 7/14/2011 - Docket #: ER11-4040-000

SCHEDULE 9

PROCEDURES FOR ESTABLISHING THE CAPABILITY OF GENERATION CAPACITY RESOURCES

- A. Such rules and procedures as may be required to determine and demonstrate the capability of Generation Capacity Resources for the purposes of meeting a Load Serving Entity's obligations under the Agreement shall be developed by the Office of Interconnection and maintained in the PJM Manuals.
- B. The rules and procedures for determining and demonstrating the capability of generating units to serve load in the PJM Region shall be consistent with achieving uniformity for planning, operating, accounting and reporting purposes.
- C. The rules and procedures shall recognize the difference in types of generating units and the relative ability of units to maintain output at stated capability over a specified period of time. Factors affecting such ability include, but are not limited to, fuel availability, stream flow for hydro units, reservoir storage for hydro and pumped storage units, mechanical limitations, and system operating policies.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 10

PROCEDURES FOR ESTABLISHING DELIVERABILITY OF GENERATION CAPACITY RESOURCES

Generation Capacity Resources must be deliverable, consistent with a loss of load expectation as specified by the Reliability Principles and Standards, to the total system load, including portion(s) of the system in the PJM Region that may have a capacity deficiency at any time. Deliverability shall be demonstrated by either obtaining or providing for Network Transmission Service or Firm Point-To-Point Transmission Service within the PJM Region such that each Generation Capacity Resource is either a Network Resource or a Point of Receipt, respectively. In addition, for Generation Capacity Resources located outside the metered boundaries of the PJM Region that are used to meet an Unforced Capacity Obligation, the capacity and energy of such Generation Capacity Resources must be delivered to the metered boundaries of the PJM Region through firm transmission service.

Certification of deliverability means that the physical capability of the transmission network has been tested by the Office of the Interconnection and found to provide that service consistent with the assessment of available transfer capability as set forth in the PJM Tariff and, for Generation Resources owned or contracted for by a Load Serving Entity, that the Load Serving Entity has obtained or provided for Network Transmission Service or Firm Point-to-Point Transmission Service to have capacity delivered on a firm basis under specified terms and conditions.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 10.1

LOCATIONAL DELIVERABILITY AREAS AND REQUIREMENTS

The capacity obligations imposed under this Agreement recognize the locational value of Capacity Resources. To ensure that such locational value is properly recognized and quantified, the Office of the Interconnection shall follow the procedures in this Schedule.

A. The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes of the Regional Transmission Expansion Planning Protocol, shall consist of the following Zones (as defined in Schedule 15), combinations of such Zones, and portions of such Zones:

- ATSI
- DEOK
- Dominion
- Penelec
- ComEd
- AEP
- Dayton
- Duquesne
- APS
- AE
- BGE
- DPL
- PECO
- PEPCO
- PSEG
- JCPL
- MetEd
- PPL
- Mid-Atlantic Area Council (MAAC) Region (consisting of all the zones listed below for Eastern MAAC, Western MAAC, and Southwestern MAAC)
- ComEd, AEP, Dayton, APS, Duquesne, ATSI, and DEOK
- Eastern MAAC (PSE&G, JCP&L, PECO, AE, DPL & RE)
- Southwestern MAAC (PEPCO & BG&E)
- Western MAAC (Penelec, MetEd, PPL)
- PSEG northern region (north of Linden substation); and
- DPL southern region (south of Chesapeake and Delaware Canal)

The Locational Deliverability Areas for the purposes of determining locational capacity obligations hereunder, but not necessarily for the purposes for the Regional Transmission Expansion Planning Protocol, shall also include any new Zones expected to be integrated into PJM prior to the commencement of the Base Residual Auction for the Delivery Year for which the locational capacity obligation is being determined.

B. For purposes of evaluating the need for any changes to the foregoing list, Locational Deliverability Areas shall be those areas, identified by the load deliverability analyses conducted pursuant to the Regional Transmission Expansion Planning Protocol and the PJM Manuals that have a limited ability to import capacity due to physical limitations of the transmission system, voltage limitations or stability limitations. Such limits on import capability shall not reflect the effect of Qualifying Transmission Upgrades offered in the Base Residual Auction. The Locational Deliverability Areas identified in Paragraph A above (as it may be amended from time to time) for a Delivery Year shall be modeled in the Base Residual Auction and any Incremental Auction conducted for such Delivery Year. If the Office of the Interconnection includes a new Locational Deliverability Area in the Regional Transmission Expansion Planning Protocol, it shall make a filing with FERC to amend this Schedule to add a new Locational Deliverability Area (including a new aggregate LDA), if such new Locational Deliverability Area is projected to have a capacity emergency transfer limit less than 1.15 times the capacity emergency transfer objective of such area, or if warranted by other reliability concerns consistent with the Reliability Principles and Standards. In addition, any Party may propose, and the Office of the Interconnection shall evaluate, consistent with the same CETO/CETO comparison or other reliability concerns, possible new Locational Deliverability Areas (including aggregate LDAs) for inclusion under the Regional Transmission Expansion Planning Protocol and for purposes of determining locational capacity obligations hereunder.

C. For each Locational Deliverability Area for which a separate VRR Curve was established for a Delivery Year, the Office of the Interconnection shall determine, pursuant to procedures set forth in the PJM Manuals, the Percentage of Internal Resources Required, that must be committed during such Delivery Year from Capacity Resources physically located in such Locational Deliverability Area.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

SCHEDULE 11

DATA SUBMITTALS

To perform the studies required to determine the Forecast Pool Requirement and Daily Unforced Capacity Obligations under this Agreement and to determine compliance with the obligations imposed by this Agreement, each Party and other owner of a Capacity Resource shall submit data to the Office of the Interconnection in conformance with the following minimum requirements:

1. All data submitted shall satisfy the requirements, as they may change from time to time, of any procedures adopted by the Members Committee.
2. Data shall be submitted in an electronic format, or as otherwise specified by the Markets and Reliability Committee and approved by the PJM Board.
3. Actual outage data for each month for Generator Forced Outages, Generator Maintenance Outages and Generator Planned Outages shall be submitted so that it is received by such date specified in the PJM Manuals.
4. On or before the date specified in the PJM Manuals, planned and maintenance outage data for all Generation Resources shall be submitted.

The Parties acknowledge that additional information required to determine the Forecast Pool Requirement is to be obtained by the Office of the Interconnection from Electric Distributors in accordance with the provisions of the Operating Agreement.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

SCHEDULE 12

DATA SUBMISSION CHARGES

A. Data Submission Charge

For each working day of delay in the submittal of information required to be submitted under this Agreement, a data submission charge of \$500 shall be imposed.

B. Distribution Of Data Submission Charge Receipts

1. Each Party that has satisfied its obligations for data submittals pursuant to Schedule 11 during a Delivery Year, without incurring a data submission charge related to that obligation, shall share in any data submission charges paid by any other Party that has failed to satisfy said obligation during such Planning Period. Such shares shall be in proportion to the sum of the Unforced Capacity Obligations of each such Party entitled to share in the data submission charges for the most recent month.
2. In the event all of the Parties have incurred a data submission charge during a Delivery Year, those data submission charges shall be distributed as approved by the PJM Board.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 13

EMERGENCY PROCEDURE CHARGES

Following an Emergency, the compliance of each Party with the instructions of the Office of the Interconnection shall be evaluated as recommended by the Markets and Reliability Committee and directed by the PJM Board. If, based on such evaluation, it is determined that a Party refused to comply with, or otherwise failed to employ its best efforts to comply with, the instructions of the Office of the Interconnection to implement PJM emergency procedures, that Party shall pay an emergency procedure charge, as set forth in Attachment DD to the PJM Tariff. The revenue associated with Emergency Procedure Charges shall be allocated in accordance with Attachment DD to the PJM Tariff.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

SCHEDULE 14

DELEGATION TO THE OFFICE OF THE INTERCONNECTION

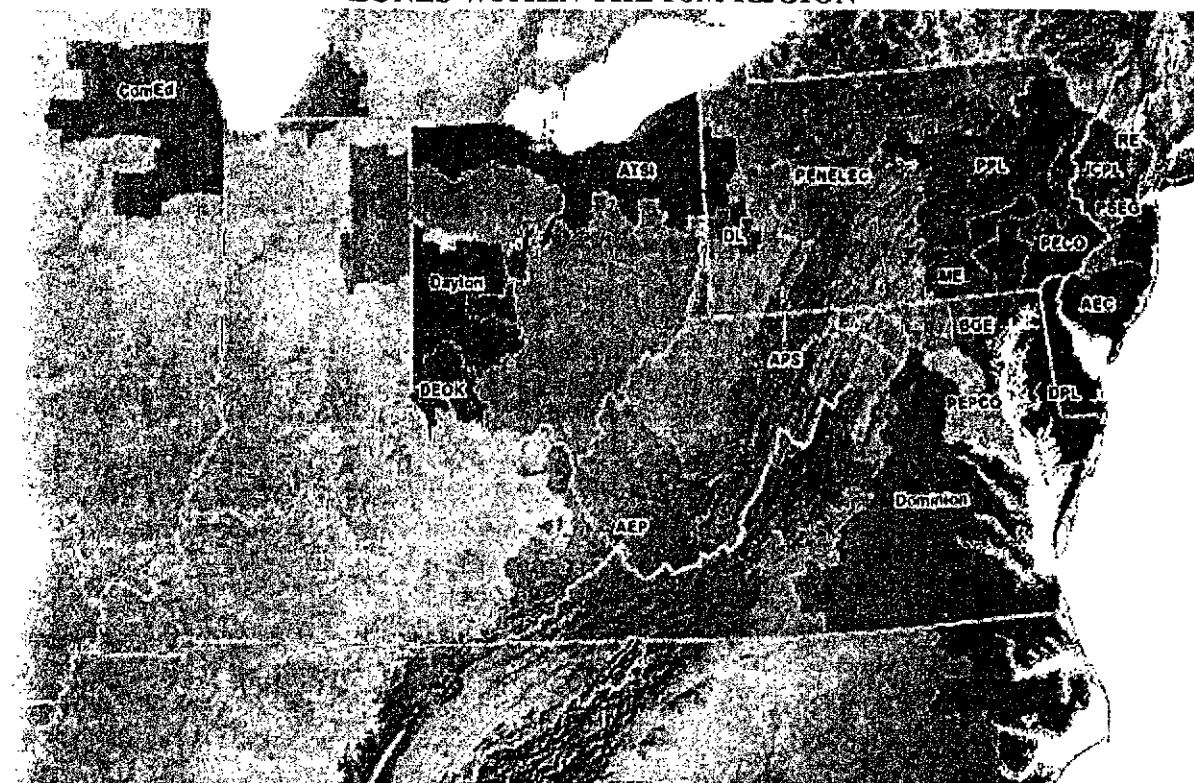
The following responsibilities shall be delegated by the Parties to the Office of the Interconnection:

1. New Parties. With regard to the addition, withdrawal or removal of a Party the Office of the Interconnection shall:
 - (a) Receive and evaluate the information submitted by entities that plan to serve loads within the PJM Region, including entities whose participation in the Agreement will expand the boundaries of the PJM Region. Such evaluation shall be conducted in accordance with the requirements of the Agreement.
 - (b) Evaluate the effects of the withdrawal or removal of a Party from this Agreement.
2. Implementation of Reliability Assurance Agreement. With regard to the implementation of the provisions of this Agreement the Office of the Interconnection shall:
 - (a) Receive all required data and forecasts from the Parties and other owners or providers of Capacity Resources;
 - (b) Perform all calculations and analyses necessary to determine the Forecast Pool Requirement and the capacity obligations imposed under the Reliability Assurance Agreement, including periodic reviews of the capacity benefit margin for consistency with the Reliability Principles and Standards;
 - (c) Monitor the compliance of each Party with its obligations under the Agreement;
 - (d) Keep cost records, and bill and collect any costs or charges due from the Parties and distribute those charges in accordance with the terms of the Agreement;
 - (e) Assist with the development of rules and procedures for determining and demonstrating the capability of Capacity Resources;
 - (f) Establish the capability and deliverability of Generation Capacity Resources consistent with the requirements of the Reliability Assurance Agreement;

- (g) Establish standards and procedures for Planned Demand Resources;
- (h) Collect and maintain generator availability data;
- (i) Perform any other forecasts, studies or analyses required to administer the Agreement;
- (j) Coordinate maintenance schedules for generation resources operated as part of the PJM Region;
- (k) Determine and declare that an Emergency exists or has ceased to exist in all or any part of the PJM Region or announce that an Emergency exists or ceases to exist in a Control Area interconnected with the PJM Region;
- (l) Enter into agreements for (i) the transfer of energy in Emergencies in the PJM Region or in a Control Area interconnected with the PJM Region and (ii) mutual support in such Emergencies with other Control Areas interconnected with the PJM Region; and
- (m) Coordinate the curtailment or shedding of load, or other measures appropriate to alleviate an Emergency, to preserve reliability in accordance with FERC, NERC or Applicable Regional Reliability Council principles, guidelines, standards, requirements and the PJM Manuals, and to ensure the operation of the PJM Region in accordance with Good Utility Practice.

Effective Date: 2/18/2012 - Docket #: ER12-636-000

**SCHEDULE 15
ZONES WITHIN THE PJM REGION**



FULL NAME	SHORT NAME
Pennsylvania Electric Company	Penelec
Allegheny Power	APS
PPL Group	PPL
Metropolitan Edison Company	MetEd
Jersey Central Power and Light Company	JCPL
Public Service Electric and Gas Company	PSEG
Atlantic City Electric Company	AEC
PECO Energy Company	PECO
Baltimore Gas and Electric Company	BGE
Delmarva Power and Light Company	DPL
Potomac Electric Power Company	PEPCO
Rockland Electric Company	RE
Commonwealth Edison Company	ComEd
AEP East Zone	AEP
The Dayton Power and Light Company	Dayton
Virginia Electric and Power Company	Dominion
Duquesne Light Company	DL
American Transmission Systems, Incorporated	ATSI
Duke Energy Ohio, Inc. and Duke Energy Kentucky, Inc.....	DEOK

Effective Date: 1/1/2012 - Docket #: ER12-91-000

SCHEDULE 16

Non-Retail Behind the Meter Generation Maximum Generation Emergency Obligations

1. A Non-Retail Behind The Meter Generation resource that has output that is netted from the Daily Unforced Capacity Obligation of a Party pursuant to Schedule 7 of this Agreement shall be required to operate at its full output during the first ten times between November 1 and October 31 that Maximum Generation Emergency (as defined in section 1.3.13 of Schedule 1 of the Operating Agreement) conditions occur in the zone in which the Non-Retail Behind The Meter Generation resource is located.

2. The Party for which Non-Retail Behind The Meter Generation output is netted from its Daily Unforced Capacity Obligation shall be required to report to PJM scheduled outages of the resource prior to the occurrence of such outage in accordance with the time requirements and procedures set forth in the PJM Manuals. Such Party also shall report to PJM the output of the Non-Retail Behind The Meter Generation resource during each Maximum Generation Emergency condition in which the resource is required to operate in accordance with the procedures set forth in PJM Manuals.

3. Except for failures to operate due to scheduled outages during the months of October through May, for each instance a Non-Retail Behind The Meter Generation resource fails to operate, in whole or in part, as required in paragraph 1 above, the amount of operating Non-Retail Behind The Meter Generation from such resource that is eligible for netting will be reduced pursuant to the following formula:

$$\text{Adjusted ENRBTMG} = \text{ENRBTMG} - \sum (10\% \text{ of the Not Run NRBTMG})$$

Where:

ENRBTMG equals the operating Non-Retail Behind The Meter Generation eligible for netting as determined pursuant to Schedule 7 of this Agreement.

Not Run NRBTMG is the amount in megawatts that the Non-Retail Behind The Meter Generation resource failed to produce during an occurrence of Maximum Generation Emergency conditions in which the resource was required to operate.

$\sum (10\% \text{ of the Not Run NRBTMG})$ is the summation of 10% megawatt reductions associated with the events of non-performance.

The Adjusted ENRBTMG shall not be less than zero and shall be applicable for the succeeding Planning Period.

4. If a Non-Retail Behind The Meter Generation resource that is required to operate during a Maximum Generation Emergency condition is an Energy Resource and injects energy into the

Transmission System during the Maximum Generation Emergency condition, the Network Customer that owns the resource shall be compensated for such injected energy in accordance with the PJM market rules.

Effective Date: 9/17/2010 - Docket #: ER10-2710-006

SCHEDULE 17

PARTIES TO THE RELIABILITY ASSURANCE AGREEMENT

This Schedule sets forth the Parties to the Agreement:

AEP Retail Energy Partners LLC
AES Red Oak, LLC
Algonquin Energy Services Inc.
Allegheny Electric Cooperative, Inc.
Allegheny Energy Supply Company, L.L.C.
Alpha Gas and Electric LLC
Ambit Northeast, LLC
Ameren Energy Marketing Company
American Electric Power Service Corporation on behalf of its affiliates:
 Appalachian Power Company
 Columbus Southern Power Company
 Indiana Michigan Power Company
 Kentucky Power Company
 Kingsport Power Company
 Ohio Power Company
 Wheeling Power Company.
American Municipal Power, Inc.
American Power Partners LLC
American PowerNet Management, L.P.
American Transmission Systems, Inc.
AP Gas and Electric (PA), LLC
APN Starfirst, LP
ArcelorMittal USA LLC
Asset and Energy Cost Saving Cooperative, LLC
Atlantic City Electric Company
Baltimore Gas and Electric Company
Bank of America, N.A.
Barclays Bank PLC
Barclays Capital Services, Inc
Bativa, IL (City of)
BBPC LLC d/b/a Great Eastern Energy
Blackstone Wind Farm, LLC
Blue Ridge Power Agency, Inc.
Blue Star Energy Services, Inc.
Border Energy Electric Services, Inc.
Borough of Butler, Butler Electric Division
Borough of Chambersburg
Borough of Lavallette, New Jersey
Borough of Milltown
Borough of Mont Alto, PA

Borough of Park Ridge, New Jersey
Borough of Pemberton
Borough of Pitcairn, Pennsylvania
Borough of Seaside Heights, New Jersey
Borough of South River, New Jersey
BP Energy Company
Brighten Energy LLC
Cargill Power Markets LLC
Castlebridge Energy Group, LLC
CCES LLC
Central Virginia Electric Cooperative
Centre Lane Trading Limited
Champion Energy Marketing LLC
Champion Energy, LLC
Cincinnati Bell Energy, LLC
Citizens' Electric Company of Lewisburg, PA
City of Cleveland, Department of Public Utilities, Division of Cleveland Public Power
City of Dover, Delaware
City of Naperville
City of New Martinsville - WV
City of Philippi - West VA
City of Rochelle
Clearview Electric, Inc.
Cleveland Electric Illuminating Company (The)
Commerce Energy, Inc.
Commonwealth Edison Company
Conectiv Energy Supply, Inc.
ConEdison Energy, Inc.
ConocoPhillips Company
Consolidated Edison Solutions, Inc.
Constellation Energy Commodities Group, Inc.
Constellation NewEnergy, Inc.
Constellation Power Source Generation, Inc.
Corporate Services Support Corp
Credit Suisse (USA), Inc.
Dayton Power & Light Company (The)
DC Energy LLC
Delaware Municipal Electric Corporation
Delmarva Power & Light Company
Denver Energy, LLC
Devonshire Energy LLC
Direct Energy Business, LLC
Direct Energy Services, LLC
Discount Energy Group, LLC
Discount Energy, LLC
Dominion Retail, Inc.

Downes Associates, Inc.
DPL Energy Resources, Inc.
Driftwood LLC
DTE Energy Supply, Inc.
DTE Energy Trading, Inc.
Duke Energy Commercial Asset Management, Inc.
Duke Energy Kentucky, Inc.
Duke Energy Ohio, Inc.
Duke Energy Retail Sales, LLC
Duquesne Light Company
Duquesne Light Energy, LLC
Dynegy Energy Services, Inc.
Dynegy Kendall Energy, LLC
E Minus LLC
Eagle Energy, LLC
Easton Utilities Commission
EDF Industrial Power Services (IL), LLC
EDF Trading North America, LLC
Edison Mission Marketing and Trading, Inc.
Employers' Energy Alliance of Pennsylvania, Inc.
Energetix, Inc.
Energy America, LLC
Energy Cooperative Association of Pennsylvania (The)
Energy Cooperative of America, Inc.
Energy International Power Marketing Corporation
Energy Plus Holdings LLC
Energy Services Providers, Inc.
EnerPenn USA, LLC
ERA MA, LLC
Evraz Claymont Steel
Exelon Energy Company
Exelon Generation Co., LLC
FirstEnergy Solutions Corp.
First Point Power, LLC
Front Royal (Town of)
Galt Power Inc.
Gateway Energy Services Corporation
GenOn Power Midwest, LP
Gerdau Ameristeel Energy, Inc.
GDF Suez Retail Energy Solutions, LLC
Glacial Energy of New Jersey, Inc.
Great American Power, LLC
Green Mountain Energy Company
Hagerstown Light Department
Harrison REA, Inc. - Clarksburg, WV
Hess Corporation

HIKO Energy, LLC
 Hoosier Energy REC, Inc.
 HOP Energy, LLC
 HSBC Technology & Services (USA), Inc.
 Hudson Energy Services, LLC
 IDT Energy, Inc.
 Illinois Municipal Electric Agency
 J. Aron & Company
 J.P. Morgan Ventures Energy Corporation
 Jack Rich, Inc. d/b/a Anthracite Power & Light Company
 Jersey Central Power & Light Company
 Kuehne Chemical Company, Inc.
 L & P Electric Inc., d/b/a Leggett & Platt Electric Inc.
 Liberty Power Corp., L.L.C.
 Liberty Power Delaware LLC
 Liberty Power Holdings LLC
 Linde Energy Services, Inc.
 Lower Electric, LLC
 Macquarie Cook Energy LLC
 Major Energy Electric Services LLC
 Manitou Energy Fund, LP
 Marathon Power, LLC
 MC Squared Energy Services, LLC
 Meadow Lake Wind Farm II LLC
 Meadow Lake Wind Farm III LLC
 Meadow Lake Wind Farm IV LLC
 Meadow Lake Wind Farm LLC
 MeadWestvaco Corporation
 Metropolitan Edison Company
 MidAmerican Energy Company
 Mint Energy, LLC
 Morgan Stanley Capital Group, Inc.
 MP2 Energy NE, LLC
 MXenergy Electric, Inc.
 Natgasco, Inc.
 Nexgen Management and Consulting Inc
 Nextera Energy Services New Jersey, LLC
 Nextera Energy Services, Illinois, LLC
 Noble Americas Energy Solutions LLC
 Noble Americas Gas & Power Corp.
 Nordic Energy Services LLC
 North American Power and Gas LLC.
 North Carolina Electric Membership Corporation
 North Carolina Municipal Power Agency Number 1
 Northern Virginia Electric Cooperative – NOVEC
 Northeastern REMC

NRG Power Marketing, L.L.C.
NYSEG Solutions, Inc.
Oasis Power, LLC dba Oasis Energy
Occidental Power Services, Inc.
Ohio Edison Company
Ohms Energy Company, LLC
Old Dominion Electric Cooperative
Palmco Power MD, LLC
Palmco Power NJ, LLC
Palmco Power OH, LLC
Palmco Power PA, LLC
Panda Power Corporation
Parma Energy, LLC
PBF Power Marketing LLC
PECO Energy Company
Pennsylvania Electric Company
Pennsylvania Power Company
People's Power & Gas, LLC
PEPCO Energy Services, Inc.
Planet Energy (Maryland) Corp.
Planet Energy (Pennsylvania) Corp.
Planet Energy (USA) Corp.
Plymouth Rock Energy, LLC
Potomac Electric Power Company
Powhatan Energy Fund LLC
PPL Electric Utilities Corporation d/b/a PPL Utilities
PPL Energy Plus, LLC
Prairieland Energy, Inc.
PSEG Energy Resources and Trade LLC
Public Power, LLC
Public Service Electric & Gas Company
Realgy, LLC
ResCom Energy, LLC
Respond Power LLC
RG Steel Sparrows Point, LLC
Riverside Generating, LLC
Rolling Hills Generating, LLC
S.J. Energy Partners, Inc.
Santanna Energy Services
SMART Papers Holdings, LLC
Solios Power Mid-Atlantic Trading LLC
South Jersey Energy Company
South Jersey Energy Solutions, L.L.C.
Southeastern Power Administration
Southern Indiana Gas & Electric
Southern Maryland Electric Cooperative, Inc.

Spark Energy, L.P.
Sperian Energy Corp
Starion Energy PA Inc.
Stream Energy Columbia, LLC
Stream Energy Maryland, LLC
Stream Energy Pennsylvania, LLC
Superior Plus Energy Services Inc.
Sustainable Star, LLC
TC Energy Trading, LLC
Tenaska Power Services Co.
TERM Power & Gas, LLC
Texas Retail Energy, LLC
The Trustees of the University of Pennsylvania
Thurmont Municipal Light Company
Toledo Edison Company (The)
Town of Berlin, Maryland
Town of Williamsport
TransAlta Energy Marketing (U.S.) Inc.
TransCanada Power Marketing Ltd.
Tri-County Rural Electric Cooperative, Inc.
TriEagle Energy, LP
Trinity Powerworks, Inc.
U.S. Energy Partners dba PAETEC Energy Marketing
UBS AG, acting through its London Branch
UGI Energy Services, Inc.
UGI Utilities, Inc. - Electric Division
Valero Power Marketing, LLC
VCharge, Inc.
Verde Energy USA, Inc.
Verde Energy USA Illinois, LLC
Vineland Municipal Electric Utility (City of Vineland)
Virginia Electric & Power Company
Viridian Energy PA LLC
Wabash Valley Power Association, Inc.
Washington Gas Energy Services, Inc.
Wellsboro Electric Company
West Penn Power Company d/b/a Allegheny Power
Xoom Energy, LLC
Xoom Energy Maryland, LLC
Xoom Energy New Jersey, LLC
York Generation Company, LLC

Effective Date: 1/1/2012 - Docket #: ER12-863-000