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**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

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ELECTRIC SECURITY PLAN

**BOOK II – Competitive Bid Process Plans, Testimony and Competitive Bidding
Documents**

THE DAYTON POWER AND LIGHT COMPANY
CASE NO. 12-426-EL-SSO

Electric Security Plan

Competitive Bid Process (CBP) Plan

The Dayton Power & Light Company

The Dayton Power and Light Company

OVERVIEW OF THE PROPOSED COMPETITIVE BID PROCESS ("CBP")

PRODUCTS AND SCHEDULE

The Dayton Power and Light Company ("DP&L") intends to identify suppliers to meet the needs of its Standard Service Offer ("SSO") load obligations via a series of Competitive Bidding Process ("CBP") auctions. DP&L will secure an increasing portion of its SSO load in each year through the auctions. Winning bidders in the auctions will become SSO suppliers to DP&L and will assume all obligations of a PJM Load Serving Entity ("LSE").

Bidders in the CBP auctions will be bidding to supply tranches of SSO load. Each tranche up for bid is an identical, 1% share of DP&L's full-requirements, slice-of-system SSO load obligation. Winning suppliers will provide energy, capacity, market based transmission services, market based transmission ancillaries, and any other LSE service, or other service as may be required by PJM to serve the SSO Load of DP&L. The details of obligations of winning bidders are included in the Master SSO Supply Agreement.

Any party that meets the objective, pre-determined, qualification requirements may participate in the CBP auctions. However, there will be restrictions on the amount of load any single bidder can win in a single auction. These restrictions include both eligibility limits based on the qualification criteria established by DP&L and an 80% load cap for each auction. Under the load cap, no single bidder may win more than 80% of the tranches initially offered in the auction.

The date and the schedule of activities associated with the first CBP auction will be finalized once DP&L's Electric Security Plan ("ESP") has received Commission approval. DP&L will procure 10 tranches in the initial procurement auction. The delivery period for those 10 tranches will commence on the earliest practical date following Commission approval of the ESP and will extend through May 31, 2014. This extended year 1 schedule will enable the CBP product calendar to be consistent with the PJM planning year from CBP year 2 forward. Adopting the PJM planning year allows the CBP to be in sync with the PJM Reliability Pricing Model ("RPM") capacity auctions from year 2 forward.

Subsequent auctions will offer one or more 12, 24 and/or 36-month products with delivery periods consistent with the 12-month PJM planning year calendar of June 1-May 31. Each of these 12-month, 24-month, and 36-month products will be aligned with the PJM calendar; delivery periods will start on June 1 of each year and end on May 31 of the following calendar year.

The "blending period" related to the ESP will begin with the initial auction and will end on May 31, 2016. During the blending period, DP&L will source an increasing percentage of load annually via competitive procurements until 100% of SSO load is supplied through Competitive Bidding Process. There will be a single CBP auction conducted each year from 2013 through 2017 to secure SSO supply.

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The percent of total load for each delivery year that will be supplied by winning bidders in DP&L's CBP auctions will be as follows:

Delivery Period		
Begin	End	Percent
TBD	31-May-14	10
1-Jun-14	31-May-15	40
1-Jun-15	31-May-16	70
1-Jun-16	31-May-17	100

By the delivery year beginning on June 1, 2016, DP&L will have completed the blending period associated with the ESP and 100 percent of SSO load will be secured through the CBP process.

OVERSIGHT BY THE PUBLIC UTILITIES COMMISSION OF OHIO

Prior to and during the qualification process leading up to the auction, Charles River Associates ("CRA"), the independent Auction Manager, will inform the PUCO staff of any important updates or announcements regarding the CBP. CRA will facilitate the communication by including select members of the PUCO staff and the staff's consultant on the email distribution list associated with the auction. In some cases, CRA may engage the PUCO and/or PUCO's consultant on issues related to the process execution.

After the Part 1 Application due date, the Auction Manager will send a list of the Qualified Bidders to DP&L, the Commission Staff, and the consultant hired by the Commission, as well as to other parties as necessary to oversee the proper conduct of the CBP.

After the Part 2 Application due date, the Auction Manager will send DP&L, the Commission Staff, and the consultant hired by the Commission a list of the Registered Bidders and the total initial eligibility across all Registered Bidders.

During the live auction, the consultant hired by the Commission to monitor the process along with members of the PUCO Staff will be present to oversee the CBP auction itself. Much of the real-time auction data is highly confidential and access will be restricted to on-site PUCO representatives.

At the close of the auction, if the Auction Manager determines that there were no violations of the competitive bidding process rules in such a manner so as to invalidate the auction, the Auction Manager will notify DP&L, the PUCO and the PUCO Consultant of the identity of winning bidders, the number of tranches won by each winning bidder, and the prices for the tranches won. The names of the winning bidders, the number of tranches won by each bidder, and the winning prices will remain confidential until released publicly by the PUCO or as required by law.

INTEREST IN THE PROCESS

The CBP is designed to encourage broad participation, to ensure that no one bidder is advantaged over others and to promote competition. Furthermore, CRA has provided independent management and oversight of competitive bids for numerous clients in electricity and has established a reputation for maintaining an unbiased role as Auction Manager.

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The products and contract terms are familiar to market participants and prospective bidders. They are standardized and yet provide flexibility through staggered contract delivery periods that allow participants to bid their preferred supply profile over time.

The tranche size encourages participation from a range of potential suppliers, where each tranche is a specified, fixed percentage of SSO load. Physical generation assets are not required to participate in the CBP or to bid on and win tranches. Financial participants (those who do not own generating assets) have won tranches in similar auctions and will continue to have that opportunity going forward. In fact, any bidder who can purchase power for delivery to the Company's service territory can participate in the CBP. Nothing in the CBP requires bidders to own generation and nothing in the CBP provides preferential treatment to those that do own generation. The descending-price clock auction format is nondiscriminatory because anyone can participate as long as they satisfy the criteria used in the application process.

There are several rules in place that promote competitive bidding. These include the following:

- a) All bidders adhere to identical credit qualification procedures. Each bidder's credit-based tranche cap is a function of clearly-defined, objective criteria. The criteria prevent any potential subjectivity or favoritism in the process.
- b) All bidders are bidding on standardized supply contracts. Contracts are not tailored to accommodate the needs or demands of any individual bidder.
- c) The bidder education and training process is designed to provide all bidders equal access to information. The process includes bidder information sessions to educate all bidders on the CBP, the auction rules, and the products being offered. The Q&A process is designed to provide all bidders equal access to information related to the CBP.
- d) During the auction, all bidders receive the same information about the status of the auction, including prices and the supply and demand conditions.
- e) The closing criteria are applied equally to all bidders. Bids are evaluated and winning bidders are determined based on price alone. Any bidder willing to supply at the announced price remains active in the auction. Any bidder active on a product when the auction closes is guaranteed to win the rights to supply SSO load.

For these reasons and because similar competitive bid processes have been successful, we are confident that there will be strong interest in the CBP and the process will yield competitive clearing prices.

COMPETITIVE BID PROCESS REQUIREMENTS

Ohio Revised Code §4928.142(A)(1) outlines the requirements related to Market Rate Offers and the associated CBP. While the CBP included here is proposed under an ESP rather than a MRO framework, the proposed process is consistent with the MRO process requirements. The proposed process is designed to include:

- a) *Open, fair, and transparent competitive solicitation;*
- b) *Clear product definition;*
- c) *Standardized bid evaluation criteria;*

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- d) *Oversight by an independent third party that shall design the solicitation, administer the bidding;*
- e) *Evaluation of the submitted bids prior to the selection of the least-cost bid winner or winners. No generation supplier shall be prohibited from participating in the bidding process.*

Open, fair, and transparent competitive solicitation:

The CBP plan is designed to promote open, fair, and transparent competitive solicitations with clear product definitions, standardized bid evaluation criteria, oversight by an independent third party, and the evaluation of the submitted bids prior to the selection of the least-cost bid winner or winners. The major elements include the following:

- Developing products and contract terms as formalized in the (Master SSO Supply Agreement) that encourage participation from a range of power industry and financial institutions.
- Maintaining a CBP Information Website that facilitates interest and participation by providing documents, announcements, a timeline including deadlines for the CBP, load and other data, frequently asked questions (FAQs), and other information.
- Conducting bidder information sessions and other pre-bidding activities to promote and *encourage participation.*
- Developing communications protocols to ensure parties have equal access to information.
- Administering the two-part bidder application process, including establishing financial and non-financial requirements to encourage participation by serious parties.
- Developing the auction design and bidding procedures to attract bidders and to promote competitive bidding.
- Educating and training bidders through informational materials and mock auctions.
- Customizing and testing the bidding platform and help desk facility.
- *Providing starting prices for the CBP auction that are intended to attract bidding participation.*
- Conducting each solicitation in accordance with the bidding rules and in a manner that promotes participation and allows for verification of procedures and results.
- Submitting a post-bidding report to the Commission.

Clear product definition:

The products are standardized and familiar to market participants. The products are load-following, full requirements service including energy, capacity, market based transmission services, market based transmission ancillaries and any other LSE service or other service as may be required by PJM to serve the SSO Load of DP&L. The products are well-known

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and understood in the marketplace, and can be readily evaluated and priced by bidders. All bidders know they are bidding on the same products.

Standardized bid evaluation-criteria:

Bidders who submit bids are allowed to submit bids only by first successfully completing the Part 1 and Part 2 Application process. That process uses standardized evaluation criteria *applied equally to all applicants, and ensures that bidders allowed to submit bids are willing, able, and committed to satisfying the obligations of an SSO supplier should they win tranches in the bidding.* The two-part application process ensures that non-price criteria are satisfied in evaluating the qualifications of bidders to become SSO suppliers. This pre-qualification process further ensures:

- (i) a level playing field for all bidders,
- (ii) a clear evaluation of bids such that no bidder can gain an unfair advantage in the process,
- (iii) that all bidders are judged on the same, standardized basis, and
- (iv) that the only necessary evaluation by the Commission is on price.

This means that bids subsequently can be evaluated on an objective, price-only basis. The bidding design encourages bidders to bid supply at the lowest possible price. There is no ambiguity as to the winning bids, the winning bidders, and the non-winning bidders. Winning bidders win simply because non-winning bidders are not willing and able to supply tranches at prices as low as the prices at which winning bidders are willing and able to supply the tranches. The Commission's statutory oversight in selecting the least-cost bids also ensures standardized bid evaluation criteria are used.

Administered by third party that will design the solicitation, administer and the bidding:

The Auction Manager, CRA International, has provided independent management and oversight of competitive bids for numerous clients in electricity since the mid 1990's and CRA's remuneration as DP&L's Auction Manager does not depend on the outcome of the CBP solicitations or which bidders win what tranches at what prices.

Evaluation of the submitted bids prior to the selection of the least-cost bid winner or winners. No generation supplier shall be prohibited from participating in the bidding process:

At the close of the auction, the Auction Manager will provide a report to the Commission. The post-bidding report will summarize the bidding process and results, and will provide a list of the least-cost bidder(s) and the number of the least-cost tranches for each product for each such bidder.

The PUCO may reject the results of the auction, through an Order filed within forty-eight (48) hours of the conclusion of the auction, based upon a report from the independent auction manager or the Commission's consultant that the auction violates a specific CBP rule in such a manner so as to invalidate the auction or if the PUCO determines that one or more of the following criteria were not met:

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1. The bidding process was oversubscribed based on bidder indicative offers submitted as part of the Part 2 Application, such that the amount of the supply bid upon was greater than the amount of the load bid out;
2. There were four or more bidders; or
3. *Consistent with the load cap, no bidder won more than 80% of the initial tranche target for the auction.*

Otherwise, the Commission shall approve the auction results.

After the last round of the auction, bidders who remained active in the auction will see preliminary auction results through the Bidding Website. These bidders will see the clearing prices for each product and the number of tranches the bidder tentatively has won for each product. These preliminary results remain subject to the Commission's determination. The Auction Manager will notify each winning bidder of the number of tranches the bidder has won for each product and the associated clearing prices. The Auction Manager also will provide DP&L the identities of the winning bidders, the number of tranches each winning bidder has won for each product, and the associated clearing prices.

Once the Commission approves the results, the winning bidder(s) and DP&L will execute the Master SSO Agreements. Pre-bid security will be returned to all bidders upon execution of the Master SSO Agreements, on or before the third calendar day after the close of the auction. Pre-bid security may be held back for any bidder that violated any of the rules or certifications of the CBP.

The Commission may release information about the CBP results including winning bidders, winning tranches, and clearing prices.

BEFORE THE

PUBLIC UTILITIES COMMISSION OF OHIO

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 12-426-EL-SSO

CASE NO. 12-427-EL-ATA

CASE NO. 12-428-EL-AAM

CASE NO. 12-429-EL-WVR

CASE NO. 12-672-EL-RDR

DIRECT ELECTRIC SECURITY PLAN (ESP) TESTIMONY OF

ROBERT J. LEE

- ☐ **MANAGEMENT POLICIES, PRACTICES, AND ORGANIZATION**
- ☐ **OPERATING INCOME**
- ☐ **RATE BASE**
- ☐ **ALLOCATIONS**
- ☐ **RATE OF RETURN**
- ☐ **RATES AND TARIFFS**
- ☒ **OTHER**

BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO
ELECTRIC SECURITY PLAN (ESP)
DIRECT TESTIMONY OF
ROBERT J. LEE

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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Attachments:

RJL-1: Curriculum Vitae
RJL-2: Master Standard Service Offer Agreement
RJL-3: Schedule and Timeline
RJL-4: Parts 1 and 2 Applications
RJL-5: Bidding Rules
RJL-6: Communications Protocols
RJL-7: Glossary

1 **I. INTRODUCTION**

2 **Q. Please state your name, professional position, business address, and for whom you**
3 **are testifying.**

4 A. My name is Robert J. Lee. I am a Principal at CRA International, Inc. d/b/a Charles
5 River Associates ("CRA") and a member of CRA's Auctions & Competitive Bidding
6 consulting practice. Founded in 1965, CRA provides economic and financial expertise
7 and management consulting services to businesses, law firms, accounting firms, and
8 governments. My business address is John Hancock Tower, T-32, 200 Clarendon Street,
9 Boston, Massachusetts 02116. I am testifying on behalf of The Dayton Power & Light
10 Company ("DP&L").

11 **Q. What is your professional and educational background?**

12 A. I have been at CRA since 2001. I received an MSIA degree from Carnegie Mellon
13 University in Pittsburgh in 1996. From the mid 1990s through the mid 2000s, my work
14 focused on the domestic energy sector generally and the power sector specifically. For
15 the past five years, I have focused primarily on auctions and other transaction
16 mechanisms in a range of industries, including the power sector. In various industries
17 including electricity, CRA's Auction & Competitive Bidding practice designs and
18 conducts auctions and other bidding mechanisms, acts as independent monitors of
19 bidding processes, and provides support to bidders. In the course of that work, I have
20 played a leadership role in a wide range of auctions in a broad set of industries, including
21 auctions in the power sector. My curriculum vitae is marked as Attachment RJL-1,
22 listing my background and experience in further detail.

1 **Q. Have you previously worked on matters before the Public Utilities Commission of**
2 **Ohio ("Commission")?**

3 A. Yes I have. CRA was retained by FirstEnergy's Ohio electric distribution utility
4 companies for structured procurements in 2008, 2009, 2010, 2011 and 2012. I served as
5 part of the CRA Auction Manager team on the procurements. In 2010, I submitted
6 testimony on behalf of Duke Energy Ohio, Inc. in case number 10-2586-EL-SSO related
7 to its Market Rate Offer ("MRO") filing. In 2011, I filed testimony on behalf of Duke
8 Energy Ohio, Inc. related to its Electric Security Plan filing. Finally, during the late
9 1990s, prior to joining CRA, I worked on behalf of DP&L and Cinergy on their transition
10 plans related to the deregulation of the Ohio power sector.

11 **Q. As part of the Auction Manager team for structured procurements, have you had**
12 **occasion to work with the Commission?**

13 A. Yes. CRA worked with the Public Utilities Commission of Ohio in administering and
14 conducting the structured procurement auctions for both FirstEnergy's Ohio electric
15 distribution utilities and Duke Energy Ohio, Inc. on the procurements that were
16 mentioned previously. This interaction included, but was not limited to, elements of the
17 design of the competitive bidding process ("CBP") process, product definition, bidding
18 format, and indications of interest from prospective bidders.

19 **Q. During these interactions with the Commission, did the Commission ever express**
20 **concern as to CRA's independent role in the structured procurement process?**

21 A. No. The Commission found CRA to be an active, fair, and impartial participant in the
22 structured procurement process. The Commission, either acting on its own volition or

1 through its consultant, had ready insight into the auction process and I am thus confident
2 that CRA would not have served, and would not continue to serve, in this capacity as an
3 Auction Manager if there was any question about its unbiased and independent role.

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

5 A. CRA has been retained by DP&L to serve as the independent Auction Manager to design
6 and implement a CBP to procure standard service offer (SSO) supply for delivery periods
7 beginning on January 2013. My testimony describes how the proposed solicitations will
8 work, what alternative CBP designs were considered, and how the proposed CBP
9 supports the establishment of an Electric Security Plan ("ESP") under Section 4928.143
10 of the Ohio Revised Code.

11 **Q. What are the attachments and schedules for which you are responsible?**

12 A. I am sponsoring all or part of the following items:

- 13 • Attachment RJL-1 – Curriculum Vitae
- 14 • Attachment RJL-2 – Master Standard Service Offer Supply Agreement
- 15 • Attachment RJL-3 – Schedule and Timeline
- 16 • Attachment RJL-4 – Part 1 Application and Part 2 Application
- 17 • Attachment RJL-5 – Bidding Rules
- 18 • Attachment RJL-6 – Communications Protocols
- 19 • Attachment RJL-7 – Glossary

20 **II. DESCRIPTION OF THE CBP SOLICITATIONS**

21 **Q. Please describe the CBP plan.**

1 A. The CBP plan is designed to promote open, fair, and transparent competitive solicitations
2 with clear product definitions, standardized bid evaluation criteria, oversight by an
3 independent third party, and the evaluation of the submitted bids prior to the selection of
4 the least-cost bid winner or winners. The major elements include the following:

- 5 (a) Developing products and contract terms as formalized in the (Master Standard
6 Service Offer ("SSO") Supply Agreement) that encourage participation from a
7 range of power industry and financial institutions.
- 8 (b) Maintaining a CBP Information Website that facilitates interest and participation
9 by providing documents, announcements, a timeline including deadlines for the
10 CBP, load and other data, frequently asked questions (FAQs), and other
11 information.
- 12 (c) Conducting bidder information sessions and other pre-bidding activities to
13 promote and encourage participation.
- 14 (d) Developing communications protocols to ensure that parties have equal access to
15 information.
- 16 (e) Administering the two-part bidder application process, including establishing
17 financial and non-financial requirements to encourage participation by serious
18 parties.
- 19 (f) Developing the auction design and bidding procedures to attract bidders and to
20 promote competitive bidding.
- 21 (g) Educating and training bidders through informational materials and mock
22 auctions.
- 23 (h) Customizing and testing the bidding platform and help desk facility.

(i) Providing starting prices for the CBP auction that are intended to attract bidding participation.

(j) Conducting each solicitation in accordance with the bidding rules and in a manner that promotes participation and allows for verification of procedures and results.

(k) Submitting a post-bidding report to the Commission that allows the Commission to select the least-cost bid(s) and bidder(s) in the CBP.

Q. Please summarize the criteria that influenced the development of the CBP plan under the company's proposed ESP.

A. R.C. 4928.143 does not specifically address the procurement of any aspect of generation service through a competitive process. Rather, it requires that an electric distribution company include in its ESP provisions related to the supply and pricing of generation service, which includes energy. In this regard, the Commission's rules require that the utility explain and support each aspect of the ESP. DP&L's CBP plan is consistent with the relevant statutory and Commission requirements applicable to a CBP plan under R.C. 4928.142.

Q. How will the product definitions and contract terms encourage participation?

A. The products and contract terms are familiar to market participants and prospective bidders. They are standardized and provide flexibility through staggered contract delivery periods that allow participants to bid their preferred supply profile over time. The tranche size also encourages participation from a range of potential suppliers, where each tranche is a specified, fixed percentage of SSO load.

1 **Q. How will prospective bidders and other participants be kept informed during the**
2 **CBP?**

3 A. Documents, announcements, a timeline, load data, FAQs, and other information will be
4 readily available via the CBP Information Website, which will be hosted and updated
5 regularly by the Auction Manager. Interested parties can register at the Information
6 Website to receive updates and announcements about the CBP directly via email. Parties
7 can submit questions and comments to the Auction Manager directly via a link on the
8 Information Website or via email. Responses will be posted to the FAQ section of the
9 Information Website, and registered parties will receive email notifications of new
10 information posted to the Information Website. In addition to the Information Website,
11 bidder information sessions will be conducted with presentations about the CBP and with
12 time allowed for attendees to ask questions. The bidder information sessions will be
13 conducted in person and/or via the Web conference to accommodate prospective bidders.
14 Bidders also will be encouraged to participate in mock auctions to familiarize themselves
15 with the bidding platform and procedures.

16 **Q. What types of data will be made available to bidders?**

17 A. The following data will be available on the CBP Information Website: load data for a
18 historical three-year period, historical hourly load data for DP&L's total retail load and
19 SSO load, historical switching statistics and historical load profiles, and customer counts,
20 peak demand and NSPL for eligible and SSO load by customer class.

1 Q. What precautions and procedures will be followed to ensure appropriate
2 communications and information exchange?

3 A. The Communications Protocols establish what communications are permitted among
4 various parties including the Auction Manager, DP&L, the Commission, Commission
5 Staff, the Commission's consultant, and prospective bidders. The protocols are intended
6 to protect confidential information and to allow equal access to information without
7 providing any advantage or disadvantage to prospective bidders.

8 The Auction Manager will provide the communications channel for interested
9 parties. This process includes addressing questions from parties about the CBP,
10 providing information via the CBP Information Website, broadcasting email notifications
11 to registered parties (using the BCC email field), conducting bidder information sessions,
12 managing the auctions, communicating results, and submitting a post-bidding report.
13 These steps will facilitate a process in which information is provided to parties
14 consistently, timely, and on an equal basis.

15 Certain individuals at DP&L will be part of the information exchange but in a
16 limited way and only to support the competitiveness and success of the CBP. Their role
17 primarily will be as follows: development of data posted to the CBP Information
18 Website, assistance on FAQs (they will not know the identity of questioners), assistance
19 in reviewing certain information in the Part 1 Applications (to determine creditworthiness
20 and pre-bid security requirements), confirming the pre-bid security posted as part of the
21 Part 2 Applications, and administration of the Master SSO Supply Agreement.

1 **Q. Please provide an overview of the bidder application and qualification process.**

2 A. To participate in the CBP, prospective bidders will need to satisfy financial and non-
 3 financial requirements through a two-part application process. The purpose of the two-
 4 part application process is for prospective bidders to demonstrate their ability and
 5 commitment to meet the requirements of participation in the CBP and the requirements of
 6 being an SSO Supplier as set forth in the Master SSO Supply Agreement (Attachment
 7 RJL-2). *The Part 1 Application and Part 2 Application are included as Attachment RJL-*
 8 *4.* As much as possible, the Part 1 and Part 2 Application process will be conducted
 9 electronically via the CBP Information Website. The process is designed to be secure
 10 and to make it easier and less time consuming for applicants to submit applications, for
 11 the review and assessment of the applications, for providing feedback to applicants, for
 12 applicants to check on the status of their applications, and for applicants to cure any
 13 deficiencies. If an applicant prefers to submit its applications manually, the Part 1 and
 14 Part 2 Application forms will be available on the CBP Information Website for
 15 download.

16 **Q. Please describe the Part 1 Application process.**

17 A. In its Part 1 Application, a prospective bidder must satisfy the following requirements:
 18 (a) Submit a completed application.
 19 (b) Provide contact information for the applicant and for designated representatives of
 20 the applicant.
 21 (c) Agree to comply with the provisions of the Master SSO Supply Agreement and
 22 all the rules of the CBP, including the Communications Protocols.

1 (d) Demonstrate RTO participant status, or certify that there are no impediments to
2 establishing that status prior to the start of the relevant SSO supply period.

3 (e) Provide financial and credit information to be used in determining
4 creditworthiness and credit requirements.

5 (f) Make certifications regarding confidentiality and other matters.

6 Part 1 Applications are to be submitted by the Part 1 Application due date. The
7 Auction Manager team will process and evaluate all Part 1 Applications to determine
8 whether each applicant has satisfied the requirements of Part 1. Financial and credit
9 information will be submitted to representatives of DP&L in order to conduct a
10 creditworthiness assessment. If an applicant's Part 1 Application is incomplete or
11 requires clarification, the Auction Manager will send a deficiency notice to the applicant,
12 and the applicant will have until the end of the next business day or until the Part 1
13 Application due date — whichever is later — to respond.

14 Following the evaluation of Part 1 Applications, the Auction Manager will notify
15 each Part 1 applicant whether or not it has successfully completed the Part 1 Application
16 process to become a Qualified Bidder. The Auction Manager will send to each Qualified
17 Bidder a Notification of Qualification that will include details about the pre-bid security
18 the Qualified Bidder will be required to post as part of its Part 2 Application. The
19 Auction Manager will send a list of all Qualified Bidders to relevant parties that have
20 undertaken to maintain the confidentiality of the list of Qualified Bidders. The list of the
21 Qualified Bidders will be sent to Qualified Bidders and other parties as necessary to
22 oversee the proper conduct of the auction, including representatives from DP&L,
23 Commission Staff, and any consultant Commission Staff may have retained for this

1 purpose. All parties, including Qualified Bidders, will have undertaken to maintain the
2 confidentiality of the list of Qualified Bidders, as further explained in the
3 Communications Protocols. The terms relevant to the Communications Protocols as well
4 as other auction documents are contained in the Glossary Attachment RJL-7.

5 **Q. Please describe the Part 2 Application process.**

6 A. To continue participation in the CBP, Qualified Bidders must submit a Part 2
7 Application. In the Part 2 Application, the Qualified Bidder makes a number of
8 certifications regarding its associations with other Qualified Bidders in order to ensure
9 that each Qualified Bidder participates independently of other Qualified Bidders and to
10 ensure the confidentiality of information regarding the CBP. Also with the Part 2
11 Application, each Qualified Bidder must submit an indicative offer that specifies the
12 number of tranches that it would be willing to serve at the minimum starting price and at
13 the maximum starting price.

14 Part 2 applicants also must post pre-bid security in the form of a letter of credit or
15 electronic wire transfer sufficient to support its indicative offer. A Part 2 applicant also
16 may be required to submit additional security in the form of a letter of intent to provide a
17 guaranty and/or a letter of reference; such a requirement would be determined during the
18 assessment of the Part 1 Applications. Any pre-bid security submitted to support the
19 indicative offer must be in a form acceptable to DP&L. Sample pre-bid security
20 documents will be posted to the CBP Information Website and are attached as appendices
21 to the Part 1 and Part 2 Application forms, which are provided in Attachment RJL-4.

1 Part 2 Applications are to be submitted by the Part 2 Application due date. The
2 Auction Manager team will process and evaluate all Part 2 Applications to determine
3 whether each applicant has satisfied the requirements of Part 2. A Part 2 Application will
4 be acceptable if it satisfies the requirements of:

- 5 (a) Being complete,
- 6 (b) Including an indicative offer in the appropriate form,
- 7 (c) *Meeting the requirements provided to the Part 2 applicant resulting from the*
8 Part 1 Application process, and
- 9 (d) Including the pre-bid security in a form acceptable to DP&L that is sufficient to
10 cover the indicative offer submitted by the Part 2 applicant at the maximum
11 starting prices.

12 If an applicant's Part 2 Application is incomplete or requires clarification, the
13 Auction Manager will send a deficiency notice to the applicant, and the applicant will
14 have until the end of the next business day or until the Part 2 application due date —
15 whichever is later — to respond.

16 Following the evaluation of Part 2 Applications, the Auction Manager will notify
17 each Part 2 applicant whether or not it has successfully completed the Part 2 Application
18 process to become a Registered Bidder. The Registered Bidder's pre-bid security
19 establishes the Registered Bidder's initial eligibility, which is the maximum number of
20 *tranches the bidder will be allowed to bid in the auction. The Auction Manager will send*
21 a Notification of Registration to each Registered Bidder that will include the Registered
22 Bidder's initial eligibility. The Auction Manager will send to each Registered Bidder, as
23 well as to other parties as necessary to oversee the proper conduct of the CBP, a list of

1 the Registered Bidders and the total initial eligibility across all Registered Bidders. All
2 parties, including Registered Bidders, will have undertaken to maintain the
3 confidentiality of this information provided to them.

4 **Q. What bidding design will be used?**

5 A. A version of the simultaneous, multiple-round, descending-price clock auction format
6 will be used. A version of this format has been used in numerous electricity
7 procurements including in Massachusetts in 1997 and used later in New Jersey, Ohio,
8 Illinois, Pennsylvania, and elsewhere. It currently is being used in the CBP for the
9 FirstEnergy's Ohio electric distribution utilities and by Duke Energy Ohio, Inc. to
10 procure their SSO supply. As is the case for CBP auctions for FirstEnergy's Ohio
11 Utilities and Duke Energy Ohio, Inc., when only a single product is being auctioned, the
12 descending-price clock phase of the auction may be followed by a sealed-bid phase.
13 Variations of the descending-price clock auction bidding design have also been used for
14 buying and selling other energy products and have been used in other industries as well.

15 The bidding format is simultaneous in that multiple products and/or multiple
16 tranches are bid on simultaneously. Bidding takes place online using Web-based
17 software in a series of bidding rounds, with pre-specified starting and ending times for
18 each round. Prior to the start of each round of the clock phase, the announced price for
19 each product is disclosed to bidders. The announced price is the same for each tranche
20 for a product, but may differ across products. The starting announced price for each
21 product — *i.e.*, the announced price in effect during round 1 — is set artificially high so
22 as to encourage bidding participation. At the end of each round of the clock phase, the

1 bidding software, as overseen by the Auction Manager team, determines which products
2 are over-subscribed and which products are under-subscribed. A product is over-
3 subscribed if more supply tranches were bid on it across all bidders than the number of
4 tranches needed to procure for the product. Likewise, a product is under-subscribed if
5 fewer tranches were bid on it than needed. If a product is over-subscribed, the announced
6 price for that product will be reduced by a decrement for the next round. If a product is
7 not over-subscribed, its announced price will not change for the next round. The bidding
8 process continues in this manner, with prices tending to tick down like hands on a clock.
9 As prices change across the products, bidders are allowed to change the number of
10 tranches they bid subject to certain restrictions. Subject to these restrictions, in each
11 round, a bidder simply specifies the number of tranches that it is willing and able to
12 supply for each product given the announced price for each product. There is no pre-
13 determined number of rounds before the clock phase of the auction closes.

14 For single-product auctions, the clock phase may transition to a final sealed-bid
15 phase. During a sealed-bid phase, some bidders will be asked to submit their best and
16 final price for offered tranches. For multiple-product auctions and under some bidding
17 scenarios for single product auctions, the auction closes at the completion of the clock
18 phase. The auction will close if and when the closing criteria have been met. The
19 closing criteria are outlined in detail in the Bidding Rules and differ somewhat for single
20 product versus multi-product auctions. Winning bidders are those bidders who bid the
21 tranches that are winning tranches as of the close of the auction. The Bidding Rules

1 provide a more detailed description of the bidding process and are included as
2 Attachment RJL-5.

3 **Q. Please describe the process following the close of the auction.**

4 A. At the close of each auction, the Auction Manager will provide a report to the
5 Commission. The post-bidding report will summarize the bidding process and results,
6 and will provide a list of the least-cost bidder(s) and the number of the least-cost tranches
7 for each product for each such bidder. DP&L proposes that the bids of the least-cost
8 bidders be approved by the Commission within 48 hours of the submission of the post-
9 bidding report, with these bids serving to determine the retail rates for energy for the
10 relevant periods of the ESP.

11 *After the last round of the auction, bidders who remained active in the auction*
12 *will see preliminary auction results through the Bidding Website. These bidders will see*
13 *the clearing prices for each product and the number of tranches the bidder tentatively has*
14 *won for each product. These preliminary results remain subject to the Commission's*
15 *approval. Before the third calendar day following the close of the auction, and subject to*
16 *Commission approval, the Auction Manager will notify each winning bidder of the*
17 *number of tranches the bidder has won for each product and the associated clearing*
18 *prices. The Auction Manager also will provide to DP&L the identities of the winning*
19 *bidders, the number of tranches each winning bidder has won for each product, and the*
20 *associated clearing prices.*

21 *Once the Commission selects the winning bidder(s), the winning bidder(s) and*
22 *DP&L will execute the Master SSO Supply Agreements. Pre-bid security will be*

1 returned to all bidders as soon as practicable upon execution of the Master SSO Supply
2 Agreements. Pre-bid security may be held back for any bidder that violated any of the
3 rules or certifications of the CBP.

4 The Commission may release information about the CBP results including
5 winning bidders, winning tranches, and clearing prices.

6 **Q. What is the schedule for bidding and the timeline proposed by the Company?**

7 A. The proposed schedule that shows the number of tranches and a timeline for the
8 competitive bid process for each tranche is Attachment RJL-3. The first CBP auction will
9 be conducted as soon as practical upon the PUCO's approval of the ESP.

10 **Q. How did DP&L select the timeline and the number of tranches proposed for this**
11 **competitive bid process?**

12 A. The timeline was influenced by a number of factors including a desire to align with the
13 PJM planning year. The number of products offered per auction and the auction
14 frequency were chosen to ensure that there would be sufficient depth in the solicitations
15 to attract bidders to the CBP even during the early years of the process. In later years,
16 when there are more tranches up for bid, the contracts are laddered. The laddering of
17 contracts helps to mitigate the potential impact of short term wholesale power market
18 price volatility on SSO rates.

19 **Q. Will the product term be aligned with PJM'S RPM auctions?**

1 A. Yes. The supply contracts procured under the initial auction will cover a period through
2 May 31, 2014. Supply contracts procured through subsequent auctions will begin on
3 June 1 consistent with the PJM planning year.

4 **Q. Why does DP&L propose to align on the wholesale energy auctions on the PJM**
5 **calendar?**

6 A. The goal for extending the initial ESP year for a period of up to 17 months is to improve
7 the coordination between the DP&L ESP and the PJM calendar. Aligning with the PJM
8 calendar will provide potential suppliers with better information as to the potential cost of
9 their capacity obligations under the Master SSO Supply Agreement.

10 **Q. How are the products defined?**

11 A. Bidders will bid to supply tranches of DP&L's SSO load. Each tranche is a uniform 1%
12 slice of the DP&L SSO load. The products are load-following, full requirements service
13 including energy, capacity, market-based transmission charges, and ancillary services.

14 **Q. Why did DP&L select a slice-of-system product?**

15 A. The product definitions will be familiar to bidders as they are consistent with those from
16 other successful Ohio procurements. The slice-of-system approach reduces the
17 complexity of the auction process for suppliers and helps ensure competition for all
18 products up for bid.

19 **Q. How is the CBP designed to encourage participation in the auction and to ensure**
20 **that no one bidder is advantaged?**

1 A. Physical generation assets are not required to participate in the CBP or to bid on and win
2 tranches. Financial participants (those who do not own generating assets) have won
3 tranches in previous Ohio auctions and will continue to have that opportunity in the
4 DP&L procurements. In fact, any bidder who can purchase power for delivery to the
5 Company's service territory can participate in the CBP. Nothing in the CBP requires
6 bidders to own generation and nothing in the CBP provides preferential treatment to
7 those that do own generation. The descending-price clock auction format is
8 nondiscriminatory because anyone can participate as long as they satisfy the criteria used
9 in the application process. Moreover, the CBP is a structured process that levels the
10 playing field for participants and makes information available so no bidders are
11 advantaged. All bidders are bidding on standardized supply contracts and are subject to
12 identical financial and credit requirements and criteria. All bidders have equal access to
13 information before bidding and during the event itself. Prior to the auction, the process to
14 educate and train bidders on the details of the CBP and the products is the same for all
15 bidders. During the auction, all bidders receive the same information about the status of
16 the auction.

17 **Q. What options will a supplier have to deliver energy to the PJM DP&L load zone?**

18 A. Suppliers will have several options. First, they may purchase energy directly from PJM.
19 Suppliers will be able to schedule energy from a source, either a generator or a
20 commercial trading hub, within PJM for delivery to the delivery point. In addition,
21 suppliers will be able to schedule energy from sources located within contiguous regional

1 transmission organizations outside of PJM, including the Midwest ISO or the New York
2 Power Pool.

3 **Q. Are there specific design considerations chosen to promote competition in the**
4 **auction?**

5 A. There are several rules in place designed to promote competitive bidding. Those rules
6 include the following:

- 7 (a) All bidders adhere to identical credit qualification procedures. Each bidder's
8 credit-based tranche cap is a function of clearly-defined, objective criteria. The
9 criteria prevent any potential subjectivity or favoritism in the process.
- 10 (b) All bidders are bidding on standardized supply contracts. Contracts are not
11 tailored to accommodate the needs or demands of any individual bidder.
- 12 (c) The bidder education and training process is designed to provide all bidders equal
13 access to information. The process includes bidder information sessions to
14 educate all bidders on the CBP, the auction rules, and the products being offered.
15 The Q&A process is designed to provide all bidders equal access to information
16 related to the CBP.
- 17 (d) During the auction, all bidders receive the same information about the status of
18 the auction, including prices and the supply and demand conditions.
- 19 (e) The closing criteria are applied equally to all bidders. Bids are evaluated and
20 winning bidders are determined based on price alone. Any bidder willing to
21 supply at the announced price remains active in the auction. Any bidder active on

1 a product when the auction closes is guaranteed to win the rights to supply SSO
2 load.

3 **Q. Does the proposed CBP protect against the exercise of market power and, if so,**
4 **how?**

5 A. There are no restrictions under R.C. 4928.143 applicable to procuring energy supply
6 through a competitive auction format. However, DP&L's CBP plan has been guided by
7 the requirements set forth in the Commission's regulations under R.C. 4928.142. In that
8 regard and as I understand, the MRO statutes and rules require that the electric
9 distribution utility belong to a regional transmission organization that is overseen by an
10 independent market monitor that is responsible for protecting against market abuses and
11 the improper exercise of market power. Additionally, the CBP plan proposed here also
12 provides protection against market power abuses. As reflected in the Communications
13 Protocols, Attachment RJL-6, affiliates of DP&L cannot be provided with any
14 information regarding the CBP plan that would provide them an unfair competitive
15 advantage. As I have discussed previously, all auction participants (including any
16 affiliates of DP&L) will be given the same amount of information, thus preventing any
17 perceived abuse of market power.

18 **Q. Are changes to the CBP possible?**

19 A. While the proposed CBP contains the necessary elements that result in a competitive
20 process and meets applicable statutory and regulatory requirements, changes may be
21 considered if such changes further promote successful CBP solicitations in accordance
22 with such regulatory requirements.

23 **Q. Did you consider alternatives to the proposed CBP?**

1 A. For procurements with multiple products I have selected a descending-price clock format.
2 For single product procurements, I have selected a descending-price clock format with a
3 possible sealed-bid round. In addition to a descending-price clock auction format, I
4 considered a one-shot sealed-bid format. Both formats have been used for a number of
5 years to procure electricity and for other competitive bids in electricity and in other
6 industries. A one-shot sealed-bid format is appropriate in some instances. For the types
7 of products being procured here, there is little if any advantage of a one-shot sealed-bid
8 format, and a descending-price clock auction format offers several advantages.

9 First, with multiple products, it is more difficult in a one-shot sealed-bid format
10 for bidders to specify their bids. The number of tranches they would be willing and able
11 to supply depends on price levels and relative prices for the different products. In
12 principle, they could submit contingent bids, specifying how many tranches for each
13 product they would bid for different combinations of prices, but specifying all the
14 possible combinations of prices would be challenging.

15 Second, there is a common-value element to the CBP products. This means there
16 is some uncertainty in valuing the tranches and the uncertainty is shared among bidders
17 (*e.g.*, forecasts of market prices in the future). This can give rise to the winner's curse
18 problem in which the winning bidder wins because it has the lowest estimate of the cost
19 of supplying the tranches — thus, a bidder faces the risk that its bid is an outlier
20 compared to the bids of other market participants and wins at a price that is below
21 competitive market levels. Unless the winner's curse risk is addressed through the
22 appropriate auction design, bidders will compensate for the risk by bidding
23 conservatively, leading to potentially higher clearing prices for the procurement. In a

1 one-shot sealed-bid format, the winner's curse can be addressed somewhat by using
2 uniform pricing (all winning bidders for a product get paid the same price for the
3 product) rather than first-price discriminatory bidding (each winning bidder gets paid the
4 price it bid). However, the one-shot sealed-bid format lacks an effective price discovery
5 mechanism that also mitigates the winner's curse — a price discovery mechanism in
6 which bidders gain confidence from price signals reflecting other bidders' bids, thereby
7 encouraging bidders to bid more aggressively.

8 Third, with multiple products, the more that the products are related in value (*e.g.*,
9 they are substitutes and/or complements), the more important it is that meaningful price
10 signals be provided so that bidders gain information about the value of the tranches,
11 reducing risks for bidders and encouraging them to bid lower prices. A one-shot sealed-
12 bid auction does not provide these price signals, thereby increasing risks faced by bidders
13 and discouraging them from bidding lower prices.

14 In contrast to the one-shot sealed-bid format, the descending-price clock format
15 allows bidders to revise their bids in response to prices that reflect aggregate bidder
16 interest in the products. Because the auction proceeds in a series of rounds with
17 announced prices reflecting competitive bids, bidders do not need to be concerned with
18 specifying combinations of hypothetical prices. There is an effective price discovery
19 mechanism: prices decline in response to supply being bid, and bidders can adjust their
20 bids accordingly. The descending-price clock format provides the price transparency that
21 facilitates effective and efficient bidding among all bidders. The price signals provided
22 through the process enable bidders to bid confidently and aggressively (*i.e.*, at lower
23 prices) without risking "under-bidding the market." The descending-price clock format

1 also imposes uniform pricing which also reduces bidders' risks. The bidding mechanics
2 for the descending-price clock format are straightforward. It has been my experience that
3 even bidders participating in this bidding format for the first time find the logic, interface,
4 and experience intuitive and efficient.

5 Fourth, in a simultaneous, multiple-round, descending-price clock procurement,
6 bidders can switch from one of the utility's products to another product in response to
7 price differences that they believe are not reflective of underlying supply cost differences.
8 This behavior leads to a potentially more efficient outcome and contributes to pricing that
9 is more consistent among the products. Similar products will have similar prices through
10 this process. This further simplifies administration and regulatory oversight.

11 Finally, the descending-price clock format has been used successfully in Ohio in
12 the past. The format has performed well and has resulted in strong participation from
13 suppliers reflecting the competitive nature of the process. It is a format that participants
14 are used to and are comfortable with.

15 **Q. What obstacles might create difficulties or barriers for the adoption of the proposed**
16 **CBP?**

17 **A.** There should be no barriers or difficulties for bidders with respect to the proposed CBP.
18 As with any competitive procurement, a critical success factor is whether the products are
19 attractive to bidders and whether bidders have been provided sufficient time and
20 information to evaluate the opportunity to participate. Any uncertainties in the process
21 that bidders face should be addressed to the extent possible. The proposed CBP products
22 are clearly defined and are designed to be attractive to prospective bidders. The proposed

1 CBP plan is designed to provide sufficient time and readily available information for
2 prospective bidders to participate confidently in the CBP. Thus, as noted, there should be
3 no barriers or difficulties.

4 **Q. How much time is required to conduct a CBP auction?**

5 A. In general, two months or longer are required in advance of an auction to facilitate bidder
6 education and qualification. The auction must also be held with enough lead time prior to
7 power flow to allow all parties to execute the Master Supply Agreement and to
8 implement the Contingency Plan if any tranches are unfilled by the auctions in a given
9 year.

10 **III. THE MASTER SSO SUPPLY AGREEMENT**

11 **Q. Please describe the Master SSO Supply Agreement.**

12 A. The Master SSO Supply Agreement details the contractual obligations of DP&L and the
13 winning suppliers associated with each auction. The Agreement includes the terms and
14 conditions that will govern the relationship between DP&L and SSO suppliers.
15 Following each auction, winning suppliers must execute the Master SSO Supply
16 Agreement within a proscribed period of time or risk forfeiting any pre-bid security
17 associated with the process.

18 **Q. What sections are included in the Master SSO Supply Agreement**

19 A. The Master SSO Supply Agreement covers the following topics: (1) Definitions; (2)
20 General Terms and Conditions; (3) Representations and Warranties; (4) Commencement
21 and Termination; (5) Breach and Default; (6) Creditworthiness and Performance

1 Assurance; (7) Scheduling, Forecasting and Information Sharing; (8) Billing and
2 Settlement; (9) System Operation; (10) Dispute Resolution; (11) Limitation of Liability;
3 (12) Indemnification; (13) Miscellaneous Provisions

4 **Q. What are the creditworthiness standards and why are they needed?**

5 A. The creditworthiness standards and requirements under the Master SSO Supply
6 Agreement are intended to allow DP&L to recover monetary damages from the supplier
7 in cases where the supplier is responsible for causing damages to DP&L.

8 **Q. What is the contingency plan if not enough tranches are secured through a CBP
9 auction?**

10 A. In the event that fewer tranches than a product's tranche target are purchased in the
11 auction, DP&L will implement a Contingency Plan for the unfilled tranches. Under that
12 plan, if all tranches are not fully subscribed through the auction in any given year, then
13 any remaining tranches will be offered to current DP&L SSO Suppliers. These suppliers
14 will have won tranches in the current or a prior DP&L CBP auction. The tranches will be
15 offered to current suppliers at the clearing price, starting price, or reservation price,
16 whichever is lowest. If there still are unfilled tranches, then the necessary SSO supply
17 requirements will be met through PJM-administered markets at prevailing Day-ahead,
18 Real-time zonal spot prices. More details on the Contingency Plan are included in Section
19 11 of the Bidding Rules.

1 Q. What is the contingency plan in the event of default by one or more suppliers during
2 the term of the Master SSO Supply Agreement?

3 A. The Master SSO Supply Agreement addresses potential termination conditions and
4 remedies available to suppliers and to DP&L. Should a supplier default, DP&L may
5 terminate the contract with no remaining contractual obligations owed to the defaulting
6 supplier. DP&L may also seek monetary damages including but not limited to:
7 withholding payment for prior supplier performances; pursuing rights under any credit
8 support provided by a supplier such as a letter of credit or other form of guaranty. In
9 such cases, DP&L will supply any unfilled tranches consistent with the contingency plan
10 outlined in the Bidding Rules.

11 **IV. THE PROPOSED CBP SATISFIES OHIO LAW**

12 Q. Does the proposed CBP satisfy the criteria of Ohio law?

13 A. I believe it does. As I have previously discussed, the CBP plan incorporated into DP&L's
14 proposed ESP has been developed with reference to the statutory criteria applicable to a
15 CBP plan under an MRO. Consistent therewith, the CBP plan here provides for all of the
16 following:

- 17 (a) Open, fair, and transparent competitive solicitation.
- 18 (b) Clear product definition.
- 19 (c) Standardized bid evaluation criteria.
- 20 (d) Oversight by an independent third party that shall design the solicitation,
21 administer the bidding, and ensure that the criteria specified above are met.

1 (e) Evaluation of the submitted bids prior to the selection of the least-cost bid winner
2 or winners.

3 Each element of the proposed CBP, and the overall CBP plan, is designed to satisfy the
4 requirements above.

5 **Q. Will there be load caps for the auctions?**

6 A. Yes. Although load caps may place upward pressure on the auctions' clearing prices,
7 supplier diversity provides some risk mitigation benefits to DP&L and rate payers. As a
8 result, we are proposing to adopt a load cap for these auctions. The proposed load cap
9 will be 80 percent on an aggregated load basis across all auction products for each
10 auction date such that no bidder may bid on and win more tranches than the load cap.
11 The load cap will be implemented by ensuring that each bidder's initial eligibility does
12 not exceed the load cap in an auction.

13 **Q. Please explain how the proposed CBP meets the requirement for an open, fair, and**
14 **transparent competitive solicitation.**

15 A. The CBP provides for open, fair, and transparent competitive solicitation through the
16 product definition, the information channels, the bidder qualification process, the bidding
17 design, and the rules for participation. The products are familiar to market participants
18 and well-defined and are the same for all bidders. Information about the solicitations will
19 be timely and readily available on an equal basis to interested parties. The bidder
20 qualification process is the same for all participants, familiar to market participants, and
21 fully documented. The version of the descending-price clock auction in the solicitations
22 applies the same bidding rules and procedures to all bidders and is familiar to

1 participants. Finally, all the rules for participating in the solicitation are known to all
2 participants ahead of time and applied equally to all participants. All of the above factors
3 encourage participation, and promote the openness, fairness, and transparency of the
4 solicitations.

5 **Q. Please explain how the proposed CBP meets the requirement for a clear product**
6 **definition.**

7 A. The products are standardized and familiar to market participants. The products are load-
8 following, full requirements service including energy, capacity, market-based
9 transmission charges, and ancillary services. The products are well-known and
10 understood in the marketplace, and can be readily evaluated and priced by bidders. All
11 bidders know that they are bidding on the same products.

12 **Q. Please explain how the proposed CBP meets the requirement for standardized bid**
13 **evaluation criteria.**

14 A. Bidders are allowed to submit bids only by first successfully completing the Part 1 and
15 Part 2 Application process. That process uses standardized evaluation criteria applied
16 equally to all applicants, and ensures that bidders allowed to submit bids are willing, able,
17 and committed to satisfying the obligations of an SSO supplier should they win tranches
18 in the bidding. The two-part application process ensures that non-price criteria are
19 satisfied in evaluating the qualifications of bidders to become SSO suppliers. This pre-
20 qualification process further ensures: (i) a level playing field for all bidders, (ii) a clear
21 evaluation of bids such that no bidder can gain an unfair advantage in the process,
22 (iii) that all bidders are judged on the same, standardized basis, and (iv) that the only

1 necessary evaluation by the Commission is on price. This means that bids subsequently
2 can be evaluated on an objective, price-only basis. The bidding design encourages
3 bidders to bid supply at the lowest possible price. There is no ambiguity as to the
4 winning bids, the winning bidders, and the non-winning bidders. Winning bidders win
5 simply because *non-winning bidders* are not willing and able to supply tranches at prices
6 as low as the prices at which winning bidders are willing and able to supply the tranches.
7 The Commission's statutory oversight in selecting the least-cost bids also ensures
8 standardized bid evaluation criteria are used.

9 **Q. Please explain how the proposed CBP meets the requirement for oversight by an**
10 **independent third party.**

11 A. The Auction Manager, CRA International, has provided independent management and
12 oversight of competitive bids for numerous clients in electricity since the mid 1990s and
13 CRA's remuneration as DP&L's Auction Manager does not depend on the outcome of the
14 CBP solicitations or which bidders win what tranches at what prices.

15 **Q. Please explain how the proposed CBP meets the requirement for evaluation of the**
16 **submitted bids prior to the selection of the least-cost bid winner or winners.**

17 A. After the close of bidding, the Auction Manager will provide to the Commission the post-
18 bidding report which provides the information that the Commission needs to evaluate the
19 solicitation and to select the least-cost bid winner(s). Consistent with (OAC) §4901:1-
20 35-08 (B), DP&L proposes that the Auction Manager will provide the report within
21 twenty-four hours of the completion of the bidding process. DP&L further anticipates
22 that the report will include a summary of the results of the CBP, and all of the elements

1 set forth in OAC §4901:1-35-08(B) (1) through (7). Likewise, although there is no
 2 express requirement to do so, DP&L will provide access to its staff and CRA to assist the
 3 Commission in its review of the CBP, as well as data, information and communications
 4 pertaining to the bidding process, on a real time basis and regardless of the confidential
 5 nature of such data and information.

6 **V. CONCLUSION**

Q. Were attachments RJL-2 through RJL-7 prepared by you or under your direction?

A. Yes, they were.

7 **Q. Does that conclude your pre-filed direct testimony at this time?**

8 A. Yes.

ROBERT J. LEE

Principal

M.S. Industrial Administration,
Carnegie Mellon University,

B.A. Mathematics,
Boston College

Mr. Lee is a Principal in CRA's Auctions & Competitive Bidding Practice. During his consulting career, Mr. Lee has assisted numerous clients to develop structured sales and procurement channels in an array of industries and markets. He has managed structured transactions, acquisitions and divestitures in both traditional and competitive bidding environments. In addition, Mr. Lee has helped clients on a range of valuations and market analyses related to changes in market dynamics and market structure. Prior to joining CRA, Mr. Lee was a Principal with the PA Consulting Group and at Putnam, Hayes and Bartlett, Inc.

AUCTIONS AND COMPETITIVE BIDDING

Electricity

Duke Energy Ohio, Inc.

- Designed a competitive bidding process (CBP) to procure wholesale generation for retail Standard Service Offer (SSO) load for Duke Energy Ohio, Inc. The ongoing CBP uses a clock auction format. The auction process and outcome are subject to approval by the Public Utilities Commission of Ohio (PUCO).

FirstEnergy Ohio Utilities

- Assisted in the design and ongoing execution of a competitive bidding processes to procure wholesale generation and capacity for retail Standard Service Offer (SSO) load of customers of FirstEnergy's Ohio Utilities — Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company. The auction process and outcome are subject to approval by the Public Utilities Commission of Ohio (PUCO).
- For FirstEnergy Service Company, assisted in designing and conducting a competitive bidding process using a hybrid clock auction and sealed-bid format to procure wholesale generation and capacity for retail Standard Service Offer (SSO) load to be delivered June 2009 through May 2011 to customers of FirstEnergy Ohio Utilities — Cleveland Electric Illuminating Company, The Toledo Edison Company, and Ohio Edison Company. Played a key role on the Auction Manager team including managing the mock auction and the live event. The successful auction procured more than \$6 billion in supplies. The auction process and outcome were subject to approval by the Public Utilities Commission of Ohio (PUCO).

RWE

- Auction Manager for RWE's ongoing power supply auction serving major commercial and industrial customers in Europe. Currently working with RWE and the broader CRA auction team on the auction design framework, including all bidding rules, auction parameters, and bidder support documentation and tools. In addition, Mr. Lee helped to develop and test the customized auction software working with software engineering through the design and testing process. The auction process and outcome are subject to approval by the German cartel office (BKartA).

Trans Elect

- Part of CRA's Auction Manager team on an open season auction process for Trans Elect. The open season auction process used CRA's Auction Management System to successfully sell transmission capacity rights through an open and transparent bidding process. The auction process and outcome were subject to approval by the U.S. Federal Energy Regulatory Commission (FERC).

GE EFS

- Auction Manager for the Linden VFT open season auction process. With CRA's assistance, GE successfully auctioned incremental transmission capacity from PJM into New York's Zone J. Mr. Lee worked closely with GE and the broader CRA team to design and test the customized AMS auction software and to educate bidders on the auction design parameters as well as the VFT technology. The auction process and outcome were subject to approval by the U.S. Federal Energy Regulatory Commission (FERC).

Agriculture

Ocean Spray Cranberries

- Project Manager and Auction Manager for the development of an Internet-based trading platform for Ocean Spray Cranberries. The system, launched in the summer of 2009, represented a major innovation in an industry that lacked price transparency and adequate market signals for investment. Through the online system, Ocean Spray successfully is offering cranberry concentrate to major beverage producers worldwide.

Fonterra - GlobalDairyTrade

- Project Manager and Auction Manager for the development and administration of *globalDairyTrade*, the Internet-based auction sales channel for a major international dairy cooperative. The auction-based system represents a major departure from the industry status quo and served as a mechanism for cost reduction, efficiency improvement, and increased market transparency for the supplier and its customers. Key responsibilities include contributions on the auction design, software development, customer training processes, and client communications.

*ASSET VALUATION AND MARKET STRATEGY**Confidential Client*

- Advised the successful bidder in the acquisition of a gas-fired combined cycle power plant located in a remote region of Pakistan. As part of El Paso's divestiture of its Asian power generating assets, Mr. Lee worked closely with a the buyer to value the portfolio of power sales, fuel supply and O&M contracts supporting the facility. Critical considerations included fuel supply risk, FX risk and the proper assessment of the threat of terrorism associated with the facility.

Confidential Client

- Worked closely with the management of a processed coal producer to identify the product's value versus alternative coal options. Established the breakeven value for the fuel under a range of alternative environmental, coal price and transportation cost scenarios. Helped establish the relevant geographic range under which the fuel could potentially compete and identified attractive utilities for targeted marketing activities. Identified alternative distribution strategies that would help mitigate transportation cost concerns.

Hoosier Energy

- Reviewed the NO_x SIP Call compliance plan for Hoosier Energy, a Midwestern G&T Cooperative. Worked closely with management to develop a new framework for evaluating environmental compliance options at Hoosier's principal coal-fired power stations. Identified key risk factors impacting the value of the cooperative's planned environmental expenditures, including the risk of domestic CO₂ restrictions. Identified potential cost saving and risk mitigation strategies in association with pending changes in environmental policies. *Proposed alternative allowance banking strategies that would reduce financial exposure associated with SIP investments.*

PSEG

- Worked with management to evaluate the impact of a range of environmental scenarios on PSEG asset values. Mr. Lee modeled an array of 3P and 4P proposals and evaluated the likely response of market participants. The modeling exercise examined the impact of incremental environmental restrictions on regional and national new capacity builds, PCE retrofits and fuel selection. In addition, the CRA team quantified the impact of proposed or pending regulations on regional power market prices and on the prices for tradable emissions credits.

Triton Coal

- Advised the management of Triton Coal on antitrust issues associated with their divestiture of the Buckskin and North Rochelle coal mines located in the Wyoming portion of the Powder River Basin. Identified substitute products including coal from alternative producing basins and power generation from alternative fuels. Identified the market for Powder River Basin coal based on transportation access and costs as well as coal quality considerations. Evaluated bidders based on the potential impact of the acquisition on market concentrations. Balanced the bid price for resources versus the likelihood that a potential sale would withstand DOJ scrutiny.

Foster Wheeler

- Performed a strategic assessment of the international coal boiler market for Foster Wheeler. Identified key markets for growth in coal-fired power generation over the near, mid and long-term. Considered key issues such as resource availability, environmental policy uncertainties and power demand growth. Worked closely with Foster Wheeler Oy to identify attractive markets for their CFB coal-boiler marketing activities.

British Petroleum

- Examined the potential strategic impacts of btu convergence on coal and oil markets. The analysis evaluated the economics of coal-to-liquids, coal-to-gas and underground coal gasification. Identified regional discontinuities on project economics and participated in workshops designed to assess opportunities in the coal space and their impact on markets for oil, coal and power.

TESTIMONY AND ADMINISTRATIVE PROCEEDINGS

PUCO Case No. 11-3549-EL-SSO. Testimony on behalf of the Duke Energy Ohio, Inc. (Duke) related to Duke's application for authority to establish a Standard Service Offer pursuant to Section 4928.143, Revised Code, in the form of an Electric Security Plan.

PUCO Case No. 10-2586-EL-SSO. Testimony on behalf of the Duke Energy Ohio, Inc. (Duke) related to Duke's application for approval of a Market Rate Offer to conduct a competitive bidding process for Standard Service Offer electric generation supply.

Developed and presented PSEG and Exelon's joint claim for relief to the Oil Spill Liability Trust Fund, US Department of Homeland Security. Prepared the claim for damages associated with the temporary shut down of the Salem nuclear facility as a result of the November, 2004 Athos I oil spill.

PRESENTATIONS AND PUBLICATIONS

Brandeis University, Graduate School of International Business, lecturer on coal and environmental markets and energy market dynamics

National Public Radio (NPR), Marketplace, recurrent on air guest discussing coal, environmental markets and environmental policy

"Creating Markets and Structured Sales Channels", presented at the U.S. Apple Association Outlook 2010, Chicago, IL, August 19, 2010

"Not Your Father's Auction", Industry Week, April 2010

"A Better Way to Transact", Beverage Industry: Market Insights, May 2010

"NO_x Trading: Strategies for Electric Cooperatives"; with Anne Smith; Cooperative Research Network, National Rural Electric Cooperative Association; April 2003

EDUCATION

CARNEGIE MELLON UNIVERSITY,
Graduate School of Industrial Administration
MSIA (MBA)

Pittsburgh, PA

BOSTON COLLEGE
College of Arts and Sciences
BA Mathematics

Chestnut Hill, MA

ATTACHMENT RJL-2

MASTER STANDARD SERVICE OFFER (“SSO”)

SUPPLY AGREEMENT

BETWEEN

THE DAYTON POWER AND LIGHT COMPANY

AND

THE SSO SUPPLIER SET FORTH IN APPENDIX A HERETO

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APPENDIX A	SSO SUPPLIER TRANCHES, PRICES, TERM AND RESPONSIBILITY SHARE
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MASTER SSO SUPPLY AGREEMENT

THIS MASTER SSO SUPPLY AGREEMENT (this "Agreement") made and entered into this ____ day of _____, 20[] (the "Effective Date") by and between The Dayton Power and Light Company, which is a corporation organized and existing under the laws of the State of Ohio, and each of the suppliers listed on Appendix A severally, but not jointly (each an "SSO Supplier" and, collectively, the "SSO Suppliers"). The Dayton Power and Light Company and each SSO Supplier are hereinafter sometimes referred to collectively as the "Parties," or individually as a "Party."

WITNESSETH:

WHEREAS, The Dayton Power and Light Company is an Ohio public utility engaged, inter alia, in providing SSO Service within its service territory; and

WHEREAS, the PUCO found that, commencing on and after January 1, 2013, it would serve the public interest for The Dayton Power and Light Company to secure SSO Supply through a competitive bidding process; and

WHEREAS, on _____, 20[], The Dayton Power and Light Company conducted and completed a successful Solicitation for SSO Supply; and

WHEREAS, each SSO Supplier was one of the winning bidders in the Solicitation for the provision of SSO Supply; and

WHEREAS, the PUCO has authorized The Dayton Power and Light Company to contract with winning bidders for the provision of SSO Supply to serve SSO Load in accordance with the terms of this Agreement; and

WHEREAS, The Dayton Power and Light Company is a signatory to agreements with

the PJM Interconnection, LLC ("PJM"), including the Operating Agreement ("OA"), Transmission Owners Agreement ("TOA") and the Reliability Assurance Agreement ("RAA"). Pursuant to the RAA, The Dayton Power and Light Company currently acquires capacity through PJM's Reliability Pricing Model ("RPM") auctions; and

WHEREAS, each SSO Supplier has or will execute the appropriate PJM Agreements to permit it to provide SSO Supply to serve SSO Load within the Dayton Zone.

WHEREAS, each SSO Supplier, as a Load Serving Entity ("LSE") in the Dayton Load Zone, will satisfy its Capacity obligations under the PJM Agreements associated with its respective SSO Supplier Responsibility Share through the purchase of Capacity from PJM in accordance with the provisions of applicable PJM Agreements, including through participation in the base residual auction and incremental auctions administered by PJM, and related tariff provisions; and

WHEREAS, The Dayton Power and Light Company and the SSO Suppliers desire to enter into this Agreement setting forth their respective obligations concerning the provision of SSO Supply.

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

ARTICLE 1: DEFINITIONS

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

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

Ancillary Services has the meaning set forth in the PJM Agreements.

Applicable Legal Authorities means, generally, those federal and Ohio statutes and administrative rules and regulations that govern the electric utility industry in Ohio.

Bankrupt means, with respect to any entity, that such entity (i) voluntarily files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it by its creditors and such petition is not dismissed within sixty (60) calendar days of the filing or commencement; (ii) makes an assignment or any general arrangement for the benefit of its creditors; (iii) otherwise becomes insolvent, however evidenced; (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets; or (v) is generally unable to pay its debts as they become due.

Bankruptcy Code means those laws of the United States of America related to bankruptcy, codified and enacted as Title 11 of the United States Code, entitled "Bankruptcy" and found at 11 U.S.C. § 101 et seq.

Billing Month means each calendar month during the Delivery Period.

Business Day means any day except a Saturday, Sunday or a day that PJM declares to be a holiday, as posted on the PJM website. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. prevailing Eastern Time.

Capacity means "Unforced Capacity" as set forth in the PJM Agreements, or any successor measurement of the capacity obligation of an LSE as may be employed in PJM (whether set forth in the PJM Agreements or elsewhere).

Charge means any fee, charge, PJM charge, the PMEA/FMEA Adjustment if in favor of The Dayton Power and Light Company, or any other amount that is billable by The Dayton Power and Light Company to the SSO Supplier under this Agreement.

Costs mean, with respect to the Non-Defaulting Party, all reasonable attorney's fees, brokerage fees, commissions, PJM charges and other similar transaction costs and expenses reasonably incurred by such Party either in terminating any arrangement pursuant to which it has hedged its obligations or entering into new arrangements which replace this Agreement; and all reasonable attorney's fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement as between The Dayton Power and Light Company and the applicable SSO Supplier.

Credit Limit means an amount of credit, based on the creditworthiness of an SSO Supplier or its Guarantor, if applicable, determined pursuant to Section 6.6, granted by The Dayton Power and Light Company to such SSO Supplier to be applied towards the Total Exposure Amount for such SSO Supplier.

CRES Supplier means a Person that is duly certified by the PUCO to offer and to assume the contractual and legal responsibility to provide Standard Service Offer pursuant to retail open access programs approved by the PUCO to Customers who are not SSO Customers of The Dayton Power and Light Company.

Customer means any Person who receives distribution service from The Dayton Power and Light Company in accordance with the Applicable Legal Authorities.

Dayton Load Zone means that set of electrical locations determined pursuant to the applicable PJM Tariff, rules, agreements and procedures, representing the aggregate area of consumption for The Dayton Power and Light Company within PJM and used for the purposes of scheduling, reporting withdrawal volumes, and settling Energy transactions at aggregated load levels, to facilitate Energy market transactions.

Default Allocation Assessment has the meaning set forth in the PJM Agreements.

Default Damages means direct damages, calculated in a commercially reasonable manner, that the Non-Defaulting Party incurs as a result of an Event of Default by the Defaulting Party. Default Damages may include: (i) the positive difference (if any) between the Price of SSO Supply hereunder and the price at which The Dayton Power and Light Company or the SSO Supplier is able to purchase or sell (as applicable) SSO Supply (or any components of SSO Supply it is able to purchase or sell) from or to third parties including other SSO Suppliers and PJM; (ii) Emergency Energy charges; (iii) additional transmission or congestion costs incurred to purchase or sell SSO Supply; and (iv) Costs.

Defaulting Party has the meaning set forth in Section 5.1.

Delivery Period means the Original Delivery Period, unless this Agreement is terminated earlier in accordance with the provisions hereof.

Delivery Point means the Dayton Load Zone as defined within PJM.

Early Termination has the meaning set forth in Section 4.4.

Early Termination Date means, as between The Dayton Power and Light Company

and the applicable SSO Supplier, the date upon which an Early Termination becomes effective as specified in Section 5.2(b).

Effective Date has the meaning set forth in the preamble.

Emergency means (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; (ii) a condition that requires implementation of emergency operations procedures; or (iii) any other condition or situation that The Dayton Power and Light Company, transmission owner(s) or PJM deems imminently likely to endanger life or property or to affect or impair The Dayton Power and Light Company's electrical system or the electrical system(s) of other Person(s) to which The Dayton Power and Light Company's electrical system is directly or indirectly connected (a "Connected Entity"). Such a condition or situation may include potential overloading of The Dayton Power and Light Company's subtransmission or distribution circuits, PJM minimum generation ("light load") conditions, or unusual operating conditions on either The Dayton Power and Light Company's or a Connected Entity's electrical system, or conditions such that The Dayton Power and Light Company are unable to accept Energy from the SSO Supplier without jeopardizing The Dayton Power and Light Company's electrical system or a Connected Entity's electrical system.

Emergency Energy has the meaning set forth in the PJM Agreements.

Energy means three-phase, 60-cycle alternating current electric energy, expressed in units of kilowatt-hours or megawatt-hours.

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

Excess Collateral has the meaning set forth in Section 6.7(c).

FERC means the Federal Energy Regulatory Commission, or any successor thereto.

Final Monthly Energy Allocation or **FMEA** means a quantity of Energy expressed in MWh which, for any Billing Month, is the PMEA adjusted for any billing or metering errors found subsequent to the calculation of PMEA of which PJM is notified prior to the last date on which PJM issues a settlement statement for a previous operating day for the Billing Month.

Firm Transmission Service has the meaning ascribed to "Network Integration Transmission Service" under the PJM Agreements. In the event the PJM Agreements are modified such that "Network Integration Transmission Service" is no longer offered, Firm Transmission Service means the type of transmission service offered under the PJM Agreements that is accorded the highest level of priority for scheduling and curtailment purposes.

Forward Market Prices means forward market prices for a specific geographic Market Price Hub.

Gains means an amount equal to the present value of the economic benefit to the Non-Defaulting Party, if any, exclusive of Costs, resulting from an Early Termination.

Governmental Authority means any federal, state, local, municipal or other governmental entity, authority or agency, department, board, court, tribunal, regulatory commission, or other body, whether legislative, judicial or executive, together or individually, exercising or entitled to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power over a Party to this Agreement.

Guaranty means the ICT Guaranty or the Total Exposure Amount Guaranty, as applicable.

Guarantor means any Person having the authority and agreeing to guarantee an SSO Supplier's financial obligations under this Agreement, provided that such party meets The Dayton Power and Light Company's creditworthiness requirements for SSO Suppliers.

ICR Collateral means an ICT Guaranty plus the amount of any cash or Letter of Credit already posted to satisfy the aggregate ICR under this Agreement and any Other SSO Supply Agreement.

ICRT has the meaning set forth in Section 6.3.

ICT Guaranty means a guaranty, in the form substantially set forth in Appendix E, provided by a Guarantor in favor of The Dayton Power and Light Company guaranteeing an SSO Supplier's financial obligations in connection with ICT.

Indemnified Supplier has the meaning set forth in Section 12.1(b).

Independent Credit Requirement or **ICR** means an amount per Tranche required as security under Section 6.3, to mitigate the risk to The Dayton Power and Light Company of Energy price movements between the date of an Early Termination caused by an Event of Default by an SSO Supplier and the date the final calculation of Default Damages owing to The Dayton Power and Light Company under Section 5.2(c) is made.

Independent Credit Threshold or **ICT** means an amount of credit, based on the creditworthiness of an SSO Supplier or its Guarantor, if applicable, determined pursuant to Section 6.4, granted by The Dayton Power and Light Company to such SSO Supplier to be applied towards the satisfaction of such SSO Supplier's Independent Credit Requirement.

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

Kilowatt or **kW** means a unit of measurement of useful power equivalent to 1,000 watts.

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

Letter of Credit means a standby irrevocable letter of credit acceptable to The Dayton Power and Light Company issued by a bank or other financial institution with a minimum "A-" long term bank deposit rating from S&P or a minimum "A3" long term bank deposit rating from Moody's, in substantially similar form as set forth in Appendix D and including all of the requirements specifically set forth in Section 6.9.

Load Serving Entity or **LSE** has the meaning set forth in the applicable PJM Agreements.

Losses means an amount equal to the present value of the economic loss to the Non-Defaulting Party, if any, exclusive of Costs, resulting from an Early Termination.

Margin means, at any time, the amount by which the Total Exposure Amount exceeds the Credit Limit of the SSO Supplier or its Guarantor.

Margin Call has the meaning set forth in Section 6.6(e).

Margin Collateral has the meaning set forth in Section 6.6(e).

Mark-to-Market Exposure Amount means an amount calculated each Business Day for each SSO Supplier reflecting the exposure to The Dayton Power and Light Company due to fluctuations in market prices for Energy as set forth in Section 6.5, minus amounts due to such SSO Supplier pursuant to Section 8.1.

Market Price Hub means a liquid pricing point located within PJM's geographic footprint.

Megawatt or **MW** means one thousand kilowatts.

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

Minimum Margin Threshold means \$250,000.

Minimum Rating means a minimum issuer rating as defined in Section 6.4(a)(i) of this Agreement.

NERC means the North American Electric Reliability Corporation or its successor.

Net Worth or **NW** means total assets less total liabilities, each as would be reflected on a balance sheet prepared in accordance with generally accepted accounting principles.

Non-Defaulting Party means (i) where an SSO Supplier is the Defaulting Party, The Dayton Power and Light Company; or (ii) where The Dayton Power and Light Company is the Defaulting Party with respect to an Event of Default, the SSO Supplier to which the applicable obligation was owed.

Ohio Sales and Use Taxes has the meaning set forth in Section 13.8.

Original Delivery Period has the meaning set forth in Appendix A.

Other SSO Supply Agreement has the meaning set forth in Section 5.3(c).

Party has the meaning set forth in the preamble to this Agreement, and includes such Party's successors and permitted assigns.

Person means an individual, partnership, joint venture, corporation, limited liability company, trust, association or unincorporated organization, any Governmental Authority, or any other entity.

PJM means PJM Interconnection, L.L.C. or any successor organization thereto.

PJM Agreements means the PJM OATT, PJM Operating Agreement, PJM RAA and any other applicable PJM manuals or documents, or any successor, superseding or amended versions thereof that may take effect from time to time.

PJM Control Area means the control area recognized by NERC as the PJM Control Area.

PJM E-Account means an account obtainable through PJM which provides access to web-based PJM settlement, accounting, marketing and other informational and economic systems.

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

PJM Operating Agreement means the Amended and Restated Operating Agreement of PJM or the successor, superseding or amended versions of the Amended and Restated Operating Agreement that may take effect from time to time.

PJM RAA means the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region or any successor, superseding or amended versions of the Reliability Assurance Agreement Among Load Serving Entities in the PJM Region that may take effect from time to time.

PMEA or Preliminary Monthly Energy Allocation means a quantity of Energy expressed in MWh which, for any Billing Month, is the preliminary calculation of the SSO Supplier's SSO Supplier Responsibility Share.

PMEA/FMEA Adjustment means, for any Billing Month, the monetary amount due to an SSO Supplier or The Dayton Power and Light Company, as the case may be, in order to reconcile any difference between the PMEA used for the purpose of calculating estimated payments made to such SSO Supplier for a given month and the Final Monthly Energy Allocation ("FMEA") used for calculating the final payments due to the SSO Supplier for such month, as more fully described in Article 8.

Price means, with respect to each SSO Supplier, the price in \$/MWh set forth in Appendix A, resulting from The Dayton Power and Light Company's Solicitation for the

opportunity to provide SSO Supply. The Price is the basis for financial settlement of SSO Supply supplied by an SSO Supplier for SSO Customers under this Agreement.

PUCO means the Public Utilities Commission of Ohio, or any successor thereto.

Residential Customer means a Customer taking service under any of The Dayton Power and Light Company's Residential Tariffs.

Residential Tariff means the Rate Schedules designated as Residential or Residential Heating within The Dayton Power and Light Company's Generation, Transmission and Distribution Tariffs as approved by the PUCO and as modified from time to time.

Settlement Amount means the net amount of the Losses or Gains, and Costs, expressed in U.S. Dollars, which the Non-Defaulting Party incurs as a result of Early Termination, calculated from the Early Termination Date through the end of the Original Delivery Period. For purposes of calculating the Settlement Amount, the quantity of Energy (and other components of SSO Supply) provided for under this Agreement for the period following the Early Termination Date through the remainder of the Original Delivery Period will be deemed to be those quantities that were delivered on an hourly basis, or would have been delivered on an hourly basis had this Agreement been in effect, during the previous calendar year, adjusted for any SSO Load changes as may have occurred since the previous calendar year as determined by The Dayton Power and Light Company.

Solicitation means the competitive bidding process by which the counterparty, quantity, pricing and other terms of this Agreement are established.

SSO Customers means both Residential Customers and non-Residential Customers taking SSO Supply from The Dayton Power and Light Company during the Delivery Period, but excludes Unique Arrangement Customers during the terms of their supply agreements with The Dayton Power and Light Company.

SSO Load means the full electricity requirements for SSO Service of SSO Customers.

SSO Service means Standard Service Offer service that is not provided by a CRES Supplier and includes the load of customers served via the Percentage of Income Payment Plan ("PIPP"), unless or until Ohio Department of Development (ODOD) initiates a PIPP aggregation effort.

SSO Supplier has the meaning set forth in the preamble.

SSO Supplier Responsibility Share means, for each SSO Supplier, the fixed percentage share of the SSO Load for which the SSO Supplier is responsible as set forth in Appendix A. The stated percentage is determined by dividing the number of Tranches won by the SSO Supplier in the Solicitation by the total number of Tranches.

SSO Supply means unbundled load-following Energy, Capacity and Ancillary Services, transmission and distribution losses, congestion and imbalance costs associated with the provision of the foregoing services, other obligations or responsibilities currently

imposed or that may be imposed by PJM or NERC and such other services or products that are provided by a CRES Supplier or an SSO Supplier to fulfill its obligations to serve customer load, as required by Section 4928.141 of the Ohio Revised Code and shall further include any market-based transmission and ancillary services necessary to import electric power into PJM. SSO Supply does not include transmission within PJM under PJM's OATT and Network Integration Transmission Service and nonmarket-based ancillaries and further does not include any delivery service provided by The Dayton Power and Light after receipt of the SSO Supply at the Delivery Point.

Standard Service Offer means a market-based standard service offer of all competitive retail electric services necessary to maintain essential electric service to Customers, including unbundled load-following Energy, Capacity, Ancillary Services and all market-based Transmission Service, including all transmission and distribution losses, congestion and imbalance costs associated with the provision of the foregoing services, other obligations or responsibilities currently imposed or that may be imposed by PJM, or NERC and such other services or products that are provided by a CRES Supplier or an SSO Supplier to fulfill its obligations to serve customer load, as required by Section 4928.141 of the Ohio Revised Code.

Statement has the meaning set forth in Section 8.1(a).

Taxes have the meaning set forth in Section 13.8.

Term has the meaning set forth in Section 4.1.

Termination Payment has the meaning set forth in Section 5.3(c).

Total Exposure Amount means an amount calculated each Business Day for each SSO Supplier reflecting the total credit exposure to The Dayton Power and Light Company and consisting of the sum of: (i) the Mark-to-Market Exposure Amount arising under this Agreement; (ii) any amount(s) designated as the "mark-to-market exposure amount" (or similar designation) under any Other SSO Supply Agreement; and (iii) the amount designated as the "credit exposure" (or similar designation) under any Other SSO Supply Agreement; provided that in the event the amount calculated for any day is a negative number, it shall be deemed to be zero for such day.

Total Exposure Amount Guaranty means a guaranty, in substantially similar form as set forth in Appendix E, provided by a Guarantor in favor of The Dayton Power and Light Company guaranteeing an SSO Supplier's financial obligation with respect to its Total Exposure Amount.

Tranche means a fixed percentage share of the SSO Load as determined for the purposes of the Solicitation conducted to procure SSO Supply for the SSO Load.

UCC means the Uniform Commercial Code.

Unique Arrangement Customer means a customer taking generation service from The Dayton Power and Light Company under an agreement or arrangement approved

by the PUCO pursuant to Ohio Rev. C. 4905.31, which for 2013 includes Wright Patterson Air Force Base and Caterpillar Corporation.

ARTICLE 2: GENERAL TERMS AND CONDITIONS

2.1 SSO Supplier's Obligations to Provide SSO Supply

Each SSO Supplier hereby agrees, severally, but not jointly, as follows:

a) during the Delivery Period, such SSO Supplier shall sell, deliver and provide SSO Supply on a firm and continuing basis in order to meet its SSO Supplier Responsibility Share, in accordance with this Agreement and the PJM Agreements;

b) in accordance with the applicable PJM Agreements, each SSO Supplier shall purchase capacity from PJM (and, unless The Dayton Power and Light Company directs otherwise, provide payment for the same to PJM in accordance with Section 8.2(b)) the Capacity necessary to fulfill the Capacity obligation associated with such SSO Supplier's SSO Supplier Responsibility Share pursuant to the PJM Agreements;

c) (i) each SSO Supplier's obligation under Sections 2.1(a) and (b) will result in physical delivery and not financial settlement; (ii) the quantity of SSO Supply that such SSO Supplier must deliver will be determined by the requirements of the SSO Load, which may be different than the amount indicated in the Solicitation; and (iii) this Agreement does not provide for an option by such SSO Supplier with respect to the quantity of SSO Supply to be delivered; and

d) each SSO Supplier shall deliver SSO Supply to the Delivery Point under this Agreement free and clear of any and all liens, security interests, claims and encumbrances or any interest therein or thereto by any Person.

2.2 Company's Obligation to Take SSO Supply

During the Delivery Period, The Dayton Power and Light Company shall purchase and accept SSO Supply provided by an SSO Supplier pursuant to Section 2.1.

2.3 Firm Transmission Service and other Transmission Charges

a) Each SSO Supplier shall be responsible and at its sole cost and expense, for the provision of any transmission service that may be necessary to import electric power into PJM. Notwithstanding the requirements of Section 7.1(a), The Dayton Power and Light Company shall be financially responsible for the provision of Firm Transmission Service within PJM under PJM's OATT and Network Integration Transmission Service; provided, however, that the SSO Supplier shall remain financially liable for any fines or penalties associated with the scheduling function, unless the fine or penalty is directly and solely a result of a failure of The Dayton Power and Light Company to fulfill its obligations under Section 7.1(b). The Dayton Power and Light Company shall be responsible for both performance and financially for any transmission and delivery services necessary to deliver the SSO Supply from the Delivery Point to SSO Customers.

b) As further clarification as to the allocation of financial obligations between The Dayton Power and Light Company and each SSO Supplier, Appendix G identifies each line item on PJM bills received by The Dayton Power and Light Company and identifies whether that line item will become the responsibility of the SSO Supplier (consistent with its SSO Supplier Responsibility Share) or whether the financial responsibility for such line item will be retained by The Dayton Power and Light Company. Any new PJM charges not reflected in Appendix G will be assigned based on how similar charges were assigned within Appendix G.

c) For costs assigned to SSO Suppliers, each SSO Supplier shall be responsible for all such costs and expenses in proportion to its SSO Supplier Responsibility Share.

2.4 Other Changes in PJM Charges

Each SSO Supplier is responsible, at its sole cost and expense, for any changes in PJM products and pricing during the Term.

2.5 Congestion and Congestion Management

Each SSO Supplier is responsible for any congestion costs incurred to supply its SSO Supplier Responsibility Share.

2.6 Record Retention

The Dayton Power and Light Company and each SSO Supplier will retain for a period of two (2) years following the expiration of the Term necessary records so as to permit the other party to confirm the validity of payments due hereunder; provided that, if either party has provided notice to the other party within two (2) years of the expiration of the Term that it disputes the validity of any payments, the such other party shall retain all records related to such dispute until the dispute is resolved pursuant to Article 10.

Each party will have the right, upon reasonable notice, to inspect (at the sole cost and expense of the requesting party) the books and records retained by the other party only insofar as they relate to payments due and owing, or owed and paid, under this Agreement. Such inspection must take place during regular business hours.

2.7 PJM E-Accounts

Each SSO Supplier and The Dayton Power and Light Company shall work with PJM to establish any PJM E-Accounts necessary for such SSO Supplier to provide SSO Supply. Accounts will be used for the sole purpose of scheduling auction load. No other transactions will be executed under such accounts.

2.8 Reliability Guidelines

Each Party agrees to adhere to the applicable operating policies, criteria and guidelines of the NERC, PJM, their successors, and any regional or sub-regional requirements.

2.9 PJM Membership

a) Each SSO Supplier shall be at all times during the Delivery Period (i) a member in good standing of PJM; (ii) qualified by PJM as a "Market Buyer" and "Market Seller" pursuant to the PJM Agreements, and (iii) qualified as a PJM "Load Serving Entity." During the Delivery Period, The Dayton Power and Light Company shall be a member in good standing of PJM.

b) Pursuant to the PJM Agreements that each SSO Supplier shall be required to execute, each SSO Supplier shall be responsible, and be liable, to PJM for the performance of its LSE obligations associated with the provision of SSO Supply under this Agreement.

2.10 Declaration of Authority

The Dayton Power and Light Company and each SSO Supplier shall have executed the Declaration of Authority in the form attached hereto as Appendix F.

2.11 Regulatory Authorizations

a) The Dayton Power and Light Company and each SSO Supplier shall obtain and maintain throughout the Delivery Period all regulatory authorizations necessary to perform their respective obligations under this Agreement, and with respect to SSO Suppliers only, each SSO Supplier shall have and maintain, throughout the Delivery Period, FERC authorization to make sales of Energy, Capacity, and Ancillary Services at market-based rates within PJM.

b) Each SSO Supplier shall cooperate in good faith with The Dayton Power and Light Company in any regulatory compliance efforts as may be required to maintain the ongoing legitimacy and enforceability of the terms of this Agreement and to fulfill any regulatory reporting requirement associated with the provision of SSO Supply before the PUCO, FERC or any other Governmental Authority.

2.12 Retail Distribution

The Dayton Power and Light Company will be responsible for (i) metering, billing and delivery with respect to SSO Customers (and SSO Suppliers will have no responsibility with respect thereto) and (ii) distribution services (and SSO Suppliers will have no responsibility with respect thereto).

2.13 PJM Member Default Cost Allocation

In the event PJM imposes a Default Allocation Assessment upon The Dayton Power and Light Company relating to a default during the Term, The Dayton Power and Light Company may, in its sole discretion, invoice each SSO Supplier, based on its SSO Supplier Responsibility Share, for amounts determined, in The Dayton Power and Light Company's sole discretion, to be properly payable by such SSO Supplier from the Default Allocation Assessment and each SSO Supplier shall pay such amounts within three (3) Business Days after receipt of such invoice, subject to the dispute resolution procedures set forth in Section 8.1(f).

2.14 Status of SSO Supplier

In order to meet The Dayton Power and Light Company's service obligations under Applicable Legal Authorities, it is the intent of the Parties that each SSO Supplier shall be deemed a Load Serving Entity for the duration of the Delivery Period pursuant to the PJM Agreements and Applicable Legal Authorities.

2.15 Sales for Resale

All SSO Supply provided by an SSO Supplier to The Dayton Power and Light Company shall be sales for resale, with The Dayton Power and Light Company reselling such SSO Supply to SSO Customers.

ARTICLE 3: REPRESENTATIONS AND WARRANTIES**3.1 SSO Supplier's Representations and Warranties**

Each SSO Supplier hereby represents and warrants to The Dayton Power and Light Company as follows:

a) it is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and, if organized outside the State of Ohio, is duly registered and authorized to do business and is in good standing in the State of Ohio;

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

c) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or decree of any Governmental Authority;

d) this Agreement is the legal, valid and binding obligation of such SSO Supplier, enforceable in accordance with its terms, except insofar as such enforcement may be affected by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally;

e) as of the commencement of the Original Delivery Period, it has duly obtained all authorizations from any Governmental Authority necessary for it to perform its obligations under this Agreement;

f) there are no pending, or to its knowledge threatened, actions, suits or proceedings against it or any of its Affiliates, or any legal proceedings before any

Governmental Authority that could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement;

g) it is not relying upon the advice or recommendations of any other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement, and no other Party is acting as a fiduciary for or advisor to it in respect of this Agreement;

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

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

j) it is not in violation of any law, rules, regulations, ordinances or judgments of any Governmental Authority which could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement;

k) as of the commencement of the Original Delivery Period, it is (i) a member in good standing of PJM; (ii) qualified by PJM as a "Market Buyer" and "Market Seller" pursuant to the PJM Agreements and (iii) qualified as a PJM "Load Serving Entity;"

l) as of the commencement of the Original Delivery Period, it has duly executed the Declaration of Authority in the form attached hereto as Appendix F, which is in full force and effect; and

m) as of the commencement of the Original Delivery Period, it has duly obtained all FERC authorization necessary or desirable to make sales of Energy, Capacity, and Ancillary Services at market-based rates within PJM.

3.2 Company's Representations and Warranties

The Dayton Power and Light Company hereby represents and warrants to the SSO Suppliers as follows:

a) it is an electric utility corporation duly organized, validly existing and in good standing under the laws of the State of Ohio;

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

c) the execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms and conditions in its governing documents, any contracts to which it is a party or any law, rule, regulation, order or decree of any Governmental Authority;

d) this Agreement is the legal, valid and binding obligation of the Company, enforceable in accordance with its terms, except insofar as such enforcement may be affected by bankruptcy, insolvency, moratorium or other laws affecting creditors' rights generally;

e) as of the commencement of the Original Delivery Period, it has duly obtained all authorizations from any Governmental Authority necessary for it to perform its obligations under this Agreement;

f) there are no pending, or to its knowledge threatened, actions, suits or proceedings against it or any of its Affiliates, or any legal proceedings before any Governmental Authority that could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement;

g) it is not relying upon the advice or recommendations of any other Party in entering into this Agreement, it is capable of understanding, understands and accepts the terms, conditions and risks of this Agreement, and no other Party is acting as a fiduciary for or advisor to it in respect of this Agreement;

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

i) it is not in violation of any law, rules, regulations, ordinances or judgments of any Governmental Authority which could reasonably be expected to adversely affect its ability to perform its obligations under this Agreement.

3.3 Notice

If a Party becomes aware that any of the representations, warranties, or covenants in this Agreement are no longer true during the Term, such Party must immediately notify the other Parties in accordance with the notice provisions of Section 13.1, provided that if the notifying Party is an SSO Supplier, the SSO Supplier does not have to notify any other SSO Supplier.

ARTICLE 4: COMMENCEMENT AND TERMINATION OF AGREEMENT**4.1 Term**

The term of this Agreement will commence upon the Effective Date and continue through the end of the Delivery Period (the "Term"); provided, however, that the provision of SSO Supply by SSO Suppliers will commence on _____ at 12:00:01 a.m. prevailing Eastern Time.

4.2 Effect of Termination on Obligations; Survival

Termination of this Agreement, including Early Termination as between The Dayton Power and Light Company and an SSO Supplier for any reason, shall not relieve The Dayton Power and Light Company or such SSO Supplier of any obligation accruing on or prior to such termination. Any termination of this Agreement, including Early Termination, as between The Dayton Power and Light Company and an SSO Supplier, shall not relieve or otherwise affect The Dayton Power and Light Company or other SSO Suppliers with respect to their other obligations under this Agreement, absent a written agreement to the contrary among the remaining parties. All provisions of this Agreement which must, in order to give full force and effect to the rights and obligations of the Parties, survive termination or expiration of this Agreement shall so survive, including Articles 5, 10, 11, 12 and 13 and Sections 2.6, 6.8, 6.11, 8.1(d) and (h), in accordance with the terms thereof.

4.3 Mutual Termination

The Dayton Power and Light Company and any SSO Supplier may agree at any time

during the Term to terminate their respective rights and obligations hereunder on such terms and under such conditions as they mutually deem to be appropriate as set forth in a mutual termination agreement acceptable in form and substance to The Dayton Power and Light Company and such SSO Supplier.

4.4 Early Termination

This Agreement may be terminated as between The Dayton Power and Light Company and an SSO Supplier prior to the end of the Term due to the occurrence of an Event of Default and the declaration of an Early Termination Date by the Non-Defaulting Party pursuant to Section 5.2 (an "Early Termination").

ARTICLE 5: BREACH AND DEFAULT

5.1 Events of Default

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

- a) the failure of the Defaulting Party to make, when due, any payment required pursuant to this Agreement (including under Section 8.2(b)) if such failure is not remedied within one (1) Business Day after receipt of written notice of non-payment;
- b) with respect to an SSO Supplier, the failure of the Defaulting Party to provide Margin Collateral, or with respect to The Dayton Power and Light Company, the failure of the Defaulting Party to return Excess Collateral, in each case pursuant to Section 6.7;

c) failure of the Defaulting Party to comply with its obligations pursuant to Article 6 (except to the extent constituting a separate Event of Default under Section 5.1(b)) if such failure is not remedied within three (3) Business Days of such failure;

d) any representation or warranty made by the Defaulting Party herein is false or misleading in any material respect when made;

e) the failure of the Defaulting Party to comply with the requirements of Sections 2.9 and 2.11 if such failure is not remedied within three (3) Business Days of such failure;

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

g) the failure of the Defaulting Party to perform any material obligation set forth in this Agreement (except to the extent constituting a separate Event of Default) if such failure is not remedied within three (3) Business Days after written notice;

h) the Defaulting Party becomes Bankrupt;

i) PJM holds The Dayton Power and Light Company responsible for the provision of SSO Supply, including Energy, Capacity or Ancillary Services, to meet the Defaulting Party's SSO Supplier Responsibility Share under this Agreement;

j) the occurrence and continuation of: (i) a default, event of default or other similar condition or event in respect of the Defaulting Party or its Guarantor, if applicable, under one or more agreements or instruments, individually or collectively,

relating to indebtedness for borrowed money in an aggregate amount of not less than five percent (5%) of such Defaulting Party's or Guarantor's (as the case may be) NW, which results in such indebtedness becoming immediately due and payable; (ii) a default by the Defaulting Party or its Guarantor, if applicable, in making on the due date therefor one or more payments in respect of any obligation under contract or at law, individually or collectively, in an aggregate amount of not less than five percent (5%) of such Defaulting Party's or Guarantor's (as the case may be) NW; or (iii) a default, event of default or other similar condition or event by the Defaulting Party under any Other SSO Supply Agreement or by its Guarantor under any guaranty with respect to any Other SSO Supply Agreement; and

k) with respect to a Defaulting Party's Guarantor, if any, (i) any representation or warranty made by such Guarantor in connection with this Agreement or any related Guaranty is intentionally or unintentionally false or misleading in any material respect when made or when deemed made or repeated; (ii) the failure of such Guarantor to make any payment required or to perform any other material covenant or obligation in any Guaranty made in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after written notice; (iii) the failure of such Guarantor's Guaranty to be in full force and effect (other than in accordance with its terms) prior to the satisfaction of all obligations of the Defaulting Party under this Agreement without the written consent of The Dayton Power and Light Company; (iv) such Guarantor repudiates, disaffirms, disclaims, or rejects, in whole or in part, or challenges the validity of the Guaranty; or (v) such Guarantor becomes Bankrupt.

5.2 Rights Upon an Event of Default

If an Event of Default shall have occurred and be continuing, the Non-Defaulting Party shall have the right to:

a) immediately suspend performance upon written notice to the Defaulting Party; provided, however, that if an SSO Supplier is the Non-Defaulting Party, such SSO Supplier may only suspend performance if the default of the Defaulting Party constitutes an Event of Default under Sections 5.1(a) or (h);

b) declare an Early Termination and designate by written notice an Early Termination Date which shall be no earlier than the day such designation notice is effective and no later than twenty (20) calendar days after such notice is effective; provided, however, that if an SSO Supplier is the Non-Defaulting Party, such SSO Supplier may only declare on Early Termination if the default of the Defaulting Party constitutes an Event of Default under Sections 5.1(a) or (h);

c) calculate and receive from the Defaulting Party payment for any Default Damages which the Non-Defaulting Party incurs as of the date of the event giving rise to the Event of Default, until the earlier of: (i) the Early Termination Date (if applicable); (ii) the date the Event of Default has been cured by the Defaulting Party; or (iii) the date the Non-Defaulting Party waives such Event of Default;

d) withhold any payments due to the Defaulting Party under this Agreement as a set-off against any Default Damages, or Termination Payment, as applicable, the Defaulting Party is entitled to receive;

e) draw down, liquidate, set-off against, or demand payment under, any Guaranty, ICR Collateral and Margin Collateral; and

- f) exercise any other remedies at law or in equity.

5.3 **Default Damages; Settlement Amount; Termination Payment**

a) **Default Damages.** Subject to Section 5.3(e), the Defaulting Party shall pay Default Damages on or before three (3) Business Days after receipt of an invoice therefor. The invoice shall include a written statement explaining in reasonable detail the calculation of such amount. Neither Party will be liable for Default Damages if this Agreement is terminated by a Governmental Authority.

b) **Settlement Amount.** If the Non-Defaulting Party has declared an Early Termination Date pursuant to Section 5.2(b), the Non-Defaulting Party shall have the right to (i) accelerate all amounts owing between the Defaulting Party and the Non-Defaulting Party and to liquidate and terminate the undertakings set forth in this Agreement as between the Defaulting Party and the Non-Defaulting Party; and (ii) withhold any payments due to the Defaulting Party under this Agreement pending payment of the Termination Payment. The Non-Defaulting Party will calculate, in a commercially reasonable manner, the Settlement Amount with respect to the Defaulting Party's obligations under the Agreement.

c) **Termination Payment.** The Non-Defaulting Party will calculate a single payment (the "Termination Payment") by netting out (i) the sum of the Settlement Amount under this Agreement payable to the Defaulting Party, plus similar settlement amounts payable to the Defaulting Party under any other agreements between The Dayton Power and Light Company and the applicable SSO Supplier for the provision of SSO Supply or similar service (each, an "Other SSO Supply Agreement") being

terminated due to the event giving rise to the Event of Default plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party under this Agreement or Other SSO Supply Agreements and actually received, liquidated and retained by the Non-Defaulting Party, plus any or all other amounts due to the Defaulting Party under this Agreement and, at the option of the Non-Defaulting Party, Other SSO Supply Agreements, and (ii) the sum of the Settlement Amount under this Agreement payable to the Non-Defaulting Party, plus similar settlement amounts payable to the Non-Defaulting Party under any Other SSO Supply Agreement plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Defaulting Party under this Agreement or Other SSO Supply Agreements and actually received, liquidated and retained by the Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement and, at the option of the Non-Defaulting Party, Other SSO Supply Agreements. The Termination Payment will be due to or due from the Non-Defaulting Party as appropriate; provided, however, that if an SSO Supplier is the Defaulting Party and the Termination Payment is due to such SSO Supplier, The Dayton Power and Light Company will be entitled to retain a reasonable portion of the Termination Payment, which may be equal to the entire amount of the Termination Payment, as security for additional amounts that may be determined to be due and owing by such SSO Supplier as Default Damages; and further provided that any previously attached security interest of The Dayton Power and Light Company in such retained amounts will continue. If the Termination Payment has been retained by The Dayton Power and Light Company as security for additional amounts that may be determined to be due

and owing by the SSO Supplier, and if, upon making a final determination of Default Damages and payment therefor, the Termination Payment, or any portion thereof, is to be made to the SSO Supplier, The Dayton Power and Light Company will pay simple interest on the Termination Payment amount being made to the SSO Supplier for the period of such retention. Simple interest will be calculated at the lower of the Interest Index or six percent (6%) per annum.

d) **Notice of Termination Payment.** As soon as practicable after calculation of the Termination Payment, notice must be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. Subject to Section 5.3(e), the Termination Payment must be made by the Party that owes it within three (3) Business Days after such notice is received by the Defaulting Party.

e) **Disputes With Respect to Default Damages or Termination Payment.** If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Default Damages or Termination Payment, in whole or in part, the Defaulting Party must, within three (3) Business Days of receipt of the Non-Defaulting Party's calculation of the Default Damages or Termination Payment, provide to the Non-Defaulting Party: (1) a detailed written explanation of the basis for such dispute; (2) a notice triggering the dispute resolution procedures in Article 10; and (3) if Default Damages or a Termination Payment is allegedly due from the Defaulting Party, the Defaulting Party must make the payment subject to potential repayment based on the outcome of the dispute resolution

process, or provide financial assurances to the Non-Defaulting Party in an amount equal to the Default Damages or Termination Payment, as the case may be and in a form acceptable to the Non-Defaulting Party in its sole and exclusive judgment.

5.4 Step-up Provision

If an SSO Supplier defaults in its obligations hereunder resulting in the exercise of the right of Early Termination by The Dayton Power and Light Company with respect to such SSO Supplier, then The Dayton Power and Light Company, subject to Applicable Legal Authorities, may offer one or more of the non-defaulting SSO Suppliers the right to assume under this Agreement additional Tranches of SSO Load, subject to further compliance with the creditworthiness provisions of Article 6. The provision of any such offer by The Dayton Power and Light Company to non-defaulting SSO Suppliers shall indicate the duration of the offer and the manner of acceptance thereof. Following the assumption by an SSO Supplier of additional Tranches hereunder, such SSO Supplier and The Dayton Power and Light Company shall execute an amendment to this Agreement modifying Appendix A to reflect the revised SSO Supplier Responsibility Share of the non-defaulting SSO Supplier accepting such offer. An SSO Supplier will not suffer any prejudice under this Agreement or otherwise arising from its election to decline an offer to assume additional Tranches upon the default of another SSO Supplier.

5.5 Setoff of Payment Obligations of the Non-Defaulting Party

Any payment obligations of the Non-Defaulting Party to the Defaulting Party pursuant to this Agreement or any Other SSO Supply Agreement will be set off: (i) first, to satisfy

any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any Other SSO Supply Agreement that are unsecured and not subject to any Guaranty; (ii) second, to satisfy any payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any Other SSO Supply Agreement that are unsecured, but which are guaranteed by a Guaranty; and (iii) third, to satisfy any remaining payment obligations of the Defaulting Party to the Non-Defaulting Party pursuant to this Agreement or any Other SSO Supply Agreement.

5.6 Preservation of Rights of Non-Defaulting Party

The rights of the Non-Defaulting Party under this Agreement, including Sections 5.2, 5.3 and 5.5, will be supplemental to, and not in lieu of, any right of recoupment, lien, or set-off afforded by applicable law, and all such rights are expressly preserved for the benefit of the Non-Defaulting Party.

ARTICLE 6: CREDITWORTHINESS; PERFORMANCE ASSURANCE

6.1 Applicability

Each SSO Supplier agrees that it will meet the creditworthiness standards of this Article 6 at all times during the Term and will inform The Dayton Power and Light Company immediately of any changes in its credit rating or financial condition. Without limiting the foregoing, each SSO Supplier shall, upon the written request of The Dayton Power and Light Company, affirmatively demonstrate to The Dayton Power and Light Company in a manner satisfactory to The Dayton Power and Light Company its compliance with the creditworthiness standards set forth hereunder. The Dayton Power and Light Company may establish less restrictive creditworthiness standards under this Article 6 in a non-

discriminatory manner.

6.2 Creditworthiness Determination

The Dayton Power and Light Company will determine the creditworthiness of an SSO Supplier or its Guarantor, if applicable, whether organized under the laws of the United States or organized under the laws of a foreign jurisdiction, based on its most recent corporate or issuer credit rating and assessment of financial statements and creditworthiness. The Dayton Power and Light Company will have full discretion, without liability or recourse to such SSO Supplier or its Guarantor, if applicable, to evaluate the evidence of creditworthiness submitted by such SSO Supplier or Guarantor. The Dayton Power and Light Company may re-evaluate the *creditworthiness of an SSO Supplier or Guarantor from time to time, including whenever* they become aware of an adverse change in such SSO Supplier's or Guarantor's credit standing. In addition, the SSO Supplier may petition The Dayton Power and Light Company to re-evaluate its creditworthiness whenever an event occurs that the SSO Supplier reasonably believes would improve the determination made by The Dayton Power and Light Company of its or its Guarantor's creditworthiness. The Dayton Power and Light Company's credit re-evaluation must be completed as soon as practicable, but in no event longer than thirty (30) days after receiving a fully documented request. The Dayton Power and Light Company shall provide the rationale for its determination of the Credit Limit and any resulting security requirement and such determination shall be deemed final and conclusive. The Dayton Power and Light Company shall perform its credit re-evaluation and associated security calculation in a non-discriminatory manner. Each SSO Supplier or its Guarantor shall provide unrestricted access to its

audited financial statements; however, if audited financial statements are not available, The Dayton Power and Light Company may specify other types of financial statements that will be accepted. If The Dayton Power and Light Company determines in its sole discretion that it is unable to adequately assess an SSO Supplier's or Guarantor's creditworthiness or the credit rating of an SSO Supplier or its Guarantor is insufficient, such SSO Supplier shall be required to post ICR Collateral in accordance with Section 6.4 and Margin Collateral in accordance with Section 6.7.

6.3 Independent Credit Requirement

The Independent Credit Requirement ("ICR") per Tranche ("ICRT") that will be required of each SSO Supplier under this Agreement will initially be the sum of the amounts set forth in Attachment C-1 at inception of the Original Delivery Period for each tranche and will decline throughout the term in accordance with the schedule set forth in Attachment C-1.

6.4 Independent Credit Threshold

Each SSO Supplier that qualifies under the following criteria will be granted an Independent Credit Threshold (ICT).

a) For an SSO Supplier or its Guarantor that has been organized under the laws of the United States, the following requirements must be satisfied in order for such SSO Supplier to be granted an ICT:

(i) the SSO Supplier or its Guarantor, as applicable, must (1) be rated by Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch"), and (2) have a minimum corporate or issuer credit

rating of at least “BB-“ from S&P, “Ba3” from Moody’s or “BB-” from Fitch (a “Minimum Rating”). If the SSO Supplier or its Guarantor is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the SSO Supplier is rated by three rating agencies, and the ratings are split, the highest ratings will be used. The maximum level of the ICT will be determined based on the following table:

Independent Credit Threshold				
Credit Rating of the SSO Supplier or its Guarantor			Max Independent Credit Threshold (Calculated as the lesser of the % of Net Worth (NW) and the applicable Credit Limit Cap below)	
S&P	Moody's	Fitch	%of NW	Credit Limit Cap
BBB+ and above	Baa1	BBB+ and above	10%	N/A
BBB	Baa2	BBB	10%	N/A
BBB-	Baa3	BBB-	10%	N/A
BB+	Ba1	BB+	7%	\$3,000,000
BB	Ba2	BB	2%	\$2,000,000
BB-	Ba3	BB-	1%	\$1,000,000
Below BB-	Below Ba3	Below BB-	0.0%	\$0

(ii) for SSO Suppliers having a Guarantor, the maximum level of the ICT that can be granted based on an ICT Guaranty will be determined in accordance with section 6.4(a)(i) above, with reference to the credit rating of the Guarantor. The SSO Supplier will be granted an ICT up to the amount of the ICT Guaranty but not exceeding the maximum ICT shown in the table above. If an ICT Guaranty is provided for an unlimited amount, the SSO Supplier will be granted an ICT up to the maximum ICT shown in the table above. The ICT Guaranty tendered by the SSO Supplier to satisfy the ICT requirement arising under this Section 6.4 shall be a separate guaranty from the Total Exposure Amount Guaranty, if any, tendered by the SSO Supplier to satisfy any requirement for a Credit Limit to cover the Total Exposure Amount arising under Section 6.6; provided, however, that a single Guaranty may be provided if such Guaranty is for an unlimited amount.

b) For an SSO Supplier or its Guarantor that has not been organized under the laws of the United States, the following requirements must be satisfied in order for such SSO Supplier to be granted an ICT:

(i) the SSO Supplier must supply such evidence of creditworthiness as to provide The Dayton Power and Light Company with comparable assurances of creditworthiness as applicable above for SSO Suppliers that have been organized under the laws of the United States; or

(ii) the Guarantor of an SSO Supplier must supply such evidence of creditworthiness as to provide The Dayton Power and Light Company with comparable assurances of creditworthiness as applicable above for Guarantors of SSO Suppliers that have been organized under the laws of the United States. The Dayton Power and Light Company may reject such Guarantors that do not meet the creditworthiness requirements.

(iii) for an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is organized that (A) the SSO Supplier is duly incorporated and existing in such foreign jurisdiction; (B) this Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Agreement and the performance by the SSO Supplier of its obligations hereunder; and (2) the sworn

certificate of the corporate secretary (or similar officer) of such SSO Supplier that the Person executing the Agreement on behalf of the SSO Supplier has the authority to execute the Agreement and that the governing board of such SSO Supplier has approved the execution of the Agreement. The Dayton Power and Light Company will have full discretion, without liability or recourse to the SSO Supplier, to evaluate the sufficiency of the documents submitted by the SSO Supplier; or

(iv) for the Guarantor of an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is organized that (A) the Guarantor is duly incorporated and existing in such foreign jurisdiction; (B) the Guaranty is the binding and enforceable obligation of the Guarantor in such foreign jurisdiction and does not violate any local law or the Guarantor's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Guaranty and the performance by the Guarantor of its obligations thereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty.

c) SSO Suppliers who do not qualify for an ICT or whose ICT plus the amount of any cash or Letter of Credit already posted in accordance with Section 6.9 to satisfy its aggregate ICR under this Agreement and any Other SSO Supply Agreement

(the "ICR Collateral") does not meet its aggregate ICR under this Agreement and any Other SSO Supply Agreement, must post ICR Collateral at the time of or prior to the Effective Date to the extent its aggregate ICR under this Agreement and any Other SSO Supply Agreement exceeds its ICT.

d) The Dayton Power and Light Company will have full discretion, without liability or recourse to the Guarantor or the SSO Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

6.5 Mark-to-Market Credit Exposure Methodology

To calculate the Mark-to-Market Exposure Amount for each SSO Supplier, the following mark-to-market credit exposure methodology will be used. The "mark" for each Billing Month will be determined at the time the Solicitation is completed based on the then prevailing Forward Market Prices. At the time the Solicitation is completed, the Mark-to-Market Exposure Amount for each SSO Supplier shall be equal to zero. Subsequently, the differences between the prevailing Forward Market Prices on a valuation date and the "mark" prices will be used to calculate the Mark-to-Market Exposure Amounts for each SSO Supplier. The total Mark-to-Market Exposure Amount will be equal to the sum of the Mark-to-Market Exposure Amounts for each Billing Month during the Original Delivery Period limited to a rolling forward 24 month period starting from this Agreement's Effective Date, as applicable. Forward Market Prices will be determined by publicly available market quotations obtained by The Dayton Power and Light Company; provided, however, if such quotations are not publicly available, Forward Market Prices will be determined by The Dayton Power and Light Company using any method which The Dayton Power and Light Company deems appropriate and which

reasonably reflects forward market pricing conditions in PJM. The methodology for calculation of the Mark-to-Market Exposure Amount is illustrated in the example (using hypothetical numbers) in Appendix C-2, including, but without limiting the preceding sentence, a methodology The Dayton Power and Light Company expects to use to derive off-peak Forward Market Prices.

6.6 Credit Limit

The following criteria constitute The Dayton Power and Light Company's creditworthiness requirements for the SSO Suppliers to cover the Total Exposure Amount:

a) for SSO Suppliers to be granted a Credit Limit without delivering a Total Exposure Amount Guaranty or other performance assurances acceptable to The Dayton Power and Light Company, in the case of an SSO Supplier organized under the laws of the United States, the SSO Supplier must (1) be rated by at least one of the following rating agencies: S&P, Moody's, or Fitch, and (2) have a minimum corporate or issuer credit rating equal to the Minimum Rating. If the SSO Supplier is rated by only two rating agencies, and the ratings are split, the higher rating will be used. If the SSO Supplier is rated by three rating agencies, and the ratings are split, the highest rating will be used. The maximum level of the Credit Limit to cover the Total Exposure Amount will be determined based on the following table:

Credit Rating of the SSO Supplier or its Guarantor			Max Credit Limit (calculated as the lesser of the % of Net Worth (NW) and the applicable Credit Limit Cap below)	
S&P	Moody's	Fitch	%of NW	Credit Limit Cap
BBB+ and above	Baa1	BBB+ and above	10%	\$50,000,000

BBB	Baa2	BBB	10%	\$40,000,000
BBB-	Baa3	BBB-	10%	\$30,000,000
BB+	Ba1	BB+	7%	\$15,000,000
BB	Ba2	BB	2%	\$7,500,000
BB-	Ba3	BB-	1%	\$5,000,000
Below BB-	Below Ba3	Below BB-	0.0%	\$0

The SSO Supplier will be required to post cash or a Letter of Credit in an acceptable form as defined in Section 6.9 below (see standard format in Appendix D) for the Margin due the Company as set forth in Section 6.7 of this Agreement; or

b) for SSO Suppliers delivering a Total Exposure Amount Guaranty, in the case of a Guarantor organized under the laws of the United States, the maximum level of the Credit Limit to cover the Total Exposure Amount that could be granted based on the Total Exposure Amount Guaranty will be determined in accordance with the subsection (a) above, with reference to the credit rating of the Guarantor, except that the Credit Limit granted to the SSO Supplier will not exceed the amount of the Total Exposure Amount Guaranty.

c) For an SSO Supplier or Guarantor, if applicable, that has not been organized under the laws of the United States, the following additional standards will apply:

(i) the SSO Supplier must supply such evidence of creditworthiness as to provide The Dayton Power and Light Company with comparable assurances of creditworthiness as applicable above for SSO Suppliers that have been organized under the laws of the United States; or

(ii) if the SSO Supplier is providing a Total Exposure Amount Guaranty, the Guarantor of an SSO Supplier must supply such evidence of

creditworthiness as to provide The Dayton Power and Light Company with comparable assurances of creditworthiness as applicable above for Guarantors of SSO Suppliers that have been organized under the laws of the United States. The Dayton Power and Light Company may reject Total Exposure Amount Guaranties from Guarantors that do not meet the creditworthiness requirements.

d) All SSO Suppliers or Guarantors of SSO Suppliers, if applicable, that have not been organized under the laws of the United States must, in addition to all documentation required elsewhere in this Section 6.6, supply the following to The Dayton Power and Light Company:

(i) for an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is organized that (A) the SSO Supplier is duly incorporated and existing in such foreign jurisdiction; (B) this Agreement is the binding and enforceable obligation of the SSO Supplier in such foreign jurisdiction and does not violate any local law or the SSO Supplier's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Agreement and the performance by the SSO Supplier of its obligations hereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the Person executing the Agreement on behalf of the SSO Supplier has the authority to execute the Agreement and that the governing board of such SSO Supplier has approved the execution of the Agreement. The Dayton Power and Light Company will

have full discretion, without liability or recourse to the SSO Supplier, to evaluate the sufficiency of the documents submitted by the SSO Supplier; or

(ii) for the Guarantor of an SSO Supplier: (1) a legal opinion of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is organized that (A) the Guarantor is duly incorporated and existing in such foreign jurisdiction; (B) the Guaranty is the binding and enforceable obligation of the Guarantor in such foreign jurisdiction and does not violate any local law or the Guarantor's organizational or governing documents; and (C) all authorizations, approvals, consents, licenses, exemptions or other requirements of governmental, judicial or public bodies in such foreign jurisdiction have been obtained, and all execution formalities have been duly completed, necessary for the enforcement and validity of the Guaranty and the performance by the Guarantor of its obligations thereunder; and (2) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the Person executing the Guaranty on behalf of the Guarantor has the authority to execute the Guaranty and that the governing board of such Guarantor has approved the execution of the Guaranty. The Dayton Power and Light Company will have full discretion, without liability or recourse to the Guarantor or the SSO Supplier, to evaluate the sufficiency of the documents submitted by such Guarantor.

e) For an SSO Supplier with a Total Exposure Amount Guaranty, the SSO Supplier will be granted a Credit Limit up to the amount of the Total Exposure Amount Guaranty, but not exceeding the Credit Limit shown in the table above. The Total Exposure Amount Guaranty shall be provided to The Dayton Power and Light Company on or prior to the Effective Date, but may be modified in any amended or substitute

Total Exposure Amount Guaranty provided to The Dayton Power and Light Company during the Term. The SSO Supplier, however, may not increase or substitute its Total Exposure Amount Guaranty for the purpose of increasing its applicable Credit Limit during the time period after The Dayton Power and Light Company has made a demand of the SSO Supplier to cover Margin (a "Margin Call") but before the SSO Supplier has provided The Dayton Power and Light Company with cash credited to a deposit account of The Dayton Power and Light Company or a Letter of Credit in accordance with Section 6.9, in each case in an amount equal to the Margin (the "Margin Collateral"). Notwithstanding anything herein to the contrary, the SSO Supplier may increase the limit of its Total Exposure Amount Guaranty after satisfying a Margin Call. Upon The Dayton Power and Light Company's receipt of an amended or substitute Total Exposure Amount Guaranty increasing the limit of the Total Exposure Amount Guaranty, the SSO Supplier may request a return of Margin Collateral in accordance with Section 6.7. The SSO Suppliers will be required to post cash, or a Letter of Credit in an acceptable form as defined in Section 6.9 below (see standard format in Appendix D), for the Margin due The Dayton Power and Light Company as set forth in Section 6.7 of this Agreement; or

f) Under no circumstances shall the Credit Limit plus any other credit limit granted to the SSO Supplier under any Other SSO Supply Agreement exceed the Credit Limit hereunder.

6.7 Posting Margin Collateral and Return of Excess Collateral

a) If at any time and from time to time during the Delivery Period, Margin exists with respect to an SSO Supplier, then The Dayton Power and Light Company on any Business Day may make a Margin Call of such SSO Supplier; provided however

that The Dayton Power and Light Company may not make a Margin Call unless the Margin exceeds the Minimum Margin Threshold. Upon receipt of a Margin Call, the applicable SSO Supplier shall provide to The Dayton Power and Light Company Margin Collateral, which shall comprise of cash, or a Letter of Credit. The Margin Collateral shall be in an amount equal to the Margin less the amount of any Margin Collateral already posted by the SSO Supplier in which The Dayton Power and Light Company has a first priority, perfected security interest to secure the obligations of the SSO Supplier under this Agreement. For the avoidance of doubt, any ICR Collateral posted pursuant to Section 6.4 shall not constitute Margin Collateral.

b) If an SSO Supplier receives a Margin Call from The Dayton Power and Light Company by 1:00 p.m. prevailing Eastern Time on a Business Day, then such SSO Supplier shall post Margin Collateral the following Business Day if posting cash and the second Business Day following the Margin Call if posting a Letter of Credit, unless in each case The Dayton Power and Light Company agrees in writing to extend the period to provide Margin Collateral. If the SSO Supplier receives a Margin Call after 1:00 p.m. prevailing Eastern Time on a Business Day, whether posting cash or a Letter of Credit, then the SSO Supplier must post Margin Collateral on the second Business Day following the Margin Call unless The Dayton Power and Light Company agrees in writing to extend the period to provide Margin Collateral. The Dayton Power and Light Company will not unreasonably deny a request for a one-day extension of such period.

c) Margin Collateral being held by The Dayton Power and Light Company not needed to satisfy the Margin ("Excess Collateral"), will be returned to the SSO Supplier upon receipt of a written request from the SSO Supplier; provided, however, that the

SSO Supplier may not request Excess Collateral until such Excess Collateral exceeds the Minimum Margin Threshold. If the SSO Supplier posted cash and notice is received by 1:00 p.m. prevailing Eastern Time on a Business Day, the Excess Collateral will be returned by the following Business Day and if the SSO Supplier posted cash and notice is received by The Dayton Power and Light Company after 1:00 p.m. prevailing Eastern Time on a Business Day, the Excess Collateral will be returned by the second Business Day following the date of notice. If the SSO Supplier posted a Letter of Credit, the Excess Collateral shall be returned on the next Business Day following the Business Day on which the amendment to the Letter of Credit is received from the issuing bank, unless in each case the SSO Supplier agrees in writing to extend such period for returning the Excess Collateral. The SSO Supplier will not unreasonably deny a request for a one-day extension of the period for returning the Excess Collateral.

6.8 Grant of Security Interest; Remedies

To secure its obligations under this Agreement, the SSO Supplier hereby grants to The Dayton Power and Light Company a present and continuing security interest in, and lien on (and right of setoff against), its right, title and interest, whether now owned or hereafter acquired or arising, in (i) all deposit accounts in the name of The Dayton Power and Light Company or partially in the name of The Dayton Power and Light Company or held for the benefit of The Dayton Power and Light Company and all funds credited to any and all of the foregoing, (ii) all securities, instruments (including promissory notes), money (each of the foregoing terms as defined in the UCC), cash and other tangible property delivered to and held by The Dayton Power and Light Company (or its agents or custodians) and (iii) all proceeds (as defined in the UCC) of any and all of the foregoing. The SSO Supplier agrees to take such action as reasonably required to create and perfect The Dayton Power and Light Company's first priority security interest in, and lien on (and right of setoff against), such collateral and any and all proceeds resulting therefrom or from the liquidation thereof. Upon or at any time after the occurrence or deemed occurrence and during the continuation of an Event of Default where an SSO Supplier is the Defaulting Party or an Early Termination Date (whether or not such SSO Supplier was the Defaulting Party), The Dayton Power and Light Company may do any one or more of the following in any order: (i) exercise any of the rights and remedies of The Dayton Power and Light Company, including the right to set-off and liquidation, against any and all ICR Collateral, Margin Collateral or other collateral of such SSO Supplier in the possession of The Dayton Power and Light Company, whether held in connection with this Agreement or any Other SSO Supply

Agreement, including any such rights and remedies under law then in effect, free from any claim or right of any nature whatsoever of such SSO Supplier; and (ii) draw on any outstanding Letter of Credit provided by such SSO Supplier. The Dayton Power and Light Company will apply the proceeds of the collateral realized upon the exercise of such rights or remedies to reduce such SSO Supplier's obligation under this Agreement and under any Other SSO Supply Agreement, and such SSO Supplier shall remain liable for any amounts owing to The Dayton Power and Light Company after such application, subject to The Dayton Power and Light Company's obligation to return any surplus proceeds remaining after all such obligations are satisfied in full.

All notices, demands or requests regarding credit requirements and credit-related security or deposit transfers shall be sent in accordance with Section 13.1.

6.9 Acceptable Forms of Security

a) At each SSO Supplier's choice, the following are deemed to be acceptable for posting Margin Collateral or ICR Collateral, if required:

(i) cash credited to a deposit account of The Dayton Power and Light Company; or

(ii) a Letter of Credit in the form set forth in Appendix D and which shall state that such Letter of Credit will renew automatically for successive one-year or shorter periods, until terminated upon at least ninety (90) days' prior written notice from the issuing financial institution.

b) If The Dayton Power and Light Company receives notice from the issuing financial institution that a Letter of Credit is being cancelled, the SSO Supplier will be

required to provide a substitute Letter of Credit from an alternative bank satisfying the minimum credit rating set forth in the definition of "Letter of Credit". The receipt of the substitute Letter of Credit must be effective as of the cancellation date and delivered to The Dayton Power and Light Company thirty (30) days before the cancellation date of the original Letter of Credit. If the SSO Supplier fails to supply a substitute Letter of Credit as required, then The Dayton Power and Light Company will have the right to draw on the existing Letter of Credit and to hold the amount as Margin Collateral or ICR Collateral, as applicable.

c) If the credit rating of a bank or other financial institution from which an SSO Supplier has obtained a Letter of Credit falls below the levels set forth in the definition of "Letter of Credit", the SSO Supplier will immediately notify The Dayton Power and Light Company and, within fifteen (15) Business Days of the failure of the financial institution to meet the required credit rating,

(i) obtain a suitable Letter of Credit from another bank or other financial institution that meets those standards, unless such period is extended in writing by The Dayton Power and Light Company; or (ii) cash. If the SSO Supplier fails to supply a suitable Letter of Credit or deposit cash as required, then the Dayton Power and Light Company will have the right to draw on the existing Letter of Credit and hold the amount as Margin Collateral or ICR Collateral, as applicable.

d) Notwithstanding anything in this Agreement to the contrary, The Dayton Power and Light Company may exercise any rights or claims to any collateral posted, delivered or pledged to them under this Agreement, before, after, concurrently with, or to the exclusion of, any other collateral posted, delivered or pledged, and i are not

required to exercise any remedies whatsoever prior to applying any cash collateral against, or making a drawing under any letter of credit in respect of, any liabilities of the SSO Supplier hereunder or its Guarantor under the Guaranty to The Dayton Power and Light Company.

6.10 Reporting; Maintenance of Creditworthiness

a) Each SSO Supplier must promptly notify The Dayton Power and Light Company of any change in its or its Guarantor's credit rating or financial condition. The SSO Supplier or Guarantor must also furnish evidence of an acceptable credit rating or financial condition upon the request of The Dayton Power and Light Company.

b) If the corporate or issuer credit rating used to determine the SSO Supplier's ICT or its Credit Limit adversely changes, The Dayton Power and Light Company will require ICR Collateral or Margin Collateral from such SSO Supplier in accordance with Sections 6.4, 6.6 and 6.7. The additional security must be in a form acceptable to The Dayton Power and Light Company, as specified in Section 6.9.

6.11 Interest on Cash Held by Companies

The Dayton Power and Light Company will pay simple interest calculated at the lower of the Interest Index or six percent (6%) per annum on all cash held by The Dayton Power and Light Company pursuant to this Agreement. If applicable, each Billing Month the SSO Supplier will prepare a statement of interest amounts due from The Dayton Power and Light Company. The statement will be sent to The Dayton Power and Light Company within three (3) Business Days after the end of the Billing Month via overnight mail or other expeditious means. The Dayton Power and Light Company will make

interest payments on the first Business Day after the fifth (5th) day of each calendar month.

6.12 No Endorsement of SSO Supplier

The Dayton Power and Light Company's determination of an SSO Supplier's creditworthiness pursuant to the process set forth in this Article 6 will not be deemed to constitute an express or implied warranty or guarantee of any kind with respect to the financial or operational qualifications of such SSO Supplier. The Dayton Power and Light Company will treat all SSO Suppliers in a non-discriminatory manner and shall provide no preference to any SSO Supplier.

ARTICLE 7: SCHEDULING, FORECASTING AND INFORMATION SHARING

7.1 Scheduling

a) Each SSO Supplier shall schedule SSO Supply and make all necessary arrangements for the delivery of SSO Supply through the PJM Office of Interconnection pursuant to the PJM Agreements.

b) The Dayton Power and Light Company will provide to each SSO Supplier and to PJM all information required by PJM for the purpose of calculating each SSO Supplier's SSO Supply obligations, including the magnitude and location of each SSO Supplier's SSO Supply obligation, as required by the PJM Office of Interconnection.

7.2 Load Forecasting

The Dayton Power and Light Company shall not be required to provide to any SSO Supplier any load forecasting services.

ARTICLE 8: BILLING AND SETTLEMENT

8.1 Statement

Subject to Section 8.2, The Dayton Power and Light Company and each SSO Supplier shall pay all amounts due to each other hereunder in accordance with the following provisions:

a) for each Billing Month, The Dayton Power and Light Company will prepare and provide an invoice to each SSO Supplier, which will show (i) amounts due to the SSO Supplier equal to the Price multiplied by the PMEA, (ii) the PMEA/FMEA Adjustment from such Billing Month, if any, and (iii) all Charges due to The Dayton Power and Light Company incurred during the Billing Month (the "Statement"). The Dayton Power and Light Company will determine the total amount payable by one Party to the other Party by netting the aggregate amounts due and owing to one Party against the aggregate amounts due and owing to the other Party, with the Party, if any, owing the greater aggregate amount paying the other Party the difference between the amounts owed. For any amounts due and owing The Dayton Power and Light Company, The Dayton Power and Light Company will specify in each Statement how the amounts will be allocated among The Dayton Power and Light Company. In the case of the PMEA/FMEA Adjustment, the allocation will be based on the respective SSO Loads of The Dayton Power and Light Company.

b) The Statement will be sent to each SSO Supplier within six (6) Business Days after the end of the Billing Month as provided in Section 13.1.

c) The Dayton Power and Light Company or the SSO Supplier, as the case may be, will make payment on the first (1st) Business Day after the nineteenth (19th) day of each calendar month.

d) All payments shall be subject to adjustment for any arithmetic errors, computation errors, or other errors, provided that the errors become known within one (1) year of the earlier of (i) end of the Term or (ii) the Early Termination Date.

e) The Dayton Power and Light Company or the SSO Supplier, as the case may be, shall make payments of funds by electronic transfer to a bank designated by The Dayton Power and Light Company and the SSO Supplier, as applicable.

f) If a good faith dispute arises between The Dayton Power and Light Company and the SSO Supplier regarding a Statement, the disputing Party shall be obligated to pay only the undisputed portion of the Statement, if any, and shall present the dispute in writing and submit supporting documentation to the non-disputing Party within one hundred twenty (120) calendar days from the date of the Statement in dispute. Statement disputes must be addressed promptly, and in accordance with the dispute resolution procedures set forth in Article 10. Upon resolution of a Statement dispute, any payments made to either Party will include simple interest on the payment at the lower of the Interest Index or six percent (6%) per annum payable from the date that notice of a Statement dispute was received by the non-disputing Party.

g) If payment is made to the SSO Supplier after the due date shown on the Statement, a late fee will be added to the unpaid balance until the entire Statement is paid. This late fee will be calculated at the prime rate J.P. Morgan Chase (or, if not

available, another financial institution selected by The Dayton Power and Light Company) charges commercial borrowers.

h) In the event of a good faith dispute regarding any Statement, each SSO Supplier will have the right to verify, at its sole expense, the accuracy of the Statement or the calculation of the payment due by obtaining copies of the relevant portions of the books and records of the applicable Company. The right of verification will survive for one (1) year following the earlier of (i) the end of the Term or (ii) the Early Termination Date.

8.2 PJM Billing; Third Party Billing

a) The Dayton Power and Light Company and each SSO Supplier shall direct PJM to invoice The Dayton Power and Light Company and such SSO Supplier for PJM charges and credits relating to such SSO Supplier's and The Dayton Power and Light Company's rights and obligations under this Agreement. If PJM is unable to invoice charges or credits in accordance with the foregoing sentence, The Dayton Power and Light Company shall rectify such PJM invoice discrepancy in the Statement sent pursuant to Section 8.1.

b) For Capacity purchased by an SSO Supplier pursuant to Section 2.1(b), such SSO Supplier shall be invoiced and submit payment for such Capacity directly to PJM in accordance with the billing practices set forth in the PJM Agreements.

c) The Parties agree that the PJM invoice may change from time to time. Allocation of any charges that are reflected in a PJM invoice that are not included on or

are inconsistent with Appendix G will be determined pursuant to Sections 2.3, 2.4, 2.5, and 13.12.

d) The Dayton Power and Light Company shall have no responsibility for billing between an SSO Supplier and any other third party. The Dayton Power and Light Company shall be solely responsible for billing SSO Customers for SSO Supply.

ARTICLE 9: SYSTEM OPERATION

9.1 Disconnection and Curtailment by The Dayton Power and Light Company

The Dayton Power and Light Company shall have the right, without incurring any liability to any SSO Supplier, to disconnect (or otherwise curtail, interrupt or reduce deliveries from) the SSO Suppliers or to disconnect (or otherwise curtail, interrupt or reduce deliveries to) any Customer whenever The Dayton Power and Light Company determines in its discretion acting in good faith that such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of The Dayton Power and Light Company's facilities; or due to any other reason affecting the safe and reliable operation of any of The Dayton Power and Light Company's or a Customer's facilities, including Emergencies, forced outages or potential overloading of any of The Dayton Power and Light Company's transmission or distribution circuits, potential damage to any Customer's facilities or any risk of injury to persons, or when The Dayton Power and Light Company is directed by PJM. The Dayton Power and Light Company shall not show any preference for any entity affiliated with it in connection with any such disconnection, curtailment or reduction.

9.2 Loss of Service to SSO Customers

The Parties agree and acknowledge that service to SSO Customers may be lost due to storms, weather, accidents, breakage of equipment or other events beyond the reasonable control of The Dayton Power and Light Company affecting the transmission and distribution facilities of The Dayton Power and Light Company. No Party will have any liability to any other Party for the occurrence of such events. In no event will a loss of service to a Customer affect a Party's obligation to make any payments then due or becoming due with respect to performance rendered prior to such loss of service.

9.3 PJM Requirements

The Parties acknowledge and agree that, as members of PJM, each of them is bound by the PJM Agreements and any other operating instructions, policies and procedures set forth by PJM. Each SSO Supplier acknowledges and agrees that it will cooperate with The Dayton Power and Light Company, PJM and the applicable balancing authority and reliability coordinator so that The Dayton Power and Light Company will be in compliance with all PJM emergency operations procedures, which include procedures pertaining to minimum and maximum generation Emergencies, and measures requiring involuntary Customer participation, such as supply voltage reduction or full interruption of Customer load by either manual or automatic means.

9.4 Compliance with Governmental Directives

Each SSO Supplier acknowledges and agrees that The Dayton Power and Light Company may need to act in response to directives by a Governmental Authority that may affect SSO Supply or SSO Load. Each SSO Supplier agrees to cooperate fully

with The Dayton Power and Light Company in order to comply with such directives.

ARTICLE 10: DISPUTE RESOLUTION

10.1 Informal Resolution of Disputes

Any dispute arising out of or relating to this Agreement shall be subject to the dispute resolution procedures specified in this Article 10. If any dispute arises between any Parties in connection with this Agreement, such Parties in dispute shall first attempt in good faith to resolve such dispute between themselves. The disputing Parties shall comply in good faith with the procedures in this Section 10.1 before commencing litigation under Section 10.2. When any such dispute arises, a disputing Party shall deliver a notice of dispute to the other Party subject to the dispute in accordance with the notice procedures set forth in Section 13.1, such notice of dispute to include the nature of the dispute, the amount involved, if any, and the remedies sought. Within ten (10) Business Days after the receipt of such notice, members of the senior management of the Parties in dispute shall meet in person or by telephone to discuss the dispute. If such Parties have not resolved such dispute or if a meeting of senior management has not occurred within thirty (30) Business Days after receipt of the notice of dispute, then any such Party may bring such action at law or in equity as it deems necessary or desirable, in accordance with the provisions of Section 10.2. Any amounts that are owed by one Party to another Party as a result of resolution of a dispute pursuant to this Section 10.1 shall be paid within two (2) Business Days of such resolution and the payment shall include interest calculated at the Interest Index from the original due date through the date of payment.

10.2 Formal Dispute Resolution

After the requirements of Section 10.1 have been satisfied, all disputes between the Parties, except where this Agreement requires otherwise, shall be submitted to an Ohio State court of competent jurisdiction or to a federal court of competent jurisdiction situated in the State of Ohio, which courts shall have exclusive jurisdiction to settle disputes arising under or related to this Agreement.

10.3 Recourse to Agencies or Courts of Competent Jurisdiction

Notwithstanding Section 10.2, nothing in this Agreement shall restrict the rights of either Party to file a complaint with the FERC under relevant provisions of the Federal Power Act or with the PUCO under relevant provisions of the Applicable Legal Authorities. The Parties' agreement under this Section 10.3 is without prejudice to any Parties' right to contest the jurisdiction of the FERC or PUCO to which a complaint is brought.

ARTICLE 11: LIMITATION OF LIABILITY; RISK OF LOSS

11.1 Limitation of Liability

Except to the extent expressly set forth in this Agreement, including Article 12, as between The Dayton Power and Light Company and each SSO Supplier, each Party will be liable to the other for direct damages incurred as a result of such Party's failure to comply with this Agreement and no Party will have any liability to the other Party for consequential, indirect, special or punitive damages, including lost profits or lost revenues, arising out of such Party's failure to comply with its obligations under this Agreement. Notwithstanding anything to the contrary in this Agreement, nothing herein

shall impose any obligations or liability from one SSO Supplier to any other SSO Supplier, except as provided in Article 12.

11.2 Risk of Loss

Title to and risk of loss with respect to SSO Supply shall pass from each SSO Supplier to The Dayton Power and Light Company when such SSO Supply is delivered to the Delivery Point. Until title passes, each SSO Supplier shall be deemed in exclusive control of SSO Supply provided by it and shall bear sole responsibility for any damage or injury caused thereby, subject to the provisions of Section 12.1. After title to such SSO Supply passes to The Dayton Power and Light Company, The Dayton Power and Light Company shall be deemed in exclusive control of such SSO Supply and shall bear sole responsibility for any damage or injury caused thereby, subject to the provisions of Section 12.1. Notwithstanding the foregoing, nothing contained in this Agreement is intended to create or increase liability of The Dayton Power and Light Company to any third party beyond such liability, if any, as would otherwise exist under the PJM Agreements or other applicable law if The Dayton Power and Light Company had not taken title.

ARTICLE 12: INDEMNIFICATION

12.1 Indemnification

a) Each SSO Supplier must defend (at The Dayton Power and Light Company's option), indemnify and hold harmless The Dayton Power and Light Company, its shareholders, parent companies, and board members, directors, officers and employees, agents and attorneys of The Dayton Power and Light Company or any

of its parent companies from and against any and all third party (including PJM and each other SSO Supplier) claims or liabilities for losses, penalties, expenses, damage to property, injury to or death of any Person including a Party's employees or any third parties, that were caused by or occur in connection with an act or omission of such SSO Supplier with respect to an obligation arising under or in connection with this Agreement (including such SSO Supplier's failure to submit payments to PJM pursuant to Section 8.2(b)), or for which such SSO Supplier has otherwise assumed liability under the terms of this Agreement, except to the extent that a court of competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of The Dayton Power and Light Company. The Dayton Power and Light Company may, at its own expense, retain counsel and participate in the defense of any such suit or action.

b) The Dayton Power and Light Company and each SSO Supplier must defend (at the option of the Indemnified Supplier), indemnify and hold harmless each other SSO Supplier (the "Indemnified Supplier"), its shareholders, board members, directors, officers, employees, agents and attorneys from and against any and all third party (including another SSO Supplier) claims or liabilities for losses, penalties, expenses, damage to property, injury to or death of any Person including a Party's employees or any third parties, that were caused by or occur in connection with an act or omission of The Dayton Power and Light Company or such SSO Supplier with respect to an obligation arising under or in connection with this Agreement, or for which The Dayton Power and Light Company or such SSO Supplier has otherwise assumed liability under the terms of this Agreement, except to the extent that a court of

competent jurisdiction determines that the losses, penalties, expenses or damages were caused wholly or in part by the gross negligence or willful misconduct of the Indemnified Supplier. The Indemnified Supplier may, at its own expense, retain counsel and participate in the defense of any such suit or action.

c) The obligation of a Party to defend, indemnify, and hold harmless another Party under this Article will not be limited in any way by any limitation on the amount or type of damages, compensation, or benefits payable by or for either Party under any statutory scheme, including any Worker's Compensation Acts, Disability Benefit Acts or other Employee Benefit Acts.

d) If a Party intends to seek indemnification under Sections 12.1(a) or 12.1(b), as applicable, from any other Party, the Party seeking indemnification shall give the other Party notice of such claim within thirty (30) days of the later of the commencement of, or the Party's actual knowledge of, such claim or action. Such notice shall describe the claim in reasonable detail, and shall indicate the amount, estimated if necessary, of the claim that has been, or may be, sustained by said Party. To the extent the other Party will have been actually and materially prejudiced as a result of the failure to provide such notice, such notice will be a condition precedent to any liability of the other Party under the provisions for indemnification contained in this Agreement. No Party may settle or compromise any claim without the prior consent of The Dayton Power and Light Company (for an indemnification under Section 12.1(a)) or the Indemnified Parties involved (for an indemnification under Section 12.1(b)); provided, however, such consent shall not be unreasonably withheld or delayed.

ARTICLE 13: MISCELLANEOUS PROVISIONS

13.1 Notices

All notices, demands or requests required or permitted under this Agreement must be in writing and must be personally delivered or sent by email, overnight express mail, courier service or facsimile transmission (provided that in the case of an email or facsimile, the original shall then be transmitted by any of the other aforementioned delivery methods) addressed as follows:

If to an SSO Supplier:

Notification information for each SSO Supplier is set forth on Appendix A.

If to The Dayton Power and Light Company:

In the case of all notices except those required under Article 6, to:

Copy to:

In the case of all notices required under Article 6, to:

Copy to:

and:

and:

or to such other person or such other address as a Party may designate by like notice to the other Party. Notice received after the close of the Business Day will be deemed received on the next Business Day. Notice by email or facsimile transmission will be deemed to have been received by the recipient on the date the recipient confirms receipt either orally or in writing.

13.2 No Waiver or Prejudice of Rights

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

13.3 Assignment

a) The Dayton Power and Light Company may not assign this Agreement or its rights or obligations hereunder without the prior written consent of the other SSO Suppliers, which consent may not be unreasonably withheld; provided, however, that The Dayton Power and Light Company may, without the consent of the other SSO Suppliers:

(i) transfer, sell, pledge, encumber or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements;

(ii) transfer or assign this Agreement to any Person having a Minimum Rating; and

(iii) transfer or assign this Agreement to any Person succeeding to all or substantially all of the assets of The Dayton Power and Light Company.

b) In the case of an assignment pursuant to Section 13.3(a)(ii) and (iii) above, The Dayton Power and Light Company may assign its obligations under this Agreement and shall be relieved of such obligations upon the assignment and assumption of the assignee of such obligations and SSO Supplier's receipt of notice thereof, except for such obligations of The Dayton Power and Light Company which have arisen prior to the date of the assignment.

c) An SSO Supplier may not assign this Agreement or its rights or obligations hereunder without the prior written consent of The Dayton Power and Light Company, which consent may not be unreasonably withheld, it being understood that any assignee of such SSO Supplier must meet the creditworthiness requirements set forth in Article 6; provided, however, that such SSO Supplier may, without the consent of The Dayton Power and Light Company (and without relieving itself from liability hereunder) pledge or assign this Agreement or the accounts, revenues or proceeds hereof in connection with any financing or other financial arrangements; provided further, however, that if any of the lenders receiving the collateral assignment foreclose or otherwise exercise remedies against the SSO Supplier, such lenders may not transfer, pledge or assign

this Agreement to a Person who does not meet the creditworthiness requirements set forth in Article 6. For the avoidance of doubt, an SSO Supplier is not required to obtain the consent of any other SSO Supplier under this Section 13.3.

13.4 Governing Law

To the extent not subject to the jurisdiction of the FERC, questions including those concerning the formation, validity, interpretation, execution, amendment, termination and construction of this Agreement will be governed by the laws of the State of Ohio, without regard to principles of conflicts of law.

13.5 Third Party Beneficiaries

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

13.6 Unenforceability or Invalidity

Should any provision of this Agreement be held invalid or unenforceable, such provision will be invalid or unenforceable only to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable any other provision hereof, unless it materially changes the agreement of the Parties.

13.7 Entire Agreement

a) Each of the Parties acknowledges that it has read this Agreement, understands it, and agrees to be bound by its terms. This Agreement is intended by the Parties as a final expression of their agreement with respect to the subject matter

hereof. The Parties further agree that this Agreement is the complete and exclusive statement of agreement with respect to the subject matter hereof and supersedes all proposals (oral or written), understandings, representations, conditions, warranties, covenants and all other communications between the Parties relating thereto.

13.8 Taxes

All present and future federal, state, municipal or other taxes imposed by any taxing authority by reason of the provision of SSO Supply by an SSO Supplier under this Agreement (collectively, the "Taxes") will be the liability of the SSO Supplier, except for Ohio sales and use taxes imposed under Ohio Rev. Code Ann. Tit. 57, Chapters 5739, 5740 and 5741 (the "Ohio Sales and Use Taxes"), which will be The Dayton Power and Light Company's responsibility. Should an SSO Supplier be required to remit any Ohio Sales and Use Taxes directly to the applicable taxing authority, other than Ohio Sales and Use Taxes previously collected by the SSO Supplier on behalf of The Dayton Power and Light Company, The Dayton Power and Light Company will defend and indemnify the SSO Supplier for such Ohio Sales and Use Taxes and will pay to the SSO Supplier all such tax amounts upon demand. Each SSO Supplier shall pay all Taxes (other than Ohio Sales and Use Taxes) to the applicable taxing authority to the extent required or permitted by law. If any transaction is exempt from the payment of any such Taxes, the affected SSO Supplier will, if requested, provide The Dayton Power and Light Company with valid tax exemption certificates. Should The Dayton Power and Light Company be required to remit any Taxes directly to any applicable taxing authority (other than Ohio Sales and Use Taxes and other Taxes previously collected by The Dayton Power and Light Company directly from an SSO Supplier), the SSO Supplier will

defend and indemnify The Dayton Power and Light Company and will pay to The Dayton Power and Light Company all such Tax amounts upon demand.

Each Party shall provide to the other Party all information, data and exemption certificates as such other Party may from time to time reasonably request and otherwise fully cooperate with such other Party in connection with the reporting of (i) any Taxes payable by an SSO Supplier; (ii) any Tax audit; or (iii) any assessment, refund claim or proceeding relating to Taxes. Each Party shall cooperate with the other Party and take any action reasonably requested, which does not cause the Party to incur any material cost or inconvenience, in order to minimize any Taxes payable.

13.9 Rules of Interpretation

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

a) unless otherwise stated, the terms “include” and “including” when used in this Agreement shall be interpreted to mean by way of example only and shall not be considered limiting in any way;

b) all titles and headings used herein are for convenience and reference purposes only, do not constitute a part of this Agreement and shall be ignored in construing or interpreting the obligations of the parties under this Agreement;

c) references to the singular include the plural and vice versa;

d) any references to “and” or “or” shall mean “and/or” as the context so requires;

e) references to Articles, Sections, Appendices and the preamble are, unless the context indicates otherwise, references to Articles, Sections, Appendices and the preamble of this Agreement;

f) any reference to laws, rules, regulations, ordinances or decrees in this Agreement shall mean such law, rules, regulations, ordinances and decrees as may be amended, modified, replaced, codified or superseded from time to time; and

g) this Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties (or any of them), or to impose any partnership obligation or liability upon any Party.

13.10 Confidentiality

a) Each Party shall hold in confidence and not release or disclose any document or information furnished by the other Party in connection with this Agreement, unless (i) compelled to disclose such document or information by judicial, regulatory or administrative process or other provisions of law or it reasonably believes it is necessary or advisable to disclose such document or information in connection with any PUCO or FERC regulatory proceeding; (ii) such document or information is generally available to the public; or (iii) such document or information was available to the receiving Party on a non-confidential basis from a third party, provided that the receiving Party does not know that such third party is prohibited from transmitting the document or information to the receiving Party by a contractual, legal or fiduciary obligation.

b) Notwithstanding any other provision of this Section 13.10, a Party may disclose to its employees, representatives, agents and rating agencies all documents

and information furnished by the other Party in connection with this Agreement, provided that they have been advised of the confidentiality provisions of this Section 13.10, and further provided that in no event shall a document or information be disclosed in violation of the standard of conduct requirements established by FERC.

c) Each SSO Supplier agrees that the SSO Supplier's data and information submitted in the Solicitation will be disclosed if required by any federal, state or local agency (including the PUCO) or by a court of competent jurisdiction. However, The Dayton Power and Light Company will endeavor to notify the SSO Supplier in advance of such disclosure. In any event, neither The Dayton Power and Light Company, nor any of its employees or agents, will be responsible to the SSO Suppliers or any other party, or liable for any disclosure of such data or information. Notwithstanding the above, The Dayton Power and Light Company reserves the right to use and communicate publicly to third parties any and all information and data submitted as part of the Solicitation in any proceedings before FERC, the PUCO, and any other regulatory body and the courts, if The Dayton Power and Light Company deems it necessary or advisable, without the prior consent of, or notice to, any such SSO Supplier.

d) The Parties agree that monetary damages may be inadequate to compensate a Party for the other Party's breach of its obligations under this Section 13.10. Each Party accordingly agrees that the other Party shall be entitled to equitable relief, by way of injunction or otherwise, if the Party breaches or threatens to breach its obligations under this Section 13.10, which equitable relief shall be granted without bond or proof of damages, and the receiving Party shall not plead in defense that there would be an adequate remedy at law.

13.11 Amendment

Except as provided in Sections 5.4 and 13.12, this Agreement shall not be amended, modified, terminated, discharged or supplanted, nor any provision hereof waived, unless mutually agreed in writing by the Parties. Except as provided in Section 13.12, the rates, terms and conditions contained in this Agreement are not subject to change under Sections 205 and 206 of the Federal Power Act absent the mutual written agreement of the Parties. Absent the agreement of all Parties, the standard of review for changes to this Agreement proposed by a Party, a non-Party or the FERC acting sua sponte shall be the “public interest” standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956), and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956) and affirmed by Morgan Stanley Capital Group, Inc. v. Public Utility District No. 1 of Snohomish County, Washington, et al., 554 U.S. 527, 128 S. Ct. 2733 (June 26, 2008).

13.12 PJM Agreement Modifications

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

b) If the applicable provisions of the PJM Agreements referenced herein, or any other PJM rules relating to the implementation of this Agreement, are changed

materially from those in effect on the Effective Date, the Parties shall cooperate to make conforming changes to this Agreement to fulfill the purposes of this Agreement.

13.13 Agent

The Dayton Power and Light Company shall have the right at any time and from time to time during the Term to appoint an agent to act on its behalf to exercise or pursue any of its rights or remedies and to perform any of its obligations or duties under this Agreement. The Dayton Power and Light Company shall give each SSO Supplier thirty (30) days prior written notice before the appointment of an agent.

13.14 Counterparts

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

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

THE DAYTON POWER AND LIGHT COMPANY

By: _____

Name:

Title:

[SSO SUPPLIER SIGNATURES APPEAR ON SUCCEEDING PAGES]

SIGNATURE PAGES

[SSO SUPPLIER]

By: _____

Name:

Title:

APPENDIX A – SSO SUPPLIER RESPONSIBILITY SHARE

SSO Supplier	Price (\$/MWh)	SSO Supplier Responsibility Share Percentage (%)	No. of Tranches
_____	_____/MWh	_____%	_____

Original Delivery Period:

[_____] , 12:00:01 A.M. through [_____].

Address for Notice:

1. In the case of all notices except those required under Article 6:

Name:

Address:

Telephone:

Facsimile:

E-mail:

copy to:

Name:

Address:

Telephone:

Facsimile:

E-mail:

2. In the case of all notices required under Article 6:

Name:

Address:

Telephone:

Facsimile:

E-mail:

copy to:

Name:

Address:

Telephone:

Facsimile:

E-mail:

[SSO SUPPLIER]

By: _____

Name:

Title:

APPENDIX C-1 – SCHEDULE FOR ICRT

Independent Credit Requirement Per Tranche

Month	17-Month Procurement (\$/Tranche)
Inception through January 2013	\$170,000
February 2013	\$170,000
March 2013	\$170,000
April 2013	\$170,000
May 2013	\$170,000
June 2013	\$120,000
July 2013	\$120,000
August 2013	\$120,000
September 2013	\$70,000
October 2013	\$70,000
November 2013	\$70,000
December 2013	\$70,000
January 2014	\$40,000
February 2014	\$40,000
March 2014	\$40,000
April 2014	\$40,000
May 2014	\$40,000

APPENDIX C-2

EXAMPLE MARK-TO-MARKET EXPOSURE AMOUNT CALCULATION

The following is an illustration of the methodology The Dayton Power and Light Company will use to determine the Mark-to-Market Exposure Amounts for each SSO Supplier, including a methodology The Dayton Power and Light Company expects to use to derive off-peak Forward Market Prices. Notwithstanding the foregoing, if The Dayton Power and Light Company is unable to obtain publicly available market quotations for Forward Market Prices, Forward Market Prices will be determined by The Dayton Power and Light Company using any method which The Dayton Power and Light Company deems appropriate and which reasonably reflects forward market pricing conditions in PJM.

On the closing day of the Solicitation, the following parameters are determined by The Dayton Power and Light Company:

1. The expected On-Peak SSO Load per Tranche;
2. The expected Off-Peak SSO Load per Tranche;
3. Prevailing On-Peak Forward Market Prices for each month during the Original Delivery Period; and
4. Ratios of Off-Peak to On-Peak monthly Forward Market Prices for each month during the Original Delivery Period (to be used to determine the Off-Peak Forward Market Prices from the On-Peak Forward Market Prices).

The Forward Market Prices prevailing on the closing day of the Solicitation are used to establish the "mark" for each month during the Original Delivery Period. Table 1 contains hypothetical initial On-Peak Forward Market Prices for a hypothetical 17-month Original Delivery Period from January 2013 through May 2014. The initial Off-Peak Forward Market Prices are determined by multiplying the On-Peak Forward Market Prices for each Billing Month in Table 1 by the ratios of off-peak to on-peak prices for each Billing Month in Table 2. Table 3 contains the hypothetical "marks" established on the day the Solicitation is completed using the Forward Market Prices established in Tables 1 and 2. The "marks" will not change over the Original

Delivery Period.

For each calculation of the Mark-to-Market Exposure Amount, The Dayton Power and Light Company will determine the Forward Market Prices for each month during the Original Delivery Period. Table 4 contains hypothetical Forward Market Prices as of the first day of the Original Delivery Period. Table 5 contains a calculation of the Mark-to-Market Exposure Amount *as of the first date of the Delivery Period for the seventeen-month Original Delivery Period* based on the difference between the hypothetical "marks" set forth in Table 3 and the hypothetical Forward Market Prices set forth in Table 4.

MARK-TO-MARKET EXAMPLE

All Energy prices are based on a Market Price Hub

Table 1 – Hypothetical Initial Market Price Data

On-Peak Forward Market Price Quotes on the Solicitation Closing Date

Month	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
On-Peak	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43	\$46.39	\$56.39	\$56.39	\$44.56

Month	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
On-Peak	\$40.90	\$44.03	\$43.11	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43

Table 2 - Off-peak Forward Market Price Factors

The Dayton Power and Light Company's Pre-determined Ratio of Off-Peak to On-Peak Prices

Month	Ratio of Off-Peak to On-Peak Price
January	0.75
February	0.75
March	0.75
April	0.75
May	0.75
June	0.65
July	0.65
August	0.65
September	0.65
October	0.75
November	0.75
December	0.75

Table 3 – Hypothetical Closing Day "Marks"

"Marks" Set on the Solicitation Closing Date
Energy (MWh/Tranche)

Hypothetical prices for January 2013 through May 2014 so as to correspond to a 17 month Original Delivery Period.

	On-Peak Volume	Off-Peak Volume	On-Peak Price	Off-Peak Price
Jan-13	1,621	1,590	\$53.11	\$39.83
Feb-13	1,500	1,492	\$51.69	\$38.77
Mar-13	1,414	1,522	\$50.40	\$37.80
Apr-13	1,399	1,280	\$50.40	\$37.80
May-13	1,383	1,263	\$48.43	\$36.32
Jun-13	1,480	1,443	\$46.39	\$30.15
Jul-13	1,643	1,603	\$56.39	\$36.65
Aug-13	1,741	1,391	\$56.39	\$36.65
Sep-13	1,284	1,428	\$44.56	\$28.96
Oct-13	1,435	1,260	\$40.90	\$30.68
Nov-13	1,383	1,374	\$44.03	\$33.02
Dec-13	1,435	1,718	\$43.11	\$32.33
Jan-14	1,621	1,590	\$53.11	\$39.83
Feb-14	1,500	1,492	\$51.69	\$38.77
Mar-14	1,414	1,522	\$50.40	\$37.80
Apr-14	1,399	1,280	\$50.40	\$37.80
May-14	1,383	1,263	\$48.43	\$36.32

Table 4 – Hypothetical Forward Market Prices on Day 1 of the Delivery Period

On-Peak Forward Market Quotes on Day 1 of the Delivery Period

Month	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13
On-Peak	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43	\$46.39	\$57.39	\$56.39	\$46.56

Month	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14	May-14
On-Peak	\$40.90	\$45.03	\$43.11	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43

Hypothetical Mark-to-Market set on Day 1 of the Delivery Period
Energy (MWh/tranche)

[illegible]

FORM OF SSO SUPPLIER LETTER OF CREDIT

Date: _____

Letter of Credit No. _____

To: The Dayton Power and Light Company

1. We hereby establish in your favor this irrevocable transferable Letter of Credit (this "Letter of Credit") for the account of _____ (the "Applicant"), in the aggregate amount of \$_____, effective immediately and available to you at sight upon demand at our counters at _____ and expiring 364 days from date of issuance or any extension thereof (in the form of Annex 5), unless terminated earlier or automatically extended, in accordance with the provisions hereof or otherwise extended.
2. This Letter of Credit is issued at the request of the Applicant, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in paragraph 12 hereof. This Letter of Credit may be drawn upon an Event of Default under that certain Master SSO Supply Agreement between the Applicant and you, dated _____.
3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (prevailing Eastern Time¹) on such Business Day to _____ (Bank), _____ (address), (i) a notice executed by you in the form of Annex 1 hereto, appropriately completed and duly signed by an Authorized Officer of each of the Beneficiaries and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of each of the Beneficiaries. "Authorized Officer" shall mean President, Treasurer, any Vice President, any Assistant Treasurer or any other person holding an equivalent title.
4. We may, but shall not be obligated to, accept any request to issue a substitute letter of credit. Such request shall be in an Availability Certificate in the form of Annex 3 hereto by you to us for exchange _____

¹ If the issuer of the Letter of Credit is located in an area that is not in the Eastern time zone, this time and all other times in this Letter of Credit, and the definition of a business day should be adjusted accordingly.

for a new letter of credit in the amount set forth in an Availability Certificate, which amount shall not exceed the present value of this Letter of Credit. Upon acceptance by us of any such request to issue a substitute letter of credit for exchange, the new letter of credit shall be issued in the amount as set forth in the Availability Certificate.

5. *We hereby agree to honor a drawing hereunder made in compliance with the terms and provisions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such account at such bank in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. prevailing Eastern Time on the date of such drawing, if delivery of this requisite document is made prior to 11:00 A.M. (prevailing Eastern time) on a business day pursuant to Paragraph 3 herein above, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made after 11:00 A.M. (prevailing Eastern time) on any Business Day pursuant to Paragraph 3 herein above.*
6. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not later than three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons therefore and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, that in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.
7. This Letter of Credit will automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you of the drawings in an amount equal to the maximum amount available to be made hereunder; (ii) the date we issue a new letter of credit in exchange for this Letter of Credit in accordance with paragraph 4 herein above; and (iii) the date we receive from you a Certificate of Expiration in the form of Annex 4 hereto. The Letter of Credit will be automatically extended without written amendment for successive additional one- (1) year periods from the current or any future extended expiry date, unless at least ninety (90) days prior to such date of expiration, we give written

notice to Beneficiaries by registered or certified mail, return receipt requested, or by overnight courier, at the address set forth above, or at such other address of which prior written notice has been provided to us, that we elect not to renew this irrevocable standby Letter of Credit for such additional one (1) year period.

8. As used herein:

"Availability Certificate" shall mean a certificate substantially in the form of Annex 3 hereto, appropriately completed and duly signed by your Authorized Officer.

"Business Day" shall mean any day on which commercial banks are not authorized or required to close in New York, NY and any day on which payments can be effected on the Fed wire system.

9. This Letter of Credit is assignable and transferable, in accordance with Annex 6, to an entity certified by you to us in the form of Annex 6, and we hereby consent to such assignment or transfer, provided that this Letter of Credit may not otherwise be amended or modified without consent from us, you and the Applicant, and, except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 Revision, ICC Publication No. 600, or any successor publication thereto (the "UCP"). Any and all transfer fees, expenses and costs shall be borne by the Applicant. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.

10. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 6 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

11. We certify that as of _____ (date) we _____ ("Bank") satisfy either the senior unsecured debt rating of "A-" from Standard & Poor's Rating Service or the senior unsecured debt rating of "A3" from Moody's Rating Service.

12. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. _____. Partial drawings are permitted hereunder.

13. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ confirmed by telephone to _____.
14. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this letter of credit to be closed for business on the last day of presentation, the expiration date of this letter of credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.
15. This original letter of credit has been sent to the Beneficiaries located at _____ above (as per Applicant's instructions). The aggregate amount paid to The Dayton Power and Light Company during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes (except for Annex 5) or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of the Beneficiaries. Acceptance or rejection of any amendments to this Letter of Credit or any extensions pursuant to Annex 5 must be signed by an Authorized Officer of each of the Beneficiaries.

Very truly yours,

(Bank)

By: _____

Name:

Title:

By: _____

Name:

Title:

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

To: (Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned is making a drawing under the above-referenced Letter of Credit in the amount specified below and hereby certifies to you as follows:

1. Capitalized terms used and not defined herein shall have the meanings ascribed thereto in the Letter of Credit.
2. Pursuant to Paragraph 2 of the Letter of Credit No. _____, dated _____, 20__, the undersigned is entitled to make a drawing under the Letter of Credit in the amount of \$_____, due to an Event of Default under any Master SSO Supply Agreement between the Applicant and us.
3. The amount to be received by The Dayton Power and Light Company is \$_____, for a total equal to the amount in the previous paragraph.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

The Dayton Power and Light Company

By: _____

Name:

Title:

Date:

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. _____

_____, 20__

ON [Business Day set forth in Paragraph 5]

PAY TO: The Dayton Power and Light Company

\$ _____

For credit to the account of _____.

FOR VALUE RECEIVED AND CHARGE TO ACCOUNT OF LETTER OF CREDIT NO.
_____ OF

(Bank)

(Address)

The Dayton Power and Light Company

By: _____

Name:

Title:

Date:

Annex 3 to Letter of Credit

AVAILABILITY CERTIFICATE
UNDER LETTER OF CREDIT NO. _____

_____, 20__

To: (Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

Each of the undersigned hereby requests that, in exchange for the above-referenced Letter of Credit, a new letter of credit be issued in the aggregate amount of \$_____ (the "New Amount") and to expire on _____(date), but otherwise in the form of the above-referenced Letter of Credit.

Please acknowledge your intention to issue such new letter of credit in the New Amount upon the surrender of the above-referenced Letter of Credit by signing the attached acknowledgment copy hereof and forwarding it to:

[Beneficiaries
Addresses]

Very truly yours,

The Dayton Power and Light Company

By: _____

Name:

Title:

Date:

Agreed and Accepted

(Bank)

By: _____

Title:

Date:

APPLICANT NAME

By: _____

Name:

Title:

Date:

Annex 4 to Letter of Credit

CERTIFICATE OF EXPIRATION
OF LETTER OF CREDIT NO. _____

_____, 20__

To: (Bank)

(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above-referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit, marked cancelled.

The Dayton Power and Light Company

By: _____

Name:

Title:

Date:

cc: _____ (Applicant Name)

Annex 5 to Letter of Credit

NOTICE OF EXTENSION
OF LETTER OF CREDIT NO. _____

_____, 20__

To The Dayton Power and Light Company:

Re: Our Letter of Credit No. _____ presently in the aggregate amount of
USD _____ issued for the account of _____ and expiring on
_____.

On the expiration date of the Letter of Credit No. _____, we will issue a new Letter of
Credit No. _____ to expire on _____ (date). This new Letter of Credit No.
_____ will, aside from the expiration date, be in the amount and form of our Letter
of Credit No. _____.

Very truly yours,

BANK

By _____
Name:
Title:
Date:

The Dayton Power and Light Company
By: _____
Name:
Title:
Date:

cc: _____ (Applicant Name)

Annex 6 to Letter of Credit

NOTICE OF TRANSFER
OF LETTER OF CREDIT NO. _____

_____, 20__

To:

[Bank]

[Bank Address]

To Whom It May Concern:

Re: Credit _____

Issued by _____

Advice No _____

For the value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address)

all rights of the undersigned Beneficiaries to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned Beneficiaries in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments, whether increases, extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The advice of such Letter of Credit is returned herewith, and we ask you to endorse the transfer on the reverse thereof, and forward it directly to the transferee with your customary notice of transfer.

Very truly yours,

The Dayton Power and Light Company

By: _____

Name:

Title:

Date:

The above signature with title as stated conforms to that on file with us and is authorized for the execution of said instruments.

(Name of authenticating party)

(Authorized signature of authenticating party)

Name

Title

GUARANTY

GUARANTY (this "Guaranty"), dated as of _____, made by _____ (the "Guarantor"), a corporation organized and existing under the laws of _____ in favor of The Dayton Power and Light Company (the "Guaranteed Party" or "Beneficiary"), a corporation organized and existing under the laws of the State of Ohio. Capitalized terms used herein but not defined herein shall have the meaning given such terms in the Agreement (defined below).

(a) Guaranty.

- (i) Guarantor enters into this Guaranty in consideration of, and as an inducement for, the Beneficiary having entered into or entering into that certain Master SSO Supply Agreement dated _____ (the "Agreement") with _____ [Name], a _____ [State] [corporation] (the "SSO Supplier"), which may involve the extension of credit by the Beneficiary. Guarantor, subject to the terms and conditions hereof, hereby unconditionally and absolutely guarantees to Beneficiary the full and prompt payment when due, upon demand in writing from the Beneficiary to the Guarantor's attention at the address for Guarantor set forth in section (g) hereof, of any and all amounts payable by the SSO Supplier to the Beneficiary arising out of the Agreement; the Guarantor irrevocably and unconditionally guarantees to the Beneficiary, its successors and permitted assigns, without deduction by reason of any setoff, defense (other than payment) or counterclaim, the prompt performance of all covenants, agreements, obligations and liabilities of Obligor under the Agreement, including without limitation the prompt payment on demand, of any principle, interest or other amount due and payable to the Beneficiary in connection with the Agreement (the "Obligations").
 - (ii) The Guarantor hereby agrees that its obligations hereunder shall be absolute and unconditional irrespective of (i) any claim as to the Agreement's validity, regularity or enforceability or the lack of authority of Obligor to execute or deliver the Agreement; (ii) any change in or amendment to or termination of the Agreement; (iii) any waiver or consent by the Beneficiary with respect to any provisions thereof; (iv) the absence of any action to enforce the Agreement or the recovery of any judgment against Obligor or of any action to enforce a judgment against Obligor under the Agreement; (v) any bankruptcy, arrangement, reorganization or similar proceeding for relief of Obligor under federal or state law hereinafter initiated by or against Obligor; (vi) any defense, set-off or counterclaim (other than a defense of payment) which may at any time be available to or be asserted by Obligor or any other person against the Beneficiary; or (vii) any circumstance which might otherwise constitute or be construed to constitute a legal or equitable discharge or defense of the Guarantor. The Guarantor hereby waives acceptance of this Guaranty, diligence, promptness, presentment, demand on Obligor for payment, protest of nonpayment and all notices of any kind. In addition, the Guarantor's obligations hereunder shall not be affected by the existence, validity, enforceability, perfection or extent of any collateral therefor. The Guarantor agrees that the Beneficiary may resort to the Guarantor for payment of any of the Obligations, whether or not the Beneficiary shall have resorted to any collateral security, or shall have proceeded against any other principally or secondarily obligated with respect to any of the Obligations. The Beneficiary shall not be obligated to proceed against Obligor before claiming under the Guaranty nor to file any claim relating to the Obligations in the event that Obligor becomes subject to a bankruptcy, reorganization or similar proceeding, and the failure of the Beneficiary so to file shall not affect the Guarantor's obligations hereunder. The Guarantor agrees that its obligations under this Guaranty constitute a guaranty of payment and not of collection.
- (b) Expenses. The Guarantor agrees to pay on demand all out-of-pocket expenses (including without limitation the reasonable fees and disbursements of Beneficiary's counsel) incurred in the enforcement or protection of the rights of the Beneficiary hereunder; provided that the Guarantor shall not be liable for any expenses of the Beneficiary if no payment under this Guaranty is due.

- (c) Subrogation. The Guarantor will not exercise any rights that it may acquire by way of subrogation until all Obligations to the Beneficiary shall have been paid in full. If any amount shall be paid to the Guarantor in violation of the preceding sentence, such amount shall be held for the benefit of the Beneficiary and shall forthwith be paid to the Beneficiary to be credited and applied to the Obligations, whether matured or unmatured. Subject to the foregoing, upon payment of all the Obligations, the Guarantor shall be subrogated to the rights of the Beneficiary against Obligor and the Beneficiary agrees to take at the Guarantor's expense such steps as the Guarantor may reasonably request to implement such subrogation.
- (d) Cumulative Rights. No failure on the part of the Beneficiary to exercise, and no delay in exercising, any right, remedy or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Beneficiary of any right, remedy or power hereunder preclude any other or future exercise of any right, remedy or power. Each and every right, remedy and power hereby granted to the Beneficiary or allowed it by law or other agreement shall be cumulative and not exclusive of any other, and may be exercised by the Beneficiary from time to time.
- (e) Representations and Warranties.
- (i) The Guarantor is a corporation duly existing under the laws of the State of _____.
 - (ii) The execution, delivery and performance of this Guaranty have been duly authorized by all necessary corporate action and do not conflict with any provision of law, any regulation, or the Guarantor's charter or by-laws, or any agreement binding upon it.
 - (iii) No consent, approval and authorization of, registration with, or declaration to any governmental authority are required in connection with the execution, delivery and performance of this Guaranty.
 - (iv) This Guaranty constitutes the legal, valid and binding obligation of the Guarantor, enforceable against the Guarantor in accordance with its terms, subject as to enforcement to bankruptcy, insolvency, reorganization and other laws of general applicability relating to or affecting creditors' rights and to general equity principles.
- (f) Continuing Guaranty. The Guaranty shall remain in full force and effect and be binding upon the Guarantor and its successors and permitted assigns, and inure to the benefit of the Beneficiary and its successors and permitted assigns, until all of the Obligations have been satisfied in full. In the event that any payment by Obligor in respect of any Obligations is rescinded or must otherwise be returned for any reason whatsoever, the Guarantor shall remain liable hereunder in respect of such Obligations as if such payment had not been made.
- (g) Notices. All notices in connection with this Guaranty shall be deemed effective, if in writing and delivered in person or by courier, on the date delivered to the following address (or such other address that the Guarantor shall notify the Beneficiary of in writing):

[Guarantor to provide notice information]

The Beneficiary's address for notices is as follows:

The Dayton Power and Light Company

Dayton, OH, 45432

The Dayton Power and Light Company

Dayton OH 45432

- (h) Governing Law. The Guaranty shall be governed by, and construed in accordance with, the laws of the State of Ohio, without reference to choice of law doctrine. The Guarantor and Beneficiary agree to the exclusive jurisdiction of State and federal courts located in the State of Ohio over any disputes arising from or relating to this Guaranty and waive any objections to venue or inconvenient forum. The Guarantor and Beneficiary each hereby irrevocably waive any and all rights to trial by jury with respect to any legal proceeding arising out of or relating to this Guaranty.

IN WITNESS WHEREOF, this Guaranty has been duly executed and delivered by the Guarantor to the Beneficiary as of the date first above written.

[Guarantor]

By: _____
Name:
Title:

DECLARATION OF AUTHORITY

This Declaration of Authority ("Declaration") is made this ____ day of _____, 20____ by the following:

PRINCIPAL: _____ ("Principal")

AGENT: _____ ("Agent").

RECITALS

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

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

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

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

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

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

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

DECLARATION

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

1. Exclusivity of Agent's Authority.

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

2. Specification of Authorized Rights and Responsibilities.

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

(a) Load Server Responsibilities.

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

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

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

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

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

_____ Agent is authorized to provide the facilities and personnel required to coordinate operations with PJM and other PJM Members.

(b) Electric Distributor Responsibilities.

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

(c) Generator Responsibilities.

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

_____ Agent is authorized to ensure that the required portion of Principal's Capacity Resources have the ability to go from a shutdown condition to an operating condition and start delivering power without assistance from the power system.

- Or -

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

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

_____ Agent is authorized to provide information on outages of Principal's generation facilities, whether planned, forced, or for maintenance, and to coordinate such outages with PJM

_____ Agent is authorized to act on behalf of Principal with respect to Principal's rights and obligations under any Feasibility Study, System Impact Study, or Facilities Study Agreements.

_____ Agent is authorized to act on behalf of Principal with respect to Principal's rights and obligations under any Construction Service Agreements.

_____ Agent is authorized to act on behalf of Principal with respect to Principal's rights and obligations under any Interconnection Service Agreements.

_____ Agent is authorized to receive from PJM historic and real time data collected by PJM from, or provided to PJM by, Principal with respect to Principal's generation resources.

_____ Agent is authorized as Principal for the following specific unit(s) in Principal primary and subaccounts:

(d) Market Buyer/Market Seller Responsibilities.

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

(e) Billing and Payment Responsibilities.

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

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

(f) General Membership Responsibilities.

_____ Agent is authorized to participate and vote in all PJM committees, working groups, and other stakeholder bodies on Principal's behalf.

_____ Agent is authorized to participate on Principal's behalf in the regional transmission expansion planning process.

_____ Agent is authorized to provide information or otherwise cooperate on Principal's behalf in connection with any investigation or request for information by PJM or the PJM Market Monitoring Unit in accordance with the Operating Agreement and Attachment M to the Tariff. (If this option is specified, PJM and the PJM Market Monitoring Unit shall have the right to request and obtain such information from Agent and/or Principal.)

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

(g) Additional Responsibilities.

_____ Agent has been Authorized other rights and responsibilities of Principal as specified on Attachment "A" to this Declaration.

(h) Limitation on Responsibilities.

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

3. Continuing Responsibilities and Liabilities of Principal.

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

3.2 With respect to the Authorized Rights and Responsibilities, and notwithstanding any other provision of this Agreement, Principal shall remain liable to PJM for all amounts due or to become due to PJM under the PJM Agreements, and Agent's authorization to make payment of any such amounts

hereunder (if specified in Section 2) shall not release Principal from liability for any financial obligations to PJM not satisfied by Agent.

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

4.1 Principal and Agent each recognizes, accepts and intends that PJM will rely, upon on the truth, accuracy and completeness of the declarations herein in matters including but not limited to creditworthiness and in assuring compliance with the PJM Agreements. Principal and Agent each recognizes and accepts that PJM or its members may suffer losses and damages if any declaration is or becomes untrue, inaccurate or incomplete, and each agrees to indemnify PJM for any such losses and damages.

4.2 Principal and Agent each has a continuing duty to notify PJM if and when any declaration herein ceases to be truthful, accurate or complete. Until such time as PJM receives written notification of any change to any declaration, in accordance with the terms contained herein, PJM shall be entitled to rely perpetually on this Declaration as governing its relationship with Principal and Agent as to the subject matter of this Declaration. Written notice of changes to the declarations contained herein must be provided by Principal (PJM Member) to PJM at least thirty days in advance of their effectiveness. If Agent is also a PJM Member, then both parties will be required to provide thirty days prior written notification in order for such changes to be effective. Such notification is required for changes to the declarations and responsibilities contained herein and/or termination of this Declaration. Upon such termination, all rights, responsibilities and accounts will revert back to the original status quo prevailing before the Declaration became effective. Should less than thirty days notice be provided, PJM shall use its best efforts to accommodate and process the declarations herein, but all attempts should be made to provide such notice.

4.3 Nothing in this Declaration shall be construed to create or give rise to any liability on the part of PJM and Principal and Agent expressly waive any claims that may arise against PJM under this Declaration. This Declaration shall not be construed to modify any of the PJM Agreements and in the event of conflict between this Declaration and a PJM Agreement, the applicable PJM Agreement shall control.

4.4 Capitalized terms used herein that are not defined herein have the meanings given in the PJM Agreements, as applicable.

4.5 The Recitals are hereby incorporated into the body of this Declaration.

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

PRINCIPAL:

Signature: _____

Name: _____

Title: _____

Company Name: _____

AGENT:

Signature: _____

Name: _____

Title: _____

Company Name: _____

DECLARATION OF AUTHORITY
Attachment A – Addendum

PRINCIPAL: (“Principal”)

AGENT: (“Agent”)

Effective Starting Date:

Effective Ending Date:

PJM Billing Line Items – Transfer

Principal and Agent agree the PJM settlement, Inc, (“PJM Settlement”) shall transfer all of the following charges directly related to the Principal’s share of serving the retail load obligations from the Principal’s account(s) to the Agent’s account:

Billing Line
Item Number

Billing Line Item

1100	Network Integration Transmission Service
1108	Transmission Enhancement Charge
1242	Day-ahead Load Response Charge Allocation
1243	Real-time Load Response Charge Allocation
1301	PJM Scheduling – System Control and Dispatch Service – Control Area Administration
1303	PJM Scheduling – System Control and Dispatch Service – Market Support
1304	PJM Scheduling – System Control and Dispatch Service – Regulation Market Administration
1305	PJM Scheduling – System Control and Dispatch Service – Capacity Resource/Obligation Mgmt.
1306	PJM Scheduling – System Control and Dispatch Service – Advanced Second Control Center
1307	PJM Scheduling – System Control and Dispatch Service – Market Support Offset
1308	PJM Scheduling – System Control and Dispatch Service Refund – Control Area Administration
1310	PJM Scheduling – System Control and Dispatch Service Refund – Market Support
1311	PJM Scheduling – System Control and Dispatch Service Refund – Regulation Market Administration
1312	PJM Scheduling – System Control and Dispatch Service Refund – Capacity Resource/Obligation Mgmt.
1313	PJM Settlement, Inc.
1314	Market Monitoring Unit (MMU) Funding
1315	FERC Annual Recovery
1316	Organization of PJM States, Inc. (OPSI) Funding
1317	North American Electric Reliability Corporation (NERC)

1318	Reliability First Corporation (RFC)
1320	Transmission Owner Scheduling, System Control, and Dispatch Service
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service
1380	Black Start Service
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund
1442	Load Reconciliation for Schedule 9-6 – Advanced Second Control Center
1444	Load Reconciliation for Market Monitoring Unit (MMU) Funding
1445	Load Reconciliation for FERC Annual Recovery
1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)
1448	Load Reconciliation for Reliability First Corporation (RFC)
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service
1730	Expansion Cost Recovery
1911	Michigan-Ontario Interface Phase Angle Regulators
1930	Generation Deactivation
1932	Generation Deactivation Refund
2130	Firm Point-to-Point Transmission Service
2140	Non-Firm Point-to-Point Transmission Service
2640	Incremental Capacity Transfer Rights

PJM Accounts/Subaccounts

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

Agent

APPENDIX G
SAMPLE PJM LSE INVOICE

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<u>ID #</u>	<u>Charge Name</u>	<u>Responsible Party</u>	<u>Rider</u>
1000	Amount Due for Interest on Past Due Charges	SSO Supplier	None
1100	Network Integration Transmission Service	Electric Distribution Co.	TCRR-N
1108	Transmission Enhancement	Electric Distribution Co.	TCRR-N
1110	Direct Assignment Facilities	SSO Supplier / Generator	Varies
1120	Other Supporting Facilities	SSO Supplier	TCRR-B
1130	Firm Point-to-Point Transmission Service	NA	None
1133	Firm Point-to-Point Transmission Service Resale	NA	None
1140	Non-Firm Point-to-Point Transmission Service	Generator	TCRR-B
1143	Non-Firm Point-to-Point Transmission Service Resale	NA	None
1200	Day-ahead Spot Market Energy	SSO Supplier	FUEL
1205	Balancing Spot Market Energy	SSO Supplier	FUEL
1210	Day-ahead Transmission Congestion	SSO Supplier	TCRR-B
1215	Balancing Transmission Congestion	SSO Supplier	TCRR-B
1218	Planning Period Congestion Uplift	SSO Supplier	TCRR-B
1220	Day-ahead Transmission Losses	SSO Supplier	TCRR-B
1225	Balancing Transmission Losses	SSO Supplier	TCRR-B
1230	Inadvertent Interchange	SSO Supplier	FUEL
1240	Day-ahead Economic Load Response	SSO Supplier	TCRR-B
1241	Real-time Economic Load Response	SSO Supplier	TCRR-B
1242	Day-ahead Load Response Charge Allocation	Electric Distribution Co.	TCRR-N
1243	Real-time Load Response Charge Allocation	Electric Distribution Co.	TCRR-N
1245	Emergency Load Response	SSO Supplier	TCRR-B
1250	Meter Error Correction	Generator	FUEL
1260	Emergency Energy	SSO Supplier	TCRR-B
1301	PJM Scheduling - System Control and Dispatch Service - Control Area Administration	Electric Distribution Co.	TCRR-N
1302	PJM Scheduling - System Control and Dispatch Service - FTR Administration	SSO Supplier	TCRR-B
1303	PJM Scheduling - System Control and Dispatch Service - Market Support	Electric Distribution Co.	TCRR-N
1304	PJM Scheduling - System Control and Dispatch Service - Regulation Market Administration	Electric Distribution Co.	TCRR-N
1305	PJM Scheduling - System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.	Electric Distribution Co.	TCRR-N
1306	PJM Scheduling - System Control and Dispatch Service - Advanced Second Control Center	Electric Distribution Co.	TCRR-N
1307	PJM Scheduling - System Control and Dispatch Service - Market Support Offset	Electric Distribution Co.	TCRR-N
1308	PJM Scheduling - System Control and Dispatch Service Refund - Control Area Administration	Electric Distribution Co.	TCRR-N
1309	PJM Scheduling - System Control and Dispatch Service Refund - FTR Administration	SSO Supplier	TCRR-B
1310	PJM Scheduling - System Control and Dispatch Service Refund - Market Support	Electric Distribution Co.	TCRR-N

APPENDIX G
SAMPLE PJM LSE INVOICE

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<u>ID #</u>	<u>Charge Name</u>	<u>Responsible Party</u>	<u>Rider</u>
1311	PJM Scheduling - System Control and Dispatch Service Refund - Regulation Market Administration	Electric Distribution Co.	TCRR-N
1312	PJM Scheduling - System Control and Dispatch Service Refund - Capacity Resource/Obligation Mgmt.	Electric Distribution Co.	TCRR-N
1313	PJM Settlement, Inc.	Electric Distribution Co.	TCRR-N
1314	Market Monitoring Unit (MMU) Funding	Electric Distribution Co.	TCRR-N
1315	FERC Annual Recovery	Electric Distribution Co.	TCRR-N
1316	Organization of PJM States, Inc. (OPSI) Funding	Electric Distribution Co.	TCRR-N
1317	North American Electric Reliability Corporation (NERC)	Electric Distribution Co.	TCRR-N
1318	Reliability First Corporation (RFC)	Electric Distribution Co.	TCRR-N
1320	Transmission Owner Scheduling, System Control and Dispatch Service	Electric Distribution Co.	TCRR-N
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service	Electric Distribution Co.	TCRR-N
1340	Regulation and Frequency Response Service	SSO Supplier	TCRR-B
1350	Energy Imbalance Service	NA	None
1360	Synchronized Reserve	SSO Supplier	TCRR-B
1365	Day-ahead Scheduling Reserve	SSO Supplier	TCRR-B
1370	Day-ahead Operating Reserve	SSO Supplier	TCRR-B
1371	Day-ahead Operating Reserve for Load Response	SSO Supplier	TCRR-B
1375	Balancing Operating Reserve	SSO Supplier	TCRR-B
1376	Balancing Operating Reserve for Load Response	SSO Supplier	TCRR-B
1377	Synchronous Condensing	SSO Supplier	TCRR-B
1378	Reactive Services	SSO Supplier	TCRR-B
1380	Black Start Service	Electric Distribution Co.	TCRR-N
1400	Load Reconciliation for Spot Market Energy	SSO Supplier	FUEL
1410	Load Reconciliation for Transmission Congestion	SSO Supplier	TCRR-B
1420	Load Reconciliation for Transmission Losses	SSO Supplier	TCRR-B
1430	Load Reconciliation for Inadvertent Interchange	SSO Supplier	FUEL
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service	Electric Distribution Co.	TCRR-N
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund	Electric Distribution Co.	TCRR-N
1442	Load Reconciliation for Schedule 9-6 - Advanced Second Control Center	Electric Distribution Co.	TCRR-N
1444	Load Reconciliation for Market Monitoring Unit (MMU) Funding	Electric Distribution Co.	TCRR-N
1445	Load Reconciliation for FERC Annual Recovery	Electric Distribution Co.	TCRR-N
1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding	Electric Distribution Co.	TCRR-N
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)	Electric Distribution Co.	TCRR-N
1448	Load Reconciliation for Reliability First Corporation (RFC)	Electric Distribution Co.	TCRR-N

APPENDIX G
SAMPLE PJM LSE INVOICE

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<u>ID #</u>	<u>Charge Name</u>	<u>Responsible Party</u>	<u>Rider</u>
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service	Electric Distribution Co.	TCRR-N
1460	Load Reconciliation for Regulation and Frequency Response Service	SSO Supplier	TCRR-B
1470	Load Reconciliation for Synchronized Reserve	SSO Supplier	TCRR-B
1475	Load Reconciliation for Day-ahead Scheduling Reserve	SSO Supplier	TCRR-B
1478	Load Reconciliation for Balancing Operating Reserve	SSO Supplier	TCRR-B
1480	Load Reconciliation for Synchronous Condensing	SSO Supplier	TCRR-B
1490	Load Reconciliation for Reactive Services	SSO Supplier	TCRR-B
1500	Financial Transmission Rights Auction	SSO Supplier	TCRR-B
1600	RPM Auction	Generator	RPM
1610	Locational Reliability	SSO Supplier	RPM
1650	Auction Specific MW Capacity Transaction	Generator	RPM
1660	Demand Resource and ILR Compliance Penalty	Curtailment Service Provider	None
1661	Capacity Resource Deficiency	Generator	RPM
1662	Generation Resource Rating Test Failure	Generator	RPM
1663	Qualifying Transmission Upgrade Compliance Penalty	Transmission Owner	RPM
1664	Peak Season Maintenance Compliance Penalty	Generator	RPM
1665	Peak-Hour Period Availability	Generator	RPM
1666	Load Management Test Failure	Curtailment Service Provider	None
1720	RTO Start-up Cost Recovery	SSO Supplier	TCRR-B
1730	Expansion Cost Recovery	Electric Distribution Co.	TCRR-N
1911	Michigan-Ontario Interface Phase Angle Regulators	Electric Distribution Co.	TCRR-N
1920	Station Power	NA	None
1930	Generation Deactivation	Electric Distribution Co.	TCRR-N
1932	Generation Deactivation Refund	Electric Distribution Co.	TCRR-N
1980	Miscellaneous Bilateral	SSO Supplier / Generator	Varies
1995	PJM Annual Membership Fee	SSO Supplier	TCRR-B
1999	PJM Customer Payment Default	SSO Supplier	TCRR-B

<u>ID #</u>	<u>Credit Name</u>	<u>Responsible Party</u>	<u>Rider</u>
2100	Network Integration Transmission Service	Transmission Owner	None
2106	Non-Zone Network Integration Transmission Service	Transmission Owner	None
2108	Transmission Enhancement	Transmission Owner	None
2110	Direct Assignment Facilities	Transmission Owner	None
2120	Other Supporting Facilities	NA	None
2130	Firm Point-to-Point Transmission Service	Electric Distribution Co.	TCRR-N
2132	Internal Firm Point-to-Point Transmission Service	NA	None
2133	Firm Point-to-Point Transmission Service Resale	NA	None
2140	Non-Firm Point-to-Point Transmission Service	Electric Distribution Co.	TCRR-N
2142	Internal Non-Firm Point-to-Point Transmission Service	NA	None

APPENDIX G
SAMPLE PJM LSE INVOICE

Page 4 of 4

<u>ID #</u>	<u>Credit Name</u>	<u>Responsible Party</u>	<u>Rider</u>
2143	Non-Firm Point-to-Point Transmission Service Resale	NA	None
2210	Transmission Congestion	SSO Supplier	TCRR-B
2217	Planning Period Excess Congestion	SSO Supplier	TCRR-B
2218	Planning Period Congestion Uplift	SSO Supplier	TCRR-B
2220	Transmission Losses	SSO Supplier	TCRR-B
2240	Day-ahead Economic Load Response	Curtailment Service Provider	None
2241	Real-time Economic Load Response	Curtailment Service Provider	None
2245	Emergency Load Response	Curtailment Service Provider	None
2260	Emergency Energy	SSO Supplier	TCRR-B
2320	Transmission Owner Scheduling, System Control and Dispatch Service	Transmission Owner	None
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service	Generator	None
2340	Regulation and Frequency Response Service	Generator	None
2350	Energy Imbalance Service	NA	None
2360	Synchronized Reserve	Generator	None
2365	Day-ahead Scheduling Reserve	Generator	None
2370	Day-ahead Operating Reserve	Generator	None
2371	Day-ahead Operating Reserve for Load Response	Curtailment Service Provider	None
2375	Balancing Operating Reserve	Generator	None
2376	Balancing Operating Reserve for Load Response	Curtailment Service Provider	None
2377	Synchronous Condensing	Generator	None
2378	Reactive Services	Generator	None
2380	Black Start Service	Generator	None
2420	Load Reconciliation for Transmission Losses	SSO Supplier	TCRR-B
2500	Financial Transmission Rights Auction	SSO Supplier	TCRR-B
2510	Auction Revenue Rights	SSO Supplier	TCRR-B
2600	RPM Auction	Generator	RPM
2620	Interruptible Load for Reliability	Curtailment Service Provider	None
2630	Capacity Transfer Rights	SSO Supplier	RPM
2640	Incremental Capacity Transfer Rights	Electric Distribution Co.	TCRR-N
2650	Auction Specific Capacity Transaction	Generator	RPM
2660	Demand Resource and ILR Compliance Penalty	SSO Supplier	RPM
2661	Capacity Resource Deficiency	SSO Supplier	RPM
2662	Generation Resource Rating Test Failure	SSO Supplier	RPM
2663	Qualifying Transmission Upgrade Compliance Penalty	SSO Supplier	RPM
2664	Peak Season Maintenance Compliance Penalty	SSO Supplier	RPM
2665	Peak-Hour Period Availability	SSO Supplier / Generator	RPM
2666	Load Management Test Failure	SSO Supplier	RPM
2930	Generation Deactivation	Generator	None
2932	Generation Deactivation Refund	Generator	None
2980	Miscellaneous Bilateral	SSO Supplier / Gen	Varies

Attachment RJL-4

Part 1 Application

The Dayton Power and Light Company's

CBP Auctions

Name of Applicant

PART 1 APPLICATION

The Dayton Power and Light Company's CBP Auctions

INSTRUCTIONS

There are two parts to the application process.

- **Part 1 Application:** Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Competitive Bidding Process ("CBP").
- **Part 2 Application:** Qualified Bidders for the CBP submit the Part 2 Application, in which they will agree to comply with the Bidding Rules and Communications Protocols, accept the terms of The Dayton Power and Light Company's Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"), make certifications regarding associations and handling of Confidential Information, submit Indicative Offers, and post Pre-Bid Security to become Registered Bidders.

This document is the Part 1 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in either the Glossary or the Master SSO Supply Agreement.

PART 1 APPLICATION SUBMISSION

To become a Qualified Bidder for the CBP, Applicants must submit the following to the Auction Manager electronically through the Secure Application Process and in hardcopy format to the address below by the Part 1 Application deadline:

- **Electronic Application Form:** Completed Part 1 Application;
- **Hardcopy Application Form:** One (1) printed Part 1 Application with original signatures and the name of the Applicant on every page of the Application;
- **Supporting Documentation:** One (1) copy of required financial statements, and other requested documents supporting the Application as specified in Appendix A; and

Name of Applicant

- **Changes to Credit Documents (Optional):** One (1) copy of any changes to the templates for Letter of Credit, Letter of Intent to Provide a Guaranty, Letter of Reference, alternate guaranty and other credit support documents ("Credit Documents"). Any suggested modifications to the templates for the Credit Documents must be provided to the Auction Manager in an electronic, red-lined version.

Modifications to the Credit Documents and any other inquiries may be directed to the Auction Manager by email at dpandl.auctionmanager@crai.com. Inquiries also can be made through the Information Website.

Photocopies and facsimiles of completed forms will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the CBP.

**The completed Part 1 Application and modifications to the Credit Documents
MUST be received by the Auction Manager no later than
12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date as
posted in the timeline on the Information Website.**

Send hardcopies to:

Auction Manager
c/o Robert Lee, Principal

CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092

Phone: 617-425-3365

Name of Applicant

CONFIDENTIALITY OF PART 1 APPLICATION SUBMISSIONS

All Applicants are required to comply with the Communications Protocols.

Confidentiality requirements specific to the Part 1 Application are reiterated below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 1 Application may be provided on a confidential basis to the Auction Manager Team and the Public Utilities Commission of Ohio ("PUCO" or "Commission") and their representatives. Information that you provide in this Part 1 Application, except for information regarding bidding agreements provided in Section 1.11, may be provided on a confidential basis to representatives of The Dayton Power and Light Company for a creditworthiness assessment.

CONFIDENTIALITY OF QUALIFIED BIDDERS

Upon completion of the Part 1 Application process, the names of Qualified Bidders will be provided to other Qualified Bidders on a confidential basis. As part of this Part 1 Application, you are required to certify that you agree to release your name to other Qualified Bidders and that you will keep confidential the list of Qualified Bidders that is provided to you.

Name of Applicant

PART 1 APPLICATION
The Dayton Power and Light Company's
CBP Auctions

This Part 1 Application is the application form to become a Qualified Bidder in The Dayton Power and Light Company's Competitive Bidding Process (CBP).

I. Background Information

Before completing this form, please review the Bidding Rules document for this CBP ("Bidding Rules"), the Master SSO Supply Agreement, the Communications Protocols, and other documents posted on the Information Website so that you understand the conditions under which the CBP will be conducted.

II. Confirmation of Receipt

Online Delivery: If your Part 1 Application is submitted online, an email will be sent to the Authorized Representative and Delegate to confirm receipt of the completed online application. You will still be required to submit a copy of the Part 1 Application with original signatures via post or hand delivery.

Delivery by Post or Hand Delivery: If your Part 1 Application is received only by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.

III. Incomplete Applications

If your Part 1 Application is incomplete or requires clarification, the Auction Manager will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 1 Application may be rejected and you may be unable to participate in the CBP. All corrections to remedy deficiencies within an Applicant's Part 1 Application must be submitted online. The Authorized Representative needs to sign and date next to the correction(s) to the Part 1 Application and send to the Auction Manager by email to dpandl.auctionmanager@crai.com, followed by hardcopy to the Auction Manager.

Name of Applicant

IV. Late Applications

Part 1 Applications received after the stated deadline will NOT be accepted under any circumstances.

V. Rejection of Applications

If your application is rejected, your Part 1 Application and all supporting documents will be returned to you.

VI. Notification to Qualified Bidders

If you become a Qualified Bidder for the CBP, the Auction Manager will send a Notification of Qualification to your Authorized Representative by email after the Part 1 Application Due Date. The Notification of Qualification will also be sent to your Authorized Representative by courier.

Name of Applicant _____

PART 1 APPLICATION FORMS

1.1 Applicant Basic Information

Name of Applicant (Company Name)

Legal Name of Applicant (if different from above)

Place of Incorporation, if
applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the
Applicant is a corporation,
partnership, etc

Years in Business

URL for Applicant's Website

Has the Applicant participated in a
prior Dayton Power and Light
Company auction?

If yes, indicate the most
recent auction date
(month, year):

Name of Applicant

1.2 Authorized Representative

The Authorized Representative is authorized to represent the Applicant in the CBP. The Authorized Representative will receive all documentation related to the CBP if and when the Applicant becomes a Registered Bidder, including any CBP procedures and Confidential Information required for the submission of bids in any trial auction and in the actual auction. The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the CBP. The Authorized Representative is the only person authorized to distribute CBP procedures and Confidential Information and should do so in accordance with the Communications Protocols. The integrity of the CBP depends upon each Authorized Representative safeguarding Confidential Information and passwords used in the CBP. The Auction Manager will communicate exclusively with the Authorized Representative or, if instructed by the Authorized Representative, with a Delegate, as designated in this Part 1 Application.

The person designated below is the Applicant's Authorized Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Communications with the Authorized Representative for purposes of the Part 1 Application are typically done via email and courier.

Name of Applicant

The Applicant hereby acknowledges that any notification or other communication given by the Auction Manager to the Applicant with respect to the Part 1 Application shall be delivered by courier to the address provided above or emailed to the email address above and shall be deemed received by the Applicant at the time of delivery, provided that where delivery occurs after 5:00 p.m. prevailing Eastern Time on a Business Day or on a day which is not a Business Day, receipt shall be deemed to occur at 8:00 a.m. prevailing Eastern Time on the following Business Day.

This certification must be signed by the Authorized Representative and the signature must be notarized.

I hereby certify that I am authorized by the Applicant to serve as Authorized Representative, to represent the Applicant both (i) in the CBP, and (ii) to represent the Applicant for purposes of this Part 1 Application. I further certify that I will be responsible for all Confidential Information regarding the CBP and I will distribute Confidential Information only to other individuals who are authorized to act on behalf of the Applicant according to the Communications Protocols.

Signature of Authorized Representative

Date

Signature and Seal from Notary Public

Date

Name of Applicant

The person designated in this section by the Applicant is the Delegate. The Auction Manager will communicate with the Delegate if instructed to do so by the Authorized Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Company Name

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Name of Applicant

1.3 Designation of the Applicant's Authorized Representative and Delegate for the CBP

This certification should be signed by an officer or director of the Applicant and should either be notarized or attested with the corporate seal. The person making this certification cannot be either the Authorized Representative or the Delegate.

I certify that I am an officer or director of the Applicant, empowered to undertake contracts and bind the Applicant. I have read and accept the Bidding Rules, the provisions contained in the Master SSO Supply Agreement, and the provisions of the Communications Protocols pertaining to bidders in the CBP.

All the information contained in this Application is true and correct to the best of my knowledge. If there are material changes to the Applicant's information provided in this Part 1 Application, I agree to notify the Auction Manager. I designate _____ to act as the Authorized Representative of the Applicant in the CBP and _____ to act as Delegate for the Authorized Representative. I am not designating myself as Authorized Representative or Delegate.

Signature of Officer or Director of the Applicant

Date

Printed Name

Title

Signature and Seal from Notary Public

Date

Name of Applicant

1.4 Applicant's Legal Representative in Ohio

Please check here ☐ if the Applicant's Authorized Representative is also the Applicant's Legal Representative.

The Applicant's Legal Representative in Ohio must:

- be a legal counsel or a representative agent;
- have an address in Ohio; and
- be authorized and agree to accept service of process on the Applicant's behalf.

The person designated below is the Applicant's Legal Representative or Representative Agent.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Company Name

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

This certification must be signed by the Legal Representative and the signature must be notarized.

I agree to serve as Legal Representative of the Applicant. I am authorized and I agree to receive service of process on the Applicant's behalf.

Signature of Legal Representative

Date

Signature and Seal from Notary Public

Date

Name of Applicant

1.5 Applicant's Credit Representative

The Applicant's Credit Representative is the Applicant's in-house Credit Representative who can answer questions or provide information about the Applicant's credit with respect to the requirements for the CBP.

The person designated below is the Applicant's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Name of Applicant

1.6 General Requirements to Participate in the CBP

1. If the Applicant already is a Transmission Customer of PJM who has executed the applicable PJM Agreements as that term is defined in the Master SSO Supply Agreement, please check ☐ and please provide a copy of the signature page of the PJM Agreements.

Otherwise, please certify that there exist no known impediments for the Applicant to execute the applicable PJM Agreements prior to the start of the supply period.

Signature of Authorized Representative

Date

2. If the Applicant already has PJM E-Accounts necessary to provide SSO Supply, please check ☐ and please provide documentation from PJM that the Applicant has a PJM E-Account.

Otherwise, please certify that there exist no known impediments for the Applicant to establish any PJM E-Accounts necessary to provide SSO Supply and execute the PJM E-Account contract(s) for the supply period by the start of the supply period.

Signature of Authorized Representative

Date

3. If the Applicant already is a PJM Market Participant and a Load Serving Entity in PJM, please check ☐ and please provide documentation from PJM that the Applicant is a Market Participant.

Otherwise, please certify that there exist no known impediments for the Applicant to become a PJM Market Participant and a Load Serving Entity in PJM by the start of the supply period.

Signature of Authorized Representative

Date

Name of Applicant

4. Further, please certify that:

- a) The Applicant and its corporate officers have no indictments or pending criminal litigation in any federal, state or local jurisdiction relating to the Applicant;
- b) The Applicant and its corporate officers have no criminal convictions;
- c) The Applicant has no civil penalties, judgments, sanctions or consent decrees arising out of the violation of any law, rule, regulation or ordinance in connection with its business activities;
- d) The Applicant has not had any permit or authority to do business in any jurisdiction revoked or suspended; and
- e) The Applicant has never been barred from public bidding or sanctioned for unauthorized disclosure of confidential information.

Signature of Authorized Representative

Date _____

If you are unable to make these certifications in Section 1.6, subsections (1) to (4), please state which certifications you are unable to make and explain all reasons in the space given below.

 Name of Applicant

1.7 Financial and Credit Information for the Applicant

Please provide the following information for the Applicant:

- a) If the Applicant is not an SEC registrant, provide the most recent Annual Report;
- b) If the Applicant is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement);
- d) If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e) The following financial information along with page references to the relevant financial filings submitted;

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

Name of Applicant _____

- f) Applicant's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant;

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Applicant:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

- g) If the Applicant has not been incorporated or otherwise formed under the laws of the United States, the Applicant is asked to provide in addition to a)-f) above:
- i. A legal opinion acceptable to The Dayton Power and Light Company of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the Master SSO Supply Agreement will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed.
 - ii. Any additional information that the Applicant wishes to give that could provide comparable credit assurances to those that are provided by other Applicants that have been incorporated or otherwise formed under the laws of the United States.

An Applicant that has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any

 Name of Applicant

information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if such Applicants become SSO Suppliers, they will be required to submit additional documents as detailed in Article 6 of the Master SSO Supply Agreement, including:

- A legal opinion of counsel qualified to practice in the foreign jurisdiction in which the SSO Supplier is incorporated or otherwise formed that this Agreement is, or upon the completion of execution formalities will become, the binding obligation of the SSO Supplier in the jurisdiction in which it has been incorporated or otherwise formed;
- The sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the person executing the Agreement on behalf of the SSO Supplier has the authority to execute the Agreement and that the governing board of such SSO Supplier has approved the execution of the Agreement; and
- The sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the SSO Supplier has been authorized by its governing board to enter into agreements of the same type as the Master SSO Supply Agreement.

Is the Applicant and/or its parent:

	Applicant		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Applicant's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Name of Applicant

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status.

--

Name of Applicant

1.8 Guarantor Information

The Guarantor information is required only if the Applicant expects to have a third party act as a Guarantor should the Applicant become an SSO Supplier.

Please check here ☐ and proceed to the next section if this section does not apply to you because you will not have a third party act as a Guarantor.

Basic Information for the Guarantor

Name of Guarantor

Legal Name of Guarantor (if different from above)

Place of Incorporation, if applicable

Federal Tax I.D.

D&B DUNS #

Please state whether the Guarantor is a corporation, partnership, etc

Years in Business

Guarantor's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

Name of Applicant

The Guarantor's Credit Representative

The Guarantor's in-house Credit Representative is the individual who can answer questions or provide information about the Guarantor's credit with respect to the requirements for the CBP.

The person designated below is the Guarantor's Credit Representative.

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address

 Name of Applicant

Please provide the following information for the Guarantor:

- a) If the Guarantor is not an SEC registrant, provide the most recent Annual Report;
- b) If the Guarantor is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement);
- d) If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition;
- e) The following financial information along with page references to the relevant financial filings submitted;

	Amount (\$)	Financial Document Page Number	Financial Document Source	Date of Financial Document Source
Goodwill				
Shareholders' Equity				
Net Intangible Assets				

 Name of Applicant

- f) Guarantor's senior unsecured debt ratings from the following three rating agencies if available, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor;

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

If senior unsecured debt ratings are unavailable, but corporate issuer ratings are available, please provide the corporate issuer ratings, and the date of the rating, along with documentation showing the name of the rating agency, the type of rating, and the rating of the Guarantor:

	Rating	Date of the Rating
Moody's		
Standard & Poor's		
Fitch		

- g) If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, the Guarantor is asked to provide in addition to a)-f) above:
- i. A legal opinion acceptable to The Dayton Power and Light Company of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed.
 - ii. Any additional information that the Guarantor wishes to give that could provide comparable credit assurances to those that are provided by other Guarantors that have been incorporated or otherwise formed under the laws of the United States.

 Name of Applicant

An Applicant whose Guarantor has not been incorporated or otherwise formed under the laws of the United States and that does not provide this information or any information that could provide comparable assurances of creditworthiness will be required to post the maximum Pre-Bid Security with its Part 2 Application.

Further, if an Applicant with such a Guarantor becomes an SSO Supplier, the Guarantor will be required to submit additional documents as detailed in Article 6 of the Master SSO Supply Agreement, including:

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

Is the Guarantor and/or its parent (if applicable):

	Guarantor		Parent	
	Yes	No	Yes	No
Operating under federal bankruptcy laws or bankruptcy laws in any jurisdiction?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to pending litigation or regulatory proceedings (in state court, or in federal court, or from regulatory agencies, or in any other jurisdiction) which could materially impact the Guarantor's and/or parent's financial condition?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Subject to collection lawsuits or outstanding judgments that could impact solvency?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Name of Applicant

Please provide a statement disclosing any existing, pending or past adverse rulings, judgments, litigation, contingent liabilities, revocations of authority, administrative, regulatory (State, FERC, SEC or DOJ) investigations and any other matters relating to financial or operational status for the past three years that arise from the sale of electricity or natural gas, or that materially affect current financial or operational status of the Guarantor.

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Name of Applicant**1.9 Additional Certifications**

The CBP Bidding Rules, the Master SSO Supply Agreement, the Communications Protocols, and the Information Website include important information that an Applicant should understand prior to participating in the CBP.

- a) Please certify that you have read the CBP Bidding Rules and that you will comply with these rules.

Signature of Authorized Representative

Date

- b) Please certify that you have read the Master SSO Supply Agreement and that you accept its terms. Please also certify that if you become a winning Bidder, you will execute the Master SSO Supply Agreement within three (3) Business Days following the close of the auction:

Signature of Authorized Representative

Date

Name of Applicant

- c) Please certify that if you qualify to participate in the CBP, you will not disclose at any time information regarding the list of Qualified Bidders in the CBP, including but not limited to the number of Qualified Bidders, the identity of any one of the Qualified Bidders (including yourself), or the fact that an entity has not qualified for participation in the CBP. Further, please certify that you will destroy any document distributed by the Auction Manager that lists the Qualified Bidders within five (5) days of the close of the bidding, or earlier if so instructed by the Auction Manager.

Signature of Authorized Representative

Date

- d) No Qualified Bidder in the CBP shall substitute another party, transfer its rights to another party, or otherwise assign its status as a Qualified Bidder to another party. Any such substitutions, transfers, or assignments shall be null and void and will result in the exclusion of the Qualified Bidder from the CBP. Please certify that you agree to the limitations set forth in this paragraph.

Signature of Authorized Representative

Date

The Bidding Rules and Communications Protocols include restrictions on the disclosure of Confidential Information. For purposes of the following certifications, the definition of Confidential Information relative to bidding strategy is defined according to Section 12.2 of the Bidding Rules:

- e) Please certify that you agree not to disclose any Confidential Information relative to bidding strategy to any party that may have an effect on the participation of another bidder, prospective bidder, or on any of the bids that another bidder would be willing to submit.

Signature of Authorized Representative

Date

Name of Applicant

- f) Please certify that, to the extent Confidential Information relative to bidding strategy is disclosed within your organization or to a third party, you will ensure that sufficient precautions are taken to ensure that such Confidential Information is not made public or made available to another Bidder. Such precautions include, but are not limited to confidentiality agreements, non-disclosure agreements, firewalls, and other contractual or structural protections that would maintain the confidential nature of a Bidder's bidding strategy.

Signature of Authorized Representative

Date

If unable to make the certifications requested above please identify the nature of your need to disclose Confidential Information without sufficient precautions to ensure that such Confidential Information is not made public or made available to another bidder.

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Name of Applicant

1.10 Alternate Guaranty Forms

A prospective SSO Supplier that wishes to rely on a Guarantor can use the standard form of guaranty (Appendix E to the Master SSO Supply Agreement) and be assured that the standard form of guaranty is acceptable to The Dayton Power and Light Company. Alternatively, The Dayton Power and Light Company will consider alternate forms of guaranty if they are submitted with this Part 1 Application. Also, you may submit an alternate form of guaranty that was previously approved.

The Alternate Guaranty Form must be a financial guaranty for unlimited liability. Additional requirements are specified in Appendix B.

Please check here ☐ and proceed to the next section if this section does not apply to you because you are not submitting an alternate form of guaranty. Otherwise please read Appendix B and complete this section.

The Authorized Representative acknowledges by signing below that he/she has read the requirements of Appendix B and that he/she believes that the proposed Alternate Guaranty Form complies with these requirements:

Signature of Authorized Representative

Date

Please check below to show that you are including all required documents.

- ☐ The proposed form of alternate guaranty;
- ☐ Certification that the alternate guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months;
- ☐ An enforceability opinion with respect to the alternate form of guaranty from counsel; and
- ☐ Previously approved alternate form of guaranty.

Name of Applicant

1.11 Bidding Agreements

Please note that The Dayton Power and Light Company will not review information provided in this section.

Please check here ☐ and proceed to the next section if you will be bidding independently and not as a party to any bidding agreement with another party or through any other arrangement involving joint or coordinated bidding with any other party.

Otherwise, please indicate below whether you are a party to or a part of a bidding agreement, a joint venture, a bidding consortium, or other arrangements for purposes of participating in the CBP or pertaining to bidding in the CBP. Please also provide the names of the other parties to the bidding agreement or other arrangement.

Other parties to the arrangement:

☐ Bidding Agreement

☐ Bidding Consortium

☐ Joint Venture

☐ Other (define) _____

If you are part of a bidding agreement, bidding consortium or joint venture, you must nominate a single party to the bidding agreement, bidding consortium or joint venture to fulfill the creditworthiness requirements. This party may have a Guarantor. Please indicate below which party from the bidding agreement, bidding consortium, or joint venture will be fulfilling the creditworthiness requirements:

Name of the single Party fulfilling the creditworthiness requirements:

The Authorized Representative of the party named above must sign here to acknowledge the fact that this party has agreed to fulfill the creditworthiness requirements:

Signature of Authorized Representative

Date

Name of Applicant

1.12 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 1 Application, please justify fully any omissions in the space provided below.

Name of Applicant

Appendix A – Enclosures to the Part 1 Application

This is a checklist of documents to be enclosed with this Part 1 Application. Please submit only one copy of required supporting documents to the application unless noted otherwise.

- ☐ A copy of the completed Part 1 Application with original signatures and original notarized signatures of Sections 1.2, 1.3 and 1.4 [Instructions Part 1]

For the Applicant:

- ☐ A copy of the signature page of the applicable PJM Agreements as that term is defined in the Master SSO Supply Agreement [Section 1.6]
- ☐ If the Applicant is not an SEC registrant, provide the most recent Annual Report [Section 1.7]
- ☐ If the Applicant is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- ☐ If the Applicant is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- ☐ If the Applicant is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Applicant's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.7]
- ☐ Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.7]
- ☐ If the Applicant has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to The Dayton Power and Light Company of counsel qualified to practice in the foreign jurisdiction in which the Applicant is incorporated or otherwise formed that the Master SSO Supply Agreement will become the binding obligation of the Applicant in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Applicant wishes to give that could provide comparable credit assurances to those that are provided by other Applicants that have at least two credit ratings from accepted credit ratings agencies. [Section 1.7]

Name of Applicant

For the Guarantor:

- ☐ If the Guarantor is not an SEC registrant, provide the most recent Annual Report [Section 1.8]
- ☐ If the Guarantor is an SEC registrant, provide the Form 10-K most recently filed with the SEC. If unavailable, please provide most recent audited annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- ☐ If the Guarantor is an SEC registrant, provide the Form 10-Q most recently filed with the SEC. If unavailable, please provide most recent audited quarterly financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- ☐ If the Guarantor is an SEC registrant and if both the Form 10-K and Form 10-Q most recently filed with the SEC are not available, please provide most recent annual or quarterly financial data accompanied by an attestation by the Guarantor's Chief Financial Officer that the information submitted is true, correct and a fair representation of the Applicant's financial condition [Section 1.8]
- ☐ Senior unsecured debt ratings or, if unavailable, corporate issuer ratings [Section 1.8]
- ☐ If the Guarantor has not been incorporated or otherwise formed under the laws of the United States, (i) a legal opinion acceptable to The Dayton Power and Light Company of counsel qualified to practice in the foreign jurisdiction in which the Guarantor is incorporated or otherwise formed that the Guaranty will become the binding obligation of the Guarantor in the jurisdiction in which it has been incorporated or otherwise formed, and (ii) any additional information that the Guarantor wishes to give about the Guarantor's financial standing that could provide comparable credit assurances to those that are provided by other Guarantors that have at least two credit ratings from accepted credit rating agencies. [Section 1.8]

If the Applicant is proposing an Alternate Guaranty Form:

- ☐ Proposed form of alternate guaranty [Section 1.10]
- ☐ Certification that the alternate guaranty has been in general use by the Applicant in its ordinary course of business over the past twelve months [Section 1.10]
- ☐ An enforceability opinion with respect to the alternate form of guaranty from counsel [Section 1.10]
- ☐ Previously approved form of alternate guaranty [Section 1.10]

Name of Applicant

Appendix B – Alternate Guaranty Forms (Optional)

The criteria used to review the alternate form of guaranty are as follows:

1. The alternate guaranty must be a financial guaranty; performance guarantees are not acceptable.
2. The Dayton Power and Light Company will consider alternate forms of guaranty only if the guaranty is for unlimited liability.
3. The alternate guaranty must be an unconditional guaranty of payment of all amounts due by the SSO Supplier to The Dayton Power and Light Company under the Master SSO Supply Agreement. The Master SSO Supply Agreement must be expressly identified and the satisfaction of obligations through performance may not be authorized.
4. The alternate guaranty may be terminated upon not less than thirty (30) days advance written notice to The Dayton Power and Light Company and termination shall not discharge liabilities and obligations of the Guarantor that have been incurred before the effective date of the termination.
5. The alternate guaranty must not be subject to any monetary limit.
6. The alternate guaranty must be accompanied by a certification that this form of guaranty, subject to changes needed to conform with the specific requirements of The Dayton Power and Light Company, has been in general use by the submitting party in its ordinary course of business over the past twelve months.
7. The alternate guaranty must be a guaranty of payment and not of collection.
8. Assignment of the alternate guaranty shall not be permitted except with the prior written consent of The Dayton Power and Light Company.
9. The Applicant must provide an enforceability opinion with respect to the alternate form of guaranty from its counsel. The accompanying enforceability opinion must be from a law firm of national (i.e., United States) standing, must not be weaker than would be industry norm and must contain only those qualifications that would be typical. The opinion shall name The Dayton Power and Light Company and explicitly state that The Dayton Power and Light Company are entitled to rely on the opinion.

The alternate forms of guaranty will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the Auction Manager will redact the proposed alternate form of guaranty to remove any information identifying the Applicant. The Auction Manager will then forward the redacted version to a credit and legal representative of The Dayton Power and Light Company.

Name of Applicant

- The credit and legal representative will determine whether the alternate form of guaranty provides sufficient assurances of payment, taking into account the following considerations:
 - (i) whether the alternate form of guaranty conforms with the specific requirements identified by The Dayton Power and Light Company (listed above);
 - (ii) whether the alternate form of guaranty provides substantially similar credit protections to the credit protections provided to The Dayton Power and Light Company by the standard form of guaranty; and
 - (iii) whether the alternate form of guaranty includes defenses in favor of the Guarantor not found in the standard form of guaranty. The Dayton Power and Light Company representative may also identify specific changes that would permit the alternate form of guaranty to be acceptable, if such changes are of a limited nature.
- The credit and legal representative shall inform the Auction Manager of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of The Dayton Power and Light Company's decision, the Auction Manager will notify the Applicant of The Dayton Power and Light Company's decision. The Dayton Power and Light Company's decision will either state:
 - (i) The proposed alternate guaranty is acceptable to The Dayton Power and Light Company in the form in which it was submitted.
 - (ii) The proposed alternate guaranty is not acceptable to The Dayton Power and Light Company in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Auction Manager will set forth the required changes.
 - (iii) The proposed alternate guaranty is not acceptable to The Dayton Power and Light Company.
- If specific changes are required to the proposed alternate guaranty, the Applicant will be required to resubmit the alternate guaranty form with changes identified by The Dayton Power and Light Company on the Business Day following the Business Day during which the Auction Manager notified the Applicant of The Dayton Power and Light Company's decision. No later than three (3) Business Days after the Applicant's resubmission, the Auction Manager will notify the Applicant of The Dayton Power and Light Company's final decision.

Name of Applicant

A potential bidder that had secured approval for an alternate form of guaranty from any previous The Dayton Power and Light Company's CBP and wishes to use the same alternate form of guaranty can renew this approval for any CBP conducted pursuant to the ESP, by submitting:

1. The alternate form of guaranty from any previous The Dayton Power and Light Company's CBP;
2. The enforceability opinion from any previous The Dayton Power and Light Company's CBP;
3. A certification that the text of the alternate form of guaranty for the CBP is exactly the same as the alternate form of guaranty that had been previously approved from any previous The Dayton Power and Light Company's CBP;
4. A certification that the text of the enforceability opinion for the CBP is exactly the same as the enforceability opinion that had been previously approved from any previous The Dayton Power and Light Company's CBP.

If a potential bidder submits the materials as specified above, the alternate form of guaranty will be approved for the CBP without further re-evaluation. If a potential bidder had secured approval for an alternate form of guaranty from any previous The Dayton Power and Light Company's CBP but is unable to provide the materials as specified above, the potential bidder must resubmit the alternate form of guaranty and all supporting documentation as specified in the Minimum Requirements for the Alternate Form of Guaranty section above and these materials will be re-evaluated according to the criteria set forth in this document.

All proposing parties that become Qualified Bidders under the Part 1 Application process, but whose alternate guaranty are rejected by The Dayton Power and Light Company, are required to submit with their Part 2 Application a supplemental certification that the Applicant unconditionally accepts all terms and conditions of the Master SSO Supply Agreement.

Name of Applicant

Appendix C – Draft Letter of Credit for the Pre-Bid Security (Optional)

The standard form of the Letter of Credit presented in this section is in a form acceptable to The Dayton Power and Light Company and will be posted to the Information Website. However, an Applicant has the option to submit a draft Letter of Credit clearly identifying proposed changes in an electronic, redlined version by email with their Part 1 Application to dpandl.auctionmanager@crai.com.

The Dayton Power and Light Company will assess, in its sole and exclusive discretion, whether such modifications are acceptable. The Qualified Bidder, in its Part 2 Application, must provide the required executed Letter of Credit that either uses the standard form or incorporates only those modifications to the standard form accepted by The Dayton Power and Light Company upon review of the Part 1 Application. The draft Letter of Credit will be reviewed in accordance with the following process:

- Upon receipt of the Part 1 Application, the Auction Manager will redact the draft Letter of Credit to remove any information identifying the Applicant. The Auction Manager will then forward the redacted version to a credit and legal representative of The Dayton Power and Light Company.
- The credit and legal representative will determine whether such modifications are acceptable. The credit and legal representative shall inform the Auction Manager of its decision no later than seven (7) Business Days following the Part 1 Application Due Date.
- Upon receipt of The Dayton Power and Light Company's decision, the Auction Manager will notify the Applicant of The Dayton Power and Light Company's decision. The Dayton Power and Light Company's decision will either state:
 - The draft Letter of Credit is acceptable to The Dayton Power and Light Company in the form in which it was submitted.
 - The draft of Letter of Credit is not acceptable to The Dayton Power and Light Company in the form in which it was submitted, but would be acceptable subject to specific changes of a minor nature. The correspondence from the Auction Manager will set forth the required changes.
 - The draft Letter of Credit is not acceptable to The Dayton Power and Light Company.
- If specific changes are required to the draft Letter of Credit, the Applicant will be required to resubmit the draft Letter of Credit with changes identified by The Dayton Power and Light Company on the Business Day following the Business

Name of Applicant

Day during which the Auction Manager notified the Applicant of The Dayton Power and Light Company's decision. No later than three (3) Business Days after the Applicant's resubmission, the Auction Manager will notify the Applicant of The Dayton Power and Light Company's final decision.

End of Part 1 Application

Attachment RJL-4

Part 2 Application

The Dayton Power and Light Company's

CBP Auctions

Name of Applicant

PART 2 APPLICATION

The Dayton Power and Light Company's CBP Auctions

INSTRUCTIONS

There are two parts to the application process.

- **Part 1 Application:** Applicants submit the Part 1 Application and all documents required therein to become Qualified Bidders for the Competitive Bidding Process ("CBP").
- **Part 2 Application:** Qualified Bidders for the CBP submit the Part 2 Application, in which they will agree to comply with the Bidding Rules and Communications Protocols, accept the terms of The Dayton Power and Light Company's Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"), make certifications regarding associations and handling of Confidential Information, submit Indicative Offers, and post Pre-Bid Security to become Registered Bidders.

This document is the Part 2 Application.

For further information, consult the Information Website.

Unless otherwise defined, capitalized terms in this document have the definitions provided in either the Glossary or the Master SSO Supply Agreement.

PART 2 APPLICATION SUBMISSION

To become a Registered Bidder for the CBP, Applicants must submit the following to the Auction Manager electronically through the Secure Application Process and in hardcopy format to the address below by the Part 2 Application deadline:

- **Electronic Application Form:** Completed Part 2 Application;
- **Hardcopy Application Form:** One (1) printed Part 2 Application with original signatures and the name of the Applicant on every page of the Part 2 Application;

Name of Applicant

In addition to the completed Part 2 Application Forms, each Qualified Bidder must:

- Submit an Indicative Offer for the CBP;
- Submit a Letter of Credit, cash, and/or any additional Pre-Bid Security to support the Indicative Offer, as necessary; and
- Make required certifications on Applicant Associations and Confidential Information and, if unable to do so, make required information disclosures.

Photocopies and facsimiles of completed forms will not be accepted under any circumstances. It is in your interest to seek independent legal and financial advice before deciding to participate in the CBP.

**The completed Part 2 Application and the supporting Credit Documents
MUST be received by the Auction Manager no later than
12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date as
posted in the timeline on the Information Website.**

Send hardcopies to:

Auction Manager
c/o Robert Lee, Principal

CRA International, Inc.
John Hancock Tower
200 Clarendon Street, T-33
Boston, MA 02116-5092

Phone: 617-425-3365

Name of Applicant

CONFIDENTIALITY OF PART 2 APPLICATION SUBMISSIONS

All Applicants are required to comply with the Communications Protocols.

Confidentiality requirements specific to the Part 2 Application are reiterated below.

CONFIDENTIALITY OF CREDIT INFORMATION

Any information and materials that you submit in this Part 2 Application may be provided on a confidential basis to the Auction Manager Team and the Public Utilities Commission of Ohio ("PUCO" or "Commission") and their representatives. Representatives from The Dayton Power and Light Company will decide whether the form of Pre-Bid Security submitted is acceptable; Pre-Bid Security documents will be redacted prior to the closing of the bidding process so as not to reveal an Applicant's identity or the amount of the Applicant's Indicative Offer.

CONFIDENTIALITY OF REGISTERED BIDDERS AND INITIAL ELIGIBILITY

Upon completion of the Part 2 Application process, the names of Registered Bidders will be provided to other Registered Bidders on a confidential basis, as well as the total Initial Eligibility aggregated across all Registered Bidders and products. As part of this Part 2 Application, you are required to certify that you agree to release your name to other Registered Bidders and that you will keep confidential the list of Registered Bidders and total Initial Eligibility that is provided to you.

Name of Applicant

PART 2 APPLICATION
The Dayton Power and Light Company's
CBP Auctions

This Part 2 Application is the application form to become a Registered Bidder in The Dayton Power and Light Company's Competitive Bidding Process (CBP).

I. Background Information

Before completing this form, please review the Bidding Rules document for this CBP ("Bidding Rules"), the Master SSO Supply Agreement, the Communications Protocols, and other documents posted on the Information Website so that you understand the conditions under which the CBP will be conducted.

II. Confirmation of Receipt

Online delivery: If your Part 2 Application is submitted online through the Secure Application Process, an email will be sent to the Authorized Representative and Delegate to confirm receipt. You will still be required to submit a copy of the Part 2 Application with original signatures via post or hand delivery.

Delivery by Post or Hand Delivery: If your Part 2 Application is received only by post or hand delivery, an email will be sent to the Authorized Representative and Delegate to confirm receipt.

III. Incomplete Applications

If your Part 2 Application is incomplete or requires clarification, the Auction Manager will send a deficiency notice to your Authorized Representative by email. You will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date, or until 5:00 p.m. prevailing Eastern Time on the Business Day following the Business Day during which a deficiency notice is sent to you, whichever comes later, to respond. If you do not correct or adequately explain the deficiency within the time allowed, your Part 2 Application may be rejected and you may be unable to participate in the CBP. All corrections to remedy deficiencies within an Applicant's Part 2 Application must be submitted online. The Authorized Representative needs to sign and date next to the correction(s) to the Part 2 Application and send to the Auction Manager by email to dpandl.auctionmanager@crai.com, followed by hardcopy to the Auction Manager.

Name of Applicant

IV. Late Applications

Part 2 Applications received after the stated deadline will NOT be accepted under any circumstances.

V. Changes to Part 1 Application

If changes to the Part 1 Application are warranted in order to fulfill the requirements of the Part 2 Application, those changes to the Part 1 Application must be received by the Auction Manager no later than 12:00 p.m. noon prevailing Eastern Time seven (7) Business Days prior to the Part 2 Application Due Date. All changes to an Applicant's Part 1 Application must be signed and dated by the Authorized Representative and sent to the Auction Manager by email to dpandl.auctionmanager@crai.com, followed by hardcopy to the Auction Manager.

VI. Deficient Pre-Bid Security

If your Credit Documents are not in a form acceptable to The Dayton Power and Light Company, your Authorized Representative will be emailed a deficiency notice and you will have until 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you fail to meet this deadline, your Part 2 Application will be rejected.

If your Credit Documents are insufficient for your Indicative Offer, or if your other Pre-Bid Security is in a form that is not acceptable to The Dayton Power and Light Company, your Authorized Representative will be emailed a deficiency notice. You will have until the Part 2 Application Due Date or 5:00 p.m. prevailing Eastern Time of the second Business Day following the Business Day during which you are notified, whichever comes later, to submit revised documents. If you cannot correct the deficiency, your Application may be rejected or your Initial Eligibility may be reduced by the Auction Manager so that your Pre-Bid Security is sufficient to cover your Indicative Offer.

VII. Certifications Regarding Associations

You may be required to provide additional information to the Auction Manager and to the Commission and its representatives if you are unable to make the certifications in this Part 2 Application.

Name of Applicant

VIII. Rejection of Applications

If your application is rejected, your Part 2 Application and all supporting documents will be returned to you.

IX. Notification to Registered Bidders

If you become a Registered Bidder for the CBP, the Auction Manager will send a Notification to Registered Bidders to your Authorized Representative by email after the Part 2 Application Due Date. The Notification to Registered Bidders will also be sent to your Authorized Representative by courier. If there are material changes to the Applicant's information provided in this Part 2 Application, you are obligated to notify the Auction Manager.

Prior to the auction, Registered Bidders will receive information to participate in the auction using the Auction Manager's secure Bidding Website.

Name of Applicant

PART 2 APPLICATION FORMS

2.1 Applicant Information

Name of Applicant (Company Name)

Authorized Representative's Contact Information

Last Name

Given Name(s)

Mr/Mrs/Ms/Dr/(other)

Title

Street Address 1

Street Address 2

City

State

Zip Code

Telephone No.

Cell Phone No.

Fax No.

Email Address