

**BEFORE THE
PUBLIC UTILITIES COMMISSION OF OHIO**

THE DAYTON POWER AND LIGHT COMPANY

CASE NO. 16-0395-EL-SSO

CASE NO. 16-0397-EL-AAM

CASE NO. 16-0396-EL-ATA

2016 ELECTRIC SECURITY PLAN

**VOLUME 6 OF 8 – TESTIMONY
WITNESS LEE**

Dayton Power and Light Company

DP&L Case No. 16-0395-EL-SSO

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DIRECT 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
DIRECT TESTIMONY OF
ROBERT J. LEE

ON BEHALF OF
THE DAYTON POWER AND LIGHT COMPANY

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I. INTRODUCTION

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

A. My name is Robert J. Lee. I am a Vice President at Charles River Associates ("CRA") and a member of CRA's Auctions & Competitive Bidding consulting practice. Founded in 1965, CRA provides economic and financial expertise and management consulting services to businesses, law firms, accounting firms, and governments. My business address is 200 Clarendon Street, T-9, Boston Massachusetts 02116. I am testifying on behalf of The Dayton Power and Light Company ("DP&L").

Q. What is your professional and educational background?

A. I have been at CRA since 2001. I received a Master of Science in Industrial Administration degree from Carnegie Mellon University in Pittsburgh in 1996. From the mid-1990s through the mid-2000s, my work focused on the domestic energy sector where I worked primarily with power generators and regulated utilities. Most recently, I have focused on auctions and other transaction mechanisms in a range of industries, including the power sector. CRA's Auction & Competitive Bidding practice works in a wide range of industries conducting auctions and other bidding processes. In addition, CRA acts as the independent monitor of bidding processes on behalf of some clients, and provides support to bidders. In the course of that work, I have played a leadership role on a wide range of auctions in a broad set of industries, including auctions in the power sector. My curriculum vitae is marked as Exhibit RJL-1, 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 from 2008 through January of this year and CRA
5 will manage procurements for FirstEnergy conducted under their Electric Security Plan
6 (“ESP”) currently pending before the PUCO. I served as part of the CRA Auction
7 Manager team on the FirstEnergy Ohio procurements to date. In 2010, I submitted
8 testimony on behalf of Duke Energy Ohio, Inc. in case number 10-2586-EL-SSO related
9 to its Market Rate Offer (“MRO”) filing. In 2011 and 2014, I testified on behalf of Duke
10 Energy Ohio, Inc. related to its Electric Security Plan filings.¹ In 2012, I submitted
11 testimony on behalf of DP&L in association with their initial competitive procurements
12 in support of their Standard Service Offer under case number 12-426-EL-SSO. In
13 addition, during the late 1990s, prior to joining CRA, I worked on behalf of DP&L and
14 Cinergy on their transition plans related to the deregulation of the Ohio power sector.

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

17 A. Yes. CRA worked with the Public Utilities Commission of Ohio in administering and
18 conducting the structured procurement auctions for DP&L, FirstEnergy's Ohio electric
19 distribution utilities and Duke Energy Ohio, Inc. on the procurements mentioned
20 previously. This interaction included, but was not limited to, elements of the design of
21 the competitive bidding process (“CBP”) process, product definition, bidding format, and

¹ Case numbers 11-6000-EL-UNC and 14-841-EL-SSO

1 indications of interest from prospective bidders and the execution of the competitive
2 procurements.

3 **Q. Does CRA act as an independent auction manager throughout the process?**

4 A. Yes. CRA administers the entire auction process independent from DP&L and the
5 Commission. CRA facilitates all direct communication with applicants and bidders in
6 order to guarantee equal access to data and information about the auction among all
7 auction participants. When communication is required between individual applicants
8 and the utility, CRA facilitates such communication and ensures that the applicant's
9 identity remains confidential to the extent practical. CRA administers the qualification
10 process according to the detailed qualification guidelines approved in advance by the
11 Commission through the ESP process. CRA conducts the CBP auctions without input
12 from DP&L. During the auction, representatives from DP&L may be present on site but
13 only as observers. Commission Staff and the Staff's consultant are also on site during
14 auctions to monitor the process and confirm that the process is executed according to the
15 protocols determined in advance of the auction.

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

17 A. CRA has been retained by DP&L to serve as the independent Auction Manager to design
18 and implement a CBP to procure standard service offer ("SSO") supply for delivery
19 periods beginning on June 1, 2017. My testimony describes how the proposed
20 solicitations will work, what alternative CBP designs were considered, and how the
21 proposed CBP has changed since DP&L's last approved Electric Security Plan filed in
22 2012.

Q. What are the exhibits for which you are responsible?

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

- Exhibit RJL-1 – Curriculum Vitae
- Exhibit RJL-2 – Master Standard Service Offer Supply Agreement
- Exhibit RJL-3 – Schedule and Timeline
- Exhibit RJL-4 – Part 1 Application and Part 2 Application
- Exhibit RJL-5 – Bidding Rules
- Exhibit RJL-6 – Communications Protocols

II. DESCRIPTION OF THE CBP SOLICITATIONS

Q. Please describe the CBP plan.

A. 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:

- (a) Developing products and contract terms as formalized in the Master Standard Service Offer ("SSO") Supply Agreement that encourage participation from a range of power industry and financial institutions.
- (b) 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.

(c) Conducting bidder information sessions and other pre-bidding activities to promote and encourage participation.

(d) Developing communications protocols to ensure that parties have equal access to information.

(e) Administering the two-part bidder application process, including establishing financial and non-financial requirements to encourage participation by serious parties.

(f) Developing the auction design and bidding procedures to attract bidders and to promote competitive bidding.

(g) Educating and training bidders through informational materials and mock auctions.

(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 approve the least-cost bid(s) and the selection of winning bidder(s) in the CBP.

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.

1 The tranche size also encourages participation from a range of potential suppliers, where
2 each tranche is a specified, fixed percentage of SSO load.

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

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

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

19 A. The following data will be available on the CBP Information Website: load data for a
20 historical three-year period: historical hourly load data for DP&L's total retail load and
21 SSO load, Percentage of Income Payment Plan ("PIPP") customer load, historical
22 switching statistics and historical load profiles, customer counts, peak demand and NSPL
23 for eligible and SSO load by customer class, information on DP&L's Ohio renewable

1 energy requirements as well as requirements or plans (if any) for DP&L to file a time-of-
2 use rate for SSO customers.

3 **Q. What precautions and procedures will be followed to ensure appropriate**
4 **communications and information exchange?**

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

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

17 Certain individuals at DP&L will be part of the information exchange but in a limited
18 way and only to support the competitiveness and success of the CBP. Their primary role
19 will be as follows: development of data posted to the CBP Information Website,
20 assistance on FAQs (they will not know the identity of questioners), assistance in
21 reviewing certain information in the Part 1 Applications (to determine creditworthiness
22 and pre-bid security requirements), confirming the pre-bid security posted as part of the
23 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 (Exhibit RJJ-
7 2). The Part 1 Application and Part 2 Application are included as Exhibit RJJ-4. As
8 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 the
20 applicant.

21 (c) Agree to comply with the provisions of the Master SSO Supply Agreement and all the
22 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 creditworthiness
4 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 Auction
7 Manager team will process and evaluate all Part 1 Applications to determine whether
8 each applicant has satisfied the requirements of Part 1. Financial and credit information
9 will be submitted to representatives of DP&L in order to conduct a creditworthiness
10 assessment. If an applicant's Part 1 Application is incomplete or requires clarification,
11 the Auction Manager will send a deficiency notice to the applicant, and the applicant will
12 have until the end of the next business day or until the Part 1 Application due date —
13 whichever is later — to respond.

14 Following the evaluation of Part 1 Applications, the Auction Manager will notify each
15 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.

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

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

13 Part 2 applicants also must post pre-bid security in the form of a letter of credit or
14 electronic wire transfer sufficient to support its indicative offer. . The amount of pre-bid
15 security required from each applicant is a function of both the number of tranches
16 included in the applicant's indicative offer at the maximum starting price and the
17 applicant's financial standing. Applicants financial standing is a function of their (or
18 their guarantor's) credit rating and their total net worth.

19 All applicants must submit pre-bid security in the amount of \$250,000 per tranche. A
20 Part 2 applicant also may be required to submit *additional* security in the form of a letter
21 of intent to provide a guaranty and/or a letter of reference; such a requirement would be
22 determined during the assessment of the Part 1 Applications. Applicants using a
23 guarantor and those without a sufficient Independent Credit Threshold to cover their

1 indicative offer are subject to the additional pre-bid security requirement. Additional pre-
2 bid security is equal to \$500,000 per tranche. The details of the ICT calculation and the
3 pre-bid security requirements are included in Exhibits RJL-2 and RJL-4.

4 Any pre-bid security submitted to support the indicative offer must be in a form
5 acceptable to DP&L. Sample pre-bid security documents will be posted to the CBP
6 Information Website and are attached as appendices to the Part 1 and Part 2 Application
7 forms, which are provided in Exhibit RJL-4.

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

- 12 (a) Being complete,
- 13 (b) Including an indicative offer in the appropriate form,
- 14 (c) Meeting the requirements provided to the Part 2 applicant resulting from the
15 Part 1 Application process, and
- 16 (d) Including the pre-bid security in a form acceptable to DP&L that is sufficient to
17 cover the indicative offer submitted by the Part 2 applicant at the maximum
18 starting prices.

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

1 Following the evaluation of Part 2 Applications, the Auction Manager will notify each
2 Part 2 applicant whether or not it has successfully completed the Part 2 Application
3 process to become a Registered Bidder. The Registered Bidder's pre-bid security
4 establishes the Registered Bidder's initial eligibility, which is the maximum number of
5 tranches the bidder will be allowed to bid in the auction. The Auction Manager will send
6 a Notification of Registration to each Registered Bidder that will include the Registered
7 Bidder's initial eligibility. The Auction Manager will send to each Registered Bidder, as
8 well as to other parties as necessary to oversee the proper conduct of the CBP, a list of
9 the Registered Bidders and the total initial eligibility across all Registered Bidders. All
10 parties, including Registered Bidders, will have undertaken to maintain the
11 confidentiality of this information provided to them.

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

13 A. A version of the simultaneous, multiple-round, descending-price clock auction format
14 will be used. A version of this format has been used in numerous electricity
15 procurements including in Massachusetts in 1997 and used later in New Jersey, Ohio,
16 Illinois, Pennsylvania, and elsewhere. This design was used in support of DP&L's
17 competitive procurements conducted in association with DP&L's 2012 ESP. It is the
18 design proposed for the CBP for the FirstEnergy's Ohio electric distribution utilities' ESP
19 currently pending before the Commission, and it is the design currently in use by Duke
20 Energy Ohio, Inc. and American Electric Power to procure their SSO supply. This
21 bidding design also has been used for buying and selling other energy products and has
22 been used in other industries.

1 The bidding format is simultaneous in that multiple products and/or multiple tranches are
2 bid on simultaneously. Bidding takes place online using Web-based software in a series
3 of bidding rounds, with pre-specified starting and ending times for each round. Prior to
4 the start of each round, the announced price for each product is disclosed to bidders. The
5 announced price is the same for each tranche for a product, but may differ across
6 products. The starting announced price for each product — *i.e.*, the announced price in
7 effect during round 1 — is set artificially high so as to encourage bidding participation.
8 At the end of each round, the bidding software, as overseen by the Auction Manager
9 team, determines which products are over-subscribed and which products are under-
10 subscribed. A product is over-subscribed if more supply tranches were bid on it across
11 all bidders than the number of tranches needed to procure for the product. Likewise, a
12 product is under-subscribed if fewer tranches were bid on it than needed. If a product is
13 over-subscribed, the announced price for that product will be reduced by a decrement for
14 the next round. If a product is not over-subscribed, its announced price will not change
15 for the next round. The bidding process continues in this manner, with prices tending to
16 tick down like hands on a clock. As prices change across the products, bidders are
17 allowed to change the number of tranches they bid subject to certain restrictions. Subject
18 to these restrictions, in each round, a bidder simply specifies the number of tranches that
19 it is willing and able to supply for each product given the announced price for each
20 product. There is no pre-determined number of rounds before the auction closes. The
21 auction closes when the closing criteria have been met. For the auction to close, the
22 number of tranches bid for each product at the announced price must be less than or equal
23 to the supply for that product. The closing criteria are outlined in detail in the Bidding

Rules. Winning bidders are those bidders who bid the tranches that are winning tranches as of the close of the auction. The Bidding Rules provide a more detailed description of the bidding process and are included as Exhibit RJL-5.

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

A. At the close of each 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. DP&L proposes that the bids of the least-cost bidders be approved by the Commission within forty-eight hours of the submission of the post-bidding report, with these bids serving to determine the retail rates for SSO supply for the relevant periods of the ESP.

After the last round of the auction, bidders that 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. 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. These preliminary results remain subject to the Commission's confirmation.

Once the Commission approves the selection of the winning bidder(s), each winning bidder and DP&L will execute a Master SSO Supply Agreement. Pre-bid security will be returned to winning bidders upon execution of the Master SSO Supply Agreements. Pre-bid security will be returned to non-winning bidders on or before the fifth calendar day

1 after the close of the auction. Pre-bid security may be held back for any bidder that
2 violated any of the rules or certifications of the CBP.

3 At its discretion, the Commission may release certain non-confidential information about
4 the CBP results including winning bidders, winning tranches, and clearing prices.

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

6 A. Exhibit RJL-3 illustrates the proposed schedule showing the number of tranches and a
7 timeline for the competitive bid process for each tranche. The first 100 tranches procured
8 across two separate bid days for 50 tranches each. The first CBP auction will be
9 conducted in October 2016 and the second bid day will be in February 2017. Subsequent
10 procurements will take place each February. DP&L will conduct a single CBP auction
11 each year from 2017 through 2026.

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

14 A. The timeline was influenced by a number of factors including a desire to align contracts
15 with the PJM planning year. The number of products offered per auction and the auction
16 frequency were chosen to ensure that there would be sufficient depth in the solicitations
17 to attract bidders to the CBP. The contracts are ladderred to help to mitigate the potential
18 impact on SSO rates of short-term wholesale power market price volatility.

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

20 A. Yes. The supply contracts are aligned with the PJM planning year calendar to the extent
21 feasible given that the proposed ESP runs through December 31, 2026. Supply contracts
22 procured all begin on June 1, consistent with the PJM planning year.

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

3 A. Alignment with the PJM calendar will provide potential suppliers with better information
4 as to the potential cost of their capacity obligations under the Master SSO Supply
5 Agreement. This in turn, is likely to increase participation in the auction.

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

7 A. Bidders will bid to supply tranches of DP&L's SSO load. Each tranche is a uniform 1%
8 slice of the DP&L SSO load. The products are load-following, full-requirements service
9 including energy, capacity, market-based transmission charges, market-based ancillary
10 services and renewable energy requirements. Firm NITS and non-market based ancillary
11 services are included in a different DP&L retail rate.

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

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

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

19 A. Physical generation assets are not required to participate in the CBP or to bid on and win
20 tranches. Financial participants (those who do not own generating assets) have
21 participated in previous Ohio auctions and will continue to have that opportunity in the
22 DP&L procurements. In fact, any bidder who can purchase power for delivery to the

1 Company's service territory can participate in the CBP. Nothing in the CBP requires
2 bidders to own generation and nothing in the CBP provides preferential treatment to
3 those that do own generation. The descending-price clock auction format is
4 nondiscriminatory because anyone can participate so long as it satisfies the criteria used
5 in the application process. Moreover, the CBP is a structured process that levels the
6 playing field for participants and makes information available so no bidders are
7 advantaged. All bidders are bidding on standardized supply contracts and are subject to
8 identical financial and credit requirements and criteria. All bidders have equal access to
9 information before bidding and during the event itself. Prior to the auction, the process to
10 educate and train bidders on the details of the CBP and the products is the same for all
11 bidders. During the auction, all bidders receive the same information about the status of
12 the auction.

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

14 A. Suppliers will have several options. First, they may purchase energy directly from PJM.
15 Suppliers will be able to schedule energy from a source, either a generator or a
16 commercial trading hub, within PJM for delivery to the delivery point. In addition,
17 suppliers will be able to schedule energy from sources located within contiguous regional
18 transmission organizations outside of PJM, including the Midwest ISO or the New York
19 Power Pool.

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

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

3 (a) All bidders adhere to identical credit qualification procedures. Each bidder's credit-
4 based tranche cap is a function of the bidder's credit ratings as detailed in Exhibit
5 RJL-5. The criteria prevent any potential subjectivity or favoritism in the process.

6 (b) All bidders are bidding on standardized supply contracts. Contracts are not tailored to
7 accommodate the needs or demands of any individual bidder.

8 (c) The bidder education and training process is designed to provide all bidders equal
9 access to information. The process includes bidder information sessions to
10 educate all bidders on the CBP, the auction rules, and the products being offered.
11 The Q&A process is designed to provide all bidders equal access to information
12 related to the CBP.

13 (d) During the auction, all bidders receive the same information about the status of the
14 auction, including prices and the supply and demand conditions.

15 (e) The closing criteria are applied equally to all bidders. Bids are evaluated and winning
16 bidders are determined based on price alone. Any bidder willing to supply at the
17 announced price remains active in the auction. Any bidder active on a product
18 when the auction closes is guaranteed to win the rights to supply SSO load.

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

21 A. I understand that the statutes and rules require that the electric distribution utility belong
22 to a regional transmission organization that is overseen by an independent market

1 monitor that is responsible for protecting against market abuses and the improper exercise
2 of market power. Additionally, the CBP plan proposed here also provides protection
3 against market power abuses. As reflected in the Communications Protocols, Exhibit
4 RJL-6, affiliates of DP&L cannot be provided with any information regarding the CBP
5 plan that would provide them an unfair competitive advantage. As I have discussed
6 previously, all auction participants (including any affiliates of DP&L) will be given the
7 same information, thus preventing any perceived abuse of market power.

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

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

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

14 A. For procurements with multiple products we have selected a descending-price clock
15 format. For single product procurements, we have selected a descending-price clock
16 format with a possible sealed-bid round. In addition to a descending-price clock auction
17 format, I considered a one-shot sealed-bid format. Both formats have been used for a
18 number of years to procure electricity and for other competitive bids in electricity and in
19 other industries. A one-shot sealed-bid format is appropriate in some instances. For the
20 types of products being procured here, there is little if any advantage to a one-shot sealed-
21 bid format, and a descending-price clock auction format offers several advantages.
22 First, with multiple products, it is more difficult in a one-shot sealed-bid format for
23 bidders to specify their bids. The number of tranches they would be willing and able to

1 supply depends on price levels and relative prices for the different products. In principle,
2 they could submit contingent bids, specifying how many tranches for each product they
3 would bid for different combinations of prices, but specifying all the possible
4 combinations of prices would be challenging.

5 Second, there is a common-value element to the CBP products. This means there is some
6 uncertainty in valuing the tranches and the uncertainty is shared among bidders (*e.g.*,
7 forecasts of market prices in the future). This uncertainty can give rise to the winner's
8 curse problem in which the winning bidder wins because it has the lowest estimate of the
9 cost of supplying the tranches — thus, a bidder faces the risk that its bid is an outlier
10 compared to the bids of other market participants and wins at a price that is below
11 competitive market levels. Unless the winner's curse risk is addressed through the
12 appropriate auction design, bidders will compensate for the risk by bidding
13 conservatively, leading to potentially higher clearing prices for the procurement. In a
14 one-shot sealed-bid format, the winner's curse can be addressed somewhat by using
15 uniform pricing (all winning bidders for a product get paid the same price for the
16 product) rather than first-price discriminatory bidding (each winning bidder gets paid the
17 price it bid). However, the one-shot sealed-bid format lacks an effective price discovery
18 mechanism that also mitigates the winner's curse — a price discovery mechanism in
19 which bidders gain confidence from price signals reflecting other bidders' bids, thereby
20 encouraging bidders to bid more aggressively.

21 Third, with multiple products, the more that the products are related in value (*e.g.*, they
22 are substitutes and/or complements), the more important it is that meaningful price
23 signals be provided so that bidders gain information about the value of the tranches,

1 reducing risks for bidders and encouraging them to bid lower prices. A one-shot sealed-
2 bid auction does not provide these price signals, thereby increasing risks faced by bidders
3 and discouraging them from bidding lower prices.

4 In contrast to the one-shot sealed-bid format, the descending-price clock format allows
5 bidders to revise their bids in response to prices that reflect aggregate bidder interest in
6 the products. Because the auction proceeds in a series of rounds with announced prices
7 reflecting competitive bids, bidders do not need to be concerned with specifying
8 combinations of hypothetical prices. There is an effective price discovery mechanism:
9 prices decline in response to supply being bid, and bidders can adjust their bids
10 accordingly. The descending-price clock format provides the price transparency that
11 facilitates effective and efficient bidding among all bidders. The price signals provided
12 through the process enable bidders to bid confidently and aggressively (*i.e.*, at lower
13 prices) without risking "under-bidding the market." The descending-price clock format
14 also imposes uniform pricing which also reduces bidders' risks. The bidding mechanics
15 for the descending-price clock format are straightforward. It has been my experience that
16 even bidders participating in this bidding format for the first time find the logic, interface,
17 and experience intuitive and efficient.

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

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

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

7 A. There should be no barriers or difficulties for bidders with respect to the proposed CBP.
8 As with any competitive procurement, a critical success factor is whether the products are
9 attractive to bidders and whether bidders have been provided sufficient time and
10 information to evaluate the opportunity to participate. Any uncertainties in the process
11 that bidders face should be addressed to the extent possible. The proposed CBP products
12 are clearly defined and are designed to be attractive to prospective bidders. The proposed
13 CBP plan is designed to provide sufficient time and readily available information for
14 prospective bidders to participate confidently in the CBP. Thus, as noted, there should be
15 no barriers or difficulties.

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

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

18 A. The Master SSO Supply Agreement details the contractual obligations of DP&L and the
19 winning suppliers associated with each auction. The Agreement includes the terms and
20 conditions that will govern the relationship between DP&L and SSO suppliers.
21 Following each auction, winning suppliers must execute the Master SSO Supply

1 Agreement within a proscribed period of time or risk forfeiting any pre-bid security
2 associated with the process.

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

4 A. As is typical, the Master SSO Supply Agreement covers the following topics:
5 (1) Definitions; (2) General Terms and Conditions; (3) Representations and Warranties;
6 (4) Commencement and Termination; (5) Breach and Default; (6) Creditworthiness and
7 Performance Assurance; (7) Scheduling, Forecasting and Information Sharing; (8) Billing
8 and Settlement; (9) System Operation; (10) Dispute Resolution; (11) Limitation of
9 Liability; (12) Indemnification; (13) Miscellaneous Provisions.

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

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

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

16 A. The Master SSO Supply Agreement addresses potential termination conditions and
17 remedies available to suppliers and to DP&L. Should a supplier default, DP&L may
18 terminate the contract with no remaining contractual obligations owed to the defaulting
19 supplier. DP&L may also seek monetary damages including but not limited to
20 withholding payment for prior supplier performances, and pursuing rights under any
21 credit support provided by a supplier such as a letter of credit or other form of guaranty.

1 In such cases, DP&L will supply any unfilled tranches consistent with the contingency
2 plan outlined in the Bidding Rules.

3 **Q. Were there any changes to the Master SSO Supply Agreement in this case vs. the**
4 **previous DPL ESP case (Case No. 12-426-EL-SSO)?**

5 A. Yes. The Master SSO Supply Agreement was modified slightly for two reasons. First,
6 provisions were added to discuss the fact that PIPP customers may or may not be
7 included as part of the SSO load that is supplied through this process because it is
8 uncertain as to whether or not the State of Ohio will conduct a separate auction for PIPP
9 customers. Second, through this proceeding DP&L proposes that the renewable
10 requirements be included in the bid product. In other words winning bidders will be
11 required to supply RECs to meet the renewable standards as they may exist or change
12 over time.

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

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

15 A. I believe it does. The CBP plan incorporated into DP&L's proposed ESP has been
16 developed to satisfy the statutory criteria applicable to a CBP plan under an MRO.

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

18 A. Yes. Although load caps may place upward pressure on the auctions' clearing prices,
19 supplier diversity provides some risk mitigation benefits to the Company and customers.
20 As a result, DP&L is proposing to adopt a load cap for the SSO auctions. The proposed
21 load cap will be 80 percent on an aggregated load basis across all auction products for
22 each auction date such that no bidder may bid on and win more tranches than the load

1 cap. The load cap will be implemented by ensuring that each bidder's initial eligibility
2 does not exceed the load cap in an auction.

3 **Q. Do you expect the load cap to affect the competitiveness of the solicitation?**

4 A. No. Load caps have been used in the past for DP&L and for other Electricity
5 Distribution Utilities ("EDUs") in Ohio. In all cases, the CBP auctions have been
6 competitive. We expect bidders to find these CBP auctions attractive as well. The
7 products - load-following, full-requirements service including energy, capacity, Ohio
8 renewable energy requirements, ancillary services and other transmission services - are
9 well-known and understood in the marketplace. They can be readily evaluated and
10 priced by bidders. Information about the solicitations will be readily available on an
11 equal basis to interested parties. The bidder qualification process is the same for all
12 participants and familiar to market participants. The version of the descending-price
13 clock auction in the solicitations has been used successfully in the past. All of the above
14 features encourage broad participation. Our experience to date with CBP auctions for
15 DP&L and other EDUs in Ohio demonstrates that the process as designed will result in
16 competitive procurements even when there are certain load caps that may limit the
17 number of tranches any single bidder can win.

18 **Q. Please explain how the proposed CBP provides for standardized bid evaluation**
19 **criteria.**

20 A. Bidders that submit bids are allowed to submit bids only by first successfully completing
21 the Part 1 and Part 2 Application process. That process uses standardized evaluation
22 criteria applied equally to all applicants, and ensures that bidders allowed to submit bids
23 are willing, able, and committed to satisfying the obligations of an SSO supplier should

1 they win tranches in the bidding. The two-part application process ensures that non-price
2 criteria are satisfied in evaluating the qualifications of bidders to become SSO suppliers.
3 This pre-qualification process further ensures: (i) a level playing field for all bidders;
4 (ii) a clear evaluation of bids such that no bidder can gain an unfair advantage in the
5 process; (iii) that all bidders are judged on the same, standardized basis; and, (iv) that the
6 only necessary evaluation by the Commission is on price. This means that bids
7 subsequently can be evaluated on an objective, price-only basis. The bidding design
8 encourages bidders to bid supply at the lowest possible price. There is no ambiguity as to
9 the winning bids, the winning bidders, and the non-winning bidders. Winning bidders
10 win simply because non-winning bidders are not willing and able to supply tranches at
11 prices as low as the prices at which winning bidders are willing and able to supply the
12 tranches. The Commission's statutory oversight in selecting the least-cost bids also
13 ensures standardized bid evaluation criteria are used.

14 **Q. Please explain how the proposed CBP allows for oversight by an independent third**
15 **party.**

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

20 **Q. Please explain how the proposed CBP provides for evaluation of the submitted bids**
21 **prior to the selection of the least-cost bid winner or winners.**

22 A. After the close of bidding, the Auction Manager will provide the Commission with the
23 post-bidding report that contains the information the Commission needs to evaluate the

1 solicitation and to select the least-cost bid winner(s). Consistent with O.A.C. 4901:1-35-
2 08(B), DP&L proposes that the Auction Manager provide the report within twenty-four
3 hours of the completion of the bidding process. The report will include a summary of the
4 results of the CBP and all of the elements set forth in O.A.C. 4901:1-35-08(B) (1)
5 through (7). Likewise, although there is no express requirement to do so, DP&L will
6 provide access to its employees and CRA to assist the Commission in its review of the
7 CBP, as well as data, information and communications pertaining to the bidding process,
8 on a real time basis and regardless of the confidential nature of such data and
9 information.

10 **V. DP&L AUCTIONS CONDUCTED TO DATE**

11 **Q. Were all the auctions conducted under the previous ESP competitive?**

12 A. Yes. The results for each of the three auctions conducted as part of DP&L's current ESP
13 (filed under Case Number 12-426-EL-SSO, *et al.*) were accepted by the Commission.
14 Participation was broad, with 16 different companies – suppliers and energy traders –
15 participating in the auction processes. DP&L currently has seven different suppliers
16 supporting the Standard Service Offer as of the September 2015 CBP Auction three of
17 which have a delivery period that began on January 1, 2016.

18 **Q. Have you identified any enhancements to the SSO auction process that DP&L is**
19 **proposing in connection with these proceedings?**

20 A. Yes, I have. DP&L intends to require winning bidders to supply Renewable Energy
21 Credits ("RECs") to meet the renewable energy requirements contained in ORC
22 §4928.64. Winning bidders will be responsible for supplying all obligations associated

1 with full requirements service, which includes energy, capacity, market-based
2 transmission and market-based ancillaries, and Ohio renewable energy requirements. In
3 the past, DP&L had secured Renewable Energy Credits outside the CBP auctions. In
4 association with this new requirement, DP&L will be adding an additional data file to
5 help suppliers understand the Renewable Energy Credit obligation.

6 In addition, in order to make the CBP process operate more smoothly and to reduce the
7 level of effort for bidders in association with the qualification process, we are proposing
8 to eliminate access restrictions to DP&L's load data and to eliminate the requirement that
9 potential bidders supply hardcopies of their applications. These proposed changes are
10 consistent with changes adopted by other Ohio utilities in association with their
11 competitive procurements.

12 **Q. Do you think including the renewable requirements in the bid product will decrease**
13 **the attractiveness of bidders to bid on DP&L's SSO load?**

14 A. No. It is not uncommon for utilities to include renewable energy requirements in the set
15 of supplier obligations under default service procurements. Many, if not all, of the active
16 bidders in these types of auctions are used to seeing some renewable requirements as part
17 of the default service product up for bid. As a result, these bidders and suppliers have an
18 understanding of the risks and costs associated with that aspect of the potential supply
19 obligation. For example, in Pennsylvania bidders have been supplying renewable
20 requirements as part of the bid since CRA began administering such auctions in January
21 of 2013. The renewables requirement has not adversely affected bidder interest in those
22 procurements.

1 **VI. CONCLUSION**

2 **Q. Were Exhibits RJJ-2 through RJJ-6 prepared by you or under your direction?**

3 A. Yes, if the exhibit was prepared by others, under my direction, I reviewed and approved
4 each.

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

6 A. Yes.

ROBERT J. LEE
Vice President

M.S. Industrial Administration,
Carnegie Mellon University,

B.A. Mathematics,
Boston College

Mr. Lee is a Vice President 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 and advised clients during negotiated bilateral transactions and competitive bidding environments. Mr. Lee has worked with electricity sector clients on a range of valuations and market analyses as a result of changes in market dynamics and market structure. Prior to joining CRA, Mr. Lee held senior staff positions with The PA Consulting Group and at Putnam, Hayes and Bartlett, Inc.

AUCTIONS AND COMPETITIVE BIDDING

Electricity

The Dayton Power & Light Company

- Designed and managed a competitive bidding process (CBP) to procure wholesale generation for retail Standard Service Offer (SSO) load for The Dayton Power & Light Company (DP&L) covering the period from January 1, 2014 through May 31, 2017. Over the term of the DP&L electric security plan (ESP), the DP&L standard service offer transitioned from a cost of service based price to a market based offer price. Each of the 3 annual CBP procurements used a clock auction format. The CBP process and outcome were subject to approval by the Public Utilities Commission of Ohio (PUCO).

Duke Energy Ohio, Inc.

- Worked with Duke Energy Ohio, Inc. (DEO) on a series of CBP auctions designed to procure supplies in support of the DEO standard service offer. The DEO ESP and the associated procurements cover the period from June 1, 2015 through May 31, 2018. The auction process and outcome were subject to approval by the Public Utilities Commission of Ohio (PUCO).
- Designed a competitive bidding process (CBP) to procure wholesale generation for retail Standard Service Offer (SSO) load for Duke Energy Ohio, Inc. covering the period from January 1, 2012 through May 31, 2015. The CBP used a clock auction format. The auction process and outcome were 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 power supply auction serving major commercial and industrial customers in Europe. Worked 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 process. The auction process and outcome are subject to approval by the German cartel office (BKartA).

Open Season Transmission

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. 14-841-EL-SSO. Testified on behalf of the Duke Energy Ohio, Inc. 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

Sixth Judicial Circuit in and for Pinellas County Florida; Case Number 2012-006187-SC. Testified on the structure and efficacy of a competitive bidding process designed to establish market values for settling automobile insurance claims.

PUCO Case No. 12-426-EL-SSO. Testimony on behalf of the Dayton Power & Light Company (DP&L) related to DP&L'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. 11-3549-EL-SSO. Testimony on behalf of the Duke Energy Ohio, Inc. 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. 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,
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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 G	SAMPLE PJM INVOICE AND ALLOCATION OF CHARGES AND CREDITS

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, 2014, 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 and 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 \$100,000.

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.

Renewable Energy Resources has the meaning set forth in Ohio Revised Code § 4928.64 as it may be amended.

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.

Solar Energy Resources has the meaning set forth in Ohio Revised Code § 4928.64 as it may be amended.

SSO Customers means both Residential Customers and non-Residential Customers taking SSO Supply from The Dayton Power and Light Company during the Delivery Period.

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, Renewable Energy Resources and Solar Energy Resources, 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, Renewable Energy Resources and Solar Energy Resources, 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.

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 Renewable and Solar Energy Requirements

2.7 Each SSO Supplier is responsible for and shall execute the form of contract set forth in Appendix B with respect to the Renewable and Solar Energy Requirements associated with the SSO Supplier Responsibility Share. 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

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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.

2.8 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.

2.9 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.

2.10 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.

2.11 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.

2.12 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.

2.13 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).

2.14 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).

2.15 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.

2.16 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

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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:



SOLAR and Non-SOLAR
Renewable Energy Credits Agreement

Transferor: _____

Transferee: The Dayton Power and Light Company

Address: _____

Address: 1065 Woodman Drive

City/State: _____

City/State: Dayton, OH 45432

Attn: _____

Attn: Eric Brown

Phone: _____

Phone: (937) 259-7181

Email: _____

Email: eric.brown@aes.com

Whereas, Transferor has entered into a Master Standard Service Offer Agreement dated _____, 20__ under which Transferor is defined as “Seller” and is providing capacity, energy and other specified services to Transferee, defined therein as “Buyer” (the “Master SSO Agreement”); and

Whereas, the Master SSO Agreement also requires Seller to provide a proportional share of Solar and Non-Solar Renewable Energy Credits (“RECs”) to Buyer in order for Buyer to meet statutory obligations associated with the amount of electric energy provided in the applicable period to Ohio consumers taking a Standard Service Offer; and

Whereas, the price at which Seller is fulfilling its all of its commitments under the Master SSO Agreement is inclusive of Seller’s obligations to provide RECs;

now, therefore,

Intending to be bound hereby, Transferor and Transferee (each a “Party” and together the “Parties”) agree that this Solar and Non-Solar Renewable Energy Credits Agreement (“Agreement”), entered into _____, 20__ (the “Effective Date”), shall define the rights and obligations for the transfer and receipt at no additional charge beyond that specified in the Master SSO Agreement of RECs.

Article 1
Transaction

1.1 The Parties have entered into a transaction for the transfer and receipt of Solar RECs as set forth below.

Commodity: Ohio Senate Bill 221 (as amended by Ohio Senate Bill 310) PUCO Certified Solar RECs

Compliance Years: _____

Applicable Percentages: See Table 1

Firm Contract Quantity: Applicable percentage X MWh delivered in the compliance year

Delivery Date: February 10th of each year following compliance year

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1.2 The Parties have entered into a transaction for the transfer and receipt of non-Solar RECs as set forth below.

Commodity:	Ohio Senate Bill 221 (as amended by Ohio Senate Bill 310) PUCO Certified non-Solar RECs
Compliance Years:	_____
Applicable Percentages:	See Table 1
Firm Contract Quantity:	Applicable percentage X MWh delivered in the compliance year
Delivery Date:	February 10 th of each year following compliance year

Article 2
Definitions

2.1 “*Affiliate*” means, with respect to any person, any other person (other than an individual) that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with, such person, with “control” meaning the direct or indirect ownership of fifty percent (50%) or more of the outstanding capital stock or other equity interests having ordinary voting power.

2.2 “*Business Day*” means any day except a Saturday, a Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. Eastern Prevailing Time.

2.3 “*Certification*” means, the certification and qualification of the Renewable Energy Source by the Public Utilities Commission of Ohio (“PUCO”) in accordance with Ohio Senate Bill 221 (as amended by Ohio Senate Bill 310) and creation of the RECs in PJM’s Generation Attribute Tracking System (GATS).

2.4 “*Delivered*” or “*Delivery*” means the electronic transfer from Seller’s PJM GATS account and receipt into Transferee’s PJM GATS account number **10146** of the specified amount of the RECs and recognition by the PJM GATS Administrator of the transfer to Transferee.

2.5 “*Firm Contract Quantity*” means the quantity of RECs the Seller is obligated to Deliver, without exception, on or before the Delivery Date(s). Failure to Deliver the Firm Contract Quantity on or before the Delivery Date(s) shall be considered an Event of Default exercisable solely by Transferee, and Remedies in Section 5.2 shall apply.

2.6 “*Interest Rate*” means two percent (2%) above the per annum rate of interest equal to the prime lending rate as may from time to time be published in *The Wall Street Journal* under “Money Rates”; provided, however, the Interest Rate shall never exceed the maximum lawful rate permitted by applicable law.

2.7 “*MWh*” means megawatt hour.

2.8 “*Non-solar REC*” means a REC that is created by a Qualified Resource that does not use solar energy as its primary source.

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2.9 “*PJM EIS GATS*”, “*PJM GATS*” or “*GATS*” means the PJM Environmental Information Services, Inc. Generation Attribute Tracking System.

2.10 “*Renewable Energy Compliance Payment*” for any given year is defined as set forth in Ohio Revised Code §4928.64(C)(2).

2.11 “*Renewable Energy Credit*” or “*REC*” means a ‘renewable energy credit’ as defined by Ohio Administrative Code §4901:1-40-01(BB) and that is represented by certificates or credits issued by and within PJM GATS.

2.12 “*Renewable Energy Source*” means the generation and energy source or facility producing the RECs.

2.13 “*Solar REC*” means a REC that is created by a Qualified Resource using solar energy as its primary source.

2.14 “*Transaction*” means a specific sale or purchase of RECs.

2.15 “*Vintage Year*” means the calendar year in which the RECs were created.

2.16 “*Qualified Resource*” means a resource that meets the renewable energy resource benchmarks as described in Section §4901:1-40-04 of the Ohio Administrative Code.

Article 3
Transaction, Transfer and Payment

3.1 **Transaction.** Subject to the terms and conditions of this Agreement, the Parties hereby enter into a transaction for the transfer of RECs. Transferor agrees to obtain and transfer to Transferee, and Transferee agrees to accept transfer from Transferor of the RECs in the Firm Contract Quantity and Vintage Year as set forth herein.

3.2 **Title Transfer/Delivery.** Delivery of the RECs shall occur pursuant the Delivery Date(s) in this Agreement. Title to and ownership of the RECs shall pass from Transferor to Transferee upon Delivery.

3.3 **Certification.** Expenses of Certification are the responsibility of Transferor.

3.4 **Taxes/Fees.** Each Party shall be responsible for any taxes or other fees associated with its respective transfer or receipt of the RECs hereunder. Transferor shall be responsible for any taxes imposed on the creation, ownership, or transfer of RECs under this Agreement up to and including the time and place of Delivery. Transferee will be responsible for any taxes imposed on the receipt or ownership of RECs at or after the time and place of Delivery. Each Party shall be responsible for the payment of fees, including broker fees, incurred by it in connection with any Transactions hereunder.

3.5 **Recordation.** In the event that PJM GATS provides notice that any Delivery contemplated herein will not be recorded, the Parties shall promptly confer and shall cooperate in taking all reasonable actions necessary to cure any defects in the proposed transfer so that the transfer can be recorded. In the event that any Delivery is erroneously recorded, the Parties shall promptly confer and shall cooperate in taking all actions necessary to correct the recordation.

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Article 4
Warranties

4.1 Warranties. Transferor hereby warrants that it shall convey Transferor's RECs to Transferee free from all liens, claims, security interests, and defects of title. Transferor represents and warrants to Transferee that (i) each REC transferred pursuant to this Agreement is, or will be at the time of transfer, validly issued and in force, Certified and available for use in the specified Vintage Year in accordance with Ohio Senate Bill 221(as amended by Ohio Senate Bill 310); (ii) Transferor has not sold, transferred or encumbered (nor become legally obligated to do the same) any rights, title or interest in or to such RECs to any person other than Transferee; (iii) the MWhs associated with the RECs have not been separately marketed as or sold to any other entity to meet a renewable requirement; (iv) such RECs at the time of transfer are not subject to any restrictions or limitations on transfer or to any pending or, to the best of Transferor's knowledge, threatened litigation; (v) at the time of transfer such RECs have a compliance use date not earlier than the Vintage Year set forth above; (vi) Transferor's Renewable Energy Source is a participant in PJM GATS during the Vintage Year the MWhs are generated and the resulting RECs created; (vii) the person executing this Agreement is duly authorized to transfer such RECs and to bind all persons and entities who have any interest in such RECs; and (viii) the Renewable Energy Source meets the Ohio Senate Bill 221 (as amended by Ohio Senate Bill 310) specifications for a "Qualified Resource."

4.2 Additional Representations. Each Party further represents and warrants that on and as of the date hereof and the date of transfer of the RECs hereunder:

- (a) Such Party is validly existing and in good standing under the laws of the jurisdiction of its organization. Such Party is not the subject of bankruptcy, receivership or other insolvency proceedings, nor has it made a general assignment for the benefit of creditors, commenced any proceeding for liquidation, reorganization or other relief with respect to itself or its debts, or admitted its inability to meet its obligations as they become due.
- (b) The execution, delivery and performance of this Agreement by such Party does not violate or conflict with any law applicable to such Party, any provisions of such Party's organizational documents, any order or judgment of any court or other agency or governmental authority or any contractual restriction binding upon such Party or any of its assets, and the person executing this Agreement on behalf of such Party is duly authorized to do so.
- (c) Such Party has obtained all governmental and other consents or certifications required to have been obtained by such Party, if any, to effect the transactions contemplated hereunder, and all such consents or certifications are in full force and effect and all conditions thereof have been complied with.
- (d) This Agreement constitutes a legal, valid and binding obligation of such Party, enforceable against such Party in accordance with its terms, subject to bankruptcy, reorganization, and similar laws affecting creditors' rights generally and to general principals of equity (regardless whether considered in a proceeding in equity or at law).
- (e) Such Party shall be solely responsible to any investment banker, broker, finder or intermediary retained by it in connection with its respective purchase or sale of RECs hereunder who is entitled to any fee or commission in connection with the transactions contemplated hereby.

4.3 This Article 4 survives expiration or termination of this Agreement.

Article 5

Events of Default; Remedies

5.1 Event of Default. “Event of Default” shall mean, with respect to a Party:

- (a) The failure by Transferor to deliver to Transferee as provided herein the RECs with respect to which the representations and warranties set forth in Article 4 hereof are true and correct., if such failure is not remedied within three (3) Business Days after receipt of written notice of such failure from the Transferee; or
- (b) Any representation or warranty made by a Party in this Agreement shall prove to have been false or misleading in any material respect when made; or
- (c) The failure by a Party to perform any covenant or agreement set forth in this Agreement, and such failure is not cured within three (3) Business Days after written notice thereof to the Party; or
- (d) Whereby a Party:
 - (i) Makes an assignment or any general arrangement for the benefit of creditors;
 - (ii) Files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or case under any bankruptcy or similar law for the protection of creditors, or has such petition filed against it and such proceeding remains undismissed for thirty (30) days after filing;
 - (iii) Otherwise becomes bankrupt or insolvent (however evidenced); or
 - (iv) Is unable to pay its debts as they fall due;

5.2 Remedies. If an Event of Default occurs and is continuing with respect to either Party (the “Defaulting Party”) at any time during the term of this Agreement, the other Party may (i) upon two (2) Business Days’ written notice to the Defaulting Party terminate this Agreement; (ii) exercise such other remedies as may be available at law or in equity or as otherwise provided in this Agreement; provided, however, upon the occurrence and continuation of any Event of Default listed in clause 5.1(d) of the definition of “Event of Default” above as it may apply to either Party, this Agreement shall automatically terminate, without notice.

(a) Transferor’s Liability.

- (1) Failure to Deliver RECs. For purposes of this paragraph 5.2(a)(1), each year (or part of each year for which a Delivery obligation is specified) of the Agreement shall be treated as imposing a separate Delivery obligation. If there is a failure by Transferor for any reason, including reasons outside the control of Transferor, to Deliver the Firm Contract Quantity of RECs specified for a period, and replacement RECs equivalent with respect to amount, Vintage Year, geographic location, and renewable resource type (“Equivalent RECs”) can be purchased by Transferee from a third party, Transferee may purchase such Equivalent RECs to meet Transferor’s obligation hereunder. In such circumstance, Transferee may

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withhold from its payment obligations under the Master SSO Agreement and amount equal to the purchase price for Equivalent RECs multiplied by the number of RECs not Delivered and further multiplied by a factor of 1.25 as liquidated damages; plus all reasonable collection costs, including, without limitation, reasonable attorneys' and brokers' fees. In the event Equivalent RECs are not available for purchase by Transferee from a third party, Transferor shall meet its obligation hereunder for that year by paying Transferee an amount equal to the sum of (i) that year's respective Ohio Senate Bill 221 (as amended by Ohio Senate Bill 310) Renewable Energy Compliance Payment multiplied by the number of RECs not Delivered and further multiplied by a factor of 1.25, plus (ii) all reasonable collection costs, including, without limitation, reasonable attorneys' and brokers' fees. For each subsequent period, Transferor shall continue to be obligated to Deliver RECs on a firm basis or to pay an amount calculated as above.

(2) Other Events of Default. In the event an Event of Default occurs as to Transferor other than the failure to Deliver RECs as specified herein, and Transferee elects to terminate this Agreement, and Equivalent RECs can be purchased from a third party, Transferor shall pay Transferee termination damages for all remaining periods of the Agreement equal to the sum of (i) the purchase price (unit price multiplied by quantity) for Equivalent RECs and further multiplied by a factor of 1.25, plus (ii) interest at the Interest Rate from the due date or the termination date, whichever is earlier, up to, plus (iii) all reasonable collection costs, including, without limitation, reasonable attorneys' and brokers' fees. In the event Equivalent RECs are not available for purchase from a third party, Transferor shall meet its obligation hereunder for that year by paying Transferee an amount equal to the sum of (i) that year's respective Ohio Senate Bill 221 (as amended by Ohio Senate Bill 310) Renewable Energy Compliance Payment multiplied by the number of RECs not delivered and further multiplied by a factor of 1.25 plus (ii) all reasonable collection costs, including, without limitation, reasonable attorneys' and brokers' fees.

5.3 Past Due Liability Amounts. Any liability owed under this Article 5 shall bear interest from, and including, the due date to, but excluding the date of, payment at the Interest Rate.

Article 6
Limitation of Liability

6.1 FOR BREACH OF ANY PROVISION OF THIS AGREEMENT, A PARTY'S LIABILITY SHALL BE LIMITED TO DIRECT ACTUAL DAMAGES ONLY AND AS SPECIFIED IN ARTICLE 5, AND SUCH DIRECT ACTUAL DAMAGES SHALL BE THE SOLE AND EXCLUSIVE REMEDY HEREUNDER, AND ALL OTHER REMEDIES OR DAMAGES ARE WAIVED. IN NO EVENT SHALL EITHER PARTY BE LIABLE FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE, EXEMPLARY, OR INDIRECT DAMAGES, IN TORT, CONTRACT, OR OTHERWISE.

6.2 This Article 6 survives expiration or termination of this Agreement.

Article 7
Non-Disclosure

7.1 Except as provided in this Article 7, neither Party shall publish, disclose, or otherwise divulge confidential information to any person, at any time during or after the term of this Agreement, without the other Party's prior express written consent, except that the Parties are each deemed to have consented to

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the disclosure of this Agreement to the Public Utilities Commission of Ohio and the Ohio Consumers Counsel. Except as provided above, each Party shall permit knowledge of and access to the confidential information only to those of its corporate affiliates, attorneys, accountants, representatives, agents and employees who have a need to know.

7.2 If required by any law, statute, ordinance, decision, order, or regulation passed, adopted, issued or promulgated by a court, any governmental agency or authority having jurisdiction over a Party (other than the entities set forth in Section 7.1), such Party may release the confidential information, or portion thereof, to such court, governmental agency or authority, as required by such law, statute, ordinance, decision, order or regulation, provided that the Party required to disclose confidential information shall provide reasonable advance written notice to the other Party, if not prohibited from doing so, so as to permit such Party to avoid or minimize disclosure (or the effects of disclosure) by protective order, agreement or otherwise; and a Party may disclose confidential information to accountants in connection with audits, provided that such Party provides reasonable advance notice to the other Party and has used reasonable efforts to cause that court, governmental agency or authority or accountants to treat such information in a confidential manner and to prevent such information from being disclosed or otherwise becoming part of the public domain.

7.3 In protecting against inadvertent and unlawful disclosure of confidential information, each Party shall use the same care that it uses to protect its own confidential data.

7.4 This Article 7 survives expiration or termination of this Agreement.

Article 8
Assignment

8.1 This Agreement is not assignable by either Party except to an Affiliate of such Party without the prior written approval of the non-assigning Party, which shall not be unreasonably withheld or delayed. Any such assignment without the written approval of the non-assigning Party, except as provided herein, is voidable by the non-assigning Party. An assignment of this Agreement, in whole or in part, by a Party does not relieve a Party of its obligations under this Agreement.

Article 9
Miscellaneous

9.1 **Amendment.** This Agreement may not be amended, changed, modified, or altered unless such amendment, change, modification, or alteration is in writing and signed by both of the Parties to this Agreement or their successors in interest.

9.2 **Survival.** This Agreement inures to the benefit of and is binding upon the Parties and their respective successors and permitted assigns.

9.3 **Severability.** If any article, phrase, provision or portion of this Agreement is, for any reason, held or adjudged to be invalid, illegal or unenforceable by any court of competent jurisdiction, such article, phrase, provision, or portion so adjudged will be deemed separate, distinct and independent and the remainder of this Agreement will be and remain in full force and effect and will not be invalidated or rendered illegal or unenforceable or otherwise affected by such adjudication, provided the basic purposes of this Agreement and the benefits to the Parties are not substantially impaired.

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9.4 Counterparts. This Agreement may be executed in several counterparts, each of which is an original and all of which constitute one and the same instrument.

9.5 Notices. All notices, certificates, or other communications hereunder shall be in writing. All written notices are deemed sufficiently given when mailed by United States registered or certified mail, postage prepaid, return receipt requested (“Mailed”), or hand-delivered, or sent by facsimile transmission with the original document Mailed to confirm or by recognized overnight courier service, addressed as follows:

The Dayton Power and Light Company
Attn: Eric Brown
1065 Woodman Drive
Dayton, OH 45432
Phone: (937) 259-7181
Fax: (937) 259-7133

Attn: _____

Phone: _____
Fax: _____

or such other and different addresses as may be designated in writing by the Parties and delivered pursuant to this Paragraph 9.5.

9.6 Entire Agreement. This Agreement completely and fully supersedes all other prior understandings or agreements, both written and oral, between the Parties relating to the subject matter hereof.

9.7 Governing Law. This Agreement is governed by and construed in accordance with the laws of the State of Ohio, without regard to conflicts of law.

9.8 Non-Waiver. No delay or omission by a Party in the exercise of any right under this Agreement shall be taken, construed, or considered as a waiver or relinquishment thereof, and any such right may be exercised from time to time and as often as may be deemed expedient. If any of the terms and conditions herein are breached and thereafter waived by a Party, such waiver is limited to the particular breach so waived and is not deemed to waive any other breach hereunder.

9.9 Advice of Counsel. This Agreement was reviewed by and executed by each Party with advice of counsel to the extent deemed necessary by each Party and shall not be construed against either Party as drafter.

9.10 Headings. The Article and paragraph titles in this Agreement are only for purposes of convenience and do not form a part of this Agreement and will not be taken to qualify, explain, or affect any provision thereof.

9.11 Indemnification. Each Party agrees to indemnify, defend, and hold harmless the other Party, and any of said other Party's affiliates, directors, officers, employees, agents and permitted assigns, from and against all claims, losses, liabilities, damages, judgments, awards, fines, penalties, costs, and expenses (including reasonable attorney's fees and disbursements) directly incurred in connection with or directly

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arising out of (a) any material breach of representation or warranty or failure to perform any covenant or agreement in this Agreement by said Party; or (b) any violation of applicable law, regulation or order by said Party.

9.12 Forward Contract. The Parties agree that the transaction subject to this Agreement shall constitute a “forward contract” and that the Parties shall constitute “forward contract merchants” within the meaning of the United States Bankruptcy Code.

9.13 Waiver of Trial by Jury. Each Party hereby irrevocably waives, to the fullest extent permitted by applicable law, any and all right to trial by jury in any proceeding. Each Party (i) certifies that no representative, agent or attorney of the other Party has represented, expressly or otherwise, that such other Party would not, in the event of such a proceeding, seek to enforce the foregoing waiver, and (ii) acknowledges that it and the other Party has been induced to enter into this Agreement and provide any Credit Support Document, as applicable, by, among other things, the mutual waivers and certifications in this section.

IN WITNESS WHEREOF, the Parties hereto have made and executed this Agreement, signed by their duly authorized officers or individuals below.

(Counterparty)

The Dayton Power and Light Company

By:_____

By:_____

Name:_____

Thomas A. Raga

Title:_____

President and Chief Executive Officer

Date:_____

Date:_____

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TABLE 1

Applicable Percentages		
Year	Non-Solar	Solar
2017	3.35%	0.15%
2018	4.32%	0.18%
2019	5.28%	0.22%
2020	6.24%	0.26%
2021	7.20%	0.30%
2022	8.16%	0.34%
2023	9.12%	0.38%
2024	10.08%	0.42%
2025	11.04%	0.46%
2026	12.00%	0.50%

APPENDIX C-1: SCHEDULE FOR ICRT

Independent Credit Requirement Per Tranche

Month	12-Month Procurement (\$/Tranche)	24-Month Procurement (\$/Tranche)	36-Month Procurement (\$/Tranche)
Inception through June 2017	\$100,000	\$220,000	\$380,000
Jul-2017	\$100,000	\$220,000	\$380,000
Aug-2017	\$100,000	\$220,000	\$380,000
Sep-2017	\$70,000	\$170,000	\$330,000
Oct-2017	\$70,000	\$170,000	\$330,000
Nov-2017	\$70,000	\$170,000	\$330,000
Dec-2017	\$70,000	\$170,000	\$330,000
Jan-2018	\$40,000	\$130,000	\$280,000
Feb-2018	\$40,000	\$130,000	\$280,000
Mar-2018	\$40,000	\$130,000	\$280,000
Apr-2018	\$40,000	\$130,000	\$280,000
May-2018	\$40,000	\$130,000	\$280,000
Jun-2018		\$100,000	\$220,000
Jul-2018		\$100,000	\$220,000
Aug-2018		\$100,000	\$220,000
Sep-2018		\$70,000	\$170,000
Oct-2018		\$70,000	\$170,000
Nov-2018		\$70,000	\$170,000
Dec-2018		\$70,000	\$170,000
Jan-2019		\$40,000	\$130,000
Feb-2019		\$40,000	\$130,000
Mar-2019		\$40,000	\$130,000
Apr-2019		\$40,000	\$130,000
May-2019		\$40,000	\$130,000
Jun-2019			\$100,000
Jul-2019			\$100,000
Aug-2019			\$100,000
Sep-2019			\$70,000
Oct-2019			\$70,000
Nov-2019			\$70,000
Dec-2019			\$70,000
Jan-2020			\$40,000
Feb-2020			\$40,000
Mar-2020			\$40,000
Apr-2020			\$40,000
May-2020			\$40,000

Note: The numbers in this table are for illustration purposes only and actual ICRT values will be calculated prior to each auction.

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 2016 through May 2017. 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-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
On-Peak	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43	\$46.39	\$56.39	\$56.39	\$44.56

Month	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
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 2016 through May 2017 so as to correspond to a 17 month Original Delivery Period.

	On-Peak Volume	Off-Peak Volume	On-Peak Price	Off-Peak Price
Jan-16	1,621	1,590	\$53.11	\$39.83
Feb-16	1,500	1,492	\$51.69	\$38.77
Mar-16	1,414	1,522	\$50.40	\$37.80
Apr-16	1,399	1,280	\$50.40	\$37.80
May-16	1,383	1,263	\$48.43	\$36.32
Jun-16	1,480	1,443	\$46.39	\$30.15
Jul-16	1,643	1,603	\$56.39	\$36.65
Aug-16	1,741	1,391	\$56.39	\$36.65
Sep-16	1,284	1,428	\$44.56	\$28.96
Oct-16	1,435	1,260	\$40.90	\$30.68
Nov-16	1,383	1,374	\$44.03	\$33.02
Dec-16	1,435	1,718	\$43.11	\$32.33
Jan-17	1,621	1,590	\$53.11	\$39.83
Feb-17	1,500	1,492	\$51.69	\$38.77
Mar-17	1,414	1,522	\$50.40	\$37.80
Apr-17	1,399	1,280	\$50.40	\$37.80
May-17	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-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
On-Peak	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43	\$46.39	\$57.39	\$56.39	\$46.56

Month	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
On-Peak	\$40.90	\$45.03	\$43.11	\$53.11	\$51.69	\$50.40	\$50.40	\$48.43

[illegible]

APPENDIX D: FORM OF SSO SUPPLIER LETTER OF CREDIT

Date: _____

Letter of Credit No. _____

To:

The Dayton Power and Light Company
1 Monument Circle, Suite 639C
Indianapolis, IN 46204
Attention: Assistant Treasurer

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 _____ (location) 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:
 - (a) upon an Event of Default with respect to the Applicant under the Master SSO Supply Agreement; or
 - (b) in the event the Applicant has failed to supply a substitute letter of credit thirty (30) days prior to the expiration of this Letter of Credit as required by the Master SSO Supply Agreement.
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 the Beneficiary and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the Beneficiary.

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 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

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.

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 Beneficiary 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 Letter of Credit for such additional one (1) year period.

8. As used herein:

“Authorized Officer” shall mean President, Treasurer, any Vice President, any Assistant Treasurer or any other person holding an equivalent title.

“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 bank charges, 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 and 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 Beneficiary 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 Beneficiary. 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 the Beneficiary.

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 aggregate amount of \$_____, inasmuch as (choose one of the following by placing an "X" on the line preceding the statement):

_____ (a) An Event of Default has occurred with respect to the Applicant under the Master SSO Supply Agreement;

_____ (b) The Applicant has failed to supply a substitute letter of credit thirty (30) days prior to the expiration of this Letter of Credit as required by the Master SSO Supply Agreement.

3. The amount to be received by The Dayton Power and Light Company is \$_____.
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:
1 Monument Circle, Suite 629C
Indianapolis, IN 46204
Attention: Assistant Treasurer

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 Beneficiary to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned Beneficiary 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

APPENDIX E: FORM OF 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
1 Monument Circle, Suite 629C
Indianapolis, IN 46204
Attention: Assistant Treasurer

- (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:

APPENDIX F: DECLARATION OF AUTHORITY

Attachment A – Addendum

PRINCIPAL: AGENT:

Duration of Agreement:

Effective Starting Date:

Note: Principal and/or Agent (in accordance with Section 4 of the Declaration of Authority) are required to provide PJM thirty days’ written notice of intent to terminate this Agreement. Upon termination, all accounts will revert back to their original status.

PJM Billing Line Items – Transfer

Principal and Agent agree that PJM Settlement, Inc., (“PJM Settlement”) shall transfer all of the following charges directly related to Principal’s retail load obligations from Principal’s account(s) to Agent’s account as of the date specified above:

<u>Billing Line Item Number</u>	<u>Billing Line Item</u>
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
1720	RTO Start-up Cost Recovery
1730	Expansion Cost Recovery
1911	Michigan-Ontario Interface Phase Angle Regulators
1930	Generation Deactivation
1932	Generation Deactivation Refund
2120	Other Supporting Facilities
2130	Firm Point-to-Point Transmission Service
2140	Non-Firm Point-to-Point Transmission Service
2640	Incremental Capacity Transfer Rights

PJM Accounts/Subaccounts

Role	Account Long Name	Account Short Name	Org ID
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Principal

Agent

APPENDIX F: DECLARATION OF AUTHORITY

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

PRINCIPAL: _____ (“Principal”)

AGENT: _____ (“Agent”).

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 to act on behalf of Principal for the following specific unit(s) in Principal primary and subaccounts:

Resource Name:

Resource ID:

(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, or as specified in the attached Addendum, 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: _____

**APPENDIX G:
SAMPLE PJM LSE INVOICE**

Page 1 of 4

ID #	Charge Name	Responsible Party
1000	Amount Due for Interest on Past Due Charges	SSO Supplier
1100	Network Integration Transmission Service	Electric Distribution Co.
1108	Transmission Enhancement	Electric Distribution Co.
1110	Direct Assignment Facilities	SSO Supplier / Generator
1120	Other Supporting Facilities	SSO Supplier
1140	Non-Firm Point-to-Point Transmission Service	Generator
1200	Day-ahead Spot Market Energy	SSO Supplier
1205	Balancing Spot Market Energy	SSO Supplier
1210	Day-ahead Transmission Congestion	SSO Supplier
1215	Balancing Transmission Congestion	SSO Supplier
1218	Planning Period Congestion Uplift	SSO Supplier
1220	Day-ahead Transmission Losses	SSO Supplier
1225	Balancing Transmission Losses	SSO Supplier
1230	Inadvertent Interchange	SSO Supplier
1240	Day-ahead Economic Load Response	SSO Supplier
1241	Real-time Economic Load Response	SSO Supplier
1242	Day-ahead Load Response Charge Allocation	Electric Distribution Co.
1243	Real-time Load Response Charge Allocation	Electric Distribution Co.
1245	Emergency Load Response	SSO Supplier
1250	Meter Error Correction	SSO Supplier
1260	Emergency Energy	SSO Supplier
1301	PJM Scheduling - System Control and Dispatch Service - Control Area Administration	Electric Distribution Co.
1302	PJM Scheduling - System Control and Dispatch Service - FTR Administration	SSO Supplier
1303	PJM Scheduling - System Control and Dispatch Service - Market Support	Electric Distribution Co.
1304	PJM Scheduling - System Control and Dispatch Service - Regulation Market Administration	Electric Distribution Co.
1305	PJM Scheduling - System Control and Dispatch Service - Capacity Resource/Obligation Mgmt.	Electric Distribution Co.
1306	PJM Scheduling - System Control and Dispatch Service - Advanced Second Control Center	Electric Distribution Co.
1307	PJM Scheduling - System Control and Dispatch Service - Market Support Offset	Electric Distribution Co.
1308	PJM Scheduling - System Control and Dispatch Service Refund - Control Area Administration	Electric Distribution Co.
1309	PJM Scheduling - System Control and Dispatch Service Refund - FTR Administration	SSO Supplier
1310	PJM Scheduling - System Control and Dispatch Service Refund - Market Support	Electric Distribution Co.

**APPENDIX G:
SAMPLE PJM LSE INVOICE**

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ID #	Charge Name	Responsible Party
1311	PJM Scheduling - System Control and Dispatch Service Refund - Regulation Market Administration	Electric Distribution Co.
1312	PJM Scheduling - System Control and Dispatch Service Refund - Capacity Resource/Obligation Mgmt.	Electric Distribution Co.
1313	PJM Settlement, Inc.	Electric Distribution Co.
1314	Market Monitoring Unit (MMU) Funding	Electric Distribution Co.
1315	FERC Annual Recovery	Electric Distribution Co.
1316	Organization of PJM States, Inc. (OPSI) Funding	Electric Distribution Co.
1317	North American Electric Reliability Corporation (NERC)	Electric Distribution Co.
1318	Reliability First Corporation (RFC)	Electric Distribution Co.
1320	Transmission Owner Scheduling, System Control and Dispatch Service	Electric Distribution Co.
1330	Reactive Supply and Voltage Control from Generation and Other Sources Service	Electric Distribution Co.
1340	Regulation and Frequency Response Service	SSO Supplier
1360	Synchronized Reserve	SSO Supplier
1362	Non-Synchronized Reserve	SSO Supplier
1365	Day-ahead Scheduling Reserve	SSO Supplier
1370	Day-ahead Operating Reserve	SSO Supplier
1371	Day-ahead Operating Reserve for Load Response	SSO Supplier
1375	Balancing Operating Reserve	Electric Distribution Co. / SSO Supplier
1376	Balancing Operating Reserve for Load Response	SSO Supplier
1377	Synchronous Condensing	SSO Supplier
1378	Reactive Services	SSO Supplier
1380	Black Start Service	Electric Distribution Co.
1400	Load Reconciliation for Spot Market Energy	SSO Supplier
1410	Load Reconciliation for Transmission Congestion	SSO Supplier
1420	Load Reconciliation for Transmission Losses	SSO Supplier
1430	Load Reconciliation for Inadvertent Interchange	SSO Supplier
1440	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service	Electric Distribution Co.
1441	Load Reconciliation for PJM Scheduling, System Control and Dispatch Service Refund	Electric Distribution Co.
1442	Load Reconciliation for Schedule 9-6 - Advanced Second Control Center	Electric Distribution Co.
1444	Load Reconciliation for Market Monitoring Unit (MMU) Funding	Electric Distribution Co.
1445	Load Reconciliation for FERC Annual Recovery	Electric Distribution Co.
1446	Load Reconciliation for Organization of PJM States, Inc. (OPSI) Funding	Electric Distribution Co.
1447	Load Reconciliation for North American Electric Reliability Corporation (NERC)	Electric Distribution Co.
1448	Load Reconciliation for Reliability First Corporation (RFC)	Electric Distribution Co.

**APPENDIX G:
SAMPLE PJM LSE INVOICE**

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ID #	Charge Name	Responsible Party
1450	Load Reconciliation for Transmission Owner Scheduling, System Control and Dispatch Service	Electric Distribution Co.
1460	Load Reconciliation for Regulation and Frequency Response Service	SSO Supplier
1470	Load Reconciliation for Synchronized Reserve	SSO Supplier
1472	Load Reconciliation for Non-Synchronized Reserve	SSO Supplier
1475	Load Reconciliation for Day-ahead Scheduling Reserve	SSO Supplier
1478	Load Reconciliation for Balancing Operating Reserve	SSO Supplier
1480	Load Reconciliation for Synchronous Condensing	SSO Supplier
1490	Load Reconciliation for Reactive Services	SSO Supplier
1500	Financial Transmission Rights Auction	SSO Supplier
1600	RPM Auction	Generator
1610	Locational Reliability	SSO Supplier
1650	Auction Specific MW Capacity Transaction	Generator
1660	Demand Resource and ILR Compliance Penalty	Curtailment Service Provider
1661	Capacity Resource Deficiency	Generator
1662	Generation Resource Rating Test Failure	Generator
1663	Qualifying Transmission Upgrade Compliance Penalty	Transmission Owner
1664	Peak Season Maintenance Compliance Penalty	Generator
1665	Peak-Hour Period Availability	Generator
1666	Load Management Test Failure	Curtailment Service Provider
1720	RTO Start-up Cost Recovery	Electric Distribution Co.
1730	Expansion Cost Recovery	Electric Distribution Co.
1911	Michigan-Ontario Interface Phase Angle Regulators	Electric Distribution Co.
1930	Generation Deactivation	Electric Distribution Co.
1932	Generation Deactivation Refund	Electric Distribution Co.
1980	Miscellaneous Bilateral	SSO Supplier / Generator
1995	PJM Annual Membership Fee	SSO Supplier
1999	PJM Customer Payment Default	SSO Supplier
ID #	Credit Name	Responsible Party
2100	Network Integration Transmission Service	Transmission Owner
2106	Non-Zone Network Integration Transmission Service	Transmission Owner
2108	Transmission Enhancement	Transmission Owner
2110	Direct Assignment Facilities	Transmission Owner
2120	Other Supporting Facilities	Electric Distribution Co.
2130	Firm Point-to-Point Transmission Service	Electric Distribution Co.
2140	Non-Firm Point-to-Point Transmission Service	Electric Distribution Co.

APPENDIX G:
SAMPLE PJM LSE INVOICE
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ID #	Credit Name	Responsible Party
2210	Transmission Congestion	SSO Supplier
2217	Planning Period Excess Congestion	SSO Supplier
2218	Planning Period Congestion Uplift	SSO Supplier
2220	Transmission Losses	SSO Supplier
2240	Day-ahead Economic Load Response	Curtailment Service Provider
2241	Real-time Economic Load Response	Curtailment Service Provider
2245	Emergency Load Response	Curtailment Service Provider
2260	Emergency Energy	SSO Supplier
2320	Transmission Owner Scheduling, System Control and Dispatch Service	Transmission Owner
2330	Reactive Supply and Voltage Control from Generation and Other Sources Service	Generator
2340	Regulation and Frequency Response Service	Generator
2360	Synchronized Reserve	Generator
2365	Day-ahead Scheduling Reserve	Generator
2370	Day-ahead Operating Reserve	Generator
2371	Day-ahead Operating Reserve for Load Response	Curtailment Service Provider
2375	Balancing Operating Reserve	Generator
2376	Balancing Operating Reserve for Load Response	Curtailment Service Provider
2377	Synchronous Condensing	Generator
2378	Reactive Services	Generator
2380	Black Start Service	Generator
2420	Load Reconciliation for Transmission Losses	SSO Supplier
2500	Financial Transmission Rights Auction	SSO Supplier
2510	Auction Revenue Rights	SSO Supplier
2600	RPM Auction	Generator
2620	Interruptible Load for Reliability	Curtailment Service Provider
2630	Capacity Transfer Rights	SSO Supplier
2640	Incremental Capacity Transfer Rights	Electric Distribution Co.
2650	Auction Specific Capacity Transaction	Generator
2660	Demand Resource and ILR Compliance Penalty	SSO Supplier
2661	Capacity Resource Deficiency	SSO Supplier
2662	Generation Resource Rating Test Failure	SSO Supplier
2663	Qualifying Transmission Upgrade Compliance Penalty	SSO Supplier
2664	Peak Season Maintenance Compliance Penalty	SSO Supplier
2665	Peak-Hour Period Availability	SSO Supplier / Generator
2666	Load Management Test Failure	SSO Supplier
2912	CT Lost Opportunity Cost Allocation	SSO Supplier
2930	Generation Deactivation	Generator
2932	Generation Deactivation Refund	Generator
2980	Miscellaneous Bilateral	SSO Supplier / Gen
2996	Annual PJM Cell Tower	SSO Supplier
2997	Annual PJM Building Rent	SSO Supplier

RJL-3 DP&L Competitive Bid Process Schedule

[illegible]

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 Master SSO Supply Agreement or the Glossary, which is Appendix B to the Communications Protocols.

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 by the Part 1 Application deadline:

- **Electronic Application Form:** Completed Part 1 Application;
- **PDF Application Form:** One (1) scanned copy of the completed Part 1 Application with all required 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 proposed changes to the Pre-Bid Security Letter of Credit and/or the Form of SSO Supplier Letter of Credit ("Credit Documents"). For foreign Applicants or Guarantors, Credit Documents also include the Legal Opinion of Foreign Counsel along with the Certificate of the Corporate Secretary. Any suggested modifications to the Pre-Bid Security Letter of Credit the Form of SSO Supplier Letter of Credit, the Legal Opinion of Foreign Counsel, or the Certificate of the Corporate Secretary must be provided to the Auction Manager in an electronic, red-lined version. Appendix B describes the process for submitting proposed changes to the Pre-Bid Security Letter of Credit.

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.

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 proposed changes 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.

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 includes the forms to become a Qualified Bidder in The Dayton Power and Light Company's Competitive Bidding Process (CBP).

I. Background Information

Before completing this application, 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 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 through the online Secure Application Process or via email a scanned copy of the Part 1 Application with all required signatures.

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 or through the online Secure Application Process.

Part 1 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

Name of Applicant

IV. Late Applications

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

V. 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.

Part 1 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

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 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

Part 1 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

Name of Applicant

The person designated in this section by the Applicant is the Delegate. The Delegate serves as a secondary point person for communications with the Auction Manager.

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

Part 1 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

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

Part 1 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

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;
- e) The Applicant has never been barred from public bidding or sanctioned for unauthorized disclosure of confidential information; and
- f) The Applicant is unaware of any pending criminal investigation in which the Applicant or Applicant's officers are a possible target.

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 an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently with the SEC. If unavailable, please provide the most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement);
- a) If the Applicant is not an SEC registrant, or if the Applicant does not file the Form 10-K or Form 10-Q with the SEC, please provide most recent annual (audited) and quarterly financial data, including related footnotes, 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;
- b) 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
Shareholders' Equity				

Name of Applicant _____

- c) 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		

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

Name of Applicant

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"/>

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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.

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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

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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:

- b) If the Guarantor is an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently with the SEC. If unavailable, please provide the most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement);
- c) If the Guarantor is not an SEC registrant, or if the Guarantor does not file the Form 10-K or Form 10-Q with the SEC, please provide most recent annual (audited) and quarterly financial data, including related footnotes, 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;
- d) 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
Shareholders' Equity				

Name of Applicant

- e) 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		

- f) 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"/>

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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

Is the Applicant relying on the financial standing of a foreign entity ("Foreign Guarantor")?

Yes ☐ No ☐

If yes to this question, please complete all information required in this section.

The Authorized Representative of the Foreign Applicant must make the following certification:

I acknowledge that if the Foreign Applicant becomes an SSO Supplier, the Foreign Applicant will supply the following to Dayton Power and Light Company under the Master SSO Supply Agreement:

- (i) 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) the Master SSO Supply 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 Master SSO Supply Agreement and the performance by the SSO Supplier of its obligations thereunder; and
- (ii) the sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the person executing the Master SSO Supply Agreement on behalf of the SSO Supplier has the authority to execute the Master SSO Supply Agreement and that the governing board of such SSO Supplier has approved the execution of the Master SSO Supply Agreement.

Signature of Authorized Representative

Date

The Authorized Representative has acknowledged in the immediately preceding certification that additional documents are required under the Master SSO Supply Agreement. The Authorized Representative is required to submit a draft of these documents with its Part 1 Application.

Please check below the draft documents that you are submitting with your Part 1 Application:

Name of Applicant

☐ Draft 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) the Master SSO Supply 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 Master SSO Supply Agreement and the performance by the SSO Supplier of its obligations thereunder.

☐ Draft sworn certificate of the corporate secretary (or similar officer) of such SSO Supplier that the person executing the Master SSO Supply Agreement on behalf of the SSO Supplier has the authority to execute the Master SSO Supply Agreement and that the governing board of such SSO Supplier has approved the execution of the Master SSO Supply Agreement.

The Auction Manager will provide an assessment of the acceptability of the draft documents with the bidder's Part 1 Notification.

Representations and Required Documents for Applicant Relying on Foreign Guarantor

The Authorized Representative relying on a Foreign Guarantor must make the following certification:

I acknowledge that if the Applicant becomes an SSO Supplier, the following must be supplied to the Dayton Power and Light Company under the Master SSO Supply Agreement in order for the Applicant to rely on the Foreign Guarantor:

(i) 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 Total Exposure Amount Guaranty and the Independent Credit Threshold 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 Total Exposure

Name of Applicant

Amount Guaranty and the Independent Credit Threshold Guaranty and the performance by the Guarantor of its obligations thereunder; and

(ii) the sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Total Exposure Amount Guaranty and the person executing the Independent Credit Threshold Guaranty on behalf of the Guarantor has the authority to execute the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty, and that the governing board of such Guarantor has approved the execution of the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty.

Signature of Authorized Representative

Date

The Authorized Representative has acknowledged in the immediately preceding certification that additional documents are required under the Master SSO Supply Agreement. The Authorized Representative is required to submit a draft of these documents with its Part 1 Application.

Please check below the draft documents that you are submitting with your Part 1 Application:

☐ Draft 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 Total Exposure Amount Guaranty and the Independent Credit Threshold 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 Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty and the performance by the Guarantor of its obligations thereunder.

☐ Draft sworn certificate of the corporate secretary (or similar officer) of such Guarantor that the person executing the Total Exposure Amount Guaranty and the person executing the Independent Credit Threshold Guaranty on behalf of the Guarantor has the authority to execute the Total Exposure Amount

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Name of Applicant

Guaranty and the Independent Credit Threshold Guaranty, and that the governing board of such Guarantor has approved the execution of the Total Exposure Amount Guaranty and the Independent Credit Threshold Guaranty.

The Auction Manager will provide an assessment of the acceptability of the draft documents with the Bidder's Part 1 Notification.

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 limitation 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

- g) Please certify that you are unaware of any pending criminal investigation in which the Guarantor or the Guarantor's Officers are a possible target.

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.

Name of Applicant

1.10 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

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Name of Applicant

1.11 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 an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently with the SEC. If unavailable, please provide the most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.7]
- ☐ If the Applicant is not an SEC registrant, or if the Applicant does not file the Form 10-K or Form 10-Q with the SEC, please provide most recent annual (audited) and quarterly financial data, including related footnotes, 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 an SEC registrant, provide the Form 10-Q or Form 10-K, whichever was filed most recently with the SEC. If unavailable, please provide the most recent audited quarterly or annual financial information (including a balance sheet, income statement, and cash flow statement) [Section 1.8]
- ☐ If the Guarantor is not an SEC registrant, or if the Guarantor does not file the Form 10-K or Form 10-Q with the SEC, please provide most recent annual (audited) and quarterly financial data, including related footnotes, 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 1.8]
- ☐ 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]

Name of Applicant

Appendix B – Proposing Changes to the Pre-Bid Security Letter of Credit

The standard form of the Pre-Bid Security 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 propose changes to the Pre-Bid Security Letter of Credit clearly identifying the 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 Pre-Bid Security 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 proposed changes to the Pre-Bid Security 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 modified Pre-Bid Security 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:
 - (i) The proposed changes to the Pre-Bid Security Letter of Credit are acceptable to The Dayton Power and Light Company in the form in which they were submitted.
 - (ii) The proposed changes to the Pre-Bid Security Letter of Credit are not acceptable to The Dayton Power and Light Company in the form in which they were 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 changes to the Pre-Bid Security Letter of Credit are not acceptable to The Dayton Power and Light Company.

Part 1 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

Name of Applicant

- If specific changes are required pursuant to (ii) above, the Applicant will be required to resubmit the Pre-Bid Security Letter of Credit with the 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.

End of Part 1 Application

Sample

PRE-BID SECURITY - LETTER OF CREDIT

_____ [Date]

Letter of Credit No. _____

To: The Dayton Power and Light Company
c/o Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: (617) 425-3365

1. We hereby establish in your favor this irrevocable Letter of Credit (this "Letter of Credit") for the account of _____ ("the Bidder"), in the amount of \$_____, effective immediately and available to you at sight upon demand at our counters at _____ [location] and expiring on _____ [date] which is 60 calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.
2. This Letter of Credit is issued at the request of the Bidder, 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 11 hereof. This Letter of Credit may be drawn by presenting a certificate from you stating that the Bidder:
 - a) "has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted by the Bidder to participate in the Dayton Power and Light's Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement"; or
 - b) "has violated the bidding rules for the Dayton Power and Light's Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement"; or
 - c) "has a winning bid in the Dayton Power and Light's Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement and has failed to execute the Master Standard Service Offer Supply Agreement within three (3) Business Days of the acceptance of the results by the Commission"; or
 - d) "has a winning bid in the Dayton Power and Light's Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement and has failed to meet the creditworthiness requirements of the Master Standard Service Offer Supply Agreement within three (3) Business Days of the acceptance of the results by the Commission".

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 in the form of Annex 1 hereto, appropriately completed and duly signed by an Authorized Officer of Dayton Power and Light and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of The Dayton Power and Light Company.
4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions 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 accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 PM (prevailing Eastern Time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 AM (prevailing Eastern Time) on a Business Day pursuant to Paragraph 3 hereof, 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 on or after 11:00 AM (prevailing Eastern Time) on any Business Day pursuant to Paragraph 3 hereof.
5. 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, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.
6. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, or (iii) the above-stated expiration date hereof.
7. As used herein:

“Authorized Officer” means President, Treasurer, any Vice President or any Assistant Treasurer or any other person holding an equivalent title.

“Business Day” means 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.
8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practices for Documentary Credits – 2007 revision, ICC Publication No. 600, or any successor publication thereto (the “UCP”). All banking charges are for the account of the Bidder. 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.

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

9. 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 3 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.
10. We certify that as of _____[date] we _____ [Bank] satisfy the minimum long-term senior unsecured debt rating of "A-" from Standard & Poor's Rating Services and "A3" from Moody's Investors Service, Inc.
11. 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. Drafts showing amounts in excess of amounts available under this Letter of Credit are acceptable, however, in no event will payment exceed the amount available to be drawn under this Letter of Credit.
12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number _____ and confirmed by telephone to our Standby Letter of Credit Unit at _____.
13. 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.
14. This original Letter of Credit has been sent to the Auction Manager for the Dayton Power and Light's Competitive Bidding Process:

Attn: Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: 617-425-3365

We understand that the Auction Manager holds the Letter of Credit for the benefit of The Dayton Power and Light Company. 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 or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of The Dayton Power and Light Company. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Officer of The Dayton Power and Light Company.

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 aggregate amount of \$_____, inasmuch as the Bidder has _____ (state reason from conditions (a) – (d) of Paragraph 2).
3. The amount to be received by The Dayton Power and Light Company is \$_____.
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 pursuant to Paragraph 4]

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

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: _____ [Bidder]

Sample Letter of Intent to Provide a Guaranty

_____ [Date]

To: The Dayton Power and Light Company
c/o Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: (617) 425-3365

Ladies and Gentlemen,

We have been asked to provide a financial guaranty on behalf of _____ (“Bidder”) should Bidder become a Standard Service Offer Supplier pursuant to its bid in the Dayton Power and Light’s Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement.

Our relationship with Bidder is that of _____ [parent, affiliate, etc.]. Our senior unsecured debt rating meets the Minimum Rating as defined in the Master Standard Service Offer Supply Agreement. We have confidence in Bidder’s management and in its project development, implementation and operational capabilities.

Should there be no material change in affairs, we would consider providing a financial guaranty on behalf of Bidder, such that our liability does not exceed \$_____ [amount]. We understand that this amount would be in addition to any guaranty that we have currently provided on behalf of Bidder. This letter, however, should not and cannot be taken as an indication of financing commitment of any kind whatsoever, or an absolute commitment to provide a financial guaranty. Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature of Representative of Guarantor

[name] and [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly impair _____ [Guarantor]’s assessment or its ability to provide us with the support described above.

Authorized signature of Representative of Bidder

[name] and [title]

Samples for Letter of Reference

SAMPLE 1

_____ [Date]

Letter of Reference No. _____

To: The Dayton Power and Light Company
c/o Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: (617) 425-3365

Ladies and Gentlemen,

We _____ (“the Bank”) are currently the agent on a \$_____ [amount] revolving credit facility to _____ (“Bidder”). At this time, there is sufficient unused availability under the credit facility to issue a letter of credit in the amount of \$_____ [amount] on behalf of Bidder in support of its bid in the Dayton Power and Light’s Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement. We have had a relationship with Bidder since _____ [date]. Our relationship with Bidder remains in good standing.

We certify that we, the Bank, satisfy the minimum senior unsecured debt rating of “A-“ from Standard & Poor’s and “A3” from Moody’s. Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
Bank
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of reference in good faith, and that we know of no action on our part that would significantly alter the unused availability under the credit facility mentioned above, or otherwise impair _____ [Bank]’s ability to provide us with the support described above.

Authorized signature
Bidder
[name] [title]

SAMPLE 2

_____ [Date]

Letter of Reference No. _____

To: The Dayton Power and Light Company
c/o Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: (617) 425-3365

Ladies and Gentlemen:

We _____ (“the Bank”) are currently the agent on the credit agreements to _____ (“Bidder”). Bidder has _____ [amount] of unused credit facilities at our bank available for borrowing under the terms and conditions of these credit agreements. Such a loan could be used as a cash deposit in support of Bidder’s bid in Dayton Power and Light’s Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement. We have had a relationship with Bidder since _____ [date]. Our relationship with Bidder remains in good standing.

We certify that we, the Bank, satisfy the minimum senior unsecured debt rating of “A-“ from Standard & Poor’s and “A3” from Moody’s. Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
[Bank]
[name] [title]

Ladies and Gentlemen,

We _____ [Bidder] certify that we have obtained this letter of reference in good faith, and that we know of no action on our part that would significantly alter the amount of unused credit facilities mentioned above, or otherwise impair _____ [Bank]’s ability to provide us with the support described above.

Authorized signature
[Bidder]
[name] [title]

SAMPLE 3

_____ [Date]

Letter of Reference No. _____

To: The Dayton Power and Light Company
c/o Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: (617) 425-3365

Ladies and Gentlemen,

We have been asked to provide a letter of reference on behalf of _____ (“Bidder”) relative to its intentions to bid in the Dayton Power and Light’s Competitive Bidding Process for purposes of procuring supply under the Master Standard Service Offer Supply Agreement. Our relationship with Bidder has been extensive and has included involvement in a credit facility for \$ _____[amount] with aggregate lending commitments in excess of \$ _____[amount].

Should there be no material change in affairs, we would consider extending a letter of credit to Bidder in an amount not to exceed \$ _____[amount]. This letter, however, should not and cannot be taken as an indication of financing commitment or guaranty of any kind whatsoever, or an absolute commitment to provide any other services.

We certify that we _____ (“Bank”) satisfy the minimum senior unsecured debt rating of “A-“ from Standard & Poor’s and “A3” from Moody’s. Please feel free to call us if you require any additional information.

Sincerely,

Authorized signature
[Bank]
[name] [title]

Ladies and Gentlemen,

We _____[Bidder] certify that we have obtained this letter of reference in good faith, and that we know of no action on our part that would significantly impair _____[Bank]’s assessment or its ability to provide us with the support described above.

Authorized signature
[Bidder]
[name] [title]

To: The Dayton Power and Light Company

Certificate

I, _____ (Name of Officer) of _____ (the “Guarantor”), a company incorporated and registered in _____ (Place of Incorporation), refer to the guaranty agreement dated [date] by the Guarantor in favor of the Dayton Power and Light Company in respect to certain obligations of _____ (the “Supplier”) under the Master Standard Service Offer (“SSO”) Supply Agreement (the “Guaranty”).

Terms defined in the Guaranty shall, unless otherwise specified herein, have the same meanings when used in this Certificate.

I HEREBY CERTIFY THAT:

1. I am authorized to give this Certificate.
2. The person(s) executing the Guaranty on behalf of the Guarantor have the requisite authority to execute the Guaranty, and the governing board of _____ (the Guarantor) has approved the execution of the Guaranty.

Signature of Officer

Name: _____

Title: _____

For and on behalf of _____ (the “Guarantor”)

To: The Dayton Power and Light Company

Certificate

I, _____ (Name of Officer) of _____ (the “Supplier”), a company incorporated and registered in _____ (Place of Incorporation), refer to the Master Standard Service Offer Supply Agreement (“SSO Agreement”) between The Dayton Power and Light Company (the “Buyer”) and _____ (the “Supplier”) executed by the Supplier on [date].

Terms defined in the SSO Agreement shall, unless otherwise specified herein, have the same meanings when used in this Certificate.

I HEREBY CERTIFY THAT:

1. I am authorized to give this Certificate.
2. The person(s) executing the SSO Agreement on behalf of the Supplier have the requisite authority to execute the SSO Agreement, and the governing board of _____ (the Supplier) has approved the execution of the SSO Agreement.

Signature of Officer

Name: _____

Title: _____

For and on behalf of _____ (the “Supplier”)

Sample Legal Opinion of Foreign Guarantor's Counsel

Winning Suppliers relying on the financial standing of a foreign guarantor must submit along with the Master Standard Service Offer ("SSO") Supply Agreement (i) a legal opinion regarding the enforceability of the guaranty in the foreign jurisdiction, and (ii) a sworn certificate attesting the authority of the signatory to the Guaranty. These requirements are detailed in Section 6.4 and Section 6.6 of the Master Standard Service Offer ("SSO") Supply Agreement.

This document is a sample legal opinion that is acceptable to The Dayton Power and Light Company.

[OPINION OF GUARANTOR'S COUNSEL]

_____ [Date]

To: The Dayton Power and Light Company
c/o Robert Lee, Auction Manager
CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: (617) 425-3365

Ladies and Gentlemen:

We have acted as counsel to _____ (the "Guarantor") with respect to a Guaranty Agreement, dated as of _____ (the "Guaranty") issued by the Guarantor in relation to a Master Standard Service Offer ("SSO") Supply Agreement between The Dayton Power and Light Company (the "Buyer") and _____ (the "Supplier") executed by Supplier on [date] (herein "SSO Agreement"). Unless otherwise defined in this opinion, capitalized terms are used herein as defined in the SSO Agreement.

In acting as counsel to the Guarantor, we have examined the SSO Agreement executed by the Supplier and the original Guaranty issued by the Guarantor, including all schedules, appendices and attachments. We have also examined such other documents, records and instruments and made such examination of law, as we have deemed necessary in connection with the opinions set forth below.

We have assumed the genuineness of all signatures (other than signatures of officers of the Guarantor), the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, photostatic or facsimile copies, the authenticity of the originals of all documents submitted to us as copies, and that the documents reviewed by us, other than the Guaranty and the SSO Agreement, have not been modified, amended, changed or supplemented in any material respect after the respective dates of our review thereof. We acknowledge and recognize in providing this opinion that the SSO Agreement is the legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms.

On the basis of the foregoing, we are of the opinion that:

1. The Guarantor is duly organized and validly existing in good standing under the laws of _____ [jurisdiction of incorporation or organization], and has the requisite power and authority to execute, deliver and perform its obligations under the Guaranty, and is an affiliate of the Supplier.
2. The execution and delivery by the Guarantor of, and the performance by the Guarantor of its obligations under, the Guaranty, have been duly authorized by all necessary [corporate, limited liability, partnership or other] action.
3. The Guaranty has been duly executed and delivered by the Guarantor and constitutes the

legally valid and binding agreement of the Guarantor, enforceable against the Guarantor in accordance with its terms.

4. No permits, licenses, authorizations, consents or approvals by or from, or filings or registrations with, any governmental authority or agency in [specified jurisdiction] are required in connection with the execution, delivery or performance by the Guarantor of the Guaranty which have not been obtained or made.
5. The execution and delivery by the Guarantor of the Guaranty, and compliance by the Guarantor with the provisions thereof, do not and will not (i) result in a violation of the organizational or constitutive documents of the Guarantor, or (ii) conflict with or constitute a breach of any applicable law or regulation of [specified jurisdiction of Guarantor] or Ohio and the Guarantor is domiciled in a country that recognizes and enforces judgments of US courts, and Guarantor will maintain an agent for acceptance of service of process in Ohio for purposes of the SSO Agreement.
6. The payment obligations of the Guarantor under the Guaranty constitute unsubordinated general obligations of the Guarantor and rank at least pari passu with all unsecured and unsubordinated obligations of the Guarantor.
7. A final judgment rendered by a US court in respect of the Guaranty, is capable of being given effect directly against the Guarantor by the courts of Guarantor's domicile, without a new trial.

The opinions expressed herein are limited to the laws of [specified jurisdiction of Guarantor] and Ohio, and we express no opinion as to the laws of any other jurisdiction.

This opinion letter is effective only as of the date hereof. We do not assume responsibility for updating this opinion letter as of any date subsequent to its date, and we assume no responsibility for advising you of any changes with respect to any matters described in this opinion letter that may occur, or facts that may come to our attention, subsequent to the date hereof.

This opinion is rendered to the addressees hereof and is intended solely for their benefit in connection with the transactions described herein. This opinion may not be relied upon by such addressees or any other person or entity for any other purpose, or quoted or furnished to or relied upon by any other person, firm or corporation for any purpose, without our prior written consent.

Very truly yours,

Sample Legal Opinion of Foreign Supplier's Counsel

Winning Suppliers that have not been organized under the laws of the United States must submit along with the Master Standard Service Offer ("SSO") Supply Agreement (i) a legal opinion regarding the enforceability of the SSO Agreement in the foreign jurisdiction, and (ii) a sworn certificate attesting the authority of the signatory to the SSO Agreement. These requirements are detailed in Section 6.4 and Section 6.6 of the Master Standard Service Offer ("SSO") Supply Agreement.

This document is a sample legal opinion that is acceptable to The Dayton Power and Light Company.

[OPINION OF SUPPLIER'S COUNSEL]

_____ [Date]

To: The Dayton Power and Light Company

c/o Robert Lee, Auction Manager

CRA International, Inc.

200 Clarendon Street, T-9

Boston, MA 02116-5092

Phone: (617) 425-3365

Ladies and Gentlemen:

We have acted as counsel to _____ (the "Supplier") with respect to a Master Standard Service Offer ("SSO") Supply Agreement between The Dayton Power and Light Company (the "Buyer") and _____ (the "Supplier") executed by the Supplier on [date] (herein "SSO Agreement"). Unless otherwise defined in this opinion, capitalized terms are used herein as defined in the SSO Agreement.

In acting as counsel to the Supplier, we have examined the SSO Agreement executed between the Supplier and the Buyer, including all schedules, appendices and attachments. We have also examined such other documents, records and instruments and made such examination of law, as we have deemed necessary in connection with the opinions set forth below.

We have assumed the genuineness of all, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed, photostatic or facsimile copies, the authenticity of the originals of all documents submitted to us as copies, and that the documents reviewed by us, other than SSO Agreement, have not been modified, amended, changed or supplemented in any material respect after the respective dates of our review thereof. We acknowledge and recognize in providing this opinion that the SSO Agreement is the legal, valid and binding obligation of the Buyer, enforceable against the Buyer in accordance with its terms.

On the basis of the foregoing, we are of the opinion that:

1. The Supplier is duly organized and validly existing in good standing under the laws of _____ [jurisdiction of incorporation or organization].
2. The execution and delivery by the Supplier of, and the performance by the Supplier of its obligations under, the SSO Agreement, have been duly authorized by all necessary [corporate, limited liability, partnership or other] action.

3. The SSO Agreement has been duly executed and delivered by the Supplier and constitutes the legally valid and binding agreement of the Supplier, enforceable against the Supplier in accordance with its terms.
4. No permits, licenses, authorizations, consents or approvals by or from, or filings or registrations with, any governmental authority or agency in [specified jurisdiction] are required in connection with the execution, delivery or performance by the Supplier of the SSO Agreement which have not been obtained or made.
5. The execution and delivery by the Supplier of the SSO Agreement, and compliance by the Supplier with the provisions thereof, do not and will not (i) result in a violation of the organizational or constitutive documents of the Supplier, or (ii) conflict with or constitute a breach of any applicable law or regulation of [specified jurisdiction of Supplier] or Ohio and the Supplier is domiciled in a country that recognizes and enforces judgments of US courts, and Supplier will maintain acceptance of service of process in Ohio for purposes of the SSO Agreement.
6. The payment obligations of the Supplier under the SSO Agreement constitute unsubordinated general obligations of the Supplier and rank at least pari passu with all unsecured and unsubordinated obligations of the Supplier.
7. A final judgment rendered by a US court in respect of the SSO Agreement, is capable of being given effect directly against the Supplier by the courts of Supplier's domicile, without a new trial.

The opinions expressed herein are limited to the laws of [specified jurisdiction of Supplier] and Ohio, and we express no opinion as to the laws of any other jurisdiction.

This opinion letter is effective only as of the date hereof. We do not assume responsibility for updating this opinion letter as of any date subsequent to its date, and we assume no responsibility for advising you of any changes with respect to any matters described in this opinion letter that may occur, or facts that may come to our attention, subsequent to the date hereof.

This opinion is rendered to the addressees hereof and is intended solely for their benefit in connection with the transactions described herein. This opinion may not be relied upon by such addressees or any other person or entity for any other purpose, or quoted or furnished to or relied upon by any other person, firm or corporation for any purpose, without our prior written consent.

Very truly yours,

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 Master SSO Supply Agreement or the Glossary, which is Appendix B to the Communications Protocols.

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 by the Part 2 Application deadline:

- **Electronic Application Form:** Completed Part 2 Application;
- **PDF Application Form:** One (1) scanned copy of the completed Part 2 Application with all required 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 Pre-Bid Security Letter of Credit, and/or cash 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.

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 Pre-Bid Security 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.

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 includes the forms to become a Registered Bidder in The Dayton Power and Light Company's Competitive Bidding Process (CBP).

I. Background Information

Before completing this application, 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 through the online Secure Application Process or via email a scanned copy of the Part 2 Application with all required signatures.

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 or through the online [Secure Application Process](#).

IV. Late Applications

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

Name of Applicant

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 or [through the online Secure Application Process](#).

VI. Deficient Pre-Bid Security

If your pre-bid security is insufficient for your Indicative Offer, or if your 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 acceptable and sufficient Pre-Bid Security. 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.

VIII. 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.

Part 2 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

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

Part 2 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

Name of Applicant

Delegate's Contact Information

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

NOTE: The Authorized Representative and Delegate should be the same contact information that was provided in the Part 1 Application. Please email dpandl.auctionmanager@crai.com if there are any changes to this information prior to the deadline for making changes as outlined in Section V above.

Name of Applicant

2.2 Indicative Offer and Pre-Bid Security

In Table 2.1 below, provide your Indicative Offer at the Minimum Starting Price and the Maximum Starting Price for each product in the auction. Your Indicative Offer should be the maximum number of Tranches that you would be willing to supply at the Starting Prices for the auction subject to the limitations of any applicable credit-based tranche limit and any applicable Load Cap for the auction. In the auction itself, you are not required to bid the number of Tranches in your Indicative Offer. However, your Initial Eligibility to bid in the auction will be determined by the total number of Tranches across the products in your Indicative Offer at the Maximum Starting Price.

You are required to submit a Pre-Bid Security Letter of Credit or cash deposit for an amount equal to \$250,000 multiplied by the total number of Tranches in your Indicative Offer at the Maximum Starting Price. If you were required to do so, please provide additional Pre-Bid Security in an acceptable form. Instructions regarding the amount of the Letter of Reference and the amount of the Letter of Intent to Provide a Guaranty are provided in Table 2.1. Credit Documents The Pre-Bid Security Letter of Credit in support of your Pre-Bid Security should be in the form provided on the Information Website or as approved in modified form during the Part 1 Application process.

Please check here ☐ if you are submitting a cash deposit as Pre-Bid Security.

Please check here ☐ if you are submitting a Letter of Credit as Pre-Bid Security.

Please check here ☐ if you are submitting a Letter of Intent to Provide a Guaranty from the named Guarantor on the Part 1 Application Forms [Section 1.8] as additional Pre-Bid Security.

Please check here ☐ if you are submitting a Letter of Reference from a bank as additional Pre-Bid Security.

Complete Table 2.1 to include the amounts of the cash deposits, Pre-Bid Security Letter of Credit and/or other additional Pre-Bid Security that you are providing with this Part 2 Application.

Name of Applicant

Table 2.1 Indicative Offer and Pre-Bid Security

Indicative Offer (Number of Tranches)	Tranches @ Min Starting Price	Tranches @ Max Starting Price
XX-month supply period Starting Price: Minimum=\$xx.xx/MWh Maximum=\$xx.xx/MWh	_____	_____
Amount of Cash Deposit or Letter of Credit All Bidders: This amount is equal to \$250,000 multiplied by the number of Tranches at Max Starting Price		_____ Cash _____ LoC
Amount of Additional Pre-Bid Security If required, this amount is equal to \$500,000 multiplied by the number of Tranches at Max Starting Price. NOTE: Stand-alone investment-grade companies with a sufficient Independent Credit Threshold (ICT) to cover the amount of additional Pre-Bid Security calculated above are not required to post additional security. All other Bidders are required to post additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty and/or a Letter of Reference for an amount not to exceed their ICT. If necessary, additional cash or a Letter of Credit may be provided in lieu of a Letter of Reference.		_____
<ul style="list-style-type: none"> Please enter the amount of additional Pre-Bid Security in the form of a Letter of Intent to Provide a Guaranty in the box on the right. NOTE: This is an option for companies with an investment-grade guarantor. 		_____
<ul style="list-style-type: none"> Please enter the amount of additional Pre-Bid Security in the form of a Letter of Reference in the box on the right. NOTE: This is an option for companies without an investment grade rating and/or with a below-investment grade guarantor. 		_____
<ul style="list-style-type: none"> Please enter the amount of additional Pre-Bid Security in the form of cash deposit or Letter of Credit in the box on the right. NOTE: This is an option for companies unable to provide a Letter of Reference of sufficient magnitude to cover the additional Pre-Bid Security amount. 		_____ Cash _____ LoC

Name of Applicant

If you are submitting a Pre-Bid Security Letter of Credit, in the space below, please provide instructions for returning the Pre-Bid Security Letter of Credit once it can be cancelled. If you submit a Pre-Bid Security Letter of Credit and leave this field blank, the Pre-Bid Security Letter of Credit will be returned to the issuing bank once it can be cancelled.

If you are submitting a cash deposit, please attach a copy of your W9 (for tax ID) and a copy of your banking information on your company's letterhead (signed and dated) and, in the space below, please provide wiring instructions for returning your cash deposit.

Name of Applicant

- (2) Please certify that, other than parties explicitly named in Section 1.11 of your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the CBP, or Bidding Consortium or other arrangement pertaining to bidding in the CBP, you have not entered into any agreement with another Qualified Bidder, directly or indirectly, regarding bids in the CBP, including, but not limited to, the amount to bid at certain prices, when or at what prices bids are to be withdrawn, or the amount of exit prices.

Signature of Authorized Representative

Date

- (3) Please certify that any person who will be advising or assisting you with bidding strategy in the CBP, with estimation of the value of Tranches, or with the estimation of the risks associated with serving SSO Load (an **advisor**) will either (i) not provide any similar advice or assistance to any other Qualified Bidder; or (ii) if such person will provide similar advice or assistance to another Qualified Bidder, or if such person will be privy to Confidential Information relative to any other Qualified Bidder's bidding strategy, that appropriate protections have been put into place to ensure that the advisor does not serve as a conduit of information between, or as a coordinator of the bidding strategies of, multiple bidders, and please describe such appropriate protections in the space below.

Signature of Authorized Representative

Date _____

If unable to make certification (3) requested above please name the advisor(s) and the Qualified Bidder(s) concerned.

Name of Applicant

- (5) Please certify that you do not have any knowledge of Confidential Information that is relevant to the bidding strategy of any other Qualified Bidder.

Signature of Authorized Representative

Date

If unable to make certification (5) requested above please name the other Qualified Bidder(s) and the nature of the Confidential Information

- (6) Please certify that you will not disclose Confidential Information relative to your bidding strategy except to bidders that were explicitly named in your Part 1 Application as parties with whom you have entered into a Bidding Agreement, Joint Venture for the purpose of bidding in the CBP, or Bidding Consortium or other arrangement pertaining to bidding in the CBP, Bidders with which you are associated as disclosed through certification (1), to your advisors, and to your financial institution.

Signature of Authorized Representative

Date

If unable to make certification (6) requested above please explain.

Name of Applicant

- (7) Please certify that, other than entities with which you are affiliated and other than bidders with which you have entered a Bidding Agreement, or Joint Venture for purposes of the CBP, or Bidding Consortium, or other arrangement pertaining to the CBP, no party has agreed to defray any of the costs of participating in the CBP, including the cost of preparing the bid, the cost of any financial guarantees, the cost to be paid upon winning a Tranche, and any other participation cost.

Signature of Authorized Representative

Date

If unable to make certification (7) requested above please explain.

- (8) Please certify your agreement that the submission of any bid in the CBP creates a binding and irrevocable offer to provide service under the terms set forth in the Master SSO Supply Agreement and that a binding and enforceable contract to provide service with respect to the number of Tranches for which you were a winner in the CBP shall arise under the Master SSO Supply Agreement. Please note that failure to execute the Master SSO Supply Agreement within three (3) Business Days of the conclusion of the CBP may result in the forfeiture of the Pre-Bid Security Letter of Credit.

Signature of Authorized Representative

Date

If unable to make certification (8) requested above please explain.

Name of Applicant

2.4 Ongoing Obligations

Please note that all obligations, terms and conditions set forth in the Bidding Rules and Master SSO Supply Agreement remain in effect and apply to the certifications made herein, including but not limited to the following:

- Section 4.2.3 of the Bidding Rules - Sanctions may be imposed on a Bidder for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the Master SSO Supply Agreement, loss of all rights to provide supply for The Dayton Power and Light Company to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding processes, and other sanctions that may be appropriate.

Part 2 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

Name of Applicant

2.5 Justification of Omissions

If you are unable to provide all documents or all information requested in this Part 2 Application, please justify fully any omissions in the space provided below.

Part 2 Application: The Dayton Power and Light Company's CBP Auctions

Attachment RJL-4

Name of Applicant

Appendix A – Enclosures to the Part 2 Application

This is a checklist of documents to be enclosed with this Part 2 Application.

- ☐ One copy of completed Part 2 Application forms (with all required signatures)
- ☐ One copy of W9 Form (for Tax ID) and one copy of banking information on your company's letterhead (signed and dated) (if submitting Cash Deposit as Pre-Bid Security) [Section 2.2]
- ☐ Pre-Bid Security Letter of Credit (if applicable) [Section 2.2]
- ☐ Letter of Intent to Provide a Guaranty (if applicable) [Section 2.2]
- ☐ Letter of Reference (if applicable) [Section 2.2]
- ☐ Other forms of alternative security (if applicable) [Section 2.2]

End of Part 2 Application



Attachment RJL-5

Bidding Rules for

The Dayton Power and Light Company's

CBP Auctions

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Bidding Rules for The Dayton Power and Light Company's CBP Auctions

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1. INTRODUCTION

These Bidding Rules apply to the competitive bidding process ("CBP") auctions to procure supply for the provision of Standard Service Offer supply ("SSO Supply") for all of the retail customers that take retail generation service from The Dayton Power and Light Company.

Bidders also need to be familiar with other documents for the auctions including the Master Standard Service Offer Supply Agreement ("Master SSO Supply Agreement"), the Part 1 Application, the Part 2 Application, and the Communications Protocols. Bidders also should visit the Information Website regularly for up-to-date information including information specific to each auction.

The URL for the Information Website is <http://www.dpandlpowerauctions.com>. It contains relevant data, the schedule and key dates for participating in the auction process, frequently asked questions, and other information.

Unless noted otherwise, "days" refer to business days and times refer to prevailing Eastern Time. Unless noted otherwise, all capitalized terms are defined in Appendix B to the Communication Protocols, the Glossary, available on the CBP Information Website.

Examples in this document are illustrative only.

These Bidding Rules may be modified from time to time by the Auction Manager in order to: (i) facilitate a more competitive CBP, (ii) make any necessary corrections and/or clarifications, (iii) account for any change in CBP products, (iv) conform to any change in state or federal law or rule, and (v) apply any change deemed necessary at the discretion of the Auction Manager. Such modifications will be carried out in consultation with The Dayton Power and Light Company but without prior consent from the Public Utilities Commission of Ohio ("PUCO" or "Commission") or any past, current, or potential bidder and will be posted to the Information Website.

1.1 Auction Manager

The Auction Manager is CRA International, Inc. d/b/a Charles River Associates, Inc. The Auction Manager can be contacted by sending an email to dpandl.auctionmanager@crai.com. The full contact information for the Auction Manager is as follows:

CRA International, Inc.
200 Clarendon Street, T-9
Boston, MA 02116-5092
Phone: 617.425.3365
Fax: 617.425.6574
dpandl.auctionmanager@crai.com
Attn: Robert Lee Vice President/ Auction Manager

2. THE PRODUCTS BEING PROCURED

This section summarizes the common elements of the products to be procured in the auctions. The Information Website provides details about the products to be procured in a specific auction, including the delivery periods, the number of tranches, and the nominal MW size of the tranches.

2.1 SSO Load

Standard Service Offer ("SSO") Load will be The Dayton Power and Light Company's aggregate requirements for SSO Service for SSO Customers and it will include distribution losses. For purposes of these Bidding Rules, an "SSO Customer" is a retail customer of The Dayton Power and Light Company taking Standard Service Offer.

SSO Load will exclude the requirements of customers served by Competitive Retail Electric Service suppliers ("CRES Suppliers"). CRES Suppliers are certified by the PUCO and serve shopping customers.

SSO Load will also include the requirements of customers served via the Percentage of Income Payment Plan ("PIPP Customers") unless or until Ohio Development Services Agency (ODSA) initiates and accepts a PIPP aggregation effort. For purposes of the CBP auctions, a PIPP customer is defined as any customer who is a PIPP customer as of June 1, 2017 and any customer who thereafter is enrolled in the PIPP program.

SSO Load will include the requirements of any Unique Arrangement Customers of The Dayton Power and Light Company who are served under special contracts.

2.2 Full Requirements Service

The auctions are designed to procure all elements of full requirements service for SSO Customers of The Dayton Power and Light Company. Winning bidders will assume all responsibilities of a Load Serving Entity ("LSE") and will be responsible for supplying all obligations associated with full requirements service. Full requirements service includes energy, capacity, Ohio renewable energy requirements, market-based transmission service and market-based transmission ancillaries and any other LSE service or other service as may be required by PJM to serve the SSO Load of The Dayton Power and Light Company.

SSO Load may decrease during the Delivery Period due to customers who switch service to a Competitive Retail Electric Service supplier (CRES) and SSO Load may increase during the Delivery Period due to customers who had previously switched service to a CRES supplier but have chosen to return to SSO. Because each tranche reflects a percentage of DP&L's SSO customer load, a Winning Bidder may experience either increased or decreased supply responsibilities between the start of the Delivery Period and the end of the Delivery Period.

The Dayton Power and Light Company will provide distribution services and will be responsible for Network Integrated Transmission Services ("NITS") charges and for other non-market-based FERC approved transmission charges for shopping and non-shopping load.

Full requirements service and the LSE obligations of winning bidders are defined in the Master SSO Supply Agreement.

2.3 Tranches

SSO Load will be divided into identical units called tranches, each representing an equivalent percentage of SSO Load. Each tranche represents one percent (1%) of the actual hourly energy required for SSO Load for the applicable delivery period as well as one percent (1%) of the PJM capacity requirement for the applicable delivery period.

The number of tranches intended to be procured for each product in the auction is referred to as the "tranche target" for that product. The Auction Manager may reduce the tranche target(s) prior to the auction if indications of interest in the auction are such that doing so is required to promote more competitive bidding.

3. PRICES PAID TO SSO SUPPLIERS

The payment to SSO Suppliers for tranches won will be equal to the auction clearing prices. There will be no seasonal adjustments to prices.

4. PRIOR TO THE START OF BIDDING

4.1 Information Provided to Bidders

The Dayton Power and Light Company will make available certain information to suppliers in advance of qualification. This information will be posted on the Information Website.

4.1.1 Load Data

The Dayton Power and Light Company will provide:

- Load data for a historical three-year period.
- Historical hourly load data for total retail load and SSO Load.
- Historical switching statistics and historical load profiles.
- Customer counts, peak demand and NSPL for eligible and SSO load by customer class
- PIPP customer counts and PIPP customers as % of total customers
- DP&L Renewable Energy Credit (RECs) targets consistent with the renewable energy requirements contained in ORC §4928.64

4.1.2 Minimum and Maximum Starting Prices

The Auction Manager will announce a minimum starting price and a maximum starting price for each product in the auction. The minimum and maximum starting prices establish the range for the possible round 1 prices for the auction.

4.1.3 Tranche Size, Tranche Targets

No later than eight (8) days prior to the Part 1 Application Due Date, the Auction Manager will announce for each product in the auction:

- The tranche target or the number of tranches being procured.
- The size (%) and MW-measure of the tranches in the auction.

No later than four (4) days prior to the Part 2 Application Due Date, the Auction Manager will announce:

- Any update to the MW-measure of the tranches in the auction.

4.2 Qualification Process

There are two parts to the application process. In Part 1, prospective bidders apply to become Qualified Bidders. In Part 2, each Qualified Bidder provides certifications and its indicative offer and pre-bid security in order to become a Registered Bidder.

There will be at least one CBP auction per year and in some cases there may be more than one. The first auction will be scheduled as soon as practical upon approval of the DP&L Electric Security Plan ("ESP").

All bidders in DP&L CBP auctions must submit a Part 1 Application. In certain cases, however, bidders may be allowed to use a completed Part 1 Application from a prior CBP auction. For example, if two auctions for products with the same delivery period take place within a twelve month period, Qualified Bidders for the first auction in the period may not need to complete a new Part 1 Application for the subsequent auction in the period. The Qualified Bidder would still need to complete the Part 2 Application for the second auction in the period, even if the Qualified Bidder completed a Part 2 Application for the first auction in the period. Additionally, if a Qualified Bidder is using a completed Part 1 Application from a prior CBP, the Qualified Bidder may be required to update their financial or credit information in the Part 1 Application.

If a prospective bidder for the second auction within a twelve month period was not a Qualified Bidder for the first auction in the period, then the prospective bidder must complete the Part 1 Application to become a Qualified Bidder for the auction.

All prospective bidders for the first auction in a twelve month period must complete a Part 1 Application to become a Qualified Bidder for that auction, even if they were Qualified Bidders in prior DP&L CBP auctions.

A prospective bidder is obligated to inform the Auction Manager of any change in its status related to the information the prospective bidder previously provided in its Part 1 Application or its Part 2 Application.

4.2.1 Part 1 Application: Certifications and Other Qualified Bidder Requirements

In the Part 1 Application process, prospective bidders will be required to:

- Submit an application from a person with the power to bind the bidder.
- Agree to comply with all rules of the auction.
- Agree that if they become winning bidders, they will execute the Master SSO Supply Agreement with The Dayton Power and Light Company within three (3) business days following the close of the auction.
- Show either that they are a PJM market participant and Load Serving Entity in PJM, or that there exist no impediments to them becoming a PJM market participant and Load Serving Entity in PJM by the start of the applicable delivery period.

- Agree that if they become winning bidders, they will comply with the creditworthiness requirements set forth in the Master SSO Supply Agreement.
- Certify that if they qualify to participate, they will not disclose information regarding the list of Qualified Bidders or confidential information that may be obtained during the bidding process about Qualified Bidders.
- Certify that if they qualify to participate, they will not substitute another entity in their place, transfer their rights to another entity, or otherwise assign their status as Qualified Bidders to another entity.
- If the applicant would like to propose changes to the Pre-Bid Security Letter of Credit or the Form of SSO Supplier Letter of Credit, submit those changes in an electronic, red-lined version.
- Part 1 Applications must be submitted to the Auction Manager no later than 12:00 p.m. noon prevailing Eastern Time on the Part 1 Application Due Date. Prospective bidders will be notified by the Auction Manager no later than three (3) days after the Part 1 Application Due Date whether they succeeded in becoming a Qualified Bidder.

A prospective bidder that has qualified during the Part 1 Application process becomes a Qualified Bidder. The Auction Manager will send a list of all Qualified Bidders to relevant parties that have undertaken to maintain the confidentiality of the list of Qualified Bidders. The relevant parties that will receive this list of Qualified Bidders are as follows:

- Each Qualified Bidder;
- Other parties as necessary to oversee the proper conduct of the auction, including representatives from The Dayton Power and Light Company, PUCO Staff, and any advisor ("PUCO Consultant") that PUCO Staff may have retained for this purpose.

All parties receiving a list of Qualified Bidders will be subject to the confidentiality requirements as specified below and in the Communications Protocols.

4.2.2 Part 2 Application: Certifications, Indicative Offer, and Pre-Bid Security

For each auction, Qualified Bidders must successfully complete the Part 2 Application process in order to become a Registered Bidder that can bid in the auction. Only Qualified Bidders may submit a Part 2 Application.

Part 2 Applications must be submitted to the Auction Manager no later than 12:00 p.m. noon prevailing Eastern Time on the Part 2 Application Due Date. Qualified Bidders will be notified by the Auction Manager whether they succeeded in the Part 2 Application process no later than three (3) days after the Part 2 Application Due Date.

Certifications

In the Part 2 Application, each Qualified Bidder will make a number of certifications to ensure the confidentiality of information regarding the auction, and in regards to associations with other Qualified

Bidders to ensure that they are participating independently of other Qualified Bidders. More details on the certifications can be found in the section, "Confidential Information, Certifications, and Sanctions," later in this document.

The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that associations among bidders may facilitate. As the Auction Manager relies on a number of factors to assess and promote competitive bidding, including the number of independent competitors, providing inaccurate information or insufficient disclosure of associations in the Part 2 Application is prohibited. More details on rules and protocols for participation by associated bidders in The Dayton Power and Light Company's CBP auctions are included as an Appendix to these Bidding Rules.

Indicative Offer

With its Part 2 Application, a Qualified Bidder will be required to submit an indicative offer and to post pre-bid security sufficient for this indicative offer. A Qualified Bidder's indicative offer specifies two (2) numbers of tranches for each product in the auction. For each product, the first number represents the number of tranches that the Qualified Bidder is willing to serve at the minimum starting price for the product and the second number represents the number of tranches that the Qualified Bidder is willing to serve at the maximum starting price for the product. For each product, the number of tranches specified in the indicative offer at the minimum starting price cannot exceed the number of tranches specified at the maximum starting price.

Indicative offers are important in two respects. First, the Auction Manager may use the indicative offers to inform the setting of the starting price for each product (i.e., round 1 announced price). Second, the total number of tranches indicated by the Qualified Bidder at the maximum starting prices is used to determine the Qualified Bidder's initial eligibility (i.e., the maximum total number of tranches the Qualified Bidder can bid across all products in round 1 of the auction): the Qualified Bidder's initial eligibility is set to the sum of the number of tranches at the maximum starting prices across all products in the Qualified Bidder's indicative offer. During the auction, bidders are free to switch their tranches among products in response to changes in announced prices (subject to any bidding restrictions). However, a bidder will never be able to bid a total number of tranches across all products that exceeds the bidder's initial eligibility. Thus, the number of tranches for each product at the maximum starting prices in the Qualified Bidder's indicative offer does not limit the number of tranches the Qualified Bidder can bid on a particular product, but the total number of tranches at the maximum starting prices across all products in the indicative offer must be equal to the Qualified Bidder's desired initial eligibility across all products.

Any restriction on the Qualified Bidder's initial eligibility also will restrict the Qualified Bidder's indicative offer commensurately. A Qualified Bidder's initial eligibility is restricted to be no higher than the lesser of the following: (a) a credit-based tranche cap and (b) any applicable load cap.

Restrictions on the Indicative Offer: Credit-Based Tranche Cap

A Qualified Bidder may have a credit-based tranche cap that limits the Qualified Bidder's initial eligibility. The total number of tranches at the maximum starting prices across all products in the Qualified Bidder's indicative offer must not exceed the Qualified Bidder's credit-based tranche cap. This credit-based

tranche cap is based on the credit rating of the Qualified Bidder or its Guarantor. A Qualified Bidder's credit-based tranche cap is determined as shown in in Table 1:

Table 1. Credit-Based Tranche Cap

Credit Rating of Qualified Bidder or Guarantor			Credit-Based Tranche Cap
S&P	Moody's	Fitch	
BB and above	Ba2 and above	BB and above	Unlimited up to auction's tranche target
BB-	Ba3	BB-	8 tranches
Below BB-	Below Ba3	Below BB-	5 tranches
If not rated by any of those rating agencies			5 tranches

Note that the parameters in the table above may vary by auction and over time, at the sole discretion of the Dayton Power and Light Company.

To be assigned a credit-based tranche cap greater than the minimum credit-based tranche cap, the Qualified Bidder or its Guarantor must:

- Be rated by at least one of the following rating agencies: Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), and
- Have a senior unsecured debt rating (or, if unavailable, corporate or issuer rating).

If the Qualified Bidder or Guarantor is rated by only one rating agency, that rating will be used. If the Qualified Bidder or Guarantor is rated by only two rating agencies, and the ratings differ, the higher rating will be used. If the Qualified Bidder or Guarantor is rated by the three rating agencies, and the ratings differ, the higher of the ratings will be used.

If a Qualified Bidder is not rated by any of the rating agencies, the Qualified Bidder's credit-based tranche cap will be the minimum credit-based tranche cap as shown in Table 1.

The credit-based tranche cap is in effect only during the bidding process. After the Master SSO Supply Agreement has been executed by a winning bidder, the credit-based tranche cap no longer will be in effect and the SSO Supplier will be required to meet the credit terms in accordance with the Master SSO Supply Agreement.

Restrictions on the Indicative Offer: Load Cap:

In addition to any credit-based tranche cap, a Qualified Bidder will be subject to a load cap that limits the number of tranches the bidder can bid on and win. The load cap will be 80 percent on an aggregated load basis across all auction products for each auction date such that no bidder may bid on and win more tranches than the load cap. The load cap will be implemented by ensuring that each bidder's initial eligibility does not exceed the load cap in an auction.

Pre-Bid Security

Each Qualified Bidder must post pre-bid security sufficient for its indicative offer at the maximum starting prices. Each Qualified Bidder must post pre-bid security in an amount specified in the Part 2 Application for all products included in the bidder's indicative offer at the maximum starting prices. Either cash (electronic wire transfer) or a Pre-Bid Security Letter of Credit will be accepted as pre-bid security. Some bidders may be subject to additional credit requirements or may be required to submit a letter of intent from a Guarantor or a letter of reference from a bank. The standard form of the Pre-Bid Security Letter of Credit and other security documents will be posted to the Information Website.

If a draft Pre-Bid Security Letter of Credit, letter of intent, letter of reference, or any alternate security submitted by the prospective bidder with the Part 1 Application does not conform to the standard form, the prospective bidder shall indicate clearly any and all modifications in electronic, redlined format from the standard form. Proposed modifications 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. The Dayton Power and Light Company will assess, in their sole and exclusive discretion, whether such modifications are acceptable. Note that the Dayton Power and Light Company will not accept any modifications to the Form of Guaranty. The prospective bidder, in its Part 2 Application, must provide either cash or the required executed credit documents that either use the standard form or incorporate only those modifications to the standard form accepted by The Dayton Power and Light Company upon review of the bidder's Part 1 Application.

The following is an example calculation of the pre-bid security.

Example 1. Pre-Bid Security

A Qualified Bidder submits an indicative offer of 5 tranches for Product 1 at the minimum starting price and 10 tranches for Product 1 at the maximum starting price, 3 tranches for Product 2 at the minimum starting price and 6 tranches for Product 2 at the maximum starting price, and 2 tranches for Product 3 at the minimum starting price and 4 tranches for Product 3 at the maximum starting price. Suppose the pre-bid security amount specified in the Part 2 Application is \$250,000 per tranche. The Qualified Bidder must submit with this indicative offer of 20 tranches at the maximum starting prices cash or a Pre-Bid Security Letter of Credit of \$250,000 per tranche. The Qualified Bidder thus posts cash or a Pre-Bid Security Letter of Credit of \$5 million (20 tranches X \$250,000 per tranche).

Depending on whether the Qualified Bidder is relying on its own financial standing or on that of a Guarantor, and depending on the results of the creditworthiness assessment at the time of the Part 1 Application, the Qualified Bidder may be required additionally to submit a letter of intent to provide a guaranty from its Guarantor or to provide a letter of reference from its bank. Any such additional requirements would be communicated to the Qualified Bidder at the time of qualification during the Part 1 Application process.

For a Part 2 Application to be accepted, it must be complete, and it must include the Qualified Bidder's indicative offer, pre-bid security (either a Pre-Bid Security Letter of Credit or cash), and additional security (if required). After its Part 2 Application is accepted, a Qualified Bidder becomes a Registered Bidder. The Auction Manager will send each Registered Bidder a summary of its indicative offer, pre-bid security amount, and the Registered Bidder's initial eligibility.

The Auction Manager also will send simultaneously to each Registered Bidder, and to those other parties as necessary to oversee the proper conduct of the auction, a list of Registered Bidders, and the total initial eligibility aggregated across all Registered Bidders. The list of Registered Bidders and the total initial eligibility will not be released publicly. Qualified Bidders, in their Part 2 Applications, will have undertaken to maintain the confidentiality of the list of Registered Bidders and the total initial eligibility, and to destroy documents including electronic files with this information provided by the Auction Manager within five (5) days following the conclusion of the auction, as explained further in the Part 2 Application.

Pre-bid security and additional security (if required) will remain in full force, at a minimum, until five (5) calendar days after the conclusion of the auction. Subsequently, a bidder's pre-bid security and additional security will be cancelled and returned as follows:

- As soon as practicable if the bidder has won no tranches.
- After the bidder has signed the Master SSO Supply Agreement and has complied with all creditworthiness requirements of the Master SSO Supply Agreement for the tranches that it has won.

The Dayton Power and Light Company can collect on the financial guarantees of bidders that win tranches but that fail to sign the Master SSO Supply Agreement or fail to comply with the creditworthiness requirements immediately following the close of the auction.

4.2.3 Sanctions for Failing to Comply with the Part 1 and Part 2 Applications

Sanctions can be imposed on a bidder for failing to disclose information relevant to determining associations, for coordinating with another bidder, or for failing to abide by any of the certifications that it will have made in its Part 1 and Part 2 Applications. Such sanctions can include, but are not limited to, termination of the Master SSO Supply Agreement, loss of all rights to provide supply for The Dayton Power and Light Company to serve any load won by such bidder, forfeiture of financial guarantees and other fees posted or paid, prosecution under applicable state and federal laws, debarment from participation in future competitive bidding processes, and other sanctions that may be appropriate. For any failure to disclose information or for any violation of the certifications, the Auction Manager will make a recommendation on a possible sanction.

4.3 Starting Prices (Round 1 Prices)

No later than three (3) days before bidding starts for an auction, the Auction Manager will inform all Registered Bidders of the starting price for each product in the auction, which are the announced prices that will be in effect for round 1. For each product, the starting price will be no higher than the maximum starting price and no lower than the minimum starting price for the product. The Auction Manager will set the starting prices.

4.4 Extraordinary Events

The Auction Manager, in consultation with The Dayton Power and Light Company, may determine that, due to extraordinary events, the minimum starting prices and the maximum starting prices require revision. In this event, the schedule for the auction process also may be revised. If the indicative offers have already been received, the Auction Manager will request that the Registered Bidders (or the Qualified Bidders if the Part 2 Application process had not been completed) revise their indicative offers on the basis of the revised minimum starting prices and the revised maximum starting prices.

For such a revision to be necessary, an extraordinary event must occur between the time at which the minimum starting prices and the maximum starting prices are announced and the day on which bidding starts. An extraordinary event must be agreed to by The Dayton Power and Light Company and the Auction Manager. Such events could include, but are not limited to, the advent of war, the disruption of a major supply source for potentially extended periods, or other events that could significantly affect the cost of supply.

If an extraordinary event occurs during that time, the Auction Manager in consultation with The Dayton Power and Light Company will determine revised minimum starting prices and revised maximum starting prices. New indicative offers based on these prices will be required from bidders. To the extent practicable, the determination of new minimum and maximum starting prices, the submission of new indicative offers, and if necessary the announcement of new starting prices, will be carried out so as to afford bidders sufficient time. If an extraordinary event occurs during that time that causes a possible change in the schedule, the Auction Manager in consultation with The Dayton Power and Light Company will determine a revised schedule.

5. BIDDING FORMAT FOR AUCTIONS OF MULTIPLE PRODUCTS

In order to participate in the auction, bidders must have been successful in the Part 1 Application process and the Part 2 Application process. Only Registered Bidders are permitted to participate in the auction. Registered Bidders will bid in the auction by accessing the Auction Manager's secure Bidding Website.

5.1 Descending-Price Clock Format

The auction format is a simultaneous, multiple-round, descending-price clock format for "N" rounds. The number of rounds "N" for the auction is not pre-determined. Instead, it is determined by the closing rule for the auction. All products are bid on simultaneously in the auction during bidding rounds. Prices are announced for the products prior to each bidding round, and during a bidding round, a bidder submits for each product the number of tranches it would supply at the product's announced price. If the total number of tranches bid on a product exceeds the product's tranche target — i.e., the product is over-subscribed — the announced price for the product will be reduced for the next round. Announced prices will tend to decline round by round until the number of tranches bid falls sufficiently so that no product is over-subscribed, there is no excess supply, and the auction closes.

An important rule is that a bidder cannot reduce the number of tranches it bids on a product if the product's announced price does not fall from one round to the next, the bidder can only maintain or increase the number of tranches it bids on the product (subject to other rules).

5.1.1 Rounds

Each bidding round has a specified start time and a specified end time. These start and end times are enforced by the Bidding Website. Prior to the start of the auction, the initial schedule of rounds will be available on the Bidding Website. As the auction progresses, the Auction Manager will keep bidders informed of the start and end times of subsequent rounds through the Bidding Website. The Auction Manager retains the option of pausing a round, delaying the start or end of a round, or otherwise adjusting the round times. The Auction Manager will inform bidders through the Bidding Website if it exercises this discretion to change the start time or end time of a round.

Bidders submit bids only during a round. When a round ends, the bids submitted during that round are processed and results of that round are reported to all bidders as explained in the section "Reporting Round Results" below. Each bidder then prepares to submit a bid for the next round if the auction remains open.

5.1.2 The Announced Prices and a Bid

Prior to the start of each round, the Auction Manager announces the price that will be in effect for each product for the round. The announced prices are specified in dollars per MWh or \$/MWh. The price announced by the Auction Manager for a product applies to all of the product's tranches. Each bidder decides how many tranches it is willing and able to supply for each product at the product's announced price. A bid by a bidder is, for each product, the number of tranches that the bidder is willing to supply at that announced price for the product. All bids are irrevocable and binding upon the bidders.

At sufficiently high announced prices there will be excess supply for a product causing it to be over-subscribed; that is, the number of tranches bid on the product will exceed the product's tranche target. Excess supply for a product is measured as the total number of tranches bid across all bidders on the product in the round minus the product's tranche target.

5.1.3 Reservation Prices and Starting Prices

There are reservation prices for the auction. The reservation price for a product is the price above which tranches for the product will not be purchased. If, at the conclusion of the auction, the reservation price for a product has not been met, no tranches for that product will be awarded. At the conclusion of the auction, the Auction Manager will inform bidders through the Bidding Website if the reservation price for a product has not been met.

Starting prices for the auction are determined after reservation prices are determined. The starting price for a product will be no lower than the reservation price for the product. The starting price may be the same as or higher than the reservation price for the product. The Auction Manager will not announce the reservation prices to bidders.

5.1.4 Restrictions on What a Bidder Can Bid

The total number of tranches a bidder bids across all products in a round cannot exceed the bidder's eligibility for that round. That is, a bidder's eligibility to bid in a round is the maximum number of tranches it is allowed to bid across all products in that round. A bidder's eligibility for a round simply is the number of tranches the bidder bid across all products in the preceding round. Thus, a bidder cannot increase its eligibility from round to round; its eligibility can only stay the same or decrease from round to round.

A bidder is not allowed to bid more tranches on a product in a round than the product's tranche target.

A bidder is not allowed to bid a number of tranches that would violate either its credit-based tranche limit or any applicable load cap.

If the announced price for a product has been reduced from one round to the next round, the bidder can reduce the number of tranches it bid on that product.

If the announced price for a product has not been reduced from one round to the next round, the bidder cannot reduce the number of tranches it bid on that product.

Subject to the rules above, in each round a bidder is free to bid its tranches of eligibility across products however it would like to. Thus, subject to the rules above, bidders are free to reduce the tranches they bid and/or to switch tranches across products from round to round in response to changes in the announced prices for the products.

As discussed above, a bidder's initial eligibility is its eligibility for round 1 of the auction and is determined by the total number of tranches across products at the maximum starting prices in the bidder's indicative offer. During the course of the auction, the bidder's eligibility will decline or remain unchanged depending on the total number of tranches bid by the bidder across all products in each round of the auction.

If a bidder's eligibility falls to zero tranches, it will not be allowed to bid in any more rounds of the auction.

5.1.5 Multiple Bids by a Bidder

Because a bidder may decide to change a bid it submitted previously within the current open round, a bidder is allowed to make multiple bid submissions in a round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in a round, the only bid considered in the round for that bidder is the last confirmed bid it submitted in the round.

5.1.6 Default Bid

After the end of a round, a default bid is submitted automatically on behalf of a bidder if the bidder:

- Entered the round with positive eligibility, and
- Did not submit a confirmed bid in the round.

If the announced price for a product declined from the prior round, then zero tranches will be the default bid for that product.

If the announced price for a product did not decline from the prior round, then the number of tranches that the bidder bid on the product in the prior round as determined by the end-of-round ("EOR") procedure following the prior round will be the default bid for the product.

Each bidder is solely responsible for ensuring it submits a confirmed bid prior to the end of the round in order to avoid a default bid of being submitted on the bidder's behalf.

5.1.7 The EOR Procedure

At the end of each round, the EOR procedure is used to process the confirmed bids submitted during the round. The EOR procedure includes the following steps.

- (a) The supply for each product is measured by summing up — across the confirmed bids for all bidders — the number of tranches bid for each product.
- (b) The subscription level for each product is measured by comparing the supply for the product to the tranche target for the product. A product is over-subscribed, subscribed, or under-subscribed if supply (i.e., the number of tranches bid) is greater than, equal to, or less than the product's tranche target, respectively.
- (c) If a product has become under-subscribed in a round after being over-subscribed or subscribed in the preceding round, then tranches will be rolled back to the point that the product is subscribed. That is, at least some of the tranches that were bid on the product in the preceding round but were not bid on the product in this round will be deemed to still be bid on the product. The price at which a rolled-back tranche is deemed to have been bid is the announced price at which the bidder had bid the tranche. There is a priority for selecting tranches to roll back: tranches that otherwise would no longer be bid on any product in the auction and therefore would be reductions in bidders' eligibilities are rolled back first (referred to as "eligibility reduction tranches"), and then if needed, tranches that were switched from being bid on the product to being bid on another product are selected next for rollbacks (referred to as "switched tranches"). Eligibility reduction tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. Likewise, switched tranches are selected for rollback proportionally tranche by tranche, not bidder by bidder. More precisely, because integer tranches are needed, the actual selection mechanism uses a random number generator to select rollbacks tranche by tranche (first for eligibility reduction tranches and then for switched tranches), but on average the selection process results in proportional rollbacks (with priority given to rolling back eligibility reduction tranches first and then switched tranches second). All tranches that are rolled back maintain their eligibility for the bidder. Any bidder subjected to a rollback will be notified through the Bidding Website that a rollback has taken place and will be informed about the number of tranches deemed bid on each product and the price at which those tranches have been deemed bid.

For example, suppose a bidder bids five tranches on a product and no tranches on other products in round 8, and the price for that product is reduced for round 9 and the bidder bids only 1 tranche on the product and no tranches on other products for round 9. Absent any EOR rollbacks following round 9, the bidder's eligibility would fall from 5 tranches to 1 tranche. But during the EOR procedure, suppose two of the bidder's 4 "eligibility reduction tranches" are rolled back on the product, so after the EOR procedure the bidder is deemed to have bid 3 tranches on the product — one at the announced price of the round just ended and two at the announced price of the preceding round — and therefore the bidder is deemed to have 3 tranches of eligibility for round 10.

- (d) "Free eligibility tranches" are determined as follows. A product's "bid stack" is a list of the tranches currently deemed bid on the product and the price at which each tranche was bid for the product. Because of rollbacks, a product's bid stack could have tranches bid at two different prices: some tranches bid at the earlier, higher announced price and some tranches bid at the current, lower announced price. Any new tranche bid on such a product necessarily will be bid at the current, lower announced price. This new tranche will displace a tranche in the product's bid stack at the earlier, higher announced price. The displaced tranche becomes a "free eligibility tranche". The free eligibility tranche counts as eligibility for the bidder and the bidder can bid the tranche on any product next round, or the bidder can choose not to bid the tranche at all. But if the bidder does not bid the free eligibility tranche next round, the tranche will be withdrawn from the auction permanently and will reduce the bidder's eligibility by one tranche after the next round.
- (e) In some cases, the Auction Manager may reduce the tranche targets. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce a product's tranche target because of insufficient supply will be eliminated. Thus, any tranche target reduction would more likely occur in the earlier rounds of the auction. If the Auction Manager reduces the tranche target for a product, bidders will be informed of the revised tranche target. Any bidder that would otherwise have eligibility exceeding the new tranche targets will have its eligibility reduced so as not to exceed the new tranche targets.
- (f) A determination is made as to whether the auction has concluded. The auction concludes if either case (1) or case (2) holds as follows:
- (1) If no product is over-subscribed and no bidder has free eligibility tranches, then the auction has concluded. Note that it is possible for the auction to continue with no reductions in announced prices: if no product is over-subscribed there will be no reductions in announced prices but if there are free eligibility tranches (which "expire" after one round), the auction will remain open for one more round (subject to case (2) described next), allowing bidders with free eligibility to bid those tranches.
 - (2) If this is the Nth consecutive round in which no product is over-subscribed, and the number of tranches of free eligibility across all bidders as a percentage of the sum of the tranche targets across all products is less than or equal to X percent, then the auction has concluded. The parameter values for N and X will be determined before the auction and disclosed to bidders. The likelihood that this case (2) would occur in a particular auction is expected to be low.
- (g) If the auction has concluded, the winning tranches, winning bidders, and winning prices are determined as described below.
- (h) If the auction has not concluded, then each bidder's eligibility is determined for the next round and the price decrement (if any) is determined for each product for the next round.

5.1.8 Price Decrements

The announced prices will decrease round by round by a price decrement for over-subscribed products. Pre-specified price guidelines are used to determine the price decrements. Generally the price decrement for a product will be larger during the earlier rounds in the auction and when the excess supply for the product is greater. The price decrement is expected to be between 0.5 percent and 5 percent of the announced price for the most recently completed round.

The Auction Manager reserves the right to override the price decrement guidelines. The exercise of that right is expected to occur rarely and only if doing so is believed to facilitate timely progression of the bidding process.

5.2 Determination of Winning Tranches, Winning Bidders, and Winning Prices

At the close of the auction, the winning tranches, winning bidders, and winning prices will be determined as follows.

As a result of the EOR procedure as described above, there are two possible scenarios for a product at the close of the auction.

5.2.1 Bid Stack for a Product has All Tranches at the Same Price

In this scenario, there are no rolled-back tranches in the product's bid stack: all tranches in the bid stack were bid at the last announced price, including any tranches bid on the product in the last round of the auction as determined by the EOR procedure. That announced price is the product's clearing price, and all tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product. Note that this scenario includes the case in which a product was over-subscribed at some point in the auction and later became subscribed, as well as the case in which a product was always under-subscribed in the auction (i.e., it was never subscribed or over-subscribed in the auction).

5.2.2 Bid Stack for a Product has Tranches at Two Different Prices

In this scenario, there are rolled-back tranches in the product's bid stack: some tranches in the bid stack were bid at the last announced price (including any tranches bid on the product in the last round of the auction as determined by the EOR procedure), and some tranches in the bid stack were bid at the next most recent announced price. In this case, the product's clearing price is the next most recent announced price — which necessarily is higher than the last announced price for the product. All tranches in the product's bid stack are winning tranches if the clearing price satisfies the product's reservation price. Bidders who bid those tranches are winning bidders for those tranches, and all bidders with winning tranches on a product are paid the same price — i.e., the clearing price — for each winning tranche on the product.

5.3 Example of Round by Round Bidding

Appendix A provides an illustrative example of round by round bidding.

5.4 Reporting Round Results

During a round, a bidder can see the current status of the auction and the status of the current round, including the announced price for each product as well as the bidder's own bidding status. A bidder will not see information about other bidders.

Between rounds the Bidding Website will report the results for the most recently completed round. Results for all prior rounds also will be accessible. The round results for each completed round in the auction will show:

- The announced price for each product and a range of total supply across all bidders and all products (that is, a range that includes the total number of tranches bid). The range of total supply will be defined by two different integers. Actual total supply will not be reported but will be at least as high as the lower of the two integers and no higher than the higher of the two integers. There is an exception to reporting total supply as a range of two integers: if and when total supply has declined below a pre-determined level, total supply will be reported simply as being below that level. The reporting ranges will be made available to bidders in advance of each auction.
- For each bidder, that bidder's bid for the round — i.e., the number of tranches bid on each product — and the bidder's eligibility for the next round. (Each bidder does not see information about other bidders.)
- The announced price for each product for the next round if the auction will continue with the next round.

5.5 Frequency of Rounds

The early rounds of bidding may be longer in duration than later rounds. The duration of a bidding round will be at least five (5) minutes.

The time between early rounds of bidding may be longer in duration than for later rounds. The time between bidding rounds will be at least five (5) minutes.

The schedule of rounds and any changes to the schedule will be made available to bidders through the Bidding Website.

5.6 Auction Pause Declared by Auction Manager

At any time during the auction, the Auction Manager may decide to pause the auction. This is not expected to happen often, and it may not happen at all. If the Auction Manager pauses the auction or changes the round schedule in any way, bidders will be notified.

6. BIDDING FORMAT FOR AUCTIONS OF A SINGLE PRODUCT

In order to participate in the auction, bidders must have been successful in the Part 1 Application process and the Part 2 Application process. Only Registered Bidders are permitted to participate in the auction. Registered Bidders will bid in the auction by accessing the Auction Manager's secure Bidding Website.

The auction format is a multiple-round descending-price clock format for "N" rounds (N is not pre-determined, as discussed below) possibly followed by a sealed-bid round. The descending-price clock rounds are referred to as the "clock phase." If there is a round following the last clock round, it is referred to as the "sealed-bid round."

The number of rounds for the clock phase is not pre-determined. Instead, it is determined by a rule called "the transition rule," which determines the last round of bidding in the clock phase.

The clock phase, the transition rule, and the sealed-bid round are described next.

6.1 Clock Phase

The description in this section applies to the clock phase of the auction. In a descending-price clock bidding format, the Auction Manager announces a price prior to the start of each bidding round and each bidder bids the quantity it would supply at that price. The rounds continue with the price declining each round, causing the total supply bid to fall.

An important rule is that a bidder cannot increase the number of tranches it bids round to round as the price falls, it can only maintain or reduce the number of tranches it bids.

6.1.1 Rounds

The clock phase is conducted with rounds of bidding. Each bidding round has a specified start time and a specified end time. These start and end times are enforced by the Bidding Website. Prior to the start of the auction, the initial schedule of rounds will be available on the Bidding Website. As the auction progresses, the Auction Manager will keep bidders informed of the start and end times of subsequent rounds through the Bidding Website. The Auction Manager retains the option of pausing a round, delaying the start or end of a round, or otherwise adjusting the round times. The Auction Manager will inform bidders through the Bidding Website if it exercises this discretion to change the start time or end time of a round.

Bidders submit bids only during a round. When a round ends, the bids submitted during that round are processed and results of that round are reported to all bidders as explained in the section "Reporting Round Results" below. Each bidder then prepares to submit a bid for the next round if the auction remains open.

6.1.2 The Announced Price and a Bid

Prior to the start of each round, the Auction Manager announces the price that will be in effect for the round. The announced price is specified in dollars per MWh or \$/MWh. The price announced by the Auction Manager applies to all the tranches. Each bidder decides how many tranches it is willing and able to supply at the announced price. A bid is the number of tranches the bidder is willing to supply at that announced price. All bids are irrevocable and binding upon the bidders.

The announced price will decrease round by round by a price decrement.

At sufficiently high announced prices there will be excess supply for the tranches being procured in the auction. Excess supply for the tranches in a round is measured as the total number of tranches bid across all bidders in the round minus the tranche target.

6.1.3 Reservation Price

There is a reservation price for the auction. The reservation price is the price above which tranches will not be purchased. At the conclusion of the auction, the Auction Manager will inform bidders through the Bidding Website if the reservation price has not been met.

The starting price for the auction is determined after the reservation price is determined. The starting price will be no lower than the reservation price. The starting price may be the same as or higher than the reservation price. The Auction Manager will not announce the reservation price to bidders.

6.1.4 A Bidder's Eligibility to Bid

A bidder's eligibility to bid in a round is the maximum number of tranches it is allowed to bid in that round. A bidder's eligibility for a round is the number of tranches the bidder bid in the preceding round. Thus, a bidder cannot increase its eligibility from round to round; its eligibility can only stay the same or decrease from round to round. If a bidder bids zero tranches in a round, it will not be allowed to bid in any more rounds of the clock phase.

As discussed above, a bidder's initial eligibility is its eligibility for round 1 of the auction.

6.1.5 Multiple Bids by a Bidder

Because a bidder may decide to change a bid it submitted previously within the current open round, a bidder is allowed to make multiple bid submissions in a round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in a round, the only bid accepted in the round for that bidder is the last confirmed bid it submitted in the round.

6.1.6 Default Bid

After the end of a round, a default bid of zero (0) tranches is submitted automatically on behalf of a bidder if the bidder:

- Entered the round with positive eligibility, and
- Did not submit a confirmed bid in the round.

As with any bidder that actively bids zero tranches in a round, a bidder having a default bid of zero tranches submitted and confirmed on its behalf in a round will not be allowed to bid in any more rounds of the clock phase.

Each bidder is solely responsible for ensuring it submits a confirmed bid prior to the end of the round in order to avoid a default bid of being submitted on its behalf.

6.1.7 Price Decrements

The announced price will decrease round by round by a price decrement. Pre-specified price guidelines are used to determine the price decrement. Generally the price decrement will be larger for the earlier rounds in the auction and the greater is the excess supply for the tranches. The price decrement is expected to be between 0.5 percent and 5 percent of the announced price for the most recently completed round.

The Auction Manager reserves the right to override the price decrement guidelines. The exercise of that right is expected to occur rarely and only if doing so is believed to facilitate timely progression of the bidding process.

6.1.8 Frequency of Rounds

The early rounds of bidding may be longer in duration than later rounds. The duration of a bidding round will be at least five (5) minutes.

The time between early rounds of bidding may be longer in duration than for later rounds. The time between bidding rounds will be at least five (5) minutes.

The schedule of rounds and any changes to the schedule will be made available to bidders through the Bidding Website.

6.1.9 Insufficient Supply for the Tranches

If there is insufficient supply for the tranches to ensure competitive bidding, the Auction Manager will reduce the tranche target. The criteria that could lead to such a reduction will be determined prior to the auction but will not be announced to bidders. Once certain pre-specified criteria related to excess supply and related to the reservation price have been met, the discretion to reduce the tranche target will be eliminated and there will be no reduction in the tranche target. Thus, any exercise of this discretion would be more likely in the earlier rounds of the auction.

If the Auction Manager reduces the tranche target for the auction, bidders will be informed of the revised tranche target. Any bidder that otherwise would have eligibility exceeding the new tranche target will have its eligibility reduced to the new tranche target.

6.2 Transition Rule

The rule that determines the last round of bidding in the clock phase is referred to as the transition rule.

The transition rule is that the last round of bidding in the clock phase is the first round of bidding in the clock phase in which excess supply falls to zero or below zero.

- If excess supply is zero, then the auction closes and the winning tranches, winning bidders, and the winning price are determined as described in section 6.4.
- If excess supply is less than zero and only one bidder reduced the number of tranches it bid between the last two rounds of the clock phase, then the auction closes and the winning tranches, winning bidders, and the winning price are determined as described in section 6.4.
- If excess supply is less than zero and two or more bidders reduced the number of tranches they bid between the last two rounds of the clock phase, then a sealed-bid round will be held as described next in section 6.3.

6.3 Sealed-Bid Round

The description in this section applies to the sealed-bid round of the auction. As with the clock phase, bidders bidding in the sealed-bid round will submit their bids by accessing the Auction Manager's secure Bidding Website.

If there is a sealed-bid round, it follows the last round of the clock phase. For ease of description, the last round of the clock phase will be referred to as "round N" and the next-to-last round of the clock phase will be referred to as "round N-1", so the sealed-bid round is "round N+1."

Bidders for the sealed-bid round are those bidders that bid at least one tranche in round N-1 and bid fewer tranches in round N. Any such bidder must submit a bid in the sealed-bid round (even if it bid zero tranches in round N). If it fails to submit a bid in the sealed-bid round, a default bid will be submitted on its behalf as described below in the section on default bids.

Only bidders that bid at least one tranche in round N-1 and bid fewer tranches in round N can submit a bid in the sealed-bid round.

6.3.1 Allowed Bids

While each round in the clock phase has an announced price, there is no announced price for the sealed-bid round. In the sealed-bid round, a bidder submits a bid by specifying for each tranche it bids the price at which the bidder is committing to supply the tranche. A bid by a bidder is, for each tranche in the bid, an irrevocable binding commitment to supply the tranche at the price it bids for the tranche.

The tranches in the bidder's bid will be treated as a supply schedule. That is, the tranches will be sorted in ascending order by price and the price it bid for the first tranche is the price at which the bidder is committing to supply the first tranche, the price it bid for the second tranche is the price at which it is committing to supply the second tranche, and so on.

The bid that a bidder can submit in the sealed-bid round is restricted as follows.

- The bidder's bid must include each of the tranches that it bid in round N-1 but did not bid in round N (even if it bid zero tranches in round N).
- For each of the tranches that the bidder bid in round N-1 but did not bid in round N, the bidder's bid in the sealed-bid round must specify a price that is no higher than the announced price in effect for round N-1. The bidder can specify a different price for each of the tranches. Alternatively, the bidder can specify the same price for two or more of the tranches.

The units for prices specified in the bidder's bid are \$/MWh. The precision of prices is \$0.01/MWh or one cent per MWh. Prices that are entered with greater precision than \$0.01/MWh will be rounded up to the next \$0.01/MWh.

The following example shows four bidders participating in the clock phase and two of those bidders participating in the sealed-bid round.

Example 2. Bids in Clock Phase and Allowed Bids in Sealed-Bid Round

Clock Phase							
Round	Tranche Target	Announced Price (\$/MWh)	Number of Tranches Bid				
			BidderA	BidderB	BidderC	BidderD	Total
1	100	\$75.00	34	55	21	72	182
2	100	\$70.00	30	55	15	50	150
3	100	\$66.00	20	52	10	45	127
4	100	\$62.00	15	48	0	44	107
5	100	\$59.50	0	48	—	42	90

Sealed-Bid Round					
BidderA (must bid 15 tranches)			BidderD (must bid 2 tranches)		
# Tranches Bid	Max. Allowed Price (\$/MWh)	Price Bid (\$/MWh)	# Tranches Bid	Max. Allowed Price (\$/MWh)	Price Bid (\$/MWh)
5	\$62.00	\$62.00	1	\$62.00	\$60.04
8	\$62.00	\$61.40	1	\$62.00	\$59.50
2	\$62.00	\$59.95	—	—	—

In the example above, the clock phase was stopped after round 5 (round N) because it was the first round in which excess supply no longer was positive: in the round only 90 tranches of supply were bid against 100 tranches being procured.

- BidderA must bid 15 tranches in the sealed-bid round because it bid 15 tranches in round 4 and no tranches in round 5. For each of the 15 tranches, BidderA must submit a price in the sealed-bid round that is no higher than the announced price in round 4, or \$62.00/MWh. The bid submitted by BidderA in the sealed-bid round above satisfies that requirement: 5 tranches bid at \$62.00/MWh, 8 tranches bid at \$61.40/MWh, and 2 tranches bid at \$59.95/MWh.
- BidderB does not bid in the sealed-bid round because it bid at least one tranche in round 4 and it did not bid fewer tranches in round 5. BidderB thus wins the 48 tranches it bid in rounds 4 and 5, and the winning price for those 48 tranches is the round 5 announced price, or \$59.50/MWh.

- After round 4 it is known that BidderC can no longer participate in the auction because it bid zero tranches in round 4 and round 4 was not the last round of the clock phase. Thus, BidderC does not bid in the sealed-bid round and will not win any tranches.
- BidderD wins the 42 tranches it bid in round 5, and the winning price for those 42 tranches is the round 5 announced price, or \$59.50/MWh. In addition, BidderD must bid 2 tranches in the sealed-bid round because it bid 2 fewer tranches in round 5 than it bid in round 4. For each of the 2 tranches, BidderD must submit a price in the sealed-bid round that is no higher than the announced price in round 4, or \$62.00/MWh. The bid submitted by BidderD in the sealed-bid round above satisfies that requirement: 1 tranche bid at \$60.04/MWh and 1 tranche bid at \$59.50/MWh.

6.3.2 Multiple Bids by a Bidder

As in the clock phase, a bidder is allowed to make multiple bid submissions in the sealed-bid round as long as the round remains open for bidding, with each new confirmed bid fully replacing any prior bids it submitted in the round. If a bidder submits multiple bids in the round, the only bid accepted in the round for that bidder is the last bid confirmed by the bidder in the round. Section 8.1 below discusses the process for confirming a bid.

6.3.3 Default Bid

A bidder in the sealed-bid round must submit a confirmed bid for all the tranches that it must bid in the sealed-bid round. If it fails to submit a confirmed bid by the end of the sealed-bid round, a default bid will be submitted on its behalf. This default bid will be as follows:

For each of the tranches the bidder bid in round N-1 but did not bid in round N, the default bid for the bidder in the sealed-bid round will specify a price that is the announced price in effect for round N-1.

After the sealed-bid round the auction closes and the winning tranches, winning bidders, and the winning price are determined as described in section 6.4.

6.4 Determination of Winning Tranches, Winning Bidders, and Winning Prices

At the close of the auction, the winning tranches, winning bidders, and winning prices will be determined as follows.

6.4.1 Excess Supply = 0 at End of Clock Phase

If the last round of the clock phase had zero excess supply then there is no sealed-bid round. The winning tranches are the tranches bid in the last round of the clock phase, the winning bidders are the bidders who bid those tranches, and the winning price in the auction is the announced price for the last round of the clock phase.

6.4.2 Excess Supply < 0 at End of Clock Phase with No Sealed-Bid Round

If the last round of the clock phase had excess supply less than zero but only one bidder reduced the number of tranches it bid between the last two rounds of the clock phase, then there is no sealed-bid round. Tranches bid in the last round of the clock phase are winning tranches, bidders who bid those tranches are winning bidders, and the winning price for those tranches is the announced price for the last round of the clock phase.

Additional winning tranches total the difference between the tranche target and the total number of tranches bid in the last round of the clock phase (i.e., round N). Those additional winning tranches are awarded to the one bidder who reduced its number of tranches bid between round N-1 and round N. The bidder is awarded the additional winning tranches at the announced price in effect for the next-to-last round of the auction.

6.4.3 Excess Supply < 0 at End of Clock Phase with Sealed-Bid Round

If the last round of the clock phase had excess supply less than zero and two or more bidders reduced the number of tranches they bid between the last two rounds of the clock phase, then there is a sealed-bid round. Tranches bid in the last round of the clock phase are winning tranches, bidders who bid those tranches are winning bidders, and the winning price for those tranches is the announced price for the last round of the clock phase.

Additional winning tranches are determined as follows.

Random numbers will be assigned to the tranches bid in the sealed-bid round to be used as a tie-breaker, if needed, in case two or more tranches are bid at the same price. The tranches from the bids in the sealed-bid round will be sorted in ascending order by price and then in ascending order by random number. The assignment of random numbers to tranches and the sorting of tranches by price and by random number are done tranche by tranche without regard to bidder.

A winning tranche from the sorted list of tranches is a tranche that satisfies the following condition:

- It is one of the first T tranches that appears in the sorted list of bids, where T is the difference between the tranche target and the number of tranches bid in the last round of the clock phase. The bidder who bid such a winning tranche is the winning bidder for that tranche and the winning price for that tranche is the price the bidder bid for the tranche.

Tranches in the sorted list of bids that do not meet the condition above are not winning tranches.

None, some, or all of the tranches in a bidder's bid in the sealed-bid round may be winning tranches.

In Example 2 above, 17 tranches were bid in the sealed-bid round, and 10 of those tranches are selected as winning tranches. The winning tranches are selected in order of ascending price bid: one tranche bid at price \$59.50/MWh by BidderD, two tranches bid at price \$59.95/MWh by BidderA, one tranche bid at price \$60.04/MWh by BidderD, and six tranches bid at price \$61.40/MWh by BidderA.

6.5 Reporting Round Results

During a round, a bidder will see the current status of the auction and the status of the current round (including the announced price for a round in the clock phase) as well as its own bidding status. A bidder will not see information about other bidders.

Between rounds the Bidding Website will report the results for the most recently completed round. Results for all prior rounds also will be accessible. The round results for each completed round in the clock phase will show:

- For the completed round, the announced price and a range of total supply across all bidders (that is, a range that includes the total number of tranches bid). The range of total supply will be defined by two different integers. Actual total supply will not be reported but will be at least as high as the lower of the two integers and no higher than the higher of the two integers. There is an exception to reporting total supply as a range of two integers: if and when total supply has declined in the clock phase below a pre-determined level, total supply will be reported simply as being below that level. This pre-determined level of total supply will not be disclosed.
- For each bidder, that bidder's bid for the round and the bidder's eligibility for the next round (each bidder does not see information about other bidders).
- The announced price for the next round if the clock phase will continue with the next round.

6.6 Auction Pause Declared by Auction Manager

At any time during the auction, the Auction Manager may decide to pause the auction. This is not expected to happen often and it may not happen at all. If the Auction Manager pauses the auction or changes the round schedule, bidders will be notified

7. AFTER THE AUCTION CLOSES

7.1 Notification of Results

At the close of the auction, if the Auction Manager determines that the auction did not violate the competitive bidding process rules in such a manner so as to invalidate the auction, the Auction Manager will notify The Dayton Power and Light Company, the PUCO, the PUCO Consultant (if one has been retained), and the bidders as follows.

- The Auction Manager will notify The Dayton Power and Light Company, the PUCO, and the PUCO consultant of the identities of the winning bidders, the number of tranches won by each winning bidder, and the prices for the tranches won.
- The Auction Manager will notify each winning bidder of how many tranches the bidder has won and at what prices. The Auction Manager also will notify the unsuccessful bidders that they have not won any tranches.

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 post-auction report from the Auction Manager or the PUCO's consultant in which it is determined 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:

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 who submitted an Indicative Offer.
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.

7.2 Execution of Master SSO Supply Agreement

The winning bidders and The Dayton Power and Light Company will execute the Master SSO Supply Agreements no later than three (3) days following the close of the auction once the specific pricing information and load obligations have been inserted upon completion of the auction. Each winning bidder must demonstrate compliance with the creditworthiness requirements set forth in the Master SSO Supply Agreement.

7.3 Sanctions for Failure to Execute the Master SSO Supply Agreement

A winning bidder's financial guaranty posted with its Part 2 Application may be forfeited if the winning bidder does not execute the Master SSO Supply Agreement within three (3) days following the close of the auction, if it fails to demonstrate compliance with the creditworthiness requirements set forth in the Master SSO Supply Agreement, or if it fails to agree to any of the terms of the Master SSO Supply Agreement. If The Dayton Power and Light Company exercises their right to collect on the financial guarantees, then any contractual rights or other entitlements of the winning bidder will terminate immediately without further notice by The Dayton Power and Light Company. In addition, the winning bidder will be liable for damages incurred by The Dayton Power and Light Company, which will be determined in accordance with the terms of the Master SSO Supply Agreement as though the winning bidder were a Defaulting Party to the Master SSO Supply Agreement.

7.4 Disclosure of the Auction Results

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. The PUCO may choose to release additional information.

A winning bidder itself may release information regarding the number of tranches it has won, and a non-winning bidder itself may release information only regarding the fact that it participated in the auction, but not before the earliest of:

- (1) A PUCO Order confirming the results of the auction.
- (2) Forty-eight (48) hours after the conclusion of the auction.

The winning bidders and the non-winning bidders otherwise continue to be bound by their certifications as described elsewhere. In particular, no winning bidder and no non-winning bidder itself can reveal the winning prices of the auction prior to these being publicly released by the PUCO.

8. USE OF THE BIDDING WEBSITE

Bidders will bid in the auction by accessing the Auction Manager's secure Bidding Website. An Authorized Representative of a bidder will access the Bidding Website using their own Web browser. The URL address for the Bidding Website, as well as user names and passwords, will be provided to Registered Bidders prior to the start of the auction.

The Bidding Website allows a Registered Bidder to submit and confirm bids, to verify its status, to view results from prior rounds, to view the schedule of rounds, and to view messages from the Auction Manager.

8.1 Importance of Confirmed Bids

Submitting a bid on the Bidding Website involves three steps:

- (1) Web page for entry and submission of the bid quantities. The bidder enters its desired bid and then submits the bid in order to proceed to the next step.
- (2) Web page for validation of the bid. The bidder is asked to review the bid it submitted in the first step before proceeding to the confirmation step.
- (3) Web page showing confirmation of the bid. The bidder receives a unique confirmation ID for the bid and the time-stamp at which the bid was recorded by the Bidding Website server.

It is important to note that a bid is not accepted and recorded as an accepted bid until and unless the bidder reaches the third step in which the bid confirmation Web page displays the unique confirmation ID and time-stamp for the bid.

8.2 Requirements for Using the Bidding Website

Access to the Bidding Website requires all of the following:

- User name and password provided by the Auction Manager.
- Access to the Internet.
- Compatible Web browser
- Status as a Registered Bidder.

A bidder loses access to the Bidding Website after it no longer is possible to win tranches in the auction.

8.3 Messaging

The Bidding Website displays messages from the Auction Manager. These messages from the Auction Manager are displayed for all bidders with access to the Bidding Website.

9. BACKUP BIDDING PROCEDURE

In case a bidder has technical difficulties, and as a result is not able to submit a bid via the Bidding Website in a round, a backup bidding procedure will be provided as follows. The bidder uses the Backup Bidding Fax Number to submit its bid via facsimile. It is recommended that the bidder call the Help Desk and inform the operator that it has submitted a bid using the backup bidding procedure. Reasonable efforts will be made to contact the bidder if the backup bid is not received via facsimile in the time expected. Once the backup bid is received via facsimile, a member of the Auction Manager team will attempt to enter the bid on the Bidding Website on behalf of the bidder.

Prior to the auction, bidders will be provided with the Backup Bidding Fax Number and with forms to use for faxing a bid using the backup bidding procedure.

Bidders must be aware and understand that there is no guarantee or other assurance that if it submits a bid using the backup bidding procedure that its bid will be submitted and confirmed on its behalf by the Auction Manager team consistent with the intentions of the bidder and in time before the round ends.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website because the round has ended, a default bid will be entered for the bidder as described above in the sections on default bids.

If a backup bid submitted by a bidder is not accepted and confirmed by the Bidding Website for other reasons (e.g., the number of tranches bid is greater than a bidder's eligibility or violates the bidder's credit-based tranche limit or applicable load cap), the Auction Manager team will use reasonable efforts to inform the bidder that a new bid must be submitted.

If a backup bid submitted by a bidder is confirmed by the Bidding Website, the Auction Manager team will contact the bidder by faxing confirmation of the accepted bid to the bidder.

Bidders use the backup bidding procedure at their own risk. In all cases involving backup bids, the Auction Manager team does not accept any responsibility, obligation, or liability for errors, omissions, timeliness, or otherwise, related to whether a backup bid is entered into and confirmed by the Bidding Website on behalf of the bidder or as intended by the bidder.

10. WHO TO CONTACT IN CASE OF PROBLEMS DURING THE AUCTION

A bidder should contact the Help Desk if it has questions or problems. The phone number for the Help Desk will be provided to bidders prior to the start of the auction.

11. CONTINGENCY PLAN TO PROCURE TRANCHES

11.1 If Fewer Tranches than the Tranche Target are Procured in the Auction

In the event that fewer tranches than a product's tranche target are procured in the auction, The Dayton Power and Light Company will implement a contingency plan for the unfilled tranches as follows.

11.1.1 Unfilled Tranches to be Offered in Next Scheduled Auction

For any unfilled tranches, if the next scheduled auction takes place no later than 30 calendar days prior to the start of the delivery period for the unfilled tranches, the unfilled tranches will be made available in that auction. If there is no such auction, or if there is such an auction but some of the unfilled tranches remain unfilled after such an auction, then the remaining unfilled tranches will be procured as follows.

11.1.2 Unfilled Tranches to be Offered to Current SSO Suppliers

For this purpose, current SSO Suppliers are SSO Suppliers who have won tranches in one of Dayton Power and Light Company's CBP auctions and either are currently supplying SSO load or are under contract to do so in the future. An SSO Supplier will be considered a current SSO Supplier from the conclusion of the DP&L CBP auction in which such supplier won tranches until after its supply obligations terminate under the prevailing Master SSO Supply Agreement. Current SSO Suppliers will be assigned a random number and each unfilled tranche will be offered to current SSO Suppliers in ascending order of random number, subject to any credit-based tranche limits and any applicable load caps for such suppliers. The tranches will be offered to current SSO Suppliers at the clearing price, starting price, or reservation price, whichever is lowest, from the auction in which the tranches were not procured.

11.1.3 SSO Supply Requirements to be Met through PJM-Administered Markets

If, after the attempts above to procure unfilled tranches, there remain unfilled tranches, the necessary SSO supply requirements associated with those unfilled tranches will be met through PJM-administered markets at prevailing day-ahead, zonal spot prices, and, unless instructed otherwise by the PUCO, The Dayton Power and Light Company will not enter into hedging transactions to attempt to mitigate the associated price or volume risks to serve these tranches.

11.2 If a Winning Bidder Defaults Prior to or During the SSO Delivery Period

In the event a winning bidder defaults prior to or during the delivery of SSO Load requirements, The Dayton Power and Light Company will implement a contingency plan for the open tranches. This contingency plan will follow the same steps as the contingency plan above for unfilled tranches in an auction. That is, the first consideration will be to make the open tranches available in the next scheduled auction if that auction takes place no later than 30 calendar days prior to the start of the delivery period for the open tranches. Next, any remaining open tranches will be offered to current SSO Suppliers as described above.

Finally, the necessary SSO supply requirements associated with any remaining open tranches will be met through PJM-administered markets as described above.

Additional costs incurred by The Dayton Power and Light Company in implementing the contingency plan will be assessed first against the defaulting supplier's credit security, to the extent available.

12. CONFIDENTIAL INFORMATION, CERTIFICATIONS AND SANCTIONS

The Association and Confidential Information rules are described below.

12.1 Confidential Information

Confidential Information relative to bidding strategy means information relating to a bidder's bid(s) in the auction, whether in writing or verbally, which if it were to be made public likely would have an effect on any of the bids that another bidder would be willing to submit. Confidential Information relative to bidding strategy includes (but is not limited to): a bidder's strategy; a bidder's indicative offer; the quantities that a bidder wishes to supply; the bidder's estimation of the value of a tranche; the bidder's estimation of the risks associated with serving the load for the auction; and a bidder's contractual arrangements for purchasing power to serve such load were the bidder to win tranches in the auction.

Confidential Information regarding the auction means information that is not released publicly by the PUCO, The Dayton Power and Light Company or the Auction Manager and that a bidder acquires as a result of participating in the auction, whether in writing or verbally, which if it were to be made public could impair the integrity of current or future competitive bidding processes, impair the ability of The Dayton Power and Light Company to hold future competitive bidding processes, or harm consumers, bidders or applicants. Confidential Information regarding the auction includes (but is not limited to): the list of Qualified Bidders, the list of Registered Bidders, the initial eligibility, the status of a bidder's participation, and all non-public reports of results and announcements made by the Auction Manager to any or all bidders in this auction.

Confidential Information may not receive continued confidential or protected treatment should: (a) a bidder publically disclose Confidential Information relating solely to that bidder; or (b) public disclosure is required or compelled by the PUCO, a court or otherwise by law. The Auction Manager, the PUCO, and the Dayton Power and Light Company shall not be liable for such public disclosures or, so long as reasonable measures have been taken to keep such information confidential, any other public disclosure of Confidential Information. By participating in this auction process, each bidder acknowledges and agrees to the confidentiality provisions set forth herein, as well as any limitations thereto.

In addition, the bidder agrees the bidder's data and information submitted in this auction process will be disclosed if required by any federal, state or local agency (including, without limitation, the PUCO) or by a court of competent jurisdiction. However, The Dayton Power and Light Company will endeavor to notify the bidder in advance of such disclosure. In any event, neither The Dayton Power and Light Company nor the Auction Manager, nor any of their employees or agents, will be responsible to the bidders or any other party, or liable for any disclosure of such designated materials before, during or subsequent to this auction. Notwithstanding the above, The Dayton Power and Light Company and the Auction Manager reserve the right to use and communicate publicly and/or to third parties any and all information/data submitted as part of this auction process in any proceedings before FERC, the PUCO, and any other regulatory body and the courts, if necessary, without the prior consent/approval of, or notice to, any such bidder.

12.2 Certifications and Disclosures to Be Made

A prospective bidder will be required to make the certifications listed in the Part 1 and Part 2 Applications and to disclose certain information. For example:

A prospective bidder will be required to certify in its Part 1 Application that, should it qualify to participate, it will not disclose information regarding the list of Qualified Bidders.

A prospective bidder will be required to certify that it accepts the terms of the Master SSO Supply Agreement and, should it win tranches, it will sign the applicable Master SSO Supply Agreement and comply with all creditworthiness requirements by the stated deadline.

A prospective bidder will be required in its Part 1 Application to disclose any bidding agreement or any other arrangement in which the prospective bidder may have entered and that is related to its participation in the auction. A prospective bidder that has entered into such an agreement or arrangement must name the entities with which the prospective bidder has entered into a bidding agreement, a joint venture for the purpose of participating in the auction, a bidding consortium, or any other arrangement pertaining to participating in the auction. A bidding consortium is a group of separate businesses or business people joining together to submit joint bids in the auction.

Each Qualified Bidder will be asked to certify in its Part 2 Application that it will undertake steps to appropriately restrict its disclosure of Confidential Information relative to its bidding strategy and Confidential Information regarding the auction.

A Qualified Bidder will be asked to certify in its Part 2 Application that it has not and will not come to any agreement with another Qualified Bidder with respect to bidding in the auction, except as disclosed and approved by the Auction Manager in its Part 1 Application.

Before obtaining sealed documentation necessary to participate in the auction, Registered Bidders will be required to certify that they will continue to maintain the confidentiality of any information that they will have acquired through their participation in the auction.

12.3 Actions to be Taken if Certifications Cannot Be Made

If a bidder cannot make all the certifications, the Auction Manager will decide within five (5) days following the deadline to submit the Part 2 Application on a course of action on a case-by-case basis. To decide on this course of action, the Auction Manager may make additional inquiries and information requests to understand the reason for the inability of the bidder to make the certification.

If Qualified Bidders do not comply with additional information requests by the Auction Manager regarding certifications required in the Part 2 Application, the Auction Manager may reject the application.

12.4 Sanctions for Failure to Comply

Sanctions may be imposed on a bidder for failing to properly disclose information relevant to determining associations, for coordinating with another bidder, for failure to abide by any of the certifications made in its Part 1 Application or Part 2 Application, for releasing Confidential Information or disclosing information during the auction (aside from only specific exceptions provided with respect to entities explicitly named in the Part 1 Application as entities that are part of a bidding agreement or other arrangement), and in general for failing to abide by any of the Communications Protocols.

Such sanctions can include, but are not limited to, any one or more of the following:

- Termination of the Master SSO Supply Agreement;
- The loss of all rights to provide supply for the Dayton Power and Light Company to serve any load won by such bidder;
- The forfeiture of letters of credit, financial guarantees, and other fees posted or paid;
- Action (including prosecution) under applicable state and/or federal laws;
- Attorneys' fees and court costs incurred in any litigation that arises out of the bidder's improper disclosure;
- Debarment from participation in future competitive bidding processes;
- Other sanctions that may be appropriate.

Should such an event occur, the Auction Manager will make a recommendation to The Dayton Power and Light Company regarding sanctions. The imposition of such sanctions will be at the discretion of The Dayton Power and Light Company.

13. MISCELLANEOUS

13.1 Warranty on Information

The information provided for the auction, including but not limited to information provided on the Information Website, has been prepared to assist bidders in evaluating the auction process. It does not purport to contain all the information that may be relevant to a bidder in satisfying its due diligence efforts. Neither The Dayton Power and Light Company nor the Auction Manager make any representation or warranty, expressed or implied, as to the accuracy or completeness of the information, and shall not, either individually or as a corporation, be liable for any representation expressed or implied in the auction process or any omissions from the auction process, or any information provided to a bidder by any other source. A bidder should check the Information Website frequently to ensure it has the latest documentation and information. Neither The Dayton Power and Light Company, nor the Auction Manager, nor any of their representatives, shall be liable to a bidder or any of its representatives for any consequences relating to or arising from the bidder's use of information.

13.2 Hold Harmless

Bidder shall hold The Dayton Power and Light Company and the Auction Manager harmless of and from all damages and costs, including but not limited to legal costs in connection with all claims, expenses, losses, proceedings or investigations that arise in connection with the auction process or the award of a bid pursuant to the auction process.

13.3 Bid Submissions Become The Dayton Power and Light Company's Property

All bids submitted by bidders participating in the auction will become the exclusive property of The Dayton Power and Light Company upon conclusion of the auction process.

13.4 Bidder's Acceptance

Through its participation in the auction process, a bidder acknowledges and accepts all the terms, conditions and requirements of the auction process and the Master SSO Supply Agreement.

13.5 Permits, Licenses, Compliance with the Law and Regulatory Approvals

Bidders shall obtain all licenses and permits and status that may be required by any governmental body, agency or organization necessary to conduct business or to perform hereunder. Bidders' subcontractors, employees, agents and representatives of each in performance hereunder shall comply with all applicable governmental laws, ordinances, rules, regulations, orders and all other governmental requirements.

13.6 Auction Intellectual Property

All title, interests and other intellectual property rights in and to the auction design, the auction format and methodology, the auction software, the source code (including all modifications, enhancements, customization, adaptations and derivative works made by the Auction Manager) and associated documentation, including but not limited to these Bidding Rules, and the screen formats and forms designed by the Auction Manager (the "Auction Software"), are proprietary to the Auction Manager and all rights, title, and interest to the Auction Software remain with the Auction Manager. The Auction Manager grants Qualified Bidders a non-exclusive, non-transferable, limited license to use the Auction Software, solely for use in connection with the auction, subject to the terms and conditions set forth herein, and not for copying, relicensing, sublicensing, distribution or marketing by the Qualified Bidder. No other interest is conveyed to the Qualified Bidder other than the license expressly granted herein. The foregoing use license shall immediately terminate upon disqualification of the Qualified Bidder or upon termination or completion of the auction process. If at any time it is determined in the Auction Manager's sole discretion that the Qualified Bidder is in breach of this section 13.6, the Auction Manager shall be entitled to terminate the Qualified Bidder's access rights to the Auction Software.

Notwithstanding anything herein to the contrary, and without limiting the Qualified Bidder's other obligations herein, the Qualified Bidder shall not, nor shall it permit any third party to: (i) modify, translate or otherwise create derivative works of the Auction Software; (ii) reverse engineer, decompile, decode, disassemble or translate any Auction Software, or output thereof, or otherwise attempt to reduce to human readable form or derive the source code, protocols or architecture of any Auction Software; (iii) use or study any Auction Software, or output thereof, for the purpose of developing any software that is intended to replace, or that has functions, structure or architecture similar to, such Auction Software, or any part thereof; (iv) publish, or otherwise make available to any third party, any benchmark or other testing information or results concerning the Auction Software; (v) permit any other person who is not authorized to access or use all or any part of the Auction Software or (vi) copy the Auction Software, distribute the Auction Software, remove or obscure any proprietary labeling on or in the Auction Software, create any derivative works based on the Auction Software, or modify the Auction Software, in each case, except to the extent expressly permitted by the Auction Manager in writing.

In using the Auction Software, a Qualified Bidder shall take steps to prevent any virus, worm, built-in or use-driven destruction mechanism, algorithm, or any other similar disabling code, mechanism, software, equipment, or component designated to disable, destroy or adversely affect the Auction Software from being introduced into the systems.

APPENDIX A — EXAMPLE OF ROUND BY ROUND BIDDING IN AUCTIONS OF MULTIPLE PRODUCTS

The illustrative example below shows for two bidders (BidderA and BidderB) and two products (Product-1 and Product-2) the confirmed bids (pre-EOR) and the post-EOR results for each round. In the example, the auction closes after round 4.

Round 1

For round 1, the announced prices are \$75.00 and \$82.00 for Product-1 and Product-2, respectively. At those announced prices, BidderA bids 55 tranches and 85 tranches on Product-1 and Product-2, respectively. BidderB bids 80 tranches and 27 tranches on Product-1 and Product-2, respectively.

When the round closes the EOR procedure is executed. Each product is over-subscribed: 135 tranches were bid on Product-1 which has a tranche target of 100, and 112 tranches were bid on Product-2 which has a tranche target of 100.

The announced price for Product-1 will be reduced from \$75.00 to \$72.50 for round 2. The announced price for Product-2 will be reduced from \$82.00 to \$78.60 for round 2.

BidderA will have eligibility of $55+85 = 140$ tranches for round 2, and BidderB will have eligibility of $80+27 = 107$ tranches for round 2.

Round 2

At the announced prices for round 2, BidderA bids 40 tranches and 85 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 55 to 40 tranches. BidderB bids 50 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB switched 30 tranches from Product-1 to Product-2.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 10 tranches: only 90 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 15 tranches, while BidderB's bid maintained its eligibility. Thus, 10 of the 15 eligibility reduction tranches of BidderA are rolled back on Product-1. Those 10 tranches are priced at the announced price for Product-1 at which they were bid in round 1: \$75.00. The announced price for Product-1 will remain at \$72.50 for round 3.

Product-2 is over-subscribed by 42 tranches. The announced price for Product-2 will be reduced from \$78.60 to \$76.10 for round 3.

BidderA will have eligibility of $50+85 = 135$ tranches for round 3 (including the 10 tranches rolled back on Product-1), and BidderB will have eligibility of $50+57 = 107$ tranches for round 3.

Round 3

At the announced prices for round 3, BidderA bids 99 tranches and 36 tranches on Product-1 and Product-2, respectively. Thus, BidderA is switching 49 of the tranches bid from Product-2 to Product-1. BidderB bids 50 tranches and 35 tranches on Product-1 and Product-2, respectively. Thus, BidderB is reducing its tranches bid on Product-2 from 57 to 35 tranches.

When the round closes the EOR procedure is executed. Product-1 is over-subscribed by 49 tranches. Product-2 is under-subscribed by 29 tranches: only 71 tranches bid against the tranche target of 100 tranches: BidderA's bid maintained its eligibility while BidderB's bid represents a reduction in its eligibility by 22 tranches. Thus, all 22 of the eligibility reduction tranches of BidderB are rolled back on Product-2. Those 22 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60. Even after rolling back those 22 eligibility reduction tranches of BidderB, Product-2 still is under-subscribed — by 7 tranches. So 7 tranches that BidderA had switched from Product-2 to Product-1 are rolled back to Product-2. Those 7 tranches are priced at the announced price for Product-2 at which they were bid in round 2: \$78.60.

After rolling back 7 tranches from Product-1 to Product-2 for BidderA, BidderA still has increased the number of tranches it is bidding on Product-1: from 50 tranches bid in round 2 (10 tranches at \$75.00 and 40 tranches at \$72.50) to 92 tranches bid in round 3 (10 tranches at \$75.00 and 82 tranches at \$72.50). Product-1 is over-subscribed as a result, so higher-priced tranches in Product-1's bid stack can be removed. All 10 of BidderA's higher-priced tranches are removed from Product-1's bid stack, and these 10 tranches become BidderA's free eligibility for round 4. In round 4, BidderA can bid any of the 10 tranches on any product, but to the extent those 10 tranches are not bid on a product in round 4, those free eligibility tranches and their associated eligibility for BidderA will be permanently removed from the auction after round 4.

Because Product-1 is over-subscribed, the announced price for Product-1 will be reduced from \$72.50 to \$70.15 for round 4. Because Product-2 is not over-subscribed, the announced price for Product-2 will remain at \$76.10 for round 4.

BidderA will have eligibility of $82+43+10 = 135$ tranches for round 4, and BidderB will have eligibility of $50+57 = 107$ tranches for round 4 (including the 22 tranches rolled back on Product-2).

Round 4

At the announced prices for round 4, BidderA bids 46 tranches and 43 tranches on Product-1 and Product-2, respectively. Thus, BidderA reduced its tranches bid on Product-1 from 82 to 46 tranches. BidderB bids 32 tranches and 57 tranches on Product-1 and Product-2, respectively. Thus, BidderB reduced its tranches bid on Product-1 from 50 to 32 tranches.

When the round closes the EOR procedure is executed. Product-1 is under-subscribed by 22 tranches: only 78 tranches bid against the tranche target of 100 tranches: BidderA's bid represents a reduction in its eligibility by 36 tranches, while BidderB's bid represents a reduction in its eligibility by 18 tranches. Of the 54 fewer tranches bid on Product-1, 36 were eligibility reductions from BidderA and 18 were eligibility reductions from BidderB. Of those 54 fewer tranches bid, $100 - 78 = 22$ tranches need to be rolled back on Product-1. The selection of which tranches are rolled back is done by assigning random numbers tranche by tranche (not bidder by bidder) to each of the 54 fewer tranches bid on Product-1. On average, the selection of the rolled back tranches will be proportional based on the number of tranches by which each bidder reduced its bid on the product. Thus, if the assignment of random numbers and selection of rolled back tranches were repeated many times, the number of rolled back tranches for BidderA on Product-1 would be expected to be 15 on average or $(82 - 46) / (132 - 78) * (100 - 78) = 36 / 54 * 22$, rounded, and the number of rolled back tranches for BidderB on Product-1 would be expected to be 7 on average: $(50 - 32) / (132 - 78) * (100 - 78) = 18 / 54 * 22$, rounded.

Auction Close

After the rollback is done for Product-1, it is determined that no product is over-subscribed and no bidder has free eligibility tranches. Thus, the criteria are met for closing the auction.

Product-1's bid stack has tranches bid at \$72.50 and tranches bid at \$70.15. So Product-1's clearing price is the higher of the two, or \$72.50. BidderA wins 61 tranches and BidderB wins 39 tranches for Product-1. All 100 tranches procured for Product-1 are paid the price of \$72.50.

Product-2's bid stack has tranches bid at \$78.60 and tranches bid at \$76.10. So Product-2's clearing price is the higher of the two, or \$78.60. BidderA wins 43 tranches and BidderB wins 57 tranches for Product-2. All 100 tranches procured for Product-2 are paid the price of \$78.60.

Example 1. Round by Round Bidding with Pre-EOR and Post-EOR Results

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
1	\$75.00					\$82.00						
Pre-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00		—	140
BidderB			80	@ \$75.00				27	@ \$82.00		—	107
Post-EOR		100	135		35		100	112		12		
BidderA			55	@ \$75.00				85	@ \$82.00		—	140
BidderB			80	@ \$75.00				27	@ \$82.00		—	107
2	\$72.50					\$78.60						
Pre-EOR		100	90		(10)		100	142		42		
BidderA			40	@ \$72.50				85	@ \$78.60		—	125
BidderB			50	@ \$72.50				57	@ \$78.60		—	107
Post-EOR		100	100		0		100	142		42		
BidderA			50	10 @ \$75.00 40 @ \$72.50				85	@ \$78.60		—	135
BidderB			50	@ \$72.50				57	@ \$78.60		—	107

Bidding Rules for The Dayton Power and Light Company's CBP Auctions

Attachment RJL-5

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
3	\$72.50					\$76.10						
Pre-EOR		100	149		49		100	71		(29)		
BidderA			99	10 @ \$75.00 89 @ \$72.50				36	@ \$76.10		—	135
BidderB			50	50 @ \$72.50				35	@ \$76.10		—	85
Post-EOR		100	132		32		100	100		0		
BidderA			82	@ \$72.50				43	7 @ \$78.60 36 @ \$76.10		10	135
BidderB			50	@ \$72.50				57	22 @ \$78.60 35 @ \$76.10		—	107

Bidding Rules for The Dayton Power and Light Company's CBP Auctions

Attachment RJL-5

Round	Product-1					Product-2					Next-Round Eligibility	
	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Announced Price	Tranche Target	Tranches Bid	@ Price	Excess Supply	Free	Total
4	\$70.15					\$76.10						
Pre-EOR		100	78		(22)		100	100		0		
BidderA			46	@ \$70.15				43	7 @ \$78.60 36 @ \$76.10		—	89
BidderB			32	@ \$70.15				57	22 @ \$78.60 35 @ \$76.10		—	89
Post-EOR		100	100		0		100	100		0		
BidderA			61	15 @ \$72.50 46 @ \$70.15				43	7 @ \$78.60 36 @ \$76.10		—	104
BidderB			39	7 @ \$72.50 32 @ \$70.15				57	22 @ \$78.60 35 @ \$76.10		—	96

	Product-1				Product-2				Tranches Won
	Clearing Price	Tranche Target	Tranches Won		Clearing Price	Tranche Target	Tranches Won		
Results	\$72.50	100	100		\$78.60	100	100		100
BidderA			61				43		104
BidderB			39				57		96

APPENDIX B – RULES AND PROTOCOLS FOR PARTICIPATION BY ASSOCIATED BIDDERS

1. INTRODUCTION

A Qualified Bidder is associated with another Qualified Bidder if the two bidders have ties that could allow them to act in concert or that could prevent them from competing actively against each other.

The competitiveness of the auction and the ability of the auction to produce competitive prices may be harmed by the coordinated or collusive behavior that bidding associations among bidders may facilitate. As a result, the Auction Manager has developed standards that apply when associated parties apply to participate in a CBP auction. The following sections outline the specific protocols that will be followed when associated entities submit Part 1 and/or Part 2 Applications to participate in a CBP auction for The Dayton Power and Light Company.

2. PROCEDURE FOLLOWED BY THE AUCTION MANAGER

Potential associations among participants may come to the attention of the Auction Manager at different points in the bidder qualification application process. In order to improve the process efficiency and minimize the risk of disclosure of potentially confidential information, the Auction Manager will approach each case as described below.

2.1. Following the Receipt of the Part 1 Applications

Potential associations among applicants may become apparent after the Part 1 Applications are submitted but before Qualified Bidders are required to disclose such associations as part of their Part 2 Applications. The Auction Manager will take no action related to potential associations until each party submits their completed Part 1 Application. In cases where there is an apparent relationship among applicants, the Auction Manager will initiate a request for additional information regarding the relationship among the potentially associated parties, the structure of their organization, and the independence of the respective bidding teams.

In such cases, the Auction Manager will notify representatives of The Dayton Power and Light Company, PUCO Staff, and the PUCO's consultant that there is a potential association among applicants.

In addition, as outlined in the Part 2 Application, the Auction Manager reserves the right to request additional information from each party including, but not necessarily limited to:

- a. Information on how the entity maintains its independence from the associated party including any available supporting documentation such as a Corporate Separation Agreements, Codes of Conduct, and/or organization charts;

- b. A list of individuals within the organization who have played or will play a material role in the CBP auction;
- c. Information regarding the nature of any work done in conjunction with or on behalf of the associated party;
- d. Information describing the organizational structure of the associate(s), identifying common management and oversight among the associated entities as well as the management involved in or responsible for bid approval;
- e. The internal process or protocol related to determining indicative offers submitted as part of the Part 2 Application;
- f. Disclosure of whether the entity is bidding on behalf of itself or acting as an agent for other entities.

Any responses to the above will be treated as confidential if labeled as such.

2.2. Following the Receipt of the Part 2 Applications

In some cases, the potential relationship among Qualified Bidders will not be known to the Auction Manager until the Qualified Bidders submit final certifications along with their Part 2 Applications. In such cases, the Auction Manager will initiate the steps outlined above, upon receipt of the completed Part 2 Applications.

After the Auction Manager has requested and received additional information from each associated bidder, the Auction Manager will work with representatives of The Dayton Power and Light Company, PUCO Staff, and the PUCO's consultant to determine:

- a. Whether each of the associated bidders will be allowed to participate independently in the CBP auction; and
- b. Any restrictions that may be applied as a result of the participation by associated bidders.

Any restrictions will be based on the information provided by the associated bidders as part of the Part 1 Application, the Part 2 Application, and the additional information that was provided at the request of the Auction Manager.

3. REMEDIES AND ACTIONS RELATED TO PARTICIPATION BY ASSOCIATED BIDDERS

This section summarizes the potential restrictions that will be considered by the Auction Manager, The Dayton Power and Light Company, PUCO Staff, and the PUCO's consultant in relationship to associated participation. Restrictions on participation may include, but may not be limited to, the following:

- a. Indicative offers may be restricted such that any applicable load cap or credit based tranche cap may apply across the associated bidders;

- b. Pre-bid security or collateral requirements may be altered for the associated bidders to ensure that associated bidders do not gain a competitive advantage over other bidders;
- c. In some cases, one or more associated bidders may not be allowed to participate in the CBP auction.

4. HANDLING OF CONFIDENTIAL INFORMATION

In order to execute the process of gathering information on associated entities and executing the remedies outlined above, there may be situations that require the Auction Manager to share, directly, certain confidential information among the associated parties, The Dayton Power and Light Company, the PUCO, its staff and/or the consultant hired by the PUCO to monitor the process.

In addition, as part of the remedies outlined above, an associated party may gain access to or be able to ascertain certain confidential information of the other associated entities. While access to such information otherwise may be counter to certifications in the Part 2 Application, access to such information acquired through the data gathering and remedies related to associated bidders will not be considered a violation of the CBP rules.¹

Confidential information includes but may not be limited to the initial eligibility for each associated bidder based on indicative bids submitted with the Part 2 Application. The Auction Manager will make reasonable efforts to minimize the disclosure of any such confidential information.

¹ Certification (5) from the Part 2 Application states: (5) Please certify that you do not have any knowledge of Confidential Information that is relevant to the bidding strategy of any other Qualified Bidder.

Attachment RJL-6

**Communications Protocols for
The Dayton Power and Light Company's
CBP Auctions**

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1. INTRODUCTION

These Communications Protocols apply to the competitive bidding process ("CBP") auctions for The Dayton Power and Light Company to procure supply for the provision of Standard Service Offer supply ("SSO Supply") for all of their retail customers that take retail generation service from The Dayton Power and Light Company.

The Communications Protocols in this document are intended to promote a fair, open, transparent, objective, and non-discriminatory process for the CBP auctions to procure supply for SSO customers of The Dayton Power and Light Company. These protocols also intend to protect proprietary information of participants and information that, should it be released, would be detrimental to the outcome of the auction process or future competitive bidding processes.

Unless noted otherwise, all capitalized terms are defined in Appendix B to this document, the Glossary. These protocols elaborate upon the means by which confidentiality is to be maintained by all parties through adherence to the procedures in this document. Should the Auction Manager recognize that additional information should be kept confidential, the Auction Manager will establish additional procedures in keeping with the principles provided in this document and inform The Dayton Power and Light Company, the PUCO and PUCO Staff, the PUCO Consultant, and Bidders in a timely manner.

This document is organized as follows:

- Section 2 summarizes the objectives of this document.
- Section 3 describes protocols regarding communications within The Dayton Power and Light Company and with Bidders, including any affiliate of The Dayton Power and Light Company.
- Section 4 summarizes information that may be communicated with the general public, including the media, and the means by which that information is disseminated.
- Section 5 addresses Bidder Communications Protocols, including communications among Bidders and between the Auction Manager and Bidders.
- Section 6 summarizes Communications Protocols with the PUCO, including communications between the PUCO and the Auction Manager, between the PUCO and The Dayton Power and Light Company, and disclosure of confidential information.
- Appendix A includes a confidentiality agreement to be signed by any party other than the Auction Manager or Bidders who may have access to proprietary and confidential information.

2. OBJECTIVES

This document and the procedures it describes promote four main objectives:

- The first objective is to establish a fair and equitable process for all Bidders by ensuring all Bidders have equal access to the same information necessary to evaluate the bidding opportunity and to prepare their bids in a timely manner.
- The second objective is to take all reasonable precautions that any information generated by the auction process that could harm the competitive position of Bidders or The Dayton Power and Light Company, if released, is kept confidential.
- The third objective is to take all reasonable precautions that confidential information is provided only to those persons to whom it is deemed necessary for the conduct and management of the auction process.
- The fourth objective is to ensure that information that, if released, could harm the competitiveness of future competitive bidding processes is kept confidential from all entities including Bidders.

These objectives will be accomplished by following two guiding principles. The first is that there will be one communication point for Bidders: all communications to prospective and actual Bidders will be directed through the Auction Manager. The second guiding principle is that the Auction Manager will distribute and disseminate information equally and fairly to all prospective and actual Bidders. These two guiding principles facilitate equal access to the same information for all Bidders. Only the Auction Manager responds to inquiries from Bidders and information is disseminated to all Bidders by or under the supervision of the Auction Manager.

The Auction Manager also will ensure that information generated by the implementation of the auction that could harm the competitive position of Bidders, if released, is kept confidential by those who have access to such information.

3. THE DAYTON POWER AND LIGHT COMPANY AND AFFILIATES

3.1 Internal Communications

The Dayton Power and Light Company will designate individuals to work on the auction process. These individuals directly or indirectly will not have communication with, or exchange information with, any individuals of an affiliate of The Dayton Power and Light Company that may bid in the auction process where such communication or information is related directly or indirectly to this auction process.

3.2 Communications with Bidders

The Dayton Power and Light Company will not communicate with Bidders prior to the selection of winning bids. When the Auction Manager informs The Dayton Power and Light Company about the prices and tranches of the winning bids and the identity of winning Bidders, representatives from The Dayton Power and Light Company then will communicate with the winning Bidders in order to execute the necessary documents.

If a Bidder attempts to contact The Dayton Power and Light Company regarding the auction process by phone call, email, fax, or other means, The Dayton Power and Light Company will direct the Bidder to the Information Website and/or to the Auction Manager.

3.3 Part 1 Application Process

For the Part 1 Application process, the Auction Manager will need to provide the names of applicants to The Dayton Power and Light Company credit department for purposes of confirming the applicants' credit requirements.

3.4 Part 2 Application Process

For the Part 2 Application process, the Auction Manager will need to provide the aggregate eligibility and other information from the Part 2 Applications to The Dayton Power and Light Company. Following the Part 2 Application process, the Auction Manager will provide to the Dayton Power and Light Company the name and initial eligibility of each Registered Bidder.

3.5 Communication of the Bid Selection Criteria

No later than one business day before bids are due, The Dayton Power and Light Company will provide the Auction Manager with details concerning any updates to the pre-determined bid selection criteria. The pre-determined bid selection criteria will be price-based, such as a reservation price.

3.6 Auction Results

If there are winning bid(s), the Auction Manager will: (a) inform The Dayton Power and Light Company (as well as the PUCO and PUCO Consultant) about the winning bids and identify the winning Bidders, and (b) notify the winning Bidders. The Dayton Power and Light Company will contact the winning Bidders to execute necessary documents. The Auction Manager also will inform any Bidders who did not win tranches that they have not been awarded any tranches in the auction process.

If there are no winning bid(s), the Auction Manager will inform The Dayton Power and Light Company (as well as the PUCO and PUCO Consultant) there are no bids that met the criteria for a winning bid.

Any paper copies of the bidding results will be secured in the Auction Manager's office.

The PUCO may receive from the PUCO Consultant a post-auction report in addition to the Auction Manager's comprehensive report. The Auction Manager may review the PUCO Consultant's post-auction report in un-redacted, draft form in order to provide comments prior to the final version. The Dayton Power and Light Company may receive the PUCO Consultant's un-redacted report and provide comments to ensure accuracy.

4. GENERAL PUBLIC AND MEDIA

While bidding is in progress, there is to be no communication with the media or the public other than notification when the bidding begins. After the auction process is completed, results are determined, and Bidders have been notified, all media inquiries will be forwarded to The Dayton Power and Light Company.

4.1 The Information Website

The central source of information made available publicly and to Bidders is the Information Website. The Auction Manager will manage the information flow on the Information Website and will be designated on the Website as the contact person for any questions or inquiries from parties. Any party will have access to the public sections of the Information Website.

4.2 Registered Users

If a party wishes to receive notices and updates regarding public information and new postings to the Information Website, then the party can register through the Information Website to become a Registered User. (Note that not all Registered Users become Registered Bidders, but a Bidder that would like to become a Registered Bidder must first register to become a Registered User so they can receive notices and updates.)

Any information the Auction Manager has concerning the auction process that is relevant and that can be disclosed publicly will be made available equally to all Registered Users in a timely manner. The method of such communication likely will be via the Information Website and/or emails to Registered Users using the BCC email field so identification of Registered Users is not disclosed to other Registered Users.

4.3 Press Releases

The Dayton Power and Light Company and/or the Auction Manager may issue one or more press releases or may place news items in the trade press with the intent to disseminate information about the auction process in an efficient, fair, and timely manner.

4.4 Answering Inquiries from the General Public or Media

Inquiries from the general public or the media to the Auction Manager will be directed to the Information Website.

5. BIDDERS

5.1 Communications Among Bidders

Pursuant to the auction rules, Bidders are prohibited from communicating with each other in ways that would compromise the integrity and competitiveness of the auction process. Sanctions will be applied if these rules are violated.

5.2 Communications between the Auction Manager and Bidders

The central source of information made available to Bidders is the Information Website. The Website will facilitate making information available equally to Bidders in a timely manner.

Bidders will be requested to become Registered Users to receive ongoing information about the auction process. As discussed above, once registered through the Information Website, Registered Users will receive notifications from the Auction Manager about updates to the auction process and to the Information Website.

If the Auction Manager receives an inquiry from a party and prepares a response that would be relevant for other parties, the Auction Manager will ensure the information will be made available equally to all Registered Users in a timely manner and will post the information on the Information Website without revealing the identity of parties.

In addition to posting information to the Information Website, the Auction Manager may contact Bidders directly in order to seek or provide information about the auction process in a way that does not advantage any Bidder.

Any communications from the Auction Manager to a Bidder will not reveal the identity of other Bidders.

5.3 Frequently Asked Questions

Among other information and resources on the Information Website, there will be a FAQ (frequently asked questions) section with posted questions and answers. As inquiries are received, they will be converted into a FAQ and posted on the Information Website without revealing the identity of the party posing the inquiry.

Inquiries to be answered by The Dayton Power and Light Company will be forwarded by the Auction Manager to The Dayton Power and Light Company. Inquiries to be answered by the Auction Manager will be forwarded to The Dayton Power and Light Company with a draft response. Any inquiry or draft response forwarded by the Auction Manager to The Dayton Power and Light Company will not identify the party posing the inquiry. Both The Dayton Power and Light Company and the Auction Manager will review any inquiry and response before the FAQ is posted to the Information Website.

5.4 Bidding Process

During the auction, the Auction Manager, the PUCO, the PUCO's consultant if any, and The Dayton Power and Light Company personnel may monitor the bidding process.

The Auction Manager will ensure the bids submitted by Bidders conform to the rules of the auction process.

The Bidding Rules and pre-determined bid selection criteria will be applied to determine which bids, if any, are winning bids.

5.5 Limitations on Disclosures by Bidders

Bidders are not allowed to disclose they are participating in a CBP auction and winning Bidders are not allowed to disclose that they have won any tranches in a CBP auction until the PUCO publicly reports the results of the CBP auction. Such limitation on public disclosure by bidders is waived if disclosure is required by law.

6. PUBLIC UTILITIES COMMISSION OF OHIO

6.1 Identification of the PUCO Consultant

The PUCO may identify up to three individuals who will serve as the PUCO Consultant and may be onsite at the offices of the Auction Manager during the bidding process. Other than information that is accessible by being onsite, the PUCO Consultant will not be forwarded confidential information electronically or in hardcopy format. Those individuals are required to abide by the Communication Protocols and sign the confidentiality agreement in Appendix A.

6.2 Communications with the Auction Manager

During the bidding process, the identity of Bidders, prices, and the number of tranches each winning Bidder has won will be kept confidential. This information may be released to the PUCO after the auction results are finalized.

6.3 Communications with The Dayton Power and Light Company

The PUCO may communicate with The Dayton Power and Light Company regarding the auction process. However, The Dayton Power and Light Company will not disclose any proprietary information until after the final round of the auction is completed and Bidders are informed of the results of the auction.

6.4 Communications with Bidders

The PUCO will not communicate with Bidders about the auction process prior to the determination of winning bids. If a Bidder attempts to contact the PUCO by phone call, email, fax, or other means, the PUCO will direct the Bidder to the Information Website and/or to the Auction Manager.

6.5 Information on Auction Participation

In order to maintain confidential and proprietary information provided by Bidders as part of the auction process, the identity of all Bidders that submitted Part 1 and/or Part 2 applications in the auction and the indicative offers of Bidders will be kept confidential until released publicly by the PUCO. The PUCO may elect to keep these data confidential at its sole discretion.

6.6 Round-by-Round Bids

Actual round-by-round bids by Bidders will be kept confidential pursuant to the confidentiality provisions of the Bidding Rules and the Master SSO Supply Agreement.

APPENDIX A

CONFIDENTIALITY AGREEMENT

I acknowledge that I have read and understand the Communications Protocols and obligations regarding treatment of confidential information related to the CBP auctions to procure generation supply for SSO customers of The Dayton Power and Light Company.

I certify that I have abided by its terms and that I agree to continue to abide by its terms and conditions. I acknowledge that I may be subject to potential injunctive action to enforce this confidentiality agreement, as well as liability from parties participating in the CBP auctions to procure supply for SSO customers of The Dayton Power and Light Company should I be found in violation of this confidentiality agreement.

Company

Signed by

Date

Please return the signed form to the Auction Manager at dpandl.auctionmanager@crai.com or fax to:

CRA International, Inc.
200 Clarendon Street,
T-9 Boston, MA
02116-5092

Phone: 617.425.3365

Fax: 617.425.6574

dpandl.auctionmanager@crai.com

Attn: Robert Lee, Vice President / Auction Manager

APPENDIX B

GLOSSARY

This Glossary applies to the competitive bidding process ("CBP") auctions to procure supply for the provision of Standard Service Offer supply ("SSO Supply") for all of their retail customers that take retail generation service from The Dayton Power and Light Company.

In the event of a conflict between this Glossary and the prevailing Master SSO Supply Agreement with respect to the definitions provided, the definitions included in the prevailing Master SSO Supply Agreement shall control.

Advisor is a person or persons who will be advising or assisting the Qualified Bidder with respect to bidding strategy, estimation of the value of any Tranche, or estimation of the risks associated with any Tranche.

Affiliate has the meaning set forth in the prevailing Master SSO Supply Agreement.

Announced Price is the price of a Product in effect during a bidding round of the auction.

Applicant refers to a Party that has submitted or has indicated that it intends to submit a Part 1 Application or a Part 2 Application.

Associated Bidders are two or more bidders with ties that could allow them to act in concert or that could prevent them from competing actively against each other.

Association exists between two or more Qualified Bidders if they are Associated Bidders.

Auction Manager for this CBP is the team at CRA International, Inc. d/b/a Charles River Associates ("CRA") working on this CBP.

Auction Software has the meaning set forth in the Bidding Rules document.

Authorized Representative is a designated person that is authorized to represent the Applicant in the CBP. The Authorized Representative must ensure that only authorized persons act on behalf of the Applicant in the CBP and is responsible for ensuring that no Confidential Information is disclosed improperly.

Backup Bidding Fax Number means any telephone number provided to Registered Bidders in advance of the auction for use in submitting a bid by fax in the event of a complication with access to the Bidding Website

Bidder means any party that may become a Qualified Bidder in the CBP or that submits bids in the CBP.

Bidding Agreement is an arrangement involving joint or coordinated bidding with any other Party.

Bidding Consortium is a group of separate businesses or business people joining together to submit joint bids in the auction.

Bidding Website means the secure Website used by Registered Bidders to participate in the CBP auction. The URL address for the Bidding Website will be provided to Registered Bidders.

Business Day has the meaning set forth in the prevailing Master SSO Supply Agreement.

Capacity has the meaning set forth in the prevailing Master SSO Supply Agreement.

CBP stands for Competitive Bidding Process.

Charge has the meaning set forth in the prevailing Master SSO Supply Agreement.

Commission (PUCO) is the Public Utilities Commission of Ohio.

Competitive Retail Electric Service Supplier (CRES Supplier) has the meaning set forth in the prevailing Master SSO Supply Agreement.

Confidential Information is non-public, competitively-valuable information that is meant to be kept non-public and for which precautions have been taken to have it remain non-public. Confidential information relative to bidding strategy includes information relating to a Bidder's bid, written or oral, which if it were to be made public or known to another Bidder would be likely to have an effect on any of the bids that another Bidder would be willing to submit in the CBP. Confidential information regarding the CBP includes information, written or oral, that is not released publicly by the PUCO or the Auction Manager and that a Bidder acquires as a result of participating in the CBP, which if it were to be made public could impair the integrity of the current or future CBPs, impair the ability of The Dayton Power and Light Company to hold future CBPs, harm consumers, or injure Bidders or Applicants.

Confirmed Bid is a bid submitted by a Bidder that is confirmed by the Bidding Website. A bid submitted by a Bidder is confirmed only if the Bidder receives a unique confirmation ID and time-stamp by the Bidding Website server. If the Bidder submits a bid but fails to complete the last step to confirm the bid, that bid will not be considered a Confirmed Bid.

Credit-Based Tranche Cap is the maximum possible Initial Eligibility for a Qualified Bidder based on its credit rating.

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

Customer has the meaning set forth in the prevailing Master SSO Supply Agreement.

Day(s) refer to Business Day(s), unless noted otherwise.

Default Bid refers to the bid that is assigned to a bidder with positive eligibility that does not confirm a bid in a round.

Defaulting Party has the meaning set forth in the prevailing Master SSO Supply Agreement.

Delegate is authorized by the Applicant to be a secondary point of contact for the Auction Manager.

Delivery Period has the meaning set forth in the prevailing Master SSO Supply Agreement.

Eligibility is the maximum number of Tranches a Bidder can bid across all Products in a bidding round. From round to round, a Bidder's Eligibility cannot increase; it can only stay the same or decrease.

Energy has the meaning set forth in the prevailing Master SSO Supply Agreement.

FERC has the meaning set forth in the prevailing Master SSO Supply Agreement.

Foreign Applicant is an entity organized in a foreign jurisdiction not under the laws of the United

States that is applying to participate in a CBP auction.

Foreign Guarantor is an entity organized in a foreign jurisdiction, not under the laws of the United States that is submitting a guaranty on behalf of a potential SSO Supplier.

Form of SSO Supplier Letter of Credit is an attachment to the Master SSO Supply Agreement.

Guarantor has the meaning set forth in the prevailing Master SSO Supply Agreement.

Guaranty has the meaning set forth in the prevailing Master SSO Supply Agreement.

Help Desk means the Auction Manager's resource available to provide technical assistance during a live CBP auction.

Indicative Offer made by a Qualified Bidder specifies two (2) numbers of Tranches for each Product in the auction. For each Product, the first number represents the number of Tranches that the Qualified Bidder is willing to serve at the Minimum Starting Price for the Product and the second number represents the number of Tranches that the Qualified Bidder is willing to serve at the Maximum Starting Price for the Product.

Information Website means <http://www.dpandlpowerauctions.com>, which is the website that will be the primary online source of information about the CBP auctions.

Initial Eligibility is the Bidder's Eligibility for round 1 of the auction.

Joint Venture is an enterprise entered into by two or more people for profit with the purpose of bidding in the CBP. A Joint Venture has most of the elements of a partnership, such as shared management, the power of each venturer to bind the others in the business, division of profits, and joint responsibility for losses. However, unlike a partnership, a Joint Venture anticipates a specific area of activity and/or period of operation, so after the purpose is completed, bills are paid, profits (or losses) are divided, and the Joint Venture is terminated.

Legal Representative is a legal counsel or a representative agent that is authorized and willing to accept service of process on the Applicant's behalf; and has an address in Ohio.

Load Cap is a limit on the number of tranches that can be bid on and won by any individual bidder. The load cap will be a specified percentage on an aggregated load basis across all auction products for each auction date such that no bidder may bid on and win more tranches than the load cap.

Load Serving Entity (LSE) has the meaning set forth in the applicable PJM Agreements.

Master Standard Service Offer Supply Agreement (or Master SSO Supply Agreement or Agreement) is the standard contract that will be used by the SSO Suppliers and The Dayton Power and Light Company.

Maximum Starting Price is the maximum Announced Price for a Product that can be set for round 1.

Minimum Starting Price is the minimum Announced Price for a Product that can be set for round 1.

Notification of Qualification is sent by the Auction Manager to an Applicant once the Applicant becomes a Qualified Bidder. The Notification is in the format set forth in Part 1 Application.

Notification to Registered Bidders is sent by the Auction Manager to the Qualified Bidder once the Qualified Bidder becomes a Registered Bidder. The Notification is in the format set forth in Part 2 Application.

Over-Subscribed Product is a Product with supply (i.e., the number of Tranches bid) greater than the Product's Tranche Target.

Part 1 Application is the first of the two parts of the application process for prospective Bidders to participate in the CBP.

Part 1 Application Due Date is the date specified in the timeline on the Information Website.

Part 2 Application is the second of the two parts of the application process for prospective Bidders to participate in the CBP.

Part 2 Application Due Date is the date specified in the timeline on the Information Website.

Party has the meaning set forth in the prevailing Master SSO Supply Agreement.

Person has the meaning set forth in the prevailing Master SSO Supply Agreement..

PJM has the meaning set forth in the prevailing Master SSO Supply Agreement..

PJM Agreement has the meaning set forth in the prevailing Master SSO Supply Agreement..

Pre-Bid Security Letter of Credit is an acceptable form for Pre-Bid Security, subject to the letter of credit itself complying with the Dayton Power and Light Company's requirements.

Pre-Bid Security is posted by each Qualified Bidder in amount sufficient for the Bidder's Indicative Offer. Pre- Bid Security to be posted by a Qualified Bidder must be included as part of its Part 2 Application and must be in the form of cash or a Pre-Bid Security Letter of Credit.

Price Decrement is the reduction in the Announced Price for a given Product from one round to the next round of the auction.

Product is the SSO Load of The Dayton Power and Light Company for the Delivery Period.

PUCO has the meaning set forth in the prevailing Master SSO Supply Agreement.

PUCO Consultant means any firm and/or individual(s) retained by the PUCO for purposes of assisting the PUCO or PUCO Staff.

Qualified Bidder refers to a Party that in the judgment of the Auction Manager has successfully completed a Part 1 Application.

Registered Bidder refers to a Party that has successfully completed a Part 2 Application

Registered User refers to a Party that has registered through the Information Website to receive information about the CBP.

Secure Application Process is the process by which a prospective bidder submits a Part 1 Application to become a Qualified Bidder and a Part 2 Application to become a Registered Bidder.

SSO Customers has the meaning set forth in the prevailing Master SSO Supply Agreement.

SSO Load has the meaning set forth in the prevailing Master SSO Supply Agreement.

SSO Service has the meaning set forth in the prevailing Master SSO Supply Agreement.

SSO Supplier has the meaning set forth in the prevailing Master SSO Supply Agreement.

SSO Supply has the meaning set forth in the prevailing Master SSO Supply Agreement.

Standard Service Offer has the meaning set forth in the prevailing Master SSO Supply Agreement.

Starting Price is the announced price in effect for round 1 of the auction.

Subscribed Product is a Product with supply (i.e., the number of Tranches bid) equal to the Product's Tranche Target.

Total Initial Eligibility means the sum across all Registered Bidders of the Indicative Offers at the Maximum Starting Prices.

Tranche has the meaning set forth in the prevailing Master SSO Supply Agreement.

Tranche Size means the fixed percentage of SSO load assigned to each tranche.

Tranche Target for a product is the number of Tranches intended to be procured for the Product in the auction.

Under-Subscribed Product is a product with supply (i.e., the number of Tranches bid) less than the Product's Tranche Target.

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Summary: Application Application of The Dayton Power and Light Company for Approval of Its Electric Security Plan (Volume 6 of 8 - Testimony - Witness Lee) electronically filed by Mr. Charles J. Faruki on behalf of The Dayton Power and Light Company