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DJH

CNG Retail Services Corporation

A CNG COMPANY

One Chatham Center, Suite 700
Pittsburgh, PA 15219
(412) 456-1400

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716

October 3, 1997

James J. McNulty
Acting Secretary/Prothonotary
PA Public Utility Commission
North Office Building
P.O. Box 3265
Harrisburg, PA 17105-3265

**DOCUMENT
FOLDER**

RECEIVED
PROTHONOTARY'S OFFICE
97 OCT - 9 AM 8:06

RE: Interim License for Electric Generation Supplier
Application A-110008

Dear Mr. McNulty:

CNG Retail Services Corporation ("CNG Retail") desires to update its information on file related to the above-captioned matter.

First, CNG Retail's address and telephone number have been changed to:

CNG Retail Services Corporation
One Chatham Center
Suite 700
Pittsburgh, PA 15219
412-456-1400

DOCKETED

OCT 15 1997

Second, effective immediately, the telephone number for CNG Retail's electric pilot program has been changed to: 800-869-5880.

I may be reached at 412-456-1400 if you have any questions. Thank you for your attention to this matter.

Yours truly,

Glen R. Waisner

Glen R. Waisner

cc: Irwin A. Popowsky
Bernard A. Ryan, Jr.
Office of the Attorney General

MICROFILMED



PECO ENERGY

Legal Department

PECO Energy Company
2301 Market Street
PO Box 8699
Philadelphia, PA 19101-8699
215 841 5544
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November 11, 1997

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By Overnight Delivery

P-971170

James McNulty, Acting Secretary
Pennsylvania Public Utility Commission
Room B-20, North Office Building
Harrisburg, PA 17105-3265

NOV 11 1997
PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

RE: PECO Retail Access Pilot

KJR

Dear Mr. McNulty:

Enclosed for filing with the Commission are individually executed copies of the Electric Generation Supply Agreement with the following licensed Pennsylvania Generation Suppliers who wish to participate in PECO Energy Company's Retail Access Pilot Program:

- Allegheny Energy Solutions - A-110037
- CNG Retail Services Corporation A-110008
- Eastern Group A-110005
- Enron Power Marketing, Inc. - A-110017
- mc² Inc. A-110035
- MidCon Gas Services Corp. - A-110034
- NEV East, LLC A-110036
- Strategic Energy Partners Ltd. A-110025

DOCUMENT
FOLDER

If you have have any questions, please give the undersigned a call at (215) 841-4265.

Very truly yours,

Vilna Waldron Gaston
VWG/mb

Enclosures

cc: Electric Generation Suppliers Listed Above (w/enclosures)

MICROFILMED

Electric Generation Supplier Agreement Form

CNG Retail

PECO Energy Company and Services Corporation agree to the attached PECO Energy Electric Generation Supplier Policies and Procedures, which will be in force during the term of PECO Energy Company's Retail Access Pilot Program.

By: *[Signature]*

Title: Vice President

Company: CNG Retail Corp.

RECEIVED

NOV 11 1997

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

By: *[Signature]*

Title: Sr. Vice Pres

PECO Energy Company: _____

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NOV 20 1997

**DOCUMENT
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PECO Energy
Customer Choice Pilot
Electric Generation Supplier
Policies and Procedures

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1. Introduction

These Electric Generation Supplier Policies and Procedures describe business policies and procedures that shall be followed by each Electric Generation Supplier (hereinafter, Supplier) that wishes to provide electricity to PECO Energy Company (hereinafter, PECO Energy) electric distribution customers as part of the PECO Energy Retail Access Pilot Program (hereinafter, the Pilot).

The Pilot will be conducted in compliance with the Pennsylvania Public Utility Commission's Final Opinion and Order on Pilot Program Implementation at Docket No. P-00971170 and PECO Energy's approved compliance filing thereunder. The compliance filing contains PECO Energy's Retail Access Pilot Rider, which contains the rules, terms, and conditions of the Pilot.

These Electric Generation Supplier Policies and Procedures will apply only during the Pilot, which will run from November 1, 1997 through December 31, 1998.

1.1 Pilot Overview

The Commonwealth of Pennsylvania's Retail Access Pilot Program is intended to test and demonstrate how a competitive market for generation will operate, in preparation for full retail access that will be phased in beginning on January 1, 1999. Under the Pilot, a set of PECO Energy electric distribution customers will select Electric Generation Suppliers and begin receiving electricity from those Electric Generation Suppliers on November 1, 1997. PECO Energy will continue to provide electric distribution service and metering services to these Participating Customers and will act as agent to the Electric Generation Suppliers for obtaining transmission service and ancillary services.

Because the Pennsylvania-New Jersey-Maryland Interconnection LLC (hereinafter, PJM) manages the transmission system that will be used to transport electricity from Electric Generation Suppliers to the PECO Energy distribution system, it is necessary for Electric Generation Suppliers to coordinate their operation with PJM as well as with PECO Energy.

1.2 Related Documents

The following listed documents provide additional information needed by Electric Generation Suppliers participating in the Pilot.

- PECO Energy Customer Choice Pilot Program Electric Generation Supplier Informational Appendices

These appendices provide detailed technical information and schedules that are subject to change and refinement throughout the Pilot as PECO Energy and Electric Generation Suppliers gain experience.

- **PJM eScheduler User Manual**

This user manual describes usage of the PJM eScheduler function. The PJM eScheduler function will be used by Supplier and PECO Energy to submit and confirm load schedules between Supplier and PECO Energy for the purpose of supplying PECO Energy electric distribution customer load requirements.

2. General Pilot Terms and Conditions

2.1 Term of the Agreement

Pilot participation is available to Electric Generation Suppliers from November 1, 1997 through December 31, 1998.

2.2 Duty to Cooperate

The successful implementation of the Pilot depends on the cooperation of Electric Generation Suppliers with PECO Energy. Supplier agrees to cooperate with PECO Energy in its management of the Pilot, and to fully adhere to any emergency directives that PECO Energy may issue to ensure and preserve system integrity.

2.3 Limitations on Liability

- PECO Energy shall not be liable for any loss, cost, damage, or expense, whether direct or consequential, caused by PECO Energy's calculation of customer load forecasts required for scheduling purposes.
- PECO Energy shall have no liability with respect to any electric energy before it is delivered by Supplier to a point of delivery on the PJM System or after its delivery to Participating Customers.
- PECO Energy shall have no liability for any increase in reconciliation dollar amounts owed by Supplier under Section 8.2.2 caused by outages.
- PECO Energy shall have no liability to Supplier in connection with any switch of a Participating Customer's service made in accordance with the Retail Access Pilot Rider.
- PECO Energy shall have no liability or duty to Supplier arising out of an agreement or relationship between Supplier and a Participating Customer, between Suppliers, or between Supplier and any other organization.

2.4 Use of PECO Energy Information

Supplier agrees that all information made available to Supplier by PECO Energy in connection with the administration of the Pilot, including, but not limited to, load curve data, policies and procedures, and information regarding PECO Energy computational and communication systems, will not be used for purposes other than to enable Supplier to comply with these policies and procedures and to perform those tasks necessary to supply the loads of their Participating Customers.

2.5 Dispute Resolution Procedure

Supplier's point of contact for all information, operations, questions, and problems regarding the Pilot shall be the PECO Energy Supplier Administration Group and the Supplier Choice Energy Scheduling System (SUCCESS) web-site that the PECO Energy Supplier Administration Group has set up to facilitate the ongoing business processes with Suppliers. Contact information, such as telephone numbers, mailing addresses, and Internet addresses, is provided in the Electric Generation Supplier Informational Appendices.

In cases where a dispute cannot be resolved between Supplier and the PECO Energy Supplier Administration Group, Supplier and PECO Energy shall continue to operate according to these Policies and Procedures, and the matter shall be resolved by mediation or arbitration as follows:

- All claims, disputes, and other matters concerning the interpretation and enforcement of these Policies and Procedures ("Disputes") that PECO Energy and Supplier cannot resolve, first shall be submitted by either PECO Energy or Supplier to private, non-binding mediation under the Commercial Mediation Rules of the American Arbitration Association (AAA). If the Disputes are not resolved by mediation, within sixty (60) days of the initiation of such procedure or, if either PECO Energy or Supplier fails to participate, Disputes shall be submitted to binding arbitration.
- If the total of all disclosed claims or counterclaims, exclusive of interest and arbitration costs, does not equal or exceed \$1,000,000, the arbitration shall be heard by one neutral arbitrator under the AAA's Commercial Arbitration Rules. If the total of all such claims or counterclaims equals or exceeds \$1,000,000, then the arbitration shall be heard by three (3) neutral arbitrators under the AAA's Supplementary Procedures then in effect for Large Complex Disputes.
- The arbitration process shall be concluded not later than six (6) months after the date that it is initiated and the award of the arbitrator(s) shall be accompanied by a reasoned opinion if requested by either PECO Energy or Supplier. The arbitrator(s) shall have no authority to award punitive or treble damages. The arbitration shall be conducted as a common law arbitration and the decision of the arbitrator(s) rendered in such a proceeding shall be final. Judgment may be entered upon it in any court having jurisdiction.

3. Supplier Participation

3.1 Supplier Requirements for Participation

3.1.1 Licensing

In order to participate in the Pilot, Supplier must be licensed by the Pennsylvania Public Utility Commission to be an Electric Generation Supplier.

3.1.2 Electric Generation Supplier Agreement

In order to participate in the Pilot, Supplier shall execute an Electric Generation Supplier Agreement with PECO Energy, which obligates Supplier to comply with and adhere to these Electric Generation Supplier Policies and Procedures.

3.1.3 Retail Transmission Service Agency Agreement and Installed Capacity Obligation Allocation Agreement

As per Section IV of the Retail Access Pilot Rider, Supplier must execute a Retail Transmission Agency Agreement, as approved by FERC, to enable PECO Energy to obtain the required network transmission service and secure or arrange for the necessary ancillary services to serve the loads of Supplier's Participating Customers. In addition, Supplier must execute an Installed Capacity Obligation Allocation Agreement through which it will assume responsibility for the PJM installed capacity obligation attributable to its Pilot load. That agreement will also be subject to FERC review and approval.

3.1.4 Participation in PJM

Unless Supplier chooses to participate solely as a Coordinated Supplier as defined in Section 3.3, Supplier shall be a member of the PJM Interconnection LLC by executing the PJM Operating Agreement with the ability to: (1) enter load schedules with PJM, (2) exchange grid accounting payments with PJM, and (3) obtain Energy Imbalance Service through interchange.

3.1.5 Supplier Communications Requirements

In order to participate in the Pilot, Supplier must be equipped with the following communications capabilities:

- Internet electronic mail (e-mail), including the capability to receive ASCII file attachments

- Internet browser (Netscape 4.0 or better) for access to SUCCESS web-site and file uploads and downloads.

3.2 Applying for Participation

Supplier must apply to participate in the Pilot by submitting to PECO Energy, via certified mail to the PECO Energy Supplier Administration group at the address shown in the Electric Generation Supplier Informational Appendices, the executed Electric Generation Supplier Agreement Form, the executed Retail Transmission Agency Agreement, and a completed Electric Generation Supplier Information Form as provided in the Electric Generation Supplier Informational Appendices.

Within three business days following receipt of Supplier's executed Electric Generation Supplier Agreement Form and Supplier Information Form, PECO Energy will execute the Electric Generation Supplier Agreement Form and Retail Transmission Agency Agreement and return them to Supplier via certified mail, assuming successful confirmation that Supplier is licensed by the Pennsylvania Public Utility Commission to be an Electric Generation Supplier. At this time, PECO Energy will also assign to Supplier a supplier identification number to be used in subsequent electronic information exchange between Supplier and PECO Energy.

PJM requires that PECO Energy and Supplier be assigned a PJM contract identification number in order to submit and confirm load schedules through the PJM eScheduler function for the supply of PECO Energy electric distribution customers. PECO Energy will arrange with PJM to obtain the contract identification number. PECO Energy will make this contract identification number available to Supplier via e-mail within one business day of the number being assigned and will confirm this contract identification number to Supplier via certified mail.

3.3 Participation Through a Scheduling Coordinator

If Supplier chooses not to interact directly with PJM for scheduling purposes or cannot schedule directly with PJM because its schedules do not meet the "whole megawatt" requirements set by PJM for scheduling, Supplier may become a Coordinated Supplier by entering into a business arrangement with another Electric Generation Supplier that will act as a Scheduling Coordinator. The Scheduling Coordinator's load forecasting, installed capacity obligation, import capability, scheduling, and reconciliation rights and responsibilities shall include its Participating Customers and the Participating Customers of its Coordinated Suppliers.

Supplier may have either zero or one Scheduling Coordinator at any time. To designate a Scheduling Coordinator, change Scheduling Coordinators, or cease

using a Scheduling Coordinator, Supplier and the affected Scheduling Coordinator(s) shall submit written notification to PECO Energy including the month in which the change should be effective. The effective day of the change shall be the first day of the month indicated in the notification letters unless a necessary notification is received by PECO Energy less than ten business days before the first day of that month, in which case the effective day of the change shall be the first day of the subsequent month.

In cases where Supplier ceases using a Scheduling Coordinator, Supplier shall become subject to the requirements for PJM participation and contract identification number defined in Section 3.1.3 and Section 3.2.

3.4 Resigning from Participation

Supplier may notify PECO Energy of Supplier's intent to resign from participation in the Pilot by submitting to PECO Energy via certified mail a letter substantially similar to the following:

"**Supplier Name** hereby provides notice of intent to resign from the PECO Energy Customer Choice Pilot Program."

and signed by an officer of Supplier company.

Following notice of intent to resign, Supplier shall follow the customer drop process (refer to Section 4.5, Notification to PECO Energy of Dropped Customer) for all of Supplier's Participating Customers. Such drops shall be subject to the requirements of Section 4.2, Customer Choice Notification Cycle. All of Supplier's rights and obligations shall continue until 11:59 p.m. of the day on which the last of Supplier's Participating Customers are dropped, at which time Supplier's resignation shall become effective.

Supplier shall provide a minimum of 30 days advance notice to all of its Participating Customers that Supplier intends to resign from the Pilot before notifying PECO Energy of Supplier's intent to resign.

4. Customer Choice

4.1 Identification of Eligible Customers

4.1.1 Initial Notification to Suppliers

An electronic disk containing an ASCII file listing of the Eligible Customers will be provided to all licensed Suppliers not later than October 5, 1997. This Eligible Customers file will include customer information including 1996 summary usage information. Detailed historical usage and demand files, which will be sent to Suppliers as soon as practical after October 5, 1997, will include more detailed usage information consisting of 12 monthly usage values for Supplier's monthly metered customers and 17520 half-hourly usage values for Supplier's hourly metered customers (customers with meters that supply half-hourly readings of kW and power factor via remote communications). Refer to the Electric Generation Supplier Informational Appendices for the format of the Eligible Customers file and the detailed historical usage and demand files.

Suppliers may begin submitting files to PECO Energy on October 6, 1997 to identify Eligible Customers that have selected Supplier, using the process defined in Section 4.3, Customer Change Notification Process.

At or before the time that the Eligible Customers file is sent to Suppliers, typical load curves for all rate class/strata combinations (refer to Section 5 and the Electric Generation Supplier Informational Appendices) will also be provided to all licensed Electric Generation Suppliers. Refer to the Electric Generation Supplier Informational Appendices for the format of the Load Curves file.

If a sufficient number of PECO Energy customers do not volunteer in response to the initial solicitation, PECO Energy will open the Pilot for an extended enrollment period within specific rate classes that have not met the Pilot's participation goals. During this period, PECO Energy will send supplementary Eligible Customer files and Eligible Customer Usage files to all licensed Electric Generation Suppliers on a weekly basis.

4.1.2 Updates

Eligible customers who do not select an Electric Generation Supplier by the extended sign-up deadline, as prescribed by the Commission, will become ineligible for participation in the Pilot. PECO Energy will continue the lottery process to select eligible customers in order to ensure that the required target level of 5% of the non-coincident load for each rate class is reached. See Retail Access Pilot Rider, Pilot Rule 1.2.

4.2 Customer Choice Notification Cycle

PECO Energy customers are assigned to one of 21 billing routes, which define the monthly meter reading schedules for monthly metered customers and the monthly billing cycle for all customers. Notification of customer sign-up with Supplier, Participating Customer switching to Supplier from another Electric Generation Supplier, and the dropping of Participating Customers by Supplier on an individual basis or due to resignation of Supplier will be validated and processed on a calendar month basis and become effective for each customer based on the customer billing cycle according to the following notification cycle rules:

1. Notification may be submitted by Supplier to PECO Energy at any time.
2. PECO Energy will process the notification within five business days of receipt and will notify Supplier of acceptance or rejection of the notification.
3. Changes that are accepted not later than five business days before the end of a month (switching deadline) will be effective beginning on the customer's meter reading date in the following calendar month unless the change has been superseded by a subsequent valid change received from Supplier or another Electric Generation Supplier by the switching deadline. "Effective" means that:
 - If the change resulted in the customer becoming a Participating Customer of Supplier, the customer is accounted for in customer load forecasting, installed capacity obligation, import capability, load scheduling, and reconciliation for Supplier. If PECO Energy is performing customer billing for Supplier, Supplier portion is included in the bill created at the conclusion of the first full billing period after the change becomes effective.
 - If the change resulted in the Participating Customer no longer being served by Supplier (including the case where the Participating Customer was dropped because Supplier has notified PECO Energy of Supplier's intent to resign from the Pilot), the Participating Customer is no longer accounted for in customer load forecasting, installed capacity obligation, import capability, load scheduling, and reconciliation for Supplier.

Refer to the Electric Generation Supplier Informational Appendices for the Monthly Meter Reading Schedule covering the Pilot period.

The deadline for receiving Supplier's initial list of Participating Customers will be extended to October 27, 1997

4.3 Customer Change Notification Process

Customer sign-up with Supplier, Participating Customer switching to Supplier from another Electric Generation Supplier, and the dropping of Participating Customers by Supplier are subject to the general rules of Section 4.2, Customer Choice Notification Cycle, and will use the following process.

- Customer Change Notification files shall be submitted by Supplier to PECO Energy
- PECO Energy will process the Customer Change Notification and will provide a Customer Change Validation file to Supplier via e-mail (prior to November 1, 1997) or on the SUCCESS web-site (on or after November 1, 1997) after processing. The Customer Change Validation file will contain a list of the customer account numbers that passed the validation checks and a list of the customer account numbers that failed the validation checks.
- Supplier resubmission of corrected Customer Change Notification file entries will be treated as a new notification and will be subject to the rules of Section 4.2, Customer Choice Notification Cycle.
- Refer to the Electric Generation Supplier Informational Appendices for the required format and contents of the Customer Change Notification file and the format and contents of the Customer Change Validation file.

4.4 Notification to PECO Energy of Customer Sign-up

Customer sign-up associates an Eligible Customer to an Electric Generation Supplier. The customer sign-up process is the same for initial sign-up of new customers (customers that do not have an electric generation supplier at the time that sign-up occurs) and for switching a Participating Customer to a new Electric Generation Supplier.

Supplier shall notify PECO Energy of a customer sign-up by means of a Customer Change Notification data file. Beginning on November 1, 1997, these files should be transferred to the PECO Energy SUCCESS web-site. Before that date, these files should be sent to the PECO Energy Supplier Administration e-mail address given in the Electric Generation Supplier Informational Appendices. Customer Change Notification files will be processed in the order in which they are received at the PECO Energy Supplier Administration e-mail address or the SUCCESS web-site.

An Eligible Customer will be associated with Supplier upon successful completion of the following checks by PECO Energy:

- Eligible Customer account number is found in the PECO Energy list of eligible customers.
- Supplier has entered into agreement with PECO Energy to participate in the Pilot.
- Supplier is not delinquent on installed capacity obligation charges owed to PECO Energy.

Refer to the Electric Generation Supplier Informational Appendices for the required format of the Customer Change Notification file and for the format of the Customer Change Notification Validation file.

4.5 Notification to PECO Energy of Dropped Customer

Supplier shall notify PECO Energy by means of a Customer Change Notification file when a Supplier intends to drop a Participating Customer for any reason.

Supplier shall provide a minimum of 30 days advance notice to any Participating Customer that Supplier intends to drop.

4.6 Notification to Supplier of Changes to Customer Status

Two types of changes to customer status will be communicated to Supplier by means of the customer status files:

- Customer add - A customer add is initiated only by successful validation of the customer in a Customer Change Notification file received from a Supplier.
- Customer delete - A customer delete may be due to any of the following reasons:
 - Customer was dropped by Supplier
 - Customer has switched to another Supplier
 - Customer has been terminated.

The reason for the customer delete will not be reported in the customer status file.

Before November 1, 1997, the customer status files for Supplier will be transferred via e-mail to Supplier once each day that the file contains entries. After November 1, 1997, the customer status files for Supplier will be available for download from the SUCCESS Web-site by Supplier each day.

Refer to the Electric Generation Supplier Informational Appendices for the format of the customer status files.

4.7 Consequences of Participating Customer Change of Address

If a Participating Customer moves to another location in PECO Energy's service territory, the Participating Customer may retain its then current Electric Generation Supplier. The Participating Customer will receive a new PECO Energy account number for the new location from PECO Energy. Provided a Participating Customer has notified PECO Energy it desires to continue service with its then current Supplier, PECO Energy will notify Supplier of the Participating Customer's new account number and address within 5 business days of the start of service at the new location.

If a Participating Customer moves to another location in PECO Energy's service territory and does not choose to retain its then current Electric Generation Supplier, the Participating Customer will receive a new PECO Energy account number and will receive electric supply at the new location from PECO Energy. The Participating Customer, however, will revert to Eligible Customer status and be able to select any Electric Generation Supplier participating in the Pilot according to the sign-up process and timetable described in Section 4.3, Customer Change Notification Process.

See Retail Access Pilot Rider, Pilot Rule 9.

4.8 Supplier Contractual Arrangements

Supplier is responsible for retaining whatever documentation or other records it will require evidencing or memorializing its agreement with an Eligible Customer for supply. (See Retail Access Pilot Rider, Pilot Rule 1.4). At PECO Energy's request, Supplier shall promptly furnish copies of such documentation or other records, which PECO Energy anticipates it will only do to resolve disputes regarding competing claims by Electric Generation Suppliers to an Eligible Customer (See Retail Access Pilot Rider, Pilot Rule 1.3).

5. Customer Load Forecasting

The customer load forecasting process shall provide an estimate of Supplier's anticipated aggregate hourly customer load. The aggregate hourly load forecast shall define the hourly energy values for Supplier's wholesale energy deliveries to PECO Energy via PJM wholesale power scheduling policies and procedures.

5.1 Forecasting Methodology

5.1.1 Monthly Metered Customer Forecasts

PECO Energy will provide hourly load forecasts for Participating Customers with monthly metering equipment. PECO Energy has developed and will maintain, based on load survey data, load forecast categories corresponding to PECO Energy's current rate classes and strata within the rate classes. The weather-sensitive load curves of these rate classes/usage strata will be the mechanism for preparing the forecasts for the aggregate of Supplier's monthly metered Participating Customers in each rate class/usage strata, using hourly weather forecast data developed by an independent weather service.

Refer to the Electric Generation Supplier Informational Appendices for a description of the rate class and strata definitions.

5.1.2 Hourly Metered Customer Forecasts

Supplier shall provide hourly load forecasts for their Participating Customers with hourly or subhourly metering equipment. For purposes of these Policies and Procedures, "hourly or subhourly metering equipment" shall mean metering equipment that supplies half-hourly readings of kW and power factor via remote communications, and not metering equipment from which half-hourly or hourly demand readings may be obtained through on-site querying of the metering equipment.

5.1.3 Typical Load Curve Data

PECO Energy will make available to Suppliers the typical load curves (including weather sensitivity) that will be used for the Daily Forecasting Process. This information will be available on an ongoing basis for Supplier download from the SUCCESS web-site and will permit Supplier to develop forecasts for any future period using the same methodology as PECO Energy will use. Refer to the Electric Generation Supplier Informational Appendices for the format of the Load Curves file.

5.2 Daily Forecasting Process

5.2.1 Business Days and Scheduling Window

The daily forecasting process shall be performed on each business day. A business day is a weekday excepting PECO holidays. Refer to the Electric Generation Supplier Informational Appendices for a list of PECO holidays. The daily forecasting process shall be performed on each business day for a scheduling window consisting of all following days through the next business day.

For example, the daily forecasting process shall be performed Monday through Thursday (except holidays) for a scheduling window that covers the following day (midnight to midnight). If the following day is a holiday, then the scheduling window shall include the holiday and be extended to include the first business day following the holiday.

Similarly, the daily forecasting process shall be performed on Friday for a scheduling window consisting of the following Saturday, Sunday, and Monday. If the Monday is a holiday, then the scheduling window shall include the holiday and extend through the first business day following the holiday.

5.2.2 Process Description

The following process shall be followed on each business day:

Step 1:

PECO Energy will calculate the Supplier load forecast for each monthly metered rate class and strata by multiplying the weather-adjusted load curve for the appropriate day type by the number of Supplier's Participating Customers (including Participating Customers of any Coordinated Suppliers that have designated Supplier as their Scheduling Coordinator) in that rate class and strata and adjusting the hourly values upward by an amount necessary to cover line losses based on standard line loss percentages for the customer class to which each Participating Customer belongs. Refer to the Electric Generation Supplier Informational Appendices for the loss factors for each rate class. PECO Energy will post these load forecast values on the SUCCESS web-site by 7:00 a.m. of each scheduling day.

Step 2:

By 10:00 a.m. of the business day Supplier shall enter, via the SUCCESS web-site, the load forecast covering the scheduling window for each of Supplier's hourly metered Participating Customers and for each hourly

metered Participating Customer of any Coordinated Suppliers that have designated Supplier as their Scheduling Coordinator. Forecasts for hourly metered Participating Customers should include estimated losses based on PECO Energy-furnished loss factors for each rate class. Refer to the Electric Generation Supplier Informational Appendices for the loss factors for each rate class.

If Supplier fails to enter a load forecast for any of required hourly metered Participating Customers by 10:00 a.m., PECO Energy will use Supplier's previously entered values for the most recent day of the same day type. If no previous values exist for the appropriate similar day for an hourly metered Participating Customer, the load forecast for that Participating Customer will be set to zero.

Step 3:

PECO Energy will accept or reject the Supplier load forecast via the SUCCESS web-site by 11:00 a.m. If PECO Energy Supplier Administration personnel determine that a forecast is going to be rejected and conditions permit, then a PECO Energy Supplier Administration staff member will attempt to contact Supplier to explain the reason for rejection and resolve forecast problems. If the reason for rejecting Supplier load forecast values or changes cannot be resolved by 12:00 noon, the scheduling process will continue using the PECO Energy forecast values.

5.3 Real-Time Load Following

To the extent Supplier has installed and pays for the necessary metering and telecommunications equipment for actual load following, Supplier may follow such Participating Customers' load. To the extent that Supplier's total supply is for such Participating Customers, Supplier shall be obligated to follow such Participating Customers' loads on a real-time basis.

For real-time load following, Supplier will have special obligations with respect to both PECO Energy and PJM that must be dealt with on a case-by-case basis to ensure operational integrity. Supplier shall work cooperatively with PECO Energy to address the technical and operational issues posed by real-time load following as the need arises.

5.4 Adequacy of Forecast

Supplier agrees that PECO Energy's forecast for monthly metered Participating Customers will be used for scheduling and will be adequate for this purpose. Supplier's remedies for any claimed deficiency in PECO Energy's forecast for monthly metered Participating Customers shall be either to:

1. Arrange for PECO Energy to install hourly metering equipment at Participating Customer's premises at Supplier's expense in order that the Participating Customer can subsequently be forecasted and reconciled as an hourly Participating Customer, or
2. Enter into a joint load study with PECO Energy at Supplier's expense to develop new load curves.

6. Load Scheduling

The net load schedule for Supplier shall be equal to the aggregate forecast value for all of the monthly metered and hourly metered Participating Customers of Supplier and any Coordinated Suppliers that have designated Supplier as their Scheduling Coordinator. In accordance with PJM requirements, which require the scheduling and delivery of power only in whole MW, PECO Energy will round the aggregate forecast value for each hour to a whole MW value for load scheduling purposes according to the following rules:

- If the aggregate forecast value for an hour is less than 1.0 MW, the value will be rounded to 1 MW
- If the aggregate forecast value for an hour is greater than 1.0 MW, the value will be rounded downward to the nearest whole MW if the decimal portion is less than 0.5.
- If the aggregate forecast value for an hour is greater than 1.0 MW, the value will be rounded upward to the nearest whole MW if the decimal portion is greater than or equal to 0.5.

6.1 Daily Load Scheduling Process

Refer to Section 5.2.1 for a description of the business days on which load scheduling shall be performed and the time window for scheduling.

PECO Energy will upload the load schedule for the scheduling window to PJM by 12:00 noon on each business day. Supplier is responsible for confirming the load schedule using the PJM eScheduler system.

6.2 Load Schedule Changes

Supplier may initiate changes to the load schedule using the PJM eScheduler function. It is the responsibility of Supplier to make any necessary changes and notify PECO Energy via telephone that changes have been made and the reason for the changes. PECO Energy will make reasonable efforts to review and, if the reason for the changes are determined by PECO Energy to be operationally valid, confirm the load schedule changes using the PJM eScheduler function within one hour of the time that Supplier notifies PECO Energy of the change. In the absence of confirmation by PECO Energy, the prior load schedule value will remain in effect.

Because PJM has imposed a cut-off time for accepting load schedule changes, Supplier is encouraged to initiate any necessary changes and notify PECO

Energy well before the cut-off time to increase the likelihood that the changes will be accepted.

6.3 Load Scheduling through a Scheduling Coordinator

Load schedules will not be submitted to PJM independently for Coordinated Suppliers. The load schedules submitted to PJM by a Supplier serving as a Scheduling Coordinator shall satisfy the load requirements for the Supplier and any of its Coordinated Suppliers. Changes to such load schedules may be initiated only by the Supplier serving as the Scheduling Coordinator.

7. Other Scheduling

7.1 Installed Capacity Obligation

7.1.1 Installed Capacity Concepts

As a member of the PJM Power Pool, PECO Energy is obliged to provide capacity reserves to maintain pool reliability. These reserves are intended to cover factors such as load forecast uncertainty, random unit forced outages and planned unit maintenance. The obligated reserves are a fixed percent above the PECO Energy system weather-normalized summer peak load after adjustment for intra-pool load diversity. PECO Energy must meet this megawatt obligation every day of the year.

PECO Energy's PJM capacity obligation has been fixed through May 31, 1999. This obligation is based on all the load within the current PECO Energy electric distribution company (EDC) service territory. By assuming responsibility for serving part of that load, Supplier shall also assume the portion of PECO Energy's capacity obligation that is associated with the transferred load. To accomplish this purpose, all Electric Generation Suppliers must enter into Installed Capacity Obligation Allocation Agreement with PECO Energy.

7.1.2 General Approach to Supplier Capacity Obligation

A portion of PECO Energy's capacity obligation shall be shifted to Supplier based on the aggregate contribution of Supplier's Participating Customers to the PECO Energy EDC weather-normalized annual peak load. On a monthly basis, PECO Energy will inform Supplier of its megawatt capacity obligation for each day of the upcoming month. This obligation can change daily, but is determined by PECO Energy once a month because, after the switching deadline, the number and the type of Participating Customers Supplier has for each day of the following month will be known. Supplier shall nominate capacity to meet the average monthly obligation and the PJM Office of the Interconnection (PJM OI) will determine whether the nominated capacity qualifies for PJM capacity credit. If it qualifies, PECO Energy will include that capacity in its resources to meet the obligation of the aggregate EDC territorial load. If Supplier fails to procure sufficient capacity that qualifies for PJM credit to meet its obligation, PECO Energy will charge Supplier for the deficiency at the prevailing PJM capacity deficiency rate. PECO Energy may also charge Supplier for unavailability of qualified capacity resources.

7.1.3 Procedure

1. PECO shall specify typical summer peak day weather conditions.

2. PECO shall classify the retail customers in its service territory into a number of customer classes on the basis of load, and for each such class shall develop a 24-hour load curve which is representative of the usage, adjusted for losses, of a typical customer in such class under typical summer peak day weather conditions.
3. Based on the 24-hour load curves, PECO shall determine the kilowatt load of a typical customer in each class at the time of the PECO service territory summer peak. If individual customer load data is available and appropriate for certain Retail access customers, that data will be used in place of typical load curves
4. The Retail access customers to be served by Supplier can change from day to day. Prior to the start of each month, PECO shall ascertain for each day of the month the number of Retail access customers in each class that Supplier is committed to serve. Using the data developed in Step 3, PECO shall separately calculate for each day of the month the aggregate load at the time of the PECO summer peak of the entire group of Retail access customers which Supplier is committed to serve on that day.
5. PECO shall determine the average for the month of the individual daily results from Step 4.
6. PECO shall multiply the result from Step 5 by (1+ PECO reserve requirement) to determine the kilowatt capacity obligation of Supplier which shall apply for each day of the month.
 - a) Between 1 November 1997 and 31 May 1998, the factor (1+PECO reserve requirement) = 1.2039
 - b) Between 1 June 1998 and 31 December 1998, the factor (1+PECO reserve requirement) = 1.2054.
7. By 5:00 p.m. on the third business day before the start of the month, PECO shall inform Supplier of its daily kW capacity obligation for the month as determined in Step 6.
8. To meet its capacity obligation, Supplier shall nominate capacity resources which it owns or to which it has appropriate contractual rights, in whole megawatt increments, by direct communication to PECO no later than 10:00 am of the day on which it desires the capacity credit of the resource to become effective, or if the desired effective date is a holiday or weekend, by no later than 10:00 am of the last regular work day prior thereto. Supplier may change its nominations from time to time in the same manner. Consistent with reporting procedures promulgated by the PJM OI, Supplier shall also provide PECO with all necessary information in accordance with

PJM capacity rules and guidelines, both initially and on a continuing basis. This information includes, but is not limited to, the following:

For specific unit resources located outside the PJM Control Area

- Unit historical performance data
- Daily unit availability
- Demonstration of firm transmission service rights to deliver capacity to PJM border

For system resources located outside the PJM Control Area

- System average historical performance data
- Demonstration of firm transmission service rights to deliver capacity to PJM border

For specific unit resources located within the PJM Control Area

- Daily unit availability

For system resources located within the PJM Control Area (resources such as "slice-of-system installed capacity credits", which are covered by specific unit resources of the system owner which are already receiving installed capacity credit in PJM accounting, and for which the system owner retains all responsibility for unit operation and unavailability)

- MW rating of resources and identity of system owner

9. PECO shall communicate Supplier's capacity resource nominations to the PJM OI. Supplier shall be responsible for resolving any discrepancies between its nominations of resources and the corresponding reports submitted to the PJM OI by the sellers of such resources.
10. Pursuant to the LLC Agreement and its procedures thereunder, the PJM OI assesses the deliverability of nominated resources and determines whether, and to what extent, they qualify as installed capacity for PJM accounting. The PJM OI credits PECO's installed capacity account for all resources that qualify.
11. PECO shall notify Supplier of the capacity value determined for Supplier's nominated resources by the PJM OI.
12. For purposes of this Agreement, PECO shall reduce the capacity value of Supplier's capacity resources from the value determined by the PJM OI

based on the daily availability of Supplier's individual capacity resources. The capacity value of a specific resource determined by the PJM OI shall be reduced by 50% for accounting purposes on any weekday (excluding holidays as prescribed by the PJM OI) when the resource is unavailable at the time of the PJM peak, except that the capacity value of a specific resource shall be zero for accounting purposes on any day (including weekends and holidays) when the resource is on a planned or maintenance outage during a Peak Season as defined pursuant to the LLC Agreement. These capacity reductions will be measured in kilowatts.

13. On every day that the Supplier's capacity value determined in Step 12 is less than its capacity obligation determined in Step 6, PECO shall charge Supplier an amount equal to the difference between its capacity and obligation in kW multiplied by \$0.16 per kW.
14. PECO shall bill Supplier monthly for the sum of the charges in Step 13.
15. Supplier agrees to adhere to and abide by all applicable policies, rules and guidelines contained in the LLC Agreement or promulgated thereunder which relate to the nomination of installed capacity, the determination of capacity value of nominated resources for installed capacity accounting purposes, the operation of resources which are accorded capacity credit, and the reporting of status and other information regarding such resources. Such policies, rules and guidelines include, but are not limited to, those pertaining to:
 - Peak Period Maintenance Penalty
 - Discounting of capacity credit for sources outside of the PJM Control Area
 - Advance reporting of installed capacity changes (60 days or such shorter time period prior to the effective date and consistent with the ability of the PJM OI to evaluate requests for Network Transmission Service or designation of Network Resources)
 - Daily submission of price offers to the PJM OI for scheduling and dispatch of capacity resources
16. Supplier agrees to provide PECO upon request a copy of any contract pursuant to which Supplier claims the right to nominate capacity. Such copies may have price terms redacted.

The installed capacity obligation calculated for a Supplier serving as a Scheduling Coordinator will be based on the load requirements of Supplier and all of its Coordinated Suppliers. The firm capacity resources submitted by a Supplier serving as a Scheduling Coordinator shall include the resources required to cover the installed capacity obligation corresponding to the Participating Customer load requirements of Supplier and all of its Coordinated

Suppliers. PECO Energy will charge the Scheduling Coordinator for any failure to meet the total capacity obligations of the Scheduling Coordinator and all of its Coordinated Suppliers.

The actual terms and conditions governing the respective rights and responsibilities of PECO Energy and Supplier with respect to installed capacity are in the Installed Capacity Obligation Allocation Agreement.

7.2 PJM Import Capability

PJM operates the regional transmission system and sets the Available Transfer Capability (ATC) and Total Transfer Capability (TTC) for interchange transactions into and out of PJM. The portion of TTC allocated to PJM members as network transmission service on the PJM jointly-owned transmission network is called Net Import Capability. PJM allocates the Net Import Capability among load-serving entities on a load ratio share basis and posts each company's allocated percentage on the PJM OASIS.

PECO Energy will sub-allocate its Net Import Capability to Supplier in proportion to the ratio of Supplier's forecast peak load to the total PECO Energy EDC forecast peak load on each business day for the scheduling window (refer to Section 6). Supplier shall be eligible to schedule imports into PJM up to its Net Import Sub-Allocation.

Supplier may apply directly to PJM through the PJM Open Access Same-Time Information System (OASIS) for additional non-firm point-to-point transmission service to support imports if needed by Supplier. PJM shall continue to be the final arbiter of whether or not such service is available at any time.

The Net Import Sub-Allocation calculated for a Supplier serving as a Scheduling Coordinator will be based on the forecast load requirements of Supplier and all of its Coordinated Suppliers.

8. Reconciliation

8.1 General Reconciliation Concepts

The reconciliation process shall account for mismatches between the load obligation that was scheduled for a Supplier's Participating Customers and the energy that was actually used by those Participating Customers. Calculation of reconciliation mismatch values will be performed after-the-fact by PECO Energy for all Suppliers (except Coordinated Suppliers) with Participating Customers in the PECO Energy service territory.

Under the terms of the Pilot, PECO Energy and Suppliers recover their costs for the mismatch energy at the prevailing PJM Wholesale Hourly Market Clearing Price (MCP). PJM will perform calculations to determine the monetary value of reconciliation mismatch values and will bill for the monetary value through the PJM grid accounting system.

Reconciliation is distinguished from energy imbalance service, a related process that will be managed and accounted for by PJM. Energy imbalance service results in the development of charges or credits for which Electric Generation Suppliers will be responsible within the PJM grid accounting system due to the difference between an Electric Generation Supplier's scheduled energy obligation and that Electric Generation Supplier's scheduled supply. Energy imbalance service will be provided in real-time and accounted for after-the-fact by PJM for all Electric Generation Suppliers (except Coordinated Suppliers) in the Pilot.

8.2 Reconciliation Process

The reconciliation process is driven by existing PECO Energy retail customer meter data collection processes. Meter data for customers with monthly meters is collected in subsets corresponding to customer billing cycles (billing routes), which close on different days of the month. To reconcile energy mismatches on an hourly basis, monthly-metered usage must be converted to equivalent hourly usage. Rate class/strata load curves adjusted for actual weather values will be applied to metered usage to derive an estimate for the hour-by-hour usage. Calculations to determine usage for customers with hourly meters are also performed monthly on a billing route basis. Thus, it requires at least one month to collect data from all of the meters that measured the energy consumed by all customers in a particular day. In general, on each day that new metered-usage data is posted, one or more days in the previous month will become "fully metered."

8.2.1 Daily Reconciliation

Each business day that new fully metered days are available, PECO Energy will determine hourly reconciliation mismatch values for that portion of the previous month's usage corresponding to new fully metered days. This information will be posted on the SUCCESS web-site to enable Suppliers and PECO Energy to track the day-by-day buildup toward the monthly reconciliation billing that will be performed by PJM.

The following calculations will be used to determine the reconciliation mismatch amounts:

Step 1:

Monthly-metered Participating Customers' actual usage (the billing usage reported by PECO Energy) will be spread over each hour in the usage period based on each customer's weather-adjusted hourly usage curve using actual hourly weather data for the usage period. The monthly-metered customer's weather-adjusted usage by hour will be multiplied by the loss factor determined by Participating Customer rate class to determine the Participating Customer's gross usage by hour.

Each hourly-metered Participating Customer's hourly usage will be multiplied by a loss factor determined by Participating Customer rate class to determine the Participating Customer's gross usage by hour.

Step 2:

The gross hourly usage amount for each Participating Customer will be aggregated by Supplier to arrive at a total gross customer usage amount by hour by Supplier. This aggregation will account for usage of Coordinated Suppliers' Participating Customers.

Step 3:

The hourly reconciliation mismatch value for each hour will be calculated by subtracting the Supplier hourly total gross customer usage amount from the hourly load schedule submitted to PJM for that Supplier, including the effect of any confirmed changes to the load schedule entered before the PJM accounting deadline.

Step 4:

The hourly reconciliation mismatch values will be posted on the SUCCESS web-site. Refer to the Electric Generation Supplier Informational Appendices for the contents and format of the Daily Reconciliation Data file.

8.2.2 Monthly Reconciliation

By the third business day after a calendar month becomes fully metered, PECO Energy will compute and post the complete hourly reconciliation mismatch data for the entire month to the SUCCESS web-site. Refer to the Electric Generation Supplier Informational Appendices for the contents and format of the Monthly Reconciliation Data file.

By the third business day after a calendar month becomes fully metered, PECO Energy will also transfer the monthly reconciliation mismatch data to PJM. PJM will multiply the Supplier hourly reconciliation energy amount by the corresponding hourly Market Clearing Price (MCP) to calculate the Supplier reconciliation dollar amounts for each hour. PJM will include the Supplier reconciliation dollar amounts in the monthly PJM bills to Supplier.

9. Customer Billing

9.1 General Customer Billing Concepts

9.1.1 Customer Billing by PECO Energy

If requested by Supplier, PECO Energy will act as agent for Supplier to perform customer billing for the energy charges of a Supplier's Participating Customers in some or all rate classes. This billing service is limited to energy charges only and excludes all other types of billing services, including, but not limited to, collection of deposits for Supplier, crediting Supplier rebates of any kind, or administering and billing Supplier payment agreements.

If Supplier chooses to have PECO Energy act as agent for Supplier to perform customer billing, Supplier may subsequently elect to cease having PECO Energy perform customer billing by following the notification process described in Section 9.2. If Supplier ceases to have PECO Energy perform customer billing, PECO Energy will not subsequently resume performing customer billing for Supplier during the Pilot.

If Supplier does not initially choose to have PECO Energy act as agent for Supplier to perform customer billing, Supplier may subsequently elect to have PECO Energy perform customer billing for the remainder of the Pilot by following the notification process described in Section 9.2.

9.1.2 Participating Customer Billing by Supplier

If Supplier does not request PECO Energy to perform customer billing for the energy charges of Supplier's Participating Customers of all rate classes within PECO Energy's service territory, Supplier may perform or arrange to have performed customer billing for the energy charges of all of its Participating Customers in the remaining rate classes within PECO Energy's service territory.

Supplier shall not be entitled to undertake the obligation to bill Participating Customers for PECO Energy's charges for distribution and transmission service and for transition or stranded costs, or any other PECO Energy charges.

9.1.3 Meter Data Provided by PECO Energy to Supplier

Regardless of whether PECO Energy or Supplier performs customer billing for Supplier's energy charges, PECO Energy will make available to Supplier, via the SUCCESS web-site, daily files containing meter readings, usage, registered demand (where applicable), and reading type information (i.e., actual or estimated) about each of Supplier's Participating Customers.

Refer to the Electric Generation Supplier Informational Appendices for the format of the Customer Usage/Read Data file.

9.2 Customer Billing by PECO Energy

In order for PECO Energy to perform customer billing for a Supplier's customers, Supplier shall request this service from PECO Energy via certified mail. The notification shall specify that PECO Energy is authorized to perform customer billing for Supplier and shall be accompanied by a complete Customer Billing Parameters file. Billing will begin for Participating Customers according to the conditions of Section 9.2.2, Billing Notification Cycle and Process.

In order for PECO Energy to cease performing billing for a Supplier's Participating Customers, Supplier shall request this from PECO Energy via certified mail. The notification shall request that PECO Energy cease performing customer billing for Supplier. Billing will end according to the conditions of Section 9.2.2, Billing Notification Cycle and Process.

9.2.1 Billing Formats

Standard billing formats that PECO Energy offers to Suppliers are as follows:

1. Dollars per kWh
2. Dollars per kWh
Dollars per kW
3. Fixed dollars per month per rate class.

Fixed dollars per month is a new billing format introduced for the Pilot. Supplier assignment of the remaining billing formats to rate classes shall be consistent with PECO Energy's current billing restrictions as filed in PECO Energy's current tariffs.

Supplier may specify a different billing format for use in billing for its Participating Customers in each rate class. Supplier may also specify that PECO Energy exclude Supplier-designated rate classes from customer billing by PECO Energy for Supplier's charges.

9.2.2 Billing Notification Cycle and Process

In order for PECO Energy to perform customer billing for Supplier, Supplier shall request this service from PECO Energy and shall submit billing formats and prices via the Customer Billing Parameters file as defined in the Electric Generation Supplier Informational Appendices. Billing formats and prices are

required for all rate classes, even if Supplier does not have Participating Customers in all rate classes.

PECO Energy customers are assigned to one of 21 billing routes, which define the monthly meter reading schedules for monthly metered customers and the monthly billing cycle for all customers. Notification of changes to customer billing service or parameters will be validated and processed on a calendar month basis and become effective for each customer based on the customer billing cycle according to the following notification cycle rules:

1. Notification may be submitted by Supplier to PECO Energy at any time.
2. PECO Energy will process the notification within five business days of receipt and will notify Supplier of acceptance or rejection of the notification.
3. Changes that are accepted before the switching deadline will be effective beginning on the customer's meter reading date in the later of either the following calendar month or the calendar month specified in the notification. "Effective" means that:
 - If PECO Energy is performing customer billing for Supplier and the notification is for changes to billing format or price, the billing format or price apply to subsequent energy usage for the Participating Customer.
 - If PECO Energy was previously not performing customer billing for Supplier and the notification is a request for PECO Energy to begin performing customer billing for Supplier, the billing will account for subsequent energy usage by the Participating Customer.
 - If PECO Energy was previously performing customer billing for Supplier and the notification is a request for PECO Energy to cease performing customer billing for Supplier, subsequent energy usage by the Participating Customer will not be billed by PECO Energy for Supplier.

Refer to the Electric Generation Supplier Informational Appendices for the Monthly Meter Reading Schedule covering the Pilot period.

Notification by Supplier of changes to customer billing service or parameters will use the following process:

1. Customer Billing Parameters files may be submitted by Supplier to PECO Energy at any time.
2. PECO Energy will process the Customer Billing Parameters file and will post a Customer Billing Parameters Validation file on the SUCCESS Web-Site following processing. The Customer Billing Parameters Validation file will

include the submitted data and the status of the submitted data (accepted or rejected).

Supplier resubmission of corrected Customer Billing Parameters files is treated as a new notification. Only one valid Customer Billing Parameters file will be accepted during any period between the switching deadline of a month and the switching deadline of the following month.

PECO Energy shall not be responsible for billing errors resulting from incorrect price information received from Supplier.

Refer to the Electric Generation Supplier Informational Appendices for the required format and contents of the Customer Billing Parameters file and the format and contents of the Customer Billing Parameters Validation file.

9.2.3 Monthly Customer Billing Process

If PECO Energy is providing billing for Supplier, then on the day that PECO Energy normally prepares its bill for a Participating Customer, PECO Energy will include the following billing line items for Supplier on the Participating Customer's bill:

- Generation Energy Charge (\$)
- Generation Demand Charge (\$) (if billing format 2 is selected by Supplier)

State sales tax for Supplier's new charges will also be calculated and included in the total state sales tax line item of the Participating Customer bill. State sales tax will be collected by PECO Energy as agent for Supplier and paid directly to the Commonwealth of Pennsylvania. Documentation of said payment will be provided to Supplier. This policy is under review by PECO Energy with possible revision by the end of the first quarter of 1998.

9.2.4 Collections and Remittances to Supplier When PECO Energy is Providing Supplier Billing

If payment made by a Participating Customer for whom PECO Energy is providing billing for the Participating Customer's Supplier is less than the total owed, PECO Energy will follow the order of payment prescribed in Pilot Rule 5 of PECO Energy's Retail Access Pilot Rider.

If a Participating Customer switches to a new Electric Generation Supplier, PECO Energy will, subject to the order of applying payments described in Pilot Rule 5 of PECO Energy's Retail Access Pilot Rider, apply subsequent remittances from Participating Customer to the previous Electric Generation Supplier until the balance due to the previous Electric Generation Supplier is

satisfied, or until 60 days have elapsed from the due date of the last bill that included new charges due to the previous Electric Generation Supplier, whichever occurs first.

PECO Energy assumes no responsibility for assessing late payment charges for Supplier's charges or for collection from Participating Customers who are delinquent in their obligations to Supplier. PECO Energy shall have no liability for uncollected Supplier charges.

All payments from PECO Energy to Supplier will be via electronic funds transfer.

9.2.5 Customer Financial Adjustment Data

Once per business day, PECO Energy will prepare a Customer Financial Adjustment Data file for Supplier to summarize amounts billed and posted on Supplier's behalf for Suppliers' Participating Customers. Refer to the Electric Generation Supplier Informational Appendices for the format of the Customer Financial Adjustment Data file.

10. Supplier Billing

10.1 Supplier Billing for Obligations to PECO Energy

Once per month PECO Energy will prepare and submit a billing statement to Supplier for any installed capacity deficiency. The PECO Energy Supplier Administration Group will issue all Supplier billing statements by the end of the third business day of each month unless data are missing or other problems prevent such issuance. In such circumstances, PECO Energy will notify the Supplier via e-mail and PECO Energy will issue the billing statement as soon as possible.

10.2 Payment Terms

The standard payment and credit terms applicable to Rate HT Customers, as set forth in Rules 5 and 1.7 of PECO Energy's Tariff Electric PA.P.U.C. No. 2, shall apply to Supplier.

10.3 Remittance Method

All remittances from Supplier to PECO Energy shall be by electronic funds transfer to the account listed in the Electric Generation Supplier Informational Appendices

10.4 Billing for Supplier Obligations to Other Parties

PECO Energy will assume no responsibility for billing between Supplier and PJM, Supplier and any energy source, or a Scheduling Coordinator and any Coordinated Suppliers.



GPU SERVICE RECEIVED

JAN 9 1998

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

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January 9, 1998
Mailed via Overnight Mail

A-110008

James McNulty, Deputy Prothonotary
Pennsylvania Public Utility Commission
North Office Building, 206 NO
Commons Avenue & North Third Street
Harrisburg, PA 17120

Re: Compliance Filing of Metropolitan Edison Company ("Met-Ed") doing business as GPU Energy
For Approval of Its Retail Access Pilot Program - Docket No: P-00971168

Compliance Filing of Pennsylvania Electric Company ("Penelec") doing business as GPU Energy
For Approval of Its Retail Access Pilot Program - Docket No. P-00971169

Dear Mr. McNulty:

In accordance with the Pennsylvania Public Utility Commission's ("Commission") Opinion and Order regarding the Pilot Program Implementation entered on August 29, 1997, at the above listed Docket Numbers, and in compliance with the Commission's October 10, 1997 Order pursuant to which Met-Ed and Penelec hereby file an original and two (2) copies of the Supplier Agreement entered into between Met-Ed, Penelec, and CNG Advanced Resources, Inc., dated October 17, 1997.

Kindly acknowledge receipt of this filing by indicating on the enclosed copy of this letter the date received and return the same to me in the enclosed postage prepaid, self-addressed envelope.

Very truly yours,

Cortlandt C. Choate, Jr.

Enclosures

C: J. A. Franklin, Esq.
Ryan Russell Ogden & Seltzer

MICROFILMED

DOCKETED

MAR 05 1998

**DOCUMENT
FOLDER**

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JAN 9 1998

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

COPY

**Compliance Filing of Metropolitan Edison Company
d/b/a GPU Energy For Approval
of Its Retail Access Pilot Program**

Docket P-00971168

Agreement Between

Metropolitan Edison Company d/b/a GPU Energy

and

CNG Retail Services Corporation

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COPY

SUPPLIER AGREEMENT
RETAIL COMPETITION PILOT PROGRAM

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ELECTRIC SUPPLIER AGREEMENT
RETAIL COMPETITION PILOT PROGRAM

THIS AGREEMENT, made and entered into this 17th day of October, 1997, by and between Pennsylvania Electric Company, d/b/a GPU Energy ("Company" or "GPUE"), a corporation and a public utility organized and existing under the laws of the Commonwealth of Pennsylvania and CNG Retail Services Corporation, a corporation organized and existing under the laws of Delaware ("Supplier"), both Company and Supplier hereinafter sometimes referred to collectively as the "Parties", or individually as a "Party".

WITNESSETH :

WHEREAS, the Company is currently a public utility engaged in the production, transmission, distribution and sale of electric energy with an exclusive franchise to serve customers located within certain areas of the Commonwealth of Pennsylvania; and

WHEREAS, the Electric Generation Customer Choice and Competition Act (the "Act") provides for the restructuring of the electric industry in Pennsylvania from that of a regulated public utility service to allow direct access to the distribution system by alternative Electric Generation Suppliers ("EGSs"); and

WHEREAS, the Act requires each public utility, including the Company, to conduct a Pilot Program to provide limited direct access by customers and licensed EGSs subject to the active supervision of the Pennsylvania Public Utility Commission ("PaPUC" or "Commission"); and

WHEREAS, by Order entered August 29, 1997, the Commission approved the Pilot Program

proposed by the Company, with certain changes directed by the Commission; and

WHEREAS, the Act provides that with implementation of such access to the distribution system in the Pilot Program, the Company will continue to serve as the exclusive electric distribution provider within its franchised area subject to a customer credit approved by the Commission which is designed to provide for energy, and capacity; and

WHEREAS, in accordance with the PaPUC-mandated Pilot Program, the Company is providing certain Customers with the opportunity to purchase retail electric service from Commission-licensed EGSs; and

WHEREAS, the Supplier has been licensed by the PUC to supply retail electric service to customers in the Commonwealth of Pennsylvania; and

WHEREAS, the Supplier desires the opportunity to negotiate with Customers for the sale of retail electric service up to five percent (5%) of the Non-Coincidental Peak Load per Customer Class; and

WHEREAS, the Company agrees to allow the Supplier to participate in the Pilot and to have access to its local distribution system, subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth below, the Parties hereto, intending to be legally bound, hereby covenant, promise and agree as follows:

ARTICLE I: INTRODUCTION

1.1 Pursuant to this Agreement, the Supplier is authorized to participate in the Company's Pilot Program and shall have access to the Company's distribution system for purposes of supplying energy, installed capacity and transmission service in accordance with the Pilot

Program. Any capitalized or abbreviated term not elsewhere defined in this Agreement shall have the definition set forth in Appendix I, which is an integral part hereof. This Agreement shall commence on and as of the date first above written, and shall continue until the close of the Pilot, unless terminated earlier as set forth herein.

1.2 This Agreement, among other things, sets forth energy transactions between the Supplier and the Company concerning purchases and sales of energy by the Company from or to the Supplier pursuant to the reconciliation provisions of Article V hereof. The Parties agree that they will enter into the appropriate Service or Letter Agreements pursuant to the applicable sales tariff or electric rate schedules on file with the FERC. Purchases of energy by the Company from the Supplier are transactions that shall be pursuant to a Service or Letter Agreement between the Company and the Supplier or the entity from whom the Supplier procures its energy and capacity ("Supplier's Provider") under either the Supplier's or the Supplier's Provider's energy and/or capacity sales tariff or electric rate schedule, which shall be on file with the FERC. Sales by the Company to the Supplier shall be transactions that will be conducted pursuant to a Service Agreement under GPU Energy's capacity and/or energy sales tariff on file with the FERC.

1.3 In accordance with and subject to the provisions of Article IX hereof, the Parties further agree that, due to PJM's current inability to provide transmission service directly to Suppliers over the term of the Pilot, the Company will act on behalf of the Supplier to obtain transmission service through PJM. In order to effectuate the supply of transmission service to the Supplier's Customers, the Supplier agrees that as a condition precedent to entering into this Agreement, to have entered into a Retail Transmission Agency Agreement with the Company.

ARTICLE II: CERTIFICATION; REGULATION

- 2.1 The Supplier represents to the Company that it has obtained an Order from the PaPUC that it is a licensed Supplier, which Order is attached hereto as Appendix 2. The Supplier shall (i) comply with the terms and conditions of the Pilot, a copy of which has been made available to the Supplier; (ii), during the term of this Agreement, be subject to the jurisdiction of the PaPUC and be bound by all applicable federal and state laws, rules and regulations including, but not limited to, Pennsylvania's newly enacted Electricity Generation Customer Choice and Competition Act 66, Pa. C.S. § 2801 et seq ("Competition Act"); and (iii) during the term of this Agreement, adhere to all applicable Accepted Electrical Practices.

ARTICLE III: COMPANY-SUPPLIED CUSTOMER LOAD SERVICES

- 3.1 The Company and Supplier recognize that for purposes of the Pilot it may not be economically feasible for the hourly metering of certain Customers. In order to enhance the opportunity to sell to these types of Customers, the Company will provide, within a reasonable period of time following the Supplier's request, the Supplier with initial hourly Metered Load shapes for various classes of Customers from the Company's load research. This load research information sets forth the average weekday and average weekend day profiles for each of the Customer classes for the months of January, 1996 to December 1996 as well as the class Loads at an annual peak hour. The load research information may be updated throughout the duration of this Agreement at the Company's discretion. Such updated information shall be provided to the Supplier when available. Although the Company believes the information is accurate and correct to the best of the Company's knowledge and belief, for its originally intended purposes, the Company makes no warranties as to the

accuracy or usefulness of the information and takes no responsibility for the Supplier's use of the information. The Company will use the load research information for the purpose of reconciliation of the Supplier's installed capacity and energy obligations set forth in Articles IV and V, hereof.

ARTICLE IV: COMPANY-SUPPLIED INSTALLED CAPACITY SUPPORT SERVICES

4.1 Supplier acknowledges that under the currently effective Operating Agreement of PJM Interconnection, L.L.C. ("PJM Operating Agreement") all participants have installed capacity obligations and that the Company's capacity obligation is not reduced or displaced by retail Load being served by the Supplier under the Pilot Program. The Supplier acknowledges that if the Company on any day fails to meet its obligation to PJM, the Company would be subject to a penalty in the form of a capacity deficiency payment. In recognition of the Company's continuing obligation to PJM, the Supplier acknowledges the obligation and agrees to adhere to and comply with the requirements set forth in Appendix 3 hereof.

**ARTICLE V: COMPANY-SUPPLIED ENERGY BALANCING AND
RECONCILIATION SUPPORT SERVICES**

5.1 Supplier acknowledges that its supply of energy may not be in balance with its Customer Load in some hours. Appendix 4 sets forth the mechanism to account for such imbalance. The Supplier agrees, for the duration of the Pilot, to comply with the terms and conditions of Appendix 4 hereof.

5.2 In order to facilitate the Secondary Reconciliation process described in Appendix 4, the Parties acknowledge that the Company and the Supplier or the Supplier's Provider have entered into or will enter into the appropriate Service or Letter Agreements under the

appropriate sales tariff and rate schedules on file with the FERC, and as they may be amended from time to time.

- 5.3 For participating customers that are capable of producing demands in excess of 10% of the available Load for their rate class in any hour, and who choose to purchase energy and capacity through the Supplier, the Load eligible to be purchased from a Supplier will be determined as a percentage of that customer's individual hourly Loads ("Participating Load Percentage"). Participating Load Percentage will be defined for each such participant as the percentage ratio of participating Load, not to exceed 10% of the available Load for the rate class, to the maximum on-peak Load during the twelve months ending August 31, 1997. This percentage will be held constant for the duration of the pilot.

ARTICLE VI: COMPANY-SUPPLIED METERING SUPPORT SERVICES

- 6.1 The Company shall provide the Customer with Standard Metering Services and Company owned Electric Metering Equipment in accordance with the Company's prevailing tariff on file with the PaPUC, as said tariff may be revised by the Company from time to time.
- 6.2 All Customers shall have their electric energy deliveries metered and read in accordance with applicable PaPUC rules and regulations.
- 6.3 Supplier is aware that the industry standard that has developed in Pennsylvania and in virtually all North American bulk electric power systems is an hourly economic reconciliation of generation (supply) and Load (demand). Supplier and the Company also understand that there will be imbalances on an hourly basis between the energy that the Supplier supplies into the bulk power system and the energy actually consumed by its customers during the Pilot. As a result, the Supplier and the Company understand, and have agreed, that for smaller

customers, these imbalances can be reasonably accounted for through utilization of load profiles as set forth in Appendix 4. However, both the Supplier and the Company acknowledge that for larger customers, such as those with peak Loads of 100 kW or greater ("One-Hundred (100) kW Customer"), monthly estimated reconciliation as set forth in Appendix 4 utilizing load profiles is unworkable because it exposes the Supplier and the Company to unreasonable financial risks since it does not identify the hourly market price of each mismatch in energy supplied compared to the actual energy consumed. As a result, in addition to the Standard Metering and meter reading requirements in 6.1 and 6.2, electric energy provided by the Supplier to One-Hundred (100) kW Customers and above shall be telemetered on an interval basis and read daily using Advanced Meters. For those existing Customers who have peak Loads of 100 kW and above or new Customers who in the Company's sole and exclusive judgment are anticipated to have peak Loads of 100 kW and above, Company shall own and install Advanced Meters prior to the commencement of service by the Supplier for telemetering of real and reactive power, kW demand and such other information as the Company may reasonably require. Either the Supplier or the Customer shall pay the Company for the costs associated with (i) the removal and testing of any existing Electric Metering Equipment, and (ii) the installation and testing of the Advanced Metering Equipment and the incremental cost of Advanced Metering Services above those charges that the Company has allocated for Standard Metering Services. These incremental charges are set forth in Appendix 7 hereof. The Company will install the Advanced Meters prior to the first meter read date following commencement of the Customer Supply Agreement, as set forth in Section 7.5 of this Agreement. The Company shall utilize the load

profile methodology set forth in Article V and Appendix 4 hereof in order to determine hourly loads for the first billing month of the Customer Supply Agreement. The Advanced Meters will be used for determining the hourly loads starting with the first meter read date following the installation. The Company shall upon installation of the Advanced Meter, subject to the Supplier obtaining the Customer's prior consent, program the meter in order to allow the Supplier to have read-only access to the information contained within the meter. Either the Supplier or the Customer shall provide, at its sole cost and expense, the installation, operation and maintenance of the required compatible communication/telephone link in order to transmit the metered information to the Company. It is necessary that the Supplier or Customer, as the case may be, have such communication/telephone link installed prior to the date of the advanced meter installation referenced above. A menu of Company-approved Advanced Meters and their corresponding prices (which are subject to change) is attached hereto as Appendix 8. Any meter installed and owned by the Company shall be used for billing, capacity obligation determination and, if telemetered, energy reconciliation.

- 6.4 Additional metering services requested by Supplier or the Customer and approved by the Company will be provided at charges calculated based on the same method as was used to derive the charges in Appendix 7. Either the Supplier or the Customer shall provide, at its sole cost and expense, the installation, operation and maintenance of the required compatible communication/telephone link in order to transmit the metered information to the Company. A menu of Company-approved Advanced Meters and their corresponding prices (which are subject to change) is attached hereto as Appendix 8. Any meter installed and owned by the Company shall be used for billing, capacity obligation determination and, if telemetered,

energy reconciliation.

- 6.5 The fixed installation charge in Appendix 7 or other such "fixed charges" shall be paid prior to the commencement of service under this Agreement.
- 6.6 All meters used for billing, whether required by the Company or requested by Supplier, will be maintained and tested in accordance with PaPUC regulations.
- 6.7 In addition to 6.6, upon the Supplier's written request, the Company will test designated electric meter(s) used for billing. In the event a test requested by the Supplier establishes that a Company-owned electric meter is registering inaccurately by more than the applicable PaPUC tolerances and requirements, as may be revised by the PaPUC from time to time, the costs of said tests shall be borne by the Company.
- 6.8 Any electric meter found to be inaccurate by more than the applicable PaPUC tolerances and requirements, or is otherwise found to be defective, shall be adjusted, repaired or replaced, at the sole cost and expense of the Company.
- 6.9 The cost of testing a meter at the request of the Supplier which is determined to be operating within applicable PaPUC tolerances and requirements and not found to be defective, will be borne by the Supplier. Costs will be calculated and billed under the same terms and conditions as the Company customarily uses for similar requests from full service tariff customers.

ARTICLE VII: COMPANY-SUPPLIED CUSTOMER BILLING AND PAYMENT

COLLECTION SUPPORT SERVICES

- 7.1 Except as provided in Section 7.2 of this Agreement, the Company shall be responsible for the billing and payment collection of all charges from Customers in accordance with the

applicable PaPUC rules and regulations including, but not limited to, those contained in 52 Pa. Code Ch. 56. Customer billing and collection services include but are not limited to: Customer billing, remittance processing, collections, and data transmission. The Supplier assumes all risks of non-payment by a Customer and the Company is obligated to pay the Supplier only the difference between (a) amounts received from Customers taking service from the Supplier, and (b) any amounts owed to the Company by or with respect to such Customer. Additional services may be negotiated separately by the Parties. An illustration of the Company's Customer billing process can be found in Appendix 6 which may be amended from time to time by the Company and which is attached hereto and made a part hereof. Supplier agrees, for the duration of the Pilot, to comply with the terms and conditions of Appendix 6.

- 7.2 Upon the Customer's written or oral request (subject to verification by the Company), the Supplier shall provide its own Customer billing and collection services covering its supply of electric energy to the Customer at the Supplier's sole cost. Supplier agrees to cooperate with the Company in its efforts to comply with all applicable PaPUC rules and regulations regarding Customer billing and collections including, but not limited to, those contained in 52 Pa. Code Chapter 56.
- 7.3 As set forth in Article VI the Company is responsible for reading the Customer's meter, however, in the event an actual meter reading cannot be obtained, the Company shall estimate the Customer's consumption for billing purposes in accordance with applicable PaPUC rules and regulations.
- 7.4 The Supplier will not be permitted to physically terminate electric service to a Customer. The

Supplier may cancel its electricity customer supply agreement ("Customer Supply Agreement") with a Customer only in accordance with existing law and the terms of this Agreement. The Supplier shall notify the Company of a cancellation of a Customer Supply Agreement at least fifteen (15) days prior to the next on-cycle meter reading. The cancellation of a Customer Supply Agreement will not be effective until the next on-cycle meter read date which is at least fifteen (15) days after receipt of notification. Unless the Company is directed otherwise in writing or orally by the Customer (subject to verification by the Company), the Company shall provide electric service to the Customer on the effective date of the cancellation of the Customer Supply Agreement, in accordance with the Company's applicable and prevailing tariff rates and PaPUC rules and regulations. Notwithstanding anything contained herein to the contrary, the Supplier shall not commence the provision of retail electric service to a Customer without first providing to the Company the Customer's written consent and agreement to be bound by the terms and conditions of the Company's prevailing tariff applicable to the Customer following 1) the termination of any relationship between the Customer and the Supplier and during any period in which the Customer is not taking retail electric service from a new Supplier, or 2) in event that the Supplier fails to cure a breach of any material term or condition in accordance with Article XVII entitled Events of Default; Termination; Remedies; of this Agreement.

- 7.5 The Supplier agrees that any Customer Supply Agreement with a Customer shall not become effective until the Customer notifies the Company at least fifteen (15) days prior to the next on-cycle meter reading. The Customer Supply Agreement will then commence on the next on-cycle meter read date which is at least fifteen (15) days after receipt of notification. The

Company will not change a Customer's Supplier without direct oral confirmation or written evidence of the Customer's consent.

**ARTICLE VIII: MONEY TRANSFERS AND PAYMENT FOR
COMPANY-PROVIDED SERVICES, ENERGY AND CAPACITY**

- 8.1 In the event the Supplier purchases any services or energy from the Company under this Agreement, the Company shall determine the total amount owed by the Supplier and render to the Supplier a monthly billing statement not later than 10 days after the end of each Billing Month. The monthly billing statement shall set forth (a) a brief description of the services rendered, (b) the Company's computation of the amount due from the Supplier based upon the applicable rates, and (c) such other amounts as may be due and payable by the Supplier to the Company hereunder.
- 8.2 (a) The Parties agree that the Company shall as part of the routine billing and payment process between the Company and the Supplier "net" or offset any and all amounts which may be due and owing by the Supplier to the Company against any and all amounts which may be due and owing by the Company to the Supplier, as a result of the Company's collection of the Supplier's portion of Customer payments pursuant to Article 7 hereof, prior to rendering payment or a billing statement to the Supplier.
- (b) The Party owing money shall render full payment of the net amount shown on the monthly billing statement by wire transfer of funds to the other Party's designated account no later than the first banking day following the nineteenth (19th) day of the month following the end of the Billing Month.
- 8.3 (a) In the event adjustments or corrections to a Company billing statement are required

as a result of errors in computation or billing, the Company shall recompute such amounts due to the Company for services rendered hereunder and otherwise correct any errors in such billing statement. The Company shall then issue a corrected billing statement to the Supplier which shall be paid in a manner referenced above, no later than 10 calendar days from the Company's issuance date set forth on said billing statement.

- (b) If the Company does not receive written notification from the Supplier of an objection to a billing statement within 20 days from the rendering thereof, said billing statement shall be deemed conclusive and binding on the Supplier.

IX: COMPANY-SUPPLIED TRANSMISSION SUPPORT SERVICES

- 9.1 Due to PJM's current inability to directly provide PJM Network Integration Transmission Service ("Network Service") to the Supplier for the duration of the Pilot, the Company agrees that it will obtain Network Service as designated agent for the Supplier pursuant to the PJM Open Access Transmission Tariff ("PJM OATT"). In order to authorize the Company to obtain such Network Service, the Supplier agrees to enter into a Retail Transmission Agency Agreement, a copy of which has been provided to the Supplier, which the Company shall file with the FERC. Network Service acquired in this manner provides the Supplier with transmission service needed for delivery of its capacity resources located anywhere within the PJM Control Area to its Pilot Load in GPUE's system. The Supplier must acquire, at its expense, additional transmission service for the delivery of any of its resources external to the PJM Control Area from the sources to the border of PJM.

X: REPRESENTATIONS, WARRANTIES AND COVENANTS

10.1 The Supplier hereby represents, warrants and covenants as follows:

- (a) The Supplier is a [corporation/partnership/_____] duly organized and validly existing under the laws of the Commonwealth of Pennsylvania [or, if another jurisdiction, is duly registered and authorized to do business and in good standing in the Commonwealth of Pennsylvania].
- (b) The Supplier 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 and delivery of this Agreement and the performance of the Supplier's obligations hereunder have been duly authorized by all necessary action on the part of the Supplier and do not and will not conflict with or result in a breach of the Supplier's charter documents or bylaws or any indenture, mortgage, other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Supplier is a party or by which the Supplier or any of its properties is bound or subject.
- (d) This Agreement is the valid and binding obligation of the Supplier, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights generally or by general principles of equity.
- (e) That all electric energy delivered to the GPU System hereunder shall be supplied as three-phase, 60 Hertz, sinusoidal, alternating current at an output voltage compatible

with the voltage on the Company's electrical system.

10.2 The Company hereby represents, warrants and covenants as follows:

- (a) The Company is an electric utility corporation duly organized and validly existing under the laws of the Commonwealth of Pennsylvania.
- (b) The Company 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 and delivery of this Agreement and the performance of the Company's obligations hereunder have been duly authorized by all necessary action on the part of the Company and do not and will not conflict with or result in a breach of the Company's charter documents or bylaws or any indenture, mortgage, other agreement or instrument or any statute or rule, regulation, order, judgment, or decree of any judicial or administrative body to which the Company is a party or by which the Company or any of its properties is bound or subject.
- (d) This Agreement is the valid and binding obligation of the Company, enforceable in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency or similar laws from time to time in effect that affect creditors' rights generally or by general principles of equity.

XI: LIMITATION OF LIABILITY

11.1 In no event shall either Party be liable to the other for any consequential, indirect or special damages suffered by the other Party arising from activities conducted pursuant to this Agreement.

XII: CLAIMS, DISPUTES AND GOVERNING LAW

- 12.1 Any controversy or claim arising out of or relating to this Agreement, or the breach or validity thereof, whether at common law or under any federal or state statute (including without limitation any federal or state antitrust or fair competition laws), shall be settled by final and binding arbitration in accordance with the United States Arbitration Act (9 U.S.C. .1 et seq.) and with the rules for commercial arbitration of the American Arbitration Association in effect at the time of the execution of this Agreement. Any such claim or dispute which either Party may have against the other arising out of or in connection with this Agreement shall be submitted in writing to the other Party not later than thirty (30) days after the circumstances which gave rise to the claim or dispute shall have taken place. The submission of any claim or dispute shall include a concise statement of the question or issue in dispute, together with the relevant facts and documentation to fully support the claim.
- 12.2 After the submission of any claim or dispute pursuant to Section 12.1, the Parties shall use reasonable efforts, within sixty (60) days, to resolve the claim or dispute through good faith negotiations. If either Party advises the other during the aforesaid sixty (60) day period that said negotiations have been unsuccessful, the matter shall be resolved as provided in 12.1.

XIII: FORCE MAJEURE

- 13.1 The Company and the Supplier shall use due diligence to perform their respective obligations under this Agreement. However, in the event that either party is delayed in or prevented from performing or carrying out its obligations under this Agreement by reason of Force Majeure as defined in Appendix 1 hereof, such Party shall not be liable to the other Party for or on account of any loss, damage, injury or expense resulting from or arising out of such delay or

prevention; provided, however, that the party encountering such delay or prevention shall use due diligence to remove the cause or causes thereof. The settlement of strikes and labor disturbances shall be wholly within the discretion of the Party experiencing that difficulty. Economic hardship of either Party shall not constitute a Force Majeure under this Agreement.

XIV: SECURITY

14.1 Supplier agrees to provide to the Company a true and correct copy of its initial security bond filed with the PaPUC pursuant to the Competition Act and the PaPUC's Licensing Requirements for Generation Suppliers, which security bond shall be attached hereto as Appendix 5. Supplier agrees that in the event its initial security bond does not name the Company as a beneficiary that the Supplier will have the security bond modified to include the Company. Supplier further agrees to provide to the Company a true and correct copy of any and all modifications to the security bond and/or any additional security required by the PaPUC in order for the Supplier to maintain its qualified license Supplier status within ten (10) days of said modification. If the PaPUC has accepted a corporate guarantee from the Supplier in lieu of a security bond, the Supplier agrees to provide a corporate guarantee in form and substance similar to that which was provided to the PaPUC naming the Company as obligee. Supplier agrees to keep said guarantee in place for the duration of the Pilot.

XV: GRATUITIES

15.1 The Company prohibits its employees from using their official position for personal financial gain, or from accepting any personal advantage from anyone under circumstances which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their official duties. The Supplier and its employees and representatives shall not, under

circumstances which might reasonably be interpreted as an attempt to influence the recipients in the conduct of their duties, extend any gratuities or special favor to employees of the Company.

XVI: SYSTEM OPERATION

16.1 Notwithstanding anything contained in this Agreement to the contrary, the Company shall have the right to require the Supplier to disconnect from the Company's electrical system (or otherwise curtail, interrupt or reduce Supplier's supply of electric energy) or shall have the right to disconnect the Supplier's Customers whenever the Company reasonably determines, or when the Company is directed by PJM that such a disconnection, curtailment, interruption or reduction is necessary to facilitate construction, installation, maintenance, repair, replacement or inspection of any of the Company's facilities; to maintain the safety and reliability of the Company's electrical system; or due to Emergencies, forced outages, potential overloading of the Company's transmission and/or distribution circuits, or Force Majeure.

- (a) The Company shall use reasonable efforts to (I) minimize to the extent practicable under the circumstances, any scheduled curtailment, interruption or reduction, (ii) provide the Supplier with prior notification of any such curtailment, interruption or reduction, to the extent practicable, and (iii) resume service as promptly as practicable following elimination of the condition causing the disconnection, curtailment, interruption or reduction.
- (b) The Supplier acknowledges and agrees that, as a member of PJM, the Company is bound by all PJM operating instructions, policies and procedures as are currently set

forth in the PJM Operating Manual, which are available through the Internet on the PJM Home Page (<http://www.pjm.com>), as may be revised from time to time, which are needed to maintain the integrity of the PJM System. Supplier acknowledges and agrees that it will cooperate with the Company so that the Company will be in compliance with all PJM Emergency Operations Procedures, which include, but are not limited to, those 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.

- (c) The Supplier also acknowledges and agrees that the Company may need to act in response to governmental or civil authority directives which may affect customer Load. Supplier agrees to cooperate with the Company in order to comply with said directives.

XVII: EVENTS OF DEFAULT; TERMINATION; REMEDIES

17.1 The following shall constitute events of default under this Agreement:

- (a) a breach of any material term or condition of this Agreement, including, but not limited to (i) any failure to maintain Supplier certification as a qualified licensed Supplier, (ii) any material breach of a representation, warranty or covenant made in this Agreement including the appendices hereto, or (iii) failure of either Party to make a required payment to the other Party of amounts due hereunder. Failure by a Party to provide any required schedule, report or notice hereunder may constitute a material breach hereof if such failure is not cured within thirty (30) days after notice to the

defaulting Party;

- (b) the Supplier violates any federal, state or local code regulation and/or statute applicable to the supply of energy and/or capacity;
- (c) a receiver or liquidator or trustee of either Party, or of any of its property shall be appointed by a court of competent jurisdiction, and such receiver liquidator or trustee shall not have been discharged within sixty (60) days, or by decree of such a court, a Party shall be adjudicated bankrupt or insolvent or any substantial part of its property shall have been sequestered, and such decree shall have been continued undischarged and unstayed for a period of sixty (60) days after the entry thereof, or a petition to declare bankruptcy as to reorganize a party pursuant to any of the provisions of the Federal Bankruptcy Code, as now in effect or as it may hereafter be amended, or pursuant to any other similar state statute as now or hereafter in effect, shall be filed against a party and shall not be dismissed within sixty (60) days after such filing; or
- (d) a Party shall file a voluntary petition in bankruptcy under any provision of any federal or state bankruptcy law, or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; or without limiting the generality of the foregoing, a Party shall file a petition or answer or consent seeking relief or assisting in seeking relief in a bankruptcy proceeding under any provision of any federal or state bankruptcy law or shall consent to the filing of any bankruptcy or reorganization petition against it under any similar law; or, without limiting the generality of the foregoing, a Party shall file a petition or consent seeking relief or

assisting in seeking relief in a proceeding under any of the provisions of the Federal Bankruptcy Code, as now in effect or as it may hereafter be amended, or pursuant to any other similar state statute as now or hereafter in effect, or an answer admitting the material allegations of a petition filed against it if in such a proceeding, or a Party shall make an assignment for the benefit of its creditors; or a Party shall admit in writing its inability to pay its debts generally as they become due; or a Party shall consent to the appointment of a receiver, trustee or liquidator of it or of all or any party of its property.

- 17.2 (a) Upon the occurrence of any such event of default (other than an event of default under Section 17.1(a)(I) hereof for which no notice shall be required or opportunity to cure permitted) the Party not in default, to the extent such Party has actual knowledge of the occurrence of such event of default, shall give written notice of the default to the defaulting Party. Such notice shall set forth, in reasonable detail, the nature of the default and, where known and applicable, the steps necessary to cure such default. The defaulting Party shall have thirty (30) days following receipt of such notice either to (i) cure such default or (ii) commence in good faith all such steps as the non-defaulting may, in its judgment, determine to be necessary and appropriate to cure such default in the event such default cannot, in the judgment of such non-defaulting Party, be completely cured within such thirty (30) day period.
- (b) If the defaulting Party fails to cure such default or take such steps as provided under subparagraph (a) above, this Agreement may be terminated by the non-defaulting Party, without any liability or responsibility whatsoever, by written notice to the Party

in default hereof. This Agreement shall thereupon terminate and the non-defaulting Party may exercise all such rights and remedies as may be available to it to cover damages caused by such default.

- (c) Notwithstanding the foregoing, upon the occurrence of any such event of default, the non-defaulting Party shall be entitled to (i) commence an action to require the defaulting Party to remedy such default and specifically perform its duties and obligations hereunder in accordance with the terms and conditions hereof, and (ii) exercise such other rights and remedies as it may have in equity or at law.

17.3 If at any time during this Agreement the FERC, in a final order not subject to appeals, approves the restructuring of PJM and a party hereto believes that its rights, interests and/or expectations under this Agreement are materially affected by said order, the Party so affected shall within thirty (30) days of said final order provide the other Party with notice setting forth in reasonable detail how said order has materially affected its rights, interests and /or expectations in this Agreement. Within thirty (30) days from the receiving Party's receipt of said notice the Parties agree to attempt through good faith negotiations to resolve the issue. If the parties are unable to resolve the issue within thirty (30) days from the commencement of negotiations, either Party may at the close of said thirty (30) day period terminate this Agreement following an additional thirty (30) days prior written notice to the other Party without any liability or responsibility whatsoever except for obligations arising prior to the date of service termination.

XVIII: MISCELLANEOUS PROVISIONS

18.1 Neither Party shall assign this Agreement or any portion thereof without the prior written

consent of the other Party.

- 18.2 This Agreement, including the appendices thereto, can be amended only by agreement between the Parties in writing.
- 18.3 The failure of either Party to insist on any one or more instances upon strict performance of any provisions of this Agreement, or to take advantage of any of its rights hereunder, shall not be construed as a waiver of any such provisions or the relinquishment of any such right or any other right hereunder, which shall remain in full force and effect.
- 18.4 The headings contained in this Agreement are used solely for convenience and do not constitute a part of the Agreement between the Parties hereunto, nor should they be used to aid in any manner in the construction of this Agreement.
- 18.5 This Agreement is intended solely for the benefit of the Parties hereto. Nothing in this Agreement shall 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.
- 18.6 This Agreement shall not be interpreted or construed to create an association, joint venture, or partnership between the Parties, or to impose any partnership obligation or liability upon either Party. Neither Party shall have any right, power, or authority to enter into any agreement or undertaking for, or on behalf of, or to act as or be an agent or representative of, or to otherwise bind, the other Party.
- 18.7 Cancellation, expiration or earlier termination of this Agreement shall not relieve the Parties of obligations that by their nature survive such cancellation, expiration or termination, including without limitation warranties, remedies, promises of indemnity and confidentiality.
- 18.8 Should any provision of this Agreement be held invalid or unenforceable, such provision shall

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..

18.9 This Agreement is intended by the Parties as a final expression of their agreement and is intended also as a complete and exclusive statement of the terms of their agreement. All prior written or oral understandings, offers or other communications or every kind pertaining to this Agreement and the Retail Competition Pilot Program are hereby abrogated and withdrawn.

18.10 (a) If the price stated in this Agreement equals or exceeds the amount specified in the Federal Acquisition Regulation ("FAR"), 48 Code of Federal Regulations Chapter 1 that makes applicable any of the following clauses prescribed by the FAR:

- 1) Clean Air and Water: §52.223-2;
- 2) Contract Work Hours and Safety Standards Act-Overtime Compensation: §52.222-4;
- 3) Equal Opportunity: §52.222-26;
- 4) Affirmative Action for and Employment Reports on Special Disabled and Vietnam Era Veterans: §52.222-35 and §52.222-37;
- 5) Affirmative Action for Handicapped Workers: §52.222-36;
- 6) Utilization of Small Business Concerns and Small Disadvantaged Business Concerns and Small Business and Small Disadvantaged Business Subcontracting Plan: §52.219-8 and §52-219-9,

the Supplier shall comply with the requirements of such clause(s), and shall include

the terms or substance of such clause(s) in its subcontracts, as and to the extent required by the FAR.

(b) In case of a conflict between the provisions of this Section 18.10 and the balance of this Agreement, the provisions of this Section 18.10 shall prevail.

18.11 This Agreement is subject to and contingent upon (I) present and future local, state and federal laws and (ii) present and future regulations or orders of any local, state or federal regulating authority having jurisdiction over the matters set forth herein, and performance hereunder is conditioned upon securing and retaining such local, state or federal approvals, grants or permits as may from time to time be necessary with respect to such performance. All parties agree to use reasonable efforts to secure and retain all such approvals, grants or permits. The Parties recognize and acknowledge that the applicable regulatory agencies' and governmental bodies' ongoing approval of the Company's Pilot, and the Retail Transmission Agency Agreement, are essential for this Agreement to remain effective and binding throughout its term. As such, the Parties recognize and acknowledge that this Agreement shall terminate upon thirty (30) days notice, without penalty to either Party, if the PaPUC or the FERC, or any legislative, judicial, administrator or other governmental entity having jurisdiction over the Company should withdraw approval of the Company's pilot or the Retail Transmission Agency Agreement, or should order that the Pilot or the Company's role therein be terminated.

18.12 All present or future federal, state, municipal or other taxes imposed by any taxing authority by reason of a sale to retail customers under this agreement shall be the liability of the Supplier. Supplier shall pay all such 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, Supplier will, if requested, provide Company with valid tax exemption certificates. Should Company be required to remit any such taxes directly to any applicable taxing authority, other than taxes previously collected by Company directly from Supplier's customers, Supplier indemnifies Company and will pay to Company all such tax amounts upon demand. Supplier agrees that it is subject to all applicable taxes imposed by the Pennsylvania Tax Reform Code of 1971, 72 P.S. §7201 et seq. and 72 P.S. §8101 et seq. and all applicable taxes imposed by the Competition Act (e.g. gross receipts tax, etc.) on sales of energy and related services.

- 18.13 All notices, demands or requests required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by certified United States mail (postage prepaid, return receipt requested), overnight express mail, courier service or facsimile transmission (with the original transmitted by any of the other aforementioned delivery methods) addressed as follows:

If to the Supplier to:

CNG Retail Services Corporation
c/o **CNG Energy Services Corporation**
One Park Ridge Center
P.O. Box 15746
Pittsburgh, PA 15244-0746
(412) 787-4000 (412) 787-4260 (FAX)

If to the Company to:

Director, Power Contracts
GPU Energy
Rte. 183 & Van Reed Road
P.O. Box 15152
Reading, PA 19612-5152
610-375-5335
610-375-5550 (Fax)

Copy to:

GPU Service, Inc.
Legal Department
2800 Pottsville Pike
P.O. Box 16001
Reading, PA 19640-0001

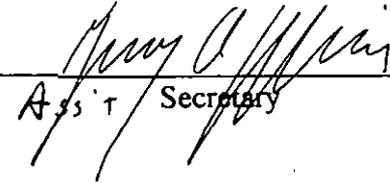
or to such other person at such other address as a Party shall designate by like notice to the other Party.

Unless otherwise provided herein, all notices hereunder shall be deemed to be given when mailed or personally delivered.

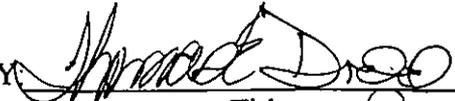
IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first set forth above.

SUPPLIER

ATTEST:



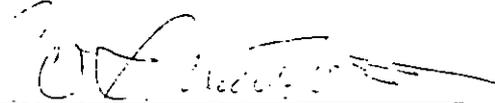
Ass't Secretary

BY: 

Title V.P.

PENNSYLVANIA ELECTRIC COMPANY

ATTEST:



Secretary

BY: 

Title

APPENDIX 1

DEFINITIONS

APPENDIX 1

ACCEPTED ELECTRICAL PRACTICES - Those practices, methods, standards and equipment commonly used, from time to time, in electrical engineering and operations to operate electrical equipment with safety, dependability and efficiency and in accordance with the National Electrical Safety Code and such other Standards practiced by the industry in a manner sufficient to provide safe and reliable service.

ACTUAL OBLIGATION - The GPU System's Capacity Obligation to PJM as determined by the Company for use in the Company's Pilot program. It represents the current estimate for the GPU System's Adjusted Accounted-For Obligation to PJM for a given planning year using the most recent forecast Load and capacity supply data.

ADVANCED METER OR METERING SERVICES - For customers with demands greater than or equal to 100 kW, means solid-state, programmable with multi-function (kWh, kvarh, kvah) measurement capability and includes communication capability (phone, radio, etc.), interval data memory storage, pulse outputs, and optionally special metering functions such as per phase measurement ability, and power quality monitoring functions (i.e., low/high voltage, loss of phase, power factor measurement, harmonic monitoring, etc.). For other customers means a communications module connected to an existing meter or a replacement meter with communications capability that is acceptable to all parties.

AFFILIATE - A corporation, partnership or other entity, each such other corporation, partnership or other entity that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such corporation, partnership or other entity.

AGREEMENT - This Supplier Agreement, including all appendices attached hereto and all amendments and supplements hereto that may be made from time to time.

AVAILABILITY or AVAILABILITY PERFORMANCE - The annual equivalent availability factor (EAF) of a generating unit, or other appropriate capacity resource, as defined by PJM rules and procedures in compliance with NERC Generator Availability Data System guidelines.

BILLING MONTH - One-twelfth (1/12) of a year, or the period of approximately thirty (30) days between two (2) regular consecutive readings of the Company's meter or meters, but not less than twenty-six (26) days and not more than thirty-five (35) days.

CAPACITY CONTRIBUTION FACTOR - The relative contribution of an individual customer's Load at the time of and proportional to the Company's metered Summer Peak Load.

CAPACITY OBLIGATION - A generic expression representing any capacity requirement under the provisions of the PJM Operating Agreement to provide installed capacity sources acceptable to the Parties in sufficient amount to meet the GPU System's Summer Peak Load and an allocated capacity reserve as leveled over a planning year.

CAPACITY REQUIREMENT - The amount of installed capacity imputed to each Customer for the applicable Planning Year based on GPU System's Forecast Obligation to PJM, GPU System's Summer Peak Load, and the Customer's Load.

CAPACITY USAGE RATIO - The ratio of the Summer Usage of an individual Pilot Customer to the Summer Usage of the Company for a particular class of customers.

CUSTOMER - Any person, partnership, association, corporation, or other entity (i) in whose name a service account is listed, (ii) who occupies or is the ratepayer for any premises, building, structure, etc., and (iii) is primarily responsible for payment of bills and who is participating in the Company's Retail Competition Pilot Program.

DAILY CAPACITY OBLIGATION ("DCO") - The summation of the individual Capacity Responsibilities of the Supplier's Customers as computed on a daily basis.

ELECTRIC METERING EQUIPMENT - Electric meters and associated equipment utilized in determining the amount of electric energy delivered to the Company from the Supplier under this Agreement.

EMERGENCY - A condition or situation which the Company deems imminently likely to endanger life or property; or affect or impair, or imminently will affect or impair, the Company's electrical system or the electrical systems of others to which the Company's electrical system is directly or indirectly connected. Such a condition or situation includes, but is not limited to, potential overloading of the Company's transmission and/or distribution circuits, unusual operating conditions on either the Company's or the Supplier's electrical system or conditions such that the Company is unable to accept electric energy from the Supplier without jeopardizing the Company's electrical system or the electrical systems of others to which the Company's electrical system is directly or indirectly connected.

FERC - The Federal Energy Regulatory Commission or any successor agency thereto.

FORECAST OBLIGATION - The Company's Capacity Obligation to PJM as determined by PJM using forecast Load and capacity supply data submitted two years prior to the start of a planning year. This value is a minimum which must be met each day of the planning year or deficiency payments to PJM will accrue under the provisions of the PJM Operating Agreement.

FORCE MAJEURE - An unforeseeable event or occurrence beyond the reasonable control of and without the fault or negligence of the Party claiming Force Majeure, including, but not limited

to, acts of God, strike, flood, earthquake, storm, fire, lightning, epidemic, war, riot, civil disturbance, sabotage, acts of public enemy, explosion, change in law or applicable regulation subsequent to the date hereof and action or inaction by any federal, state or local legislative, executive, administrative, or judicial agency or body which, in any of the foregoing cases, by exercise of due foresight such Party could not reasonably have been expected to avoid, and which, by the exercise of due diligence, is unable to overcome, and which wholly or in substantial part prevents such party from performing its obligations under this Agreement. The settlement of strikes and labor disturbances shall be wholly within the discretion of the Party experiencing the event. Economic hardship of either Party shall not constitute a Force Majeure under this Agreement.

GPU - GPU, Inc., the parent corporation of the Company.

GPU OPERATING COMPANIES, GPU SYSTEM or GPU Energy ("GPUE) - The three operating electric utilities (and related service territories) owned by GPU, i.e. Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power & Lights Company, collectively d/b/a GPU Energy, and their Affiliates.

INSTALLED CAPACITY - Generating capacity which has successfully met MAAC reliability criteria or a PJM deliverability assessment, and has been accepted by PJM for use in installed capacity accounting. Capacity credits derived therefrom are also considered to be installed capacity.

kW - Kilowatt; a unit of electric energy demand.

kWh - Kilowatt hour; a unit of electric energy usage.

LOAD - Metered load plus line losses.

MARKET CLEARING PRICE - The rate, as calculated by PJM, in dollars per megawatt hour which in the absence of PJM system constraints is equal to the cost or bid price in dollars per megawatt hour of the highest priced increment of energy that was requested to operate by PJM.

MET-ED OR COMPANY - Metropolitan Edison Company, a Public Utility Corporation organized and existing under the laws of the Commonwealth of Pennsylvania.

METERED LOAD - the electric energy usage measured by a Standard or Advanced Meter.

MW - Megawatt; a unit of electric energy demand equal to 1000 kW.

MWh - Megawatt-hour; a unit of electric energy usage equal to 1000 kWh.

NON-COINCIDENTAL PEAK LOAD - As derived from Company historical Load data, the

hour during which each customer class demand peaks for Load/demand purposes independent or non-coincident of other classes.

ONE-HUNDRED (100) kW CUSTOMER - For purposes of requiring telemetering and telephone lines, a 100 kW Customer is an existing Customer who has registered a maximum fifteen (15) minute integrated demand equal to or exceeding 100 kW at least once during the current or preceding eleven (11) months, or for a new Customer that the Company has determined in its sole and exclusive discretion will have a demand equal to or exceeding 100 kW.

OPERATING AGREEMENT OF PJM INTERCONNECTION, L.L.C. - The governing agreement among PJM member companies which sets forth their rights and responsibilities under the power pool, as well as the organizational structure of the pool.

PaPUC or Commission - The Pennsylvania Public Utility Commission or any successor agency thereto.

PARTICIPATING LOAD PERCENTAGE - For each participant, the percentage ratio of participating Load, not to exceed 10% of the available Load for the rate class, to the maximum on-peak Load during the twelve months ending August 31, 1997. This percentage will be held constant for the duration of the Pilot.

PENELEC OR COMPANY - Pennsylvania Electric Company, A Public Utility Corporation organized and existing under the laws of the Commonwealth of Pennsylvania.

PJM OR PJM CONTROL AREA - The Pennsylvania/New Jersey/Maryland interconnected power pool cooperatively operated under the Pennsylvania/New Jersey/Maryland Interconnection Agreement dated September 26, 1956 as amended by the Operating Agreement of PJM Interconnection, L.L.C. and as may be further amended or supplemented from time to time.

PJM CAPACITY DEFICIENCY RATE - The financial payment rate, alternately expressed as dollars per kilowatt per year (i.e., \$/kW-year) and dollars per megawatt per day (i.e., \$/MW-day), applicable to installed capacity transactions which occur under the provisions of the Operating Agreement of the PJM Interconnection L.L.C.

PJM LOAD SERVING ENTITY(S) - An entity including a Load aggregator or power marketer, (1) serving end-users within the PJM Control Area, and (2) that has been granted the authority or has an obligation pursuant to state or local law, regulation or franchise to sell electric energy to end-users located within the PJM Control Area, or the duly designated agent of such an entity.

PJM NETWORK INTEGRATION TRANSMISSION SERVICE - Transmission service provided pursuant to the rates, terms and conditions set forth in Part III of the PJM Tariff, or transmission service comparable to such service that is provided to a Load Serving Entity that is

also a Regional Transmission Owner as that term is defined in the PJM Tariff.

PLANNING YEAR - A fiscal year comprising the twelve consecutive months beginning June 1 and continuing through May 31.

RATE CLASS - A collection of individual customers having certain energy consumption characteristics, energy-using appliances or equipment, size, voltage-level delivery, or other requirements as embodied in the Company's rate class tariffs on file with the PaPUC.

RESEARCH LOAD - The value in a given hour which is derived from data obtained from metering the electric energy usage of a statistically significant sample of customers in a given Rate Class. Research Load is Metered Load.

RESEARCH LOAD PROFILE - A chronological collection of hourly Research Load values.

RESERVE MARGIN - The value, as determined by the Company, representing the Company's best estimate for the GPU System reserve capacity requirement, in megawatts, based on GPUS's experienced Load in the PJM installed capacity accounting.

STANDARD METER OR METERING SERVICES - Digital meter where interval data is stored in meter memory or an electro-mechanical (spinning disk) meter that records kWh usage and has no storage capability. These meters are typically read on a monthly basis.

SUMMER PEAK LOAD - The highest hourly integrated energy value, after adjustment to include losses, which occurs during the months of June, July or August, for purposes of this Pilot.

SUMMER USAGE - The total electric energy consumption of a Customer from June 1 through August 31, as directly metered or computed by proportioning directly metered electric energy consumption.

SUPPLIER - A supplier of energy and capacity who has received a PaPUC certification that it is eligible and licensed to supply Customers pursuant to the Company's Retail Electric Competition Pilot Program.

APPENDIX 2

**ALTERNATIVE ELECTRIC GENERATION
SUPPLIER ORDER**

APPENDIX 3

**DETERMINATION OF ALLOCATED
DAILY CAPACITY OBLIGATION**

APPENDIX 3

DETERMINATION OF DAILY CAPACITY OBLIGATION ("DCO")

INTRODUCTION

PJM is a summer peaking power pool which establishes its capacity reliability objective and allocation of reserve capacity requirement on a planning year basis two years in advance of the start of that planning year. Due to the pooling of installed capacity resources within PJM and the utilization of transmission interconnections with neighboring systems during capacity emergencies, the total amount of reserve capacity required by PJM to maintain reliability is less than would otherwise be required. The PJM Operating Agreement specifies the methodology by which the pool's reserve requirement for a given planning year is allocated among the PJM members.

Each PJM member company's Forecast Obligation represents a contractually binding requirement which must be met each day of the planning year and is established as the sum of its diversified Planning Year peak contribution to the PJM Summer Peak Load and its allocated portion of the PJM reserve requirement. The Actual Obligation is initially set equal to the Forecast Obligation, in accordance with the PJM Operating Agreement and constrained to this value as a minimum. The Actual Obligation can increase based on the actual summer and winter peak loads experienced by all PJM member companies, after adjusting to normal weather conditions, and the availability performance of the sources comprising GPUE's installed capacity portfolio, however, this information is not fully determined until several months after completion of the Planning Year.

The methodology defined in this Agreement incorporates the PJM methodology in all material respects and simplifies its application to facilitate retail competition during the Company's Pilot. For purposes of this Pilot Program, the Company will simplify the process described above by establishing a fixed Capacity Requirement for each Customer which will remain a static value for the Planning Year.

RESPONSIBILITIES OF THE PARTIES

Supplier

The Supplier agrees to:

- (a) be represented within PJM by the Company regarding the installed capacity obligation associated with Pilot Load;
- (b) adhere to and abide by PJM's applicable rules and guidelines, as amended from

time to time, including, but not limited to, those pertaining to:

- 1) discounting capacity credited for sources outside of the PJM Control Area; and
 - 2) advance reporting of installed capacity changes (60 days or such shorter time period prior to the effective date and consistent with the ability of the PJM Office of the Interconnection to evaluate the requests for Network Transmission Service or the designation of Network Resources).
- (c) provide to the Company during the Pilot period (i) a list of the capacity sources, (ii) their installed capacity ratings which the Supplier provides for use as installed capacity so that PJM can evaluate the acceptability of these sources, (iii) capacity resources with a specified Availability Performance of at least 80%, (iv) their energy strike prices by source, not to exceed 120 \$/MWh, for each source which is not considered eligible as capacity credits under the PJM Operating Agreement, and (v) any other pertinent information required by the Company or PJM.
- (d) ensure the Company has a call at the specified strike price on the energy associated with the Supplier's installed capacity resources provided to the Company to meet the Supplier's capacity responsibilities.
- (e) incur a Daily Capacity Obligation ("DCO") to the Company which will be based on:
- 1) GPUE's Actual Obligation to PJM associated with GPUE's Summer Peak Load experienced for the applicable Planning Year; and
 - 2) the sum of the Supplier's Capacity Responsibilities on a daily basis associated with individual Customers it has committed to serve.
- (f) provide the Company with installed capacity for the Supplier's DCO; and
- (g) pay the Company at the prevailing PJM Capacity Deficiency Rate for the total amount of megawatts by which the Supplier is deficient in meeting its DCO, it being understood that such payments are to compensate the Company for the Supplier's failure to meet its DCO and shall not constitute the sale of, or entitle the Supplier to, any electric capacity or energy.

The Supplier agrees to provide the Company with capacity resources which will have an Availability Performance of at least 80%, as computed on an annual basis, to meet the Supplier's DCO. The Company will, therefore, not make any Availability adjustment to the capacity of the Supplier's resources. It is the Supplier's responsibility to provide the Company with sufficient

assurance that PJM will use at least an 80% Availability, for the capacity resources provided by the Supplier to the Company, when PJM is computing the GPU System Actual Obligation.

The Supplier agrees, for the Term of this Agreement, to comply with all of the other Supplier obligations set forth herein.

Company

In order to facilitate the Supplier's planning for and provision of capacity to meet its obligation, the Company agrees to:

- (a) provide the Supplier with a Capacity Responsibility for each Customer with which the Supplier has a commitment to serve;
- (b) electronically notify the Supplier of the Company's receipt of the Supplier's installed capacity nomination and subsequent submittal to PJM of a request for network transmission service corresponding to that nomination;
- (c) submit a Supplier's request for network transmission service and installed capacity change to PJM, for assessment of deliverability, on the day it is received provided that the request is received by 10:00 a.m.;
- (d) electronically notify the Supplier of any problem with or rejection of the Supplier's installed capacity nomination, upon receipt of such notification from PJM ;
- (e) compute the monthly cost for the accumulation of the Supplier's daily capacity deficiencies for inclusion in the monthly billing to the Supplier;
- (f) notify the Supplier in writing as soon as practicable and no later than 10 days prior to the first affected billing of an impending change to the GPU System's Reserve Margin; and
- (g) notify the Supplier in writing as soon as practicable and no later than May 1, 1998 if a change in the PJM Capacity Deficiency Rate for the 1998/1999 planning year has been filed with the FERC. The PJM Capacity Deficiency Rate for the 1997/1998 Planning Year is \$160/MW-day.

CAPACITY ACCOUNTING PROCESS FOR SUPPLIERS

The PJM Operating Agreement is designed to deal with the wholesale marketplace and is undergoing a continuing review process to modify the agreement to effectively accommodate customer choice and retail access beginning with the 1999-2000 Planning Year. However, installed capacity obligations established under terms of the existing PJM Operating Agreement are contractually binding upon the GPU System and include commitments for Load which will be participating in the Company's Pilot Program.

To avoid an unnecessary duplication of installed capacity commitment and expense for Pilot Load, GPUE will retain the installed capacity obligation associated with Pilot Load for the duration of the Pilot. As a result, each Supplier is required to provide the Company with sufficient installed capacity to cover that Supplier's Pilot Load and its associated capacity requirement.

Process for Supplier to Provide Installed Capacity

The Supplier shall provide to the Company the appropriate information sufficient for PJM to evaluate the acceptability of the Supplier's installed capacity and shall provide to the Company such capacity resources to be credited towards meeting the Supplier's DCO, which shall be rounded up to the next whole megawatt in accordance with the Company's installed capacity accounting practices. The minimum amount of installed capacity provided by the Supplier to the Company shall be one (1) megawatt.

The Company shall submit this installed capacity information in a timely fashion to the PJM Office of the Interconnection and shall provide the Supplier with confirmation of the submittal. Any of the Supplier's installed capacity resources which are not acceptable to PJM shall be rejected by the Company and the Company shall promptly notify the Supplier. Any capacity deficiency resulting from this rejection is the Supplier's responsibility and shall be billed at the PJM Capacity Deficiency Rate unless other installed capacity acceptable to PJM are provided in sufficient time so as to avoid incurring such capacity deficiency.

The Supplier may withdraw a portion of its capacity resources provided to the Company to meet Pilot Load no later than 10:00 a.m. one (1) business day before the effective date of such change. The smallest change in capacity resources allowed by the Company shall be one (1) megawatt with the total change constrained to be in whole megawatts.

Development of Supplier's Daily Capacity Obligation

On a prospective basis prior to the start of service, the Supplier must notify the Company as to the specific Customers in the Company's franchised territory the Supplier will be serving. The Load for each Customer at the time of GPUE's Summer Peak Load must be determined for each

of these Customers which the Supplier will serve. For purposes of the Company's Pilot, the Customer's contribution to GPUE's Actual Obligation will be simplified to be proportional to that Customer's Load at the time of GPUE's Summer Peak Load. Load data for GPUE's 1997 Summer Peak Load, which occurred at 1700 hour on July 15, 1997, will be used to develop GPUE's Reserve Margin which will remain fixed until it is redetermined in the 1998/99 Planning Year. A new value for GPUE's Reserve Margin will take effect no later than October 1, 1998 and will remain fixed until superseded in subsequent Planning Years, if applicable. These changes will be made on a prospective basis, only, and the Supplier shall incur no retroactive adjustment to its DCO.

Those Customers having a meter which records the hourly electric energy usage will have such data used to determine their individual Loads at the time of GPUE's Summer Peak Load. Research Load Profile data adjusted by each specific Customer's energy usage will be used for Customers, those having meters with no storage capability, in a given rate class to establish the Load for those Customers at the time of GPUE's Summer Peak Load. Each Customer's Load at the time of GPUE's Summer Peak will be increased by GPUE's Reserve Margin Factor to determine that Customer's Capacity Requirement which will be prorated by that Customer's Participating Load Percentage.

The Supplier and the Company shall agree to the Load to be used for a Customer who was not connected to the Company's electrical network as of June 1, 1997.

The Supplier's DCO will be developed using the following equations.

For a Research Load Customer:

$$\begin{array}{l} \text{Capacity Usage Ratio} \\ \text{of a Customer in Rate Class } x \\ [CUR_{RL}]_x \end{array} = \frac{\begin{array}{l} \text{Summer Usage} \\ \text{of a Customer in Rate Class } x \\ [SU_C]_x \end{array}}{\begin{array}{l} \text{Research Load Profile Summer Usage} \\ \text{of a Customer in Rate Class } x \\ [SU_{RL}]_x \end{array}}$$

$$\begin{array}{l} \text{Customer's Metered Load} \\ [L_M] \text{ at time of} \\ \text{GPUE's Summer Peak Load} \end{array} = \begin{array}{l} \text{Capacity Usage Ratio} \\ \text{of a Customer} \\ \text{in Rate Class } x \\ [CUR_{RL}]_x \end{array} * \begin{array}{l} \text{Research Load Profile Value} \\ \text{at time of} \\ \text{GPUE's Summer Peak Load} \\ \text{in Rate Class } x \end{array}$$

A Customer who has no applicable history upon which to calculate Summer Usage will be assigned the average CUR_{RL} value for that Customer's rate class as provided by the Company. A Customer who has a partial Summer Usage history for the current Planning Year shall have its value computed using a calendar day weighting of the current Planning Year's and the prior Planning Year's Summer Usage data.

For an Hourly Metered Customer:

The Hourly Metered Customer's Load at the time of GPUE's Summer Peak Load will be that Customer's Load based on the Metered Load for the hour, as determined by the Company, in which GPUE's Summer Peak Load occurred.

For all Customers:

The Supplier is required to provide to the Company sufficient installed capacity to meet a Customer's Metered Load as increased to include losses, as shown above. The applicable Loss Factors for the Company's Rate Classes are set forth in Appendix 9 hereof, to cover its Pilot Load.

$$\begin{array}{l} \text{Loss Factor} \\ \text{for Rate Class } x \\ \text{[per-unit]} \end{array} = \left(1 + \begin{array}{l} \text{Percentage Losses} \\ \text{for the Customer's Rate Class } x \\ \text{[per-unit]} \end{array} \right)$$

$$\begin{array}{l} \text{Customer's Load [} L_C \text{]} \\ \text{at time of} \\ \text{GPUE's Summer Peak Load} \end{array} = \begin{array}{l} \text{Loss Factor} \\ \text{for Rate Class } x \\ \text{[per-unit]} \end{array} * \begin{array}{l} \text{Customer's Metered Load [} L_M \text{]} \\ \text{at time of} \\ \text{GPUE's Summer Peak Load} \end{array}$$

The determination of each Customer's Capacity Requirement will then be based on the Customer's Participating Load Percentage and GPUE's Reserve Margin requirement, as estimated by the Company for purposes of this Pilot. The Customer's Participating Load Percentage represents the portion of that Customer's Load which is participating in the Pilot. The following equations show the calculation of each Customer's Capacity Requirement and are applicable to any Customer's Load:

$$\begin{array}{l} \text{Customer's} \\ \text{Capacity Contribution Factor} \\ \text{[} CCF_C \text{]} \end{array} = \left(1 + \begin{array}{l} \text{GPUE's} \\ \text{Reserve Margin} \\ \text{[per-unit]} \end{array} \right) * \begin{array}{l} \text{Customer's} \\ \text{Participating Load} \\ \text{Percentage} \\ \text{[per-unit]} \end{array}$$

For the 1997/98 Planning Year, the value for GPUE's Reserve Margin shall be 20.42%.

$$\begin{array}{l} \text{Customer's} \\ \text{Capacity Requirement} \\ \text{[} CR_C \text{]} \end{array} = \begin{array}{l} \text{Customer's} \\ \text{Capacity Contribution Factor} \\ \text{[} CCF_C \text{]} \end{array} * \begin{array}{l} \text{Customer's Load [} L_C \text{]} \\ \text{at time of} \\ \text{GPUE's Summer Peak Load} \end{array}$$

The Supplier's DCO for each day of the month will be the summation of the Supplier's individual

Customer Capacity Responsibilities.

$$\text{Supplier's DCO for day x} = \sum_{i=1}^{\text{\# customers}} \text{Customer's Capacity Requirement [CR}_c \text{] for day x}$$

Determination of Supplier's Capacity Deficiency

The Supplier's Daily Capacity Deficiency, in megawatts, shall be determined each day of the billing month by subtracting the Supplier's DCO from its Capacity Resources, as recognized by the Company for that day. The Supplier's Monthly Capacity Deficiency, in megawatts, will be the summation of each day's Daily Capacity Deficiency during the month. The Supplier will be assessed for this Monthly Capacity Deficiency at the PJM Capacity Deficiency Rate and this assessment will be included in the Company's monthly billing statement to the Supplier.

$$\text{Supplier's Daily Capacity Deficiency for day x} = \left(\text{Supplier's Capacity Resources for day x} - \text{Supplier's DCO for day x} \right)$$

The Supplier's Daily Capacity Deficiency, as computed for each day, shall be constrained to be a value greater than or equal to zero with any negative value computed for this Daily Capacity Deficiency being replaced by a value of zero.

$$\text{Supplier's Monthly Capacity Deficiency} = \sum_{x=1}^{\text{\# days in month}} \left(\text{Supplier's Daily Capacity Deficiency for day x} \right)$$

$$\text{Supplier's Monthly Capacity Deficiency Cost [\$]} = \text{Supplier's Monthly Capacity Deficiency} * \text{PJM Capacity Deficiency Rate}$$

APPENDIX 4

**DETERMINATION OF HOURLY LOADS, HOURLY SUPPLY,
AND RECONCILIATION OF DIFFERENCES**

APPENDIX 4

DETERMINATION OF HOURLY LOADS, HOURLY SUPPLY, AND RECONCILIATION OF DIFFERENCES

INTRODUCTION

A fundamental operating requirement in electrical supply is matching generation production to system demand at each instant in time. The first step in this process involves estimating the system demand in the short term future - forecasting a Load profile; the second step is dedicating generation to meet that Load profile; and the third step is adjusting the generation actually supplied for differences between the Load forecast and actual Load demand. Load varies from one moment to the next, and consequently the cost of energy generated also varies from one moment to the next due to those changes in Load. The industry standard that has developed in Pennsylvania and in virtually all North American bulk electric power systems, is an hourly economic reconciliation of generation (supply) and Load (demand). The following description and requirements cover those instances when the Supplier is a member of PJM. The Supplier shall adhere to and comply with the appropriate requirements.

GENERAL DESCRIPTION

Each Supplier shall provide energy schedules of supply to be produced for its customers, which shall be subject to the applicable loss factors set forth in Appendix 9 hereof, for the next day to PJM in accordance with PJM requirements.

Differences each hour between the assigned Load and the actual supply constitute the basis for a primary energy interchange between the Supplier and PJM. Determination of the assigned Load will be done by GPU and equal the sum of the hourly telemetered Loads each hour plus the sum of the Load values from GPU developed profiles for that hour for Loads without telemetering. GPU will submit these to the supplier and PJM in accordance with PJM requirements.

Loads that were estimated for the purposes of the primary interchange determination, will be corrected when the data is available, and the associated energy interchange adjustment will be part of the monthly statement from GPU to the Supplier.

The differences between the integrated billing period Load as determined from Load profiles and integrated meter reading totals (actual billing period integrated Load) constitute the basis for a secondary monthly reconciliation.

SPECIFIC REQUIREMENTS

Scheduled Energy:

Each Supplier shall provide energy schedules of supply for its customers for the next day to PJM in accordance with PJM requirements.

HOURLY LOADS, AND RECONCILIATION TO SCHEDULED ENERGY AND SUPPLEMENTAL ENERGY:

Primary (Hourly) Interchange (with PJM):

For each hour of the previous day, GPU Energy will taking into account Participating Load Percentages, total a) the values of the Load profiles for each customer class using tables defined in terms of % of GPU Company area Load and b) data from telemetered customers. Each non-telemetered account will be assigned a Usage Factor which represents the relative usage of the account compared to the theoretical usage based upon the Load profile for that Customer class. The Usage Factor will equal the quotient of a) the average daily energy consumption of the customer for the most recent billing period divided by b) the daily average energy consumption by the Load profiles over that same time period. A new customer will be assigned a default Usage Factor value of 1.00.

On a daily basis, supplemental energy will be determined by based on the differences between the Assigned Energy Supply Requirements ("AESR") and delivered scheduled energy supply. The AESR is calculated as follows:

$$\text{AESR} = \text{Sum of all (SCAL)}$$

$$\text{SCAL} = [\text{SUF} \times \text{LP} \times \text{ML}] \\ + \text{STL}$$

AESR = Assigned Energy Supply Requirement in an hour. AESR is the total of assigned hourly Load for all classes for the Supplier.

SCAL = the Class Assigned Load for the class for the Supplier.

SUF = the sum of the usage factors for all Supplier customers in the class.

UF = relative usage of an account compared to the class average.

LP = Load Profile = ratio of the hourly Load per customer for the customer class to total Company area hourly Load. Both the Load per customer and the total Company area Load are from GPU Energy Load research.

ML = Actual Company area Metered Load for the hour

STL = the sum of the 60 minute integrated Loads for hourly telemetered Supplier customers.

The net differences between the AESR for the Supplier within PJM and the total delivered Scheduled Energy provided by the Supplier to PJM for that hour will constitute an energy interchange between the Supplier and PJM. The difference between the AESR for the Supplier for the GPU Company area and the total delivered Scheduled Energy provided by the Supplier to the GPU Company area will be used by PJM to adjust the GPU interchange with PJM.

The financial settlement for primary interchange will be between the Supplier and PJM.

Energy Interchange Adjustments:

Loads that were estimated for the purposes of the primary interchange determination, will be corrected when the data is available, and the associated energy interchange adjustment will be part of the monthly statement from GPU to the Supplier.

Secondary (True-Up) Reconciliation:

About a month later, when customer billing data is available for the entire calendar month, billing consumption will be allocated to the calendar month. That total will be compared to the AESR for the calendar month. The difference will be supplemental energy for the calendar month. That supplemental energy will be priced at the average Market Clearing Price.

Reconciliation parameters:

The Primary Interchange constitutes a transaction strictly between the Supplier and PJM.

The reconciliation between the Supplier and the Company for the calendar month shall be the sum of the hourly interchange adjustments plus the secondary reconciliations. The pricing for sales of energy by GPU Energy calculated under the hourly interchange adjustments and secondary reconciliations for the month shall not exceed the ceiling prices in GPU Energy's FERC-approved Sales Tariff. The following parameters will be recorded in kWh:

- a. Hourly metered load by hour of the day for the Met-Ed area
- b. Profiled load by hour of the day for the Met-Ed area

- c. Total assigned load by hour of the day for the Met-Ed area
- d. Hourly metered load by hour of the day for the Penelec area
- e. Profiled load by hour of the day for the Penelec area
- f. Total assigned load by hour of the day for the Penelec area

The total AESR by hour of the day for the GPU System area will be reported to PJM in whole MWh; for each hour of each day, fractions of a Mwh will be carried over and added to the next hour, with hour ending 24 being rounded to the nearest Mwh (but not less than one Mwh).

The result of both the hourly interchange adjustments and secondary reconciliation will be on a MWh basis; with all fractions rounded to the nearest Mwh (but not less than one Mwh).

Daily information:

GPU Energy will develop and provide preliminary hourly AESR to PJM and the Supplier in accordance with PJM requirements by 10:00 a.m. of the next GPU Energy business day after the day in which the hourly Loads occurred. The preliminary AESR information for a day may vary slightly from the AESR used in the energy interchange adjustment included in the monthly statement (estimated values replaced with actual readings). GPU Energy will transmit the daily information to PJM per PJM requirements. GPU Energy will transmit the daily information to the Supplier through a commercially available electronic medium.

APPENDIX 5
SECURITY BOND

APPENDIX 6

PILOT CUSTOMER BILLING PROCESS

APPENDIX 6

PILOT CUSTOMER BILLING PROCESSES

Electronic Data Transfer

Electronic data interchange (EDI) will be utilized as the core enabling technology for data transfers between the Company and the Suppliers to support the Pilot customer accounting processes. EDI record format standards are established by the American National Standards Institute (ANSI) for trading information between two or more parties. For our Pilot, all EDI documents will be transmitted through a third-party Value Added Network (VAN) between the Company and the Suppliers. Each Supplier will be responsible to contract with a VAN compatible with IBM's Advantis and provide GPU Energy's Electronic Commerce Group with their VAN mailbox information.

During the next several months, the Company will be developing an Internet solution to replace the need to utilize a VAN for exchange of EDI records. After this time, we will provide the Suppliers a choice of receiving the EDI records through their VAN or through our Internet solution.

This technology will be heavily utilized to support the data transfers necessary to manage the Pilot Customer accounting processes. These data transfers are necessary to assure that the appropriate Suppliers are provided meter consumption and adjustments, customer payments and adjustments and write-off information from the Company. All of the EDI transactions that will be utilized are national standards used by utilities and other industries. Each Supplier will be responsible to acquire the appropriate EDI translation software or service required to handle the specific EDI transactions identified within this document. Some EDI transactions are optional, and will be made available to each Supplier upon their request.

Customer Supply Agreements

The relationship between a specific Customer and an alternative Supplier will be facilitated for data processing purposes within our Customer Account/Billing System through the establishment of a Customer Supply Agreement Data Base ("Data Base"). This Data Base will contain the information required to uniquely identify a specific Customer and the alternate Supplier that has been selected by the Customer. This information will include any specific information provided by the Company and the Supplier to assure that this Customer can be uniquely identified by either GPU Energy or the Supplier. The following describes how the Data Base will be managed.

Agreement Initiation

In an attempt to protect the Pilot customers from the unauthorized initiation of a Customer Supply Agreement (slamming), the Company will only allow such agreements to be initiated by the Customer. The Company will not initiate or change a Customer's Supplier without direct oral confirmation or written evidence of the Customer's consent to a change of suppliers from the primary ratepayer or joint applicant. All Customer agreement initiations must be requested at least 15 days prior to the next on-cycle meter reading. Upon contact, the customer will be asked for their billing preference ("separate bill" or "combined bill"). An estimated agreement start date will be established and will be initialized to the next on-cycle meter read date for the book and folio associated with the Customer account. This date is an estimated date because the actual meter read date could vary.

After the estimated agreement start date is established, the applicable Supplier will be notified to confirm their acceptance of the Customer. The Supplier will be notified using an EDI 814 transaction sent to the Supplier's VAN mailbox using the Advantis VAN as described above. All EDI 814 transactions received each day will be batched and sent in the evening. The Supplier must return the EDI 814 transaction to our VAN address within 2 days indicating whether they accept or reject the Customer. The Supplier's return of the EDI 814 transaction is not optional, and is required to return specific supplier customer account information used to uniquely identify the specific Customer. Upon confirmation, the Customer will be sent a letter informing them of the acceptance or rejection by the Supplier. If the Supplier accepts the Customer, the Supplier will utilize the estimated agreement start date as the date on which they will start supplying the Customer with energy.

After the actual meter reading is performed, the actual start date on the agreement will be initialized to the on-cycle meter read date. If an actual reading can not be obtained, an estimated reading will be calculated. This date will indicate when the Supplier started delivering energy to this Account.

Agreement Updates

With the possible exception to the billing preference or agreement termination, the Customer will not be permitted to change any Customer Supply Agreement Data Base information. The Suppliers will be permitted to change a limited amount of this information. This information will be limited to the Supplier Customer information (i.e. Supplier customer account number, etc.) required to uniquely identify the agreement. The Company requests that mass changes to Customer agreement information requested by Suppliers be initiated with an EDI 814 transaction delivered to our VAN mailbox.

Agreement Termination

Verbal or written notice of a Customer Supply Agreement termination must be received by GPUE

at least 15 days prior to the next on-cycle meter reading. Upon receipt of a agreement termination notice, the Company will estimate the agreement end date and send a letter to the Customer informing/confirming the requested agreement termination. The Supplier will be notified of the estimated agreement end date by transmission of an EDI 814 transaction sent to the Supplier's VAN mailbox using the Advantis VAN as described above. The estimated agreement end date will be initialized to the next on-cycle meter read date for the book and folio associated with the customer account. All agreements pending termination will be effectively terminated on the next on-cycle meter read date after the requested termination.

Billing Cycles

The Company's Accounting/Billing System reads and bills customers monthly based on a predetermined meter reading schedule. In order to read and bill each customer monthly, the customer base was split into 20 cycles. Each business day meters in one of the 20 cycles are read and billing is performed on the following business day. After all 20 cycles have been read and billed, the month is considered complete for revenue purposes and monthly reporting is performed.

As the meters are read and billed on a daily basis, the total monthly consumption for pilot customers will be available for alternate suppliers. In the event that an actual reading can not be obtained, the Company will provide the alternate Supplier with estimated consumption. This consumption represents the total kWh and-kW (if currently available) used during the billing period. Most billing periods consist of 26 to 35 days, however, the number of days may vary. If an alternate supplier requires more consumption data than is normally provided by a single monthly meter reading, at an additional cost the supplier will have the option of retrieving or receiving interval data, provided the proper metering is installed.

Customer Billing

The Customers participating in our Pilot will receive a "combined bill", including both GPU Energy and Supplier charges unless they request a separate bill from their Supplier. For this reason, the Company is prepared to support both a "separate bill" and a "combined bill". The specific processes associated with both of these options are described as follows:

Separate Bill

Each night, after the actual meter readings and estimated meter readings are billed for Pilot accounts, Customer consumption records will be formatted and sent to the appropriate Supplier. These records will be formatted using the EDI 820 transaction and sent to the Supplier's VAN mailbox using Advantis as described above at the Supplier's option.

Combined Bill

After a comprehensive evaluation of the alternative methods of producing a "combined bill" and evaluating the methods used by other utility companies during other pilots, the Company chose to calculate the charges for the Supplier. This option was selected to simplify the complexity and associated costs of producing a "combined bill" for both parties. However, restrictions or limitations are necessary during the Pilot because of the current limitations of our Customer Accounting/Billing System and the uncertainty of both the volume and complexity of the requested rate design. It is not the Company's intent to place unreasonable limitations on the combined billing process, so in the event that the Supplier requests modifications to our existing system, which can be accommodated, the Company will make every reasonable attempt to accommodate them. The restrictions or limitations imposed on the Supplier charge calculations are as follows:

Calculations

- * Calculations will be performed at the same time as the Company's rate calculations
- * Calculations are based on a revenue month schedule
- * The bill could be backed out and rebilled if a consumption or billing error is detected
- * Only consumption billing will be supported
- * No incentive billings (e.g. \$20.00 signing bonus, etc.)

Billing Units (as defined in our tariff)

- * kWh and maximum kW for the GPU meter reading period
- * On and Off peak kWh

Rate Types

- * Fixed cost (customer charge, etc.)
- * Price per kWh (fixed kWh cost)
- * Price per kW (fixed kW cost)
- * No prorating of fixed rates between periods (bills rendered)
- * Limited to 10 rate types per Supplier until December 15, 1997
- * After December 15, 1997 additional rate type designed will be developed for Suppliers in the order they are requested

Rate Development

- * All test results will be approved after any change by the Supplier prior to billing any Customers
- * All Supplier rate development or rate changes will be billed to the Supplier in accordance with the Computer Programming Charges set forth in Appendix 7.

* At least one month lead time is required for both rate development and rate changes.

Each day, after the actual meter readings and estimated meter readings are processed and the Supplier charges are calculated for Pilot accounts, the Company will issue a bill to the Customer containing both GPU Energy and Supplier charges. A data record will then be formatted with both the Customer consumption and Supplier charges using the EDI 820 standard and will be sent to the Supplier's VAN mailbox using Advantis as described above at the Supplier's option. It is the Supplier's responsibility to verify the Supplier charges upon receipt of these records and notify the Company of any necessary rate calculation corrections.

Remittance & Customer Payment Processing

If the Customer receives a "combined bill" from GPU Energy, customer payments will be processed and payment allocations will be credited to both the Company's and Supplier's accounts in accordance with the PaPUC's payment posting guidelines. Upon receipt of a Customer payment, an evaluation of the payment will be made to determine how the payment should be allocated to the Company and the appropriate Supplier(s). On a monthly basis, an invoice will be issued to the Supplier as set forth in Article VIII.

At the Supplier's option, an EDI 820 transaction will be sent to the Supplier's VAN mailbox containing the amount of each Customer payment. In the event that a Customer payment adjustment is required due to insufficient funds, etc., the Customer payment allocation will be recalculated. At the Supplier's option, an EDI 820 transaction will be sent to the Supplier's VAN mailbox containing the amount of the Customer payment adjustment.

Collections

If the Customer has requested a "combined bill" and the Company has exhausted all attempts of collecting bad debts associated with a specific Pilot account, the Company will notify the appropriate Supplier using an EDI 248 transaction. After receiving an EDI 248 transaction, the Supplier will be responsible to perform any additional collection activities.

Back-Out & Rebill Processing

If the Customer receives a "separate bill" and the Company discovers an error in Customer consumption, at the Supplier's option, an EDI 820 transaction will be sent to the Supplier's VAN mailbox containing the original and new meter consumption.

If the Customer receives a "combined bill" and the Company discovers a billing error that affects the Supplier charge, at the Supplier's option, an EDI 820 transaction will be sent to the Supplier's VAN mailbox containing the original and new meter consumption and Supplier charges. Adjustments will also be made to the Customer payment allocations if necessary.

APPENDIX 7

SCHEDULE OF RATES

APPENDIX 7

SCHEDULE OF RATES

Alternative Suppliers Schedule of Fees

Alternative Supplier - Wholesale Market Charges

Supplemental Energy (Energy Interchange Adjustments), (Article V, Appendix 4)
PJM Market Clearing Price
(Hourly Values)

Supplemental Energy (Secondary Reconciliation) PJM Market Clearing Price
(Monthly Arithmetic Ave. Rate)

Capacity (Article IV, Appendix 3)
Capacity Obligation Deficiency PJM Capacity Deficiency Rate

Administrative Charge MJO billing based on number of
Supplier's installed capacity
transactions

Alternative Supplier - Other Charges

Upgrade to Hourly Advanced Meters (Article VI)
Installation charge (may vary depending on installation) \$ 405.88 to \$ 755.88
Monthly Administrative Charge \$ 7.75 per meter

Computer Programming Charges (Appendix 6)
Supplier Rate Development \$ 120 per hr
Supplier Rate Changes \$ 120 per hr

APPENDIX 8

METER MENU

Appendix 8

METER MENU

<u>DESCRIPTION</u>	<u>FIXED COSTS</u>	<u>INCREMENTAL MONTHLY COSTS</u>
For pilot customers with loads 100 kW and greater:		
General Electric "phase III" meter: Measures kW, kWh, kvar, and kvarh. Has interval data storage plus modem.	Range: \$406-\$756	\$7.75
Options for all pilot customers:		
General Electric "phase II" meter: Measures kW, kWh, kvar, and kvarh. Has interval data storage plus modem.	Range: \$406-\$756	\$7.75
Recorders supporting "DR-87" protocol Separate device with modem that connects to a meter with pulse outputs; remotely interrogated by internal telephone modem using customer supplied phone access.	\$445	\$14.95
Time-of-use meters: General Electric TM900 registers: Programmable time of use register for off-peak and on-peak kWh and demand measurement, Manual Read	Range: \$120-\$201	----
Demand meters: Various registers: kWh and kW measurement, manual read	Range: \$120-201	----
Form "C" 3 wire pulse output: This option involves adding pulse outputs to an existing meter.	\$255	----
Form "A" 2 wire pulse output: This option involves adding pulse outputs to an existing meter.	\$255	----

Additional meter types may be used depending upon installation and availability.

APPENDIX 9
LOSS FACTORS

APPENDIX 9

LOSS FACTORS

	<u>MET-ED</u>	<u>PENELEC</u>
Rate Schedules LP & TP	1.021	1.037
GP	1.037	1.068
All other rate schedules	1.072	1.10

ADDENDUM MODIFYING SUPPLIER AGREEMENT

RETAIL COMPETITION PILOT PROGRAM

Pursuant to and in compliance with the Pennsylvania Public Utility Commission's Opinion and Order addressing the Company's PowerFuture Retail Competition Pilot Compliance Filing dated October 9, 1997, the Parties to this Agreement, intending to be legally bound, hereby agree to the following modifications:

1. Section 3.1, second sentence, shall be amended to read as follows:

"In order to enhance the opportunity to sell to these types of Customers, the Company will provide, within a reasonable period of time following the Supplier's request, the Supplier with initial hourly Metered Load shapes (which shall reflect the Company's loss factors) for various classes of Customers from the Company's load research."

2. Section 6.3 is hereby deleted in its entirety, and Section 6.1 is amended to read as follows:

"The Company shall provide the Customer with Standard Metering Services and Company-Owned Electric Metering Equipment in accordance with the Company's prevailing tariff on file with the PaPUC, as said tariff may be revised by the Company from time to time. The Company for the duration of the Pilot may in its discretion and at its expense install Advanced Meters at a Customer location."

3. Section 12.1 shall be amended in part to read as follows:

"Any controversy or claim arising out of or relating to this Agreement, or the breach or validity thereof, whether at common law or under any federal or state statute (including without limitation any federal or state antitrust or fair competition laws),

shall be settled by final and binding arbitration in accordance with the United States Arbitration Act (9 U.S.C. 1 et seq.) and with the rules for commercial arbitration of the American Arbitration Association in effect at the time of the execution of this Agreement, or in the alternative a Party may file a complaint with the PaPUC or the FERC depending on the subject matter jurisdiction of the respective commissions. Any such claim or dispute which either Party may have against the other arising out of or in connection with this Agreement shall be submitted in writing to the other Party not later than thirty (30) days after the circumstances which gave rise to the claim or dispute shall have taken place. The submission of any claim or dispute shall include a concise statement of the question or issue in dispute, together with the relevant facts and documentation to fully support the claim.”

4. Section 14.1 is hereby amended to read in total as follows:

“The Company reserves the right, but not the obligation, to petition the PaPUC to require the Supplier to provide security to the Company in the event that the Supplier fails to fulfill its obligations under this Agreement.”

5. The Company in response to the PaPUC directive to “include in the Pilot Program those Customers that take service under rate schedules which are closed, incentive rates, or unmetered service rates, ...”, is studying the feasibility of including such accounts in the Pilot and may supplement this Agreement at a later date, if necessary, in order to accommodate the participation of such Customers.
6. In all other respects, the Supplier Agreement shall remain unchanged, in full force and effect and binding upon the Parties.

IN WITNESS WHEREOF, the Parties hereto have caused this Addendum to be executed

by their duly authorized representatives as of the date of their signatures.

CNG RETAIL SERVICES CORPORATION

DATE:

10-17-97

SUPPLIER:

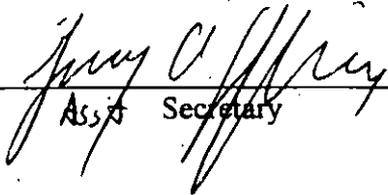
BY:



Title

V.P.

ATTEST:


Asst. Secretary

DATE:

October 23, 1997

PENNSYLVANIA ELECTRIC COMPANY

BY:



Title

VICE PRESIDENT - POWER SUPPLY

ATTEST:


Asst. Secretary