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

Docket P-00971168

~~APR 17 1998~~

Agreement Between

Metropolitan Edison Company d/b/a GPU Energy

and

Eastern Power Distribution, Inc.

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PA PUBLIC UTILITY COMMISSION
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SUPPLIER AGREEMENT
RETAIL COMPETITION PILOT PROGRAM

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**ELECTRIC SUPPLIER AGREEMENT
RETAIL COMPETITION PILOT PROGRAM**

THIS AGREEMENT, made and entered into this 5th day of December, 1997 by and between Metropolitan Edison 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 Eastern Power Distribution Inc corporation organized and existing under the laws of Virginia ("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

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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 GPC's 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

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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

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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 ^{Virginia} ~~Pennsylvania~~ ~~or, if another jurisdiction,~~ ^{and} 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 I 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

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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 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 part 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)(1) 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 of 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:

DIRECTOR POWER MARKETING
THE EASTERN GROUP
2800 EISENHOWER AVE.
ALEXANDRIA, VA 22314

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.

POOR ORIGINAL

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:

Charles Schultz
Secretary - Council

BY [Signature]
Title
V.P. - POWER MARKETING

METROPOLITAN EDISON COMPANY

ATTEST:

[Signature]
Asst. Secretary

BY [Signature]
Title
VICE PRESIDENT -
Power Supply

APPENDIX I

DEFINITIONS

APPENDIX I

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 ("GPU/E) - 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 Utilities 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

POOR ORIGINAL

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

$$\begin{aligned} & \text{Capacity Usage Ratio of a Customer in Rate Class } x \\ & \quad [CUR_{cu}], \end{aligned} = \frac{\begin{aligned} & \text{Summer Usage of a Customer in Rate Class } x \\ & \quad [SU_x], \end{aligned}}{\begin{aligned} & \text{Research Load Profile Summer Usage of a Customer in Rate Class } x \\ & \quad [SU_{rl}], \end{aligned}}$$

$$\begin{aligned} & \text{Customer's Metered Load } [L_{cu}] \text{ at time of GPUE's Summer Peak Load} \\ & \quad = \begin{aligned} & \text{Capacity Usage Ratio of a Customer in Rate Class } x \\ & \quad [CUR_{cu}], \end{aligned} \times \begin{aligned} & \text{Research Load Profile Value at time of GPUE's Summer Peak Load in Rate Class } x \end{aligned} \end{aligned}$$

A Customer who has no applicable history upon which to calculate Summer Usage will be assigned the average CUR_{cu} 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.

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

$$\text{Customer's Load [} L_t \text{] at time of GPUE's Summer Peak Load} = \text{Loss Factor for Rate Class } x \text{ [per-unit]} \cdot \text{Customer's Metered Load [} L_m \text{] at time of GPUE's Summer Peak Load}$$

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

$$\text{Customer's Capacity Contribution Factor [} CCF_c \text{]} = \left(1 + \frac{\text{GPUE's Reserve Margin [per-unit]}}{\text{per-unit}} \right) \cdot \text{Customer's Participating Load Percentage [per-unit]}$$

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

$$\text{Customer's Capacity Requirement [} CR_c \text{]} = \text{Customer's Capacity Contribution Factor [} CCF_c \text{]} \cdot \text{Customer's Load [} L_c \text{] at time of GPUE's Summer Peak Load}$$

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.

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

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.

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

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

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.

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APPENDIX 5
SECURITY BOND

APPENDIX 6

PILOT CUSTOMER BILLING PROCESS

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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 Advantus 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 alternate 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 Advantix 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

SOOP ORIGINAL

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	Range \$120-\$201	—
General Electric TM900 registers Programmable time of use register for off-peak and on-peak kWh and demand measurement. Manual Read		
Demand meters	Range \$120-\$201	—
Various registers kWh and kW measurement, manual read		
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>MEI-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

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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),

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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

DATE:

12/5/97

SUPPLIER:

BY: [Signature]
Title
VP - POWER MARKETING

ATTEST:

[Signature]
Secretary
Counsel

DATE:

11 December 17 1997

METROPOLITAN EDISON COMPANY

BY: [Signature]
Title
Vice President -
Power Supply

ATTEST:

[Signature]
Asst. Secretary

Compliance Filing of Pennsylvania Electric Company
d/b/a GPU Energy For Approval
of Its Retail Access Pilot Program

RECEIVED

JAN 14 1993

PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

Docket P-00971169

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A-110005

Agreement Between

Pennsylvania Electric Company d/b/a GPU Energy

and

Eastern Power Distribution, Inc.

DOCUMENT
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PA PUBLIC UTILITY COMMISSION
PROTHONOTARY'S OFFICE

SUPPLIER AGREEMENT
RETAIL COMPETITION PILOT PROGRAM

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**ELECTRIC SUPPLIER AGREEMENT
RETAIL COMPETITION PILOT PROGRAM**

THIS AGREEMENT, made and entered into this 10th day of December, 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 Eastern Shore Distribution, Inc., a Corporation organized and existing under the laws of Virginia ("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

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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 statements. 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 ^{Virginia} ~~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 part 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)(1) 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 of 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

Eastern Power Distribution, Inc.
Director, Power Marketing
2800 Eisenhower Ave.
Alexandria, VA 22314

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.

Charles A. [Signature]
Secretary
Counsel

BY: [Signature]
Title

John N. Trimble
V.P., Power Marketing

PENNSYLVANIA ELECTRIC COMPANY

ATTEST.

[Signature]
Asst Secretary

BY: [Signature]
Title
Vice-President -
Power Supply

APPENDIX 1

DEFINITIONS

APPENDIX I

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 levelized 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 ("GPU/E") - The three operating electric utilities (and related service territories) owned by GPU, i.e. Metropolitan Edison Company, Pennsylvania Electric Company, and Jersey Central Power & Light 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.

POOR ORIGINAL

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:

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

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

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

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

$$\text{Customer's Load [} L_c \text{] at time of GPUE's Summer Peak Load} = \text{Loss Factor for Rate Class } x \text{ [per-unit]} * \text{Customer's Metered Load [} L_m \text{] at time of GPUE's Summer Peak Load}$$

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

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

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

$$\text{Customer's Capacity Requirement [} CR_c \text{]} = \text{Customer's Capacity Contribution Factor [} CCF_c \text{]} * \text{Customer's Load [} L_c \text{] at time of GPUE's Summer Peak Load}$$

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

POOR ORIGINAL

Customer Capacity Responsibilities

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

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.

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

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.

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

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

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:

AESR = Sum of all (SCAL)

SCAL = [SUF x LP x ML]
+ 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

POOR ORIGINAL

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 Advantage 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 Advantus 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 GPL 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.

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* 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 Advantus 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

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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.

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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

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**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

DATE:

12/10/77

SUPPLIER

BY

John N. Trimble
Title

John N. Trimble
V.P., Power Marketing

ATTEST

Charles Schultz
Secretary
Council

DATE: December 17, 1977

[Signature]

PENNSYLVANIA ELECTRIC COMPANY

BY

[Signature]
Title
Vice President
Power Supply

ATTEST

[Signature]
Asst. Secretary

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12/10/77

May 20, 1998

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STATOIL

STATOIL ENERGY INC.

Mr. James McNulty
Acting Secretary
Pennsylvania Public Utility Commission
Commonwealth & North Streets
North Office Building
Harrisburg, AP 17120

RECEIVED

MAY 21 1998

PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

RE: Notice of Company Name Change

Dear Mr. McNulty:

Please be advised that Eastern Power Distribution, Inc. (EPDI) and Eastern Energy Marketing, Inc. (EEM) are changing their names to Statoil Energy Trading, Inc. and Statoil Energy Services, Inc., respectively. The name changes are effective May 20, 1998, and are evidenced by the Articles of Amendment filed with the Secretary of the Commonwealth of Virginia enclosed herein

The name change is effective for all agreements between EPDI or EEM and other parties including, but not limited to, derivative master agreements, purchase, sale, service and net settlement agreements, and derivated and physical confirmations. All existing guarantees related to Eastern Power Distribution, Inc. shall remain in effect on behalf of Statoil Energy Trading, Inc. All existing guarantees related to Eastern Energy Marketing, Inc. shall remain in effect on behalf of Statoil Energy Services, Inc.

Please make the necessary Company name changes as follows:

Current Company Name

Eastern Power Distribution, Inc.
2800 Eisenhower Avenue
Alexandria, VA 22314

New Company Name

Statoil Energy Trading, Inc.
2800 Eisenhower Avenue
Alexandria, VA 22314

Current Company Name

Eastern Energy Marketing, Inc.
2800 Eisenhower Avenue
Alexandria, VA 22314

New Company Name

Statoil Energy Services, Inc.
2800 Eisenhower Avenue
Alexandria, VA 22314

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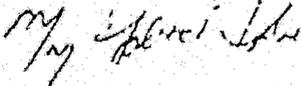
STATOIL

Page Two
Mr. James McNulty
May 21, 1998

STATOIL ENERGY, INC.

Should you have any questions, please do not hesitate to contact me at (703) 317-2244.
Please file stamp and return one copy of the submittal, using the enclosed stamped self-addressed envelope.

Respectfully submitted,



Mary Elizabeth Tighe
Vice President
Regulatory Affairs

POOR ORIGINAL

ARTICLES OF AMENDMENT
OF
EASTERN POWER DISTRIBUTION, INC.

FILED
MAY 28 1998

ONE

The name of the corporation is EASTERN POWER DISTRIBUTION, INC.

TWO

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The following amendment to the Articles of Incorporation of the Corporation has been adopted.

Paragraph 1 is amended to read as follows:

1. The name of the corporation is STATOIL ENERGY TRADING, INC.

THREE

The foregoing amendment (the "Amendment") was proposed by the Corporation's Board of Directors, which found adoption of the Amendment to be in the Corporation's best interest on May 19, 1998.

FOUR

On May 20, 1998, the Amendment was approved by the Corporation's shareholders by a vote of more than two-thirds of all of the votes entitled to vote thereon.

FIVE

The Certificate of Amendment shall become effective upon the filing thereof.

Dated this 20th day of May, 1998.

STATOIL ENERGY TRADING, INC.
(formerly Eastern Power Distribution, Inc.)

By: Gerard R. McConnell
Gerard R. McConnell
Secretary



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

May 26, 1998

EASTERN POWER DISTRIBUTION, INC
2900 EISENHOWER AVENUE
SUITE 300
ALEXANDRIA VA 22314-0000

ATTENTION DAVID DRESNER, PRESIDENT

Re Docket Number A-110005

Dear Mr. Dresner

Pursuant to 66 Pa C S §2809(c), no energy supplier license shall remain in force unless the licensee furnishes a bond or other security approved by the Commission to ensure the financial responsibility of the electric generation supplier and the supply of electricity at retail. The Commission's records pertaining to your Company indicate that the bond or other approved security posted for Eastern Power Distribution, Inc expired on March 1, 1998. In order for your Company to maintain its status as a licensed electric supplier in the Commonwealth of Pennsylvania, it must provide proof to the Commission that a bond or other approved security has been obtained.

Your response in this matter is requested within ten (10) days of the date of this letter.

Please direct any questions to Robert Bennett, Manager, Energy, Bureau of Fixed Utility Services at (717) 787-5553.

BY THE COMMISSION

DOCKETED
JUN 18 1998

James J. McNulty

James J. McNulty
Secretary

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FOLDER

THE LAW FIRM OF

MALATESTA HAWKE & McKEON LLP

JOSEPH J. MALATESTA JR.
WILLIAM T. HAWKE
KEVIN J. McKEON
LOUISE A. KNIGHT
THOMAS J. SNYSEK
NORMAN JAMES KENNARD
LILLIAN SMITH HARRIS
SCOTT T. WYLAND
JANET L. MILLER
SUSAN J. SMITH
TODD S. STEWART
THOMAS S. PEDERSEN

HARRISBURG ENERGY CENTER
100 NORTH TENTH STREET
HARRISBURG PENNSYLVANIA 17101

(717) 236-1300

FAX (717) 236-4841

<http://www.MHM-LAW.com>

MAILING ADDRESS:
P O BOX 1778
HARRISBURG, PA 17105

June 9, 1998

RECEIVED

JUN 9 1998

A PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

James McNulty, Secretary
Pennsylvania Public Utility Commission
P O Box 3265
Room B-18, North Office Building
Harrisburg, PA 17105-3265

RE: Petition of Eastern Power Distribution, Inc. for Permission to Transfer Electric
Generation Supplier License; A-110005

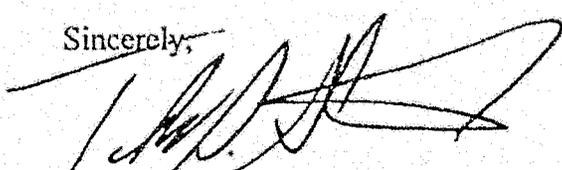
Dear Secretary McNulty:

Enclosed please find the original and three (3) copies of the Petition of Eastern Power
Distribution, Inc. for Permission to Transfer Electric Generation Supplier License.

If you have any questions pertaining to this Petition, please do not hesitate to phone me.

DOCUMENT
FOLDER

Sincerely,


Todd S. Stewart

TSS/bes

Enclosures

cc: Robert J. Bennett, Bureau of Fixed Utility Services

RECEIVED

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION JUN 9 1998

Petition of Eastern Power Distribution, Inc. :
for Permission to Transfer :
Electric Generation Supplier License :
A-110005
A PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

PETITION OF EASTERN POWER
DISTRIBUTION, INC.

Eastern Power Distribution, Inc. ("Eastern"), by and through its attorneys in this matter, Malatesta Hawke & McKeon LLP, hereby petitions for permission to transfer its electric generation supplier license, granted April 11, 1997, to Statoil Energy Services, Inc.

1. Eastern is a licensed electric generation supplier, Interim License No. A-110005, as participating in Pennsylvania's Retail Electric Pilot Program. Eastern was the first electric generation supplier to be licensed in the Commonwealth of Pennsylvania.

2. On May 20, 1998, the Eastern Group, Inc., the parent corporation and sole shareholder of Eastern Power Distribution, Inc., changed its name from The Eastern Group, Inc., to Statoil Energy, Inc. As part of the name change, the operational structure of The Eastern Group, Inc. was modified.

3. Formerly, The Eastern Group, Inc. had two subsidiary corporations: Eastern Power Distribution, Inc. and Eastern Energy Marketing, Inc. The subsidiary corporations also changed their names to Statoil Energy Trading, Inc. and Statoil Energy Services, Inc., respectively. The name changes became effective May 20, 1998. A copy of a letter notifying the Commission of this change is attached hereto as Attachment "A".

DOCKETED
AUG 26 1998

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4. Statoil Energy Trading, Inc. and Statoil Energy Services, Inc. are the successor corporations to Eastern Power Distribution, Inc. and Eastern Energy Marketing, Inc., respectively, and are ongoing concerns.

5. Statoil Energy Services, Inc. will engage in institutional and retail commodity sales and service functions -- those functions traditionally deemed as "marketing." In particular, retail electric generation supplier transactions in Pennsylvania will be conducted by Statoil Energy Services, Inc.

6. Statoil Energy Trading, Inc. will engage in commodity transactions and all financial and derivative transactions involving the "trading" of electric energy.

7. Because of the realignment of corporate responsibility, and the fact that Statoil Energy Services, Inc. is not the successor corporation to Eastern Power Distribution, Inc., this Commission must authorize the transfer of Eastern's license to Statoil Energy Services, Inc. 66 Pa. C.S. §2809(d).

8. The same personnel will be responsible for all retail transactions and for the service currently provided to customers in the Commonwealth of Pennsylvania.

9. All retail transaction contracts formerly entered into by Eastern will be performed by Statoil Energy Services, Inc. All customer account numbers, as well as all addresses, will remain unchanged. The majority of telephone numbers and facsimile numbers formerly used by Eastern will be used by Statoil Energy Services, Inc. However, since the name change, a new customer contact telephone number and facsimile number have been installed. The Commission was notified of the additional telephone and facsimile numbers.

10. All corporate officers of Statoil Energy Services, Inc. are the same as those for Eastern. Copies of the corporate data sheets of Statoil Energy Services, Inc. and Statoil Energy Trading, Inc. are attached hereto as Attachment "B".

11. All existing guarantees related to Eastern, including the bond issued by Continental Casualty Company in favor of the Pennsylvania Public Utility Commission for purposes of the Retail Access Pilot Programs will remain in effect. The bond, required of EGSs, is currently executable in the name of Statoil Energy Trading, Inc. A copy of the bond, with a rider indicating the name change, is attached hereto as Attachment "C". The bond will be transferred to Statoil Energy Services, Inc. immediately upon approval by the Commission of the transfer of the EGS license.

12. Statoil Energy Services, Inc. is a wholly-owned subsidiary of Statoil Energy, Inc. A copy of Statoil Energy, Inc.'s financial statement, taken from its 1997 Annual Report, is attached hereto as Attachment "D".

13. Statoil Energy Services, Inc. has applied for membership in PJM Interconnection, I.I.C. A copy of the Application is attached hereto as Attachment "E".

14. Statoil Energy Services, Inc. is a Federal Energy Regulatory Commission ("FERC") licensed power marketer and has direct access to wholesale power markets. A copy of the FERC Order granting said license is attached hereto as Attachment "F".

15. Because the transfer of Eastern's license to Statoil Energy Services, Inc. will occur between two related corporate entities without transfer of personnel or change to any operational structure, and as indicated by the attachments hereto, the technical and/or financial fitness of the transferee should be presumed to continue, and in fact is continuing.

16. The transfer of the license from Eastern to Statoil Energy Services, Inc. is in the public interest because the public in general, and the customers of Eastern, will not be affected. Statoil Energy Services, Inc. is technically and financially fit to provide service as an EGS in Pennsylvania.

WHEREFORE, Eastern Power Distribution, Inc. respectfully requests this Commission to authorize the transfer of the EGS license currently held by Eastern Power Distribution, Inc. to Statoil Energy Services, Inc.

Respectfully submitted,

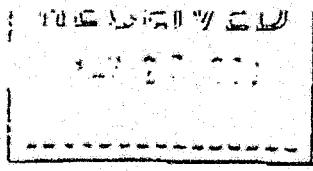


Todd S. Stewart
Malatesta Hawke & McKeon LLP
Harrisburg Energy Center
100 North Tenth Street
P. O. Box 1778
Harrisburg, PA 17105

Counsel for Statoil Energy Services, Inc.

Dated: June 9, 1998

May 20, 1998



STATOIL

STATOIL ENERGY, Inc.
2800 Eisenhower Avenue
Alexandria, Virginia 22314
(703) 317-2300

A

Mr. James McNulty
Acting Secretary
Pennsylvania Public Utility Commission
Commonwealth & North Streets
North Office Building
Harrisburg, AP 17120

RECEIVED

MAY 21 1998

RE: Notice of Company Name Change

PUBLIC UTILITY COMMISSIC
SECRETARY'S BUREAU

Dear Mr. McNulty:

Please be advised that Eastern Power Distribution, Inc. (EPDI) and Eastern Energy Marketing, Inc. (EEM) are changing their names to Statoil Energy Trading, Inc. and Statoil Energy Services, Inc., respectively. The name changes are effective May 20, 1998, and are evidenced by the Articles of Amendment filed with the Secretary of the Commonwealth of Virginia enclosed herein.

The name change is effective for all agreements between EPDI or EEM and other parties including, but not limited to, derivative master agreements, purchase, sale, service and net settlement agreements, and deriviated and physical confirmations. All existing guarantees related to Eastern Power Distribution, Inc. shall remain in effect on behalf of Statoil Energy Trading, Inc. All existing guarantees related to Eastern Energy Marketing, Inc. shall remain in effect on behalf of Statoil Energy Services, Inc.

Please make the necessary Company name changes as follows:

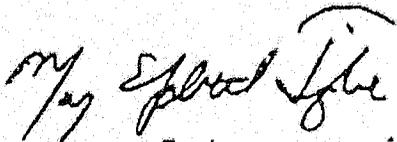
<u>Current Company Name</u> Eastern Power Distribution, Inc. 2800 Eisenhower Avenue Alexandria, VA 22314	<u>New Company Name</u> Statoil Energy Trading, Inc. 2800 Eisenhower Avenue Alexandria, VA 22314
<u>Current Company Name</u> Eastern Energy Marketing, Inc. 2800 Eisenhower Avenue Alexandria, VA 22314	<u>New Company Name</u> Statoil Energy Services, Inc. 2800 Eisenhower Avenue Alexandria, VA 22314

Page Two
Mr. James McNulty
May 21, 1998

STATOIL ENERGY, Inc.

Should you have any questions, please do not hesitate to contact me at (703) 317-2244.
Please file stamp and return one copy of the submittal, using the enclosed stamped self-addressed envelope.

Respectfully submitted,



Mary Elizabeth Tighe
Vice President
Regulatory Affairs

ARTICLES OF AMENDMENT
OF
EASTERN ENERGY MARKETING, INC.

ONE

The name of the corporation is EASTERN ENERGY MARKETING, INC.

TWO

The following amendment to the Articles of Incorporation of the Corporation has been adopted:

Paragraph 1 is amended to read as follows:

1. The name of the corporation is: STATOIL ENERGY SERVICES, INC.

THREE

The foregoing amendment (the "Amendment") was proposed by the Corporation's Board of Directors, which found adoption of the Amendment to be in the Corporation's best interest on May 19, 1998.

FOUR

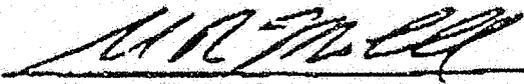
On May 20, 1998, the Amendment was approved by the Corporation's shareholders by a vote of more than two-thirds of all of the votes entitled to vote thereon.

FIVE

The Certificate of Amendment shall become effective upon the filing thereof.

Dated this 20th day of May, 1998.

STATOIL ENERGY SERVICES, INC.
(formerly Eastern Energy Marketing, Inc.)

By: 

Gerard R. McConnell
Secretary

STATOIL ENERGY SERVICES, INC.

Formerly "Eastern Energy Marketing, Inc."

CORPORATE DATA (6/9/98)

Business Description: Generally to engage in lawful activities as permitted under state corporate law including, but not limited to, selling and purchasing natural gas, electric power and other energy-related commodities and services on a retail basis.

State & date of Incorporation and charter #, period of duration (POD):

Virginia June 20, 1986 #0288804-8 POD: Perpetual
1st Name change filed January 23, 1995

States of Qualification, date and charter/certificate #:

Pennsylvania	April 13, 1992	#2085730
Texas	June 8, 1993	#00095807-4
New Jersey	December 8, 1993	# 0100572762
Maryland	February 28, 1994	#F3834397
Massachusetts	July 18, 1995	#54-1384057
New York	May 10, 1994	
Ohio	March 6, 1995	#FL00898169
North Carolina	March 14, 1995	#C-0364716
Louisiana	March 20, 1995	# 34489073 F
South Carolina	March 28, 1995	
West Virginia	June 12, 1995	
Connecticut	September 4, 1996	
Idaho	August 28, 1998	# C 116240 A
Rhode Island	October 6, 1997	#63 192715
California	October 2, 1997	

Principal place(s) of business:

VA: 2800 Eisenhower Avenue
Alexandria, VA 22314

Registered agent(s) and address:

VA:	Barbara J. Bordelon 2800 Eisenhower Avenue Alexandria, Virginia 22314	PA:	Corporation Service Company 319 Market Street Harrisburg, Pennsylvania 17105
TX:	Corporation Service Company 80 Brazos Austin, Texas 78701	NJ:	Corporation Service Company 830 Bear Tavern Road West Trenton, NJ 08628
MD:	Corporation Service Company 11 East Chase Street Baltimore, Maryland 21202	NY:	Corporation Service Company 80 State Street Albany, New York 12207
OH:	Corporation Service Company 16 East Broad Street Columbus, Ohio 43215	NC:	Corporation Service Company 327 Hillsborough Street Raleigh, NC 27603
LA:	Corporation Service Company 320 Somerulos Street Baton Rouge, LA 70802	SC:	Corporation Service Company 2019 Park Street Columbia, SC 29201
WV:	Corporation Service Company 1600 Laidley Tower Charleston, WV 25301	MA:	Corporation Service Company 84 State Street Boston, Massachusetts 02109
ID:	Corporation Service Company 200 North 23 rd Street Boise, ID 83702	CT:	Corporation Service Company 30 High Street Hartford, Connecticut 06103

CA: Corporation Service Company
2730 Gateway Oaks Drive, Suite 100
Sacramento, California 95833

RI: Corporation Service Company
170 Westminster Street, # 800
Providence, RI 02903

Tax I. D. & Licenses:

Federal: 54-1384057
Alexandria, VA City Business License: # 25285-01
9-078-017 Wholesale Merchants, Other Goods Wares & Merchandise

CT: Natural Gas Seller # 4-95
Sales & Use Tax Registration # 8505349-000
LA: Sales Tax Registration Business Code 072 (8842635-001 0)
KY: Minerals & Natural Gas Tax Registration # 80473
MD: Sales & Use Tax Registration #07617669
NC: Wholesale License No. 042438
Merchants Certificate (Retail Sales) No. 1102889
NY: Sales tax ID # 541384057C
OH: Account No. 10473294
Sellers Use Tax #98-030797
PA: Corporate Tax: File # 6571-977 Sic: 4924
Sales/Use License No. 99590691
SC: Tax ID #20452455-9
TX: Franchise Tax # 15413840578
Sales Tax #1-54-1384057-8
VA: Use Tax: #0013325960
WV: Tax ID: 54-138-4057-001(Previous # was 032-5250-001)

Other Filings: MD: Trade Name July 15, 1994 #301343 (Appalachian Gas Sales)
VA: Service Mark May 25, 1990 "Appalachian Gas Sales" and Design (10 yrs)

Fiscal year: December 31

Annual Meeting: Third Thursday of May

Stock - Common:	<u>Authorized:</u>	<u>Issued:</u>	<u>Par Value:</u>
	10,000	800	\$10.00

Shareholders:	<u>Name & Address:</u>	<u># Shares:</u>	<u>Date Issued:</u>	<u>Certificate #:</u>
	Eastern Land & Mineral Company 300 Delaware Avenue, Suite 1704 Wilmington, DE 19801	800	May 31, 1995	12

Directors: name (dated elected), SS#, address

Ralph L. Bradley (12-30-91)
SS#: 226-54-0783
2 Swift Alley
Alexandria, VA 22314

David A. Dresner (2-9-94)
SS#: 579-64-6179
11840 Chapel Estates Drive
Clarksville, MD 21029

Sigurd Jansen (8-23-95)
SS#: 040-94-5618
225 High Ridge Road
Stamford, CT 06905

Kai Killerud (8-23-95)
SS#: NA
Den norske stats oljeselskap a s
N-4035 Stavanger, Norway

Egil Endresen (3-4-97)
SS#: 638-54-4846
2700 Post Oak Boulevard
Suite 700
Houston, TX 77056

Kristian B. Hausken (6-6-96)
SS#: NA
Den norske stats oljeselskap a.s
N-4035 Stavanger, Norway

Michael G. Reimers (8-25-94)
SS#: 269-54-0485
1066 Harriman Street
Great Falls, VA 22066

Officers: name (date elected), SS#, home address

President & Chief Executive Officer:	David A. Dresner (2-9-94 & 6-7-96) SS#: 579-64-6179 11840 Chapel Estates Drive Clarksville, MD 21029
Executive Vice President, Secretary, Treasurer & CFO:	Michael G. Reimers (4-1-96 & 7-1-97) SS#: 269-54-0485 1066 Harriman Street Great Falls, VA 22066
Executive Vice President:	Clifton A. Brown (2-9-94) SS#: 215-52-5558 3021 45th St., NW Washington, DC 20016
Executive Vice President:	Mark J. Eisenhower (2-9-94) SS#: 227-92-2944 4923 Andrea Avenue Annandale, VA 22003
Executive Vice President:	Raymond J. O'Brien (1-1-97) SS#: 143-36-2980 11189 Longwood Grove Drive Reston, VA 20194
Senior Vice President	Patrick J. Diaz (11-1-97) SS#: 218-46-2250 13810 Lakeside Dr. Clarksville, MD 21028
Senior Vice President:	Stevens V. Gillespie (2-9-94) SS#: 222-42-2386 6205 Elati Court Alexandria, VA 22310
Senior Vice President:	John A. Herbert (2-9-94) SS#: 158-56-4830 401 Epping Circle Annapolis, MD 21401
Senior Vice President:	Bruce E. Jankura (2-9-94) SS#: 297-56-3210 403 Canterbury Drive State College, PA 16803
Senior Vice President:	Ben J. Mescher (1-1-96) SS#: 377-48-1287 420 N. Pine Top Place Bethlehem, PA 18017
Senior Vice President:	Kjell Stautland (8-1-97) SS#: 524-31-0785 2201 Woodmont Road Alexandria, VA 22307

STATOIL ENERGY TRADING, INC.

Formerly "Eastern Power Distribution, Inc."
CORPORATE DATA (6/9/98)

Business Description: Generally to engage in lawful activities as permitted under state corporate law including, but not limited to, selling and purchasing natural gas, electric power and other energy-related commodities and services on a wholesale basis.

State & date of Incorporation, charter # and period of duration(POD):
Virginia December 22, 1989 # 0351374-4 POD: Perpetual
1st Name change effective January 25, 1994

States of Qualification, date and charter #:
New Hampshire May 30, 1996
New York June 30, 1996
Pennsylvania February 24, 1997
Michigan March 17, 1997
Rhode Island July 10, 1997

Principal place(s) of business:
VA. 2800 Eisenhower Ave.
Alexandria VA 22314

Registered agent(s) and address:

VA:	Barbara J. Bordelon 2800 Eisenhower Ave. Alexandria VA 22314	NY:	Corporation Service Company 80 State Street Albany, NY 12207
NH:	Corporation Service Company 14 Centre Street Concord, New Hampshire 03301	PA:	Corporation Service Company 319 Market Street Harrisburg, PA 17105
MI:	Corporation Service Company 601 Abbot Road East Lansing, Michigan 48823	ID:	Corporation Service Company 200 North 23 rd Street Boise, Idaho 83702
NC:	Corporation Service Company 327 Hillsborough Street Raleigh, North Carolina 27603	RI:	Corporation Service Company 170 Westminister Street, # 900 Providence, RI 02903

Tax I.D. # Federal: 54-1527558

Other Licenses: NY: Tax ID # TF-1171379, File # AAZ* (temporary #)
PA: Sales Tax # 80636184 (exp. 11/30/02)

Fiscal year: December 31

Annual Meeting: Third Thursday of May

Stock - Common:	<u>Authorized:</u>	<u>Issued:</u>	<u>Par Value:</u>
	1,000	100	\$10.00

Shareholders:	<u>Name & Address:</u>	<u># Shares:</u>	<u>Date Issued:</u>	<u>Certificate #:</u>
	Eastern Land & Mineral Company	100	August 25, 1994	3

2800 Eisenhower Ave.
Alexandria, VA 22314

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SS#: 226-54-0783
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Alexandria, VA 22314

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Egil Endresen (3-4-97)
SS#: 638-54-4846
2700 Post Oak Boulevard
Houston, TX 77056

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SS#: NA
Den norske stats oljeselskap a.s
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420 N. Pine Top Place
Bethlehem, PA 18017

Senior Vice President:

Kjell Stautland (8-1-97)
SS#: 524-31-0785
2201 Woodmont Road
Alexandria, VA 22307



C-1

GENERAL PURPOSE RIDER

To be attached to and form part of Bond Number 158512798 effective March 1, 1997
issued by the Continental Casualty Company in the amount of
two hundred fifty thousand and no DOLLARS, on behalf of Eastern Power Distribution, Inc.
as Principal and in favor of the Commonwealth of Pennsylvania as obligee:

Now, Therefore, it is agreed that

The principal name is hereby changed from Eastern Power Distribution, Inc. to
Statcoil Energy Trading, Inc.

It is further understood and agreed that all other terms and conditions of this bond shall remain unchanged.

This rider is to be effective the 4th day of June 1998

Signed, sealed and dated this 4th day of June 1998
Statcoil Energy Trading, Inc.

By: Gerard R. McConnell Secretary
Continental Casualty Company

By: John C. Platte Attorney-in-Fact

Accepted By:

Authorizing By-Laws and Resolutions

ADOPTED BY THE BOARD OF DIRECTORS OF CONTINENTAL CASUALTY COMPANY:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

*Article IX—Execution of Documents

Section 3. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 3 of Article IX of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA:

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company

*Article VI—Execution of Obligations and Appointment of Attorney-In-Fact

Section 2. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The President or any Executive, Senior or Group Vice President may at any time revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 2 of Article VI of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF NATIONAL FIRE INSURANCE COMPANY OF HARTFORD:

This Power of Attorney is made and executed pursuant to and by authority of the following Resolution duly adopted on February 17, 1993 by the Board of Directors of the Company.

"RESOLVED: That the President, an Executive Vice President, or any Senior or Group Vice President of the Corporation may, from time to time, appoint, by written certificates, Attorneys-in-Fact to act in behalf of the Corporation in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such Attorney-in-Fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Corporation by their signature and execution of any such instrument and to attach the seal of the Corporation thereto. The President, an Executive Vice President, any Senior or Group Vice President or the Board of Directors may at any time revoke all power and authority previously given to any Attorney-in-Fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"RESOLVED: That the signature of the President, an Executive Vice President or any Senior or Group Vice President and the seal of the Corporation may be affixed by facsimile on any power of attorney granted pursuant to the Resolution adopted by this Board of Directors on February 17, 1993 and the signature of a Secretary or an Assistant Secretary and the seal of the Corporation may be affixed by facsimile to any certificate of any such power, and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Corporation. Any such power so executed and sealed and certified by certificate so executed and sealed, shall with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Corporation."

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That CONTINENTAL CASUALTY COMPANY, an Illinois corporation, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, a Connecticut corporation, AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA, a Pennsylvania corporation (herein collectively called "the CNA Surety Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signature and seals herein affixed hereby make, constitute and appoint Frank J. Patterson, III, Gerard C. Smith, John C. Pfaltz, Michael W. Koxing, Karen Tzinter, individually

of Falls Church, Virginia

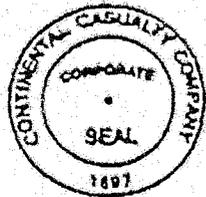
their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

- In Unlimited Amounts -

and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Laws and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CNA Sureties Companies have caused these presents to be signed by their Group Vice President and their corporate seals to be hereto affixed on this 18th day of December, 1996



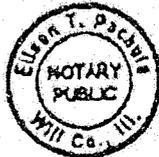
CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

[Signature]
M.C. Vonnahme Group Vice President

State of Illinois, County of Cook, ss:

On this 18th day of December, 1996, before me personally came

M. C. Vonnahme, to me known, who, being by me duly sworn, did depose and say: that he resides in the Village of Danian, State of Illinois; that he is a Group Vice President of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA described in and which executed the above instrument; that he knows the seals of said corporations; that the seals affixed to the said instrument are such corporate seals; that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.



My Commission Expires June 5, 2000

[Signature]
Eileen T. Pachuta Notary Public

CERTIFICATE

I, Robert E. Ayo, Assistant Secretary of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of each corporation printed on the reverse hereof are still in force. In testimony whereof I have hereto subscribed my name and affixed the seals of the said corporations this 4th day of June, 1998.



CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

[Signature]
Robert E. Ayo Assistant Secretary

2000 ORIGINAL

SHIFTING SANDS

1997 Annual Report

ATTACHMENT "D"

Concurrent with the publication of this year's annual report The Eastern Group has changed its name to Statoil Energy, Inc. reflecting its status as a member of The Statoil Group. Statoil Energy is an integrated energy company specializing in the delivery of energy solutions to larger industrial, institutional and commercial customers located in the Mid-Atlantic and Northeast. As a major producer of natural gas and electric power, Statoil Energy is well positioned to meet the challenges of America's rapidly evolving energy market.

Founded in 1981, Statoil Energy's revenue has grown at a compounded annual rate of more than 80% over the last five years. The Company, which had 624 employees as of December 31, 1997, is headquartered in Alexandria, Virginia. The Statoil Group, a global energy company headquartered in Stavanger, Norway, employs over 17,000 people in 26 countries and reported 1997 revenue in excess of \$20 billion.

STATOIL ENERGY

the energy company
for the future. *NOVA*

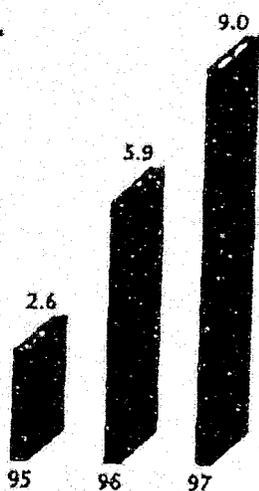
 **STATOIL**

FINANCIAL HIGHLIGHTS

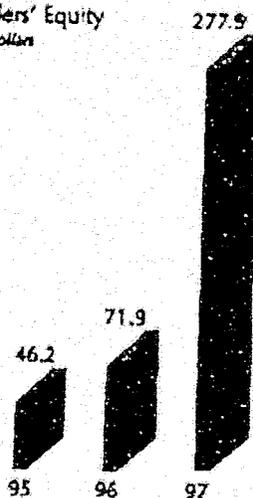
Derived from consolidated financial statements

	Year ended December 31,		
	1997	1996	1995
<i>Dollars in thousands, except for share amounts</i>			
INCOME STATEMENT			
Revenue	\$1,405,858	\$ 625,814	\$ 411,600
Income from Operations	24,542	14,332	8,185
Net Income	9,019	5,897	2,561
BALANCE SHEET			
Total Assets	\$1,042,499	\$ 307,195	\$ 157,282
Long-term Debt	439,790	105,090	55,740
Stockholders' Equity	277,896	71,912	46,151
COMMON STOCK EQUIVALENT DATA			
Average Number of Shares	13,828,642	7,151,212	4,506,405
Number of Shares at Year-end	20,579,893	7,375,110	5,342,011
Earnings per Share—Diluted	\$.65	\$.82	\$.57
Book Value per Share at Year-end	\$13.50	\$9.75	\$8.64

Net Income
Millions of Dollars



Stockholders' Equity
Millions of Dollars



selected financial information

DERIVED FROM CONSOLIDATED FINANCIAL STATEMENTS

<i>Dollars in thousands</i>	Year Ended December 31,		
	1997	1996	1995
Income Statement			
Revenue			
Natural Gas	\$1,008,122	\$608,999	\$405,276
Electric Power	336,954	11,010	4,222
Other	10,782	5,805	2,102
Total Revenue	1,405,858	625,814	411,600
Operating Income			
Exploration & Production	34,868	12,639	5,183
Power Systems	(144)	210	349
Energy Trading	1,413	5,405	1,739
Energy Services	(1,928)	1,707	4,421
Corporate	(9,750)	(5,239)	(3,507)
Intercompany	83	(390)	-
Total Operating Income	24,542	14,332	8,185
Interest Expense, Net	16,492	5,259	3,916
Income Before Income Taxes	8,050	9,073	4,269
Income Tax (Benefit) Expense	(969)	3,176	1,708
Net Income	\$ 9,019	\$ 5,897	\$ 2,561
Earnings Before Interest, Taxes and D,D&A (EBITDA)			
Exploration & Production	\$ 55,580	\$ 20,006	\$ 9,222
Power Systems	1,227	951	862
Energy Trading	1,801	5,707	1,906
Energy Services	(1,842)	1,820	4,488
Corporate	(7,181)	(4,526)	(3,054)
Intercompany	83	(390)	-
Total EBITDA	\$ 49,668	\$ 23,568	\$ 13,424
Capital Expenditures			
Exploration & Production	\$ 522,204	\$ 59,455	\$ 34,239
Power Systems	12,541	12,212	1,663
Energy Trading	904	2,492	672
Energy Services	199	925	268
Corporate	11,236	2,268	1,004
Total Capital Expenditures	\$ 547,084	\$ 77,352	\$ 37,846
Identifiable Assets			
Exploration & Production	\$ 669,059	\$139,677	\$ 84,867
Power Systems	38,505	20,723	7,617
Energy Trading	281,420	118,994	51,665
Energy Services	42,061	22,214	10,549
Corporate	11,454	5,587	2,584
Total Identifiable Assets	\$1,042,499	\$307,195	\$137,282

E

Application for Membership
Between
The PJM Interconnection, L.L.C.
and
Statco Energy Services, Inc

This Application for Membership Agreement ("Agreement") is entered into between PJM Interconnection, L.L.C. ("PJM") and ("Applicant"). The purpose of this Agreement is to apply to become a member of the PJM and to participate under the PJM Agreement which was accepted by the Federal Energy Regulatory Commission (FERC) on November 25, 1997 as amended and became effective on January 1, 1998. The Applicant has read and understands the terms and conditions of the Agreement. The Applicant agrees to accept the concepts and obligations set forth in the Agreement.

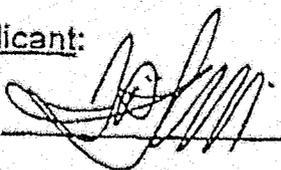
The Applicant also commits to supply data required for coordination of planning and operating, including data for capacity accounting, and agrees to pay all costs and expenses in accordance with Schedule 3 of the PJM Agreement and all other applicable costs under the Tariff.

The Applicant will pay the annual fee of \$5,000 for the remainder of the year of application upon notification of PJM OI application approval per Schedule 3.

The Applicant recognizes that it shall become a member of the PJM Agreement effective as of the date that FERC notifies the parties of approval of Schedule 4 submitted by the Applicant to PJM.

This Agreement will remain in effect until notice of termination is given in writing by the authorized representative of either the Applicant or PJM. Any financial obligations must be satisfied prior to termination of the Applicant's obligations and responsibilities under the PJM Agreement.

Applicant:

By: 

Name Faroud Arranjani Title Director, Power Marketing Date 6/4/98

Operating Agreement of the PJM Interconnection, L.L.C.
Eligible Customer Qualification Form

Identification

Name of Company: StatOil Energy Services, Inc

Address: 2800 Eisenhower Ave.

Alexandria, VA 22314

Eligible Customer Qualification(s):

PJM Open Access Tariff Section 1.11:

An Eligible Customer is: (i) any electric utility (including any Regional Transmission Owner [RTO] and any power marketer), Federal power marketing agency, or any person generating electric energy for sale for resale; electric energy sold or produced by such entity may be electric energy produced in the United States, Canada, or Mexico; however, such entity is not eligible for transmission service that would be prohibited by Section 212(h) of the Federal Power Act; and (ii) any retail customer taking unbundled transmission service pursuant to a state retail access program or pursuant to a voluntary offer of unbundled retail transmission service by an RTO.

Please check all categories that apply.

1. Electric Utility

2. FERC Approved Power Marketer

3. Federal Power Marketing Agency

4. Generator for Sale for Resale

Location of generation: _____

5. Retail Customer

State and Transmission Service tariff designation:

6. Other:

Please explain: _____

Operating Agreement of the PJM Interconnection, L.L.C.
Members Committee
Member and Alternate

Please list the following information for your Members Committee Member and Alternate.

Company Name: Statoil Energy Services, Inc.

Members Committee Representative:

Members Committee Alternate:

Name: Foroud Arsanjani

Bobbi Petersen

Title: Director Power Marketing

Manager Power Marketing

Address: 2800 Eisenhower Ave.

2800 Eisenhower Ave.

Alexandria, VA 22314

Alexandria, VA 22314

Phone: (703) 317-6485

(703) 317-2640

FAX: (703) 317-2603

(703) 317-2603

email: farsanjani@statoilenergy.com

bpetersen@statoilenergy.com

Operating Agreement of the PJM Interconnection, L.L.C.
Members Committee
Sector Selection Form

Select initial sector preference choices for eligible sectors as follows:

First Choice 1
Second Choice 2
Third Choice 3
Fourth choice 4
Fifth Choice 5

Please seal this preference nomination in an envelope marked "MEMBERS COMMITTEE - SECTOR SELECTION REQUEST FORM FOR (Company Name)" and enclose with your application for membership in the PJM Interconnection. The envelope will remain sealed until opened publicly at the next regularly scheduled .. meeting of the Members Committee.

<u>Sector</u>	<u>Choice</u>
Generation Owner	_____
Other Supplier	<u> 1 </u>
Transmission Owner	_____
Electric Distributor	_____
End-Use Customer	_____

Signed: 

Date: 6/4/98

Title: Faroud Arsanjani Director, Power Marketing

Company: Statoil Energy Services, Inc.

PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
GENERAL INFORMATION

COMPANY INFORMATION	
Customer Name:	<u>StatOil Energy Services Inc.</u>
Street Address:	<u>2800 Eisenhower Ave.</u>
City:	<u>Alexandria</u> State: <u>VA</u> Zip: <u>22314</u>
Treasury Contact:	<u>Brian Gerka</u> Phone: <u>(703)317-2211</u>
D&B No.:	<u>17 704 3684</u> Federal EIN: <u>54-138 4057</u>
Maximum Monthly Credit Requested:	
BANK INFORMATION	
<u>SEE ATTACHED</u>	
Primary Bank Name:	Contact:
Address:	Phone:
City, State, Zip:	Account No(s):
Please attach a separate list of any additional banks where applicable	
UTILITY CREDIT REFERENCES	
<u>SEE ATTACHED</u>	
Please provide the most recent contract information requested:	
Utility Name:	Contact:
Contract Date:	Phone:
Contract Amount:	
Utility Name:	Contact:
Contract Date:	Phone:
Contract Amount:	
Utility Name:	Contact:
Contract Date:	Phone:
Contract Amount:	
PLEASE PROVIDE REQUESTED SUPPLEMENTAL DATA & SIGN ATTACHED RELEASE	
Authorized Signature:	Date:
<u>[Signature]</u>	<u>6/3/98</u>

PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
GENERAL INFORMATION

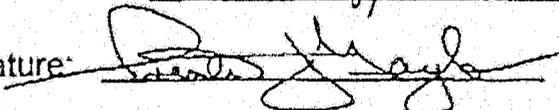
Supplemental Credit Data (to be included with application submission)

- ✓ 1) Most recent two (2) years' independently audited financial statements (~~ATTACHED~~)
- × 2) If company is publicly held, most recent Form 10-Q and 10-K
- 3) In cases where customer does not have Utility credit references, attach a list of three (3) trade payables vendor references
- × 4) Mandatory disclosure of prior bankruptcy declarations by Customer or predecessor Company(s)

RELEASE:

The undersigned hereby authorizes release of any of the aforementioned data requested by PJM necessary to perform a credit review in connection with a request for service.

Company Name: Statoil Energy Services, Inc

Authorized Signature: 

Name and Title: PRESTON TAYLOR

MANAGER - CREDIT SERVICES

Date: 5/3/98

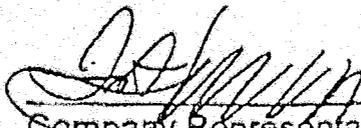
PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
CREDIT AGREEMENT

The undersigned hereby agrees to the following terms of the PJM Interconnection, L.L.C. ("PJM") Credit Agreement.

- ✓1) Credit status is conditional upon continuing customer compliance with the PJM Credit Agreement.
- ✓2) Customers will disclose to PJM any material changes from information provided on the original credit application. These changes include, but are not limited to:
 - Notification of pending lawsuits
 - Disclosure of bankruptcy declarations
 - Disclosure of conflict of interest issues
- ✓3) Customer will include PJM in its distribution of press releases, audited financial statements, annual reports, and shareholder notices.
- ✓4) PJM reserves the right to reclassify or revoke the credit status of any Customer with ten (10) days' written notice.
- ✓5) Duration of Customer credit standing will not exceed the duration of Customer participation in any PJM agreement.
- ✓6) In the event of Customer default, Customer agrees to pay all collection and legal fees incurred by PJM for satisfaction of delinquent accounts.
- 7) Customer will submit a Compliance Certificate annually to PJM.

Signed by:

Statcoil Energy Services, Inc
Company Name


Company Representative

PJM Interconnection, L.L.C.

PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
COMPLIANCE CERTIFICATE

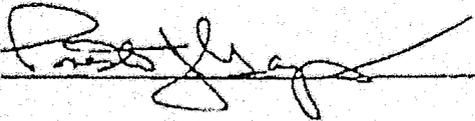
Declarations:

Customer certifies that the information contained herein is correct to the best of his knowledge:

PJM Interconnection, L.L.C. ("PJM") has been notified of any material changes in the past year which may adversely impact credit status;

PJM has been provided with copies of all ~~press releases~~ ^(PR), audited financial statements, shareholder notices, and annual reports issued by Customer in the past year;

There exists no conflict of interest between PJM and the Customer.

By:  _____

StatOil Energy Services, Inc.
Company Name

Preston Taylor
Company Representative

6/3/98
Date

PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
GUARANTY

THIS GUARANTY is given as of June 4, 1998, by Statcoil Energy, Inc., a Virginia corporation, whose principal business office is located at 2800 Eisenhower Ave., Alexandria Va ("Guarantor"), to The PJM Interconnection, L.L.C. ("PJM"), whose principal business office is located at 955 Jefferson Avenue, Valley Forge Corporate Center, Norristown, Pennsylvania, 19403-2497.

RECITALS

WHEREAS, Statcoil Energy Services, Inc. (SESI) whose principal business office is located at Same will conduct business beginning as of the date of this Guaranty with PJM pursuant to which SESI may from time to time enter into power purchase and sale transactions in the PJM Control Area; and

WHEREAS, pursuant to the PJM Open Access Transmission Tariff, PJM is authorized as the Transmission Provider to require Transmission Customers to provide and maintain in effect appropriate creditworthiness arrangements; and

WHEREAS, PJM will accept SESI as a member only if payments, penalties, and other amounts owed by SESI to PJM in connection with the Agreement will be guaranteed by Guarantor; and

WHEREAS, Guarantor is willing to guarantee payments, penalties, and other amounts owed by SESI, its subsidiary corporation, to PJM under the terms set forth below.

NOW THEREFORE, in consideration of the above premises and the mutual promises and covenants contained below (which the Guarantor acknowledges constitute adequate consideration for its obligations hereunder) the Guarantor, intending to be legally bound, agrees as follows:

1. Obligations of Guarantor. Guarantor unconditionally guarantees to PJM the prompt and complete payment of all amounts owed to PJM by SESI in regard to the above-referenced Agreement (or any successor agreement). If all or any part of such amounts is not paid by SESI when due, Guarantor shall, upon the demand of PJM, immediately pay such amount. This is a primary, absolute obligation of Guarantor enforceable by PJM, their successors and assigns, or any of its members on its behalf, regardless of SESI's ability or willingness to pay.

PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
GUARANTY

2. Duration. This Guaranty shall continue in force until the entire indebtedness covered by this Guaranty is repaid in full to PJM and the Agreement is terminated.

PJM shall not be bound or obligated to exhaust its recourse against SESI or other persons or take any other action before being entitled to demand performance by Guarantor hereunder. This Guaranty shall continue to be effective even in the event of the insolvency, bankruptcy or reorganization of SESI. This Guaranty will also survive and be binding upon Guarantor following any merger, reorganization, consolidation or other change in SESI's or Guarantor's structure, personnel, business or affairs.

3. Remedies of PJM. The rights and remedies of PJM under this Guaranty are cumulative and concurrent and shall not be exclusive of any other rights or remedies that PJM may have against SESI or Guarantor. No set-off, counterclaim, reduction or diminution of an obligation or any defense of any kind or nature that Guarantor has or may have against SESI or PJM shall affect, modify or impair the obligations of Guarantor under this Guaranty.

4. Waivers. Guarantor acknowledges that PJM will rely upon this Guaranty in accepting SESI as a member under the Agreement. Guarantor accordingly waives any claim or defense based upon lack of consideration. Guarantor also irrevocably waives presentment, demand, protest or other notice of any kind, including, without limitation, notice of acceptance of this Guaranty and notice of any claim or demand upon SESI or Guarantor. Without notice to Guarantor, PJM may extend the time for performance under any agreement with SESI or modify, supplement or amend any agreement, and otherwise agree in any manner with SESI without affecting Guarantor's unconditional obligation under this Guaranty.

5. Miscellaneous. This Guaranty is for the benefit of PJM, their successors and assigns and their members; and is binding upon Guarantor, its successors and assigns, except that Guarantor may not assign or transfer any of its obligations under this Guaranty, whether by operation of law or otherwise, without the prior written consent of PJM. Guarantor will reimburse PJM for any expenses incurred by PJM in enforcing this Guaranty, including reasonable legal fees. If any provision of this Guaranty is found by a court of competent jurisdiction to be prohibited or unenforceable, this Guaranty shall be ineffective only to the extent of such prohibition or unenforceability and such shall not invalidate the balance of the Guaranty. Guarantor represents and warrants to PJM that the execution, delivery and performance of this Guaranty by Guarantor have been duly authorized by all requisite corporate action of Guarantor.

PJM INTERCONNECTION, L.L.C.
CREDIT APPLICATION
GUARANTY

IN WITNESS WHEREOF, Guarantor has caused this Guaranty to be executed on its behalf by its duly authorized Officer as of the date shown above.

ATTEST:

GUARANTOR:

Charles Schultz Statoil Energy, Inc (SEAL)

By: Raymond [Signature]
Title EVP/CEO

STANDARD FORM OF AGREEMENT TO BECOME
A MEMBER OF THE LLC

Any entity which wishes to become a signatory to the Agreement shall, pursuant to Section 11.6(c) thereof, tender to the President an application, upon the acceptance of which it shall execute a supplement to this Agreement in the following form:

Additional Member Agreement

1. This Additional Member Agreement (the "Supplemental Agreement"), dated as of _____, is entered into among Stabil Energy Services Inc "SESI" and the President of the LLC acting on behalf of its Members.

2. SESI has demonstrated that it meets all of the qualifications required of a Member to the Operating Agreement. If expansion of the PJM Control Area is required to integrate SESI's facilities, a copy of Attachment J from the Tariff marked to show changes in Control Area boundaries is attached hereto. SESI agrees to pay for all required metering, telemetering and hardware and software appropriate for it to become a member.

3. SESI agrees to be bound by and accepts all the terms of the Operating Agreement as of the above date.

4. SESI hereby gives notice that the name and address of its initial representative to the Members Committee under the Operating Agreement shall be:

Foroud Arsanjani 2800 Eisenhower Ave. Alexandria, VA 22314

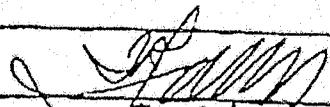
5. The President of the LLC is authorized under the Operating Agreement to execute this Supplemental Agreement on behalf of the Members and to file it with regulatory authorities having jurisdiction.

6. The Operating Agreement is hereby amended to include SESI as a Member of the LLC thereto, effective as of _____.

IN WITNESS WHEREOF, SESI and the Members of the LLC have caused this Supplemental Agreement to be executed by their duly authorized representatives.

Members of the LLC

By: _____
Name: _____
Title: President and CEO

By: 
Name: Foroud Arsanjani
Title: Director, Power Marketing

BILLING CONTACT INFORMATION FORM

PLEASE PROVIDE US WITH THE FOLLOWING INFORMATION SO THAT WE MAY ENSURE PROMPT DELIVERY OF YOUR MONTHLY BILL.

PLEASE PRINT

BILLING CONTACT'S NAME (First, Middle Initial, Last and preferred nickname) (Mr., Ms., Mrs.)	Marie Domson Bartenstein preferred name nickname Missy
YOUR TITLE	Senior Financial Analyst
ALTERNATE'S NAME	Lisbeth Guerrero
FULL COMPANY NAME	Statoil Energy Services, Inc.
If the company you named above is a subsidiary, please list parent company.	Statoil Energy, Inc.
COMPANY'S MAIN NUMBER (w/ Area Code)	703 - 317 - 2300
US MAIL ADDRESS (w/ P.O. Boxes, Suite, Room, Mail Stop, Floor, etc.)	2800 Eisenhower Ave. Alexandria, VA 22314
FedEx ADDRESS FOR THE DELIVERY OF THE BILLING INVOICE (Overnight mail street address and zip code - no post office box)	same as above
PHONE (w/ Area Code)	703 - 317 - 2679
FAX (w/ Area Code)	703 - 317 - 2606
FAX NUMBER for advance transmittal of the billing invoice (if directed to someone other than billing contact)	"
INTERNET MAIL ADDRESS	mbarrens@statoilenergy.com
SECRETARY OR ADMINISTRATOR'S NAME AND PHONE NUMBER (w/ Area Code)	Joyce Russell 703 - 317 - 2665
BANK NAME PNC Bank, NA	
ABA # 043-000-096	ACCOUNT # 101-093-0521
ACCOUNT NAME: Statoil Energy Trading	
TREASURY CONTACT: Brian Gorka	PHONE: 703-317-2211
PERSON RESPONSIBLE FOR PAYMENT OF BILL: Lisbeth Guerrero	
PERSON RESPONSIBLE FOR RECEIPT OF PAYMENT: Lisbeth Guerrero	

DATE | 06/05/1998 | CHECK NUMBER | 021187

INVOICE NUMBER	INVOICE DATE	VOUCHER NUMBER	DESCRIPTION	NET AMOUNT
50598	06/05/1998	EVOAL022630	PJM Membership - name cha	\$ 1,500.00

PRINT BATCH NUMBER	VEHICOR CODE	PAY TO NAME	NET TOTAL
1337	VN02351	PJM INTERCONNECTION, L.L.C.	\$ 1,500.00

DOCUMENT HAS A MULTI-COLORED BACKGROUND. HOLD AT AN ANGLE TO SEE SAFETY FEATURES FRONT & BACK

STATOIL
 STATOIL ENERGY Services, Inc.
 100 Eisenhower Avenue
 Alexandria, VA 22314

60-162/433
 PNC Bank
 National Association
 Jeannette, PA

CHECK NUMBER	021187
DATE	06/05/1998

PAY One thousand five hundred and no/100 Dollars Only***

TO THE ORDER
 PJM INTERCONNECTION, L.L.C.
 955 JEFFERSON AVE.
 VALLEY FORGE CORPORATE CENTER
 NORRISTOWN, PA 19403-2497

AMOUNT	\$ 1,500.00
--------	-------------

[Handwritten Signature]

F

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Eastern Energy Marketing, Inc.) Docket No. ER97-4381-000

NOTICE OF ISSUANCE OF ORDER

(December 15, 1997)

Eastern Energy Marketing, Inc. (EEMI) submitted for filing a rate schedule under which EEMI will engage in wholesale electric power and energy transactions as a marketer. EEMI also requested waiver of various Commission regulations. In particular, EEMI requested that the Commission grant blanket approval under 18 CFR Part 34 of all future issuances of securities and assumptions of liability by EEMI.

On December 4, 1997, pursuant to delegated authority, the Director, Division of Rate Applications, Office of Electric Power Regulation, granted requests for blanket approval under Part 34, subject to the following:

Within thirty days of the date of the order, any person desiring to be heard or to protest the blanket approval of issuances of securities or assumptions of liability by EEMI should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214).

Absent a request for hearing within this period, EEMI is authorized to issue securities and assume obligations or liabilities as a guarantor, indorser, surety, or otherwise in respect of any security of another person; provided that such issuance or assumption is for some lawful object within the corporate purposes of the applicant, and compatible with the public interest, and is reasonably necessary or appropriate for such purposes.

The Commission reserves the right to require a further showing that neither public nor private interests will be adversely affected by continued approval of EEMI's issuances of securities or assumptions of liability.

Notice is hereby given that the deadline for filing motions to intervene or protests, as set forth above, is January 5, 1998. Copies of the full text of the order are available from the Commission's Public Reference Branch, 888 First Street, N.E., Washington, D.C. 20426.

Lois D. Cashell
Secretary

9/16/97

FEDERAL ENERGY REGULATORY COMMISSION

WASHINGTON, D.C. 20426

To: Eastern Energy Marketing, Inc. Docket No. ER97-4381-000

You submitted for filing with the Commission a rate schedule under which you will engage in wholesale electric power and energy transactions as a marketer. Pursuant to authority delegated to the Director, Division of Applications, under 18 C.F.R. 375.308, your submittal is accepted for filing and is designated and made effective as shown below.

Eastern Energy Marketing, Inc.

Rate Schedule FERC No. 1 Effective: Date of This Order

Any waivers requested in your application are granted or denied along with the authorizations and subject to the conditions provided in the Appendix.

Under 18 C.F.R. 385.210, interventions are timely if made within the time prescribed by the Secretary. Under 18 C.F.R. 385.214, the filing of a timely motion to intervene makes the movant a party to the proceeding, if no answer in opposition is filed within fifteen days. The filing of a timely notice of intervention makes a State Commission a party to the proceeding.

This action does not constitute approval of any service, rate, charge, classification, or any rule, regulation, contract, or practice affecting such rate or service provided for in the filed documents; nor shall such action be deemed as recognition of any claimed contractual right or obligation affecting or relating to such service or rate; and such action is without prejudice to any findings or orders which have been or may hereafter be made by the Commission in any proceeding now pending or hereafter instituted by or against the applicant.

This order constitutes final agency action. Requests for rehearing by the Commission may be filed within 30 days of the date of issuance of this order, pursuant to 18 CFR 385.713.

Sincerely,

Donald J. Gelinas, Director
Division of Rate Applications

Waivers and Authorizations Under the Commission's
Regulations Which are Granted or Denied for
Unaffiliated Power Marketers

Waivers and Authorizations Granted/Denied

The following Regulations are waived for power marketers:

- 1) Subparts B and C of Part 35, regarding the filing of rate schedules, except for Sections 35.12(a), 35.13(b), 35.15 (which requires a power marketer to file a Notice of Cancellation or Termination when it ceases its marketing activities), and 35.16 (which requires a power marketer to file a notice of succession whenever its name or operational control is changed).
- 2) Part 41, regarding accounts, records, and memoranda;
- 3) Part 101, regarding the uniform system of accounts; and
- 4) Part 141, regarding statements and reports.

See Citizens Energy Corporation (Citizens Energy), 35 FERC 61,198 (1986), Citizens Power and Light Corporation (Citizens P&L), 48 FERC 61,210 (1989), and Enron Power Marketing, Inc. (Enron), 65 FERC 61,305 (1993), order on rehearing, 66 FERC 61,244 (1994).

The requirements of Part 34 of the Commission's Regulations regarding securities and assumptions of liabilities are statutory in nature and cannot be waived. If a power marketer requests blanket approval under Part 34, a notice will be published in the Federal Register establishing a period during which protests may be filed. Absent a request to be heard within the period set forth in the notice, the power marketer is authorized to issue securities and assume obligations or liabilities as guarantor, endorser, surety, or otherwise in respect of any security of another person, provided that such issue or assumption is for some lawful object within the corporate purposes, compatible with the public interest, and reasonably necessary or appropriate for such purposes. See Citizens P&L and Enron.

Requests that the Commission waive the requirements of Part 46 of its Regulations regarding interlocking directors are denied. In Enron, the Commission stated that the requirements of Part 46 regarding interlocking directors are statutory in nature and may not be waived.

The full requirements of Part 45 of the Commission's Regulations are waived for power marketers. Instead, a person holding or who may hold an otherwise proscribed interlocking directorate involving the power marketer shall file a sworn application providing: (1) full name and business address, and (2) all jurisdictional interlocks, identifying the affected

companies and the positions held by that person. See Enron.

The Commission reserves the right to require a further showing that neither public nor private interests will be adversely affected by continued Commission approval of the power marketer's issuances of securities or assumptions of liabilities, or by the continued holding of any affected interlocks.

Requests for disclaimer of jurisdiction over brokering activities, in which title to electricity is not taken, must be filed separately as a petition for a declaratory order accompanied by the appropriate filing fee. See Citizens Energy and Heartland Energy Services, Inc., 68 FERC 61,223 (1994).

Requests that the Commission waive annual charges for power marketers, under Part 382 of the Commission's Regulations, are denied. See Morgan Stanley Capital Group Inc. (Morgan Stanley I), 69 FERC 61,175 (1994) and Morgan Stanley Capital Group Inc. (Morgan Stanley II), 72 FERC 61,082 (1995).

Requests for a blanket waiver of the 60-day prior notice requirement for rate schedule filings made by a power marketer's suppliers, are denied. See Aquila Power Corporation, 70 FERC 61,021 (1995). However, in Central Hudson Gas & Electric Corp., et al., 60 FERC 61,106, reh'g denied, 61 FERC 61,089 (1992), and Prior Notice and Filing Requirements under Part II of the Federal Power Act, Docket No. PL93-2-002, 64 FERC 61,139 (1993), the Commission explained its policy on waiver of notice for all jurisdictional sellers. Responding to concerns that sellers may be unable to file new services 60 days prior to the effective date, the Commission stated that it would grant waiver of the 60 day notice requirement 1) for uncontested filings involving new services that were filed at least one day prior to the commencement of service, or 2) for service agreements under tariffs already on file as long as the service agreements are filed within 30 days after service commences.

Requests for waiver of the provisions of Section 203 regarding the disposition of jurisdictional facilities, the merger or consolidation of such facilities, or the acquisition of the securities of another public utility, are denied. The provisions of Section 203 are statutory in nature and may not be waived. See Resources Recovery (Dade County), Inc., 20 FERC 61,138 (1982). Requests for clarification that sales of accounts receivable are not dispositions of jurisdictional facilities and are, therefore, not within the scope of Section 203, are granted. See Enron. Requests for clarification that the assignment of a power sales contract constitutes a disposition of jurisdictional facilities under Section 203, are granted. See Enron. Requests for clarification that funds received from the sale of electricity are not jurisdictional facilities within the meaning

Appendix
Page 3 of 4

of Section 203, are granted. See Citizens Energy. Also, requests for clarification that the requirements of Section 203 do not apply to the facilities of a power marketer that are not involved in the generation, transmission or sale for resale of electric energy, are granted. See Howell Gas Management Co., 40 FERC 61,336 (1987).

Requests that the Commission waive its requirement that purchasers of electricity under market-based rate schedules certify that the purchase price was equal to or less than its avoided cost, are moot. The Commission dropped the requirement in Louisville Gas & Electric Company, 62 FERC 61,016 (1993).

Reporting Requirements

Power marketers must provide, within 30 days of the end of each calendar quarter, the following information for each transaction in which it engaged during the prior quarter:

- 1) identification of buyer/seller;
- 2) description of the service, e.g., purchase/sale, firm/non-firm;
- 3) delivery point(s);
- 4) price(s);
- 5) quantities, e.g., MWh/MW; and
- 6) dates of service

See Citizens P&L and Enron.

Requests for different reporting requirements are denied, pending the Commission's completion of the generic review of reporting requirements for all public utilities with market-based rates announced in Morgan Stanley I. See Citizens Lehman Power Sales, 71 FERC 61,149 (1995).

Requests to include in the quarterly reports only those risk management transactions that result in the actual delivery of electricity, until the Commission issues an order addressing the issue of its jurisdiction over risk management transactions, are granted. See Morgan Stanley I.

Requests to file quarterly transaction reports on a confidential basis are denied. See National Electric Associates L.P., 50 FERC 61,378 (1990). See also AIG Trading Corporation, 71 FERC 61,148 (1995), LG&E Power Marketing Inc., 58 FERC 61,247, and Enron.

Power marketers must file with the Commission any change in status. See Citizens P&L, Enron, and Morgan Stanley II. Changes in status include departures from the characteristics the

Appendix
Page 4 of 4

Commission has relied upon in approving the power marketer's market-based pricing, including but not limited to:

- 1) lack of ownership of generation or transmission facilities or other inputs to electric power production other than those identified in the application for market-based rates;
- 2) lack of affiliation with any entity which owns generation or transmission facilities or other inputs to electric power production other than those identified in the application for market-based rates;
or
- 3) lack of affiliation with any entity that has a franchised service area.

Requests to file a revised market analysis every three years in lieu of reporting changes on an ongoing basis, are granted. See Morgan Stanley I, as clarified in Engelhard Power Marketing, Inc., 70 PERC 61,250 (1995).

Revised 7/29/96

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Eastern Energy Marketing, Inc.) Docket No. ER97-4381-000

NOTICE OF FILING

(September 26, 1997)

Take notice that on August 27, 1997, Eastern Energy Marketing, Inc. (EEM) tendered for filing a petition for waivers and blanket approvals under various regulations of the Commission and for an order accepting its FERC Electric Rate Schedule No. 1 to be effective no later than October 27, 1997.

EEM intends to engage in electric power and energy transactions as a marketer and a broker. In transactions where EEM sells electric energy it proposes to make such sales on rates, terms, and conditions to be mutually agreed to with the purchasing party. EEM is not in the business of generating, transmitting, or distributing electric power.

Any person desiring to be heard or to protest said filing should file a motion to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). All such motions or protests should be filed on or before October 8, 1997. Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. Copies of this filing are on file with the Commission and are available for public inspection.

Lois D. Cashell
Secretary

CERTIFICATE OF SERVICE

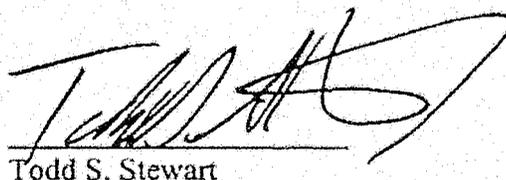
I hereby certify that I have this day served a copy of the foregoing Petition upon the persons and in the manner indicated below.

Service by First Class Mail:

Irwin Popowsky, Esquire
Office of Consumer Advocate
555 Walnut St., Forum Place, 5th Fl.
Harrisburg, PA 17120

Bernard A. Ryan, Jr.
Office of Small Business Advocate
Suite 1102 - Commerce Building
300 North 2nd Street
Harrisburg, PA 17101

Office of Attorney General
14th Floor, Strawberry Square
Harrisburg, PA 17120



Todd S. Stewart

Dated: June 9, 1998

TODD S STEWART
Malatesta Hayke McKeon
100 N 10TH STREET
HARRISBURG PA 17101
(717)236-1300

SHIP DATE: 09JUN98
ACCOUNT # 106831424
MAX-WGT: 2 LBS

TO: JAMES McNULTY, SECRETARY
PA PUBLIC UTILITY COMMISSION
FILING ROOM
NORTH OFFICE BUILDING
HARRISBURG PA 17120

1
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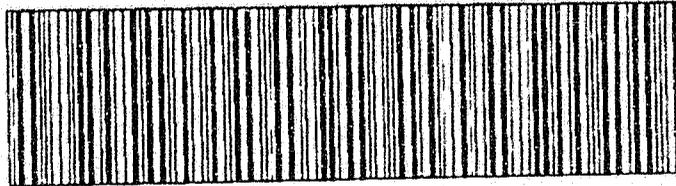
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JOSEPH J. MALATESTA, JR.
WILLIAM T. HAWKE
KEVIN J. McKEON
LOUISE A. KNIGHT
THOMAS J. SNISGAK
NORMAN JAMES KENNARD
LILLIAN SMITH HARRIS
SCOTT T. WYLAND
JANET L. MILLER
SUSAN J. SMITH
TODD S. STEWART
THOMAS S. PEDERSEN

THE LAW FIRM OF
MALATESTA HAWKE & McKEON LLP

HARRISBURG ENERGY CENTER
100 NORTH TENTH STREET
HARRISBURG, PENNSYLVANIA 17101
(717) 236-1300
FAX (717) 236-4841

<http://www.MHM-LAW.com>

MAILING ADDRESS
P.O. BOX 1778
HARRISBURG, PA 17105

ORIGINAL

July 6, 1998

James McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Room B-18, North Office Building
Harrisburg, PA 17105-3265

DOCUMENT
FOLDER

RECEIVED
98 JUL -6 PM 12:42
PA.P.U.C.
SECRETARY'S BUREAU

RE: Statoil Energy Trading, Inc.; Petition for Transfer of License; Additional Information (Generation Supplier License; A-110005)

Dear Secretary McNulty:

On June 9, 1998, Statoil Energy Trading, Inc., the successor to Eastern Power Distribution, Inc. filed a Petition with the Pennsylvania Public Utility Commission requesting permission to transfer the license from Statoil Energy Trading, Inc. to Statoil Energy Services, Inc. The enclosed documents are intended to provide the Commission with additional information which it may require in order to review the Petition.

Attached are the following:

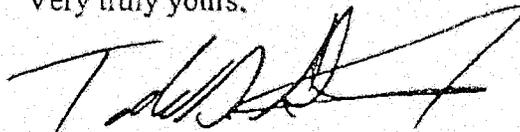
- A completed tax certification statement,
- Copies of the Department of State filings evidencing the name change of Statoil Energy Services, Inc., and its continuing ability to do business in the Commonwealth of Pennsylvania; and,
- A diagram showing the corporate structure before and after the name changes which previously occurred, and also showing the intended license transfer path.

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James J. McNulty, Secretary
Re: Statoil Energy Trading, Inc.
July 6, 1998
Page 2

If you have any questions concerning the enclosed documents, please direct them either to William Hawke or to me.

Very truly yours,



Todd S. Stewart

Counsel for Statoil Energy, Inc.

TSS/bes

Enclosures

cc: Robert J. Bennett, Bureau of Fixed Utility Services

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

TAX CERTIFICATION STATEMENT

A completed Tax Certification Statement must accompany all applications for new licenses, renewals or transfers. Failure to provide the requested information and/or any outstanding state income, corporation, and sales (including failure to file or register) will cause your application to be rejected. If additional space is needed, please use white 8 1/2" x 11" paper. Type or print all information requested.

1. CORPORATE OR APPLICANT NAME <i>StatOil Energy Services, Inc.</i>		2. BUSINESS PHONE NO. <i>(703) 317-2300</i>	
3. TRADE/FICTITIOUS NAME (IF ANY) <i>d/b/a StatOil Energy</i>		CONTACT PERSON(S) FOR TAX ACCOUNTS: <i>Samuel C. Ulan, Vice President, Tax</i>	
4. LICENSED ADDRESS <i>2800 Eisenhower Avenue</i>	(STREET, RURAL ROUTE, P.O. BOX NO.) <i>Alexandria, Virginia</i>	(POST OFFICE)	(STATE)
5. TYPE OF ENTITY			
<input type="checkbox"/> SOLE PROPRIETOR		<input type="checkbox"/> PARTNERSHIP	
		<input checked="" type="checkbox"/> CORPORATION	

8. LMT OWNER(S), GENERAL PARTNERS, OR CORPORATE OFFICER(S)			
NAME (PRINT) <i>David A. Dresner</i>	TITLE <i>President & Chief Executive Officer</i>	SOCIAL SECURITY NUMBER COMPLETE ALL BLOCKS <i>5 7 9 . 6 4 . 6 1 7 9</i>	
NAME (PRINT) <i>Michael G. Reiners</i>	TITLE <i>Exec. VP & Secretary, Treasurer & CFO</i>	SOCIAL SECURITY NUMBER COMPLETE ALL BLOCKS <i>2 6 9 . 5 4 . 0 4 8 5</i>	
NAME (PRINT) <i>Clifton A. Brown</i>	TITLE <i>Executive Vice President, Exploration/Production</i>	SOCIAL SECURITY NUMBER COMPLETE ALL BLOCKS <i>2 1 5 . 5 2 . 5 5 5 8</i>	
NAME (PRINT) <i>Mark L. Eisenhower</i>	TITLE <i>Exec. Vice President, Power Systems</i>	SOCIAL SECURITY NUMBER COMPLETE ALL BLOCKS <i>2 2 7 . 9 2 . 2 9 4 4</i>	
NAME (PRINT) <i>Raymond J. O'Brien</i>	TITLE <i>Exec. Vice President, Energy Services</i>	SOCIAL SECURITY NUMBER COMPLETE ALL BLOCKS <i>1 4 3 . 3 6 . 2 9 8 0</i>	

9. LIST THE FOLLOWING STATE TAX IDENTIFICATION NUMBERS. (ALL ITEMS: A, B, AND C MUST BE COMPLETED)			
A. SALES TAX LICENSE (8 DIGITS) <i>99-59069-11</i>	N/A <input type="checkbox"/> APPL PEND <input type="checkbox"/>	C. CORPORATE BOX NUMBER (7 DIGITS) <i>65711-977</i>	N/A <input type="checkbox"/> APPL PEND <input type="checkbox"/>
B. EMPLOYER ID (EIN) (9 DIGITS) <i>54-11384057</i>	N/A <input type="checkbox"/> APPL PEND <input type="checkbox"/>		

10. Do you have PA employees or have you employed any employees? YES NO

11. Do you have any PA assets or offices? YES NO

NAME OF PERSON(S) RESPONSIBLE FOR FILING TAX RETURNS

Samuel C. Ulan, VPTax SALES (Same) EMPLOYER
(Same) CORPORATE

PHONE: *(703) 317-2321* PHONE: *(Same)* PHONE: *(Same)*

Telephone inquiries about this form may be directed to the Pennsylvania Department of Revenue at (717) 772-2673, TDD# (717) 772-2252 (Hearing Impaired Only)

DOCKETED DOCUMENT
AUG 26 1998
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RECEIVED
 SECRETARY'S BUREAU
 PA. U.C.
 58 JUL - 5 PM 12:12

6. (If the name set forth in Paragraph 5 is not available for use in this Commonwealth, complete the following):
The fictitious name which the corporation adopts for use in transacting business in this Commonwealth is:

The corporation shall do business in Pennsylvania only under such fictitious name pursuant to the attached resolution of the board of directors under the applicable provisions of 15 Pa.C.S. (relation to corporations and unincorporated associations) and the attached form DSCB:54-311 (Application for Registration of Fictitious Name).

7 (Check one of the following as applicable):

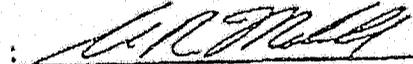
The change of name reflects a change effected in the jurisdiction of incorporation.

Documents complying with the applicable provisions of 15 Pa.C.S. 4123(b) or 6123(b) (relating to exception; name) accompany this application.

IN TESTIMONY WHEREOF, the undersigned corporation has caused this Application for an Amended Certificate of Authority to be signed by a duly authorized officer thereof this 20th day of June, 1998.

Eastern Energy Marketing, Inc.

Name of Corporation

BY: 
(Signature)

TITLE: Gerard R. McConnell, Secretary

(CHANGES)

DOCKETING STATEMENT DSCB 15-1348 (Rev 95)

BUREAU USE ONLY:

___ REVENUE

___ LABOR & INDUSTRY

___ OTHER

FILE CODE

FILED DATE

FILING FEE: NONE

This form (file in triplicate) and all accompanying documents shall be mailed to:
COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF STATE
CORPORATION BUREAU

Part I. COMPLETE FOR EACH FILING:

Current name of entity or registrant affected by the submittal to which this statement relates: (survivor or new entity if merger or consolidation)

EASTERN ENERGY MARKETING, INC.

Entity number, if known: _____ NOTE: ENTITY NUMBER is the computer index number assigned to an entity upon initial filing in the Department of State.

Incorporation/qualification date in Pa.: 4/13/92 State of Incorporation: VIRGINIA

Federal Identification Number: 54-1384057

Specified effective date, if any: _____

Part II. COMPLETE FOR EACH FILING This statement is being submitted with (check proper box):

Amendment: complete Section A only

Merger, Consolidation or Division: complete Section B, C or D

Consolidation: complete Section C

Division: complete Section D

Conversion: complete Section A and E only

Statement of Correction: complete Section A only

Statement of Termination: complete Section H

Statement of Revival: complete Section G

Dissolution by Shareholders or Incorporators before Commencement of Business: complete Section F only

Part III. COMPLETE IF APPROPRIATE: The delayed effective date of the accompanying submittal is:

_____ month day year hour, if any

Section A. CHANGES TO BE MADE TO THE ENTITY NAMED IN Part I: (Check box/boxes which pertain)

Name: Statoil Energy Services, Inc.

Registered Office: _____
Number & street/PD number & box number City State Zip County

Purpose: _____

Stock: aggregate number of shares authorized _____ (attach additional provisions, if any)

Term of Existence: _____

Other: _____

Section B. MERGER (Complete Section A if any changes to surviving entity):

MERGING ENTITIES ARE (List only the merging entities-SURVIVOR IS LISTED IN PART I)

1. Name: _____
Entity Number, if known: _____ Inc./quali. date in Pa.: _____ State of Incorporation: _____

2. Name: _____
Entity Number, if known: _____ Inc./quali. date in Pa.: _____ State of Incorporation: _____

Attach sheet containing above corporate information if there are additional merging entities.

Section C. CONSOLIDATION (NEW entity information should be completed in Part I. Also, complete and attach DOCKETING STATEMENT DSCB: 15-134A for the NEW entity formed.)

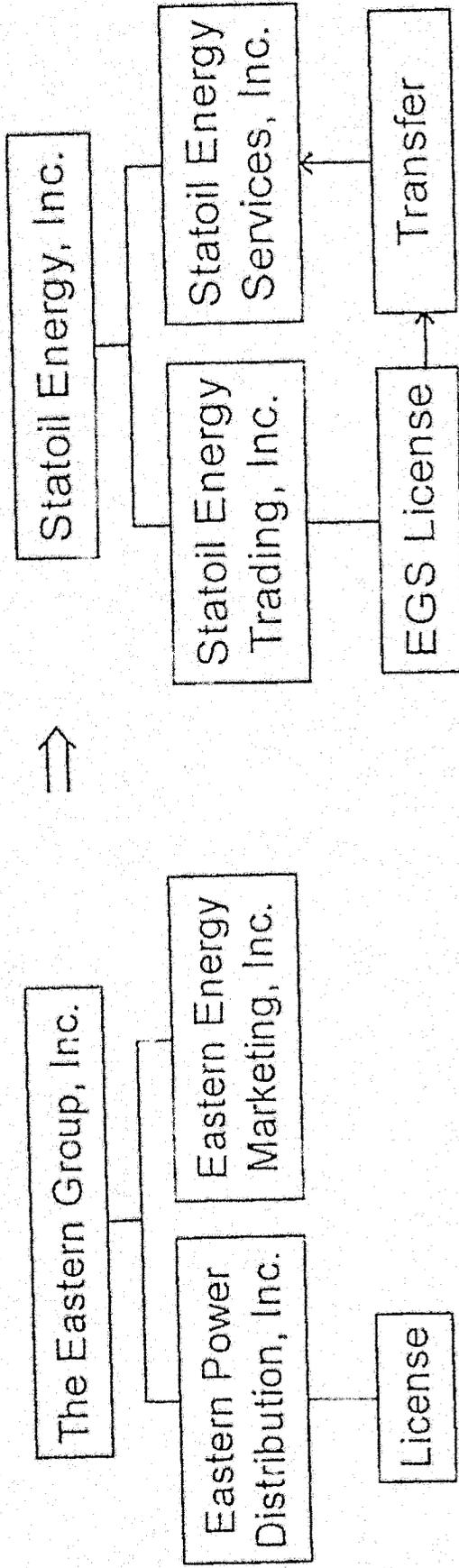
CONSOLIDATING ENTITIES ARE:

1. Name: _____
Entity Number, if known: _____ Inc./quali. date in Pa. _____ State of Incorporation: _____

2. Name: _____
Entity Number, if Known: _____ Inc./quali. date in Pa: _____ State of Incorporation: _____

Attach sheet containing above corporate information if there are additional consolidating entities.

Name Change



Note: Transfer of the license from “Trading” to “Services” may be required by the fact that “Statoil Energy” centralized all retail marketing operations/personnel in “Services” instead of in “Trading,” which placement has resulted in a new corporate entity providing EGS service.

THE LAW FIRM OF

MALATESTA HAWKE & McKEON LLP

MAILING ADDRESS
P.O. BOX 1778
HARRISBURG, PA 17105

JOSEPH J. MALATESTA, JR.
WILLIAM T. HAWKE
KEVIN J. McKEON
LOUISE A. KNIGHT
THOMAS J. SNISCIAK
NORMAN JAMES KENNARD
LILLIAN SMITH HARRIS
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SUSAN J. SMITH
TODD S. STEWART
THOMAS S. PETERSEN

HARRISBURG ENERGY CENTER
100 NORTH TENTH STREET
HARRISBURG, PENNSYLVANIA 17101

(717) 236-1300

FAX (717) 236-4841

<http://www.MHM-LAW.com>

July 13, 1998

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Room B-18, North Office Building
Harrisburg, PA 17105-3265

SECRETARY'S BUREAU
98 JUL 13 PM 12:22

RE: Statoil Energy Trading, Inc.; Petition for Transfer of License; Additional Information (Generation Supplier License; A-110005)

Dear Secretary McNulty:

Enclosed for filing in the above-captioned matter is the original and three (3) copies of the "General Purpose Rider" which amends the name of the principal on Bond No. 158512798 from Statoil Energy Trading, Inc. to Statoil Energy Services, Inc. The effective date of the amendment is July 9, 1998.

Please advise me if anything further is required to process to the above-captioned application.

Very truly yours,

William T. Hawke
William T. Hawke

DOCUMENT
FOUNDER

WTH/klb

Enclosure

cc: Robert J. Bennett, Bureau of Fixed Utility Services

23



GENERAL PURPOSE RIDER

To be attached to and form part of Bond Number 158512798 effective March 1, 1997, issued by the Continental Casualty Company in the amount of Two hundred fifty thousand and no DOLLARS, on behalf of Statoil Energy Trading, Inc.

as Principal and in favor of the Commonwealth of Pennsylvania as obligee:

Now, Therefore, it is agreed that:

This rider hereby amends the name of the principal on the above referenced bond, #158512798, from Statoil Energy Trading, Inc. to Statoil Energy Services, Inc. This change only affects the name of the principal.

DOCKETED AUG 26 1998

DOCUMENT FOLDER

SECRETARY'S BUREAU

50 JUL 13 PM 12:22

It is further understood and agreed that all other terms and conditions of this bond shall remain unchanged.

This rider is to be effective the 9th day of July 1998

Signed, sealed and dated this 9th day of July 1998

Statoil Energy Services, Inc. By: David A. Dresner, David A. Dresner, Continental Casualty Company

By: John C. Plate, John C. Plate, Attorney-in-Fact

Accepted By:

POWER OF ATTORNEY APPOINTING INDIVIDUAL ATTORNEY-IN-FACT

Know All Men By These Presents, That CONTINENTAL CASUALTY COMPANY, an Illinois corporation, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, a Connecticut corporation, AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA, a Pennsylvania corporation (herein collectively called "the CNA Surety Companies"), are duly organized and existing corporations having their principal offices in the City of Chicago, and State of Illinois, and that they do by virtue of the signature and seals herein affixed hereby make, constitute and appoint Frank J. Patterson, III, Gerard C. Smith, John C. Plate, Michael W. Keating, Karen Tainter, individually

of Falls Church, Virginia

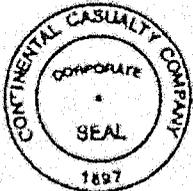
their true and lawful Attorney(s)-in-Fact with full power and authority hereby conferred to sign, seal and execute for and on their behalf bonds, undertakings and other obligatory instruments of similar nature

- in Unlimited Amounts -

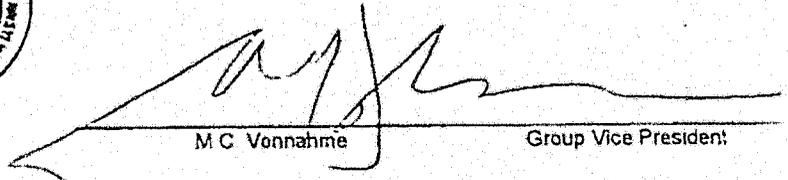
and to bind them thereby as fully and to the same extent as if such instruments were signed by a duly authorized officer of their corporations and all the acts of said Attorney, pursuant to the authority hereby given are hereby ratified and confirmed.

This Power of Attorney is made and executed pursuant to and by authority of the By-Laws and Resolutions, printed on the reverse hereof, duly adopted, as indicated, by the Boards of Directors of the corporations.

In Witness Whereof, the CNA Sureties Companies have caused these presents to be signed by their Group Vice President and their corporate seals to be hereto affixed on this 18th day of December, 1996



CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

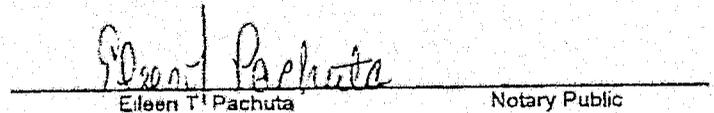

M.C. Vonnahme Group Vice President

State of Illinois, County of Cook, ss:

On this 18th day of December, 1996, before me personally came M.C. Vonnahme to me known, who, being by me duly sworn, did depose and say that he resides in the Village of Danen, State of Illinois, that he is a Group Vice President of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA described in and which executed the above instrument, that he knows the seals of said corporations, that the seals affixed to the said instrument are such corporate seals, that they were so affixed pursuant to authority given by the Boards of Directors of said corporations and that he signed his name thereto pursuant to like authority, and acknowledges same to be the act and deed of said corporations.

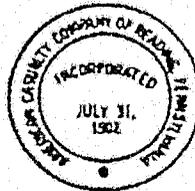


My Commission Expires June 5, 2000

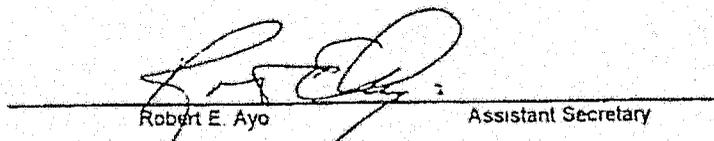

Eileen T. Pachuta Notary Public

CERTIFICATE

Robert E. Ayo Assistant Secretary of CONTINENTAL CASUALTY COMPANY, NATIONAL FIRE INSURANCE COMPANY OF HARTFORD, and AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA do hereby certify that the Power of Attorney herein above set forth is still in force, and further certify that the By-Law and Resolution of the Board of Directors of each corporation printed on the reverse hereof are still in force. In testimony whereof I have hereunto subscribed my name and affixed the seals of the said corporations this 9th day of July, 1998



CONTINENTAL CASUALTY COMPANY
NATIONAL FIRE INSURANCE COMPANY OF HARTFORD
AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA


Robert E. Ayo Assistant Secretary

Authorizing By-Laws and Resolutions

ADOPTED BY THE BOARD OF DIRECTORS OF CONTINENTAL CASUALTY COMPANY

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company

"Article IX—Execution of Documents

Section 3. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President or the Board of Directors, may, at any time, revoke all power and authority previously given to any attorney-in-fact.

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 3 of Article IX of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF AMERICAN CASUALTY COMPANY OF READING, PENNSYLVANIA

This Power of Attorney is made and executed pursuant to and by authority of the following By-Law duly adopted by the Board of Directors of the Company.

"Article VI—Execution of Obligations and Appointment of Attorney-in-Fact

Section 2. Appointment of Attorney-in-fact. The Chairman of the Board of Directors, the President or any Executive, Senior or Group Vice President may, from time to time, appoint by written certificates attorneys-in-fact to act in behalf of the Company in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such attorneys-in-fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Company by their signature and execution of any such instruments and to attach the seal of the Company thereto. The President or any Executive, Senior or Group Vice President may at any time revoke all power and authority previously given to any attorney-in-fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

"Resolved, that the signature of the President or any Executive, Senior or Group Vice President and the seal of the Company may be affixed by facsimile on any power of attorney granted pursuant to Section 2 of Article VI of the By-Laws, and the signature of the Secretary or an Assistant Secretary and the seal of the Company may be affixed by facsimile to any certificate of any such power and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Company. Any such power so executed and sealed and certified by certificate so executed and sealed shall, with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Company."

ADOPTED BY THE BOARD OF DIRECTORS OF NATIONAL FIRE INSURANCE COMPANY OF HARTFORD

This Power of Attorney is made and executed pursuant to and by authority of the following Resolution duly adopted on February 17, 1993 by the Board of Directors of the Company

"RESOLVED: That the President, an Executive Vice President, or any Senior or Group Vice President of the Corporation may, from time to time, appoint, by written certificates, Attorneys-in-Fact to act in behalf of the Corporation in the execution of policies of insurance, bonds, undertakings and other obligatory instruments of like nature. Such Attorney-in-Fact, subject to the limitations set forth in their respective certificates of authority, shall have full power to bind the Corporation by their signature and execution of any such instrument and to attach the seal of the Corporation thereto. The President, an Executive Vice President, any Senior or Group Vice President or the Board of Directors may at any time revoke all power and authority previously given to any Attorney-in-Fact."

This Power of Attorney is signed and sealed by facsimile under and by the authority of the following Resolution adopted by the Board of Directors of the Company at a meeting duly called and held on the 17th day of February, 1993.

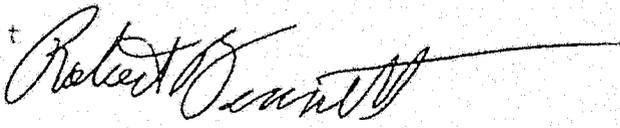
"RESOLVED: That the signature of the President, an Executive Vice President or any Senior or Group Vice President and the seal of the Corporation may be affixed by facsimile on any power of attorney granted pursuant to the Resolution adopted by this Board of Directors on February 17, 1993 and the signature of a Secretary or an Assistant Secretary and the seal of the Corporation may be affixed by facsimile to any certificate of any such power, and any power or certificate bearing such facsimile signature and seal shall be valid and binding on the Corporation. Any such power so executed and sealed and certified by certificate so executed and sealed, shall with respect to any bond or undertaking to which it is attached, continue to be valid and binding on the Corporation."

COMMONWEALTH OF PENNSYLVANIA
PUBLIC UTILITY COMMISSION

DATE: July 20, 1998

SUBJECT: Petition of Eastern Power Distribution, Inc.
A-110005

TO: James J. McNulty
Secretary

FROM: Robert Bennett
PUS- Energy 

On June 9, 1998, Statoil Energy Trading, Inc., the successor to Eastern Power Distribution, Inc. filed a Petition requesting permission to transfer the license from Statoil Energy Trading, Inc. to Statoil Energy Services, Inc.

The staff required that Statoil Energy Services, Inc. provide additional supporting information to demonstrate that all the normally required Department of State, Department of Revenue and financial security documentation had been obtained, in the name of the proposed licensee. This supporting has been provided. The staff is satisfied with this information and therefore requests that you issue a Secretarial Letter which grants the petition.

DOCUMENT
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