

# BIDDER INFORMATION MATERIALS

**bgs-auction.com**

NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION



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## A. DISCLAIMER

The information and materials distributed at the information sessions related to the statewide Auction Process for New Jersey Basic Generation Service (“BGS”) Load (the “Auction Materials”) have been prepared by the New Jersey Electric Distribution Companies (“EDCs”) and their group of advisors based on their joint Proposal for Basic Generation Service Requirements To Be Procured Effective June 1, 2015 (I/M/O The Provision of Basic Generation Service for the Period Beginning June 1, 2015, Docket No. ER14040370) and each EDC’s Company Specific Addendum, submitted to the New Jersey Board of Public Utilities (“Board” or “BPU”) on July 1, 2014, the Board’s decisions and Orders in this proceeding and any compliance filings in Docket No. ER14040370. The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

These Auction Materials are subject to modification and amendment, which may be announced or posted on the BGS Auction web site, <http://www.bgs-auction.com>. However, as more fully explained below, the BGS Auction web site is not the exclusive source of information that may be relevant to a recipient’s decision to participate in the Auction Process or that may be relevant to the level of such participation.

The Auction Materials are prepared and distributed for the sole purpose of providing general information about the BGS Auctions in order to assist potential participants in determining whether they should undertake further investigation and consideration of participation in the Auction Process.

Each recipient agrees that it will use the Auction Materials for the sole purpose of assisting in the evaluation of the Auction Process. The Auction Materials are not intended to form any part of the basis of any investment decision or valuation by a recipient or any other party. Furthermore, the Auction Materials are not a recommendation by the EDCs, the BPU, or their advisors to any recipient to participate in the Auction Process, and must not be considered as such.

By accepting the Auction Materials, each recipient acknowledges that: (i) before participating in the Auction Process, the recipient will make its own independent assessment of the potential value of supplying any part of BGS Load after making all investigations it deems necessary or advisable in its sole discretion; (ii) the information supplied in the information sessions, or as may be disseminated by the EDCs or their advisors on the BGS Auction web site or otherwise, is not intended to be and does not purport to constitute a sufficient basis for the recipient to determine whether to participate

in the Auction Process or the terms and extent of any such participation; and (iii) the EDCs, the BPU, and their advisors will not be responsible for identifying, evaluating, or bringing to the attention of the recipient information that may bear on the cost or value of supplying any part of BGS Load.

Any statements herein describing or referring to documents and agreements are summaries only and are qualified in their entirety by reference to such documents and agreements. The Auction Materials should not be considered to be or to express the terms of a contract of any kind between the EDCs or their advisors and the recipient(s). Likewise, recipients must not consider the Auction Materials as any form of guaranty. Recipients should not construe the Auction Materials as legal, business, or tax advice. Before deciding on its participation or the level of such participation, each recipient should consult with its legal, economic, technical, and financial advisors.

Delivery of the Auction Materials will not create any implication that there has not been, since the date hereof, a change with respect to the facts or circumstances herein described, or that the information is correct as of any time subsequent to the date hereof. None of the EDCs, the BPU, or their advisors assumes any obligation to revise, update or supplement any matter herein described to reflect changes, events or conditions, which occur subsequent to the date hereof. Each recipient is solely and independently responsible for keeping itself informed of any changes to the Auction Materials, as well as potential changes to the facts, circumstances and matters described herein, and for determining what other sources of information to consult when deciding whether to participate in the Auction Process or the level of such participation in the Auction Process.

## **B. BOARD DECISION AND AUCTION PROCESS OVERVIEW**

At its agenda meeting of November 21, 2014, the New Jersey Board of Public Utilities (“Board” or “BPU”) rendered its decision regarding the procurement of supply for Basic Generation Service (“BGS”) for the period beginning June 1, 2015. The Board considered all BGS proposals, including the proposal filed jointly by the Electric Distribution Companies (“EDCs”), which are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

This section provides an overview of the Board’s decision and describes changes to the BGS Auction Process implemented this year for the first time. Please consult the Board Order in Docket No. ER14040370 for full details regarding the Board’s actions:

<http://bgs-auction.com/bgs.auction.bpu.asp>

### **B.1. Background and Proceeding**

The Electric Discount and Energy Competition Act of 1999 (“EDECA”), N.J.S.A. 48: 3-49 et seq., established electric retail choice in New Jersey as of August 1, 1999, giving retail electric customers the choice of obtaining electric generation service from a competitive third party supplier (“TPS”), or of opting instead to take BGS from a regulated EDC. EDECA required that the State’s EDCs procure supply for BGS at prices consistent with market conditions.

Each year, the Board considers proposals for the procurement BGS supply. The BGS procurement process is also periodically subject to a comprehensive review and potential revision by the Board. The last comprehensive review by the Board occurred in 2012 under Docket No. ER12020150. In its Order in that proceeding, the Board re-affirmed the main elements of the BGS Auction Process.

On May 21, 2014, the Board issued an Order requesting proposals for the procurement of BGS supply for the period beginning June 1, 2015. On July 1, 2014, the EDCs filed a joint proposal with the Board to procure supply for their BGS Load through a statewide Auction Process. Each EDC also filed a Company Specific Addendum to the joint proposal. Initial comments were submitted to the Board by September 3, 2014. On September 29, 2014, the Board held a legislative-type hearing at which parties had the opportunity to provide oral comments to the Board on the various BGS proposals. Final comments were submitted to the Board by October 7, 2014.

Several parties in the proceeding noted in their comments that PJM was considering changes to the Reliability Pricing Model (“RPM”) that could result in significant increases in the capacity charges assessed to BGS suppliers. PJM was due to release additional information on October 7, 2014, the day final comments were due in the BGS proceeding.<sup>1</sup> On October 8, 2014, Board Staff invited parties to submit supplemental comments on PJM’s proposal, specifically on PJM Capacity Performance Proposal Transition Auction Mechanism, by October 22, 2014 and to submit reply comments by October 29, 2014.

## **B.2. Board Decision**

The Board rendered its decision on the BGS proposals at its agenda meeting of November 21, 2014. The Board approved the main elements of the EDC proposal, namely:

- Using a single statewide Auction Process to procure supply for BGS customers;
- Holding two auctions, the BGS-CIEP Auction for large commercial and industrial customers, and the BGS-FP Auction<sup>2</sup> for residential and small commercial customers;
- A supply period of June 1, 2015 through May 31, 2018 for the BGS-FP Auction;
- A supply period of June 1, 2015 through May 31, 2016 for the BGS-CIEP Auction;
- The use of a clock auction format; and
- A decision by the Board on the auction results within two business days of the close of the last auction.

Furthermore, the Board also considered the proposals put forth by parties in their supplemental comments regarding PJM’s proposal. The Board approved the EDC proposal to use a Supplement to each BGS Supplier Master Agreement. In the manner approved by the Board, a BGS supplier that accepts the Supplement can receive an additional payment based on the difference between the capacity price charged to the BGS supplier and the capacity price established on the basis of auctions held as of the filing of the supplemental comments. The Board further directed the EDCs to develop a proposal to take into account volume adjustments that may result from PJM’s proposal for the 2015/16 planning year.

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<sup>1</sup> More information on the changes to the RPM is provided in section J of this information packet.

<sup>2</sup> In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

### **B.3. New Elements for 2015**

The application process is online for the first time this year. Interested parties must submit their materials for the Part 1 Application to become Qualified Bidders by 12 PM (noon) on December 16, 2014. Qualified Bidders must submit their materials for the Part 2 Application to become Registered Bidders by 12 PM (noon) on January 14, 2015. All materials, except for the credit instruments required to support the indicative offers submitted with the Part 2 Application, will be submitted through the Application web site, <https://bgs-application.com>. Hard copies of the credit instruments are required to be sent by overnight delivery service to the Auction Manager's office.

Potential bidders had an opportunity to comment on the "post-auction" letter of credit (the letter of credit appended to the BGS Supplier Master Agreement). The standard form of this letter of credit has changed on the basis of bidder comments. Furthermore, a document listing all modifications acceptable on an optional basis has been posted to the BGS Auction web site under the "contract and credit" page of the "bidder info" tab.

## **C. THE EDCs**

### **C.1. Public Service Electric and Gas Company (PSE&G)**

*(<http://www.pseg.com>)*

Public Service Electric and Gas Company (“PSE&G”) is one of the largest combined electric and gas companies in the United States and is also New Jersey’s oldest and largest publicly owned utility. The Public Service Corporation was formed in 1903 by amalgamating more than 400 gas, electric and transportation companies in New Jersey. It was renamed Public Service Electric and Gas Company in 1948. PSE&G currently serves nearly three quarters of New Jersey’s population in a service area consisting of a 2,600-square-mile diagonal corridor across the state from Bergen to Gloucester Counties.

PSE&G is the largest provider of electric and gas service in New Jersey, servicing 1.8 million gas customers and 2.2 million electric customers in more than 300 urban, suburban and rural communities, including New Jersey’s six largest cities.

## **C.2. Jersey Central Power & Light Company (JCP&L)**

*(<https://www.firstenergycorp.com/content/fecorp/about.html>)*

Jersey Central Power & Light Company (“JCP&L”) is a member of the FirstEnergy family of companies. FirstEnergy Corp. is a diversified energy company headquartered in Akron, Ohio and includes one of the nation's largest investor-owned electric systems and a diverse generating fleet with a total capacity of nearly 18,000 megawatts. Its ten electric utility operating companies – Ohio Edison, The Cleveland Electric Illuminating Company, Toledo Edison, Metropolitan Edison, Pennsylvania Electric, Pennsylvania Power, West Penn Power, Mon Power, Potomac Edison, and Jersey Central Power & Light – form one of the nation’s largest investor-owned electric systems, based on serving 6 million customers in the Midwest and Mid-Atlantic regions. Stretching from the Ohio-Indiana border to the New Jersey shore, the companies operate a vast infrastructure of more than 194,000 miles of distribution lines.

**C.3. Atlantic City Electric Company (ACE)**

*(<http://www.atlanticcityelectric.com>)*

Atlantic City Electric Company (“ACE”), a subsidiary of Pepco Holdings, Inc, delivers electric service to more than 545,000 customers in southern New Jersey. Its service territory covers approximately 2,700 square miles in total. For more information on ACE, please consult the web site at the address given above.

#### **C.4. Rockland Electric Company (RECO)**

*(<http://www.oru.com>)*

Rockland Electric Company (“RECO”) provides electric service to Bergen, Passaic, and Sussex Counties in New Jersey. RECO is a subsidiary of Orange and Rockland Utilities, Inc (“Orange and Rockland”), an electric and gas utility headquartered in Pearl River, NY.

RECO, along with Orange and Rockland, and Orange and Rockland’s Pennsylvania subsidiary, Pike County Light & Power Company, serve a population of approximately 750,000 in seven counties in New York, northern New Jersey and northeastern Pennsylvania. Orange and Rockland's service territory encompasses a thriving 1,350 square-mile region.

## D. APPLICATION PROCESS

The Application Process is conducted online at <https://www.bgs-application.com>. The Application Process is in two parts. The first is the Part 1 Application in which Applicants submit basic information and financial statements. The second is the Part 2 Application in which Applicants present indicative offers and submit financial guarantees. Interested parties may request an account to access the online forms.

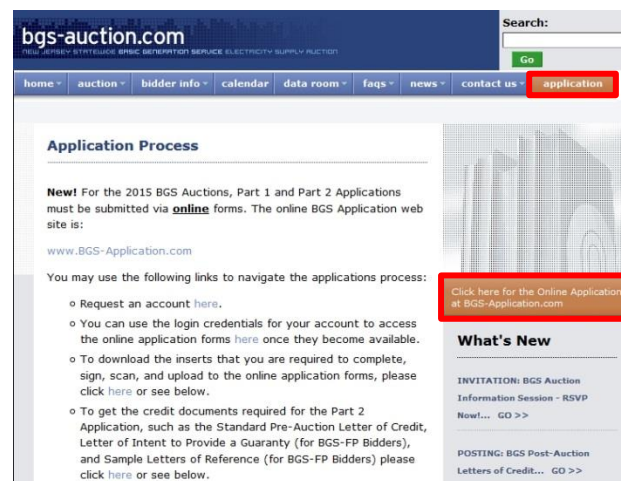
This section provides an overview of:

- The Application web site interface;
- The Part 1 and the Part 2 Application timeline and requirements; and
- The correspondence from the Auction Manager during the Application Process.

### D.1. The Application Web Site Interface

The Application web site is <https://www.bgs-application.com>. Applicants can access the site directly or through:

- The application tab on the BGS Auction web site;
- The link above “What’s New” on each page of the BGS Auction web site; or
- The link on the “application process” page of the “bidder info” tab.



The Application web site home page will appear as illustrated below.

**bgs-application.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

[home](#) [get account](#) [part 1 application](#) [part 2 application](#) [inserts](#)

Welcome to BGS Auctions Application web site.

You will use this web site to apply to participate in the BGS Auctions.

For more information regarding the auction, including information about the auction process, the calendar for the auctions, the data room, FAQs and announcements, please go the BGS Auction web site here:  
<http://bgs-auction.com/>

If you don't have a login please [get an account here](#).

If you have a login and password, please [login here](#).

The horizontal navigation bar at the top of the Application web site contains four additional tabs:

- *Get Account* – Applicants provide contact information to request an account. Applicants receive a username and password to access and edit the online forms.

**bgs-application.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

[home](#) [get account](#) [part 1 application](#) [part 2 application](#) [inserts](#)

**get account**

Fields marked with a \* are required

Name: \*

Company: \*

E-Mail: \*

Position/Title:

Phone Number: \*

Alternate Phone Number:

1. Complete the required information

2. Submit the registration form

- *Part 1 Application* – Applicants will be able to:
  - Provide information required by the Part 1 Application;

- Upload supporting documents; and
- Upload required Inserts.
- *Part 2 Application* – Qualified Bidders will be able to:
  - Provide information required by the Part 2 Application;
  - Upload supporting documents (if any); and
  - Upload required Inserts.

Qualified Bidders will be required to provide all credit instruments for their pre-auction security in hard copy by overnight delivery service to the Auction Manager Office.

- *Inserts* – All required Inserts are provided on the Inserts tab. Inserts are separate forms in Microsoft Word format. Applicants fill in each applicable Insert, sign the Insert (and have the signature notarized when instructed), scan the signed and completed Insert, and upload the scanned Insert to the online Part 1 Form.



## inserts

**"Inserts"** are separate forms in Microsoft Word format posted to the Application web site. Applicants fill in each applicable Insert, sign the Insert (and have the signature notarized when instructed), scan the completed Insert, and upload the scanned Insert to the online Part 1 Form.

The Inserts are numbered; the first Insert for the Part 1 Application is numbered #P1-1, the second numbered #P1-2, etc. **All Applicants should download the Inserts in this file:**

[ALL BIDDERS – Inserts #P1-1 to #P1-5](#)

Applicants to **BOTH the BGS-FP Auction and the BGS-CIEP Auction** should download this file:

[BIDDERS for BOTH Auctions – Inserts #P1-9 to #P1-11](#)

Applicants to the **BGS-FP Auction ONLY (and NOT the BGS-CIEP Auction)** should download this file:

[BIDDERS for FP ONLY – Inserts #P1-6 to #P1-8](#)

Applicants to the **BGS-CIEP Auction ONLY (and NOT the BGS-FP Auction)** should download this file:

[BIDDERS for CIEP ONLY – Inserts #P1-12 to #P1-14](#)

Applicants are instructed to download a particular zip file depending on whether they are applying to one or both auctions

## **D.2. Part 1 Application**

### ***Timeline and Requirements***

Online submission of the Part 1 Form as well as all supporting documents is required by 12 PM (noon) on December 16, 2014. In the Part 1 Application Form, the Applicant provides:

- Basic information such as the Applicant's legal name and place of incorporation;
- Name and contact information for the Applicant and its representatives (the Authorized Representative, any Nominees, a Credit Representative, and a Legal Representative in New Jersey); and
- Financial information, including financial statements and credit ratings.

The Applicant also undertakes to maintain the confidentiality of information provided by the Auction Manager during the course of the Part 1 Application process.

The Authorized Representative may designate Nominees during the Part 1 Application or at any point during the Auction process. Nominees are individuals who are also authorized to represent the Applicant. The Authorized Representative and any Nominees are collectively referred to as the "Bidder Team".

The Bidder Team receives all correspondence related to the Auctions, including:

- Notifications from the Auction Manager;
- Auction procedures manuals; and
- Confidential information required to submit bids.

An Applicant that has successfully completed the Part 1 Application is a "Qualified Bidder." Only Qualified Bidders may submit Part 2 Applications.

## **D.3. Part 2 Application**

### ***Timeline and Requirements***

Online submission of the Part 2 Form as well as all supporting documents is required by 12 PM (noon) on January 14, 2015. Qualified Bidders are notified of Part 2 Application results on January 22, 2015.

Through the online Part 2 Form, Qualified Bidders:

- Update contact information as necessary;
- Provide information required by the Part 2 Application;

- Provide an indicative offer, consisting of a number of tranches that the Qualified Bidder is willing to bid at each of the minimum starting price and maximum starting price; and
- Upload supporting documents (if any) and required Inserts.

The Inserts to the Part 2 Form include the certifications required of Qualified Bidders for compliance with the Associations and Confidential Information Rules.

All Qualified Bidders submit a pre-auction letter of credit (or bid bond) as part of the pre-auction security. All credit documents provided by Qualified Bidders as pre-auction security must be provided in hard copy by overnight delivery service to the Auction Manager Office, One Gateway Center, Suite 720, Newark, NJ 07102.

Potential bidders had an opportunity to provide comments on the draft pre-auction letter of credit. The final version of the pre-auction letter of credit, along with a list of acceptable modifications that Qualified Bidders can adopt on an optional basis, is provided in section F of this information packet. Only the final pre-auction letter of credit is acceptable to the EDCs.<sup>1</sup> For purposes of submitting pre-auction security with the Part 2 Application, use of the pre-auction letter of credit from prior years is unacceptable and use of the draft pre-auction letter of credit is also unacceptable.

A Qualified Bidder that has successfully completed the Part 2 Application is a “Registered Bidder.” Only Registered Bidders may submit bids at the auction.

### *Eligibility and Indicative Offers*

The indicative offer consists of a number of tranches at each of the minimum starting price and maximum starting price. The number of tranches in the indicative offer at the maximum starting price that a Qualified Bidder has financially guaranteed with its Part 2 Application determines the bidder’s initial eligibility. **A bidder will never be able to bid on more tranches than its initial eligibility.** It is therefore important for Qualified Bidders to provide the maximum number of tranches that they would be willing to supply at the maximum starting price in their indicative offers.

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<sup>1</sup> The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

***BGS-FP Auction Preliminary Maximum Interest***

Qualified Bidders in the BGS-FP<sup>2</sup> Auction are also required to provide preliminary maximum interests in each EDC. A Qualified Bidder's preliminary maximum interest in an EDC at a price cannot exceed the Qualified Bidder's indicative offer at that price.

**D.4. Correspondence**

The Auction Manager acknowledges receipt of an online submission (the Part 1 Form or the Part 2 Form) by email to the Bidder Team. This acknowledgement will be sent after an initial review, either with a confirmation that the application is being considered, or with a deficiency notice.

If the application is incomplete or requires clarification, the Auction Manager sends a deficiency notice. The applicant has until noon on the application deadline, or until 6 PM on the business day following the business day during which a deficiency notice is sent, whichever comes later, to respond. Applicants are provided an extra day for deficiencies related to the required pre-auction security.

If an Applicant completes the Part 1 Application successfully, the Auction Manager sends a Notification of Qualification to the Bidder Team. The Notification of Qualification will include instructions that detail the pre-auction security required with the Part 2 Application.

If a Qualified Bidder completes the Part 2 Application successfully, the Auction Manager sends a Notification of Registration to the Bidder Team. The Auction Manager also sends the confidential information needed to access the Auction Software and submit bids in the auction.

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<sup>2</sup> In this section, "Basic Generation Service Fixed-Price or BGS-FP" has the same meaning and is entirely interchangeable with "Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP".

## **E. CREDIT REQUIREMENTS**

This overview explains the credit requirements for an Applicant to the BGS-FP Auction and for an Applicant to the BGS-CIEP Auction. In this section, “Basic Generation Service Fixed Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”. It describes the process by which pre-auction security posted by an Applicant is returned after the auction closes. It also explains the credit requirements for a winner in the auction that becomes a BGS Supplier.

### **E.1. BGS-FP Applicants**

#### **E.1.a. Pre-Auction Requirements**

All Qualified Bidders submit an indicative offer with their Part 2 Applications, which includes the number of tranches that the Qualified Bidder is willing to serve statewide at the maximum starting price. The amount of pre-auction security that a Qualified Bidder must provide is proportional to its indicative offer at the maximum starting price.

##### ***Pre-Auction Letter of Credit***

With their Part 2 Applications, all Qualified Bidders submit a pre-auction letter of credit (or bid bond) in the amount of \$500,000 per tranche of their indicative offer at the maximum starting price. Potential bidders had an opportunity to submit comments on the draft pre-auction letter of credit. The final version of the pre-auction letter of credit, along with a list of acceptable modifications that Qualified Bidders can adopt on an optional basis, is provided in the next section. Only the final pre-auction letter of credit is acceptable to the EDCs.<sup>1</sup> For purposes of submitting pre-auction security with the Part 2 Application, use of the pre-auction letter of credit from prior years is unacceptable and use of the draft pre-auction letter of credit is also unacceptable.

The pre-auction letter of credit must be for the account of the Qualified Bidder. The Auction Manager will hold the pre-auction letter of credit until the New Jersey Board of Public Utilities (“Board” or “BPU”) has rendered a decision regarding the auction results and either: 1) the bidder is confirmed not to have won any tranches at the auction; or: 2) the bidder has won tranches, has signed the BGS-FP Supplier Master Agreement (“BGS-FP SMA”), and has provided any security required under the BGS-FP SMA. At

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<sup>1</sup> The four EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

that time, the Auction Manager will return the cancelled pre-auction letter of credit with the executed certificate of expiration.

### ***Additional Pre-Auction Credit Requirements***

Qualified Bidders applying to participate in the BGS-FP Auction may be asked to submit additional financial assurances in the form of a Letter of Reference and/or a Letter of Intent to Provide a Guaranty. Whenever a Qualified Bidder is relying on the financial standing of a Guarantor, the Qualified Bidder will be required to submit a Letter of Intent to Provide a Guaranty from the Guarantor with its Part 2 Application. A Qualified Bidder (whether the Qualified Bidder relies on its own financial standing or on the financial standing of a Guarantor) may also be required to submit a Letter of Reference from its financial institution. The circumstances where additional pre-auction credit requirements will be imposed are explained further below.

#### **E.1.b. Credit Evaluation Process**

A committee of representatives from the EDCs will assess each Applicant's creditworthiness based on information provided with the Part 1 Application. If the Applicant is relying on the financial standing of a Guarantor, the creditworthiness of the Guarantor will be assessed instead. The committee determines, for the Applicant (or the Guarantor), the credit rating and the tangible net worth ("TNW"). The committee also takes into account any on-going BGS-FP obligations held by the Applicant.

The assessment of whether additional financial assurances are needed and the amount of such financial assurances is based on three measures: (1) the Independent Credit Threshold ("ICT"), (2) the Previous Independent Credit Requirement ("PICR") associated with on-going BGS-FP obligations, and (3) the Independent Credit Requirement associated with the indicative offer ("the indicative offer ICR").

#### ***Independent Credit Threshold ("ICT")***

The ICT is a measure of the unsecured credit line that the Qualified Bidder would be granted by a single EDC under the terms of the BGS-FP SMA. The ICT is calculated as a percentage of the Applicant's (or its Guarantor's) TNW based on the Applicant's credit rating. The credit rating is the lower of the two highest ratings from Standard & Poor's Rating Services ("S&P"), Moody's Investors Service, Inc ("Moody's"), Fitch, Inc ("Fitch"), or A.M. Best Company ("A.M. Best"). If the two highest ratings are the same, this common rating is used. Please see Table E-1 below.

**Table E-1. Determination of Independent Credit Threshold**

Credit Rating of the Applicant or Guarantor				Max. ICT
S&P	Moody's	Fitch	A.M. Best	
A- and above	A3 and above	A- and above	aaa	16% of TNW
BBB+	Baa1	BBB+	aa	10% of TNW
BBB	Baa2	BBB	a	8% of TNW
BBB-	Baa3	BBB-	bbb	6% of TNW
Below BBB-	Below Baa3	Below BBB-	Below bbb	0% of TNW

***Previous Independent Credit Requirement ("PICR")***

The PICR is a measure of the BGS-FP obligations that the Applicant is currently holding. It is the largest aggregate ICR amount that the Applicant has with an EDC, where the aggregate ICR amount is the sum of current ICRs over all BGS-FP SMAs between a BGS-FP Supplier and the EDC. For example, assume an Applicant has the following ICRs:

**Table E-2. Determination of Previous Independent Credit Requirement**

	PSE&G	JCP&L	ACE	RECO
<b>2014 Auction</b>	1 tranche (ICR = \$1.9M)	1 tranche (ICR = \$1.9M)	--	1 tranche (ICR = \$1.9M)
<b>2013 Auction</b>	1 tranche (ICR = \$1.3M)	--	--	--
<b>Aggregate ICR by EDC</b>	\$3.2M	\$1.9M	--	\$1.9M
<b>PICR</b>	\$3.2M	--	--	--

In this case, the Applicant has the greatest ICR with PSE&G. Its PICR will therefore be set at \$3.2 million, the Applicant's sum of current ICRs for BGS-FP SMAs with PSE&G.

***Indicative Offer Independent Credit Requirement***

The indicative offer ICR is the number of tranches in the indicative offer at the maximum starting price multiplied by the Independent Credit Requirement per tranche ("ICRT"), which is \$2.4 million. For purposes of assessing the need for financial assurances at the application stage, the \$500,000 per tranche provided as a pre-auction letter of credit is

subtracted from the \$2.4 million contractual ICR. Hence, financial assurances are required for an incremental \$1.9 million per tranche.

### ***Possible Assessments***

If an Applicant is relying on a Guarantor's financial standing, the Applicant will be required to provide a Letter of Intent to Provide a Guaranty. The Applicant will also be required to post a Letter of Reference if the Guarantor's ICT (the measure of the unsecured credit line) is not sufficient to cover the PICR plus the indicative offer ICR.

If an Applicant is relying on its own financials, the Applicant will be required to post a Letter of Reference if the Applicant's ICT is not sufficient to cover the Applicant's PICR plus the indicative offer ICR.

An Applicant may submit a pre-auction letter of credit (or bid bond) in the amount of \$2.4 million per tranche of the indicative offer at the maximum starting price to cover the indicative offer ICR instead of submitting a Letter of Intent to Provide a Guaranty and/or Letter of Reference.

An Applicant therefore falls into one of the following five categories.

1. The Applicant only needs to provide a pre-auction letter of credit. This will be the case when the Applicant relies on its own financial standing and the Applicant's ICT is sufficient to cover the Applicant's indicative offer ICR and PICR.

#### **Example 1.**

An Applicant is rated "A" by Fitch and S&P. The Applicant has a rating of "A1" by Moody's. Looking at the first row of Table E-1, the allowed percentage is 16% of the Applicant's TNW. The Applicant's TNW is \$800M, and the Applicant's indicative offer is 20 tranches at the maximum starting price.

In addition, the Applicant is currently serving two tranches from the 2014 BGS-FP Auction, both with the same EDC.

The Applicant does not need to provide additional financial guarantees since the allowed percentage of the TNW, 16% of \$800M which is \$128M, exceeds \$41.8M, which is the sum of the indicative offer ICR, 20 times \$1.9M, which is \$38M, plus \$3.8M, the PICR from the 2014 BGS-FP Auction (2 times \$1.9M).

2. The Applicant will be required to provide a Letter of Reference for a portion of the indicative offer ICR. This is the case when the Applicant relies on its own financial

standing, the Applicant meets the Minimum Rating, but the Applicant's ICT is not sufficient to cover its indicative offer ICR and its PICR.

### **Example 2.**

An Applicant is rated "A" by Fitch, "Baa1" by Moody's, and "BBB+" by S&P. The rating used is "Baa1" because this is the lower of the two highest ratings. From Table E-1, the allowed percentage of TNW is 10%. The Applicant is not a current BGS-FP Supplier and so has a PICR of zero. The Applicant has a TNW of \$150M and the Applicant submits an indicative offer of 10 tranches. The allowed percentage of the TNW, 10% of \$150M, which is \$15M, falls short of the indicative offer ICR, 10 times \$1.9M, which is \$19M, by \$4M. The Applicant must submit a Letter of Reference for an amount of at least \$4M.

3. The Applicant will be required to submit a Letter of Reference for the full indicative offer ICR (\$1.9M times the number of tranches of the Applicant's indicative offer). This is the case if the Applicant relies on its own financial standing and the Applicant does not meet the Minimum Rating. The Letter of Reference must be for an amount of at least \$1.9M times the number of tranches of the Applicant's indicative offer, regardless of the PICR, since the PICR will have been secured with a letter of credit or a cash deposit.

### **Example 3.**

An Applicant has a rating of "C" from both Fitch and S&P. From Table E-1, the allowed percentage is 0% of the Applicant's TNW. The Applicant's indicative offer is 10 tranches at the maximum starting price. The Applicant must submit a Letter of Reference in the amount of at least \$19M (10 times \$1.9M).

4. The Applicant will be required to submit a Letter of Intent to Provide a Guaranty for the indicative offer ICR (\$1.9M times the number of tranches of the Applicant's indicative offer). This is the case when the Applicant has a Guarantor that meets the Minimum Rating and whose ICT (calculated in accordance with Table E-1) is sufficient to cover the Applicant's indicative offer ICR and the PICR.

**Example 4.**

An Applicant has a Guarantor whose lowest of the two highest senior unsecured debt ratings is “A” by Fitch. From Table E-1, the allowed percentage is 16% of the Guarantor’s TNW. The Guarantor’s TNW is \$800M, and the Applicant’s indicative offer is 20 tranches at the maximum starting price. The Applicant is currently serving five tranches from the 2014 BGS-FP Auction with the same EDC and has a PICR of \$9.5M (5 times \$1.9M). The Guarantor’s TNW is sufficient: 16% of \$800M, which is \$128M, exceeds the \$47.5M combined amount of the indicative offer ICR (20 times \$1.9M, which is \$38M) and the PICR (\$9.5M). The Applicant must submit a Letter of Intent to Provide a Guaranty signed by the Guarantor for the indicative offer ICR, which is \$38M.

5. The Applicant will be required to submit a Letter of Intent to Provide a Guaranty for a portion of the indicative offer ICR and a Letter of Reference from its financial institution for at least the remaining portion of the indicative offer ICR. This is the case if the Applicant has a Guarantor that meets the Minimum Rating but whose ICT is not sufficient to cover both the Applicant’s indicative offer ICR (\$1.9M times the number of tranches) and the amount of the PICR currently secured by the same Guarantor. These amounts will depend on the Guarantor’s credit rating and TNW, on the Applicant’s indicative offer, and on the PICR secured by the same Guarantor.

**Example 5.**

An Applicant’s Guarantor is rated “BBB+” by both Fitch and S&P, but is rated “Baa2” by Moody’s. The rating used is “BBB+” because when the Guarantor is rated by three or four rating agencies, and the ratings are split, the lower of the two highest ratings is used.

From Table E-1, the allowed percentage of TNW is 10%. The Guarantor has a TNW of \$350M and the Applicant submits an indicative offer of 20 tranches. The Applicant has a PICR of \$1.9M from serving a single tranche from the 2014 BGS-FP Auction. The allowed percentage of the TNW, 10% of \$350M, which is \$35M, falls short of the \$39.9M combined amount of the indicative offer ICR (20 times \$1.9M, which is \$38M) and the PICR (\$1.9M) by \$4.9M. The Applicant has previously submitted a Guaranty in the amount \$1.9M, and now submits a Letter of Intent to Provide a Guaranty for an amount of \$33.1M (\$35M – \$1.9M). The Applicant must also submit a Letter of Reference for an amount of at least \$4.9M. Alternatively, the Applicant may choose not to submit a Letter of Intent to Provide a Guaranty, and instead submit a Letter of Reference for \$39.9M.

**E.1.c. Credit Information during the Auction**

During the BGS-FP Auction, potential initial marks for the Mark-to-Market (“MtM”) are emailed each day to bidders with positive eligibility remaining in the auction. The MtM methodology can be found in Article 6 of the BGS-FP SMA. The marks distributed as of the day that the BGS-FP Auction closes become the initial marks.

**E.1.d. Return of Pre-Auction Security**

In order to facilitate the rapid return and cancellation of the pre-auction letters of credit, the Auction Manager, the EDCs, and the bidders agree to take the following steps:

- Each bidder submits to the Auction Manager any special return instructions with its Part 2 Application in order to expedite the return of collateral.
- Each bidder will work with its bank to ensure that the return of its pre-auction letter of credit is expected and that its bank is able to process the certificate of expiration promptly upon receipt.
- The certificate of expiration for the pre-auction letter of credit must be signed by all the EDCs. The certificates of expiration will be signed by all EDCs in advance of the close of the BGS-FP Auction and held in escrow by the Auction Manager. Each EDC will instruct the Auction Manager to release the pre-auction letter of credit promptly after the bidder signs the BGS-FP SMA and posts the appropriate security.
- The Auction Manager will forward the certificate of expiration to the bidder’s bank as soon as all the EDCs instruct the Auction Manager to release the pre-auction letter of credit.
- The Auction Manager will send to the issuing bank the cancelled pre-auction letter of credit and the certificate of expiration by overnight delivery service or according to any special instructions provided by the bidder. A letter from the Auction Manager to the bank clarifying the purpose of the submission will accompany the package. The bidder will receive a copy of this letter and a copy of the front page of the pre-auction letter of credit marked cancelled.

**E.1.e. Credit Process upon Signing the BGS-FP SMA**

*The BGS-FP SMA is the governing document in the post-auction period. Article 6 contains the detailed requirements for creditworthiness and financial guarantees for BGS-FP Auction winners.*

After the BGS-FP Auction closes, if the Board approves the results, an auction winner has three business days to execute the BGS-FP SMA with each EDC in whose territory it has won tranches and to post any required security.

Upon execution of the BGS-FP SMA, the Supplier will be responsible for meeting the ICR and the Total Exposure Amount (“TEA”). There are two types of security: security for the ICR and security for the TEA. Separate instruments are typically used to post these two types of security. For example, if the Supplier is using a letter of credit as security, two letters of credit are posted, one for the amount of the ICR and one for the TEA.

Potential bidders had an opportunity to submit comments on the draft post-auction letter of credit. The post-auction letter of credit was modified on the basis of bidder comments. The final version of the post-auction letter of credit, along with a list of acceptable modifications that Suppliers can adopt on an optional basis, is provided in the next section.

### ***ICR***

The ICR that will be required of Suppliers will initially be \$2.4 million times the number of tranches won by the Supplier and will decline over the supply term in accordance with the schedule included in Appendix B to the BGS-FP SMA.

Suppliers may be required to post the combined amount of the ICRs for all BGS-FP Supplier Master Agreements between a Supplier and an EDC, including the amounts for tranches won by the Supplier in the 2015 BGS-FP Auction. This combined amount is called the aggregate ICR amount. The aggregate ICR amount may be posted in the form of a letter of credit, a Guaranty, or a cash deposit. Credit instruments previously posted to cover ICRs under previous BGS-FP SMAs would be returned.

### ***Mark-to-Market and Total Exposure***

As defined in the BGS-FP SMA, the TEA is an amount calculated daily for each Supplier reflecting the total credit exposure to an EDC and consisting of the sum of (i) the MtM Exposure Amount arising under the current BGS-FP SMA; (ii) any amount(s) designated as the “MtM Exposure Amount” arising under any other BGS Supply agreements providing for “BGS-FP Supply” or similar BGS service; and (iii) the amount designated as the “credit exposure” under any other BGS Supply agreements providing for BGS-CIEP Supply.

The MtM is calculated as follows. The initial “mark” for each month will be set when the BGS-FP Auction closes, based on the marks posted that day. The differences

between the available forward market prices on the valuation date and the initial mark prices for the corresponding months will be used to calculate the daily exposures for the Supplier. The total MtM credit exposure will be equal to 1.1 times the sum of the MtM credit exposures for each month. The MtM Exposure Amount (“MtMEA”) for a given BGS-FP SMA is found by deducting the Accounts Payable (“A/P”) from the total MtM credit exposure. The MtMEAs for all BGS Supply agreements providing for “BGS-FP Supply” or similar service that the Supplier currently holds with the EDC are summed and added to the credit exposures under any BGS Supply agreements providing for “BGS-CIEP Supply” or similar BGS service to give the TEA. The contribution to the TEA of the MtMEAs will be deemed to be zero whenever the sum of the MtMEAs yields a number less than zero.

The TEA may exceed the amount of unsecured credit allowed to the Supplier, based on the rating and TNW of the Supplier or its Guarantor, as indicated in Table E-3 below. In this case margin calls may be made upon the Supplier and these margin calls will have to be met by posting cash or a letter of credit.

**Table E-3. Credit Limits for TEA**

Credit Rating of the Supplier or Guarantor				Max. Credit Limit (lesser of the % of TNW or credit limit cap)	
S&P	Moody's	Fitch	A.M. Best	%	Credit Limit Cap
A- and above	A3 and above	A- and above	aaa	16% of TNW	\$60,000,000
BBB+	Baa1	BBB+	aa	10% of TNW	\$40,000,000
BBB	Baa2	BBB	a	8% of TNW	\$30,000,000
BBB-	Baa3	BBB-	bbb	6% of TNW	\$15,000,000
Below BBB-	Below Baa3	Below BBB-	Below bbb	0% of TNW	\$0

The MtM and TEA are calculated daily through the term of the BGS-FP SMA. Margin calls will be made whenever the amount of the TEA exceeds the sum of the Supplier's Credit Limit and the amount of security posted to cover the TEA. If a margin call is made, the Supplier will have two business days to post the security required to meet the margin call.

Note that for Suppliers that rely on a Guarantor, the Guaranty may be in the form of a specific valued Guaranty (option 1) or of a Guaranty up to the lesser of the credit limit amount or the amount of the current TEA (option 2). When the Supplier elects option 1, if the TEA exceeds the amount of the Guaranty posted but not the amount of the

unsecured credit available to the Guarantor under the Credit Limit, and a margin call is made on the Supplier, the Supplier will have to post cash or a letter of credit to cover the margin call, and will only be allowed to increase the amount of the Guaranty once the cash or letter of credit has been posted.

### Examples

In all of the following examples, the Supplier is assumed to have no BGS-CIEP Supplier Master Agreements in place with the EDC.

<b>Example 1.</b>			
Consider a Supplier that has one tranche won in the 2014 BGS-FP Auction with a given EDC (Agreement A). If the total MtM credit exposure for Agreement A is \$1.125M, and the A/P for Agreement A is \$4M, the MtMEA is -\$2.875M and the TEA would be deemed zero.			
	<b>MtM Credit Exposure</b>	<b>A/P</b>	<b>MtMEA</b>
Agreement A	\$1.125M	\$4M	-\$2.875M
			<b>TEA = \$0</b>
Suppose now that in addition to Agreement A, the Supplier also has one BGS-FP tranche won in the 2015 BGS-FP Auction with the same EDC (Agreement B). Agreement B has a total MtM credit exposure of \$1.5M, and no A/P (delivery has not yet begun), thus the MtMEA is \$1.5M. The TEA is -\$1.375M and would be deemed to be zero.			
	<b>MtM Credit Exposure</b>	<b>A/P</b>	<b>MtMEA</b>
Agreement A	\$1.125M	\$4M	-\$2.875M
Agreement B	\$1.5M	\$0	\$1.5M
			<b>TEA = <del>-\$1.375</del></b> <b>TEA = \$0</b>

**Example 2.**

Consider a Supplier that has one tranche won in the 2014 BGS-FP Auction (Agreement A). If the total MtM credit exposure of Agreement A is \$5M, and the A/P for Agreement A is \$4M, the MtMEA is \$1M and TEA is \$1M.

	<b>MtM Credit Exposure</b>	<b>A/P</b>	<b>MtMEA</b>
Agreement A	\$5M	\$4M	\$1M
			<b>TEA = \$1M</b>

Suppose now that in addition to Agreement A, the Supplier also has one BGS-FP tranche won in the 2015 BGS-FP Auction with the same EDC (Agreement B). Agreement B has a total MtM credit exposure of -\$1.5M, and no A/P (delivery has not yet begun), thus the MtMEA is -\$1.5M. The TEA is -\$0.5M and would be deemed to be zero.

	<b>MtM Credit Exposure</b>	<b>A/P</b>	<b>MtMEA</b>
Agreement A	\$5M	\$4M	\$1M
Agreement B	-\$1.5M	\$0	-\$1.5M
			<del><b>TEA = -\$0.5M</b></del> <b>TEA = \$0</b>

**E.2. BGS-CIEP Applicants****E.2.a. Pre-Auction Credit Requirements**

All Qualified Bidders submit an indicative offer with their Part 2 Applications, which includes the number of tranches that the Qualified Bidder is willing to serve statewide at the maximum starting price.

With their Part 2 Applications, all Qualified Bidders submit a pre-auction letter of credit (or bid bond) in the amount of \$375,000 per tranche of their indicative offer at the maximum starting price. Potential bidders had an opportunity to submit comments on the draft pre-auction letter of credit. The final version of the pre-auction letter of credit, along with a list of acceptable modifications that Qualified Bidders can adopt on an optional basis, is provided in the next section. Only the final pre-auction letter of credit is acceptable to the EDCs. For purposes of submitting pre-auction security with the Part 2

Application, use of the pre-auction letter of credit from prior years is unacceptable and use of the draft pre-auction letter of credit is also unacceptable.

The pre-auction letter of credit must be for the account of the Qualified Bidder. The Auction Manager will hold the pre-auction letter of credit until the Board has rendered a decision regarding the Auction results and either: 1) the bidder is confirmed not to have won any tranches at the Auction; or: 2) the bidder has won tranches, has signed the BGS-CIEP Supplier Master Agreement (“BGS-CIEP SMA”), and has provided any security required under the BGS-CIEP SMA. At that time, the Auction Manager will return the cancelled pre-auction letter of credit with the executed certificate of expiration.

There are no additional pre-auction security requirements for the BGS-CIEP Auction at the application stage.

### **E.2.b. Return of Pre-Auction Security**

Qualified Bidders in the BGS-CIEP Auction will be providing pre-auction letters of credit as part of their Part 2 Applications. The pre-auction letters of credit will be held by the Auction Manager.

In order to facilitate the rapid return and cancellation of the pre-auction letters of credit, the Auction Manager, the EDCs, and the bidders agree to take the following steps:

- Each bidder submits to the Auction Manager any special return instructions with its Part 2 Application in order to expedite the return of collateral.
- Each bidder will work with its bank to ensure that the return of its pre-auction letter of credit is expected and that its bank is able to process the certificate of expiration promptly upon receipt.
- The certificate of expiration for the pre-auction letter of credit must be signed by all the EDCs. The certificates of expiration will be signed by all EDCs in advance of the close of the BGS-CIEP Auction and held in escrow by the Auction Manager. Each EDC will instruct the Auction Manager to release the pre-auction letter of credit promptly after the bidder signs the BGS-CIEP SMA and posts the appropriate security.
- The Auction Manager will forward the certificate of expiration to the bidder’s bank as soon as all the EDCs instruct the Auction Manager to release the pre-auction letter of credit.
- The Auction Manager will send to the issuing bank the cancelled pre-auction letter of credit and the certificate of expiration by overnight delivery service or according to

any special instructions provided by the bidder. A letter from the Auction Manager to the bank clarifying the purpose of the submission will accompany the package. The bidder will receive a copy of this letter and a copy of the front page of the pre-auction letter of credit marked cancelled.

### **E.2.c. Credit Process upon Signing the BGS-CIEP SMA**

*The BGS-CIEP SMA is the governing document in the post-auction period. Article 6 contains the detailed requirements for creditworthiness and financial guarantees for BGS-CIEP Auction winners.*

After the BGS-CIEP Auction closes, if the Board approves the results, an auction winner has three business days to execute the BGS-CIEP SMA with each EDC in whose territory it has won tranches and to post any required security.

Suppliers may be required to post the Total Exposure Amount (“TEA”) in the form of a letter of credit, a Guaranty, or a cash deposit.

As defined in the BGS-CIEP SMA, the TEA is an amount calculated daily for each Supplier reflecting the total credit exposure to an EDC and consisting of the sum of: (i) the “Mark-to-Market Exposure Amount” arising under BGS-FP Supplier Master Agreements between the Supplier and the EDC; (ii) the credit exposure under the BGS-CIEP SMA; as well as (iii) the amount designated as the “credit exposure” under any other BGS Supply agreements providing for BGS-CIEP Supply. The credit exposure is \$70,000 per tranche.

The TEA will be assessed against the credit limit, as set forth in Table E-4 below. If the TEA exceeds the credit limit, the Supplier will be required to post the difference between the TEA and the credit limit. This difference may be posted in the form of a letter of credit, a Guaranty, or a cash deposit.

Potential bidders had an opportunity to submit comments on the draft post-auction letter of credit. The post-auction letter of credit was modified on the basis of bidder comments. The final version of the post-auction letter of credit, along with a list of acceptable modifications that Suppliers can adopt on an optional basis, is provided in the next section.

**Table E-4. Credit Limits for the Supplier or Guarantor**

Credit Rating of the Supplier or Guarantor				Max. Credit Limit (lesser of the % of TNW or credit limit cap)	
S&P	Moody's	Fitch	A.M. Best	%	Credit Limit Cap
A- and above	A3 and above	A- and above	aaa	16% of TNW	\$60,000,000
BBB+	Baa1	BBB+	aa	10% of TNW	\$40,000,000
BBB	Baa2	BBB	a	8% of TNW	\$30,000,000
BBB-	Baa3	BBB-	bbb	6% of TNW	\$15,000,000
Below BBB-	Below Baa3	Below BBB-	Below bbb	0% of TNW	\$0

## F. CREDIT INSTRUMENTS

This section provides the credit instruments that Qualified Bidders will use to post pre-auction security. This section also provides the letter of credit that a winning bidder can use to post security under a BGS Supplier Master Agreement (either the BGS-FP<sup>1</sup> Supplier Master Agreement or the BGS-CIEP Supplier Master Agreement).

### F.1. Pre-Auction Letter of Credit

All Qualified Bidders submit a pre-auction letter of credit (or bid bond). Potential bidders had an opportunity to provide comments on the draft pre-auction letter of credit. The final version of the pre-auction letter of credit, along with a list of acceptable modifications that Qualified Bidders can adopt on an optional basis, is provided later in this section. Only the final pre-auction letter of credit is acceptable to the EDCs<sup>2</sup>. For purposes of submitting pre-auction security with the Part 2 Application, use of the pre-auction letter of credit from prior years is unacceptable and use of the draft pre-auction letter of credit is also unacceptable.

**Please note that there are two final pre-auction letters of credit:** one for Applicants to the **BGS-FP Auction specifically** and another for Applicants to the **BGS-CIEP Auction specifically**. Although the form of these pre-auction letters of credit is identical, each references a different Supplier Master Agreement, different Auction Rules, and a different Auction. Applicants to the BGS-FP Auction must use the final pre-auction letter of credit for FP Applicants and Applicants to the BGS-CIEP Auction must use the final pre-auction letter of credit for CIEP Applicants. These final pre-auction letters of credit, as well as all other final pre-auction security documents, are available on the “contract and credit” page under the “bidder info” tab:

<http://www.bgs-auction.com/bgs.bidinfo.cc.asp>.

The form of the final pre-auction letter of credit, with generic references to BGS-FP/BGS-CIEP, is provided below for bidder convenience only. As mentioned above, when submitting supporting documents with the Part 2 Form, Applicants should use the final pre-auction letter of credit specifically for the auction in which the Applicant wants to participate. Also provided below are the modifications to the pre-auction letter of credit that are acceptable to the EDCs on an optional basis.

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<sup>1</sup> In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

<sup>2</sup> The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

**Form of the Final Pre-Auction Letter of Credit**

**Pre-Auction Letter of Credit**

\_\_\_\_\_ (Date)

Letter of Credit No. \_\_\_\_\_

To: the Electric Distribution Companies (“EDCs”)  
c/o NERA Economic Consulting, Inc. (“NERA”)  
BGS Auction Manager  
One Gateway Center, Suite 720  
Newark, NJ 07102

The EDCs are all of the following:

Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”)

1. We hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$\_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_(U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.
2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate stating that the Bidder
  - a) “has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules (the “Rules”); or
  - b) “has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities (“Board”) as specified in the Rules”; or

- c) “has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the Board as specified in the \_\_\_\_\_ Rules.
3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, New York time) on such Business Day to \_\_\_\_\_ (Bank<sup>1</sup>), \_\_\_\_\_ (U.S. address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the EDCs. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 A.M. (New York, NY time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite documents is made on or after 11:00 A.M. (New York, NY time) on any Business Day pursuant to Paragraph 3 hereinabove.
5. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and stating that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.
6. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made

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<sup>1</sup> This Pre-Auction Letter of Credit must be issued by a United States commercial bank or a foreign commercial bank with U.S. branches that are subject to the jurisdiction of New York federal or state courts.

hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.

7. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in New York, New York and any day on which payments can be effected on the Fedwire system.
8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 revision, ICC Publication No. 600, or any successor publication thereto (the “UCP”). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.
9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
10. We certify that as of \_\_\_\_\_(date) we \_\_\_\_\_ (“Bank”) satisfy the senior unsecured debt rating of “A” from Standard & Poor’s or “A2” from Moody’s.
11. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. \_\_\_\_\_. Partial drawings are permitted hereunder.
12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_. Presentation by fax must be confirmed by telephone to our Standby Letter of Credit Unit at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.
13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

14. This original Letter of Credit has been sent to NERA, the BGS Auction Manager, at One Gateway Center, Suite 720, Newark, NJ 07102 (as per Bidder's instructions, the BGS Auction Manager holds the Letter of Credit for the benefit of all EDCs). The aggregate amount paid to the EDCs during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of each of the EDCs. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Representative of the BGS Auction Manager on behalf of the EDCs. An Authorized Representative of the BGS Auction Manager means any Vice President or Senior Vice President of NERA.

Very truly yours,

(Bank)

\_\_\_\_\_

By:\_\_\_\_\_

Name:

Title:

By:\_\_\_\_\_

Name:

Title:

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. Pursuant to Paragraph 2 of the Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ \_\_\_\_\_, inasmuch as the Bidder has \_\_\_\_\_ (state reason from conditions (a) – (c) of Paragraph 2).
3. The amounts to be received by each EDC are \$ \_\_\_\_\_ for ACE, \$ \_\_\_\_\_ for JCP&L, \$ \_\_\_\_\_ for PSE&G and \$ \_\_\_\_\_ for RECO.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

ACE

By \_\_\_\_\_

Name:

Title:

Date:

JCP&amp;L

By \_\_\_\_\_

Name:

Title:

Date:

PSE&amp;G

By \_\_\_\_\_

Name:

Title:

Date:

RECO

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_(Bidder)

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

ON [Business Day pursuant to Paragraph 4]

PAY TO: EDC (ACE or JCP&L or PSE&G or RECO)

Attn:

\$ \_\_\_\_\_

For credit to the account of \_\_\_\_\_.

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

(Bank)  
(U.S. address)

EDC (ACE or JCP&L or PSE&G or RECO)

By \_\_\_\_\_

Name:

Title:

Annex 3 to Letter of CreditCERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

ACE

By \_\_\_\_\_

Name:

Title:

Date:

JCP&amp;L

By \_\_\_\_\_

Name:

Title:

Date:

PSE&amp;G

By \_\_\_\_\_

Name:

Title:

Date:

RECO

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Bidder)

**Acceptable Modifications to the Pre-Auction Letter of Credit**

**Beneficiary - Original**

Letter of Credit No. \_\_\_\_\_

To: the Electric Distribution Companies (“EDCs”)  
c/o NERA Economic Consulting, Inc. (“NERA”)  
BGS Auction Manager  
One Gateway Center, Suite 720  
Newark, NJ 07102

The EDCs are all of the following:  
Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”)

**Acceptable Modifications to the Beneficiary**

B.1. Letter of Credit No. \_\_\_\_\_

To: the Electric Distribution Companies **referred to below** (“EDCs”)  
c/o NERA Economic Consulting, Inc. (“NERA”)  
BGS Auction Manager  
One Gateway Center, Suite 720  
Newark, NJ 07102

The EDCs are all of the following:  
Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”)

B.2. **Our** Letter of Credit No. \_\_\_\_\_

To: the Electric Distribution Companies (“EDCs”)  
c/o NERA Economic Consulting, Inc. (“NERA”)  
BGS Auction Manager  
One Gateway Center, Suite 720  
Newark, NJ 07102

The EDCs are all of the following:  
Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”)

***Paragraph 1 - Original***

1. We hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$ \_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_ (U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.

***Acceptable Modifications to Paragraph 1***

- 1.1. We hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$ \_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_ (U.S. address) and expiring on \_\_\_\_\_ ~~which is at least sixty (60) calendar days from date of issuance~~, unless terminated earlier in accordance with the provisions hereof or otherwise extended.

***NOTE: This modification is acceptable to the EDCs, PROVIDED THAT the date inserted is at least 60 calendar days from the date of issuance.***

- 1.2. We, [bank], hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$ \_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_ (U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.
- 1.3. We, [BANK NAME AND U.S. ADDRESS], hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$ \_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_ (U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.
- 1.4. We hereby establish in your favor this irrevocable Standby Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully

completed the Part 1 Application (the “Bidder”), in the amount of USD \$\_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_(U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.

- 1.5. We hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_ (the “Bidder”), whom we have been advised is an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application ~~(the “Bidder”)~~, in the amount of USD \$\_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our ~~counters~~office at \_\_\_\_\_(U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.
  
- 1.6. We, [bank], acting through its New York branch, hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$\_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at our counters at \_\_\_\_\_(U.S. address) and expiring on \_\_\_\_\_ which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.

*Paragraph 2 - Original*

2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate stating that the Bidder
- d) “has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules (the “Rules”);” or
  - e) “has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities (“Board”) as specified in the Rules”; or
  - f) “has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the Board as specified in the Rules.”

*Acceptable Modifications to Paragraph 2*

- 2.1. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate stating that the Bidder
- a) “has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in that certain—the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated that certain—the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules (the “Rules”);” or
  - b) “has a winning bid in that certain—the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute that certain—the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities (“Board”) as specified in the Rules”; or
  - c) “has a winning bid in that certain—the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of that certain—the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3)

business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the Board as specified in the Rules.”

2.2. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate stating that the Bidder

- a) “has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules ~~(the “Rules”)~~”; or
- b) “has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities ~~(“Board”)~~ as specified in the [BGS-FP/BGS-CIEP] Auction Rules”; or
- c) “has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities as specified in the [BGS-FP/BGS-CIEP] Auction Rules.”

2.3. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate stating that ~~the Bidder~~

- a) “the Bidder has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules (the “Rules”); or
- b) “the Bidder has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities (“Board”) as specified in the Rules”; or

- c) “the Bidder has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the Board as specified in the Rules.”
- 2.4. This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate stating that ~~the Bidder~~:
- a) “the Bidder has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules (the “Rules”); or
- b) “the Bidder has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities (“Board”) as specified in the Rules”; or
- c) “the Bidder has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the Board as specified in the Rules.”

***Paragraph 3 - Original***

3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, New York time) on such Business Day to \_\_\_\_\_ (Bank<sup>1</sup>), \_\_\_\_\_ (U.S. address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the EDCs. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

***Acceptable Modifications to Paragraph 3***

- 3.1. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, New York time) on such Business Day to \_\_\_\_\_ (Bank<sup>1</sup>), \_\_\_\_\_ (U.S. address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of ~~the EDCs~~ **each EDC**. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
- 3.2. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, ~~by no later than 11:00 A.M. (New York, New York time) on such Business Day~~ to \_\_\_\_\_ (Bank<sup>1</sup>), \_\_\_\_\_ (U.S. address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the EDCs. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.
- 3.3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, ~~by no later than 11:00 A.M. (New York, New York time) on such Business Day~~ **by no later than [TIME EQUIVALENT TO 11:00 A.M. NEW YORK, NEW YORK TIME] (New York, New York [CITY, STATE] time)** on such Business Day to \_\_\_\_\_ (Bank<sup>1</sup>), \_\_\_\_\_ (U.S. address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the EDCs.

<sup>1</sup> This Pre-Auction Letter of Credit must be issued by a United States commercial bank or a foreign commercial bank with U.S. branches that are subject to the jurisdiction of New York federal or state courts.

3.4. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer

*NOTE: Changes to the location of the issuing bank listed in Paragraph 3 are acceptable to the EDCs, PROVIDED THAT the issuing bank is located in the United States AND all times are adjusted to reflect Eastern Prevailing Time for issuing banks not located in the Pacific Time zone. For example: "10:00 A.M. (Chicago, Illinois time)."*

*For issuing banks located in the Pacific Time zone, the presentation of documents pursuant to Paragraph 3 may be adjusted to reflect 12:00 P.M. Eastern Prevailing Time; the transferring of funds immediately available to the EDCs may be adjusted to reflect 4:00 P.M. Eastern Prevailing Time. These adjustments may be made to ensure that all issuing banks have four (4) hours to process any drawing request received from the EDCs.*

3.5. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, New York time) on such Business Day to \_\_\_\_\_ (Bank <sup>1</sup>), \_\_\_\_\_ (U.S. address), (i) a notice in the form of Annex 1 hereto executed by an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the EDCs. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

*NOTE: This modification is acceptable to the EDCs, PROVIDED THAT the drawing of the issuing bank is located in the Eastern Time zone.*

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<sup>1</sup> This Pre-Auction Letter of Credit must be issued by a United States commercial bank or a foreign commercial bank with U.S. branches that are subject to the jurisdiction of New York federal or state courts.

*Paragraph 4 - Original*

4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 A.M. (New York, NY time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite documents is made on or after 11:00 A.M. (New York, NY time) on any Business Day pursuant to Paragraph 3 hereinabove.

*Acceptable Modifications to Paragraph 4*

- 4.1. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to your~~such~~ accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 A.M. (New York, NY time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite documents is made on or after 11:00 A.M. (New York, NY time) on any Business Day pursuant to Paragraph 3 hereinabove.
- 4.2. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to ~~such accounts at~~ such banks in the United States, for credit to such accounts thereat, as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing if delivery of all this~~requisite documents~~ is made prior to 11:00 A.M. (New York, NY time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of all the~~requisite documents~~ is made on or after 11:00 A.M. (New York, NY time) on any Business Day pursuant to Paragraph 3 hereinabove.
- 4.3. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York,

NY time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 A.M. (New York, NY time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day following next succeeding the date of such drawing if delivery of the requisite documents is made on or after 11:00 A.M. (New York, NY time) on any Business Day pursuant to Paragraph 3 hereinabove.

- 4.4. We hereby agree to honor a drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with your such drawing to such accounts at such banks in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. [TIME EQUIVALENT TO 3:00 P.M. NEW YORK, NEW YORK TIME] (~~New York, New York~~ [CITY, STATE] time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 A.M. (New York, New York [TIME EQUIVALENT TO 11:00 A.M. NEW YORK, NEW YORK TIME] [CITY, STATE] time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite documents is made on or after 11:00 A.M. [TIME EQUIVALENT TO 11:00 A.M. NEW YORK, NEW YORK TIME] (~~New York, New York~~ [CITY, STATE] time) on any Business Day pursuant to Paragraph 3 hereinabove.

*NOTE: Modifications to the issuing bank location listed in Paragraph 4 are acceptable to the EDCs, PROVIDED THAT the issuing bank is located in the United States AND all times are adjusted to reflect Eastern Prevailing Time for issuing banks not located in the Pacific Time zone.*

*For issuing banks located in the Pacific Time zone, the presentation of documents pursuant to Paragraph 3 may be adjusted to reflect 12:00 P.M. Eastern Prevailing Time; the transferring of funds immediately available to the EDCs may be adjusted to reflect 4:00 P.M. Eastern Prevailing Time. These adjustments may be made to ensure that all issuing banks have four (4) hours to process any drawing request received from the EDCs.*

*Paragraph 5 - Original*

5. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and stating that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.

*Acceptable Modifications to Paragraph 5*

- 5.1. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and stating that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made prior to or on the expiration date in accordance with the terms of this Letter of Credit.
- 5.2. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and stating that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit and within the validity of this Letter of Credit.

***Paragraph 6 - Original***

6. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.

***Acceptable Modifications to Paragraph 6***

- 6.1. This Letter of Credit shall automatically terminate ~~and be delivered to us for cancellation~~ on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.
- 6.2. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) ~~the making by you and~~ payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of Expiration in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.
- 6.3. ① This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of ~~Expiration~~ **Cancellation** in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.

**② A3.4.**

CERTIFICATE OF ~~EXPIRATION~~ **CANCELLATION**  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

*Please note that change ① to Paragraph 6 is only acceptable if change ② to Annex 3 is also made.*

***Paragraph 7 - Original***

7. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in New York, New York and any day on which payments can be effected on the Fedwire system.

***Acceptable Modifications to Paragraph 7***

- 7.1. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in New York, New York or Winston-Salem, North Carolina and any day on which payments can be effected on the Fedwire system.
- 7.2. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in New York, New York or Chicago, Illinois and any day on which payments can be effected on the Fedwire system.
- 7.3. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in New York, New York and/or Scranton, Pennsylvania and any day on which payments can be effected on the Fedwire system.
- 7.4. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in ~~New York, New York~~ San Francisco, California and any day on which payments can be effected on the Fedwire system.
- 7.5. As used herein:  
“Business Day” shall mean any day on which commercial banks are not authorized or required to close in ~~New York, New York~~ Houston, Texas and any day on which payments can be effected on the Fedwire system.
- 7.6. As used herein:  
“Bidder” shall mean [Bidder Name]

***Paragraph 8 - Original***

8. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 revision, ICC Publication No. 600, or any successor publication thereto (the “UCP”). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.

***Acceptable Modifications to Paragraph 8***

- 8.1. This Letter of Credit is not transferable, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 revision, ICC Publication No. 600, ~~or any successor publication thereto~~ (the “UCP”). All banking charges are for the account of the Bidder. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law.

*Paragraph 9 - Original*

9. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

*Acceptable Modifications to Paragraph 9*

- 9.1. This Letter of Credit sets forth in full our undertaking to you, but not any of our rights (whether under applicable law or otherwise), and such undertaking to you, but not any of our rights (whether under applicable law or otherwise) shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
- 9.2. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 3 hereto and the notices referred to herein and the UCP; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

***Paragraph 10 - Original***

10. We certify that as of \_\_\_\_\_(date) we \_\_\_\_\_  
("Bank") satisfy the senior unsecured debt rating of "A" from Standard & Poor's or  
"A2" from Moody's.

***Acceptable Modifications to Paragraph 10***

None.

***Paragraph 11 - Original***

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

***Acceptable Modifications to Paragraph 11***

- 11.1. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid ~~through~~ by us referencing this Letter of Credit No. \_\_\_\_\_. Partial drawings are permitted hereunder.
- 11.2. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. \_\_\_\_\_. Partial multiple drawings are permitted hereunder.

*Paragraph 12 - Original*

12. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_. Presentation by fax must be confirmed by telephone to our Standby Letter of Credit Unit at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

*Acceptable Modifications to Paragraph 12*

- 12.1. Faxed ~~document(s) are~~ presentation is acceptable. Presentation by fax must be made to fax number \_\_\_\_\_ [fax number] or such other fax number identified by [bank] in a written notice to you. Presentation by fax must be confirmed by telephone to our Standby Letter of Credit Unit at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.
- 12.2. Faxed ~~presentation of~~ document(s) ~~are~~ is acceptable. Presentation by fax must be made to fax number \_\_\_\_\_, or other such fax number identified by us in a written notice to you. Presentation by fax must be confirmed by telephone to our Standby Letter of Credit Unit at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.
- 12.3. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_. Presentation by fax must be confirmed by telephone to our Standby Letter of Credit ~~Unit~~ Department at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit ~~Unit~~ Department cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

12.4. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_; provided, however, that should this telephone number or email address change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number or email address at the time of fax presentation, the requirement of telephonic or email confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

***NOTE: This change is acceptable to the EDCs, PROVIDED THAT the email address listed is distributed to a departmental email address.***

12.5. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_; provided, however, that should ~~this~~ these telephone numbers change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above numbers at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

***NOTE: This change is acceptable to the EDCs, PROVIDED THAT multiple telephone numbers are provided.***

12.6. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

12.7. Faxed presentation of document(s) ~~are is~~ acceptable. Presentation by fax must be made to fax number \_\_\_\_\_. Presentation by fax must be confirmed by telephone to our Standby Letter of Credit Unit at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

***Paragraph 13 - Original***

13. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

***Acceptable Modifications to Paragraph 13***

- 13.1. Notwithstanding of Article 36 of the UCP, in-~~in~~ the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

*Paragraph 14 - Original*

14. This original Letter of Credit has been sent to NERA, the BGS Auction Manager, at One Gateway Center, Suite 720, Newark, NJ 07102 (as per Bidder's instructions, the BGS Auction Manager holds the Letter of Credit for the benefit of all EDCs). The aggregate amount paid to the EDCs during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of each of the EDCs. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Representative of the BGS Auction Manager on behalf of the EDCs. An Authorized Representative of the BGS Auction Manager means any Vice President or Senior Vice President of NERA.

*Acceptable Modifications to Paragraph 14*

- 14.1. This original Letter of Credit ~~has been~~ is being sent to NERA, the BGS Auction Manager, at One Gateway Center, Suite 720, Newark, NJ 07102 (as per Bidder's instructions, the BGS Auction Manager holds the Letter of Credit for the benefit of all EDCs). The aggregate amount paid to the EDCs during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of each of the EDCs. Acceptance or rejection of any amendments to this Letter of Credit must be signed by ~~an Authorized Representative of the BGS Auction Manager on behalf of the EDCs. An Authorized Representative of the BGS Auction Manager means~~ any Vice President or Senior Vice President of NERA.

*Acceptable Additional Paragraph 15*

15.1 Any demands or communications under this Standby Letter of Credit must be sent to: [bank] [U.S. address]. Telephone number is [number] or [number].

15.2 Any demands or communications under this Standby Letter of Credit must be sent to:

[Bank], [U.S. address] stating our Letter of Credit Number as it appears above. For telephone assistance, please contact the Standby Client Service Unit at [Number] or [Number], and have this Letter of Credit Number available.

15.3 Any demands or communications under this Standby Letter of Credit must be sent to [bank], [U.S. address], Telephone number [number]

*Signature Block - Original*

Very truly yours,  
(Bank)

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

*Acceptable Modifications to the Signature Block*

S.1.

~~Very truly yours,~~  
~~(Bank)~~

\_\_\_\_\_

~~By:~~ \_\_\_\_\_

~~Name:~~

~~Title:~~

~~By:~~ \_\_\_\_\_

~~Name:~~

~~Title:~~

Authorized Signor

S.2.

Very truly yours,  
(Bank)

\_\_\_\_\_

By: \_\_\_\_\_

Name:

Title:

~~By:~~ \_\_\_\_\_

~~Name:~~

~~Title:~~

S.3.

Very truly yours,  
(Bank)

\_\_\_\_\_  
By:\_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
By:\_\_\_\_\_

Name:

Title:

Certain administrative services for [BANK] may be provided by [BANK AFFILIATE], through its Canada branch, or any direct or indirect majority owned subsidiary of [BANK].

*Annex 1 – Original*

Annex 1 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. Pursuant to Paragraph 2 of the Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$\_\_\_\_\_, inasmuch as the Bidder has \_\_\_\_\_ (state reason from conditions (a) – (c) of Paragraph 2).
3. The amounts to be received by each EDC are \$\_\_\_\_\_ for ACE, \$\_\_\_\_\_ for JCP&L, \$\_\_\_\_\_ for PSE&G and \$\_\_\_\_\_ for RECO.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

ACE

By \_\_\_\_\_

Name:

Title:

Date:

JCP&amp;L

By \_\_\_\_\_

Name:

Title:

Date:

PSE&amp;G

By \_\_\_\_\_

Name:

Title:

Date:

RECO

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_(Bidder)

*Acceptable Modifications to Annex 1*

**A1.1.**

To: (Bank)  
(U.S. address)

Attention: Manager Standby Letter of Credit ~~Unit~~ Department

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit;
2. Pursuant to Paragraph 2 of the Letter of Credit ~~No. \_\_\_\_\_,~~ dated \_\_\_\_\_, 20\_\_, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ \_\_\_\_\_, inasmuch as the Bidder has \_\_\_\_\_ (state reason from conditions (a) – (c) of Paragraph 2).
3. The amounts to be received by each EDC are \$ \_\_\_\_\_ for ACE, \$ \_\_\_\_\_ for JCP&L, \$ \_\_\_\_\_ for PSE&G and \$ \_\_\_\_\_ for RECO.
4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

~~ACE~~ ATLANTIC CITY ELECTRIC COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

~~JCP&L~~ JERSEY CENTRAL POWER & LIGHT COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

~~PSE&G~~ PUBLIC SERVICE ELECTRIC AND GAS

COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

~~RECO~~ ROCKLAND ELECTRIC COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Bidder)

**A1.2.**

2. Pursuant to Paragraph 2 of the Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, the undersigned are entitled to make a drawing under the Letter of Credit in the amount of \$ \_\_\_\_\_, inasmuch as ~~Insert the Bidder has~~ ~~(state reason from conditions (a) — (c) of the quoted~~ ~~wording after (a), (b) or (c) in~~ Paragraph 2) of the Letter of Credit].

**A1.3.**

4. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to ~~this~~ such drawing.

**A1.4.**

3. The amounts to be received by each Electric Distribution Company ~~EDC~~ are \$ \_\_\_\_\_ for Atlantic City Electric Company ~~ACE~~, \$ \_\_\_\_\_ for Jersey Central Power & Light Company ~~JCP&L~~, \$ \_\_\_\_\_ for Public Service Electric & Gas Company ~~PSE&G~~ and \$ \_\_\_\_\_ for Rockland Electric Company ~~RECO~~.

**A1.5.**

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit Unit Section

*Annex 2 – Original*

Annex 2 to Letter of Credit

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

ON [Business Day pursuant to Paragraph 4]

PAY TO: EDC (ACE or JCP&L or PSE&G or RECO)

Attn:

\$ \_\_\_\_\_

For credit to the account of \_\_\_\_\_.

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

(Bank)

(U.S. address)

EDC (ACE or JCP&L or PSE&G or RECO)

By \_\_\_\_\_

Name:

Title:

*Acceptable Modifications to Annex 2***A2.1.**

ON [Business Day pursuant to Paragraph 4]

**PAY TO:** ~~EDC (ACE or JCP&L or PSE&G or RECO)~~  
[Atlantic City Electric Company][Jersey Central Power & Light Company][Public  
Service Electric and Gas Company][Rockland Electric Company]

**A2.2.**

~~EDC (ACE or JCP&L or PSE&G or RECO)~~  
[ATLANTIC CITY ELECTRIC  
COMPANY][JERSEY CENTRAL POWER &  
LIGHT COMPANY][PUBLIC SERVICE  
ELECTRIC AND GAS  
COMPANY][ROCKLAND ELECTRIC  
COMPANY]

By \_\_\_\_\_

Name:

Title:

*Annex 3 – Original*

Annex 3 to Letter of Credit

CERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

ACE

By \_\_\_\_\_

Name:

Title:

Date:

JCP&L

By \_\_\_\_\_

Name:

Title:

Date:

PSE&G

By \_\_\_\_\_

Name:

Title:

Date:

RECO

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Bidder)

*Acceptable Modifications to Annex 3*

**A3.1.** The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said original Letter of Credit and all amendments attached thereto, marked cancelled.

**A3.2.** The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said Letter of Credit and any amendments thereto, marked cancelled.

**A3.3.**

To: (Bank)  
(U.S. address)

Attention: Manager Standby Letter of Credit ~~Unit~~ Department

Ladies and Gentlemen:

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

~~ACE~~ ATLANTIC CITY ELECTRIC COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

~~JCP&L~~ JERSEY CENTRAL POWER & LIGHT COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

~~PSE&G~~ PUBLIC SERVICE ELECTRIC AND GAS COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

~~RECO~~ ROCKLAND ELECTRIC COMPANY

By \_\_\_\_\_

Name:

Title:

Date:

**A3.4. ①** CERTIFICATE OF ~~EXPIRATION~~ CANCELLATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

*Please note that change ① to Annex 3 is only acceptable if change ② to terminology Paragraph 6 is also made:*

- 6.4. ② This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you and payment by us of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we receive from you a Certificate of ~~Expiration~~ Cancellation in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

**A3.5**

To: (Bank)  
(U.S. address)

Attention: Standby Letter of Credit ~~Unit~~ Section

**A3.6.** The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said original Letter of Credit and any amendments attached thereto, marked cancelled.

**Additional Acceptable Modifications to the Pre-Auction Letter of Credit**

Please note that the following changes to the pre-auction letter of credit are acceptable to the EDCs, PROVIDED THAT the terms “Confirming Bank” and “Presentation Office” are carried through the entire pre-auction letter of credit by including all the changes listed below.

***Paragraph 1***

We hereby establish in your favor this irrevocable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_, an Applicant to the Part 2 Application process of the BGS Auction(s) who has successfully completed the Part 1 Application (the “Bidder”), in the amount of USD \$\_\_\_\_\_, effective immediately and available to you at sight upon demand by all of you at ~~our the~~ counters at \_\_\_\_\_ (U.S. address) and expiring on \_\_\_\_\_ of [bank] (the “Confirming Bank”) at [U.S. address] (the “Presentation Office”) and expiring at the Confirming Bank on \_\_\_\_\_, which is at least sixty (60) calendar days from date of issuance, unless terminated earlier in accordance with the provisions hereof or otherwise extended.

***Paragraph 2***

This Letter of Credit is issued at the request of the Bidder, and we hereby irrevocably authorize you to draw on ~~us~~ the Confirming Bank, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in Paragraph 11 hereof. This Letter of Credit may be drawn by presenting documents required in Paragraph 3 hereof and your certificate ~~stating that the Bidder~~ to the Confirming Bank in the form of Annex 1 to this Letter of Credit using the following wording in item (2) of such certificate (with instructions in brackets in the following wording complied with):

- a) “the Bidder has made a material omission or misrepresentation in the Part 1 Application or the Part 2 Application submitted to participate in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction; or has violated the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction Rules (the “Rules”); or
- b) “the Bidder has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to execute the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the New Jersey Board of Public Utilities (“Board”) as specified in the Rules”; or
- c) “the Bidder has a winning bid in the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction and has failed to meet the creditworthiness requirements of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Supplier Master Agreement within three (3) business days of the certification of the \_\_\_\_\_ [BGS-FP/BGS-CIEP] Auction results by the Board as specified in the Rules.”

**Paragraph 3**

A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (~~New York, New York~~ San Francisco, California time<sup>1</sup>) on such Business Day to (Bank),  
~~(address)~~ the Confirming Bank at the Presentation Office, (i) a notice in the form of Annex 1 hereto (with instructions therein in brackets complied with) indicating that it is executed by ~~an Authorized Officer of each EDC and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by an Authorized Officer of the EDCs. Authorized Officer shall mean~~ President, Treasurer, any Vice President or any Assistant Treasurer of each EDC and (ii) one or more of your drafts in the form of Annex 2 hereto (with instructions therein in brackets complied with), each appropriately completed and indicating that it is signed by the President, Treasurer, any Vice President or any Assistant Treasurer of one of the EDCs.

**Paragraph 4**

We hereby agree ~~to~~ that the Confirming Bank will honor ~~a each~~ drawing hereunder made in compliance with the terms and conditions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to ~~us~~ the Confirming Bank in connection with such drawing to such accounts at such banks in the United States as you may specify in your draft delivered to ~~us~~ the Confirming Bank pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, New York time) on the date of such drawing if delivery of this requisite document is made prior to 11:00 A.M. (New York, New York time) on a Business Day pursuant to Paragraph 3 hereinabove, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite documents is made on or after 11:00 A.M. (New York, New York time) on any Business Day pursuant to Paragraph 3 hereinabove.

**Paragraph 5**

If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, ~~we~~ the Confirming Bank shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the ~~documents~~ drawing by the Confirming Bank) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons why the demand for payment was not so effected, and stating that ~~we~~ the Confirming Bank will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made to the Confirming Bank in accordance with the terms of this Letter of Credit.

**Paragraph 6**

This Letter of Credit shall automatically ~~terminate and be delivered to us for cancellation~~ expire at the Presentation Office and be returned to the Confirming Bank at the Presentation Office on the earliest of (i) ~~the making by you and payment by us the Confirming Bank of the drawings presented by you under this Letter of Credit~~ in an amount equal to the maximum amount available to be ~~made drawn~~ hereunder, (ii) the date ~~we receive the Confirming Bank receives at the Presentation Office~~ from you a Certificate of ~~Expiration Cancellation~~ in the form of Annex 3 hereto, (iii) the above-stated expiration date hereof.

**Paragraph 10**

We certify that as of \_\_\_\_\_ (date) ~~we~~ \_\_\_\_\_ ~~(“Bank”) satisfy the Confirming Bank satisfies~~ the senior unsecured debt rating of “A” from Standard & Poor’s or “A2” from Moody’s.

**Paragraph 11**

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

**Paragraph 12**

Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_ of the Confirming Bank. Presentation by fax must be confirmed by telephone to ~~our~~ its Standby Letter of Credit Unit at \_\_\_\_\_; provided, however, that should this telephone number change or become invalid such that the Standby Letter of Credit Unit cannot be reached by you at the above number at the time of fax presentation, the requirement of telephonic confirmation shall be waived and the faxed document(s) shall be considered operative and valid without such confirmation.

**Paragraph 13**

In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond ~~our~~ the Confirming Bank’s control, that interrupts ~~our~~ the Confirming Bank’s business, and causes ~~the place for presentation of this Letter of Credit Presentation Office~~ to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after ~~the place for presentation~~ Presentation Office reopens for business.

**Paragraph 14**

This original Letter of Credit has been sent to NERA, ~~the BGS Auction Manager,~~ at One Gateway Center, Suite 720, Newark, NJ 07102 (~~as per Bidder has informed us~~ that in accordance with Bidder's instructions, the BGS Auction Manager holds the Letter of Credit for the benefit of all EDCs). The aggregate amount paid to the EDCs during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes ~~or~~ must indicate that they are signed by an officer of each of the EDCs indicated on such Annexes, and all other communications directed to ~~us~~ the Confirming Bank under this Letter of Credit must be signed by an Authorized Officer of each of the EDCs indicated in such communications. ~~Acceptance~~ Your acceptance or rejection of any amendments to this Letter of Credit must ~~be signed by an Authorized Representative of the BGS Auction Manager on behalf of the EDCs.~~ An Authorized Representative of the BGS Auction Manager means any indicate that they are signed by a Vice President or Senior Vice President of NERA on behalf of the EDCs.

**Annex 2**

To: (Bank)  
(U.S. address)

ON [Insert] Business Day pursuant to Paragraph 4 of the Letter of Credit]

PAY TO: ~~EDC~~ (Insert one of ACE or JCP&L or PSE&G or RECO)]

Attn:

\$ \_\_\_\_\_

For credit to ~~the~~ account number of \_\_\_\_\_ of [Insert ACE or JCP&L or PSE&G or RECO] at [Insert Wire Remittance Instructions].

FOR VALUE RECEIVED AND CHARGE TO ~~ACCOUNT OF~~ LETTER OF CREDIT NO. \_\_\_\_\_ OF

(Bank)  
(U.S. address)

CONFIRMED BY [bank] UNDER ITS CONFIRMATION NUMBER

\_\_\_\_\_

~~EDC~~ (Insert one of ACE or JCP&L or PSE&G or RECO)]

By \_\_\_\_\_  
Name:  
Title:

## F.2. Other Credit Documents for the Application Process

This section presents the Letter of Intent to Provide a Guaranty, Sample Letters of Reference, and the Bid Bond.

### F.2.a. Letter of Intent to Provide a Guaranty

To: EDCs \_\_\_\_\_ (Date)

(Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”))

Ladies and Gentlemen,

We have been asked to provide a financial guaranty on behalf of \_\_\_\_\_ (“Bidder”) should Bidder become a BGS-FP Supplier pursuant to their bid in the New Jersey Auction for Basic Generation Service Fixed-Price (“BGS-FP Auction”).

Our relationship with Bidder is that of \_\_\_\_\_ (parent, affiliate, etc.). Our senior unsecured debt rating meets the Minimum Rating as defined in the BGS-FP Supplier Master Agreement.

We have confidence in Bidder’s management and in their project development, implementation and operational capabilities.

Should there be no material change in affairs, we would consider providing a financial guaranty on behalf of Bidder, such that our liability does not exceed \$\_\_\_\_\_ (amount). We understand that this amount would be in excess of the amount of any guaranty that we have provided on behalf of Bidder to any one of the EDCs under BGS Supplier Master Agreements currently in force. This letter, however, should not and cannot be taken as an indication of financing commitment of any kind whatsoever, or an absolute commitment to provide a financial guaranty.

Please feel free to call us if you require any additional information.

Sincerely,

\_\_\_\_\_  
PRINT FULL NAME (Guarantor)

\_\_\_\_\_  
TITLE and COMPANY (Guarantor)

\_\_\_\_\_  
Authorized Signature (Guarantor)

Ladies and Gentlemen,

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

\_\_\_\_\_  
PRINT FULL NAME (Bidder)

\_\_\_\_\_  
TITLE and COMPANY (Bidder)

\_\_\_\_\_  
Authorized Signature (Bidder)

**F.2.b. Samples for Letter of Reference**Sample 1

\_\_\_\_\_ (Date)

Letter of Reference No. \_\_\_\_\_

To: EDCs

(Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”))

Ladies and Gentlemen,

We \_\_\_\_\_ (“Bank”) are currently the agent on a \$\_\_\_\_\_ (amount) revolving credit facility to \_\_\_\_\_ (“Bidder”). At this time, there is sufficient unused availability under the credit facility to issue a letter of credit in the amount of \$\_\_\_\_\_ (amount) on behalf of Bidder in support of their bid in the New Jersey Basic Generation Service Fixed-Price (“BGS-FP”) Auction.

We have had a relationship with Bidder since \_\_\_\_\_ (date). Our relationship with Bidder remains in good standing.

We certify that we \_\_\_\_\_ (“Bank”) satisfy the senior unsecured debt rating of “A” from Standard & Poor’s or “A2” from Moody’s.

Please feel free to call us if you require any additional information.

Sincerely,

\_\_\_\_\_  
PRINT FULL NAME (Bank)\_\_\_\_\_  
TITLE and COMPANY (Bank)\_\_\_\_\_  
Authorized Signature (Bank)

Ladies and Gentlemen,

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

\_\_\_\_\_  
PRINT FULL NAME (Bidder)\_\_\_\_\_  
TITLE and COMPANY (Bidder)\_\_\_\_\_  
Authorized Signature (Bidder)

Sample 2

\_\_\_\_\_ (Date)

Letter of Reference No. \_\_\_\_\_

To: EDCs

(Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company, (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”))

Ladies and Gentlemen:

We \_\_\_\_\_ (“Bank”) are currently the Agent on the Credit Agreements to \_\_\_\_\_ (“Bidder”). Bidder has \_\_\_\_\_ (amount) of unused credit facilities at our bank available for borrowing under the terms and conditions of these credit agreements. Such a loan could be used as a cash deposit in support of Bidder’s bid in the Basic Generation Service Fixed-Price (“BGS-FP”) Auction.

We have had a relationship with Bidder since \_\_\_\_\_ (date). Our relationship with Bidder remains in good standing.

We certify that we \_\_\_\_\_ (“Bank”) satisfy the senior unsecured debt rating of “A” from Standard & Poor’s or “A2” from Moody’s.

Please feel free to call us if you require any additional information.

Sincerely,

\_\_\_\_\_  
PRINT FULL NAME (Bank)

\_\_\_\_\_  
TITLE and COMPANY (Bank)

\_\_\_\_\_  
Authorized Signature (Bank)

Ladies and Gentlemen,

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

\_\_\_\_\_  
PRINT FULL NAME (Bidder)

\_\_\_\_\_  
TITLE and COMPANY (Bidder)

\_\_\_\_\_  
Authorized Signature (Bidder)

Sample 3

\_\_\_\_\_ (Date)

Letter of Reference No. \_\_\_\_\_

To: EDCs

(Atlantic City Electric Company (“ACE”) and Jersey Central Power & Light Company (“JCP&L”) and Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”))

Ladies and Gentlemen,

We have been asked to provide a letter of reference on behalf of \_\_\_\_\_ (“Bidder”) relative to their intentions to bid in the New Jersey Auction for Basic Generation Service Fixed-Price (“BGS-FP Auction”).

We have confidence in Bidder’s management and in their project development, implementation and operational capabilities. Our relationship with Bidder has been extensive and has included involvement in a credit facility for \$\_\_\_\_\_ (amount) with aggregate lending commitments in excess of \$\_\_\_\_\_ (amount).

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

We certify that we \_\_\_\_\_ (“Bank”) satisfy the senior unsecured debt rating of “A” from Standard & Poor’s or “A2” from Moody’s.

Please feel free to call us if you require any additional information.

Sincerely,

\_\_\_\_\_  
PRINT FULL NAME (Bank)\_\_\_\_\_  
TITLE and COMPANY (Bank)\_\_\_\_\_  
Authorized Signature (Bank)

Ladies and Gentlemen,

We \_\_\_\_\_ (“Bidder”) certify that we have obtained this letter of intent in good faith, and that we know of no action on our part that would significantly impair \_\_\_\_\_ (“Bank”)’s assessment or its ability to provide us with the support described above.

\_\_\_\_\_  
PRINT FULL NAME (Bidder)\_\_\_\_\_  
TITLE and COMPANY (Bidder)\_\_\_\_\_  
Authorized Signature (Bidder)

### F.2.c. Sample Bid Bond

#### BY THIS BOND

\_\_\_\_\_ as Principal (“the Principal”), and

Name of Bidder

\_\_\_\_\_  
Name of Surety

\_\_\_\_\_  
Legal Title of Surety

\_\_\_\_\_  
Address of Surety

as Surety (“the Surety”), are held and firmly bound unto Atlantic City Electric Company (“ACE”), Jersey Central Power & Light Company (“JCP&L”), Public Service Electric and Gas Company (“PSE&G”), and Rockland Electric Company (“RECO”), each individually an “EDC”, or collectively “the EDCs”, as Obligees in the sum of \_\_\_\_\_ (“the Bond Penalty”), for the payment of which sum, well and truly to be made, we, the said Principal and Surety, bind ourselves, our successors and assigns, jointly and severally, firmly by these presents.

WHEREAS the Principal (a) has submitted a Part 1 Application, dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, to the Auction Manager acting on behalf of the EDCs, to become a Qualified Bidder in the Auction Process for the provision of Fixed-Price/Commercial and Industrial Energy Pricing Basic Generation Service (the “BGS-FP/CI EP Auction”); (b) is submitting a Part 2 Application, dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_, to the Auction Manager acting on behalf of the EDCs, to become a Registered Bidder in the BGS-FP/CI EP Auction, and has thereby indicated its intention to submit legally binding bids to serve full requirements tranches of BGS-FP/CI EP Load (the “Bid”); (c) is in compliance with the Association and Confidential Information Rules; (d) has agreed to be bound by the BGS-FP/CI EP Auction Rules (the “Rules”); and (e) has agreed to the terms of the BGS-FP/CI EP Supplier Master Agreement.

NOW, THEREFORE, THE CONDITION OF THIS OBLIGATION is such that if the Principal:

1. has made any omission or misrepresentation in its application to participate in the BGS-FP/CI EP Auction (Part 1 Application or Part 2 Application), or has violated the Rules, and such omission, misrepresentation or violation materially affects the determination of the winning bids in the BGS-FP/CI EP Auction; or
2. has a winning bid in the BGS-FP/CI EP Auction and fails to execute the BGS-FP/CI EP Supplier Master Agreement within three (3) business days of the certification of the BGS-FP/CI EP Auction results by the New Jersey Board of Public Utilities (the “Board”) as specified in the Rules; or
3. has a winning bid in the BGS-FP/CI EP Auction and fails to meet the creditworthiness requirements of the BGS-FP/CI EP Supplier Master Agreement within three (3) business days of the certification of the BGS-FP/CI EP Auction results by the Board as specified in the Rules;

then within two (2) business days of receipt of written demand from any one or more of the four EDCs, the Principal shall pay, in immediately available funds, the demanded portion of the Bond Penalty, up to its full amount. The written demand of an EDC shall include (a) the dollar amount to be forfeited; (b) a statement that the demand arises from the occurrence of one or more of the above conditions, specifying which condition or conditions has or have occurred; and (c) the demanding EDC’s banking instructions for payment. Payment shall be made in accordance with such banking instructions. All four EDCs may make a request for payment and the amount requested by all four EDCs combined shall in no event exceed the Bond Penalty. Any demand to

the Principal for payment of all or part of the Bond Penalty must be dated and sent by overnight courier not later than eight (8) business days after the date the Board has certified the BGS-FP/CIEP Auction results or has rejected the Bid.

If the Principal refuses to make payment or fails to make payment within two (2) business days of receipt of written demand in accordance with the terms set out above, then any one or more of the EDCs may make demand upon the Surety. Within two (2) business days of receipt of written demand from any one or more of the four EDCs, the Surety shall pay, in immediately available funds, the demanded portion of the Bond Penalty, up to its full amount. The written demand of an EDC shall include (a) a copy of the demand sent to the Principal; (b) a statement that the demand on the Surety arises from the Principal's refusal to pay or failure to pay within two (2) business days. Payment shall be made in accordance with the EDC's or EDCs' banking instructions in the demand to the Principal. All four EDCs may make a request for payment and the amount requested by all four EDCs combined shall in no event exceed the Bond Penalty. Any demand to the Surety for payment of all or part of the Bond Penalty must be dated and sent by overnight courier not later than thirteen (13) business days after the date the Board has certified the BGS-FP/CIEP Auction results or has rejected the Bid.

The Surety and the Principal hereby agree that their obligation will remain in full force for sixty (60) calendar days after the date of execution of this Bond.

Thereafter this Bond shall be void.

This Bond shall be construed and interpreted in accordance with and governed by the laws of the State of New York, without regard to choice-of-law principles.

Any controversy or claim arising out of or relating to this Bond or the breach thereof shall be settled by arbitration administered by the American Arbitration Association as set forth in Appendix A.

IN TESTIMONY WHEREOF, the Principal and the Surety have caused these presents to be executed in their respective names this \_\_\_\_ day of \_\_\_\_\_ 20\_\_.

Principal: \_\_\_\_\_  
Corporate Seal (where appropriate)

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

Surety: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

I hereby certify that the Surety has an insurer financial strength rating of at least "A" by Standard & Poor's or insurance financial strength rating of at least "A2" by Moody's.

Surety: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed name and title

## Appendix A: ARBITRATION

The parties signed below agree that any controversy or claim arising out of or relating to the foregoing Bond or the breach thereof shall be settled by arbitration administered by the American Arbitration Association (“AAA”) in accordance with its Commercial Arbitration Rules, and judgment on the award rendered by the arbitrator may be entered in United States District Court for the District of New Jersey. The AAA shall appoint a single neutral arbitrator. The place of arbitration shall be the State of New Jersey. The expenses of witnesses for either side shall be paid by the party producing such witnesses. All other expenses of the arbitration, including required travel and other expenses of the arbitrator, AAA representatives, and any witness and the cost of any proof produced at the direct request of the arbitrator, shall be borne by the party initiating the arbitration. Any award by the arbitrator shall be limited to the Bond Penalty for which a written demand is received from the EDC or EDCs as described above in the Bond. The EDCs, the Principal, and the Surety are bound, each to each other, by this agreement. Each such party agrees that it may be joined as an additional party to an arbitration involving other parties under this clause. If more than one arbitration is begun under this agreement and any party contends that two or more arbitrations are substantially related and that the issues should be heard in one proceeding, the arbitrator in the first-filed of such proceedings shall determine whether, in the interests of justice and efficiency, the proceedings should be consolidated before that arbitrator.

Principal: \_\_\_\_\_

Corporate Seal (where appropriate)

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

\_\_\_\_\_  
Date

ACE: \_\_\_\_\_

Corporate Seal (where appropriate)

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

\_\_\_\_\_  
Date

PSE&G: \_\_\_\_\_

Corporate Seal (where appropriate)

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

\_\_\_\_\_  
Date

Surety: \_\_\_\_\_

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

\_\_\_\_\_  
Date

JCP&L: \_\_\_\_\_

Corporate Seal (where appropriate)

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

\_\_\_\_\_  
Date

RECO: \_\_\_\_\_

Corporate Seal (where appropriate)

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Printed name and title

\_\_\_\_\_  
Date

### **F.3. Post-Auction Letter of Credit**

Potential bidders had an opportunity to submit comments on the draft post-auction letter of credit. The post-auction letter of credit was modified on the basis of bidder comments. The final version of the post-auction letter of credit, along with a list of acceptable modifications that Suppliers can adopt on an optional basis, is provided below.

**Form of the Final Post-Auction Letter of Credit**

\_\_\_\_\_ (Date)

Letter of Credit No. \_\_\_\_\_

To: [One of the following:

Atlantic City Electric Company (“ACE”) or Jersey Central Power & Light Company (“JCP&L”) or Public Service Electric and Gas Company (“PSE&G”) or Rockland Electric Company (“RECO”)]

1. We hereby establish in your favor this irrevocable transferable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_ (the “Applicant”), in the amount of \$\_\_\_\_\_, effective immediately and available to you at sight upon demand at our counters at \_\_\_\_\_ (Location). This Letter of Credit shall expire 364 days from date of issuance, unless terminated earlier or otherwise extended in accordance with the provisions hereof. It is a condition of this Letter of Credit that it shall be deemed automatically extended, without amendment, for additional period(s) of 364 days from the expiry date hereof, or any future expiration date unless at least ninety (90) days before its current expiration date, we send notice to you in writing by registered mail or overnight courier at the address above, ATTN.: [Title] and to the Applicant, that we do not intend to extend this letter of credit.
2. This Letter of Credit is issued at the request of the Applicant, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in paragraph 12 hereof. This Letter of Credit may be drawn upon an Event of Default under the BGS-FP Supplier Master Agreement(s) between the Applicant and you, dated \_\_\_\_\_ and the BGS-CIEP Supplier Master Agreement(s) between the Applicant and you, dated \_\_\_\_\_.
3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, NY time<sup>1</sup>) on such Business Day to \_\_\_\_\_ (Bank), \_\_\_\_\_ (address), (i) a notice executed by you in the form of Annex 1 hereto, appropriately completed and duly signed by your Authorized Officer and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by your Authorized Officer. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

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

4. We may, but shall not be obligated to, accept any request to issue a substitute Letter of Credit. Such request shall be in an Availability Certificate in the form of Annex 3 hereto by you to us for exchange for a new Letter of Credit in the amount set forth in an Availability Certificate, which amount shall not exceed the present value of this Letter of Credit. Upon acceptance by us of any such request to issue a substitute Letter of Credit for exchange, the new Letter of Credit shall be issued in the amount as set forth in the Availability Certificate.
5. We hereby agree to honor a drawing hereunder made in compliance with the terms and provisions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such account at such bank in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing, if delivery of this requisite document is made prior to 11:00 AM (New York, NY time) on a Business Day pursuant to Paragraph 3 herein above, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (New York, NY time) on any Business Day pursuant to Paragraph 3 herein above.
6. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons that the demand for payment was not effected in accordance with such terms and conditions, and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.
7. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we issue a new letter of credit in exchange for this Letter of Credit in accordance with Paragraph 4 herein above, (iii) the date we receive from you a Certificate of Expiration in the form of Annex 4 hereto, or (iv) the above-stated expiration date hereof.
8. As used herein:  
“Availability Certificate” shall mean a certificate substantially in the form of Annex 3 hereto, appropriately completed and duly signed by your authorized officer.

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

9. This Letter of Credit is transferable one or more times, but in each instance only to a single transferee for the full amount available to be drawn under the Letter of Credit at the time of such transfer. Such transfer shall be effected by us upon your submission of this Letter of Credit including all amendments, if any, accompanied by the Letter of Full Transfer substantially in the form of Annex 5. This Letter of Credit may not be transferred to any person with which the United States are prohibited from doing business under the United States Foreign Assets Control Regulations or other applicable United States laws and regulations. Except for such transfer, this Letter of Credit may not otherwise be amended or modified without consent from us, you and the Applicant, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 Revision, ICC Publication No. 600, or any successor publication thereto (the “UCP”). Any and all transfer fees, expenses and costs shall be borne by the Applicant. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law. Transfer fees shall be borne by the Applicant.
10. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 5 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.
11. We certify that as of \_\_\_\_\_(date) we \_\_\_\_\_ (“Bank”) satisfy the senior unsecured debt rating of “A” from Standard & Poor’s Ratings Services or “A2” from Moody’s Investors Service Inc.
12. The amount which may be drawn by you under this Letter of Credit shall be automatically reduced by the amount of any drawings paid through us referencing this Letter of Credit No. \_\_\_\_\_. Partial drawings are permitted hereunder.
13. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_ confirmed by telephone to \_\_\_\_\_.
14. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

15. This original Letter of Credit has been sent to the beneficiary EDC located at \_\_\_\_\_ above (as per Applicant's instructions). The aggregate amount paid to the EDC during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of the EDC. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Officer of the EDC.

Very truly yours,  
(Bank)

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

**Annex 1 to Letter of Credit**

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit.
2. “Pursuant to Paragraph 2 of the Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, the undersigned is entitled to make a drawing under the Letter of Credit in the amount of \$\_\_\_\_\_, inasmuch as there is an Event of Default under any BGS Supplier Master Agreement between the Applicant and us.
3. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

EDC name

By \_\_\_\_\_  
Name:  
Title:  
Date:

cc: \_\_\_\_\_ (Applicant)

**Annex 2 to Letter of Credit**

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

ON [Business Day immediately succeeding date of presentation]

PAY TO: EDC

Attn:

\$ \_\_\_\_\_

For credit to the account of \_\_\_\_\_.

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

(Bank)

(Address)

EDC

By \_\_\_\_\_

Name:

Title:

### Annex 3 to Letter of Credit

AVAILABILITY CERTIFICATE  
UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_\_\_  
To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

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

EDC  
Address

Very truly yours,

EDC  
By \_\_\_\_\_  
Name:  
Title:  
Date:

APPLICANT NAME

By: \_\_\_\_\_  
Name:  
Title:  
Date:

Agreed and Accepted:  
(Bank)

By \_\_\_\_\_  
Name:  
Title:  
Date:

**Annex 4 to Letter of Credit**

CERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

EDC

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Applicant Name)

**Annex 5 to Letter of Credit**

## LETTER OF FULL TRANSFER

\_\_\_\_\_, 20\_\_

Bank

Bank Address

To Whom It May Concern:

Re: Credit \_\_\_\_\_

Issued by \_\_\_\_\_

Advice No \_\_\_\_\_

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

\_\_\_\_\_  
(Name of Transferee)\_\_\_\_\_  
(Address)

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

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

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

Enclosed is remittance in the amount of \$\_\_\_\_\_ in payment of your transfer commission and in addition we agree to pay to you on demand any expenses that may be incurred by you in connection with this transfer.

Transfer Commission Charges

\_\_\_\_\_  
\_\_\_\_\_

SIGNATURE AUTHENTICATED  
The signatory/ies of this concern  
is/are authorized to withdraw  
corporate funds.

\_\_\_\_\_  
(BANK)

\_\_\_\_\_  
(Authorized Signature)

SIGNATURE AUTHENTICATED  
The signatory/ies of this concern  
is/are authorized to withdraw  
corporate funds.

\_\_\_\_\_  
(BANK)

\_\_\_\_\_  
(Authorized Signature)

Yours very truly,

\_\_\_\_\_  
Signature of Beneficiary

\_\_\_\_\_  
Signature of Transferee

**Acceptable Modifications to the Post-Auction Letter of Credit**

***Beneficiary - Original***

APPENDIX \_\_\_\_ [C/B]

TO \_\_\_\_\_ [BGS-FP/BGS-CIEP] SUPPLIER MASTER AGREEMENT,  
DATED \_\_\_\_\_,  
BY AND BETWEEN \_\_\_\_\_ [ACE/JCP&L/PSE&G/RECO]  
AND THE \_\_\_\_\_ [BGS-FP/BGS-CIEP] SUPPLIERS

\_\_\_\_\_ (Date)

Letter of Credit No. \_\_\_\_\_

To: \_\_\_\_\_  
[One of the following: Atlantic City Electric Company (“ACE”) or Jersey Central Power & Light Company (“JCP&L”) or Public Service Electric and Gas Company (“PSE&G”) or Rockland Electric Company (“RECO”)]

***Acceptable Modifications to the Beneficiary***

None.

***Paragraph 1 - Original***

1. We hereby establish in your favor this irrevocable transferable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_ (the “Applicant”), in the amount of \$\_\_\_\_\_, effective immediately and available to you at sight upon demand at our counters at \_\_\_\_\_ (Location). This Letter of Credit shall expire 364 days from date of issuance, unless terminated earlier or otherwise extended in accordance with the provisions hereof. It is a condition of this Letter of Credit that it shall be deemed automatically extended, without amendment, for additional period(s) of 364 days from the expiry date hereof, or any future expiration date unless at least ninety (90) days before its current expiration date, we send notice to you in writing by registered mail or overnight courier at the address above, ATTN.: [Title] and to the Applicant, that we do not intend to extend this letter of credit.

***Acceptable Modifications to Paragraph 1***

- 1.1. We hereby establish in your favor this irrevocable transferable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_ (the “Applicant”), in the amount of \$USD \_\_\_\_\_, effective immediately and available to you at sight upon demand at our counters at \_\_\_\_\_ (Location). This Letter of Credit shall expire 364 days from date of issuance, unless terminated earlier or otherwise extended in accordance with the provisions hereof. It is a condition of this Letter of Credit that it shall be deemed automatically extended, without amendment, for additional period(s) of 364 days from the expiry date hereof, or any future expiration date unless at least ninety (90) days before its current expiration date, we send notice to you in writing by registered mail or overnight courier at the address above, ATTN.: [Title] and to the Applicant, that we do not intend to extend this letter of credit.
- 1.2 We hereby establish in your favor this irrevocable transferable Letter of Credit (this “Letter of Credit”) for the account of \_\_\_\_\_ (the “Applicant”), in the amount of \$\_\_\_\_\_, effective immediately and available to you at sight upon demand at our counters at \_\_\_\_\_ (Location). This Letter of Credit shall expire 364 days from date of issuance, unless terminated earlier or otherwise extended in accordance with the provisions hereof. It is a condition of this Letter of Credit that it shall be deemed automatically extended, without amendment, for additional period(s) of 364 days from the expiry date hereof, or any future expiration date unless at least ninety (90) days before its current expiration date, we send notice to you in writing by registered mail or overnight courier at the address above, ATTN.: [Title] ~~and to the Applicant~~, that we do not intend to extend this letter of credit.

***Paragraph 2 - Original***

2. This Letter of Credit is issued at the request of the Applicant, and we hereby irrevocably authorize you to draw on us, in accordance with the terms and conditions hereof, up to the maximum amount of this Letter of Credit, subject to reduction as provided in paragraph 12 hereof. This Letter of Credit may be drawn upon an Event of Default under the BGS-FP Supplier Master Agreement(s) between the Applicant and you, dated \_\_\_\_\_ and the BGS-CIEP Supplier Master Agreement(s) between the Applicant and you, dated \_\_\_\_\_.

***Acceptable Modifications to Paragraph 2***

None.

***Paragraph 3 - Original***

3. A partial or full drawing hereunder may be made by you on any Business Day on or prior to the expiration of this Letter of Credit by delivering, by no later than 11:00 A.M. (New York, NY time<sup>1</sup>) on such Business Day to \_\_\_\_\_ (Bank), \_\_\_\_\_ (address), (i) a notice executed by you in the form of Annex 1 hereto, appropriately completed and duly signed by your Authorized Officer and (ii) your draft in the form of Annex 2 hereto, appropriately completed and duly signed by your Authorized Officer. Authorized Officer shall mean President, Treasurer, any Vice President or any Assistant Treasurer.

***Acceptable Modifications to Paragraph 3***

None.

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

***Paragraph 4 - Original***

4. We may, but shall not be obligated to, accept any request to issue a substitute Letter of Credit. Such request shall be in an Availability Certificate in the form of Annex 3 hereto by you to us for exchange for a new Letter of Credit in the amount set forth in an Availability Certificate, which amount shall not exceed the present value of this Letter of Credit. Upon acceptance by us of any such request to issue a substitute Letter of Credit for exchange, the new Letter of Credit shall be issued in the amount as set forth in the Availability Certificate.

***Acceptable Modifications to Paragraph 4***

None.

***Paragraph 5 - Original***

5. We hereby agree to honor a drawing hereunder made in compliance with the terms and provisions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to such account at such bank in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing, if delivery of this requisite document is made prior to 11:00 AM (New York, NY time) on a Business Day pursuant to Paragraph 3 herein above, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (New York, NY time) on any Business Day pursuant to Paragraph 3 herein above.

***Acceptable Modifications to Paragraph 5***

- 5.1. We hereby agree to honor a drawing hereunder made in compliance with the terms and provisions of this Letter of Credit by transferring in immediately available funds the amount specified in the draft delivered to us in connection with such drawing to yoursuch account at such bank in the United States as you may specify in your draft delivered to us pursuant to Paragraph 3 hereof, by 3:00 P.M. (New York, NY time) on the date of such drawing, if delivery of this requisite document is made prior to 11:00 AM (New York, NY time) on a Business Day pursuant to Paragraph 3 herein above, but at the opening of business on the first Business Day next succeeding the date of such drawing if delivery of the requisite document is made on or after 11:00 AM (New York, NY time) on any Business Day pursuant to Paragraph 3 herein above.

***Paragraph 6 - Original***

6. If a demand for payment made by you hereunder does not, in any instance, conform to the terms and conditions of this Letter of Credit, we shall give you prompt notice (not exceeding three (3) Business Days following the date of receipt of the documents) that the demand for payment was not effected in accordance with the terms and conditions of this Letter of Credit, stating the reasons that the demand for payment was not effected in accordance with such terms and conditions, and that we will upon your instructions hold any documents at your disposal or return the same to you. Upon being notified that the demand for payment was not effected in conformity with this Letter of Credit, you may attempt to correct any such non-conforming demand for payment to the extent that you are entitled to do so, provided, however, in such event a conforming demand for payment must be timely made in accordance with the terms of this Letter of Credit.

***Acceptable Modifications to Paragraph 6***

None.

***Paragraph 7 - Original***

7. This Letter of Credit shall automatically terminate and be delivered to us for cancellation on the earliest of (i) the making by you of the drawings in an amount equal to the maximum amount available to be made hereunder, (ii) the date we issue a new letter of credit in exchange for this Letter of Credit in accordance with Paragraph 4 herein above, (iii) the date we receive from you a Certificate of Expiration in the form of Annex 4 hereto, or (iv) the above-stated expiration date hereof.

***Acceptable Modifications to Paragraph 7***

None.

***Paragraph 8 - Original***

8. As used herein:

“Availability Certificate” shall mean a certificate substantially in the form of Annex 3 hereto appropriately completed and duly signed by your authorized officer.

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

***Acceptable Modifications to Paragraph 8***

8.1 As used herein:

“Availability Certificate” shall mean a certificate substantially in the form of Annex 3 hereto, appropriately completed and duly signed by your authorized officer.

“Business Day” shall mean any day on which commercial banks are not authorized or required to close in New York, New York and/or Scranton, Pennsylvania and any day on which payments can be effected on the Fedwire system.

***Paragraph 9 - Original***

9. This Letter of Credit is transferable one or more times, but in each instance only to a single transferee for the full amount available to be drawn under the Letter of Credit at the time of such transfer. Such transfer shall be effected by us upon your submission of this Letter of Credit including all amendments, if any, accompanied by the Letter of Full Transfer substantially in the form of Annex 5. This Letter of Credit may not be transferred to any person with which the United States are prohibited from doing business under the United States Foreign Assets Control Regulations or other applicable United States laws and regulations. Except for such transfer, this Letter of Credit may not otherwise be amended or modified without consent from us, you and the Applicant, and except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits – 2007 Revision, ICC Publication No. 600, or any successor publication thereto (the “UCP”). Any and all transfer fees, expenses and costs shall be borne by the Applicant. This Letter of Credit shall, as to matters not governed by the UCP, be governed and construed in accordance with New York law, without regard to principles of conflicts of law. Transfer fees shall be borne by the Applicant.

***Acceptable Modifications to Paragraph 9***

None.

***Paragraph 10 - Original***

10. This Letter of Credit sets forth in full our undertaking, and such undertaking shall not in any way be modified, amended, changed, amplified or limited by reference to any document, instrument or agreement referred to herein, except for Annexes 1 through 5 hereto and the notices referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except as set forth above.

***Acceptable Modifications to Paragraph 10***

None.

***Paragraph 11 - Original***

11. We certify that as of \_\_\_\_\_ (date) we \_\_\_\_\_  
("Bank") satisfy the senior unsecured debt rating of "A" from Standard & Poor's  
Ratings Services or "A2" from Moody's Investors Service Inc.

***Acceptable Modifications to Paragraph 11***

None.

***Paragraph 12 - Original***

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

***Acceptable Modifications to Paragraph 12***

None.

***Paragraph 13 - Original***

13. Faxed document(s) are acceptable. Presentation by fax must be made to fax number \_\_\_\_\_ confirmed by telephone to \_\_\_\_\_.

***Acceptable Modifications to Paragraph 13***

None.

***Paragraph 14 - Original***

14. In the event of act of God, riot, civil commotion, insurrection, war, terrorism or by any strikes or lock outs, or any cause beyond our control, that interrupts our business, and causes the place for presentation of this Letter of Credit to be closed for business on the last day of presentation, the expiration date of this Letter of Credit shall be automatically extended without amendment to a date thirty (30) calendar days after the place for presentation reopens for business.

***Acceptable Modifications to Paragraph 14***

None.

***Paragraph 15 - Original***

15. This original Letter of Credit has been sent to the beneficiary EDC located at \_\_\_\_\_ above (as per Applicant's instructions). The aggregate amount paid to the EDC during the validity of this Letter of Credit will not exceed the amount of this Letter of Credit. Any demands or communications in the form of the attached Annexes or other communications directed to us under this Letter of Credit must be signed by an Authorized Officer of the EDC. Acceptance or rejection of any amendments to this Letter of Credit must be signed by an Authorized Officer of the EDC.

***Acceptable Modifications to Paragraph 15***

None.

*Signature Block - Original*

Very truly yours,  
(Bank)

By: \_\_\_\_\_

Name:

Title:

By: \_\_\_\_\_

Name:

Title:

*Acceptable Modifications to the Signature Block*

None.

***Annex 1 – Original*****Annex 1 to Letter of Credit**

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit.
2. Pursuant to Paragraph 2 of the Letter of Credit No. \_\_\_\_\_, dated \_\_\_\_\_, 20\_\_, the undersigned is entitled to make a drawing under the Letter of Credit in the amount of \$\_\_\_\_\_, inasmuch as there is an Event of Default under any BGS Supplier Master Agreement between the Applicant and us.
3. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

EDC name

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Applicant)

*Acceptable Modifications to Annex 1*

**A1.1.**

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit ~~Unit~~Department

Ladies and Gentlemen:

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

1. Capitalized terms used herein that are defined herein shall have the meanings ascribed thereto in the Letter of Credit.
2. Pursuant to Paragraph 2 of the Letter of Credit No.\_\_\_\_\_, dated\_\_\_\_\_, 20\_\_, the undersigned is entitled to make a drawing under the Letter of Credit in the amount of \$\_\_\_\_\_, inasmuch as there is an Event of Default under any BGS Supplier Master Agreement between the Applicant and us.
3. We acknowledge that, upon your honoring the drawing herein requested, the amount of the Letter of Credit available for drawing shall be automatically decreased by an amount equal to this drawing.

Very truly yours,

EDC name

By\_\_\_\_\_  
Name:  
Title:  
Date:

cc: \_\_\_\_\_(Applicant)

***Annex 2 – Original***

DRAWING UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

ON [Business Day immediately succeeding  
date of presentation]

PAY TO: EDC

Attn:

\$ \_\_\_\_\_

For credit to the account of \_\_\_\_\_.

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

(Bank)

(Address)

EDC

By \_\_\_\_\_

Name:

Title:

***Acceptable Modifications to Annex 2***

None.

*Annex 3 – Original*

AVAILABILITY CERTIFICATE  
UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

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

EDC  
Address

Very truly yours,

EDC  
By \_\_\_\_\_  
Name:  
Title:  
Date:

APPLICANT NAME

By: \_\_\_\_\_  
Name:  
Title:  
Date:

Agreed and Accepted:  
(Bank)

By \_\_\_\_\_  
Name:  
Title:  
Date:

*Acceptable Modifications to Annex 3***A3.1.**

AVAILABILITY CERTIFICATE  
UNDER LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit ~~Unit~~Department

Ladies and Gentlemen:

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

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

EDC  
Address

Very truly yours,

EDC  
By \_\_\_\_\_  
Name:  
Title:  
Date:

APPLICANT NAME

By: \_\_\_\_\_  
Name:  
Title:  
Date:

Agreed and Accepted:  
(Bank)

By \_\_\_\_\_  
Name:  
Title:  
Date:

***Annex 4 – Original*****Annex 4 to Letter of Credit**

CERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

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

EDC

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Applicant Name)

*Acceptable Modifications to Annex 4***A4.1.**

CERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit Unit

Ladies and Gentlemen:

The undersigned hereby certifies to you that the above referenced Letter of Credit may be cancelled without payment. Attached hereto is said original Letter of Credit and any amendments attached thereto, marked cancelled.

EDC  
By \_\_\_\_\_  
Name:  
Title:  
Date:

cc: \_\_\_\_\_ (Applicant Name)

**A4.2.**

CERTIFICATE OF EXPIRATION  
OF LETTER OF CREDIT NO. \_\_\_\_\_

\_\_\_\_\_, 20\_\_

To: (Bank)  
(Address)

Attention: Standby Letter of Credit ~~Unit~~ Department

Ladies and Gentlemen:

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

EDC

By \_\_\_\_\_

Name:

Title:

Date:

cc: \_\_\_\_\_ (Applicant Name)

***Annex 5 – Original*****Annex 5 to Letter of Credit**

## LETTER OF FULL TRANSFER

\_\_\_\_\_, 20\_\_

Bank

Bank Address

To Whom It May Concern:

Re: Credit \_\_\_\_\_

Issued by \_\_\_\_\_

Advice No. \_\_\_\_\_

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

\_\_\_\_\_  
(Name of Transferee)\_\_\_\_\_  
(Address)

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

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

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

Enclosed is remittance in the amount of \$\_\_\_\_\_ in payment of your transfer commission and in addition we agree to pay to you on demand any expenses that may be incurred by you in connection with this transfer.

<p>Transfer Commission Charges</p> <p>_____</p> <p>_____</p> <p><b>SIGNATURE AUTHENTICATED</b>          The signatory/ies of this concern          is/are authorized to withdraw          corporate funds.</p> <p>_____</p> <p>(BANK)</p> <p>_____</p> <p>(Authorized Signature)</p> <p><b>SIGNATURE AUTHENTICATED</b>          The signatory/ies of this concern          is/are authorized to withdraw          corporate funds.</p> <p>_____</p> <p>(BANK)</p> <p>_____</p> <p>(Authorized Signature)</p>	<p style="text-align: right;">Yours very truly,</p>          <p>_____</p> <p>Signature of Beneficiary</p>          <p>_____</p> <p>Signature of Transferee</p>
--	--

***Acceptable Modifications to Annex 5***

None.

## **G. BIDDING PROCESS**

### **G.1. Bidding Day and Bidding Rounds**

There will be two Auctions. The BGS-CIEP Auction has four products, each representing the BGS-CIEP Load of an Electric Distribution Company (“EDC”) for a term of one year. The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”). The BGS-FP Auction has four products, each representing the BGS-FP Load of an EDC for a term of three years. In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

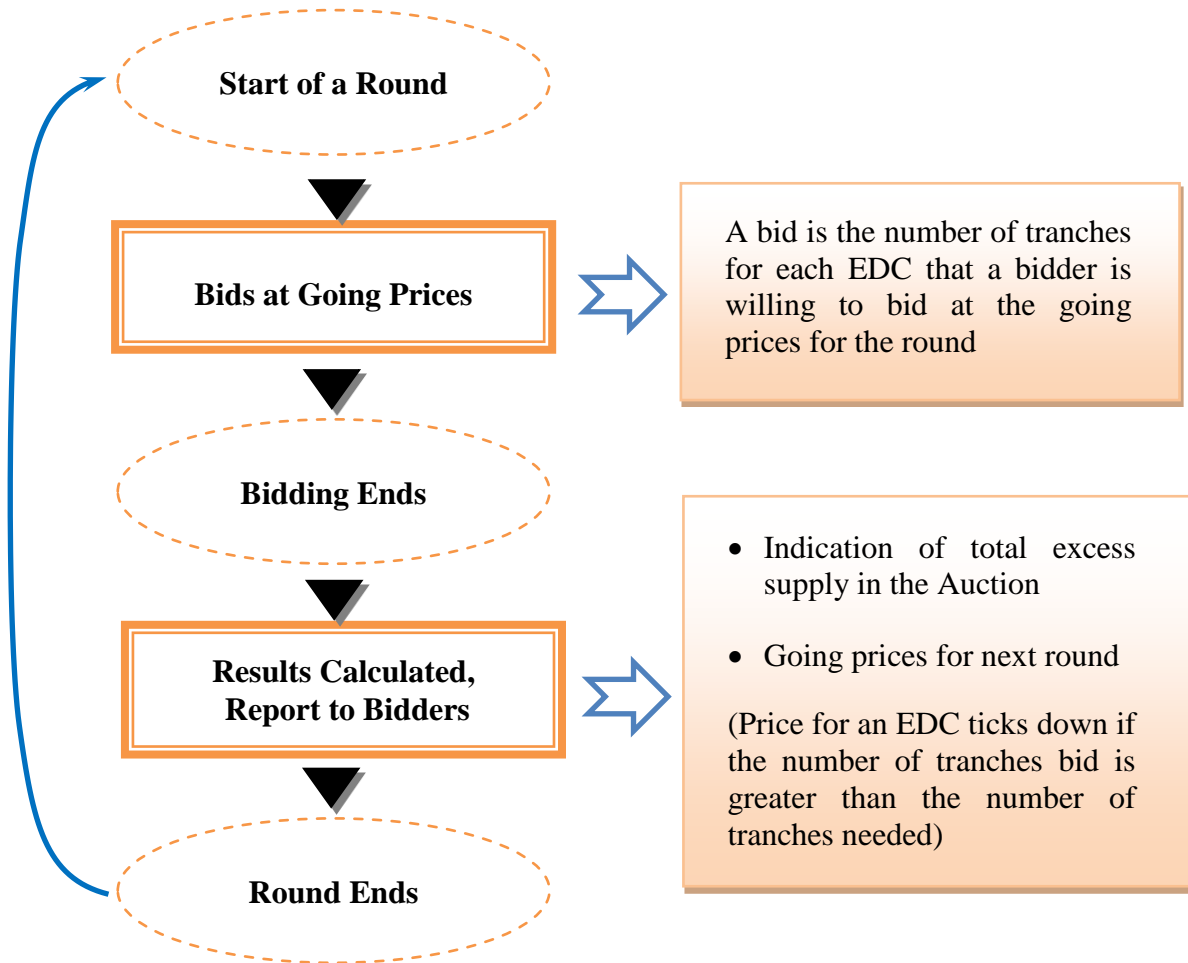
Bidders may participate in either or both of the BGS Auctions. Bidders may bid on one EDC or on many EDCs in a given BGS Auction. Bidding in each BGS Auction is subject to the applicable Auction Rules, <http://www.bgs-auction.com/bgs.bidinfo.ar.asp>.

Both the BGS-FP and BGS-CIEP Auctions will be conducted using a multiple round descending clock format. This means that, for each Auction, the Auction Manager will announce a price for each EDC in each round, and each bidder will provide a number of tranches it is willing to bid at these prices. If an EDC has more tranches bid at the announced price than are needed, the Auction Manager will reduce the price for that EDC in the following round according to the process described more fully in the Auction Rules. Otherwise, the price is not reduced.

Each round has three phases: a bidding phase, a calculating phase, and a reporting phase.

During the bidding phase, bidders provide the number of tranches for each EDC that they are willing to bid at the announced prices. Bidders can revise their bid as many times as they wish when the bidding phase is still open. During the calculating phase, the number of tranches bid for each EDC is tabulated. On that basis, the prices for the next round are calculated. During the reporting phase, bidders have access to information regarding the round results.

The schematic below shows the progression of a typical round. The schematic applies with the following modification in round 1. In round 1, the going prices are the starting prices for each EDC, which are no lower than the minimum starting price and no higher than the maximum starting price announced on December 2, 2014.



Bidding for the two Auctions is separate. The BGS-CIEP Auction starts on Friday, February 6, 2015, one business day earlier than the BGS-FP Auction, which starts on Monday, February 9, 2015. There will be a number of rounds for each Auction in a given day. To accommodate bidders that are registered to participate in both Auctions, the Auction Manager limits any overlap in the bidding phases for the two Auctions to five minutes to the extent practicable.

The following is a sample schedule for February 9, 2015, which will be the first bidding day of the BGS-FP Auction and the second bidding day of the BGS-CIEP Auction. The bidding phase in round 1 is automatically extended for the convenience of bidders. This sample schedule assumes that the Auction Manager does not call a time-out for purposes of considering whether to cut back the volume in the first round and the sample schedule does not take into account extensions or recesses that could be called by bidders.

**Sample Schedule for Bidding Day 2:**

Times	BGS-CIEP	BGS-FP	Times
8:25	Round 25 Bidding	Log in Time	8:25
8:27			8:27
8:30			8:30
8:33			8:33
8:35			8:35
8:37	8:37		
8:40	Round 25 Calculation and Report		8:40
8:43			8:43
8:45			8:45
8:48			8:48
8:50			8:50
8:53	Round 26 Bidding		8:53
8:55			8:55
8:57			8:57
9:00	Round 26 Calculation and Report		Round 1 Bidding
9:03		9:03	
9:05		9:05	
9:07		9:07	
9:10		9:10	
9:13	Automatic 15-Minute Extension	9:13	
9:15		9:15	
9:17		9:17	
9:20		9:20	
9:23		9:23	
9:25	Round 27 Bidding	Round 1 Calculation and Report	9:25
9:27			9:27
9:30			9:30
9:33	Round 27 Calculation and Report	Round 2 Bidding	9:33
9:35			9:35
9:37			9:37
9:40			9:40
9:43			9:43
9:45	Round 28 Bidding	9:45	
9:47		9:47	
9:50		Round 2 Calculation and Report	9:50
9:53			9:53
9:55			9:55
9:57	9:57		
10:00	10:00		
10:03	10:03		
10:05	Round 28 Calculation and Report	10:05	
10:07		10:07	
10:10		10:10	
10:13		10:13	
10:15		Round 29 Bidding	10:15
10:17	Round 3 Bidding		10:17
10:20			10:20
10:23			10:23
10:25			10:25
10:27		10:27	
10:30	Round 29 Calculation and Report	Round 3 Calculation and Report	10:30
10:33			10:33
10:35			10:35
10:38			10:38
10:40			10:40
10:43	Round 30 Bidding	10:43	
10:45		Round 4 Bidding	10:45
10:48			10:48
10:50			10:50

Times	BGS-CIEP	BGS-FP	Times
10:53	Round 31 Bidding	Round 4 Calculation and Report	10:53
10:55			10:55
10:58			10:58
11:00	Round 31 Calculation and Report		11:00
11:03			11:03
11:05			11:05
11:08	Round 32 Bidding		11:08
11:10		11:10	
11:13		11:13	
11:15	Round 32 Calculation and Report	Round 5 Bidding	11:15
11:17			11:17
11:20			11:20
11:23		Round 5 Calculation and Report	11:23
11:25			11:25
11:27	11:27		
11:30	11:30		
11:33	11:33		
11:35	Round 33 Bidding	Round 6 Bidding	11:35
11:37			11:37
11:40			11:40
11:43	Round 33 Calculation and Report		11:43
11:45			11:45
11:47		11:47	
11:50		11:50	
11:52		11:52	
11:55	Round 34 Bidding	Round 6 Calculation and Report	11:55
11:57			11:57
12:00			12:00
12:03	Round 34 Calculation and Report		12:03
12:05			12:05
12:07		12:07	
12:10		12:10	
12:13		12:13	
12:15	Round 35 Bidding	Lunch	12:15
12:17			12:17
12:20			12:20
12:23	12:23		
12:25	12:25		
12:28	12:28		
12:30	Lunch		12:30
12:33			12:33
12:35			12:35
12:37			12:37
12:40			12:40
12:43			12:43
12:45			12:45
12:47			12:47
12:50	Round 36 Bidding	12:50	
12:53		12:53	
12:55		12:55	
12:57		12:57	
1:00	Round 36 Calculation and Report	Round 7 Bidding	1:00
1:03			1:03
1:05			1:05
1:07			1:07
1:10		Round 7 Calculation and Report	1:10
1:13	1:13		
1:15	1:15		
1:17	1:17		
1:20	Round 37 Bidding		1:20

Times	BGS-CIEP	BGS-FP	Times	
1:23	Round 37 Calculation and Report	Round 8 Bidding	1:23	
1:25			1:25	
1:27			1:27	
1:30			1:30	
1:33			1:33	
1:35	Round 38 Bidding	Round 8 Calculation and Report	1:35	
1:38			1:38	
1:40			1:40	
1:43	1:43			
1:45	1:45			
1:47	1:47			
1:50	1:50			
1:53	1:53			
1:55	1:55			
1:57	1:57			
2:00	Round 39 Calculation and Report	Round 9 Bidding	2:00	
2:03			2:03	
2:05			2:05	
2:07		Round 9 Calculation and Report	2:07	
2:10			2:10	
2:13	2:13			
2:15	2:15			
2:17	2:17			
2:20	2:20			
2:23	2:23			
2:25	2:25			
2:27	Round 40 Calculation and Report	Round 10 Bidding	2:27	
2:30			2:30	
2:33			2:33	
2:35		2:35		
2:38		2:38		
2:40	Round 41 Bidding	Round 10 Calculation and Report	2:40	
2:43			2:43	
2:45			2:45	
2:47	2:47			
2:50	2:50			
2:53	2:53			
2:55	2:55			
2:57	2:57			
3:00	<b>Break</b>		<b>Break</b>	3:00
3:03				3:03
3:05		3:05		
3:07		3:07		
3:10		3:10		
3:13	Round 42 Bidding	Round 11 Bidding	3:13	
3:15			3:15	
3:17			3:17	
3:20	Round 42 Calculation and Report	Round 11 Calculation and Report	3:20	
3:23			3:23	
3:25			3:25	
3:27		Round 11 Calculation and Report	3:27	
3:30			3:30	
3:33	3:33			
3:35	3:35			
3:37	3:37			
3:40	Round 43 Bidding	Round 12 Bidding	3:40	
3:43			3:43	
3:45			3:45	
3:47			3:47	
3:50			3:50	
3:53	Round 43 Calculation and Report	Round 12 Bidding	3:53	
3:55			3:55	

Times	BGS-CIEP	BGS-FP	Times	
3:58	Round 44 Bidding		3:58	
4:00		Round 12 Calculation and Report	4:00	
4:03			4:03	
4:05	4:05			
4:07	4:07			
4:10	4:10			
4:13	4:13			
4:15	4:15			
4:17	4:17			
4:20	Round 45 Calculation and Report		Round 13 Bidding	4:20
4:23		Round 13 Calculation and Report	4:23	
4:25			4:25	
4:27	4:27			
4:30	4:30			
4:33	4:33			
4:35	4:35			
4:37	4:37			
4:40	4:40			
4:43	Round 46 Bidding		Round 13 Calculation and Report	4:43
4:45		4:45		
4:47		4:47		
4:50	Round 14 Bidding	4:50		
4:53		4:53		
4:55		4:55		
4:58	Round 47 Bidding	Round 14 Calculation and Report		4:58
5:00				5:00
5:03				5:03
5:05	Round 47 Calculation and Report		5:05	
5:07			5:07	
5:10			5:10	
5:13			5:13	
5:15			Round 15 Bidding	5:15
5:17				5:17
5:20		5:20		
5:23		Round 48 Bidding	Round 15 Calculation and Report	5:23
5:25				5:25
5:27	5:27			
5:30	5:30			
5:33	5:33			
5:35	5:35			
5:38	5:38			
5:40	5:40			
5:43	Round 48 Calculation and Report	5:43		
5:45		5:45		
5:48		5:48		
5:50		5:50		
5:53		5:53		
5:55		5:55		
5:57		5:57		
6:00		Round 49 Calculation and Report	6:00	
6:05			6:05	
6:10	6:10			
6:13	6:13			

## G.2. Online Bidding

Bidding in the Auctions is done online. The Auction Software allows the bidder to submit bids, view Auction results, and exchange secure messages with the Auction Manager. Each bidder will receive a Login ID and password to access the Auction(s) in which it is registered to participate. At first login, bidders will be required to change their passwords and then to accept the terms of the Auction Software by clicking on “Accept” in the web browser. The Terms and Conditions of access to the Auction Software are provided in section G.5 below.

To submit a bid, the bidder selects a number of tranches for each EDC from a pull-down menu. The bidder may be asked for additional information, such as switching priorities and exit prices. The Auction Software checks that the bid conforms to the Auction Rules. For example, as explained in the Auction Rules, eligibility – the maximum number of tranches a bidder can bid in a given round – can never increase from the prior round. The Auction Software will preclude the bidder from submitting a bid that would exceed the bidder’s eligibility in any given round.

If a bidder submits a bid that would decrease the bidder’s eligibility, the Auction Software warns the bidder of the impending eligibility reduction. If the bidder wants to proceed with a lower eligibility, the bidder will be asked to enter a last and best offer for the tranches that the bidder will no longer be bidding. Last and best offers are called “exit prices”. An exit price for tranches withdrawn from a given EDC is a price less than or equal to the previous going price and greater than the current going price for that EDC.

If a bidder requests to decrease the number of tranches bid on one EDC while increasing the number of tranches bid on two or more EDCs (“switching”), the bidder will be asked to enter switching priorities (as described in the Auction Rules). Bidders cannot switch between EDCs in one Auction (e.g., BGS-CIEP Load for one EDC) and EDCs in the other Auction (e.g., BGS-FP Load for the same EDC or another EDC).

Once the bidder has submitted a bid that conforms to the Auction Rules, including any exit price and/or switching priority information, the bidder is asked to verify the bid. As long as the bidding phase of the round is open, a bidder may change its bid. To be valid, a bid must be submitted and verified during the bidding phase and processed by the Auction Software. The last valid bid by the bidder in the round becomes a firm offer to supply that cannot be rescinded.

A bidder may request an extension to extend the bidding phase by fifteen minutes. The bidding phase of the first round is extended automatically for the convenience of bidders

and bidders cannot further extend the bidding phase of round 1. A bidder is allowed two extensions during the course of the Auction. If a bidder has not already used its two extensions, that bidder is automatically deemed to have requested an extension when the bidder has not submitted a bid by the scheduled end of the bidding phase. A bidder that does not submit a bid during the bidding phase or its extension will be assigned a default bid (see the BGS-FP or the BGS-CIEP Auction Rules). It is the responsibility of the bidder to ensure that bids are submitted on time. A bidder can lose the ability to bid in all future rounds by failing to bid during the bidding phase of a round or during its extension.

The calculating phase of the round begins after the bidding phase ends. In this phase, the Auction Manager determines the going prices for the next round. The price for an EDC will tick down if the total number of tranches bid for the EDC is greater than the number of tranches needed. During the calculating phase, bidders cannot submit bids and they do not yet have access to the current round results.

The reporting phase begins when the Auction Manager publishes the results. Bidders are given an indication of the total excess supply remaining in the Auction and are told the going prices for the next round. In addition, the Auction Manager reports privately to each bidder the results of its previous bid. For example, if a bidder has withdrawn tranches from the Auction, the Auction Manager reports to this bidder, and only to this bidder, whether any of the withdrawn tranches were retained. Results for a given round remain available during subsequent rounds and can be viewed at any point during the Auction.

### **G.3. Backup Bidding Procedure**

A backup procedure has been put in place in case bidders encounter difficulties in accessing the Auction server or using the Auction Software.

Backup bids can be submitted by phone or by fax. Bidders may call the Auction Manager's office to submit their bids. Bidders can likewise use backup bid forms available in Microsoft Word format and Microsoft Excel format to prepare fax backup bids. The backup bid form can be filled out and then faxed to the Auction Manager.

When a bidder uses the backup bid procedure, a member of the Auction Manager Team will log in to the Auction Software and enter the bid on behalf of the bidder. Bidders should contact the Auction Manager at the first sign of technical difficulty to allow sufficient time for submission of a bid through a backup bidding procedure.

## **G.4. Recommendations for Technical Preparedness**

The following is a list of recommendations for technical preparedness. Adhering to this list of recommendations will reduce the probability that bidders experience technical difficulties during the BGS Auctions and have to resort to the backup bidding procedure. We believe that the following small precautions and the recommended additional equipment will help bidders prevent most common problems.

### ***Recommendation 1: Meet the System Requirements to Submit Bids Online***

The system requirements needed to submit bids online using a desktop or laptop computer are as follows:

- A standard PC-compatible computer running Windows Vista, Windows 7 or MacOS 10.7 or later;
- An Internet connection; and
- A supported web browser.

The following web browsers are supported by the Auction Software: Microsoft Internet Explorer version 8 or later, as well as the most recent versions of Mozilla Firefox, Google Chrome and Apple Safari.

Please use the following instructions to check the version number of the web browser(s) currently installed on the computer that you will use for bidding in the Auctions:

- Microsoft Internet Explorer: Open Internet Explorer, select “Help” or the “?” icon and then select “About Internet Explorer.” A dialog box will open that will indicate the version installed on your computer. You can use the link below to check the most recent version currently available for download. If the version installed on your computer is not Internet Explorer 8 or later, please download the most recent version to your computer:  
<http://windows.microsoft.com/en-us/internet-explorer/download-ie>
- Mozilla Firefox: Open Mozilla Firefox, select the orange “Firefox” menu in the upper left-hand corner of the browser window, select “Help” and then select “About Firefox.” A dialog box will open that will indicate the version installed on your computer. You can use the link below to check the most recent version currently available for download. If the version installed on your computer is not the most recent version, please download the most recent version to your computer:  
<http://www.mozilla.org/en-US/firefox/new/>

- Apple Safari: Open Safari, select “Help” and then select “About Safari.” A dialog box will open that will indicate the version installed on your computer. You can use the link below to check the most recent version currently available for download. If the version installed on your computer is not the most recent version, please download the most recent version to your computer:  
<http://support.apple.com/downloads/#safari>
- Google Chrome: Open Chrome, select the three grey stripes “Customize and control Google Chrome” menu and then select “About Google Chrome.” A dialog box will open that will indicate the version installed on your computer. You can use the link below to check the most recent version currently available for download. If the version installed on your computer is not the most recent version, please download the most recent version to your computer:  
<http://www.google.com/chrome/>

If you use an operating system or web browser that is not supported by the Auction Software, the Auction Software may not function properly.

***Recommendation 2: Stay Reachable***

The Auction Manager Team will rely on the contact information provided through the Auction Software to reach you during bidding. Up-to-date contact information for the lead member of your bidding team should be entered in the Auction Software and updated as often as needed. The Auction Software will also allow you to enter contact information for a second member of your bidding team and allow you to enter an alternative telephone number and a cell phone number. We strongly encourage you to provide this information and to be reachable at all times during the BGS Auctions.

The Auction Manager Team will email the schedule and any official correspondence to the Authorized Representative named in the Part 1 Application and any Nominees (the “Bidder Team”).

***Recommendation 3: Be Prepared to Bid from Two Separate Locations***

We recommend that at least two bidding team members in different geographical locations, or at least in different building premises, have access to the Confidential Information (Login ID, password, and code keys) required to bid. Having two bidding locations will reduce the likelihood that telecommunications, hardware, power, or other disruptions affecting a particular geographical region will affect your participation in the Auctions.

***Recommendation 4: Have a Backup Method for Connecting to the Internet***

We recommend that not all computers that could be used for bidding in the BGS Auctions rely on a single Internet service provider. We recommend that you have primary access to the Internet through your company's usual means (e.g., your company's network), and that you also have secondary access through an alternative provider, such as a wireless connection. This alternative Internet connection should be a connection that does not go through your company's network.

***Recommendation 5: Have a Laptop with Charged Batteries and Internet Access***

We recommend that each bidding team in a given geographical location have a laptop enabled to connect to your company's Internet and alternative Internet connection, with charged batteries at all times.

***Recommendation 6: Dedicated Equipment for Purposes of Backup Bidding***

If bidders intend to rely on fax for backup bidding, we recommend having a fax machine dedicated to backup bidding. Bidding team members in different locations should all have fax capability on different phone lines to minimize the risk of telecommunications, hardware, or power disruptions affecting your participation in the BGS Auctions. We recommend that bidders store the backup bidding fax number in the fax machine memory and program the automatic header and footer of the fax with their company name, the name of a member of the bidding team, and a contact telephone number. We encourage bidders to use the function on their fax machines that confirms that a fax has been sent.

If bidders intend to rely on the phone for backup bidding, we recommend a dedicated phone line at each bidding location. This will ensure that you can contact the Auction Manager Team and that the Auction Manager Team is always able to contact you.

***Recommendation 7: Keep Confidential Information Close at Hand***

We encourage bidders to have the Internet addresses for bidding in BGS Auctions, the backup Internet addresses (to be used only in the event of a server failure), the fax number if used for backup bidding, the code keys, Login IDs, passwords, and the contact number for technical assistance in an accessible but safe location. This information will be provided to your Bidder Team in the Confidential Information packet.

***Recommendation 8: Synchronize Clock to the Official Auction Time***

Accurate timekeeping is very important to bidders, as they are responsible for submitting bids on time. The time of the Auction Software is the official time of the BGS Auctions.

We recommend synchronizing a clock to the Auction Software to ensure accurate timekeeping.

The next section provides the Terms and Conditions of access to the Auction Software that each bidder must accept.

## **G.5. Terms and Conditions of Access to the Auction Software**

The following auctions (“Auctions”) are being conducted under the auspices of the New Jersey Board of Public Utilities (as more fully described in Docket No. ER14040370; In the Matter of the Provision of Basic Generation Service for the Period Beginning June 1, 2015): (1) an auction by which all EDCs will secure supply to meet their Commercial and Industrial Energy Pricing Basic Generation Service (“BGS-CIEP”) load for a period of one year, and (2) an auction by which all of the EDCs will secure supply to meet their Fixed Price Basic Generation Service (“BGS-FP”) load for a period of three years, in each case for a period beginning June 1, 2015. “Fixed Price Basic Generation Service or BGS-FP” has the same meaning and is entirely interchangeable with Basic Generation Service Residential Small Commercial Pricing or “BGS-RSCP”. For the sake hereof the term “EDC” refers to the following electric distribution companies: Atlantic City Electric Company, (“ACE”), Jersey Central Power & Light Company (“JCP&L”), Public Service Electric and Gas Company (“PSE&G”) and Rockland Electric Company (“RECO”).

The Auctions are being conducted using the Optimal Auctions, Inc. (hereinafter referred to as “Optimal Auctions”) software and the documentation therefore, including any bidder or administrative manuals (the software and the documentation together, “Application”). Bidders in the auction shall have no right to access or use any administrative manual.

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If you find the foregoing terms and conditions acceptable, please signify Licensee's agreement to these terms and conditions by clicking in the box below. This will create an agreement between Licensee and Optimal Auctions pursuant to which End Users, acting on behalf of Licensee, may access and use the Application in connection with one or more Auctions.

☐ Accept

Licensee AGREES to the foregoing terms and conditions governing all access to and use of the Application by or on behalf of Licensee.

or

☐ Refuse

Licensee does NOT AGREE to the foregoing terms and conditions. If Licensee does not agree to these terms and conditions, Licensee shall not be able to access or use the Application.

## H. FP PRICING AND CUSTOMER RATES

### H.1. Overview

The BGS-FP Auction<sup>1</sup> is a rolling procurement that each year aims to contract approximately one-third of the needed BGS-FP Load for three years. For the period June 1, 2015 to May 31, 2016, BGS-FP Load would be supplied by the winners of three BGS-FP Auctions. The number of tranches for each BGS-FP Auction is shown in Table H-1 below using PSE&G as an example.

**Table H-1. Example Composition of BGS-FP Supply for PSE&G, 2015/2016**

Auction	Product	Number of Tranches	Final Auction Price (¢/kWh)	Seasonal Billing Factors
2015	3-year term	29	(to be determined)	Summer – 1.0000 <sup>2</sup> Winter – 1.0000 <sup>2</sup>
2014	3-year term (2 years remaining)	28	9.739	Summer – 1.0284 Winter – 0.9823
2013	3-year term (1 year remaining)	28	9.218	Summer – 1.0162 Winter – 0.9900

The EDCs<sup>3</sup> pay BGS-FP Suppliers the final auction price times the seasonal billing factor in the BGS-FP Supplier Master Agreement. For example, BGS-FP Suppliers that won PSE&G tranches in the February 2014 BGS-FP Auction are paid 10.0156¢/kWh in summer months (9.739¢/kWh times the summer seasonal billing factor of 1.0284). The derivation of the seasonal billing factors is discussed below.

BGS-FP customers pay rates that are determined on the basis of the weighted average cost of supply for all the component auction products used to serve the BGS-FP Load at

<sup>1</sup> In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

<sup>2</sup> Seasonal billing factors updated for the compliance filing. These seasonal factors are provisional. Final seasonal factors will be announced no later than six (6) days prior to the Auction.

<sup>3</sup> The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

the time, and on the basis of conversion factors that are specific to each rate class. The conversion factors translate the weighted average cost of supply into rates that are specific to each class. These conversion factors are based on the cost of a rate class relative to the total EDC system cost for BGS. The derivation of customer rates is discussed in greater detail below.

## H.2. Supplier Payment

Each EDC pays its BGS-FP Suppliers the final auction price for that EDC times an EDC-specific seasonal billing factor. For each EDC, there is one seasonal billing factor for the summer (June 1 to September 30) and one for the remaining winter months. The EDCs set the summer and winter factors to 1 for any EDC whose rate design methodology results in atypical values (i.e., a summer factor that is not greater than 1). The EDCs will update the provisional seasonal factors of the compliance filing once more before the BGS-FP Auction, using the latest available market data and any new obligations information from PJM. These final seasonal factors will be announced no later than six (6) days prior to the Auction.

For each EDC, the seasonal billing factors are calculated by taking the ratio of the projected per-MWh seasonal cost<sup>4</sup> to the projected per-MWh annual cost. Using PSE&G as an example (from the compliance filing), the calculation of seasonal factors can be summarized as follows:

**Table H-2. Example Calculation of Seasonal Billing Factors for PSE&G**

	<b>Total Costs by Season (\$000s)</b>	<b>Average Costs by Season (\$/MWh)</b>	<b>Average Cost (\$/MWh)</b>	<b>Seasonal Billing Factor: Ratio of Seasonal to Average Cost</b>
<b>Summer</b>	\$950,055	77.94	--	1.0284
<b>Winter</b>	\$1,456,736	74.45	--	0.9823
<b>Total</b>	\$2,406,791	--	75.79	--

<sup>4</sup> For purposes of customer rate design and the development of seasonal billing factors only, each EDC makes and uses projections of FP-eligible billing determinants, energy requirements and cost. Cost projections reflect market prices when the projection was made and include no allowance for risk, administration costs, or other relevant factors. These projections are visible in their entirety in each EDC's Company Specific Addendum and are summarized later in this section. The EDCs do not present these cost and volume projections as information for bidders to rely on, or for any purpose other than determining customer rate design and seasonal billing factors.

The derivation is based on estimating the bulk system energy and cost for serving BGS-FP eligible load. All inputs to and the calculation of seasonal billing factors are visible in their entirety in the BGS-FP Pricing Factors spreadsheets and the inputs are summarized later in this section. BGS-FP Pricing Factors spreadsheets are also available on the “Additional Data” page of the “Data Room” tab at:

<http://www.bgs-auction.com/bgs.dataroom.occ.asp>.

An EDC pays each BGS-FP Supplier for the portion of the EDC’s BGS-FP Load represented by the number of tranches it has won at the Auction. The EDC issues a statement for each billing month and pays its BGS-FP Suppliers according to a preliminary allocation of BGS-FP energy. The Tranche Fee is assessed on the first invoice of the supply period. A final energy allocation for each month will be produced subsequently and compared to the preliminary allocation. Any differences will be reflected in a billing adjustment on future statements. If there are corrections or adjustments that would have resulted in changes in the PJM settlement, but the deadline for settlement has passed, the EDC will settle the difference directly with the BGS-FP Supplier. BGS-FP Suppliers are paid based on energy volumes that PJM has de-rated for losses as part of marginal loss implementation procedures. The energy volume for which BGS-FP Suppliers will be paid will be equal to the energy volume for which they settle with PJM.

In the manner approved by the Board, an EDC’s BGS-FP Supplier that agrees to the Supplement to the BGS-FP Supplier Master Agreement can receive a payment based, among other factors, on the difference between the Zonal Net Load price charged to the BGS-FP Supplier by PJM for that EDC and the Zonal Net Load price for that EDC established in the following auction held pursuant to the RPM for the planning year: the Second Incremental Auction for 2015/2016, the First Incremental Auction for 2016/2017, or the Base Residual Auction for 2017/2018. This calculation is fully described in the Supplement to the BGS-FP Supplier Master Agreement.

### **H.3. Retail Customer Rates**

#### **H.3.a. Weighting of Auction Prices**

Customer rates for the period June 1, 2015 to May 31, 2016 will be based on a weighted average cost of supply for all component auction products used to serve the BGS-FP Load for that period, and on the basis of conversion factors that are specific to each rate class.

The weighted average cost for a given EDC would be calculated as follows. (Table H-3 illustrates each step for PSE&G assuming, purely for illustrative purposes, a final auction

price in 2015 of 9.358¢/kWh.) For each component auction product and for each season, an adjusted final clearing price is multiplied by the seasonal billing factor and by the number of tranches.<sup>5</sup> The sum is taken for each season and is divided by the total number of tranches. The result is a price for each season. These prices are weighted by the proportion of BGS-FP energy at the bulk system level<sup>6</sup> projected to occur in each season to obtain a single value – a seasonally-adjusted weighted price. This seasonally-adjusted weighted price is the weighted average cost of supply for all the component auction products used to serve load for the June 1, 2015 to May 31, 2016 period.

**Table H-3. Example Calculation of Seasonally-Adjusted Weighted Price**  
**Summer**

<b>Tranches</b>		<b>Seasonal Factor</b>		<b>Adjusted Final Auction Price</b>		<b>Total</b>
29	x	1.0000	x	9.358	=	271.382
28	x	1.0284	x	9.739	=	280.436
28	x	1.0162	x	9.218	=	262.285
					Total	= 814.103
					Divided by total tranches (85)	= 9.578¢/kWh

**Winter**

<b>Tranches</b>		<b>Seasonal Factor</b>		<b>Adjusted Final Auction Price</b>		<b>Total</b>
29	x	1.0000	x	9.358	=	271.382
28	x	0.9823	x	9.739	=	267.865
28	x	0.9900	x	9.218	=	255.523
					Total	= 794.770
					Divided by total tranches (85)	= 9.350¢/kWh

<sup>5</sup> The EDCs will adjust the final clearing prices as follows: the EDCs will calculate the difference between the revised Zonal Net Load Price and the Zonal Net Load Price from the applicable IA or BRA and calculate the cent per KWh impact based on the capacity obligations and energy values in the rate design spreadsheets that have been filed. The RPM price input in the rate design spreadsheets will reflect the revised Net Zonal Load Price established by PJM resulting from its Updated Proposal.

<sup>6</sup> Energy at the bulk system level is the forecast energy de-rated pursuant to PJM's marginal loss implementation.

<b>Average</b>					
	<b>Energy, GWh</b>		<b>Tranche- weighted Price</b>		<b>Total</b>
Summer	9,820	x	9.578	=	94,056
Winter	15,021	x	9.350	=	140,446
Totals	24,841			=	234,502
Seasonally-adjusted weighted price				=	9.440¢/kWh

### H.3.b. Translation to Customer Rates

Rates for each rate class of an EDC for June 1, 2015 through May 31, 2016 will be determined by multiplying the weighted average cost of supply by conversion factors for each rate class. The conversion factors are developed using the EDCs' rate design methodologies as provided in each EDC's Company Specific Addendum. Under this approach, a customer class that is more expensive to serve than the system on average would have a higher rate for electricity. The BGS-FP rate design is approved for one year and could be subject to change after May 31, 2016.

The methodology for developing the conversion factors to translate the seasonally-adjusted weighted price to customer rates begins by estimating the average cost per unit associated with supplying all customers eligible for BGS-FP. This 'system average cost' is a simple and rough estimate that includes only factors easily determined from market and load data and excludes any estimate of uncertainty or risk. This system average cost is then compared to the cost for individual customer classes. This comparison becomes the basis for deriving the conversion factor for each customer class.

All the EDCs estimate system costs using the same approach. Costs including energy, capacity and transmission, are derived using inputs including:

- FP-eligible load by rate class;
- Forward energy market prices;
- Off-peak price ratios by season, based on historical market prices;
- Congestion price ratios by EDC zone and by season, based on historical market price analysis;

- RPM capacity prices<sup>7</sup>;
- Network transmission cost from the PJM OATT; and
- Estimated ancillary services cost.

Inputs used by the EDCs are provided in the following two tables. (RECO used a weighting of PJM Western hub prices with NYISO forward prices, with NYISO prices receiving a 10.7% weighting. Please see RECO's Company Specific Addendum for details.)

**Table H-4. PJM Western Hub Prices Based on November 2014 Forwards**

Month	Jan.	Feb.	March	April	May	June
<b>On-Peak (\$/MWh)</b>	68.76	62.36	50.14	44.28	44.59	49.77
Month	July	Aug.	Sept.	Oct.	Nov.	Dec.
<b>On-Peak (\$/MWh)</b>	66.56	56.37	43.37	41.08	41.93	47.88

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<sup>7</sup> The RPM capacity price inputs will be modified to reflect the revised PJM Zonal Net Load Price resulting from its Updated Proposal.

**Table H-5. BGS-FP Pricing Inputs**

		PSE&G	JCP&L	ACE	RECO <sup>8</sup>
<b>Off-peak/peak price ratio</b>	<b>Summer</b>	0.6226			
	<b>Winter</b>	0.7254			
<b>Peak zone congestion factor</b>	<b>Summer</b>	1.07	1.07	1.08	1.03
	<b>Winter</b>	1.14	1.08	1.02	1.12
<b>Off-peak zone congestion factor</b>	<b>Summer</b>	1.05	1.06	1.05	1.02
	<b>Winter</b>	1.11	1.06	1.05	1.10
<b>Capacity cost<sup>9</sup> (\$/MW-day)</b>	<b>Summer</b>	173.00	166.40	135.07	135.07
	<b>Winter</b>	173.00	166.40	135.07	135.07
<b>Ancillary services cost (\$/MWh)</b>		3.00	3.00	3.00	3.00
<b>Network Transmission (\$/MW-year)</b>		57,079.80	** <sup>10</sup>	30,212.00	32,114.00

These costs and factors are used to estimate annual and seasonal bulk system costs based on projected customer usage (grossed up to account for losses adjusted for de-rating factors pursuant to PJM's marginal loss implementation), and transmission and capacity obligations by rate class.

Bulk system level costs are calculated for each rate class and compared to the system average cost. Some customers have a single all-hour energy rate; others have rate components such as time of use rates, demand charge, capacity obligation charge, and block rates by volume of usage.

<sup>8</sup> RECO's capacity and ancillary services cost estimates include a 10.7% weighting of corresponding NYISO estimated costs.

<sup>9</sup> For PSE&G, ACE, and RECO this capacity cost figure represents the 3-year average RPM cost from June 1, 2015 to May 31, 2018, net of Capacity Transfer Rights ("CTRs"). JCP&L accounts for BGS costs on an individual year basis and this capacity cost figure represents the June 1, 2015 to May 31, 2016 RPM cost.

<sup>10</sup> JCP&L accounts for transmission cost by applying the applicable tariff rates by rate class. The other EDCs apply a constant rate to the transmission obligation.

The conversion factors are derived by comparing the system average cost to the bulk system level costs for each rate class. In general, the conversion factor for a given customer class is the ratio of the bulk system level costs for the rate class to the system average cost. If this factor is, for example, 1.2, it indicates that the class is 1.2 times more expensive to serve than the system as a whole. Thus, the retail rate to be paid by the class will be set at 1.2 times the weighted average cost of supply. The Company Specific Addenda describe the specific rate design methodologies in detail. Additionally, each Company Specific Addendum contains a rate design spreadsheet that includes information on billing determinants by rate class and rate component, and draft tariff sheets. These spreadsheets, the “BGS-FP Pricing Factors spreadsheets”, are the same spreadsheets used to develop the seasonal billing factors and were last updated with the EDCs’ compliance filing. These are posted to the BGS Auction web site and are available at:

<http://www.bgs-auction.com/bgs.auction.regproc.asp> and  
<http://www.bgs-auction.com/bgs.dataroom.occ.asp>.

### **H.3.c. Rate Adjustment Factors**

For PSE&G, ACE, and RECO, there are additional factors called Rate Adjustment Factors used to determine retail rates. The Rate Adjustment Factors are equal to the dollar differences between the anticipated billed revenue and supplier payments in a season, divided by the total anticipated billed BGS-FP energy-related charges in that season. (Note that RECO includes demand charges for its SC2 rate class when calculating SC2 anticipated billed revenue.) A difference arises between anticipated revenue and anticipated supplier payments as rate conversion factors for these three EDCs (and the seasonal billing factors for the Auction) are based on one year of cost data while the payments made to suppliers reflect seasonal billing factors from three different Auctions and three years of cost data. The Company Specific Addenda describe these rate adjustment factors in more detail.

### **H.3.d. JCP&L Variation**

The methodology used by JCP&L to derive conversion factors is slightly different from that used by the other EDCs. PSE&G, ACE, and RECO derive conversion factors using the cost inputs for the coming supply year only. For these three EDCs, the Rate Adjustment Factor is then used so that seasonal revenue and seasonal supplier payments correspond. JCP&L derives conversion factors by incorporating cost information from component products from all three Auctions used to supply the BGS-FP Load for the coming year. (See the description of Table C7 of the BGS-FP Pricing Factors spreadsheet in JCP&L’s Company Specific Addendum.) As a result, JCP&L does not require a specific Rate Adjustment Factor.

All EDCs use the same approach to calculate the seasonal billing factors that are used for supplier payments.

#### **H.4. Retail Rate Comparisons**

Draft tariff sheets have been posted to the “bgs proceeding” page of the “auction” tab of the BGS Auction web site as part of the EDC’s compliance filing.

After the BGS Auctions, the EDCs post on their own web sites draft tariff sheets to become effective June 1 upon approval by the Board. These tariff sheets are filed with the Board in March and will be revised as soon as the revised PJM Net Zonal Load Prices are available to the EDCs and the Board. Current tariff sheets are available at the following links:

PSE&G:

<http://www.pseg.com/family/pseandg/tariffs/index.jsp>

JCP&L:

[https://www.firstenergycorp.com/customer\\_choice/new\\_jersey/new\\_jersey\\_tariffs.html](https://www.firstenergycorp.com/customer_choice/new_jersey/new_jersey_tariffs.html)

ACE:

<http://www.atlanticcityelectric.com/Tariffs.aspx>

RECO:

<http://www.oru.com/aboutoru/tariffsandregulatorydocuments/newjersey/scheduleforelectricservice.html>

## I. CIEP PAYMENT FLOWS

Three types of payment flows are outlined below: payments from the Electric Distribution Company (“EDC”)<sup>1</sup> to the BGS-CIEP Supplier, payments from the BGS-CIEP customer and the CIEP customer<sup>2</sup> to the EDC, and payments from the BGS-CIEP Supplier to the EDC. Customers are not assigned to a particular BGS-CIEP Supplier, and there are no direct payment flows between end-use customers and BGS-CIEP Suppliers. A complete itemization of payments to and from the BGS-CIEP Suppliers is found in Article 9, Billing and Payment of the BGS-CIEP Supplier Master Agreement, <http://www.bgs-auction.com/bgs.bidinfo.cc.asp>. The BGS-CIEP Supplier will also have costs associated with meeting its Load Serving Entity (“LSE”) obligations, which it will settle directly with PJM. These costs are not covered in this section. Payments may also result from the application of Section 15.9 of the BGS-CIEP Supplier Master Agreement related to changes in transmission rates and the Supplement to the BGS-CIEP Supplier Master Agreement related to changes in capacity prices.

### I.1. Key Definitions

***BGS-CIEP Supplier Responsibility Share.*** As set forth in the BGS-CIEP Supplier Master Agreement and the BGS-CIEP Auction Rules, each EDC determines a BGS-CIEP tranche size, which is multiplied by the number of tranches won at the Auction to determine each BGS-CIEP Supplier’s BGS-CIEP Supplier Responsibility Share. It is this BGS-CIEP Supplier Responsibility Share that determines the percentage of BGS-CIEP Load for which the BGS-CIEP Supplier is responsible.

***Preliminary and Final Energy Allocations.*** Monthly invoices will calculate payments for the current period based on preliminary allocations of energy, which are calculated from the Supplier Responsibility Share and the total BGS-CIEP Load for the EDC. Energy allocations will include allowances for losses on the EDC system associated with BGS-CIEP Load. The invoice will also include any adjustment amounts for differences in the final and preliminary allocations from prior periods. Invoiced amounts may be a payment from the EDC to the BGS-CIEP Supplier or a payment by the BGS-CIEP Supplier to the EDC. Reference is made below to “PMEA” for Preliminary Monthly Energy Allocation, “FMEA” for Final Monthly Energy Allocation, “PHEA” for Preliminary Hourly Energy Allocation and “FHEA” for Final Hourly Energy Allocation.

<sup>1</sup> The EDCs are the following: Public Service Electric and Gas Company (“PSEG”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

<sup>2</sup> CIEP customers are sometimes referred to as CIEP-Eligible or BGS-CIEP-Eligible customers. The concept is the same. A CIEP customer is either a BGS-CIEP customer or a customer served by a third party supplier who, were the customer to take BGS, would do so on a CIEP tariff or rate.

The PMEA and PHEA are the initial determinants of the BGS-CIEP Supplier share of the monthly and hourly energy used by BGS-CIEP customers, adjusted for losses. The PMEA and FMEA upon which ancillary service payments to BGS-CIEP Suppliers are based, and the PHEA and FHEA upon which energy payments to BGS-CIEP Suppliers are based, will reflect load at the customer meter plus losses as reported to PJM and as de-rated by PJM in accordance with marginal loss implementation procedures. The volumes of energy upon which BGS-CIEP Supplier payments (excluding the CIEP Standby Fee payment) are based will be equal to the energy volumes for which BGS-CIEP Suppliers are responsible in the PJM energy settlement process.

In the manner approved by the Board, an EDC's BGS-CIEP Supplier that agrees to the Supplement to the BGS-CIEP Supplier Master Agreement can receive a payment based, among other factors, on the difference between the Zonal Net Load price charged to the BGS-CIEP Supplier by PJM for that EDC and the Zonal Net Load price established in the second Incremental Auction held pursuant to the Reliability Pricing Model ("RPM") for the planning year. This calculation is fully described in the Supplement to the BGS-CIEP Supplier Master Agreement.

## **I.2. Payments from EDC to Supplier**

These payments will consist of the following:

- The CIEP Standby Fee, at a level of 0.015¢/kWh, multiplied by the BGS-CIEP Supplier Responsibility Share of the preliminary kilowatt hours used by CIEP customers measured at the customer meter.
- The PJM-real time local marginal price ("LMP") for the EDC zone, multiplied by the PHEA, summed over the month and multiplied by the BGS-CIEP Supplier Responsibility Share.
- An Ancillary Services Charge, at a level of \$6.00/MWh, multiplied by the PMEA and multiplied by the BGS-CIEP Supplier Responsibility Share.
- The Transmission Charge, multiplied by the BGS-CIEP Supplier Responsibility Share of the daily transmission obligation of BGS-CIEP customers. The Transmission Charge will reflect applicable and current Open Access Transmission Tariff ("OATT") rates as of a date specified in the BGS-CIEP Supplier Master Agreement, intended to be on or near to January 1, 2015, excluding any surcharge or any charge that is in effect as of that date subject to refund by the FERC.

- The CIEP Price, determined at the Auction, multiplied by the BGS-CIEP Supplier Responsibility Share of the daily capacity obligation of all BGS-CIEP customers.
- Any amounts due under Section 15.9 of the BGS-CIEP Supplier Master Agreement.
- Any amounts due under the Supplement to the BGS-CIEP Supplier Master Agreement.
- PMEAFMEA Adjustment Amount for any month in which the FMEA exceeds the PMEAFMEA.
- PHEAFHEA Adjustment Amount to the extent that such amount is in favor of the BGS-CIEP Supplier.
- The CIEP Standby Fee, multiplied by the difference between the final and preliminary kilowatt hours used by CIEP customers, measured at the customer meter, multiplied by the BGS-CIEP Supplier Responsibility Share, if the final kWh exceeds the preliminary kWh.

### **I.3. Payments from Supplier to EDC**

These payments will consist of the following:

- One-time assessment based on the Tranche Fee, to cover administrative costs. The Tranche Fee will be announced prior to the Auction and payment will be the Tranche Fee multiplied by the number of tranches won by the BGS-CIEP Supplier. The assessment will appear on the first invoice, in June 2015.
- PMEAFMEA Adjustment Amount for any month in which the PMEAFMEA exceeds the FMEA.
- PHEAFHEA Adjustment Amount for any month in which payment is due to the EDC.
- The CIEP Standby Fee multiplied by the difference between the preliminary and the final kilowatt hours billed by the EDC to CIEP customers, measured at the customer meter, multiplied by the BGS-CIEP Supplier Responsibility Share, if the final kWh are less than the preliminary kWh.

#### **I.4. Payments from BGS-CIEP or CIEP Customers to EDC**

These payments will consist of the following:

- The PJM real-time LMP, multiplied by the hourly energy usage adjusted for losses on the EDC system, summed over the month (BGS-CIEP customers).
- An Ancillary Services Charge, at a rate pre-determined by each EDC, multiplied by the monthly energy usage (BGS-CIEP customers).
- The CIEP Price, determined at the Auction adjusted to reflect the revised PJM Zonal Net Load Price as applicable and converted to a retail rate (depending on the EDC and the rate class, this conversion may be done in different ways) (BGS-CIEP customers).
- The transmission retail rate, reflecting the Transmission Charge at the start of the term of the BGS-CIEP Supplier Master Agreement and any Board-approved changes to such rates (BGS-CIEP customers).
- The CIEP Standby Fee, multiplied by the monthly energy usage measured at the customer meter (CIEP customers).

#### **I.5. Corrections/Adjustments after PJM Final Settlement**

Additionally, the BGS-CIEP Supplier Master Agreement provides that if there are corrections or adjustments that would have resulted in changes in the PJM settlement, but the deadline for settlement has passed, the EDC will directly settle the difference with the BGS-CIEP Supplier. This payment could go either way. It is also possible that an adjustment to customer bills to reconcile the revenue billed to BGS-CIEP customers by the EDC with the amount paid to BGS-CIEP Suppliers will affect BGS-CIEP customer bills.

#### **I.6. Frequently Asked Questions on Payments and Rates**

For bidder convenience we present below some FAQs related to supplier payments.

***What were the CIEP Standby Fees in the past three auctions?***

The level of the CIEP Standby Fee was 0.015¢/kWh for the past three auctions.

***Where can I find the tariff sheets for the four New Jersey Electric Distribution Companies?***

Draft tariff sheets have been posted to the Regulatory Process page as part of the EDCs' compliance filing.

PSE&G:

[http://bgs-auction.com/documents/2015\\_PSE&G\\_Tariff\\_Sheet\\_November\\_26\\_2014.pdf](http://bgs-auction.com/documents/2015_PSE&G_Tariff_Sheet_November_26_2014.pdf)

JCP&L:

[http://bgs-auction.com/documents/2015\\_JCP&L\\_Tariff\\_Sheet\\_November\\_26\\_2014.pdf](http://bgs-auction.com/documents/2015_JCP&L_Tariff_Sheet_November_26_2014.pdf)

ACE:

[http://bgs-auction.com/documents/2015\\_ACE\\_Tariff\\_Sheet\\_November\\_26\\_2014.pdf](http://bgs-auction.com/documents/2015_ACE_Tariff_Sheet_November_26_2014.pdf)

RECO:

[http://bgs-auction.com/documents/2015\\_RECO\\_Tariff\\_Sheet\\_November\\_26\\_2014.pdf](http://bgs-auction.com/documents/2015_RECO_Tariff_Sheet_November_26_2014.pdf)

After the BGS Auctions, the EDCs post on their own web sites draft tariff sheets to become effective June 1 upon approval by the Board. These tariff sheets are filed with the Board in March and will be revised as soon as the revised PJM Net Zonal Load Prices are available to the EDCs and the Board. Current tariff sheets are available at the following links:

PSE&G:

<http://www.pseg.com/family/pseandg/tariffs/index.jsp>

JCP&L:

[https://www.firstenergycorp.com/customer\\_choice/new\\_jersey/new\\_jersey\\_tariffs.html](https://www.firstenergycorp.com/customer_choice/new_jersey/new_jersey_tariffs.html)

ACE:

<http://www.atlanticcityelectric.com/Tariffs.aspx>

RECO:

<http://www.oru.com/aboutoru/tariffsandregulatorydocuments/newjersey/scheduleforelectricservice.html>

***Could you please provide the firm transmission service rates announced before each of the last three Auctions? Are filings and Orders for changes in the transmission rate available on the BGS Auction web site?***

The base rates for firm transmission service are announced before each Auction. The rates announced before the past three Auctions are provided in Table I-1 below.

**Table I-1. Rate for Firm Transmission Service (\$/MW-day)**

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>PSE&amp;G</b>	152.66	115.85	76.94
<b>JCP&amp;L</b>	41.40	41.40	41.40
<b>ACE</b>	78.15	73.79	75.94
<b>RECO</b>	87.98	87.98	87.98

Filings and Orders regarding changes in the transmission rate under Section 15.9 of the Supplier Master Agreements can be found on the “bpu docs” page of the “auction” tab on the BGS Auction web site.

## J. PJM

BGS Suppliers have responsibilities under PJM agreements. The purpose of this section is to provide, for the convenience of bidders, references to information available from PJM. These may not be the only items related to PJM that could affect bidders, and bidders should not rely on information provided in this section as a full and accurate description of such issues. Bidders should obtain additional information on each subject discussed here, as well as other PJM topics, as they deem appropriate, from the PJM web site ([www.pjm.com](http://www.pjm.com)). A summary guide to the PJM web site, including where to find information on recent PJM proposals, is provided below.

### J.1. Supplier Responsibility to PJM

The EDCs’<sup>1</sup> BGS Load is within the control area operated by PJM. BGS Suppliers must become PJM Load Serving Entities (“LSEs”) by the start of the supply period and serve BGS Load according to PJM procedures and rules.

If the New Jersey Board of Public Utilities (“Board” or “BPU”) approves the Auction results, a winning bidder becomes a BGS Supplier and is responsible for fulfilling all the requirements of a PJM LSE. The EDC will provide to PJM the magnitude and location of the BGS Supplier’s Responsibility Share, from which PJM will calculate the BGS Supplier’s firm transmission service obligation, capacity obligation, energy obligation, ancillary services obligation, and any other requirements arising under applicable PJM agreements. Each BGS Supplier will be responsible to PJM for the performance of its LSE obligations for the BGS Load that it wins. Each BGS Supplier will financially settle directly with PJM for these obligations. Supplier responsibilities are detailed in several documents, including:

- BGS Supplier Master Agreements, available on the “contracts and credit” page of the “bidder info” tab of the BGS Auction web site:  
<http://www.bgs-auction.com/bgs.bidinfo.cc.asp>
- PJM training documents (refer to the PJM web site for new participant training):  
<http://www.pjm.com/training.aspx>
- PJM tariff, PJM Operating Agreement, Reliability Assurance Agreement and the PJM guide to billing:

<sup>1</sup> The EDCs are the following: Public Service Electric and Gas Company (“PSEG”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

- PJM Open Access Transmission Tariff (“OATT”):  
<http://pjm.com/documents/~media/documents/agreements/tariff.ashx>
- PJM Operating Agreement (“OA”):  
<http://pjm.com/documents/~media/documents/agreements/oa.ashx>
- PJM’s Reliability Assurance Agreement (“RAA”):  
<http://pjm.com/documents/~media/documents/agreements/raa.ashx>
- Customer Guide to PJM Billing:  
<http://www.pjm.com/~media/markets-ops/settlements/custgd.ashx>

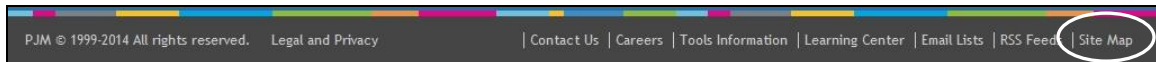
If you have questions or need assistance, please contact the PJM Member Relations Hotline at (610) 666-8980 or toll free at (866) 400-8980.

## J.2. PJM Web Site User Guide

The PJM web site ([www.pjm.com](http://www.pjm.com)) provides information about PJM. The primary web site navigation bar and other potentially useful links are highlighted below.

### J.2.a. Site Map

For an overview of what is on the PJM web site, click on the “site map” link located at the bottom-right corner of the home page of the web site.



### J.2.b. Contact Us

The “Contact Us” link at the bottom of the page will lead to information and a page where users can submit questions or comments to PJM, subscribe to informational emails, and access news releases.



Who We Are

PJM's Mission and Vision
PJM History
Annual Report
PJM Board of Managers
Executive Team
Employee Code of Conduct
Territory Served
Diversity & Inclusion at PJM
Information for Current and Prospective Suppliers



Contact Us

Visiting PJM
Stakeholder Responsiveness

Member Services

Careers
Newsroom
Communications
Renewable Energy
Dashboard
Notifications
Community Outreach

Home » About PJM » Who We Are » Contact Us

## Contact Us

Thank you for your interest in learning more about PJM.

If you would like to speak with a customer service representative, please contact the customer service hotline listed below. You also can contact us via email by completing the form below. If you are a member of the media, please contact the Media Relations number listed below.

<b>Customer Service</b> (610) 666-8980 (866) 400-8980	<b>Media Relations</b> (866) 756-6397	<b>Security</b> <a href="#">Email</a>
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Our mailing address is:

2750 Monroe Boulevard  
Audubon, PA 19403

Additional information is available if you are planning to visit PJM.

For information about PJM and the electric industry, please visit PJM's [Learning Center](#).

\* Required

### Contact Information

Please fill out the contact information below or [Sign In](#).

\* Name:

\* Company:

Select member company

If your company is not in the list above, please select 'Other' and enter the appropriate name.

\* Phone:

\* Email:

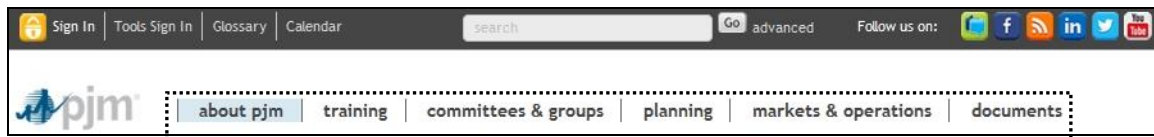
\* Confirm email:

\* Subject:

\* Description:

Submit

### J.2.c. The Navigation Bar



- a. The “**About PJM**” section found at the primary navigation bar on the PJM web site provides an overview of PJM and a newsroom containing news articles about PJM.



- b. Under the “**About PJM**” section, the second subsection, called *Member Services* provides more information about existing PJM members and how to become a PJM member.



- c. The “**Training**” section provides links to web pages containing useful information and documents relating to courses, training events, training materials, and certification.



- d. The “**Committees & Groups**” section provides a variety of links to information about the committees and groups involved in the governance of PJM. The *Issue Tracking* subsection coordinates user access to all documents on PJM’s web site related to issues addressed by PJM’s Committees and is an efficient way to look for documents on a particular issue.



- e. The “**Planning**” section provides information on PJM’s Regional Transmission Expansion Plan (“RTEP”), generation interconnection queues, resource adequacy, and planning criteria.

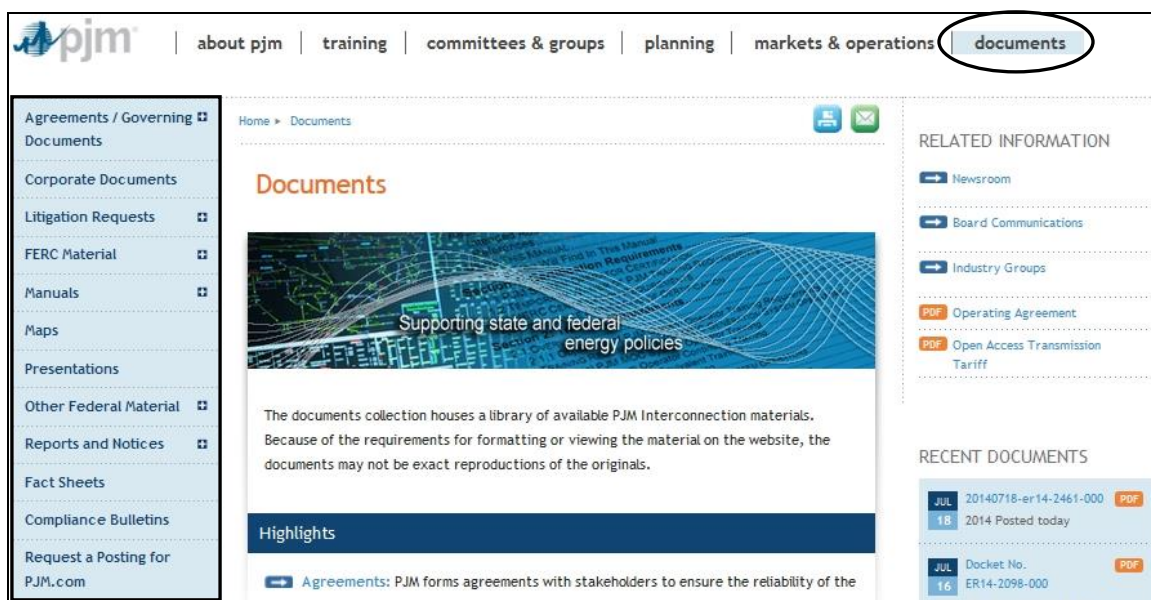
The screenshot shows the PJM website with the navigation bar at the top. The "planning" link is circled. The left sidebar lists various planning topics, with "Planning Criteria" highlighted. The main content area is titled "Planning" and features a banner image with the text "Strengthening the region's capacity resources". Below the banner, a paragraph describes PJM's Regional Transmission Expansion Plan (RTEP). The right sidebar contains "RELATED INFORMATION" with links to Manuals, Compliance, Transmission Expansion Advisory Committee, Regional Planning Process Task Force, Eastern Interconnection Planning Collaborative, Public Policy Considerations and Drivers, and Regional Transmission Expansion Plan Documents. At the bottom right, "RECENT DOCUMENTS" lists "PJM Peak Hour History" dated July 14, 2014.

- f. The “**Markets & Operations**” section of the PJM web site, located at the fifth link on the navigation bar, has the following subsections:

The screenshot shows the PJM website with the navigation bar at the top. The "markets & operations" link is circled. The left sidebar lists various market and operational topics, with "Operational Data" highlighted. The main content area is titled "Markets & Operations" and features a banner image with the text "Working to ensure grid reliability". Below the banner, a paragraph describes PJM's competitive wholesale electricity market. The right sidebar contains "RELATED INFORMATION" with links to PJM Tools FAQs, Manuals, Locational Marginal Pricing Map, and Industry Groups. Below this is a "Visit the learning center" button. The "CONTACT INFORMATION" section includes a "Need help finding information?" prompt with a "Live chat" button, and contact details for Member Relations. At the bottom right, there is a "Website Feedback" button.

- *Operational Data* provides real-time or recent Locational Marginal Price (“LMP”) data, transmission transfer and limit information and instantaneous dispatch rates and load information.
- *Data Dictionary* provides a streamlined search for data posted on [www.pjm.com](http://www.pjm.com).
- *Interregional Data Map* is an interactive map that shows the flow of electricity into and out of PJM. The flow, interfaces, prices and real-time load are provided by zone across the PJM footprint.
- *PJM Tools* provides information and links to a suite of online applications that give PJM members access to real-time market operations data, such as real-time prices. These tools assist members with managing daily transactions as well as enabling members to make business decisions.
- *Energy Market* allows access to detailed information on the nature of PJM’s market for electricity, including the real-time and day-ahead energy markets, where historical data on LMPs can be viewed and downloaded.
- *Reliability Pricing Model (“RPM”)* provides information on PJM’s capacity-market model, RPM auctions, and PJM’s Capacity Credit Market archive.
- *Financial Transmission Rights (“FTR”)* provides information on the financial transmission rights used to hedge economic risks associated with delivering energy on the grid.
- *Ancillary Services* provides information and historical data on black start services, synchronized reserves and market-based regulation.
- *Demand Response* describes the demand response programs implemented by PJM, such as the Emergency Load Response Program and the Economic Load Response Program, and provides information on the day-ahead scheduling reserve and capacity markets, and other reference materials.
- *Market Settlements* includes links to a variety of helpful PJM web pages covering the process of settling transactions within the PJM market.
- *Financial Credit* provides a link to PJM Settlement, Inc which explains PJM’s credit policy approved by the Federal Energy Regulatory Commission (“FERC”).

- *Compliance* provides details about PJM’s commitment to fulfilling all compliance standards with all applicable North American Electric Reliability Corporation (“NERC”) and regional reliability standards as well as North American Energy Standards Board (“NAESB”) business standards.
  - *Transmission Service* specifies the transmission services that are available to eligible customers.
  - *Operational Analysis* provides current and historical PJM data related to generation, transmission, and load, as well as operations reports, system data graphs, and a link to information about emergency procedures.
  - *Advanced Technology Pilot Program* provides information on opportunities for new technologies to integrate into the bulk electric system and an overview of the pilot development process.
- g. The “**Documents**” section provides links to important PJM documents, including regulatory filings. The *Agreements/Governing Documents* subsection provides links to PJM agreements such as the OATT, OA, and RAA. The *Manuals* subsection provides links to PJM Manuals that delineate the administrative, planning, operating, and accounting procedures of PJM.

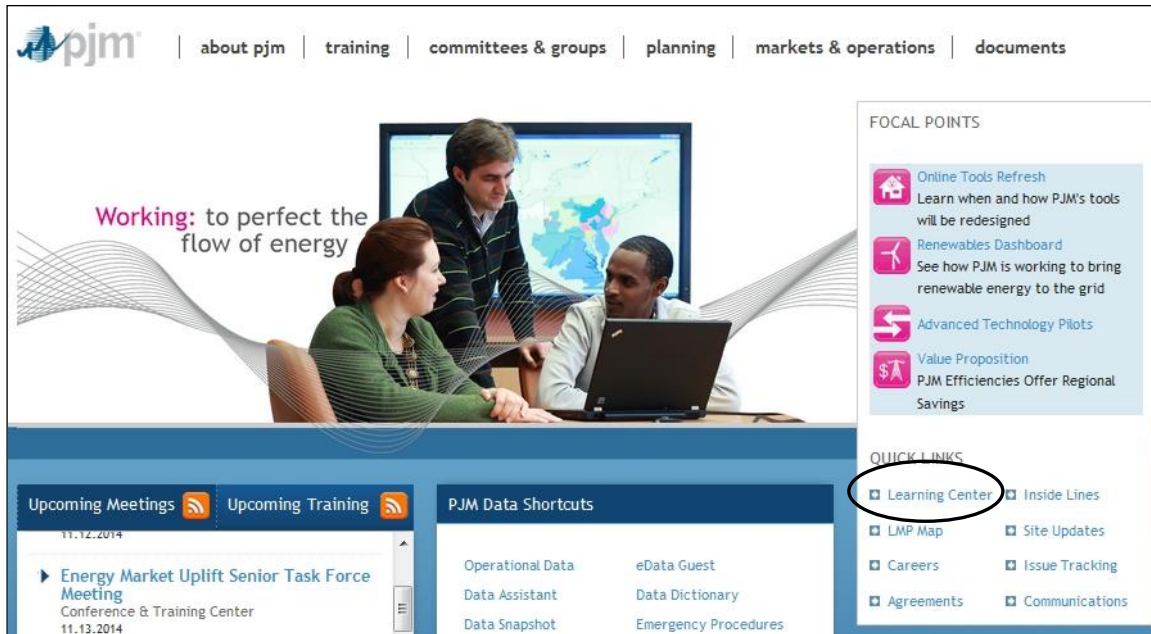


### J.3. Financial Transmission Rights and Auction Revenue Rights

Under the BGS Supplier Master Agreements, BGS Suppliers (and not the EDCs) are the LSEs in PJM and the firm or network transmission service customers. When BGS Suppliers purchase Network Integration Transmission Service (“NITS”), they can request Auction Revenue Rights (“ARRs”). ARRs allocated for the planning period are reassigned on a proportional basis within a zone as load switches between LSEs.

BGS Suppliers can also purchase Financial Transmission Rights (“FTRs”) in periodic auctions held by PJM.

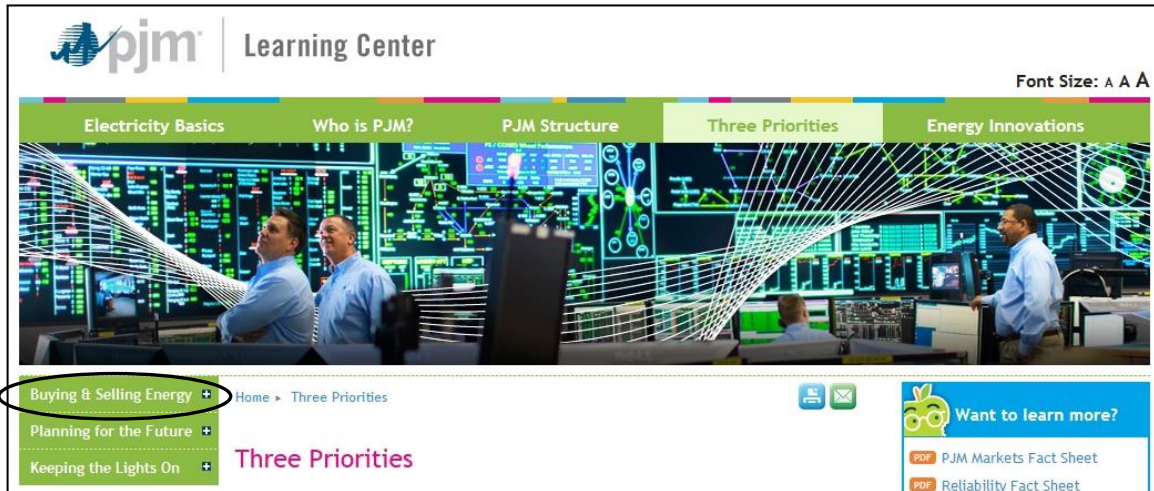
General information on ARRs and FTRs is provided by PJM at the *Learning Center*, the first item under the *Quick Links* section of PJM home page.



Select “**Three Priorities**”, the fourth link on the navigation bar:



Then *Buying & Selling Energy*, the first link on the left:



Or use the following web address:

<http://learn.pjm.com/three-priorities/buying-and-selling-energy.aspx>

Reference materials as well as the FTR and ARR credit rules and historical auction results are available at the PJM FTR Auction User information page:

[http://www.pjm.com/markets-and-operations/ftr/auction-user-info.aspx?sc\\_lang=en](http://www.pjm.com/markets-and-operations/ftr/auction-user-info.aspx?sc_lang=en)

### J.3.a. Purpose and Application of FTRs

As noted by PJM,

“Financial Transmission Rights or FTRs allow market participants to offset potential losses (hedge) related to the price risk of delivering energy to the grid. FTRs are a financial contract entitling the FTR holder to a stream of revenues (or charges) based on the day-ahead hourly congestion price difference across an energy path.

FTRs are a method to bypass congestion charges associated with PJM’s Locational Marginal Pricing or LMP. They give market participants the ability to attain a better price certainty when delivering energy across the grid.

FTRs are worth the economic value determined by the day-ahead hourly congestion prices. The FTR serves as a benefit, or credit, to the holder if it represents a flow of energy in the same direction as the congested flow. The FTR serves as a liability, or charge, to the holder if it represents a flow of energy in the opposite direction as the congested flow.”

For more details, please refer to the *Learning Center* quick link at:

<http://learn.pjm.com/three-priorities/buying-and-selling-energy/ftr-faqs.aspx>

### **J.3.b. Purpose and Application of ARRs**

As defined by PJM,

“Auction Revenue Rights or ARRs are entitlements allocated annually to firm transmission service customers that entitle the holder to receive an allocation of the revenues from the Annual FTR Auction. ARRs are another hedging mechanism available to PJM’s transmission service customers.”

For more details, please refer to the *Learning Center* quick link at:

<http://learn.pjm.com/three-priorities/buying-and-selling-energy/auction-revenue-faqs.aspx>

### **J.4. PJM Tools**

PJM provides web-based software applications, collectively referred to as PJM Tools, which allow members to conduct a number of PJM-related tasks, including the following:

- Access market data
- Submit energy schedules
- View load obligation and report bilateral capacity transactions
- Reserve transmission through OASIS
- Manage transactions in PJM’s markets

These PJM Tools are described on the PJM web site:

<http://www.pjm.com/markets-and-operations/etools.aspx>

## J.5. Reliability Pricing Model

### J.5.a. Purpose and Application of RPM

PJM's RPM provides:

- “Procurement of capacity three years before it is needed through a competitive auction;
- Locational pricing for capacity that reflects limitations on the transmission system's ability to deliver electricity into an area and to account for the differing need for capacity in various areas of PJM;
- A variable resource requirement to help set the price for capacity;
- A backstop mechanism to ensure that sufficient resources will be available to preserve system reliability.”

The Reliability Pricing Model consists of one Base Residual Auction (“BRA”) and up to three incremental auctions per PJM delivery year (June 1 to May 31).

The 2015/2016 BRA cleared 164,561.2 MW of unforced capacity, representing a 20.2% reserve margin, at a price of \$136.00/MW-day. Results of auctions conducted for the three years of the BGS-FP<sup>2</sup> supply period are presented in the table below.

**Table J-1. BRA Results for 2015/2016 through 2017/2018 Planning Years for the EDCs' Zone**

Year	EDC	Price (\$MW-Day) <sup>3</sup>
2015/2016	All EDCs	\$165.78
2016/2017	JCP&L, ACE, and RECO	\$118.89
	PSE&G	\$177.61
2017/2018	JCP&L, ACE, and RECO	\$119.92
	PSE&G	\$175.21

<sup>2</sup> In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

<sup>3</sup> These prices are net of Capacity Transfer Rights (“CTRs”). RPM costs for LSEs may not equal these values because prices are subject to adjustment pending the outcome of any incremental RPM auctions that may be held. Please see the Recent Developments section as well.

Information on the RPM as well as the RPM auction results can be found on the PJM web site:

<http://www.pjm.com/markets-and-operations/rpm/rpm-auction-user-info.aspx>

### **J.5.b. Recent Developments**

On October 7, 2014, PJM released a document entitled Capacity Performance Updated Proposal (“Capacity Proposal”). The Capacity Proposal calls for the creation of a new capacity product designed to provide revenues to supply-side resources that take extra steps to ensure operational certainty during times of extreme stress on the bulk electric system. This proposal, along with other related documents including stakeholder comments and supporting data, are available on the Enhanced Liaison Committee page:

<http://pjm.com/committees-and-groups/committees/elc.aspx>

Additionally, a document entitled Capacity Performance Initiative was posted to this page on October 23, 2014. This document provides a cost-benefit analysis of the proposal.

The Capacity Proposal is subject to a stakeholder process and is subject to approval by the Federal Energy Regulatory Commission (“FERC”). In response to this proposal, bidders had an opportunity to submit supplemental comments and supplemental reply comments to the Board.

## **J.6. Demand Response**

### **J.6.a. Purpose and Application of Demand Response**

As defined by PJM:

“Demand response (also known as load response) is end-use customers reducing their use of electricity in response to power grid needs, economic signals from a competitive wholesale market or special retail rates.”

End-use customers usually reduce their electricity consumption during emergencies or when LMPs are high. PJM’s demand response program enables end-user customers to receive a revenue stream for reducing electricity consumption in such circumstances.

Currently, end-use customers can participate in demand response through qualified PJM market participants called Curtailment Service Providers (“CSPs”), who act as agents for these participating customers. These CSPs register the aggregated demand of participating end-use customers with PJM and submit the verification of demand reductions. In turn, PJM makes payments to the CSPs as a result of these demand

reductions. The CSP pays the end-use customer in accordance with the agreement between the CSP and the end-use customer.

Detailed information on demand response can be found on PJM web site:

<http://www.pjm.com/markets-and-operations/demand-response.aspx>

### **J.6.b. Recent Developments**

On October 6, 2014, PJM released a document entitled The Evolution of Demand Response in the PJM Wholesale Market in response to the May 2014 decision by the D.C. Circuit Court of Appeals (the “EPSA” decision)<sup>4</sup>, which vacated FERC Order 745<sup>5</sup> in its entirety. Order 745 established a uniform compensation level, either the full locational marginal price or the marginal value of resources in each market typically used to compensate generators, for suppliers of demand response resources in both day-ahead and real-time energy markets. In this document, PJM describes an approach to permit demand response to continue to participate in its markets and proposes a transition mechanism in regards to wholesale demand response that is already committed through a capacity auction for delivery years 2015/16, 2016/17, and 2017/18. This proposal is subject to a stakeholder process and approval by the FERC and state regulators.

On October 22, 2014, PJM filed an Answer opposing a Complaint filed by FirstEnergy Service Corporation seeking to extend the ESPA ruling and remove demand response from the 2014 BRA (for the 2017/2018 Delivery Year) and future RPM BRAs. Both documents are available in docket ER14-55-000 on FERC’s web site.

### **J.7. Keeping Up with Market Updates**

The PJM newsroom provides information about PJM’s activities, including news releases and media resources providing a variety of statistical data and background information on PJM:

[http://www.pjm.com/about-pjm/newsroom.aspx?sc\\_lang=en](http://www.pjm.com/about-pjm/newsroom.aspx?sc_lang=en)

### **J.8. PJM-EIS GATS Implementation**

PJM Environmental Information Services (“PJM-EIS”) has implemented a Generation Attribute Tracking System (“GATS”). BGS Suppliers must use GATS for compliance

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<sup>4</sup> ESPA’s mandate has been stayed pending the FERC’s possible petition for certiorari to the United States Supreme Court.

<sup>5</sup> FERC Order 745 is available on FERC’s web site:  
<http://www.ferc.gov/EventCalendar/Files/20110315105757-RM10-17-000.pdf>

with the Renewable Portfolio Standards. More information on this system can be found at the PJM-EIS web site:

<http://www.pjm-eis.com/>

The New Jersey Renewable Portfolio Standards are discussed in more detail in section K this information packet.

## **J.9. New Transmission Projects**

PJM's Regional Transmission Expansion Plan ("RTEP") identifies transmission system upgrades and improvements to maintain the reliability of the electricity grid. The RTEP planning horizon permits PJM to assess reliability criteria five and fifteen years in advance. The five-year planning period enables PJM to assess and recommend upgrades to meet forecasted short-term load growth and to ensure reliable interconnection of new generation and merchant transmission projects. The fifteen-year horizon permits consideration of many projects of a larger magnitude which may be efficient at addressing larger, more global, reliability issues. An up-to-date list and construction status of transmission system upgrade projects can be found at the PJM RTEP Construction Status page:

<http://www.pjm.com/planning/rtep-upgrades-status/construct-status.aspx>

As part of the RTEP process, PJM will charge BGS Suppliers for costs related to the development of RTEP-approved transmission projects through Transmission Enhancement Charges ("TECs"). Please see Section 15.9 of the BGS-FP Supplier Master Agreement and the BGS-CIEP Supplier Master Agreement, which are the contractual provisions applicable to changes in transmission rates over the terms of those agreements. TECs, as well as some other transmission rate changes, are potentially eligible for recovery under Section 15.9 of the BGS Supplier Master Agreements.

## **K. NEW JERSEY INITIATIVES**

### **K.1. Renewable Portfolio Standards: Requirements**

#### **K.1.a. Overview**

The Renewable Portfolio Standards (“RPS”) implement provisions of the Electric Discount and Energy Competition Act (“EDECA”), N.J.S.A. 48:3-49 et seq., which require each electric power supplier or Basic Generation Service (“BGS”) Supplier in New Jersey to include renewable energy in its portfolio.

In this section, we highlight the main features of the RPS for the convenience of bidders, including recently adopted amendments to the RPS. Please consult the RPS, amendments to the RPS, and relevant Orders of the New Jersey Board of Public Utilities (“Board” or “BPU”) for a comprehensive listing of the requirements.

#### **K.1.b. What are the Requirements?**

BGS Suppliers do not demonstrate compliance with the RPS using direct supply of renewable energy. Rather, electric power suppliers and BGS Suppliers demonstrate compliance with the RPS through Renewable Energy Certificates (“RECs” or “Certificates”) and Solar Renewable Energy Certificates (“SRECs”). Alternatively, the BGS Supplier may comply by making a payment (Alternative Compliance Payments (“ACPs”) or Solar Alternative Compliance Payments (“SACPs”).

Renewable energy means electric energy generated within or delivered into the PJM region and produced from a source belonging to one of two classes:

1. Class I renewable energy. Electric energy produced from solar technologies, photovoltaic technologies, wind energy, fuel cells, geothermal technologies, wave or tidal action, small scale hydropower facilities with a capacity of 3 MW or less and put into service after July 23, 2012, and methane gas from landfills or a biomass facility, provided that the biomass is cultivated and harvested in a sustainable manner.
2. Class II renewable energy. Electric energy produced at hydropower facility with a capacity of greater than 3 MW or a resource recovery facility, provided that such facility is located where retail competition is permitted and provided further that the Commissioner of Environmental Protection has determined that such facility meets the highest environmental standards and minimizes any impacts to the environment and local communities.

Although solar electric generation is a type of Class I renewable energy, each BGS Supplier must meet a separate requirement for solar electric generation as provided in Table K-1 below. For SRECs to be eligible for compliance with the RPS, the solar electric generation facility must be connected to the distribution system in New Jersey.

SRECs may be used to comply with any of the requirements in Table K-1 below. Other Class I RECs may be used to meet Class I and Class II renewable energy requirements, but may not be used to meet the solar electric generation requirements. Class II RECs may only be used to meet Class II renewable energy requirements.

Table K-1 below provides, for the three years of the BGS-FP<sup>1</sup> supply period, the minimum amounts of renewable energy required by the RPS.

**Table K-1. Minimum Amounts of Renewable Energy Required**

Period	Solar Electric Generation	Class I Renewable Energy	Class II Renewable Energy
June 1, 2015 to May 31, 2016	2.750%	9.649%	2.5%
June 1, 2016 to May 31, 2017	3.000%	10.485%	2.5%
June 1, 2017 to May 31, 2018	3.200%	12.325%	2.5%

### **K.1.c. How are RECs Issued, Tracked and Traded?**

The renewable energy for which a REC (or an SREC) is issued cannot be used again for the issuance of another REC (or SREC), or used to satisfy another state’s renewable energy requirement. Once a REC (or an SREC) has been submitted for compliance with the RPS, the REC (or SREC) will be permanently retired and cannot be used again.

The PJM-Environmental Information Services (“PJM-EIS”), through the Generation Attribute Tracking System (“GATS”), issues SRECs, Class I RECs, and Class II RECs. To obtain these RECs (or SRECs) and show compliance with the RPS, BGS Suppliers must participate in PJM-EIS GATS.

To participate in PJM-EIS GATS, BGS Suppliers must agree to the GATS “Terms of Use” that are available on the PJM-EIS web site: <http://www.pjm-eis.com>. The BGS

<sup>1</sup> In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

Supplier must also register with GATS by opening a Retail LSE Account and establish a sub-account for each EDC<sup>2</sup> service territory that it is supplying. For more information, including the cost involved, please see:

<http://www.pjm-eis.com/~media/pjm-eis/documents/terms-of-use.ashx>.

For questions about PJM-EIS GATS, please contact:

PJM-EIS GATS Administrator  
 Phone: 610-666-2245  
 Toll Free Number: 877-750-GATS  
 Fax: 610-771-4114  
 E-mail: gatsadmin@pjm-eis.com

For BGS Suppliers that have existing arrangements with generators to meet the RPS requirements, those generators will need to register with PJM-EIS GATS and convert the relevant attributes to RECs (or SRECs).

#### **K.1.d. How Does a BGS Supplier Demonstrate Compliance?**

Each BGS Supplier is responsible for meeting the renewable energy requirements associated with the tranches it serves. The BGS Supplier either obtains RECs and SRECs in the amounts required, or the BGS Supplier pays the ACPs and SACP to make up the shortfall. The ACP has historically been set at \$50/MWh. Table K-2 provides the SACP for the three years of the BGS-FP supply period.

**Table K-2. SACP Schedule**

Period	June 1, 2015 to May 31, 2016	June 1, 2016 to May 31, 2017	June 1, 2017 to May 31, 2018
SACP (\$/MWh)	323	315	308

The Board requires an annual report each fall to demonstrate compliance with the RPS for the year ending on the preceding May 31st. The EDCs will assist BGS Suppliers in meeting these reporting requirements as set forth in section K.1.e below.

A BGS Supplier may be subject to penalties if it fails to demonstrate compliance with the RPS or fails to meet the deadlines set forth in the RPS. BGS Suppliers must keep all records relating to meeting the requirements of the RPS for a period of five years, and

<sup>2</sup> The EDCs are Public Service Electric and Gas Company (“PSE&G”), Jersey Central Power & Light Company (“JCP&L”), Atlantic City Electric Company (“ACE”), and Rockland Electric Company (“RECO”).

may be required to present these records for review upon request by the Board or its designees.

### **K.1.e. The EDCs' Undertakings**

The EDCs will assist BGS Suppliers in meeting the reporting requirements of the RPS. PSE&G and JCP&L will, to the extent permitted by applicable regulatory and contractual provisions, make available to BGS-FP Suppliers on a pro-rata basis RECs from Committed Supply, including supply from non-utility generators ("NUGs"), provided that no BGS-FP Supplier will be allocated a share of RECs greater than that Supplier's RPS obligation as a BGS Supplier for the subject period. ACE will, to the extent permitted by applicable regulatory and contractual provisions, credit RECs from Committed Supply on a pro-rata basis to winning BGS-FP and BGS-CIEP Suppliers. RECO does not have any RECs from Committed Supply available for BGS Suppliers. Additional information will be provided by the December bidder information session.

Historical data series regarding the energy from Committed Supply for PSE&G, JCP&L, and ACE are available under "Energy from Committed Supply" on the "Additional Data" page of the BGS Data Room: <http://www.bgs-auction.com/bgs.dataroom.occ.asp>.

## **K.2. Solar Legislation**

On July 23, 2012, New Jersey Governor Chris Christie signed Senate Bill 1925 into law. Senate Bill 1925 supersedes The Solar Energy Advancement and Fair Competition Act (Assembly Bill 3520), which mandated procurement of a fixed number of gigawatt hours. Senate Bill 1925 accelerated the solar requirement schedule and returned the solar requirement to be a percentage of overall energy usage in New Jersey. Table K-1 above provides, for the three years of the BGS-FP supply period, the minimum amounts of renewable energy required by the RPS under Senate Bill 1925. In addition, Senate Bill 1925 decreases the SACP as shown in Table K-2 and increases the life of SRECs to five years.

A copy of Assembly Bill 3520 is available here:

[http://www.njleg.state.nj.us/2008/Bills/A4000/3520\\_R3.PDF](http://www.njleg.state.nj.us/2008/Bills/A4000/3520_R3.PDF)

### **K.3. Solar Programs**

#### **K.3.a. JCP&L, ACE, and RECO SREC-Based Financing Program**

In response to the Board's Order dated May 23, 2012 in Docket No. EO11050311V, JCP&L, ACE, and RECO each proposed a second phase to their SREC-Based Financing Programs ("SREC II Programs") modeled on the EDCs' original SREC-Based Financing Programs.

On December 13, 2013 in Docket Nos. EO12090799, EO12080750, and EO13020118, the EDCs each signed a stipulation with various parties modifying certain elements of the proposals. On December 18, 2013, the Board issued a series of orders in the above referenced dockets approving the stipulations and authorizing each EDC to promote and perform its own SREC II Program under which each EDC would purchase SRECs from selected qualified solar generating facilities. Over a three-year solicitation period, JCP&L will purchase up to 52 MW of solar capacity, ACE will purchase up to 23 MW of solar capacity, and RECO will purchase up to 4.5 MW of solar capacity.

A copy of the Order approving JCP&L's Stipulation can be found here:

<http://www.bpu.state.nj.us/bpu/pdf/boardorders/2013/20131218/12-18-13-2L-1.pdf>

A copy of the Order approving ACE's Stipulation can be found here:

<http://www.bpu.state.nj.us/bpu/pdf/boardorders/2013/20131218/12-18-13-2L-2.pdf>

A copy of the Order approving RECO's Stipulation can be found here:

<http://www.bpu.state.nj.us/bpu/pdf/boardorders/2013/20131218/12-18-13-2L-3.pdf>

#### **K.3.b. PSE&G Solar Programs**

The Board in its Order dated May 29, 2013, Docket No. EO12080726, approved PSE&G's Solar Loan III Program, an extension of its previous solar loan program, by which PSE&G provides loans to borrowers for solar photovoltaic systems that can be repaid using SRECs or cash. The total size of the program is 97.5 MW. PSE&G has completed four (4) solicitations under the program and plans to conduct additional solicitations every other month or six times a year. However, PSE&G reserves the right to alter the schedule based on market conditions, administrative workload and other factors. A copy of the Board Order can be found here:

<http://www.njcleanenergy.com/files/file/Utilities/5-29-13-2W.pdf>

The Board in its Order dated May 29, 2013, Docket No. EO12080721, approved PSE&G's Solar 4 All Extension program. Under this program, PSE&G will invest

approximately \$247.2 million in 45 MW of solar projects. A copy of the Board Order can be found here:

<http://www.njcleanenergy.com/files/file/Utilities/5-29-13-2V.pdf>

### **K.3.c. The EDCs' SREC Auctions**

The Board in its Order dated August 7, 2008, Docket No. EO06100744, ordered that the EDCs resell SRECs procured under their solar programs through an auction process. A copy of the Board Order can be found here:

<http://www.state.nj.us/bpu/pdf/boardorders/7-30-08-8E.pdf>

Auctions are open to all SREC market participants, including SREC traders, aggregators, as well as BGS Suppliers and third party suppliers. More information and relevant documents related to the SREC auction can be found here:

<http://www.solarREC-auction.com>

## L. CALENDAR

The following calendar includes regulatory milestones and a tentative auction timeline. Please check the BGS Auction web site for an up-to-date timeline on the “calendar” tab:

<http://www.bgs-auction.com/bgs.calendar.asp>.

**Table L-1. Calendar**

Activity or Decision Point	Timing
<b>July 2014</b>	
EDC proposal filed	Tuesday, July 01, 2014
Discovery request deadline	Tuesday, July 22, 2014
<b>August 2014</b>	
Discovery response deadline	Tuesday, August 05, 2014
First FAQ posting	Tuesday, August 12, 2014
Release of preliminary FP pricing spreadsheet	Tuesday, August 19, 2014
<b>September 2014</b>	
Deadline for Initial Comments on all proposals	Wednesday, September 03, 2014
Posting of Alternate Guaranty Process	Tuesday, September 09, 2014
Comment Process for Letters of Credit	Tuesday, September 09, 2014
Legislative-type Board hearing	Monday, September 29, 2014
Information Session (Philadelphia)	Friday, September 26, 2014
Public Hearings	September 2014
<b>October 2014</b>	
Deadline for Final Comments	Tuesday, October 07, 2014
Final Part 1 Application Form is posted	Thursday, October 09, 2014
Draft Part 2 Application Form is posted	Thursday, October 09, 2014
Deadline to submit alternate form of guaranty	Tuesday, October 21, 2014
Deadline to propose modifications to the standard form of the Pre-Auction and Post-Auction Letters of Credit	Tuesday, October 21, 2014
Deadline for supplemental comments on PJM capacity proposal	Wednesday, October 22, 2014

Activity or Decision Point	Timing
Auction Manager informs a proposing party that had previously secured approval for its alternate form of guaranty whether the approval is renewed	Thursday, October 23, 2014
Deadline to submit alternate form of guaranty and supporting documentation for parties whose approval of a previously accepted alternate form of guaranty is not renewed	Friday, October 24, 2014
Deadline for reply comments on PJM capacity proposal	Wednesday, October 29, 2014
Auction Manager informs parties proposing alternate form of guaranty of status of submission	Wednesday, October 29, 2014
Auction Manager responds to parties proposing modifications to the Pre-Auction and Post-Auction Letters of Credit	Thursday, October 30, 2014
Deadline to submit required modifications or revisions to the alternate form of guaranty or supporting documentation	Friday, October 31, 2014
<b>November 2014</b>	
All modifications to the standard form of the Pre-Auction and Post-Auction Letters of Credit that are acceptable on an optional basis are posted	Monday, November 03, 2014
Auction Manager informs parties proposing alternate forms of guaranty of the EDCs' decision	Tuesday, November 04, 2014
Board decision on BGS proposals	Friday, November 21, 2014
<b>December 2014</b>	
Statewide min and max starting prices announced	Tuesday, December 02, 2014
Load caps announced	Tuesday, December 02, 2014
Tranche sizes announced	Tuesday, December 02, 2014
Final Part 2 Application Form is posted	Wednesday, December 03, 2014
Information Session (Philadelphia)	Friday, December 05, 2014
Deadline to submit Part 1 Application at NOON	Tuesday, December 16, 2014
Part 1 Applications are reviewed	December 16 – 19, 2014
Applicants are notified of Part 1 Application results	Friday, December 19, 2014
<b>January 2015</b>	
Transmission rates announced	Tuesday, January 06, 2015

Activity or Decision Point	Timing
Final rate spreadsheets are posted	Monday, January 12, 2015
Final seasonal factors announced	Monday, January 12, 2015
Deadline to submit Part 2 Application at NOON	Wednesday, January 14, 2015
Part 2 Applications are reviewed	January 14 – 22, 2015
Applicants are notified of Part 2 Application results	Thursday, January 22, 2015
Mark-to-market information release	Tuesday, January 27, 2015
Auction Manager informs Registered Bidders of changes to decrement formulas or ranges of total excess supply (if necessary)	Tuesday, January 27, 2015
Tranche Fee is announced	Tuesday, January 27, 2015
Information Session for Registered Bidders (Philadelphia)	Tuesday, January 27, 2015
Trial auctions for Registered Bidders	Thursday, January 29, 2015
<b>February 2015</b>	
Auction Manager informs Bidders registered in BGS-CIEP Auction of starting prices	Tuesday, February 03, 2015
Auction Manager informs Bidders registered in BGS-FP Auction <sup>1</sup> of starting prices	Wednesday, February 04, 2015
<b>BGS-CIEP Auction starts</b>	<b>Friday, February 06, 2015</b>
<b>BGS-FP Auction starts</b>	<b>Monday, February 09, 2015</b>
Board decision on Auction results	Within 2 business days of close of the BGS-FP Auction or BGS-CIEP Auction, whichever comes later
Winning suppliers execute BGS Supplier Master Agreements	Within 3 business days of Board decision
Documents provided to Bidders by Auction Manager containing confidential information must be destroyed	Within 5 business days of Board decision
BGS-FP rates filed with Board	March 2015
Power Flows	Monday, June 01, 2015

<sup>1</sup> In this section, “Basic Generation Service Fixed-Price or BGS-FP” has the same meaning and is entirely interchangeable with “Basic Generation Service Residential Small Commercial Pricing or BGS-RSCP”.

## M. CONTACT US

### *Mail*

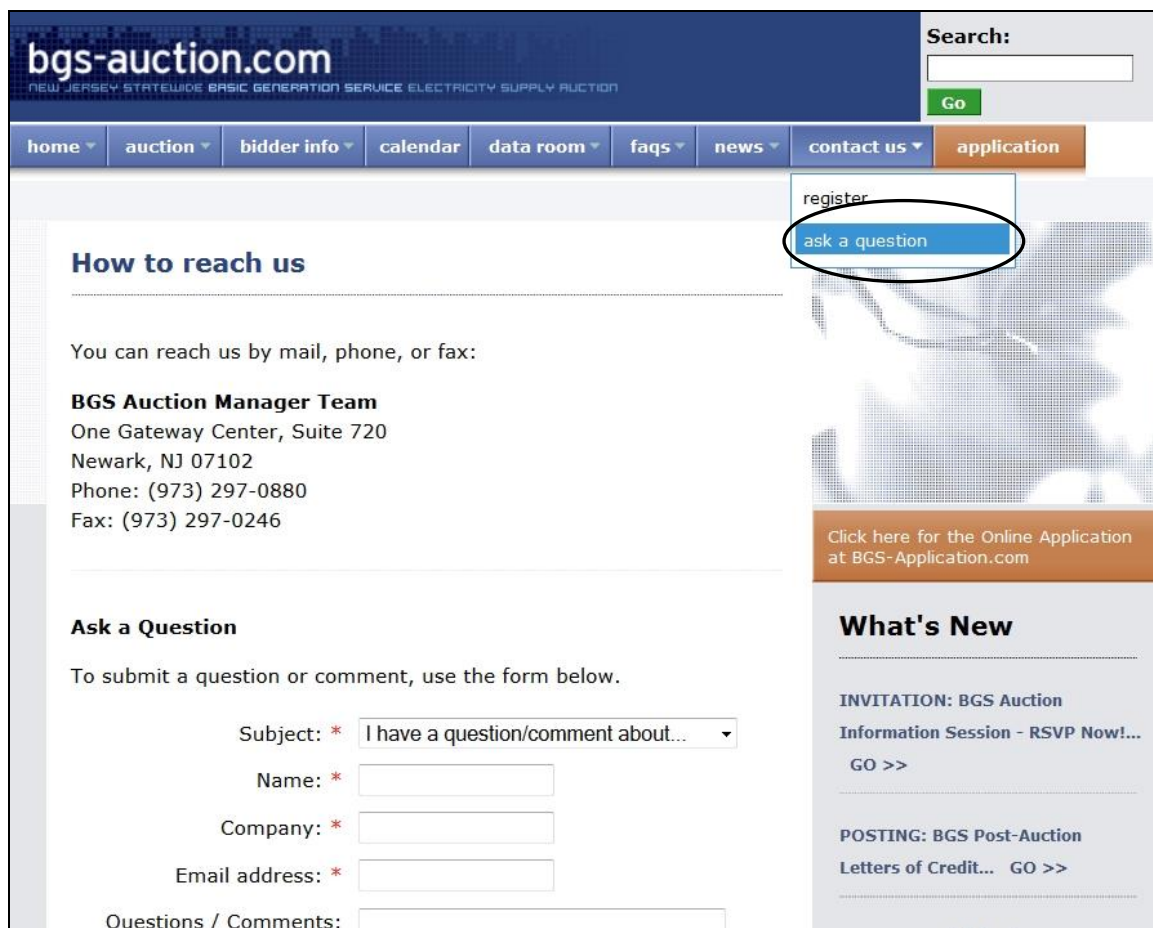
BGS Auction Manager Team  
One Gateway Center, Suite 720  
Newark, NJ 07102

### *Phone and Fax*

(973) 297-0880 (phone)  
(973) 297-0246 (fax)

### *Web site*

For all questions related to the BGS Auctions, including rules, contract issues, and data, you can go to the BGS Auction web site (<http://www.bgs-auction.com>) and click on the “contact us” tab and select “ask a question” on the menu (<http://www.bgs-auction.com/bgs.contactus.asp>).



The screenshot shows the BGS Auction website interface. At the top, there is a navigation bar with tabs: home, auction, bidder info, calendar, data room, faqs, news, contact us, and application. The 'contact us' tab is selected, and a dropdown menu is visible with options 'register' and 'ask a question'. The 'ask a question' option is highlighted with a red circle. Below the navigation bar, the main content area is titled 'How to reach us' and provides contact information for the BGS Auction Manager Team. To the right, there is a search bar and a 'Go' button. Below the search bar, there is a link to the online application. The 'ask a question' form is located at the bottom of the page, with fields for Subject, Name, Company, Email address, and a text area for Questions / Comments.

**bgs-auction.com**  
NEW JERSEY STATEWIDE BASIC GENERATION SERVICE ELECTRICITY SUPPLY AUCTION

Search:

home ▾ auction ▾ bidder info ▾ calendar ▾ data room ▾ faqs ▾ news ▾ **contact us ▾** application

register  
**ask a question**

### How to reach us

You can reach us by mail, phone, or fax:

**BGS Auction Manager Team**  
One Gateway Center, Suite 720  
Newark, NJ 07102  
Phone: (973) 297-0880  
Fax: (973) 297-0246

Click here for the Online Application at BGS-Application.com

### What's New

**INVITATION: BGS Auction**  
Information Session - RSVP Now!...  
[GO >>](#)

**POSTING: BGS Post-Auction**  
Letters of Credit... [GO >>](#)

### Ask a Question

To submit a question or comment, use the form below.

Subject: \*  ▾

Name: \*

Company: \*

Email address: \*

Questions / Comments:

You can use the pull-down menu to ask a question on a particular topic. You will be asked to enter your name, company information and email address.

**Ask a Question**

To submit a question or comment, use the form below.

Subject: \*

Name: \*

Company: \*

Email address: \*

Questions / Comments:

**THE Audians**

Type the text

[Privacy & Terms](#)

Once you fill out the information, you will be asked to enter the two words that appear in the reCAPTCHA™ box as shown above, before you click on the “submit” button to send your question. For instance, in the image above, you will be required to enter “THE Audians” in the reCAPTCHA™ box before submitting your question. If you need to start again, just click on the “reset” button.

### Ask a Question

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Thank you! Your message has been received. We will respond to you shortly.

Click [HERE](#) to return to the home page or click [HERE](#) to ask another question.

Once you have clicked on the “submit” button, you will see the confirmation page as shown above. If you would like to submit another question, please click on the second “HERE” button on this page.