

Mark-to-Market for BGS-FP Contracts

MtM Exposure Amount Calculation Information Update:

Table 1 contains the illustrative marks¹ for each month of the BGS-FP auction period. Monthly marks are provided for June 2012 through May 2015. These marks, as updated, will apply to the BGS-FP 36-month product. For the months where broker quotes are available, individual month, two-month blocks² or quarterly blocks² broker quotes will be used to update the marks for those months. For all the remaining months, the EDCs will use a proprietary method that reflects forward market conditions to update the marks.

The method described above will be employed from January 23, 2012 through February 1, 2012. From February 2, 2012 through the day of the close of the BGS-FP Auction, only the months for which a monthly, a two-month block or a quarterly block quote is available will be updated. The mark for each Billing Month is the mark that was calculated on the date that the BGS-FP Auction closes and will not change over the life of the contract. After the close of the BGS-FP Auction, Forward Market Prices will change. In addition, the on-peak and off-peak loads used to calculate the MtM Exposure Amount will be adjusted monthly to reflect the most current information.

Forward Market Prices for the months, two-month blocks or quarterly blocks where at least two broker quotes are available will be equal to the broker quotes. In case quotes for a component of a block and for the block are both available, the EDCs reserve the right not to use both the component of a block and the block if they are inconsistent with each other. However, when this inconsistency occurs the EDC must use either the component or the block. Forward Market Prices for the months, two-month blocks or quarterly blocks where broker quotes are unavailable will be equal to the last available broker quotes or in case they have not been quoted on the broker sheets since the BGS-FP Auction closed, they will be equal to the marks set at the close of the BGS-FP Auction.

Over the course of the contract, the Forward Market Prices will be compared to the marks set on the day that the auction closes to determine the Mark-to-Market exposure. The marks set on the day that the Auction closes will be used as shown in Appendix B to the BGS-FP Supplier Master Agreement (available to be downloaded at <http://www.bgs-auction.com/bgs.bidinfo.cc.asp>). An illustration for what the initial marks would have been if the auction had ended on January 13, 2012 can be seen in Table 1.

¹ Illustrative marks represent PJM Western Hub on-peak prices.

² For two-month and quarterly blocks for which the average for the block and a component of the block are both quoted, the component will be equal to its quoted price and the other months in the block will be constructed so that the weighted average (weighted by on-peak hours in each month) of the block equals the quote for the block; e.g., Q4 2012 = \$50 and Oct 2012 = \$40; therefore, Oct 2012 = \$40 and Nov-Dec 2012 = \$55.61 ($\$50 \times (368 + 336 + 320) - \$40 \times 368 / (336 + 320) = \55.61). If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2013 = \$35, then Jan 2013 = \$35 and Feb 2013 = \$35.

As indicated in Appendix B, on the day the auction closes parameters will also be set for:

- The monthly on-peak load per tranche for each EDC (see Table 2)
- The monthly off-peak load per tranche for each EDC (see Table 2)
- The ratio between historical off-peak and on-peak energy prices (see Table 3)

The values posted in Table 2 and Table 3 are those that the EDCs intend to use for Appendix B when signing the contract. The EDCs do not anticipate any changes to Table 2 or Table 3 between now and the day of the Auction close.

Illustrative Marks for January 13, 2012

TABLE 1	
Illustrative Initial Marks (\$/MWh)	
Jun 2012	41.23
Jul 2012	48.00
Aug 2012	48.00
Sep 2012	39.17
Oct 2012	37.52
Nov 2012	37.77
Dec 2012	38.75
Jan 2013	43.67
Feb 2013	43.67
Mar 2013	39.58
Apr 2013	39.58
May 2013	39.80
Jun 2013	44.71
Jul 2013	51.73
Aug 2013	51.73
Sep 2013	41.51
Oct 2013	40.02
Nov 2013	40.02
Dec 2013	40.02
Jan 2014	46.64
Feb 2014	46.64
Mar 2014	42.27
Apr 2014	42.27
May 2014	42.50
Jun 2014	47.75
Jul 2014	55.24
Aug 2014	55.24
Sep 2014	44.33
Oct 2014	42.74
Nov 2014	42.74
Dec 2014	42.74
Jan 2015	49.20
Feb 2015	49.20
Mar 2015	44.59
Apr 2015	44.59
May 2015	44.83

Monthly Loads per Tranche

The monthly on-peak and off-peak loads per tranche are used when calculating the MtM. These loads are based on historical numbers and are subject to change by the EDCs.

TABLE 2								
Monthly Volumes (MWh)								
	PSE&G		JCP&L		ACE		RECO	
	On-peak	Off-peak	On-peak	Off-peak	On-peak	Off-peak	On-peak	Off-peak
Jun 2012	13,520	10,622	11,540	10,526	13,677	10,971	13,296	9,009
Jul 2012	16,187	14,752	14,581	13,903	18,057	16,515	15,565	12,428
Aug 2012	14,827	11,449	16,290	11,669	15,668	12,639	13,344	9,116
Sep 2012	10,618	11,291	10,590	11,223	9,729	10,824	9,270	9,331
Oct 2012	10,766	8,300	11,159	8,694	8,322	7,390	11,019	8,138
Nov 2012	9,577	9,494	10,832	10,017	9,285	9,494	9,533	8,166
Dec 2012	11,013	11,799	12,129	13,198	11,366	13,550	10,599	10,630
Jan 2013	11,542	11,484	14,066	12,703	12,204	12,318	11,236	9,483
Feb 2013	9,942	9,819	12,409	11,521	9,906	9,532	9,512	7,865
Mar 2013	10,261	9,772	12,769	11,666	8,950	9,708	9,318	8,455
Apr 2013	10,171	8,218	12,737	10,159	8,556	7,641	9,136	7,140
May 2013	10,940	9,369	13,082	10,718	9,313	8,960	10,550	8,612
Jun 2013	12,876	11,064	14,676	14,559	13,025	11,428	12,663	9,384
Jul 2013	16,958	14,173	19,789	16,300	18,917	15,868	16,306	11,941
Aug 2013	14,182	11,936	19,425	15,026	14,986	13,177	12,764	9,504
Sep 2013	11,177	10,857	13,851	12,848	10,241	10,407	9,758	8,972
Oct 2013	10,766	8,300	13,439	10,282	8,322	7,390	11,019	8,138
Nov 2013	9,099	9,873	11,993	12,083	8,843	9,890	9,079	8,507
Dec 2013	11,563	11,353	14,467	14,192	11,934	13,038	11,129	10,229
Jan 2014	11,542	11,484	15,698	14,124	12,204	12,318	11,236	9,483
Feb 2014	9,942	9,819	13,490	12,502	9,906	9,532	9,512	7,865
Mar 2014	10,261	9,772	13,494	12,348	8,950	9,708	9,318	8,455
Apr 2014	10,171	8,218	13,133	10,418	8,556	7,641	9,136	7,140
May 2014	10,443	9,751	12,948	11,862	8,889	9,326	10,070	8,964
Jun 2014	13,520	10,622	16,085	14,284	13,677	10,971	13,296	9,009
Jul 2014	16,958	14,173	20,486	16,856	18,917	15,868	16,306	11,941
Aug 2014	13,537	12,423	19,273	16,200	14,305	13,714	12,184	9,892
Sep 2014	11,736	10,423	14,840	12,544	10,753	9,991	10,246	8,613
Oct 2014	10,766	8,300	13,741	10,518	8,322	7,390	11,019	8,138
Nov 2014	8,620	10,253	11,595	12,961	8,401	10,285	8,625	8,847
Dec 2014	12,114	10,908	15,382	13,776	12,502	12,527	11,659	9,828
Jan 2015	10,992	11,935	15,205	14,974	11,650	12,821	10,725	9,871
Feb 2015	9,942	9,819	13,734	12,547	9,906	9,532	9,512	7,865
Mar 2015	10,749	9,388	14,220	11,868	9,376	9,327	9,762	8,123
Apr 2015	10,171	8,218	13,277	10,449	8,556	7,641	9,136	7,140
May 2015	9,946	10,134	12,404	12,541	8,466	9,692	9,591	9,315

Ratio of Off-Peak to On-Peak Prices

The monthly ratios of off-peak to on-peak prices in the PJM Western Hub are used in calculating the MtM.

TABLE 3	
PJM Western Hub Ratio of Off-Peak to On-Peak Prices	
January	0.8886
February	0.8732
March	0.7952
April	0.7268
May	0.6756
June	0.6161
July	0.5940
August	0.6311
September	0.6905
October	0.7647
November	0.7683
December	0.7780