

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 2010 through May 2013. These marks, as updated, will apply to the BGS-FP 36-month product. For the months, two-month blocks² or quarterly blocks² where broker quotes are available, 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 update method described above will be employed from January 22, 2010 through February 4, 2010. From February 5, 2010 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 22, 2010 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 2010 = \$50 and Oct 2010 = \$40; therefore, Oct 2010 = \$40 and Nov-Dec 2010 = \$54.77 ($\$50 \cdot (336+336+368) - \$40 \cdot 336 / (336+368) = \54.77). If only the block is quoted, that price will be used for all relevant months; e.g., Jan/Feb 2011 = \$35, then Jan 2011 = \$35 and Feb 2011 = \$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 22, 2010

TABLE 1	
Illustrative Initial Marks (\$/MWh)	
Jun 2010	58.10
Jul 2010	70.67
Aug 2010	70.67
Sep 2010	55.54
Oct 2010	53.05
Nov 2010	53.50
Dec 2010	54.50
Jan 2011	64.18
Feb 2011	64.18
Mar 2011	59.56
Apr 2011	53.90
May 2011	52.98
Jun 2011	59.51
Jul 2011	72.70
Aug 2011	72.70
Sep 2011	55.39
Oct 2011	53.79
Nov 2011	53.79
Dec 2011	53.79
Jan 2012	63.09
Feb 2012	63.09
Mar 2012	56.22
Apr 2012	56.22
May 2012	52.53
Jun 2012	58.42
Jul 2012	71.44
Aug 2012	71.44
Sep 2012	54.50
Oct 2012	58.79
Nov 2012	58.79
Dec 2012	58.79
Jan 2013	64.44
Feb 2013	64.44
Mar 2013	57.42
Apr 2013	57.42
May 2013	53.66

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 2010	15,299	11,871	17,750	14,673	15,199	12,429	14,728	10,894
Jul 2010	16,988	14,959	19,266	19,619	19,603	15,673	15,703	12,991
Aug 2010	19,895	16,040	25,284	19,175	22,311	19,313	18,697	13,776
Sep 2010	13,921	11,770	15,928	14,388	12,584	11,669	12,413	10,028
Oct 2010	12,756	11,640	14,276	15,244	10,558	10,393	10,654	9,560
Nov 2010	12,633	12,475	15,914	15,188	13,728	14,330	12,635	10,898
Dec 2010	14,387	14,040	19,332	16,432	16,881	15,821	14,795	11,494
Jan 2011	14,235	15,590	18,652	19,515	16,356	18,075	13,489	12,693
Feb 2011	12,692	12,381	16,204	15,203	14,220	13,458	11,997	10,152
Mar 2011	14,818	12,009	18,204	14,048	15,003	12,977	12,900	9,856
Apr 2011	12,718	11,148	15,106	13,718	12,271	11,124	11,505	9,781
May 2011	12,762	12,110	14,941	15,374	11,755	13,171	12,144	10,969
Jun 2011	15,299	11,871	17,750	14,673	15,199	12,429	14,728	10,894
Jul 2011	16,179	15,545	18,349	20,388	17,821	16,340	14,956	13,500
Aug 2011	20,799	15,385	26,433	18,392	23,325	18,556	19,547	13,214
Sep 2011	13,921	11,770	15,928	14,388	12,584	11,669	12,413	10,028
Oct 2011	12,756	11,640	14,276	15,244	10,558	10,817	10,654	9,560
Nov 2011	12,633	12,475	15,914	15,188	13,728	13,756	12,635	10,898
Dec 2011	14,387	14,040	17,651	17,830	16,147	15,175	13,509	12,472
Jan 2012	14,235	15,590	18,652	19,515	17,135	17,393	14,132	12,195
Feb 2012	13,361	12,650	17,014	15,549	14,931	13,458	12,597	10,383
Mar 2012	14,174	12,521	17,413	14,646	14,350	12,977	12,339	10,275
Apr 2012	12,718	11,148	15,106	13,718	12,271	11,607	11,505	9,781
May 2012	13,370	11,635	15,653	14,771	12,315	12,674	12,722	10,539
Jun 2012	14,603	12,387	16,943	15,311	14,508	12,429	14,059	11,368
Jul 2012	16,988	14,959	19,266	19,619	18,712	17,673	15,703	12,991
Aug 2012	20,799	15,385	26,433	18,392	23,325	17,799	19,547	13,214
Sep 2012	12,595	12,751	14,411	15,587	11,386	11,669	11,231	10,863
Oct 2012	13,971	10,727	15,636	14,048	11,564	10,817	11,669	8,810
Nov 2012	12,633	12,475	15,914	15,188	13,728	13,756	12,635	10,898
Dec 2012	13,702	14,590	16,810	18,530	14,679	15,821	12,865	12,961
Jan 2013	14,947	15,001	19,540	18,749	17,135	16,711	14,774	11,697
Feb 2013	12,692	12,381	16,204	15,203	14,220	13,763	11,997	10,152
Mar 2013	13,530	13,066	16,621	15,244	13,698	13,530	11,778	10,695
Apr 2013	13,324	10,683	15,825	13,146	12,855	11,607	12,053	9,374
May 2013	13,370	11,635	15,653	14,771	12,315	12,177	13,300	10,109

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	0.7767
February	0.7997
March	0.7395
April	0.6410
May	0.5696
June	0.5537
July	0.5231
August	0.5530
September	0.6526
October	0.6256
November	0.6453
December	0.7273