

Service Agreement No. []

(Project Identifier # _____)

CONSTRUCTION SERVICE AGREEMENT

By and Among

PJM Interconnection, L.L.C.

And

[Name of Project Developer, Eligible Customer, or Affected System Customer]

And

[Name of Transmission Owner]

This Construction Service Agreement, including the Appendices attached hereto and incorporated herein (collectively, “CSA”) is made and entered into as of the Effective Date (as defined in the attached Appendix III) by and among PJM Interconnection, L.L.C. (“Transmission Provider” or “PJM”), _____ (“Developer Party” [OPTIONAL: or “[short name]”]) and _____ (“Transmission Owner” [OPTIONAL: or “[short name]”]). Transmission Provider, Developer Party, and Transmission Owner are referred to herein individually as “Party” and collectively as “the Parties.” Developer Party is a {instruction: select Project Developer, Eligible Customer or Affected System Customer} as defined in the GIP. [Use as/when applicable: Developer Party and Transmission Owner constitute a Vertically Integrated Utility subject to the Vertically Integrated Utility provisions in this CSA.] For purposes of this CSA, the terms “Generation Interconnection Procedures” or “GIP” will refer to the interconnection procedures set forth in {Instructions: use Tariff, Part VII if this is a transition period agreement, or use Tariff, Part VIII if this is a post-transition period agreement}.

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Article 2 – Responsibility for Network Upgrades

2.0 Developer Party Financial Responsibilities.

Developer Party shall pay all Costs for the design, engineering, procurement and construction of the Network Upgrades identified in this CSA, Appendix I. An estimate of such Costs is provided in this CSA, Appendix I.

2.1 Obligation to Provide Security.

Unless Security is provided pursuant to a Generation Interconnection Agreement, Developer Party shall provide Security to collateralize Developer Party’s obligation to pay the Costs incurred by Transmission Owner to construct the Network Upgrades identified in this CSA, Appendix I, less any Costs already paid by Developer Party, in accordance with the GIP. Developer Party shall deliver such Security to Transmission Provider prior to the Effective Date

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of this CSA, as described in this CSA, Appendix III. Unless otherwise specified by Transmission Provider, such Security shall take the form of a letter of credit, in the amount of \$_____ naming Transmission Provider and Transmission Owner as beneficiaries. Notwithstanding the foregoing, Developer Party shall be exempt from providing Security under this CSA where Developer Party and Transmission Owner are the same Vertically Integrated Utility. If at any time Developer Party and Transmission Owner no longer constitute the same Vertically Integrated Utility, Developer Party shall be required to provide Security at the earlier of any Tariff prescribed deadline, or at least thirty (30) Business Days prior to the effective date of the change in status of the Vertically Integrated Utility. Exempting Developer Party from any Security obligation under this CSA does not relieve Developer Party from cost responsibility for any Network Upgrade(s) under this CSA.

2.2 Failure to Provide Security.

If Developer Party fails to provide Security in the amount, in the time or in the form required by section 2.1 above, then this CSA shall terminate immediately and Developer Party's Completed Application or Interconnection Request shall be deemed terminated and withdrawn.

2.3 Costs.

In accordance with the GIP, Developer Party shall pay for the Network Upgrades identified in Appendix I to this CSA based upon the Costs of the Network Upgrades described in Appendix I. Developer Party's obligation to pay the Costs for the Network Upgrades identified in this CSA, Appendix I, whether greater or lesser than the amount of the Security specified in section 2.1 above, will continue regardless of whether Developer Party takes Transmission Service pursuant to the terms of the Transmission Service Agreement as defined in this CSA, section 3.0, if applicable.

2.4 Transmission Owner Responsibilities.

If Developer Party satisfies all requirements of this Article 2 and applicable requirements set forth in the PJM Tariff, Transmission Owner shall use Reasonable Efforts to construct or cause to be constructed the Network Upgrades, identified in this CSA, Appendix I, on its transmission system. Transmission Owner shall own the Network Upgrades it has, or has arranged to have, constructed and shall have ongoing responsibility to maintain such Network Upgrades consistent with the Operating Agreement and the Transmission Owner's Agreement.

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22 Vertically Integrated Utilities

The following provisions shall apply where the Developer Party and Transmission Owner under this CSA constitute a Vertically Integrated Utility.

22.1 Default:

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If Developer Party defaults under this CSA, PJM retains its right under the Operating Agreement, section 14B.4(d) to set off any amount owed by Developer Party under this CSA and the Tariff against any amounts owed to Transmission Owner as a Member under the Operating Agreement. Similarly, if Developer Party defaults under this CSA, PJM may net remittances of Transmission Owner, against any amounts owed by Developer Party, under the Tariff.

For the avoidance of doubt, PJM's rights of setoff, recoupment, and netting, including in the event of bankruptcy, shall apply notwithstanding that the Vertically Integrated Utility is acting in different capacities under this CSA and PJM's governing documents. The Vertically Integrated Utility is recognized as a single legal entity for purposes of all such rights, and PJM may offset any amounts owed to the Vertically Integrated Utility (in any capacity) against any amounts owed by the Vertically Integrated Utility (in any capacity), including in any insolvency, receivership, or bankruptcy proceedings. If Developer Party defaults under this CSA and associated NUCRA, Transmission Owner agrees not to seek payment for any amounts due from Developer Party under this CSA or associated NUCRA from any non-defaulting Project Developers, Transmission Provider or any third party.

22.2 Common Use Network Upgrades:

To the extent this CSA includes Common Use Upgrades for which a Network Upgrade Cost Responsibility Agreement ("NUCRA") is required, PJM, Developer Party, and Transmission Owner agree that the following additional conditions apply:

1. If Developer Party defaults under this CSA, any non-defaulting Project Developer that is a party to any related NUCRA shall not be liable for any portion of defaulting Developer Party's cost responsibility under the applicable NUCRA;
2. Upon a default under any applicable NUCRA by Developer Party, no portion of defaulting Developer Party's unpaid cost responsibility for a Common Use Upgrade shall be reallocated to the non-defaulting Project Developers; and,
3. Transmission Owner and defaulting Developer Party agree to hold the non-defaulting Project Developers harmless from any cost responsibility that is allocated to defaulting Developer Party upon a default, under any applicable NUCRA.

While Transmission Owner agrees that it is a signatory for acknowledgment purposes of any NUCRA(s) associated with this CSA, exemption of Developer Party's otherwise applicable requirement to provide Security under this CSA specifically obligates Transmission Owner to incur cost responsibility for any Network Upgrade(s) under this CSA for which Developer Party defaults under the associated NUCRA(s).